

# Hindalco Industries Ltd

## Investor Presentation

### Q2 FY11

**November 2010**

Industry Backdrop

Results Highlights

Aluminium: Business Conditions & performance  
Review

Copper: Business Conditions & performance Review

Projects – An Update

# Industry Backdrop

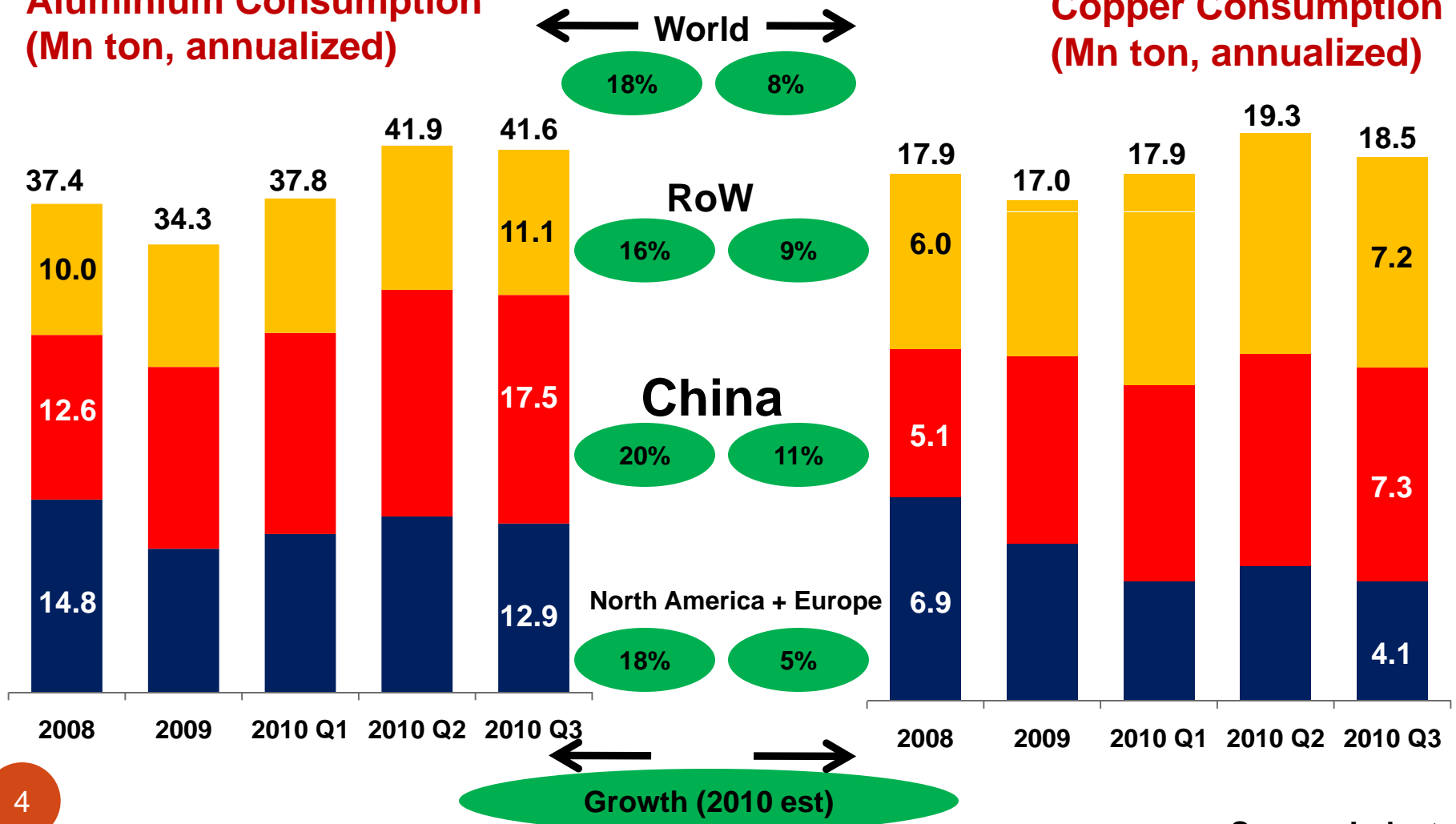
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# Robust growth in global metals consumption ...

... though supported by re-stocking / base effect / stimuli

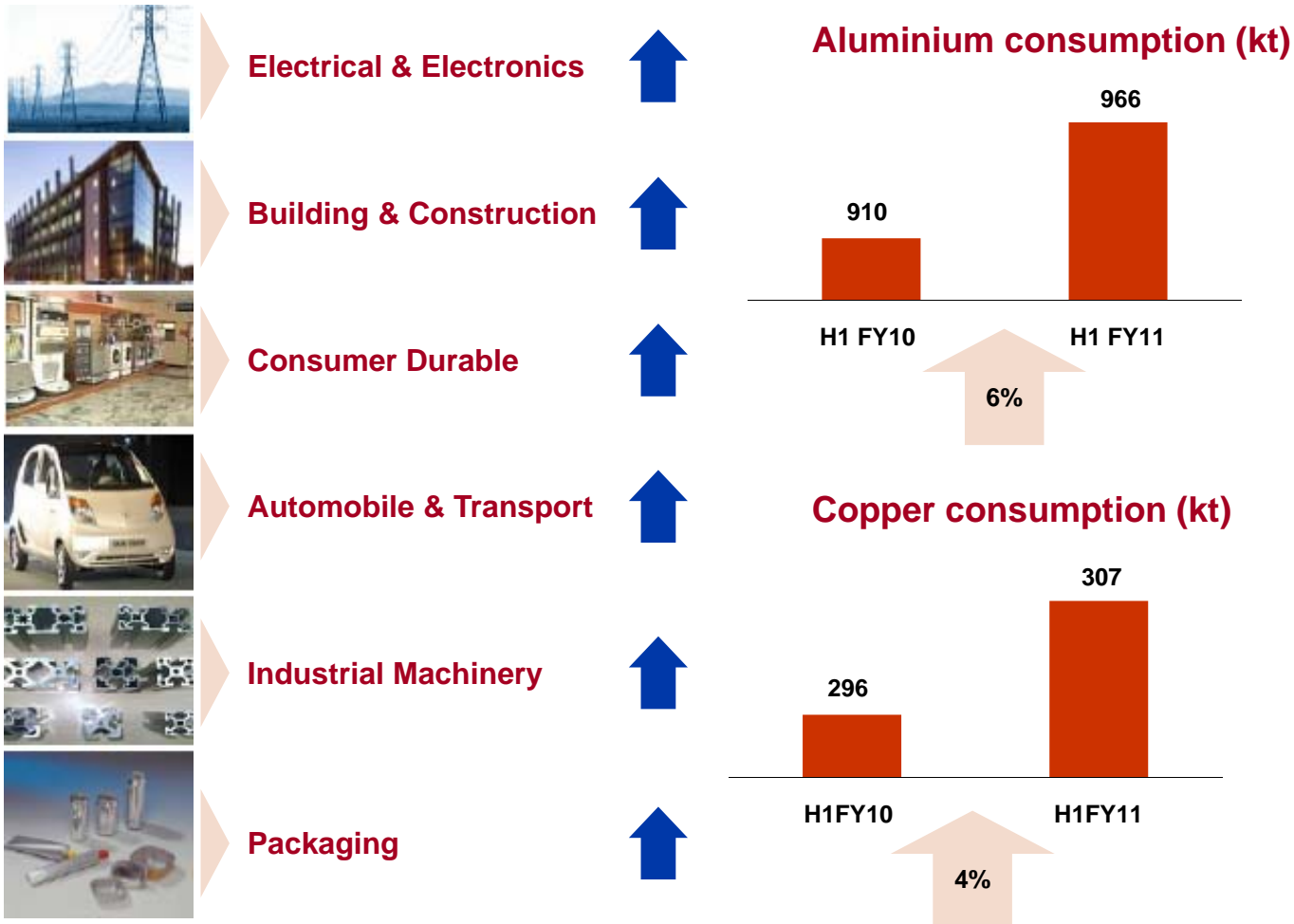
## Aluminium Consumption (Mn ton, annualized)

