

Hindalco Industries Ltd

Investor Presentation

FY11

May 9, 2011

Performance Highlights

Business Environment

Performance Review

FY11: Highlights...

Strong Production Performance:

- ❖ Record Aluminium Production at Renukoot
- ❖ Highest ever Copper output at Dahej

Financial closure for Utkal & Mahan achieved

- ❖ Long Tenor, Covenant light, Attractive pricing

❖ Novelis Refinancing to improve Overall capital structure

- ❖ USD 1.7 Bn remitted as return of capital to Hindalco

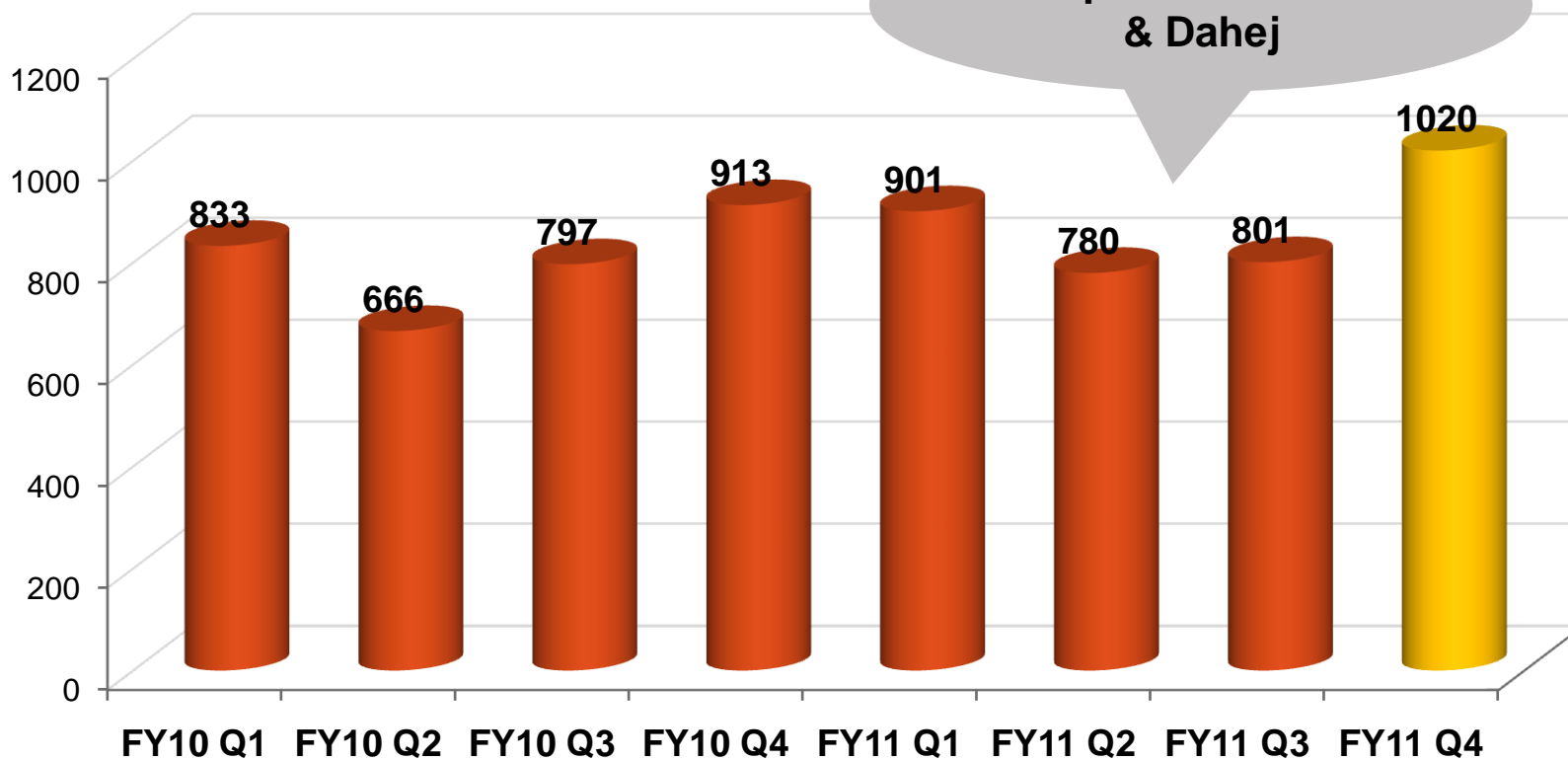
Highlights – Q4 FY11



- ❖ Quarterly turnover crossed \$1.5 bn for the first time ever
- ❖ Net profit up 54% sequentially as operations resumed normalcy
- ❖ 10-quarter high PBITDA despite severe cost pressures
- ❖ New precious metals refinery commissioned in Q4
- ❖ Highest-ever alumina production at Muri
- ❖ Financial closure for Mahan achieved amidst tight liquidity conditions
- ❖ Novelis refinancing enabled USD 650 Mn remittance to Hindalco after repayment of USD 1 bn SPV loan (recourse to Hindalco)

