

Hindalco Industries Ltd

Investor Presentation

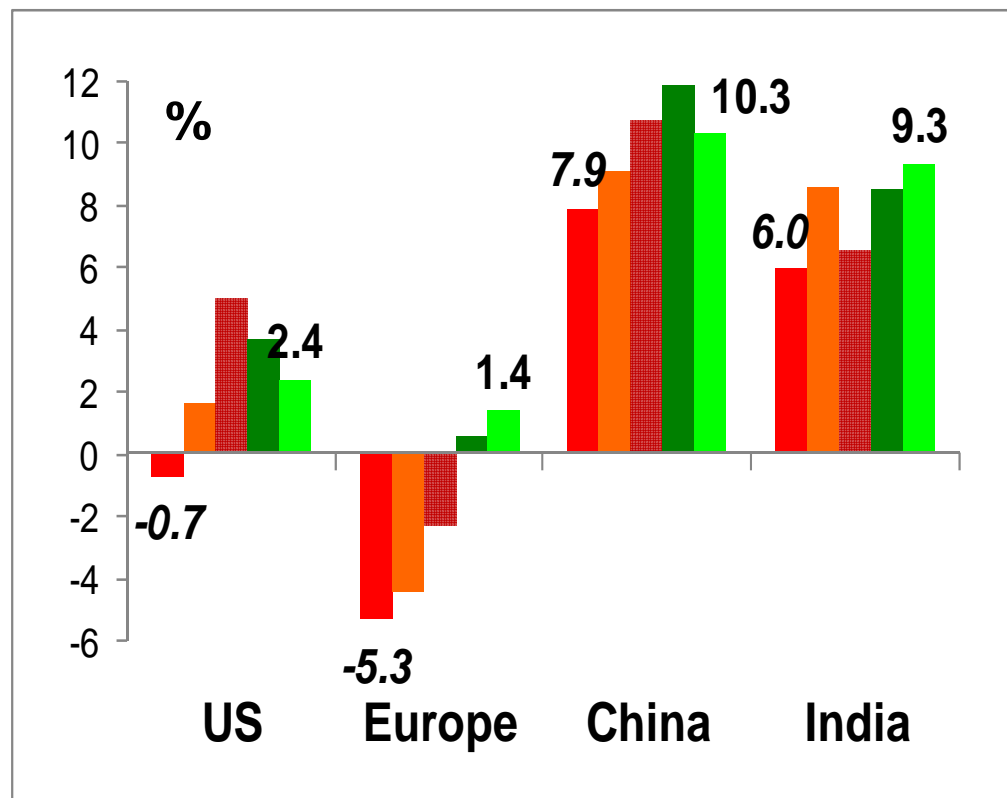
Q1, FY2011

Economic & Industry Backdrop

Global Recovery continues at a measured pace

- Growth still continues; though China slowed down marginally in Q2, 2010
- Risk appetite affected by –
 - Sovereign debt crisis in parts of Europe
 - Renewed fears of economy weakening in China and US
- Policy shifting gears gradually
 - Rate hikes in India, Australia
 - China's measures to cool real estate prices
 - Austerity focus in parts of Europe

YOY % GDP growth rate from Q2 2009 to Q2 2010



Q2 2010 growth rates for Europe and India are estimates

India: Strong growth in end user industries



Electrical & Electronics



Building & Construction



Consumer Durable



Automobile & transport



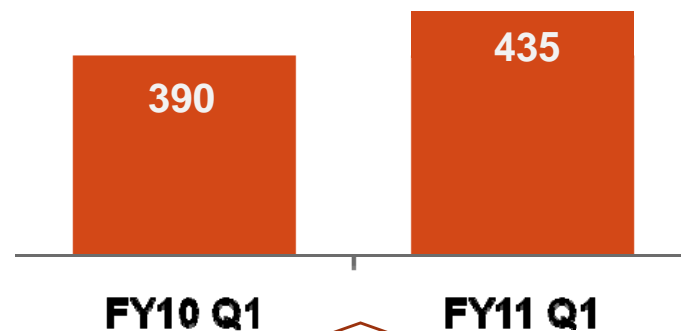
Industrial Machinery



Packaging

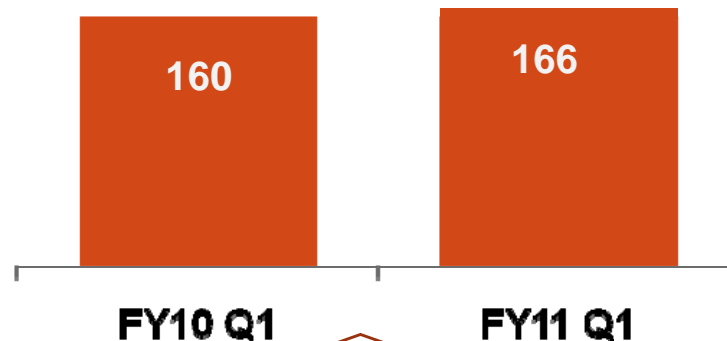


Aluminium consumption (kt)







11.5%

Copper consumption (kt)



3.8%

Key Industry Drivers and impact

Industry Driver	Change (%)	Impact
Aluminium LME Average(\$/ton)	41	
Copper TC/RC LT (Industry)	(36)	
Exchange Rate (Rs/\$)	(6)	
Energy & Crude derivatives	>25	

Performance Highlights

Performance Highlights – Q1 FY11

YoY...