## Copper Consumption (Mn ton, annualized)



Source: Industry

# Indian Growth Momentum to Continue



- Large scope for metal consumption to rise from current levels
- End user segments have a strong/positive outlook – i.e. Power, Transport, Construction, Industrial etc
- Rising per capita consumption of in India




H1 growth affected by temporary slowdown in electrical demand, which is primarily dependent on Govt. allocation

# Result Highlights

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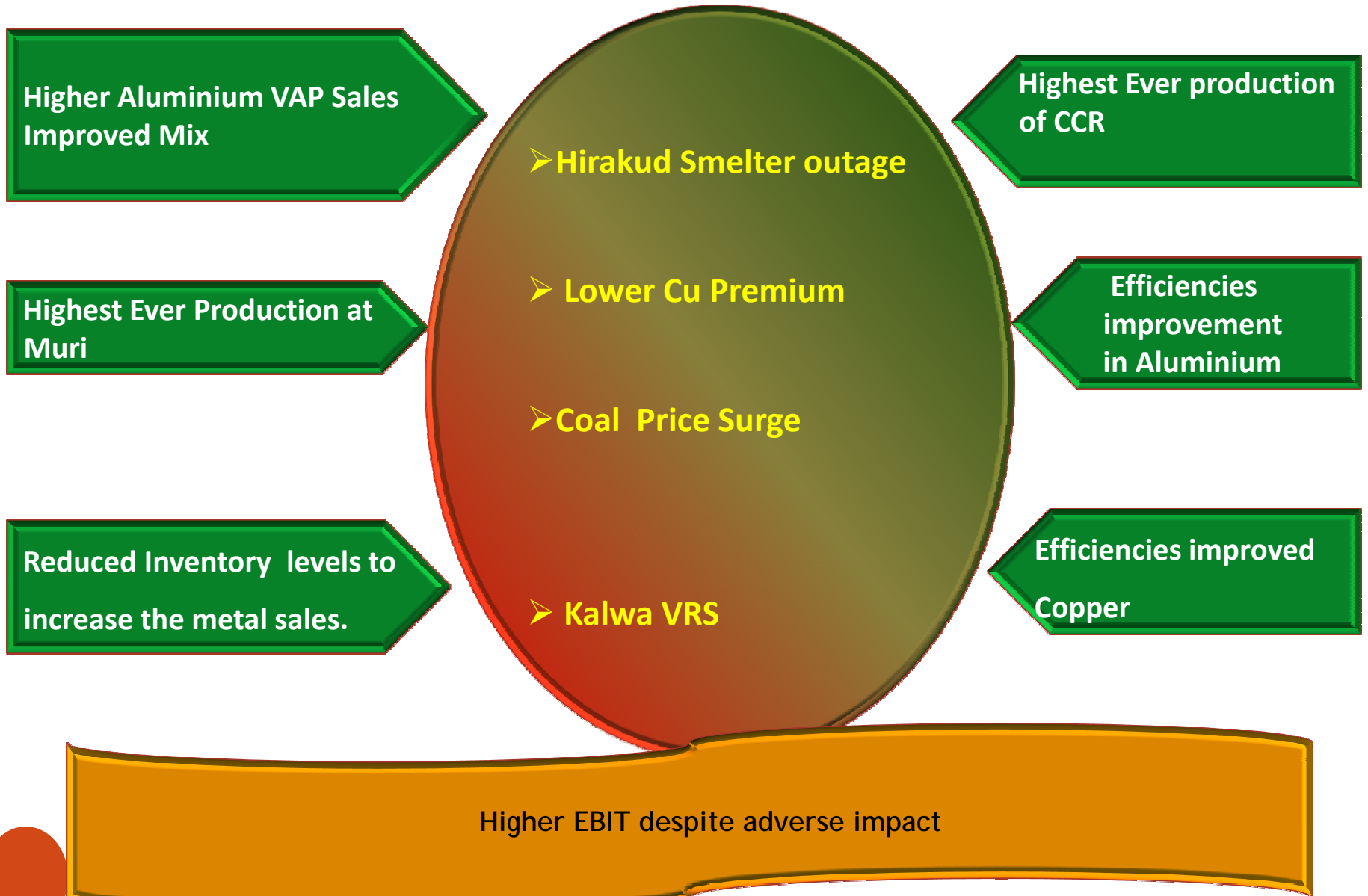
## Q2 FY 11: Highlights

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<b>Sales</b>		<b>19%</b>
<b>PAT</b>		<b>26%</b>
<b>EPS</b>		<b>12%</b>

- Kalwa restructuring successfully concluded
- Strong performance despite Hirakud outage
- Highest ever Own CCR production
- Improved EPS despite 12.5% equity dilution

# Proactive Steps





## Financial Performance

₹ Cr	Q2 FY10	Q2 FY11	Change (%)
Net Sales	4,915	5,860	19
PBITDA	666	780	17
PBT	434	556	28
PAT	344	434	26
EPS (₹)	2.02	2.27	12





₹ Cr	H1 FY10	H1 FY11	Change (%)
Net Sales	8,812	11,038	25
PBITDA	1,500	1682	12
PBT	1,034	1,229	19
PAT	825	968	17
EPS (₹)	4.85	5.06	4

