



“Hindalco Industries Limited
Q4 FY’23 Earnings Conference Call”

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MANAGEMENT: MR. SATISH PAI – MANAGING DIRECTOR – HINDALCO INDUSTRIES LIMITED
MR. STEVE FISHER – PRESIDENT AND CHIEF EXECUTIVE OFFICER – NOVELIS
MR. PRAVEEN MAHESHWARI – CHIEF FINANCIAL OFFICER – HINDALCO INDUSTRIES LIMITED
MR. DEV AHUJA – CHIEF FINANCIAL OFFICER – NOVELIS
MR. SUBIR SEN – HEAD INVESTOR RELATIONS – HINDALCO INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Hindalco Industries FY '23 Fourth Quarter Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference call over to Mr. Subir Sen, Head of Investor Relations at Hindalco. Thank you, and over to you.

Subir Sen: Thank you, and a very good afternoon and morning, everyone. On behalf of Hindalco Industries, I welcome you all to the Earnings Call for the Fourth Quarter and Financial Year 2023. In this call, we'll refer to the Q4 FY '23 investor presentation available on company's website. Some of the information on this call may be forward-looking in nature and is covered by the safe harbor language on slide number two of the slide presentation.

In this presentation, we have covered the key highlights of our consolidated performance for the fourth quarter for the financial year 2023 versus the corresponding period of the previous year. A segment-wise comparative financial analysis of Novelis, India aluminium and copper business is also provided. This presentation covers our Indian operations aluminium upstream and downstream financials and operational performances separately to reflect individual business segment performances in this quarter, quarter 4 versus the corresponding period of the previous year.

The corresponding segment information of the prior periods have also been restated accordingly for a comparative analysis. Please note that our quarterly inter-segment sales from India upstream to the India downstream have been reinstated for earlier quarters of this fiscal and prior periods, which have been erroneously reported in the earlier quarterly earnings presentation of this is fiscal.

Today, we have with us on this call from Hindalco's management, Mr. Satish Pai, Managing Director; Mr. Praveen Maheshwari, Chief Financial Officer. From Novelis' management, we have Mr. Steve Fisher, President and CEO; and Mr. Dev Ahuja, Chief Financial Officer. Following this presentation, this forum will be open to any questions you may have. Post this call, an audio replay of this conference call will also be available on our company's website.

Now let me turn this call to Mr. Pai to take you through the company's performance this quarter.

Satish Pai: Yes. Thank you, Subir. Hello, everyone. Thank you for joining today's earnings call of Hindalco's performance for the fourth quarter of FY '23. On slide five and six of this presentation, you can see our achievements and progress towards ESG metrics in FY23 versus the prior year. So Hindalco continues to be aligned to its ESG commitments of 2050. We continue to work on green cover and biodiversity. And this fiscal year, we have successfully completed CII's Biodiversity index and carbon sequestration field study for six of our sites. We

have also completed an all-season study under our biodiversity management plan and have already launched this at 4 of our units and 11 of our mine sites.

Hindalco continues to increase its share of recycling and reusing of waste. In the current fiscal year, 88% of the total wastes were recycled and reused versus 86% in the previous year. We achieved recycling of 124% of bauxite residue and 107% of ash this year, which is a significant achievement. In addition, we are single-use plastic free certified at 13 of our plant sites and will soon attain the certification for the remaining 4 sites to become 100% single-use plastic free certified company in India.

In terms of our progress in renewables, we have already implemented 109 megawatts until the last financial year and are progressing well towards the target of 300 megawatts by 2025. Further 141 megawatts of renewable hybrid wind and solar projects are under execution and to be completed over the next few years. Feasibility of an additional 40 megawatts of solar is also under finalization.

We are enhancing the co-firing of biomass in all our thermal power plants. We are currently using 5% biomass in our Hirakud, Aditya and Utkal facilities. At the end of this fiscal year, aluminium specific greenhouse gas emission was recorded at 19.21 tons of CO₂ per ton of aluminium, clocking an improvement of 2.3% compared to the last financial year. We are committed to Zero Harm on safety at all our plant locations. The LTIFR in India was recorded at 0.25 in FY '23, which is among the best in the industry today.