Q4: Strong PBITDA trend

(PBITDA, ₹ Cr)



Improvement despite tremendous cost pressures

Financial Performance (Standalone)

₹ Cr	FY10	FY11	Change (%)
Net Sales	19,522	23,859	22
PBITDA	3,210	3,502	9
PBT	2,265	2,595	15
PAT	1,916	2,137	12
EPS (₹)	10.8	11.2	3.2

₹ Cr	Q4 FY10	Q4 FY11	Change (%)
Net Sales	5,397	6,846	27
PBITDA	913	1020	12
PBT	674	787	17
PAT	664	708	7
EPS (₹)	3.5	3.7	6.6

Financing Highlights







Particulars	Mahan	Utkal
Project Cost (including financing cost) Rs Cr	10,500	7,009
Debt / Equity	0.75	0.70
Loan Size Rs Cr	7,875	4906
Arrangers	SBI/SBI Caps, Citi, Kotak & RBS	SBI/SBI Caps, IDBI & RBS
Tenor (Door to Door)	12.75 Yrs	12 Yrs.
Interest Rate	SBI base rate plus Margin	SBI base rate plus Margin
Date of Loan Agreement	30 th March, 2011	28 th July, 2010

Dec 2010 – Novelis Refinance – Returns Capital of \$ 1.7 Bn
– Hindalco's balance sheet deleveraged by USD 1 Bn
- USD 650 Mn available with Hindalco
Balance sheet strength to progress on ambitious projects

Business Environment



Key Business Drivers and Impact

Driver	Change (%) FY11 over FY10	Impact
Aluminium LME Average(\$/ton)	21	
Copper Tc/Rc (c/lb)	(26)	
Exchange Rate (₹/\$)	(4)	
Input costs		

FY11 – A Challenging Year

Global recovery continued ...
Weathering sovereign debt concerns and geopolitical threats ...
Amidst unprecedented policy support

Favourable LME

Intense cost pressures

Depressed TC/RC

Confluence of one-off disruptions

- Hirakud outage
- Dahej: Cooling tower failure

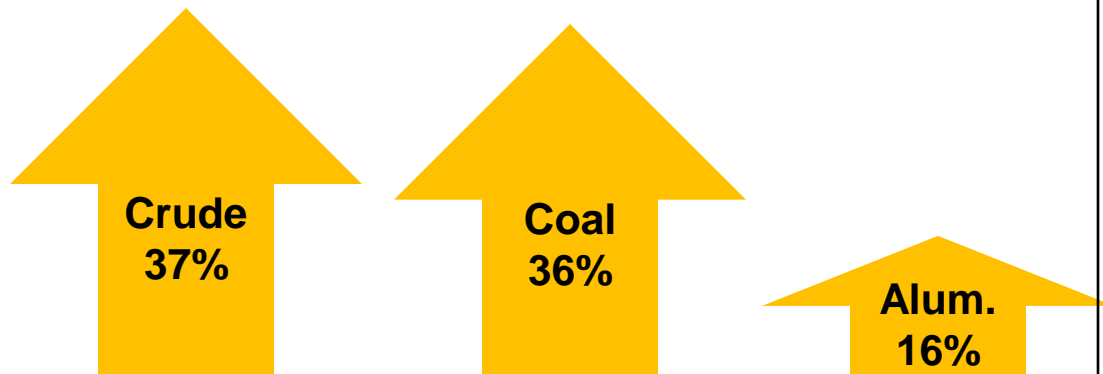
One-timers

- Kalwa restructuring

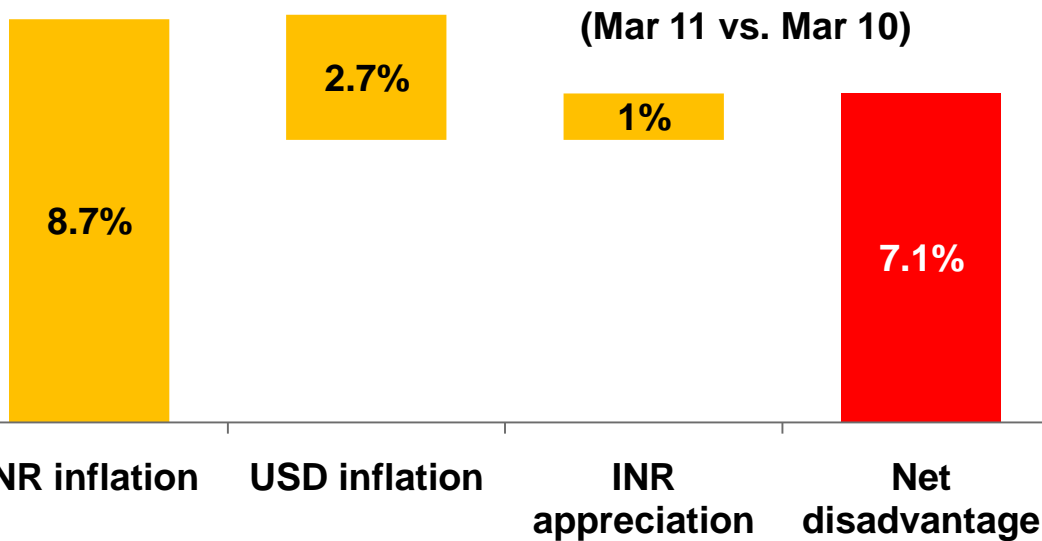
Incessant Cost Pressures

#1
Relative energy
inflation

Change in global benchmark prices (Q4 FY11 vs. year ago)