**Q2 profit would have been significantly higher, but for Hirakud production loss and Kalwa VRS settlement**

# Aluminium: Business Conditions & Performance Review

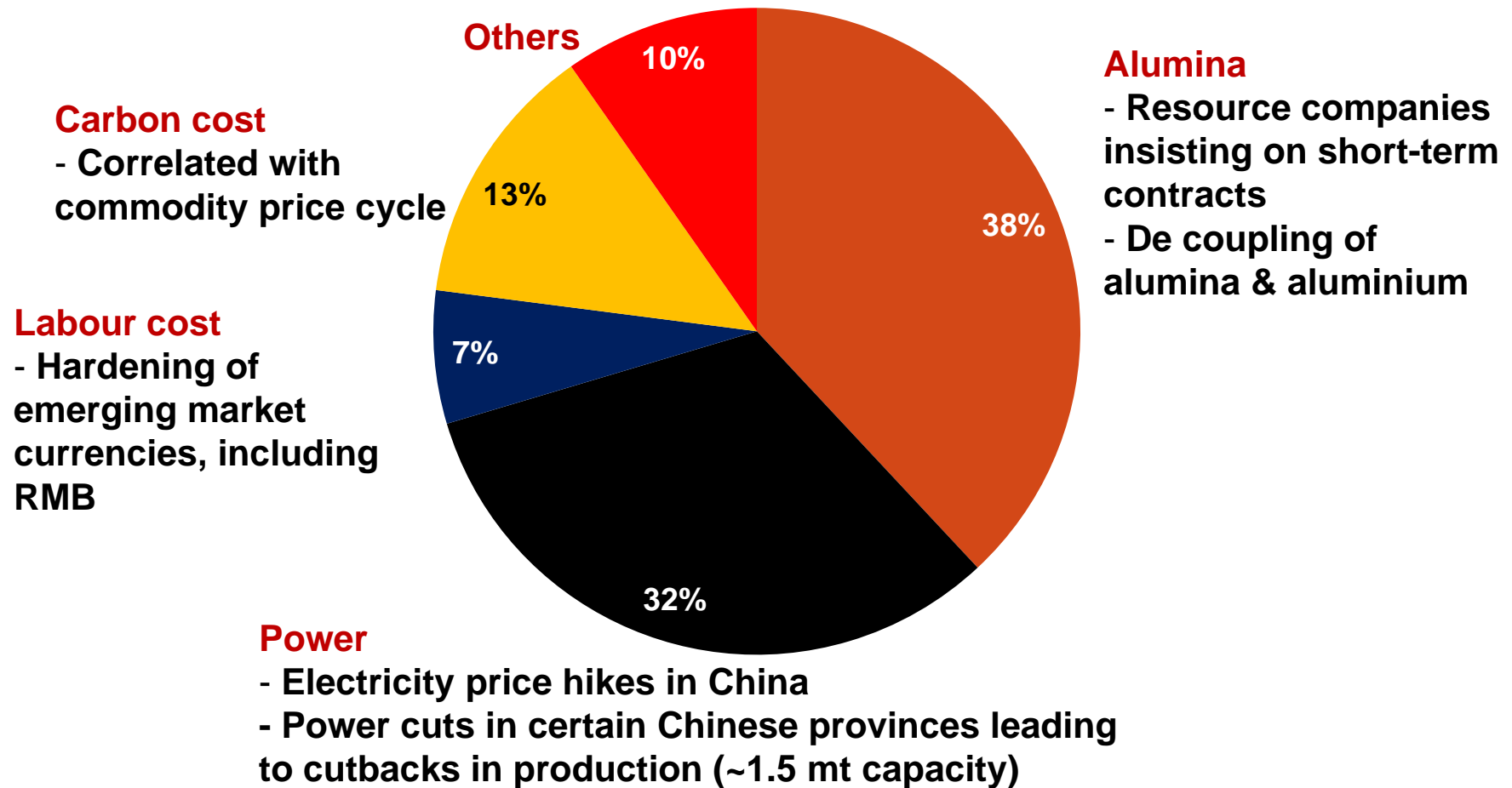
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## AI: External Drivers

Driver	Current Assessment	Impact
LME	<ul style="list-style-type: none"> <li>• Support from global liquidity and cost pressures, but downside risks related to rewind of financing deals</li> </ul>	
INR USD	<ul style="list-style-type: none"> <li>• USD weakness and continued FII flows to India may lead to rupee appreciation</li> </ul>	
Input prices	<ul style="list-style-type: none"> <li>• Upward pressure related to coal and carbon costs</li> </ul>	
Demand in India	<ul style="list-style-type: none"> <li>• Outlook positive for most aluminium-consuming sectors</li> </ul>	

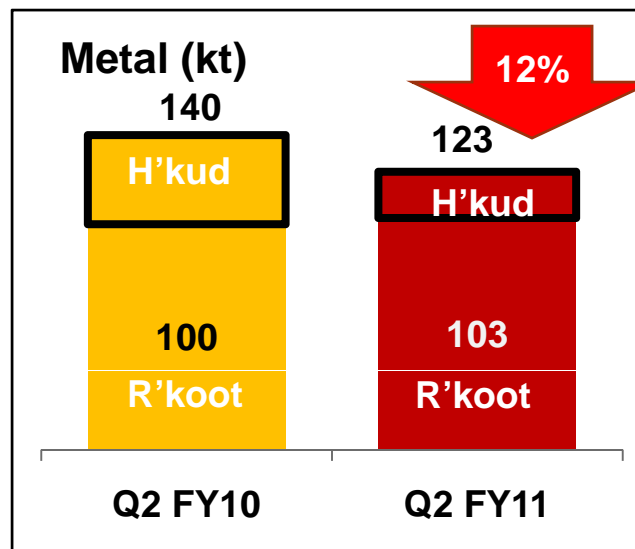
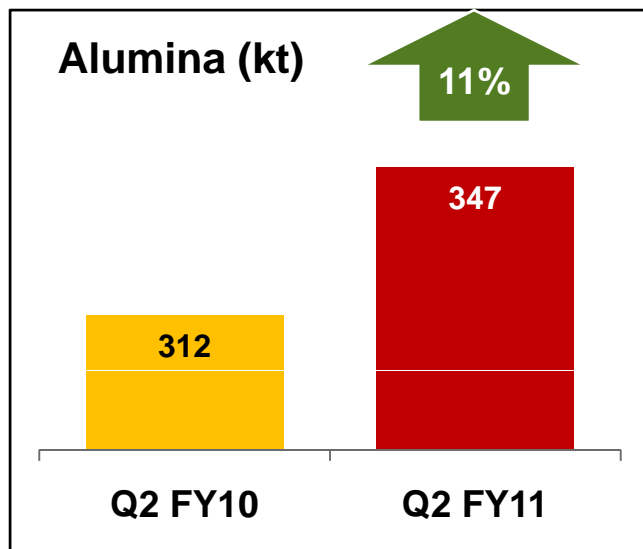
# Aluminium Industry : Cost push to continue