- **Net profit up 11%**

- **Aluminium:**
 - ❖ **All round increase in production**
 - ❖ **Conversion cost brought down despite inflationary pressures**

- **Copper:**
 - ❖ **Highest ever own copper rod production in a quarter**
 - ❖ **Respectable output inspite of planned shut down**

- **Greenfield projects on track**

Financial Performance

₹ Cr	Q1 FY10	Q1 FY11	Change (%)
Net Sales	3,897	5,178	33
PBIDTA	833	901	8
PBT	600	673	12
PAT	481	534	11
EPS (₹)	2.83	2.79*	(1)

***EPS maintained despite 12.5% equity dilution post QIP
Total number of shares increased from 170 Cr to 191 Cr**

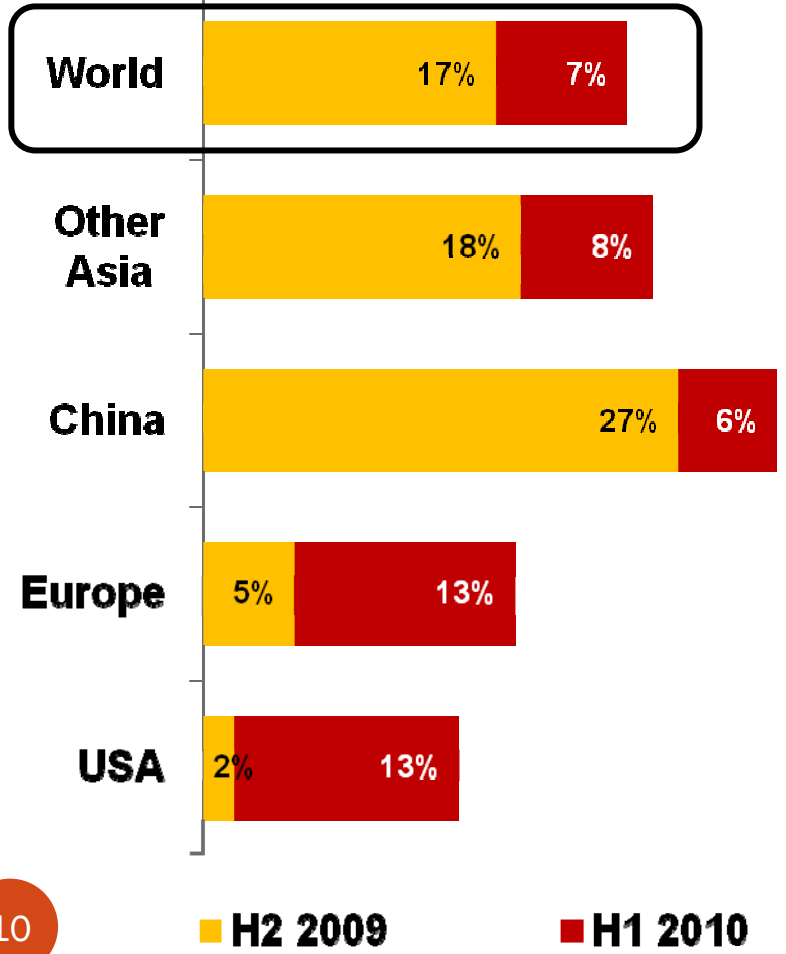
Business Conditions and Performance Review - Aluminium



World Aluminium Market : Consumption

Consumption growth in H1, 2010 has slowed down as China and rest of Asia took a breather

(% change over the previous six-months)



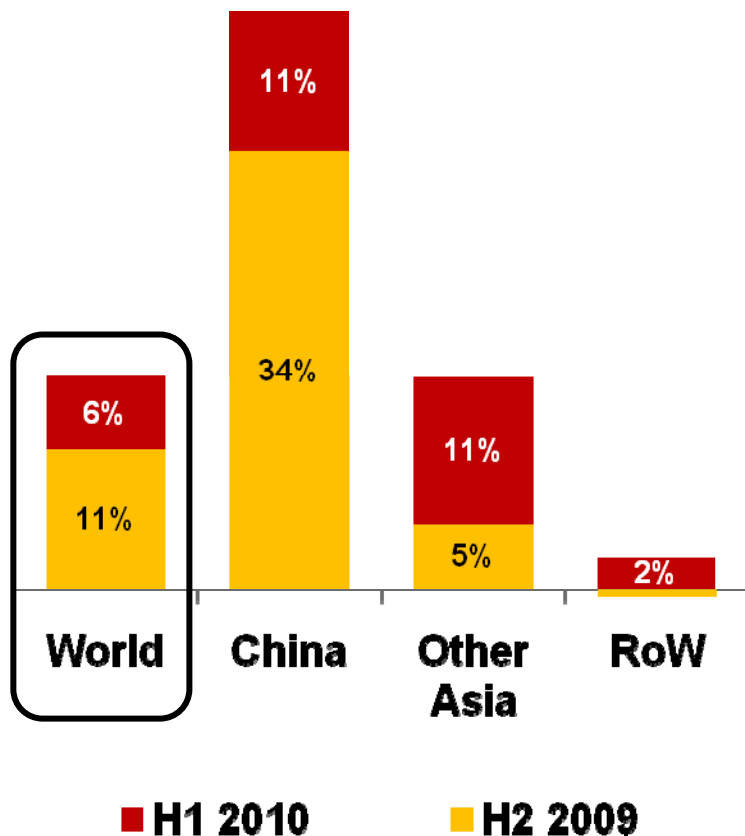
The global demand recovery continued; though at a relatively slower pace after a strong pull back in H2, 2009