#2
Appreciation of rupee
in inflation-adjusted
terms

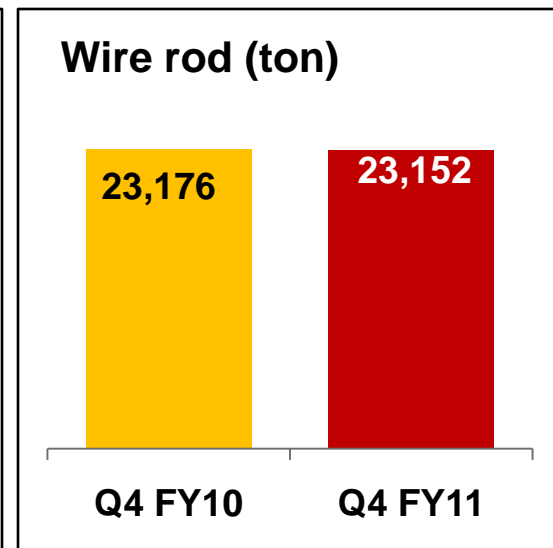
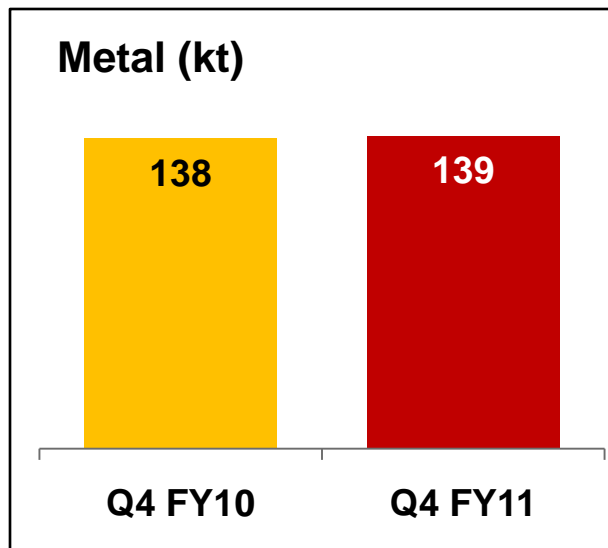
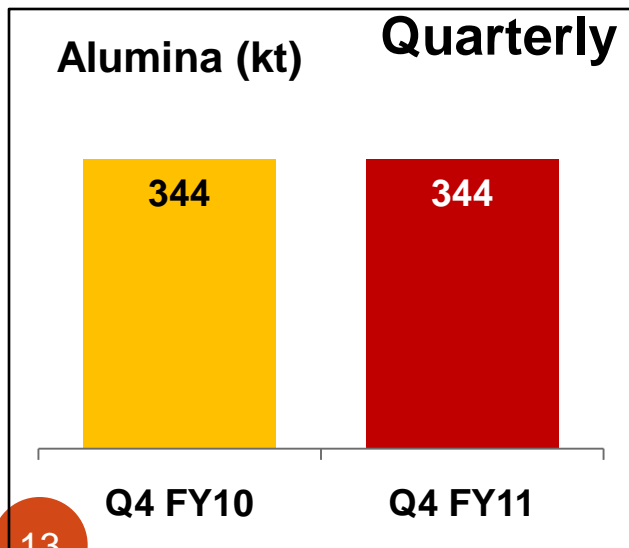
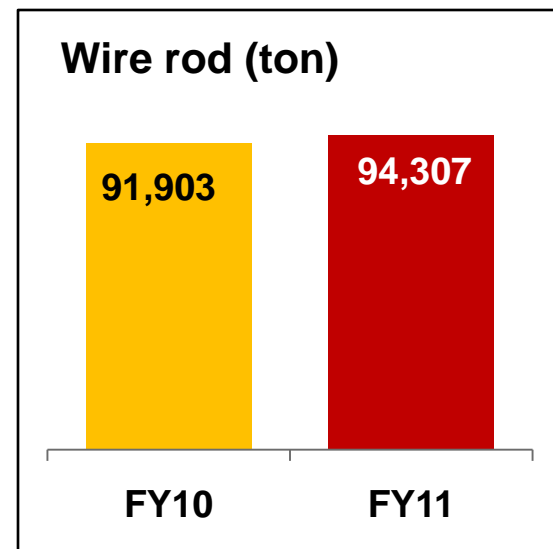
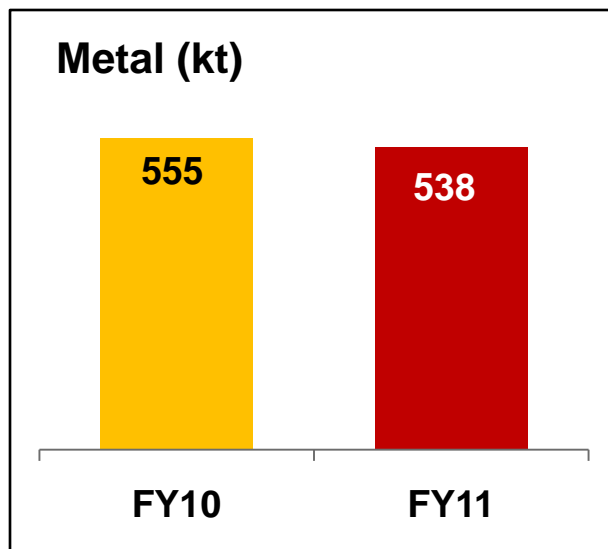
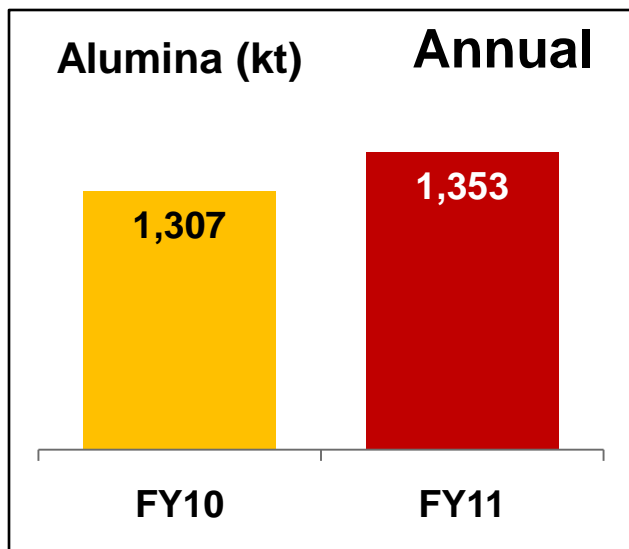