## World average hot metal cost Composition



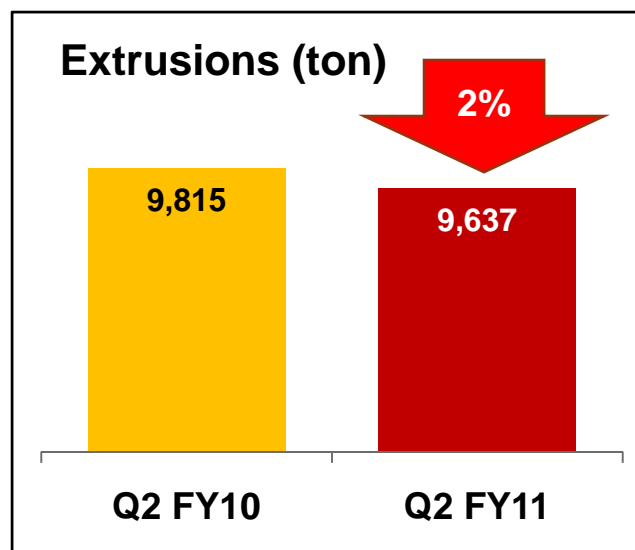
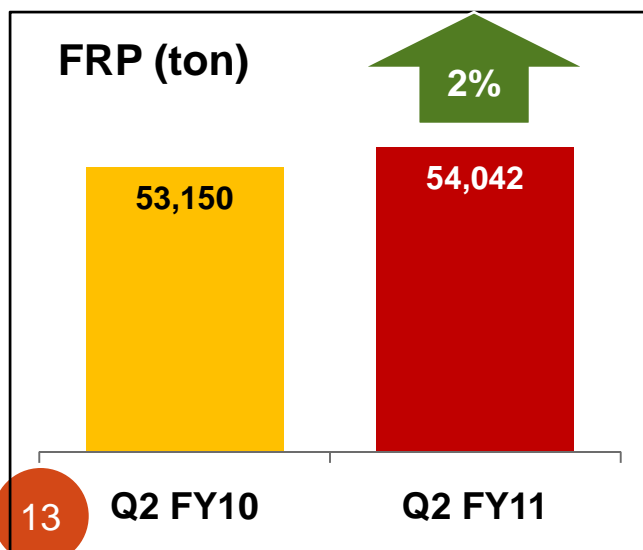
Cost Push to continue – Support for prices?

# Strong Production performance despite Hirakud production loss



**Growth in Output (H1 FY11 vs H1 FY10)**

Alumina	10%
Metal	-4%
FRP	3%
Extrusions	3%

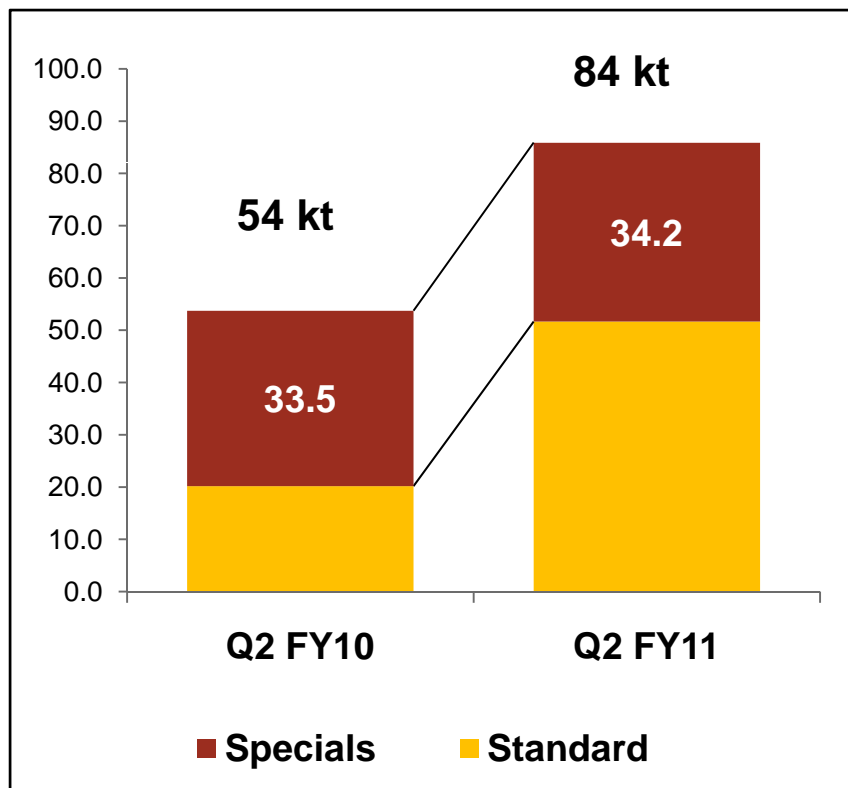


**Adverse impact contained through**

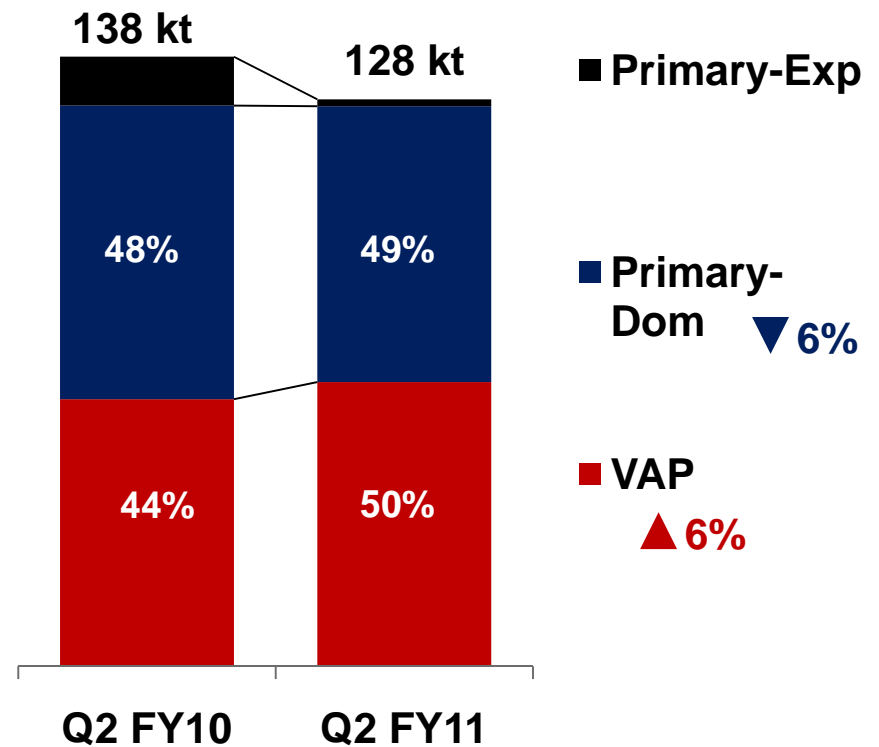
- *efficiency improvement*
- *Higher alumina & wire rod production*