- China: pace of growth tempered down with measures to cool down the credit growth
- US and Europe: witnessed primarily a re-stocking led sequential growth after a tentative recovery in H2,2009

World Aluminium Market : Production

Production too growing; though the growth has moderated

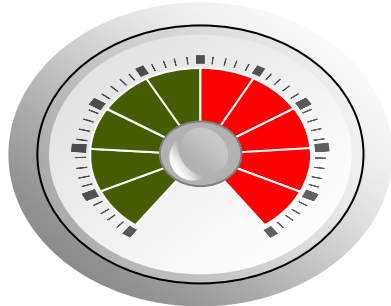
(% change over the previous six-months)



- Sequential production growth rate came down with concerns around demand recovery & setting in of risk aversion
 - Aluminium prices declined making a large proportion of Chinese smelters unviable
 - China: New surcharge on power resulting in higher tariffs & rise in smelting costs
 - Production increased in rest of Asia as new smelting capacities came on stream

AI: Key Performance Drivers

Macro Factors



Our Response



	Q1 FY10	Q1 FY11	Impact
LME (\$ / t)	1,488	2,092	↑
INRUSD	48.81	45.70	↓
Cost Pressures Crude & derivatives			↓

Production

✓ Higher across the board through asset sweating

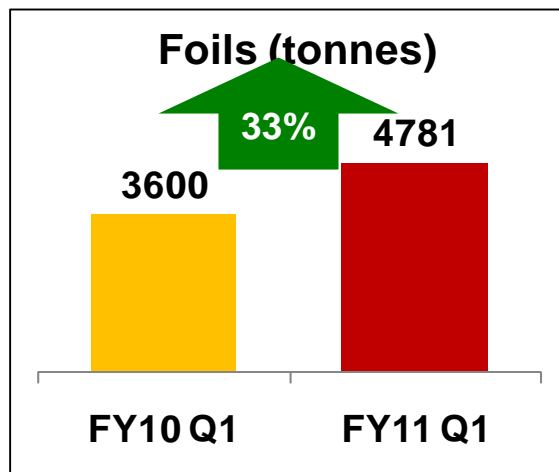
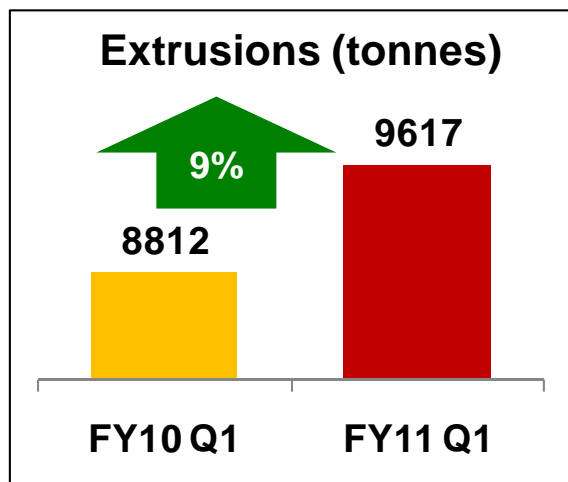
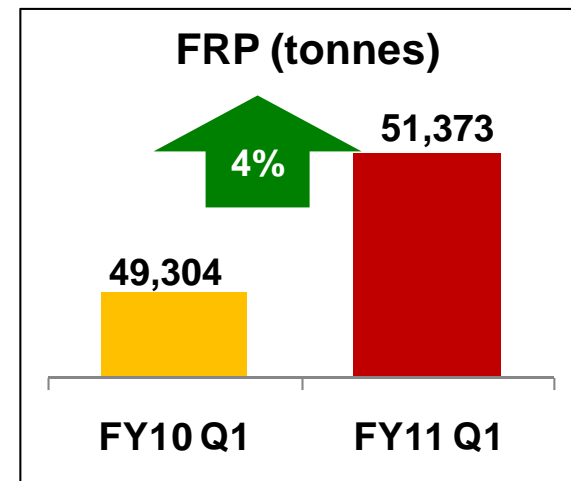
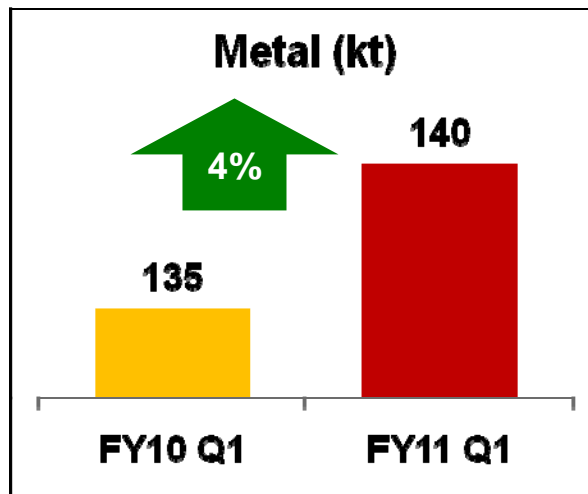
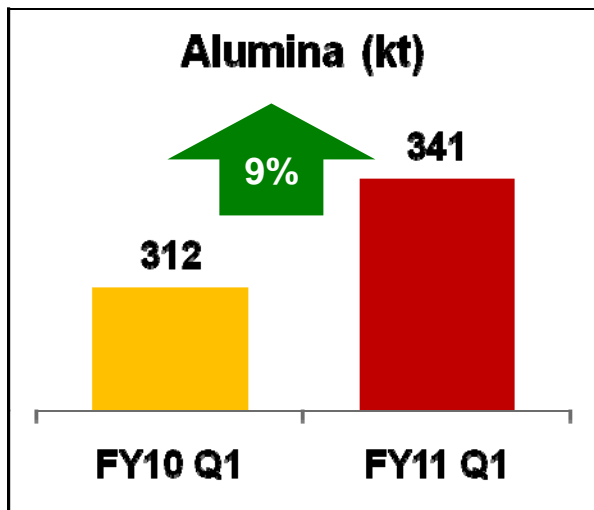
Metal conversion cost