A significant part of Al metal cost is rupee-denominated

Performance Review

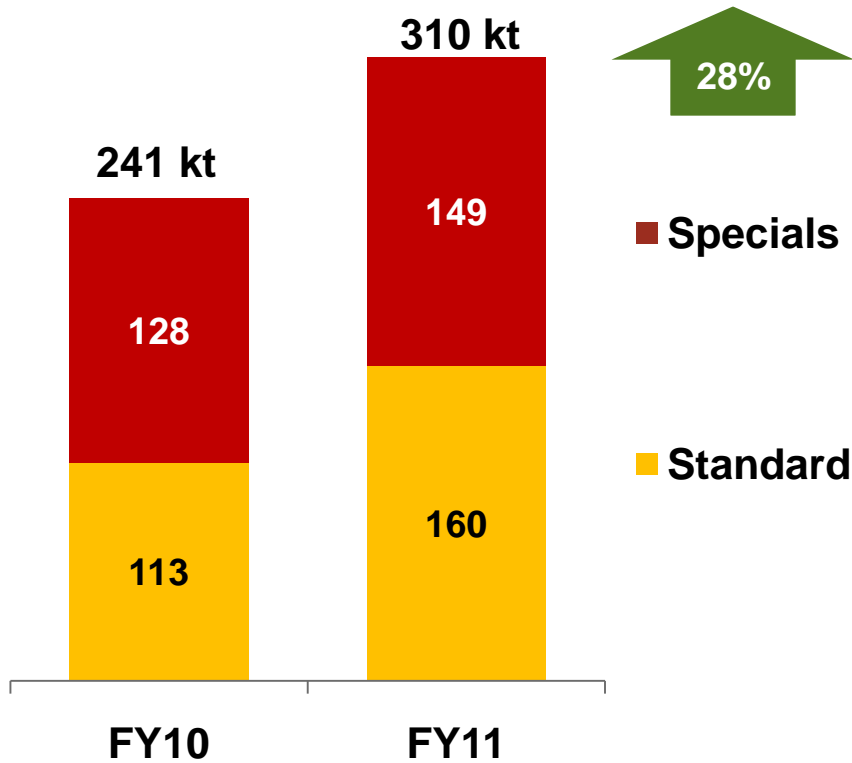


Al: Trend in production



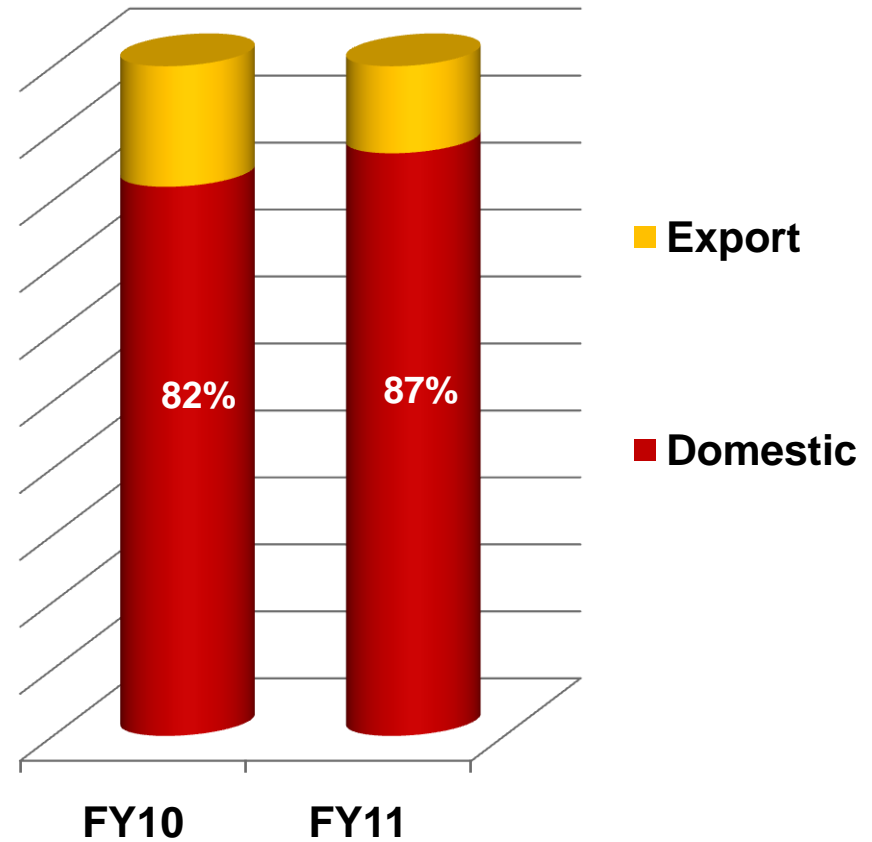
Aluminium: Enhancement of Profitability by improving Product-Mix