# Steps taken to minimise impact of Hirakud production loss

## Increased third-party sale of specials and standard





## Improved sales mix



Sacrificed volumes mainly in Primary Exports

## Q2 FY 11: Strong Aluminium numbers

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<b>Sales</b>		<b>16%</b>
<b>EBIT</b>		<b>64%</b>

- **EBIT higher by 64% despite**
  - **Loss of production at Hirakud**
  - **VRS settlement at Kalwa**
- **Increase in EBIT would have been more than 100%, but for these one timers**

# Aluminium Business: Financial Performance



(₹ cr)	Q2 FY10	Q2 FY11	Change (%)
Net Sales & Operating Revenue	1,649	1,911	16
EBIT	259	424	64

(₹ cr)	H1 FY10	H1 FY11	Change (%)
Net Sales & Operating Revenue	3,067	3,778	23
EBIT	714	976	37



# Copper: Business Conditions & Performance Review

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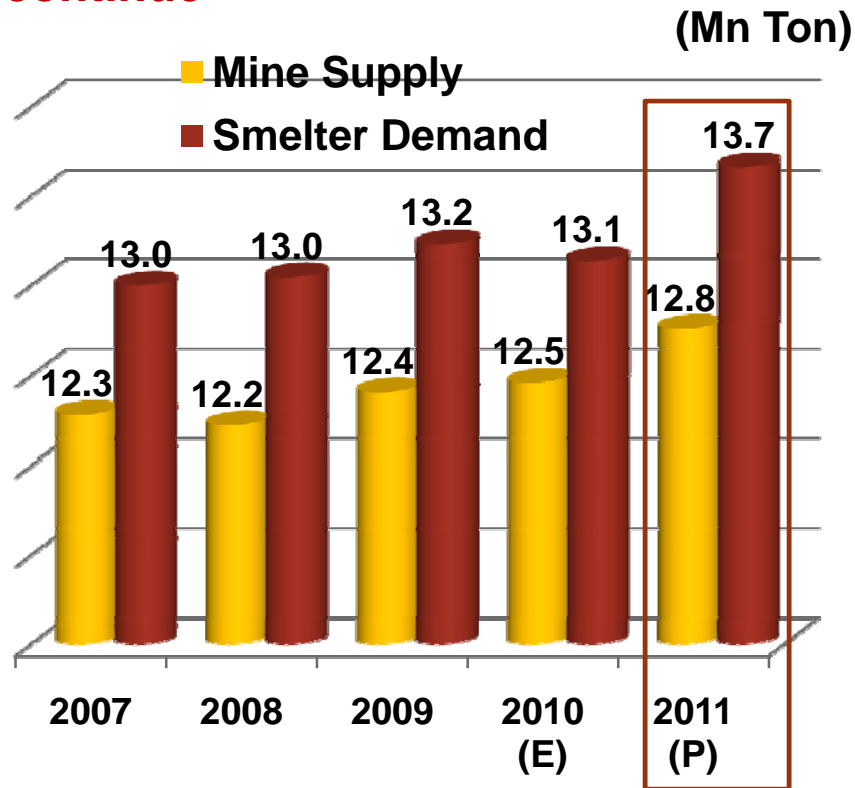
# Copper: External Drivers

Driver	Current Assessment	Impact
TCRC	• Long term TCRC lower than last year	↓
LME/INR	• LME being supported by liquidity	↔
INR	• Appreciating rupee	↓
Acid prices	• Recently on an improving trend	↑
Energy prices	• Correlated with commodity cycle; likely to be firm	↓

Challenging times

# Custom Smelters : Low TCRC, Rising energy costs

... Structural shortages likely to continue



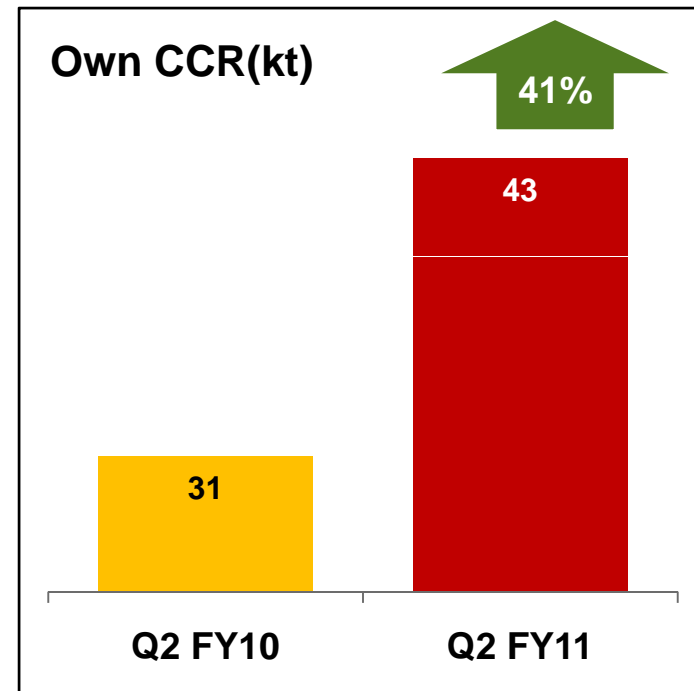
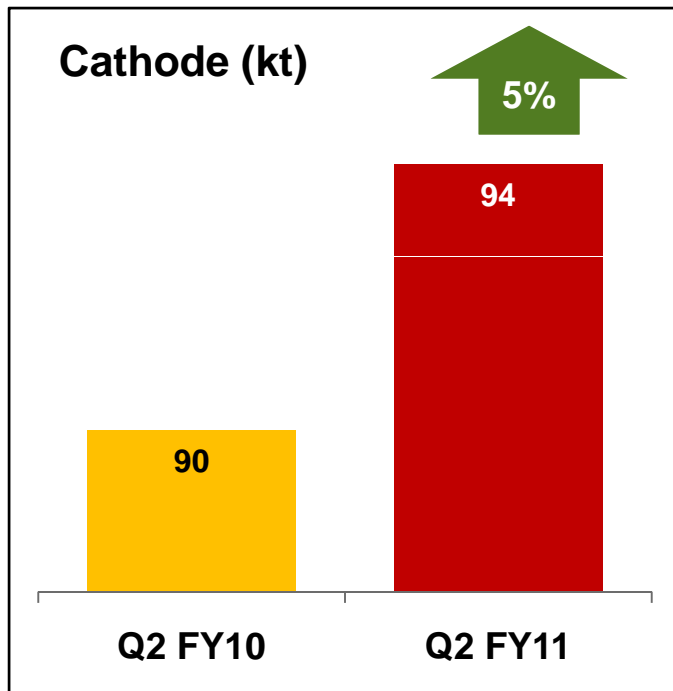
- TCRC to continue to remain under pressure
- FY 10 bench mark TCRC were significantly higher than FY11 benchmark