✓ Reduced in an inflationary environment through efficiency measures

Pricing

✓ Rising contribution from Value Added Products (VAP) on the back of higher premiums

All-round improvement in production

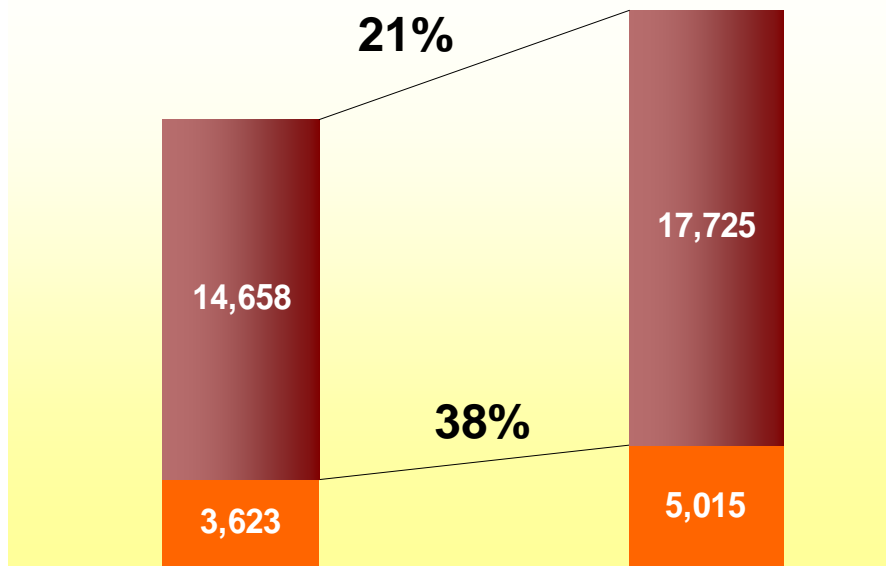


✓ *Production increased across the board on the back of asset sweating & brownfield expansion*