We have taken several initiatives like our recent safety 360-degree which is an off-the-job safety program implemented across Hindalco with the involvement of employees, including their families and external stakeholders. This helped us in inculcate a safety culture, not only in our employees but also in their family. We are sad that there were two fatalities of contract workmen that were recorded in our Indian operations this financial year. We stay committed to our zero liquid discharge at all our sites and a 20% reduction in specific water consumption by 2025 from the base year of FY '19.

We are on our way to achieving net water positivity by 2050. We are not only implementing water audits for assessing rain water harvesting and recycling capabilities at our plant locations but have also initiated various desalination and other projects to achieve this growth. Our desalination project at Dahej is using approximately 910 million liters per day of desalinated water from the Arabian Sea and reducing the usage of freshwater in this facility.

On the water positivity front, our Samri mines has achieved a positivity rate of 1.49x this year. In addition to this, seven new projects with fresh water reduction potential of around 5 million cubic meters per annum is also under progress. This is in line with our target of achieving water positivity across all mines by 2025.

Let me now give you a glimpse of our quarterly consolidated performance in quarter four on Slides 8 and 9. This quarter's performance on a consolidated basis was impacted by higher input costs and unfavorable macros. But was partially offset by higher volumes in India operations

and record performance of the copper business. Our quarterly consolidated revenue was ₹55,857 crores this quarter, which was flat compared to the quarter of the prior year.

Consol EBITDA was down 23% year-on-year at ₹5,818 crores, whereas the consolidated PAT declined by 37% year-on-year to ₹2,411 crores this quarter. Hindalco at the consol level maintained its strong balance sheet with a net debt to EBITDA went below 2x at 1.39 times at the end of March'23.

On the balance sheet side, our consolidated net debt stands at ₹33,959 crores. The Indian operations net debt was ₹288 crores and Novelis was at ₹33,671 crores at the end of March 31st, 2023. On our India head position in aluminium business, we are currently hedged at around 11% at a price of \$2,755 per ton. All our strategic capex in India as well as Novelis are mapped with the cash flow generation in the business and are in line with our capital allocation policy.

On our new mine status, Chakla mine is progressing well and is expected to be commissioned by FY '26, whereas for Meenakshi, we are still awaiting regulatory approval. Coming to our business-wise performance for this quarter. Novelis shipments were 936 Kt, down 5% year-on-year, largely on account of lower beverage can shipments, customer inventory reduction and lower shipments in specialties, mainly in the Building & Construction segment. This was partially offset by higher aerospace shipments and record automotive shipments this quarter.

Novelis delivered a fourth quarter EBITDA of \$403 million, down 6% year-on-year on account of less favorable metal benefits from recycling, higher energy cost inflation and lower volume. This was partially offset by higher product pricing and a favorable product mix. EBITDA per ton was recorded at 431 versus 437 in the corresponding period last year.

On Hindalco India's aluminium business performance upstream aluminium performance this quarter was impacted by high input costs and unfavorable macros. Shipments were down to 323 Kt, where revenue was down to ₹8,050 crores. Upstream EBITDA was 41% lower at ₹2,192 crores. EBITDA per ton was at \$825 per ton, whereas EBITDA margins were at 27% and continue to be one of the best in the industry in this current challenging business environment. The overall shipments of primary aluminium was 323 Kt of this third-party shipments was 251 Kt and 72 Kt was transferred to the downstream business this quarter.

The downstream aluminium business shipments were down 4% year-on-year at 90 Kt this quarter, whereas revenues were down 17% year-on-year at ₹2,738 crores. Downstream delivered an EBITDA of ₹112 crores, down 20% year-on-year on account of lower pricing, adverse sales mix and lower volumes this quarter. Our copper business delivered its best ever financial and operational performance with an all-time high metal and copper rod sales this quarter. The overall metal shipments were at 117 Kt, up 11% year-on-year of which CCR volumes were at 95 Kt, up 28% year-on-year.

Revenues were up 14% at ₹11,206 crores this quarter on account of higher volumes and higher global price of copper. The quarterly copper EBITDA was at an all-time high of ₹598 crores, up 55% year-on-year on the back of market recovery highest ever volumes of CC rods and better TC/RCS. Let me also inform you that our copper smelter is currently under major planned

maintenance shutdown with effect from 5th April, 2023 and will be back in operation by mid-June.