... Rising energy costs

Input	% change H1FY11 Vs HiFY10
Imported coal	>10
Furnace oil	>20
Propane	>25
LNG	>5

# Cu: Production Performance

**Q2: Record cathode production and sharp jump in Own CCR production**



**Strong operational performance**

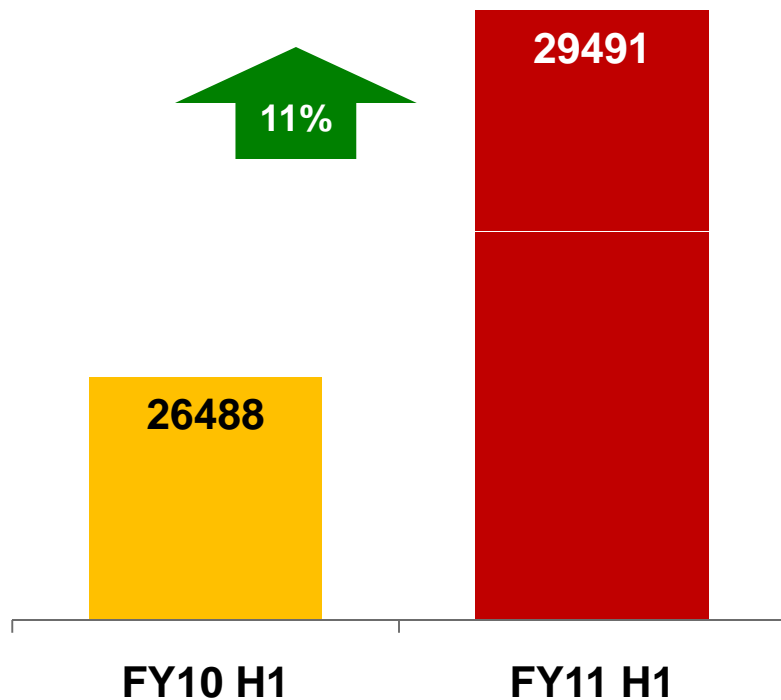
## Copper Business: Financial Performance

(₹ cr)	Q2 FY10	Q2 FY11	Change (%)
Net Sales & Operating Revenue	3,268	3,951	21
EBIT	217	129	(41)

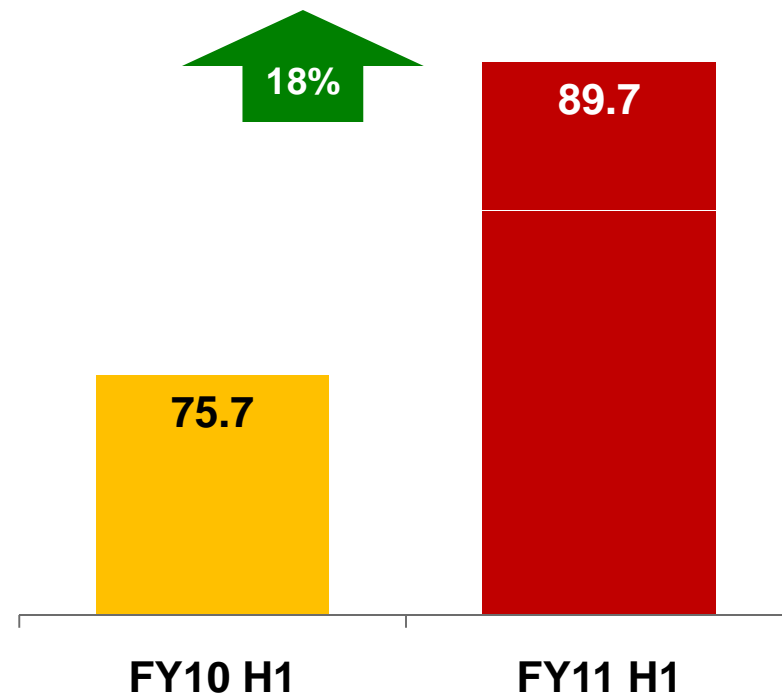
(₹ cr)	H1 FY10	H1 FY11	Change (%)
Net Sales & Operating Revenue	5,748	7,265	26
EBIT	374	253	(32)

# Mining : ABML Highlights

### Nifty Sulfide Production (tons)



### Nifty EBIDTA (A\$ mn)



**Strong Performance**

# Copper business – Strategic initiatives paying off

Key focus areas	Drivers
1 Capital Efficiency	<ul style="list-style-type: none"> <li>✓ Cost effective brown field expansion</li> <li>✓ Strategic advantage through technology</li> <li>✓ Asset sweating</li> </ul>
2 Leadership in domestic market offering better realisation	<ul style="list-style-type: none"> <li>✓ Service level differentiation</li> <li>✓ Quality edge</li> </ul>
3 Supply Chain Reengineering	<ul style="list-style-type: none"> <li>✓ Jetty /port infrastructure to overcome locational disadvantage</li> <li>✓ Sourcing Mix optimisation</li> <li>✓ Regional redistribution points</li> </ul>
4 Global Cost Competitiveness	<ul style="list-style-type: none"> <li>✓ Global Scale</li> <li>✓ Top Quartile Cost Curve</li> </ul>
5 Value Chain Enhancement	<ul style="list-style-type: none"> <li>✓ By-Products value extraction</li> <li>✓ Value added downstreaming</li> </ul>
6 Long Term feedstock securitisation	<ul style="list-style-type: none"> <li>✓ A cost effective “Upstreaming” strategy                             <ul style="list-style-type: none"> <li>▪ Mining acquisition</li> <li>▪ Strategic alliances/partnership</li> </ul> </li> </ul>