✓ *Robust growth in VAP production*

Alumina: Increased Dominance in Specials

Domestic sales

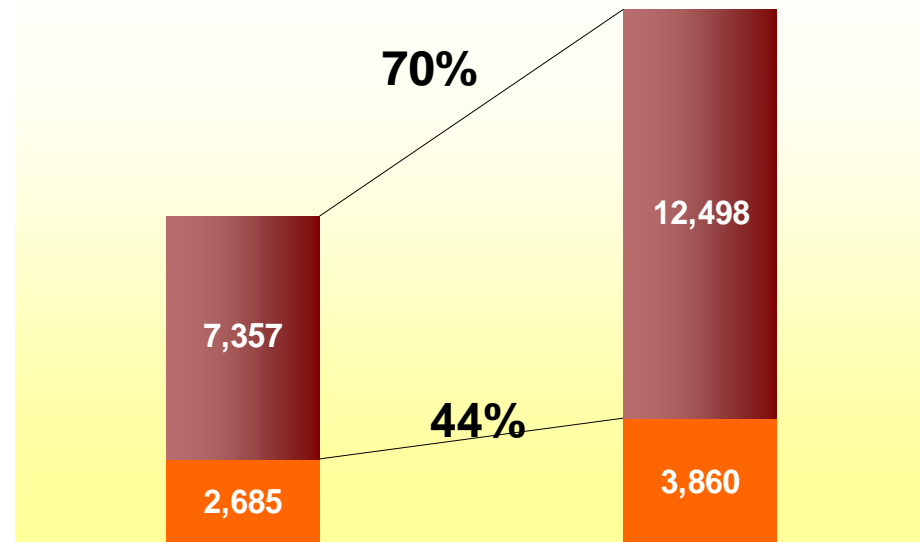


Q1 FY'10

Q1 FY'11

Special Hydrate Special Alumina

Export sales



Q1 FY'10

Q1 FY'11

Special Hydrate Special Alumina

Higher Sales across the categories
Dominant market share

Aluminium Business: Financial Performance

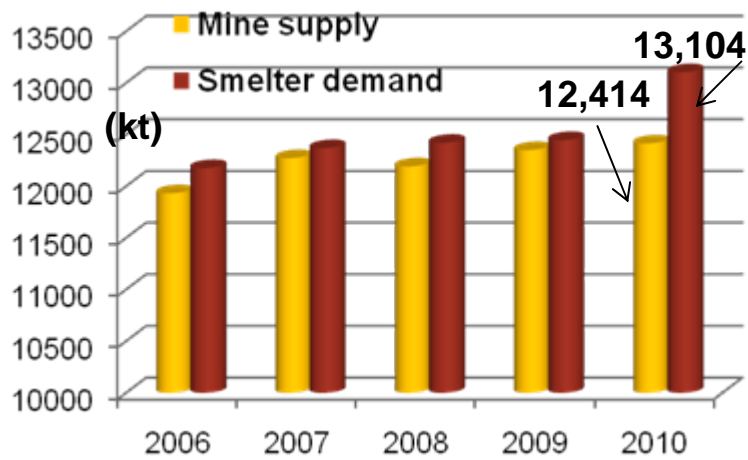


(Rs cr)	Q1 FY10	Q1 FY11	Change (%)
Net Sales & Operating Revenue	1,419	1,867	32
EBIT	455	552	21

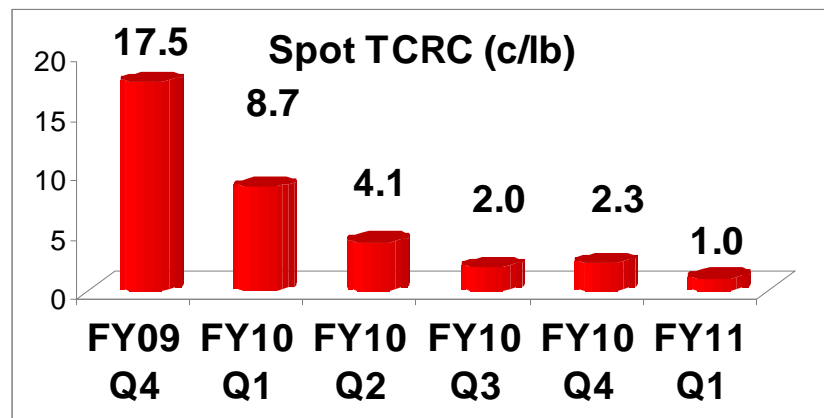
Business Conditions and Performance Review - Copper



CU: TCRC continued downward trend in the wake of Global concentrate shortages



- Mine supply continued to fall short of demand for concentrate
- Spot TCRC moved closer to zero in the last quarter
- Double-digit TCRC unlikely in near future
- Cu-% in concentrates is also declining

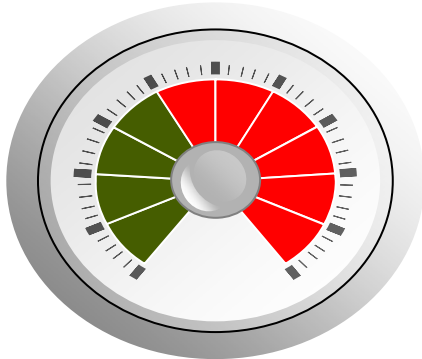


Source: Industry Research/Company estimates

By-product realization has become a critical factor and decides the viability of production due to low TCRC

Cu: Key Performance Drivers

Macro Factors



Our Response



	Q1 FY11 Over Q1 FY10
TCRC	↓
Acid realization	↑
Fertilizer subsidy	↑

Production

✓ Production maintained despite planned shutdown in Cu-III; DAP output up

Conversion cost (w/o credits)

✓ Maintained at last year's level though energy input costs increased sharply

Sales mix

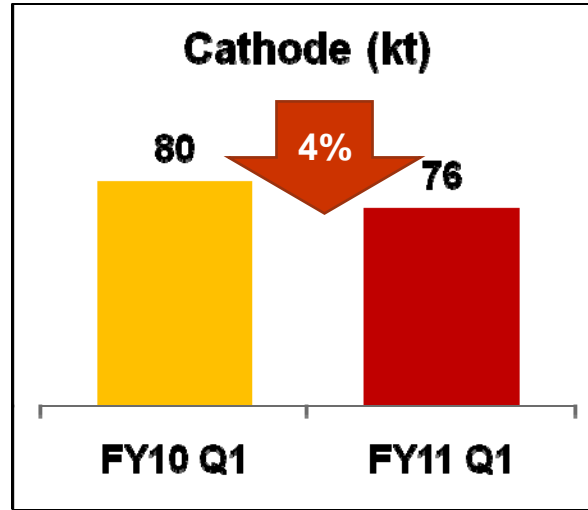
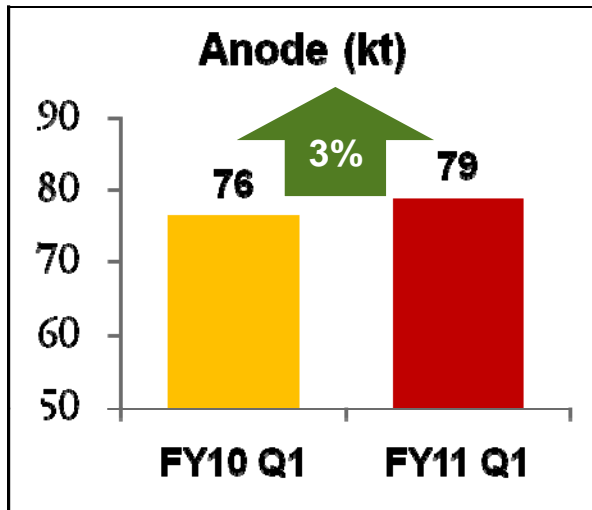
✓ Leveraged export incentive for focus markets
✓ Higher own CCR sales

