



HINDALCO INDUSTRIES LIMITED

Chairman's Speech

At the

Sixty-fourth Annual General Meeting

Tuesday, August 22, 2023 – 3.00 pm

Dear Fellow Shareholders'

India is on the upswing. It is an economic resurgence story that shines bright in a global economic landscape that is riddled with uncertainties. Around the world, nations are witnessing the devastation that accompanies extreme climate events. There were hopes of a smooth end to the Russia-Ukraine war, but the conflict continues to impact global industry and trade. The US-China standoff continues to cloud the geopolitical scenario.

Against this backdrop, corporations that have been anchored by purpose have overwhelmingly created stakeholder value. Our firm belief in 'Leading with Purpose' and 'Growing with Responsibility' has been unwavering. The foundation of our Group rests on a rich legacy of trusteeship, which imagines corporations as institutions that drive collective prosperity.

In FY2022-23, we articulated our Group's long-held, implicit Purpose statement. At its heart is the commitment to enrich lives by building dynamic and responsible businesses and institutions that inspire trust.

Hindalco has been Enriching Lives through multiple routes. Your Company has added to the nation's economic strength through new alloys and innovative products that advance India's industrial vision. Your Company has taken several steps forward towards carbon neutrality, water conservation, waste neutrality and biodiversity protection, even as climate changes threatens to go out of control. And as always, Hindalco continues to work with communities to create sustainable livelihoods and support social upliftment. I am sure that you share

our pride in being ranked the most sustainable aluminium company in the world -- for the 3rd year in a row -- by the Dow Jones Sustainability Index rankings.

Let me now share my thoughts on the emerging macro-economic trends.

While the global economy contends with challenges posed by elevated interest rates and the ongoing Ukraine conflict, the global financial markets have managed to hold up reasonably well. This is evident from the diminishing stress levels seen in the banking sector in the US. While the overall manufacturing sector is experiencing a decline, sectors like capital goods have rebounded to above pre-pandemic levels. Furthermore, with the subsidies under the CHIPS act, and Inflation Reduction Act, in the medium to long term, economic activity is expected to be robust.

In the short-term, in CY23, the advanced economies are expected to experience softness in industrial production. Central banks led by the US Federal Reserve are focused on reducing core inflation and seem to be at the end of their rate-hiking phase, signaling cautious optimism for the global economy and financial markets. While Eurozone's economic growth is expected to decelerate sharply in CY23 due to inflation-led demand slowdown, the European markets are expected to recover in CY24. The Chinese economy's post pandemic recovery is softening due to the ongoing weakness in real estate, consumer goods, and weak external demand. On the other hand, regions like emerging Europe, the Middle East and Latin America are expected to experience an uptick in economic activity in 2024. Overall, the International Monetary Fund (IMF) projects global economic growth to decline from 3.5% in CY22 to 3% in CY23 and CY24. The only bright spot is

India which is likely to grow at 6.1% in CY23, driven by strong domestic demand, robust services sector activity and healthy public capex momentum.

The government-led push for infrastructure investments and pragmatic policies such as the production-linked incentives scheme, have led to a surge in private capex. As global corporations actively adopt the China+1 strategy, India is well-positioned to play a pivotal role in this story.

Here's how your Company is leveraging on its strengths to contribute to India's emergence as a manufacturing powerhouse.

Take green transportation. Indian Railways has the laudable goal of becoming Net Zero while concurrently doubling freight capacity. Hindalco is going all out to support the Railways' carbon goals. We have already commercialized India's first all-aluminium light weight rake which is not just enabling higher speed and more payload per trip but will save over 14,500 tonnes of CO2 over its lifetime. We plan to introduce three more designs of freight wagons in the coming months targeting specific end use applications including bagged cement, and foodgrains. We are even more excited to partner Indian railways and the passenger coach manufacturing ecosystem for the ambitious high speed Vande Bharat trains. An investment of Rs. 2,000 crore is planned for the project and technology tie-ups are in place to bring new extrusion and fabrication technologies to India.

There's another sector where Hindalco is helping to paint a greener picture. With the scaling up of EV manufacturing in India, Hindalco is working closely with OEMs to co-develop and manufacture critical components like battery enclosures, motor housings, busbars, structural and safety components, lightweight load

bodies, etc. using our engineered alloys and precision manufacturing facilities, many of which are being designed and developed for first time in India. Our projects for battery foils, coated aluminium fins, aerospace grade extrusions are also on track to make Hindalco an ideal partner for multiple industries to support their new product development and make in India initiatives.

It is no exaggeration to say that there is an unmistakable energy running through your Company, and it is reflected in the performance.

Let me now dive into your Company's performance in FY23.

In a year marked by heightened geopolitical and macroeconomic headwinds, your Company delivered a resilient performance, along with noteworthy achievements.

In FY23, Hindalco's consolidated revenue touched a record high of ₹2,23,202 crore, a 14% increase over the previous year, driven by a growth in value-added products across all businesses. Consolidated EBITDA declined by 20% year-on-year, impacted primarily by inflationary cost pressures. Our strategic focus on the downstream segment, on the other hand, helped delink our business from LME volatility. This resulted in a significant improvement in the contribution of the downstream segment to consolidated EBITDA, which rose from 59% in FY22 to 69% in FY23. This impressive growth underscores the robustness of Hindalco's integrated business model.

Let me talk about our business segments. Novelis delivered a solid performance in FY23 despite challenging headwinds. The company achieved record net sales of \$18.5 billion, an 8% increase over the previous year. Operating Cash Flow stood at a record \$1.2 billion, an increase of 12% year-on-year supported by diligent working capital management.