**Transforming the copper business into a globally competitive smelting value chain**

# Projects – An Update

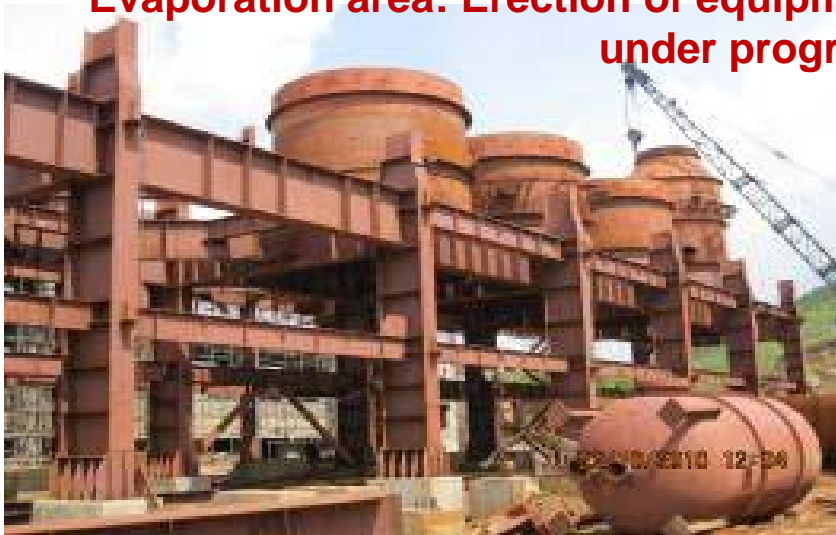
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Engineering	Basic Engg-100 % Complete, Detailed Engg- 95% Completed, not on critical path
Statutory Clearances	Obtained
Commitment	Over 82%
Site Progress	More than 7,000 people working at site. Major Contractors like L & T, Simplex, GDC mobilized fully at site. 94% of Piling work completed. RCC, structural, fabrication and erection has been ramped up and is on track for timely completion.
Power Plant	Erection of BTG units under progress

# Activity at Site: Utkal

**Evaporation area: Erection of equipment under progress**



**Mud Washing: erection of DCW under progress**



**BTG Package: ESP#1: Hooper erection under progress**



**BTG Package: Boiler#1: Insulator erection**



# Mahan Aluminium



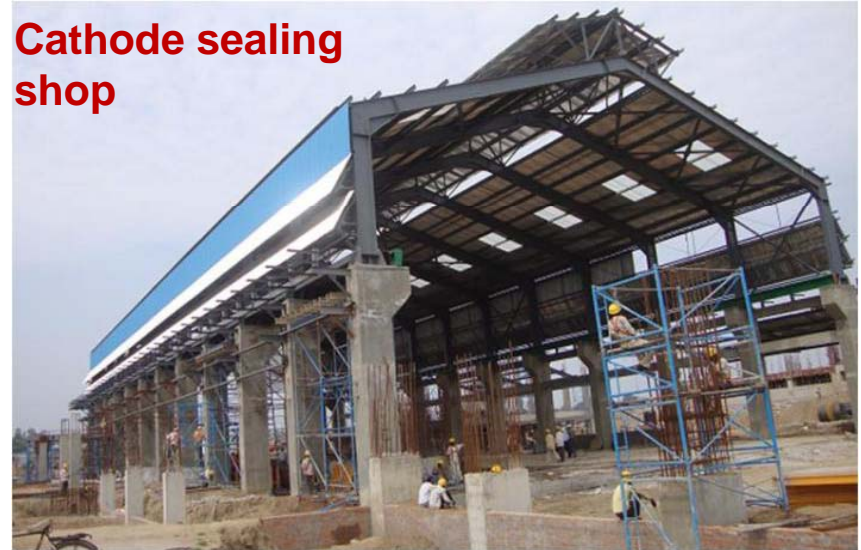
Engineering	Basic Engineering - 94% Complete, Detailed Engineering-60% Complete
Statutory approvals	All Major approvals in place.
Orders	Orders for all major, long delivery equipment placed.
Commitment	Around 83%
Site Progress Power Plant	Around 12,000 people at site. Major Contractors like L & T, BHEL, Rohan builders etc are working. Concreting & structural work progressing in line with the first pot start up schedule.
	Power plant Fabrication and erection in line with the start up of the power plant. Foundation for 5 boiler units, 4 ESP units, 2 power house units completed. Work on other units in full swing. Work on all chimneys in full swing. Two chimney completed- 125 m height. Erection of engineering structure for boilers in progress.

# Activity at Site: Mahan smelter

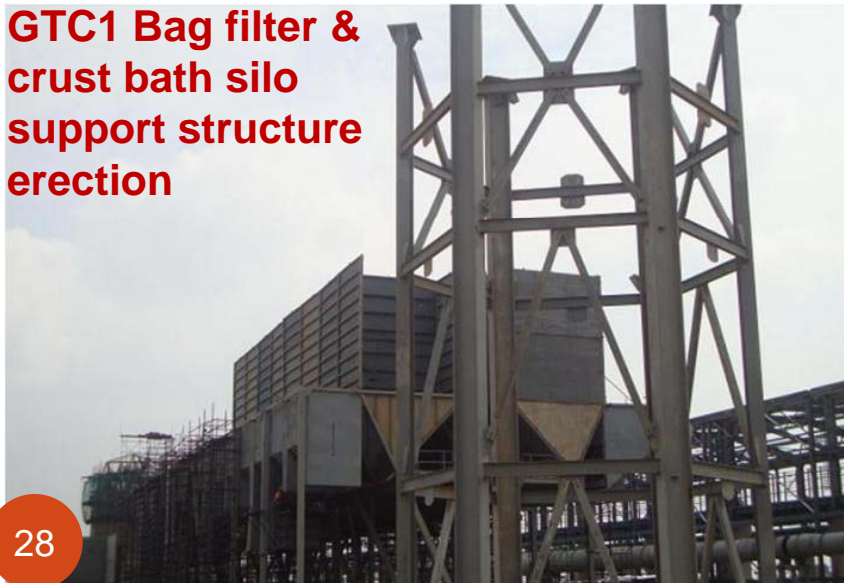
**Pot Room**



**Cathode sealing shop**



**GTC1 Bag filter & crust bath silo support structure erection**



**GTC1 ID Fan foundations & Stack**



# Activity at Site: Mahan CPP

**Erection work in Boiler #2**



**Chimney #4 - Assembly of Slip form**



**Erection of Boiler #2 columns**



**Reinforcement & Shuttering work for TG#2 Deck slab**



# Aditya Smelter



<b>Engineering</b>	Detailed Engg- 68% Complete
<b>Statutory approvals</b>	Major approvals received. Forest land stage I clearance received. Permission to start project site consolidation activities received. Stage II clearance awaited.
<b>Commitment</b>	Around 66%. Major orders placed (along with Mahan)
<b>Site Progress</b>	Area grading ,Piling undergoing. R & R under progress. Civil contractor - HCC Team has mobilized well with hydraulic rigs and civil work in permitted fronts is in full swing.