Jump in Hydrate / Alumina sales with focus on specials

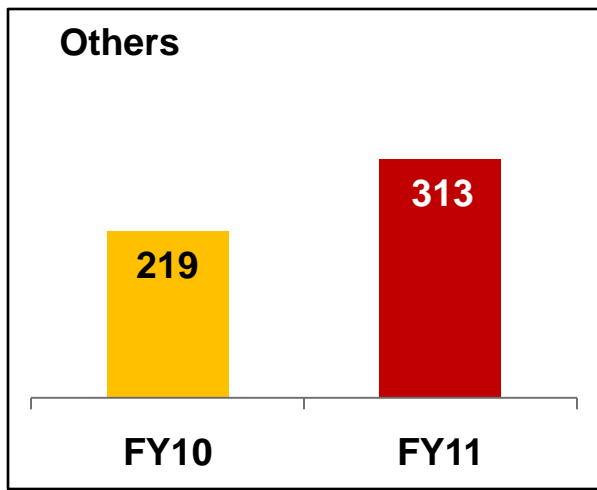
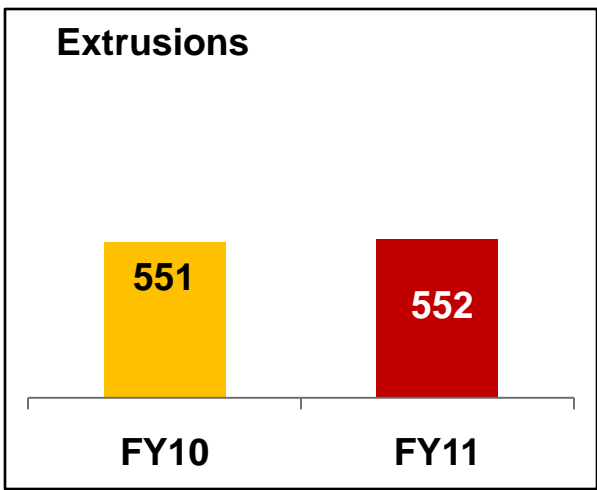
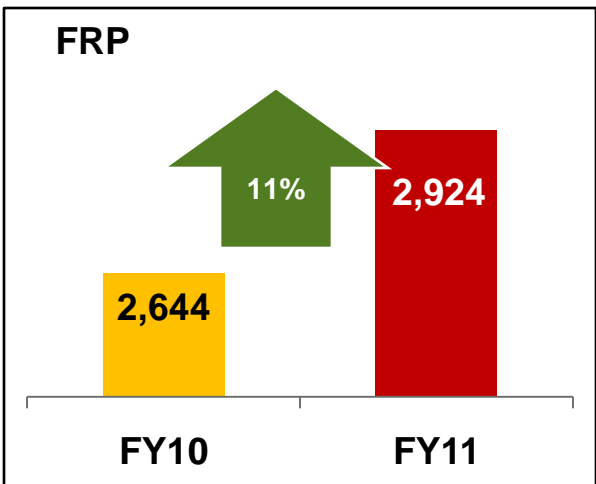
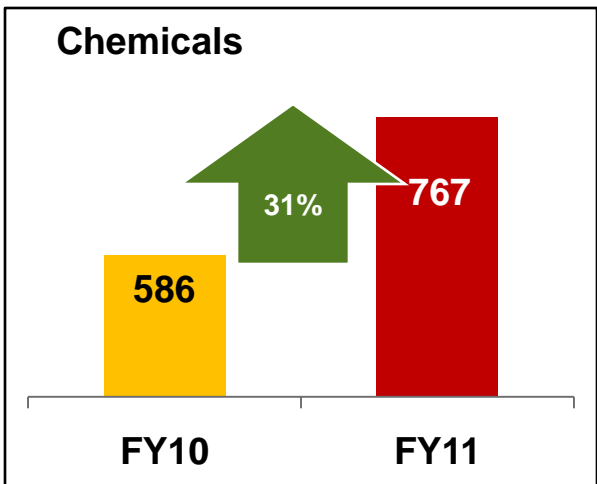
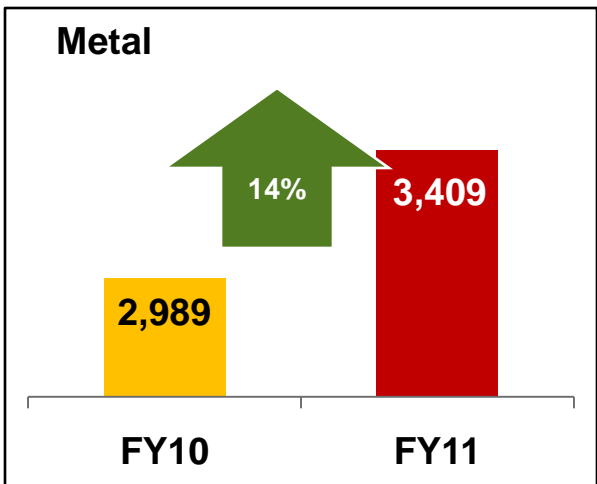