Cu: Q1 FY 11 Energy cost pressures

Input	% change Over Q1 FY10
Imported coal	>10
Furnace oil	>30
Naphtha	>20
LNG	>15

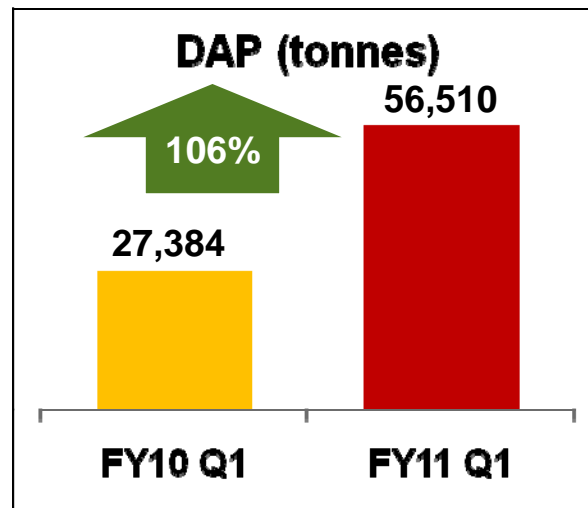
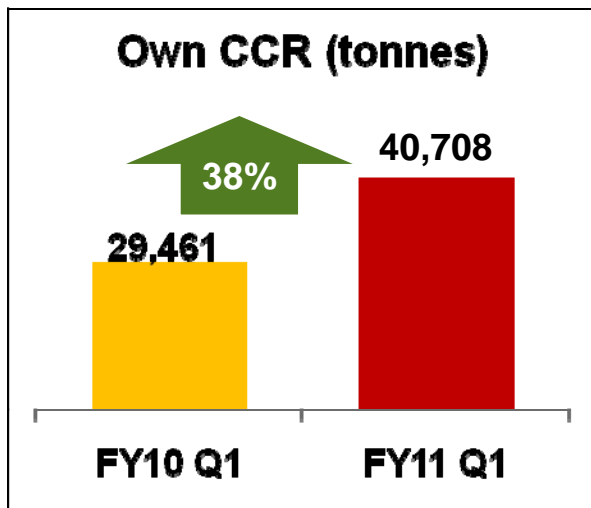
**Across the board rise in energy prices
Impact of rising energy prices countered through productivity
improvement and efficiency optimisation measures**