# Activity at Site: Aditya Smelter and CPP

**Pot Room Foundation**



**220 KV switch yard**



**Intake well with substation**



**Boiler foundation**



# Hirakud Smelter and Power Plant Expansion



<b>Smelter Expansion</b>	Capacity increase from 161 to 213 ktpa thru' addition of 80 Pots of 235 kA
<b>Power Plant Expansion</b>	Capacity to increase to 467.5 MW by Addition of 100 MW.
<b>Schedule</b>	30 pots to be commissioned by Dec'2011 & balance 50 pots by Mar'2012
<b>Technology</b>	GAMI Design
<b>Progress</b>	<p><b>Power Plant</b></p> <ol style="list-style-type: none"><li>1. DCPL has been engaged as the EPCM consultant, Engineering is progressing well</li><li>2. Major orders for the power plant already placed.</li></ol> <p><b>Smelter</b></p> <ol style="list-style-type: none"><li>1. Basic Engineering by GAMI- completed.</li><li>2. Major orders like wagons, alumina handling placed. Other major orders being finalized.</li><li>3. SPL has been vacated to storage shed. New plant rectifier station will be erected over here.</li><li>4. Site grading 80% and boundary wall 90% completed.</li></ol>

**Smelter expansion from 155 to 161 KTPA under phased commissioning**



# Project Blue Fox



<b>Scope</b>	Brownfield project – Can Body Stock at Hirakud
<b>Dismantling and receipt of equipments</b>	Dismantling completed. All containers received at Vizag port - 13000 MT.
<b>Cold Mill</b>	Order placed on Achenbach.
<b>Hot Mill</b>	Order placed on ABB for refurbishment of Main Motors. Work progressing as per schedule.
<b>Civil work</b>	Excavation and foundation of building column in progress. Site Leveling and Boundary wall work in progress.

# Jharkhand Smelter



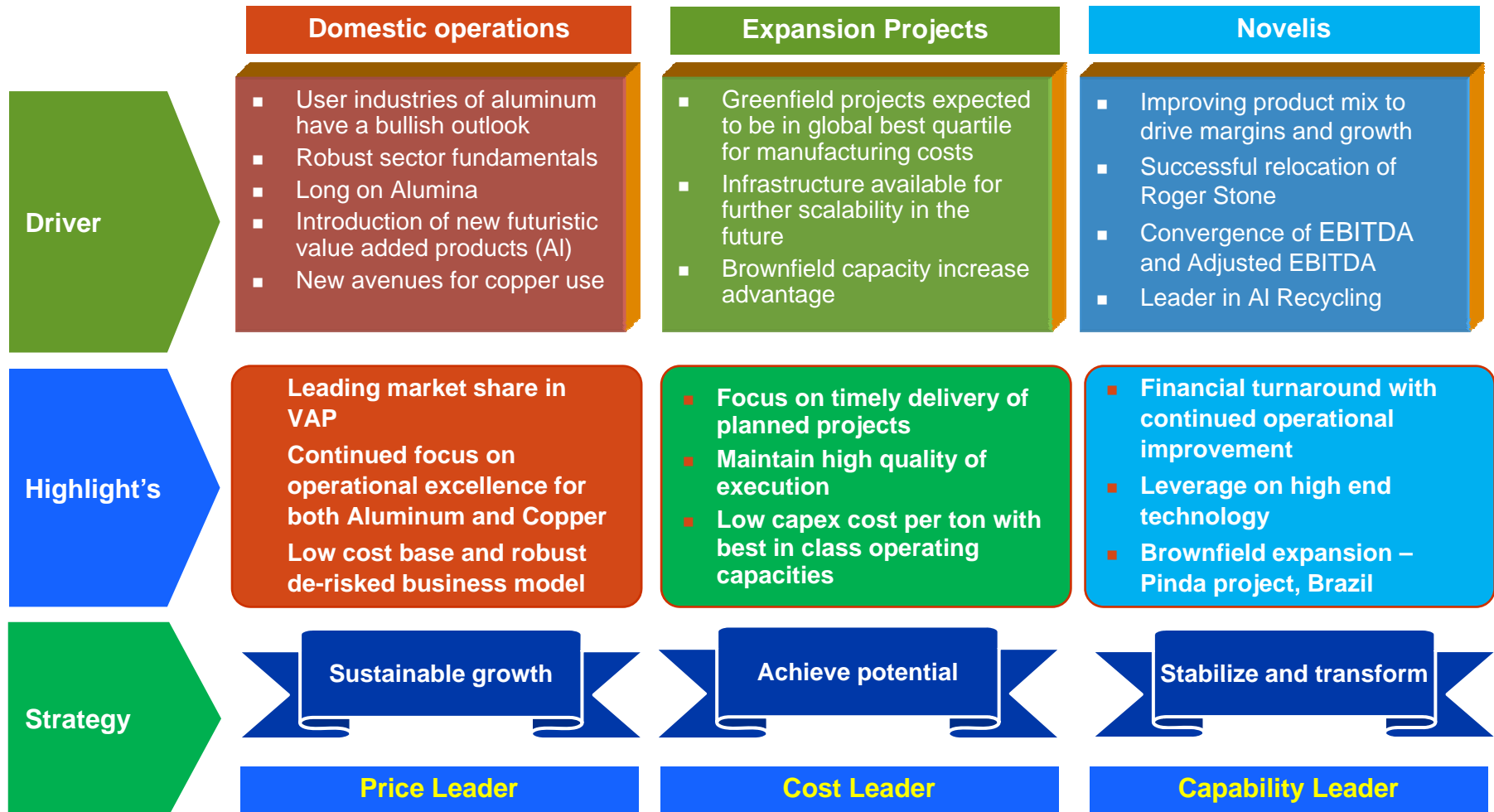
<b>Land</b>	Total land requirement of ~4000 acres for the project. Both private as well as Govt land acquisition started.
<b>Water</b>	Water drawl clearance received for 55 MCM.
<b>Environmental clearance</b>	Application to be submitted after sizeable quantity of land has been acquired.
<b>Feasibility Reports</b>	DFR is ready.

# Aditya Refinery



<b>Land</b>	Majority land acquired, Rest process on track
<b>Water</b>	Water drawl agreement in place M/s Simplex Infrastructure Ltd is awarded with the job for supply & erection of water drawl arrangement. They have completed the ground survey work for route alignment for 15 Km.
<b>Forest clearance</b>	Terms of Reference (TOR) presentation date is awaited.
<b>Construction power</b>	Job has been completed. Line energized.
<b>Railway</b>	Railway siding clearance obtained.

# Towards Sustainable Leadership



**Seamless Global “One Metal” business**

## Forward Looking & Cautionary Statement

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*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