Coming to the Indian Aluminium Business, despite higher input costs and unfavourable macros the upstream aluminium business achieved strong EBITDA margins of 25%, positioning itself among the best globally. The India aluminium downstream business experienced its highest-ever EBITDA growth of 64% in FY23, backed by an enriched product mix.

Our Copper business delivered outstanding results, achieving an all-time high EBITDA of Rs. 2,253 crore, reflecting a 62 per cent YoY increase, driven by robust market demand, stable operations and higher value-added product sales. Our Copper business has emerged as a top-3 copper rod player globally (outside of China).

Specialty Alumina business also showcased remarkable growth. The business has set up a new legal entity in Japan to serve customers in Far East Asia as a local company; It has also commissioned a 33 TPH bio-mass based boiler and turbine at Belagavi, which caters to nearly half of the energy requirement of the unit, making Hindalco the only specialty alumina supplier in the world with such high usage of green energy. In short, the Specialty Alumina business has taken a quantum leap towards becoming a truly global supplier of green alumina.

Capital Allocation framework.

Since announcing our capital allocation plan in 2021, your Company has demonstrated financial prudence, allocating free cash flow to growth projects, deleveraging, and dividend distribution. As part of this strategy, Hindalco has embarked on a transformational growth phase at Novelis and India business with a total capital expenditure of \$4.63 billion for India and Novelis in projects that are under execution. Novelis has growth projects totaling \$3.5 billion underway in the US, South Korea, and Brazil to serve the increasing demand for sustainable aluminium products. Hindalco's India business has ongoing growth projects of around \$1.13 billion under execution which include high-growth downstream projects in e-mobility, packaging, building and construction, consumer durables, and resource securitization. Amid these ongoing organic expansions, we continue to deleverage, with consolidated Net Debt-to-EBITDA standing at well below 2 times at the end of financial year 2022-23.

Let me now come to the dividend recommendation.

For the fiscal year 2022-23, the Board of Directors has recommended a dividend of Rs. 3 per equity share. This is in line with our dividend policy and reflects the need to plough back capital into strategic growth projects for long-term value creation.

Let me touch on the Outlook for the period ahead.

FY24 has started on a positive note. Your Company recorded a consolidated Net Profit at Rs. 2,454 crores in the first quarter, reflecting a sequential improvement in performance. This was driven by recovery in Novelis and the India downstream business. Novelis reported a sequential improvement in quarterly Adjusted EBITDA and EBITDA per tonne, primarily reflecting the favourable product mix and record shipments of automotive aluminum. The Copper Business achieved

record metal sales and maintained its market share despite undergoing a planned shutdown.

Coming to ESG and climate action

Hindalco has relentlessly strived to build a greener tomorrow while also building responsible businesses that inspire trust and enrich society. Hindalco's commitment to reducing its ecological footprint and fostering sustainable growth has driven it to adopt pioneering strategies, cutting-edge technologies, and impactful initiatives.

I am delighted to announce that your Company is making an investment of Rs. 2,000 crores to establish the first of its kind Copper and E-waste recycling facility in India. This move addresses the mounting challenge posed by E-waste, recognized as the foremost waste stream on a global scale. The hazardous nature of E-waste is compounded by improper handling leading to a significant loss of valuable materials. At present, due to lack of advanced metal extraction and refining technologies domestically, a substantial volume of e-waste is exported to other nations. Bringing this cutting-edge technology to India marks a transformative step towards offering a tangible solution, aligned with your Company and our nation's circular economy agenda.

Let us now shift our focus to Novelis and its journey towards a more circular economy. In fiscal 2023, Novelis recycled 2.3 million tonnes of aluminium scrap and increased the recycled content in its products to 61% (up from 57% in FY22). This achievement firmly sets Novelis apart from its peers with a recycled content rate more than double its nearest competitor.

At Hindalco, 90% of our waste is being utilised across our sites in India. In fiscal 2023, we have utilised over 100 per cent of fly ash, and the bauxite residue from three of our four alumina refineries. Your Company has achieved SUP-free certifications at 14 Indian sites and is working towards water positivity in all mines by 2025.

Hindalco's renewable energy integration has increased by over 54% in FY23 and currently stands at 150 MW against our target of 300 MW by 2025. Initiatives like Novelis Net Zero Lab in Switzerland are crucial for reducing your Company's overall carbon footprint.

Our ESG driven strategies and initiatives aim to create long-term value while also making a positive impact on society. Through our initiatives in education, health, sustainable livelihood, infrastructure and other social causes, we have been able to touch 2 million lives. Our community spend for fiscal 2023, was Rs.136 crore.

Conclusion

Six decades ago, Hindalco embarked on a journey of nation-building, laying the foundation with the establishment of an aluminium plant in Renukoot, Uttar Pradesh. Today, by utilising indigenous resources to manufacture premium products that are sought after around the world, your Company is nurturing the local economy and contributing to nation building. As Hindalco advances from a manufacturer of metal to a provider of metal solutions and as our nation enters the next 25 years of *Amrit Kaal*, I am confident that Hindalco's commitment to innovation and transformative solutions will not only shape the trajectory of your Company but also contribute significantly to India's growth and global recognition as a manufacturing powerhouse.

On behalf of your Company's Board, I would like to extend my deep appreciation to the banks, financial institutions, stakeholders, business associates and the

state and Central Governments. Their support has been invaluable in driving your Company's growth. And to our shareholders, your unwavering support is deeply appreciated and drives us to excel further.

Kumar Mangalam Birla