Cu: Production Performance: Q1 FY11



✓ *Higher Anode production despite annual plant shut down*

✓ *Gold production increased 27%*



✓ *Ratio of VAP to cathode production up from 37% to 53%*

✓ *DAP production doubled*

Copper Business: Financial Performance

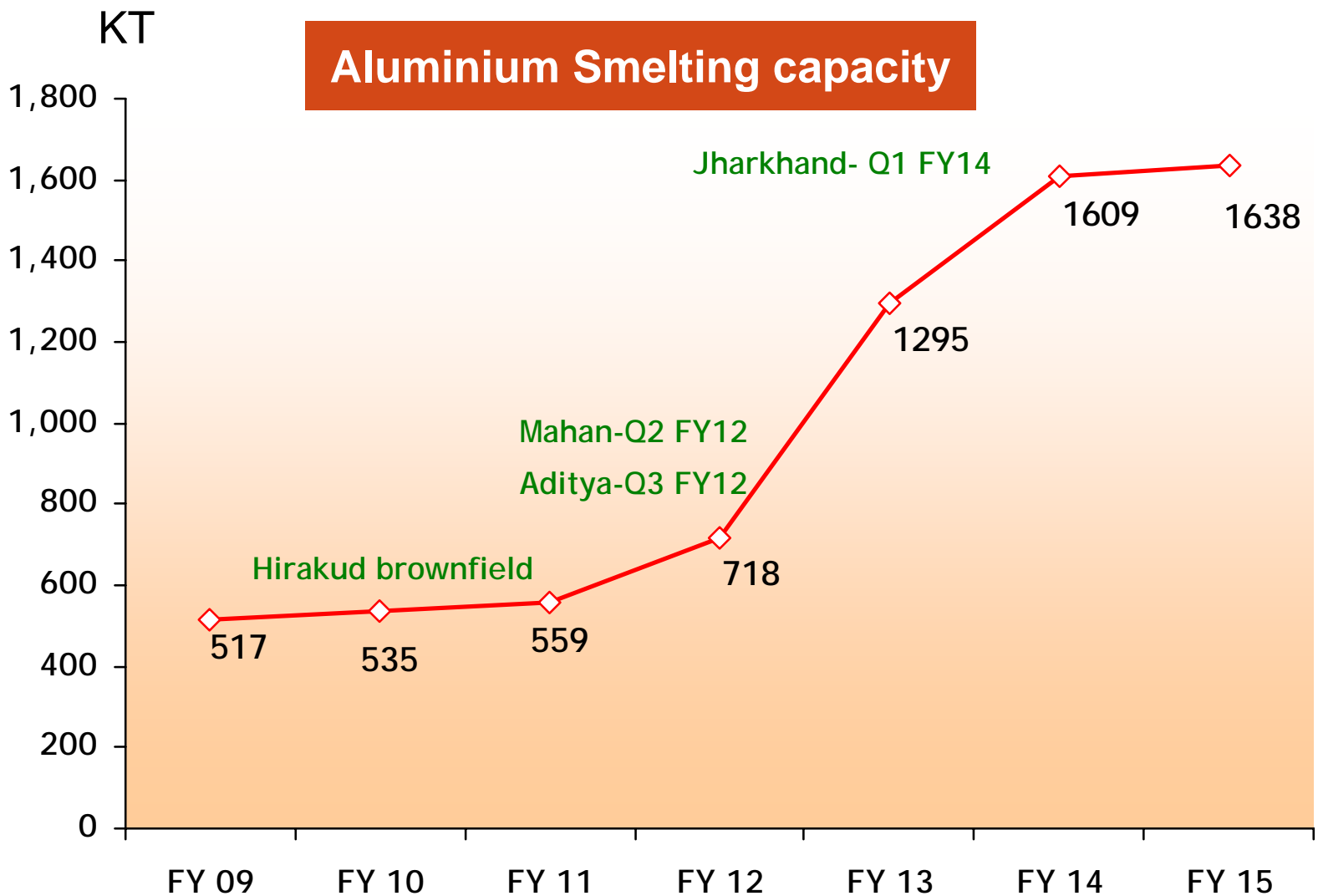
(Rs cr)	Q1 FY10	Q1 FY11	Change (%)
Net Sales & Operating Revenue	2,479	3,314	34
EBIT	156	124	(21)

In addition to largely adverse business drivers, the financial performance suffered on account of planned shutdown (~ 3 weeks) in one of the smelters

The impact was offset by improving operational efficiencies

Projects – An Update

Planned Growth Trajectory



Greenfield Project – Utkal Alumina



Engineering	Basic Engg-100 % Complete, Detailed Engg- 92% Completed,
Statutory Clearances	Obtained
Commitment & Spent	Over 82% project cost committed All major order placed. Financial closure achieved
Site Progress:	More than 5000 people working at site. Major Contractors like L & T, Simplex, GDC mobilized fully at site. 87% of Piling work completed. RCC , Structural fabrication – 33 % complete. Tankages erection- under progress.
Power Plant : Erection of BTG units under progress.	

Activity at Project Sites: Utkal

BTG Package:Boiler#1: APH erection in progress



Predisilication tank:TK 203-105,106: Erection of 3rd shell in progress



BTG Package:Boiler#1: 4 Tier column erection.



Calcination Area: Stack #1: 4th shell completed



Greenfield Project – Mahan Aluminium



Engineering	Basic Engg-94 % Complete, Detailed Engg- 60% Complete
Statutory approvals	Major approvals in place.
Orders	Orders for all major, long delivery equipment placed
Commitment & Spent	` Around 82% of project cost committed
Site Progress	More than 10,000 people at site. Major Contractors like L&T, BHEL, Rohan Builders etc have been mobilized fully.
Power Plant	<u>Smelter:</u> Site Grading – 55% complete, Boundary wall – under construction, structural work progressing <u>Power Plant:</u> Area grading – 63% completed, Concreting 48% completed. Foundation for 5 boiler units, 4 ESP units, 2 power units completed, First chimney 88 m completed, second chimney 40 m completed and 2 more chimney rafts completed. Erection of engineering structure for boilers in progress.

Activity at Project Sites: Mahan

Pot room-B



GTC – ID Fans



Chimney Shell



Shuttering work for TG#1



Greenfield Project – Aditya Smelter & CPP

Engineering	Detailed Engg- 59% Complete for smelter & 25 % complete for CPP.
Statutory approvals	Major approvals received. Forest land stage I clearance received. Permission to start project site consolidation activities received. Stage II clearance is progressing
Commitment & Spent	Around 60% project cost committed
Site Progress	Area grading – 65 % completed. Boundary Wall – being constructed. R & R houses- 30 % houses completed. Team operating from the site office at Lapanga , Sambalpur.

First Metal from Smelter- Q3 FY 12

Jharkhand Smelter



Land	Total land requirement of ~4000 acres for the project. Land has been identified. Application for acquisition of private land has been submitted. Acquisition of Govt. land to proceed after private land acquisition.
Water	Water drawl clearance received for 55 MCM.
Environmental clearance	Application to be submitted after start of land acquisition
Feasibility Reports	DFR is ready.