Specials market share
Domestic ~85%, Global ~6%

Maximized domestic sale of metal ...



AI: Revenue break up (Rs Cr.)



All-round growth

Strong Growth despite Hirakud outage

FY11: The Aluminium story...

Challenges

Mitigation

Actions

**Increasing
Cost
Pressure**

**Improved
efficiencies,
asset
sweating**

1. Higher production at Renukoot
2. Hirakud outage affected the performance, now back to normal
3. Hirakud Brownfield expansion on track

**Margin
Pressure**

**Better
product &
market mix**

1. Higher sales in lucrative domestic market
2. However, supply chain disruption & lower tonnage affected the VAP production

**Balance
sheet**

**Aligning the
capital
structure to
business
requirements**






1. Return of capital from Novelis improved the capital structure
2. Financial closures of Utkal & Mahan achieved

Aluminium Business: Financial Performance

(₹ cr)	Q4 FY10	Q4 FY11	Change (%)
Net Sales & Operating Revenue	2,037	2,211	9
EBIT	614	562	(8)

(₹ cr)	FY10	FY11	Change (%)
Net Sales & Operating Revenue	6,989	7,965	14
EBIT	1,767	2,004	13

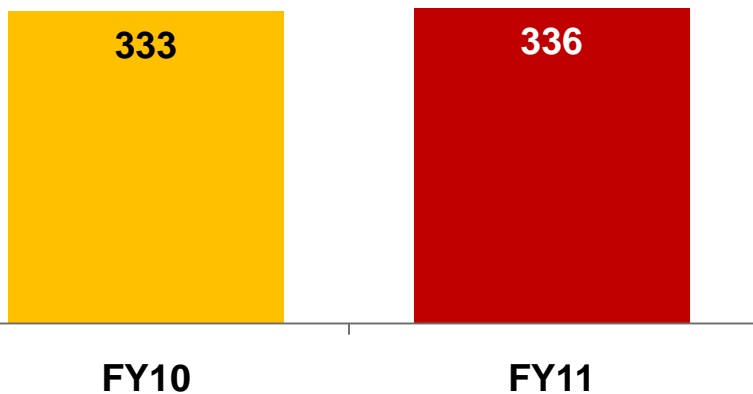
Copper: External Drivers

Driver	Current Assessment	Impact
TCRC	<ul style="list-style-type: none">• Long term TCRC lower than last year	
LME/INR	<ul style="list-style-type: none">• LME being supported by liquidity	
INR	<ul style="list-style-type: none">• Appreciating rupee	
Acid prices	<ul style="list-style-type: none">• Improving trend	
Energy prices	<ul style="list-style-type: none">• Correlated with commodity cycle; likely to be firm	

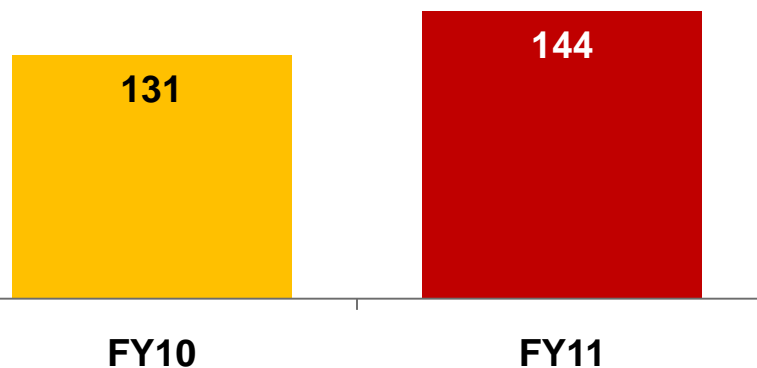
Challenging times

Cu: Production Performance

Cathode (kt) Annual

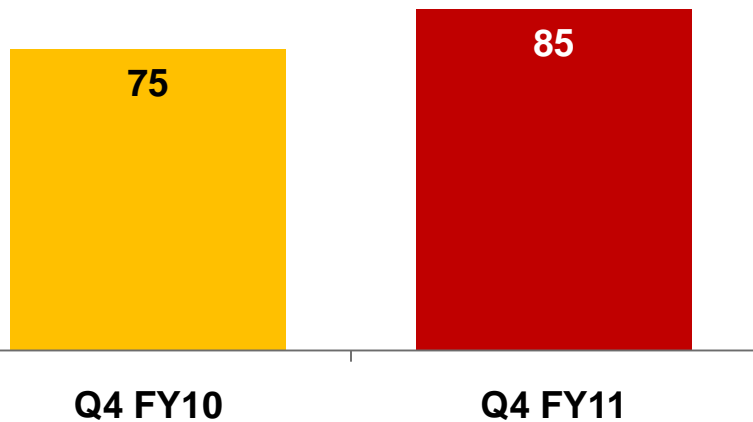


Own CCR(kt)