First Metal from Smelter- Q1 – FY 14

Land	Land required for the project is ~ 1881 Acres. 1387 Acres of land registered in name of company, process for balance land is in progress.
Water	Water drawl agreement to draw upto 10.42 cusecs obtained. M/s Simplex Infrastructure Ltd is awarded with the job for supply & erection of water drawl arrangement.
Forest clearance	Terms of Reference(TOR) presentation date is awaited.
Construction power	Job has been completed. Line will be energized, end July.
Railway	Railway siding clearance obtained. 8.19 lakh m ³ of earth work completed out of 16 lakh m ³

Brownfield Project: Hirakud Expansion

Smelter Expansion	Capacity increase from 161 to 213 KTPA through addition of 80 Pots of 235 kA. Intend to expand it to 360 KT
Power Plant Expansion	Capacity to increase to 467.5 MW by addition of 100 MW.
Project Schedule	30 pots to be commissioned by Dec'2011 & balance 50 pots by Mar'2012.
	GAMI Design
Progress	<ol style="list-style-type: none"> 1. DCPL has been engaged as the EPCM consultant 2. Basic Engineering by GAMI- LOT A & B –Basic Engineering documents recd. 3rd Lot also in final stage. 3. Orders placed for 100 MW turbine/generator and boilers. Enquiries for FTP, Rectifier station, PTM have been floated. Orders to be placed by end August. 4. Site grading 80 % completed.

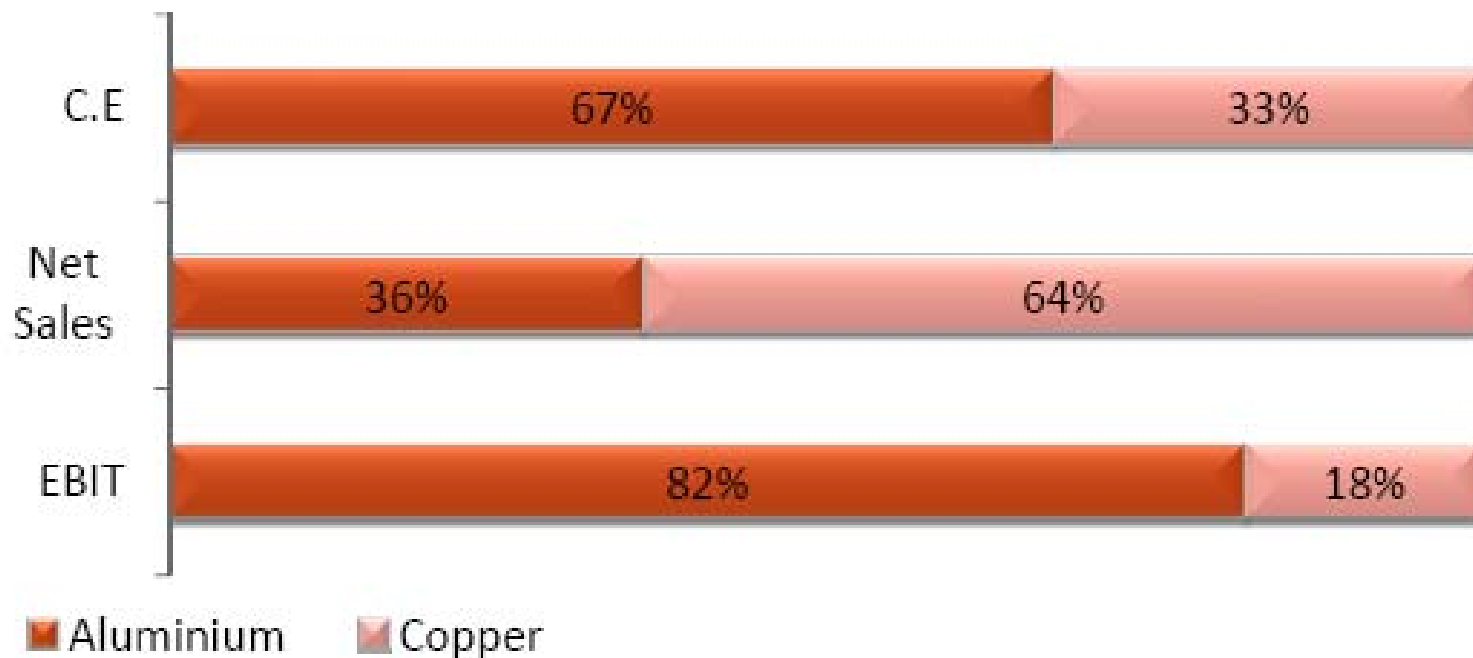
Brownfield Project – Can Body Stock at Hirakud (Project Blue Fox)



Dismantling and receipt of equipments	98 % dismantling completed. Containers are being dispatched and some have arrived in India
Cold Mill	Order placed on Achenbach.
Hot Mill	Order placed on ABB for refurbishment of Main Motors
Civil work	Site office developed for project team. Site Grading and Boundary Wall Construction in progress. 165 persons working at site.

Appendix

Performance at a glance



Revenue: Aluminium

Sales Revenue	Q1FY10	Q1FY11	% Change
Chemicals	115	154	34%
Primary metal	583	799	37%
Flat Rolled Products	531	673	27%
Extruded products	103	140	36%
Others	87	101	16%

Revenue : Copper

Sales Revenue	Q1FY10	Q1FY11	% change
Copper Cathodes	1,015	1,263	24%
CC Rods	954	1,433	50%
Fertilizers & Acid	60	195	224%
Precious Metals & Others	450	423	-6%

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