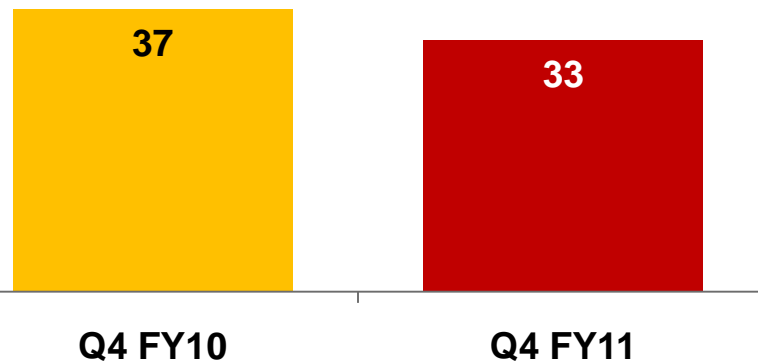


Quarterly

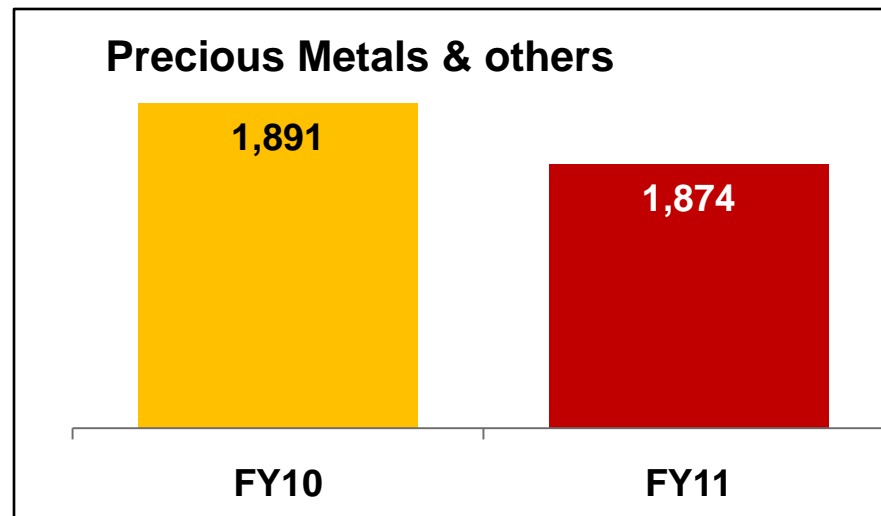
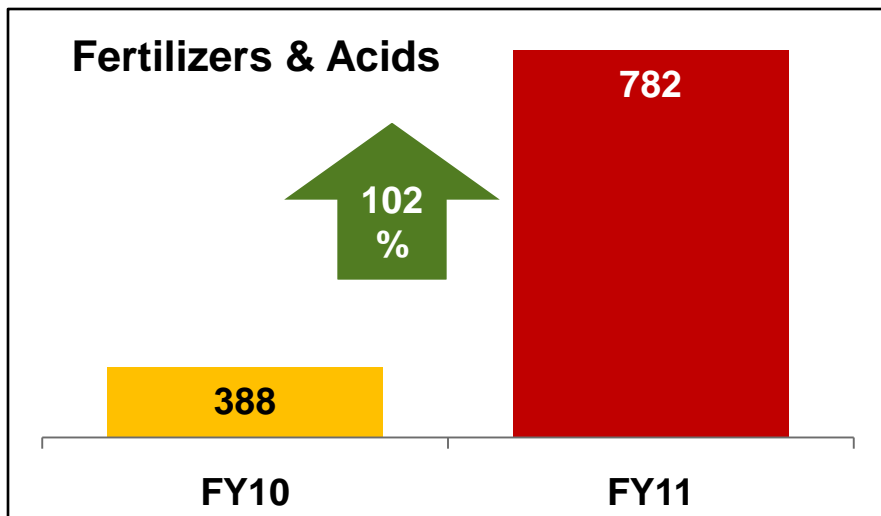
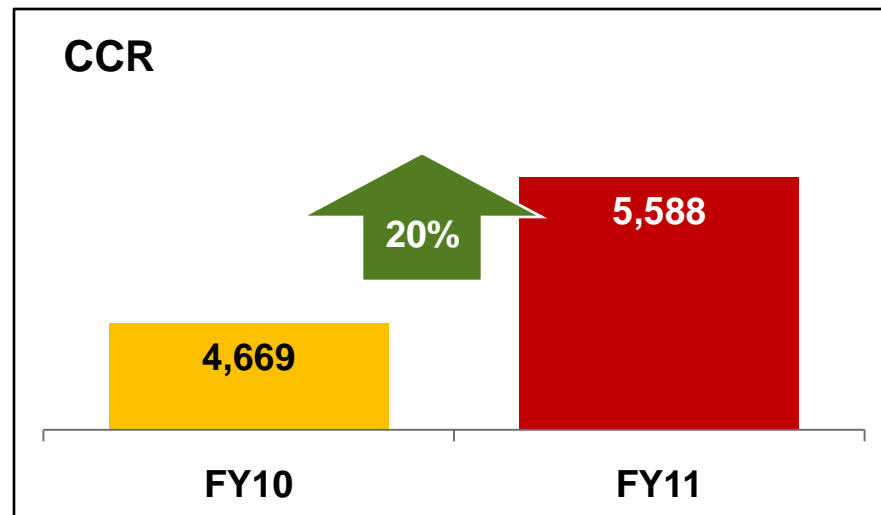
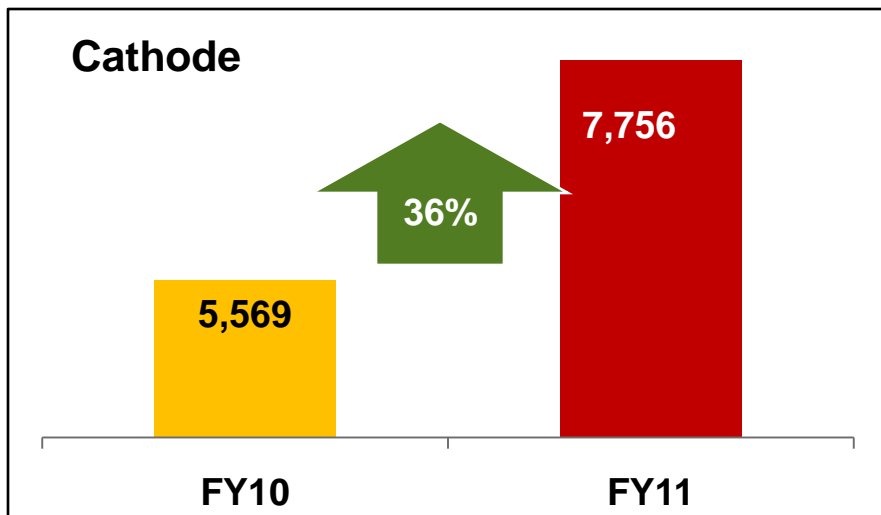
Cathode (kt)



Own CCR(kt)



Cu: Revenue Drivers (Rs Cr.)



Strong Revenue Trend added by favourable macro factors

Cu: Leveraging every Opportunity

Multiple Value-Drivers:

Optimized fertilizer stream when TcRc was down

Focus on unlocking value:

Increased production of selenium

New initiative to use external scrap to supplement primary production

Maintained domestic market leadership to optimize sales-mix






TcRc drop had an adverse impact of ~₹ 150 cr; but overall business profitability fell by only ₹ 58 cr

Copper Business: Financial Performance

(₹ cr)	Q4 FY10	Q4 FY11	Change (%)
Net Sales & Operating Revenue	3,361	4,637	38
EBIT	127	206	61

	FY10	FY11	Change (%)
Net Sales & Operating Revenue	12,540	15,902	27
EBIT	660	602	(9)

Key External Drivers - Outlook

Driver	Current Assessment	Impact
LME	Strong momentum so far; but vulnerable to risk aversion / rate hikes	
INR USD	Upward pressure on rupee, including from overall USD weakness	
Input prices	Sharp rise in coal and carbon costs	
TCRC	2011 terms favourable to smelters vis-à-vis last year	
Acid price, DAP subsidy	Acid prices currently ruling strong; Subsidy announced is higher	

Projects:

Progressing well...

Detailed Review to *be published along with the Consolidated results*

FY 11 spend.... ~ Rs 6,500 Crores

Forward Looking & Cautionary Statement

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.

Thank you