Now let me give you a glimpse of the current broader economic environment. The global GDP growth is projected to moderate from 3.4% in 2022 to 2.8% in 2023 before rising to 3% in 2024 as per IMF. The 2 largest emerging market economies, India and China are expected to contribute around half of the global growth in 2023, with the rest of Asia Pacific contributing an additional fifth.

Current outlook remains uncertain amid financial sector turmoil, high inflation, tight monetary policy, ongoing effects of the Russian invasion of Ukraine and the aftereffects of three years of COVID. Global headline inflation is set to fall from 8.7% in 2022 to 7% in 2023 on the back of lower commodity prices. But underlying core inflation is likely to decline more slowly. Inflation return to target levels is unlikely before 2025 in most cases.

On the upside, COVID outbreaks intensity has reduced, commodity prices have moderated and China seems to be on a recovery path. Emerging market economies continues to lead the recovery. On the domestic front, the Indian economy continues to show resilience amid an uncertain global economic backdrop.

Aggregate demand conditions have been resilient with urban and rural demand indicators gaining some traction, but the moment needs -- momentum needs to be sustained. Rising public capital expenditure, high capacity utilization, buoyancy in contact-intensive sectors and moderating commodity prices should bolster manufacturing and investment activities.

The RBI projects real GDP growth of FY '24 to be 6.5% from an estimated 7% in FY '23 with risks evenly balanced. However, slowdown in external demand, protracted geopolitical tensions, tight global financial conditions, and financial market volatility do post some downside risks to this outlook. While global commodity prices have moderated significantly and inflation expectations have also edged down the rising uncertainty in international financial markets and imported inflation pressures are being closely monitored by the RBI. RBI projects CPI inflation to moderate to 5.2% in FY '24 from 6.7% in FY '23, assuming an annual average crude price of \$85 per barrel and a normal monsoon in India.

Now talking about the aluminium industry outlook in the calendar year 2022, the global aluminium production grew 2% year-on-year, whereas global consumption was flattish, resulting in a marginal deficit of 0.1 million tons. In the calendar year 2022, China production increased in provinces like Yunnan and inner Mongolia, whereas there was a decline in the production at Sichuan province on account of shortage and power supply. Hence, the overall production in China grew 4% year-on-year in calendar year '22 to 40.3 million tons. Chinese consumption in calendar year '22 grew marginally by 1% year-on-year at 40.6 million tons. As consumption was higher it led to a deficit of 0.4 million tons during this period.

In the world, excluding China, production increased in the Middle East, whereas it declined sharply in Europe due to rising energy costs. Hence, production was flattish at 28.8 million tons. Aluminium consumption faced headwinds across all sectors, except the automotive segment. As

a result, consumption de-grew by 1% leading to a surplus of 0.3 million tons at the end of calendar year 2022.

On a quarterly basis, in Q1 calendar year '23, global aluminium production increased by 2% year-on-year, whereas consumption declined by 6%, resulting in a surplus of around 1.1 million tons. We have to remember during this period, the Chinese production grew by 4% to around 10 million tons. Historically, the consumption in this quarter is low due to the impact of the holidays on account of the Chinese New Year. In addition to this, overall demand in China was also weak due to ongoing construction led slowdown in the country. Hence, the overall consumption has declined by 3% to 9.1 million tons, resulting in a surplus of 0.8 million tons at the end of Q1 calendar year '23.

In the rest of the world, in Q1, overall aluminium production growth was flattish year-on-year at 7.1 million tons, whereas consumption degrew by 6% to around 6.9 million tons resulting in an overall surplus of 0.3 million tons this quarter. Global aluminium prices in quarter 1 calendar year '23 improved marginally to \$2,395 a ton as against \$2,324 a ton in the previous quarter. On a quarter-to-date basis, the global prices of aluminium this quarter are around \$2,317 per ton.

In Q4 FY '23, the domestic demand is likely to reach around 1.17 million tons, a 13% growth year-on-year, whereas sequentially, this demand is expected to grow marginally by 1%. This sharp year-on-year growth is supported by strong demand from electrical and automotive segments. However, the consumer durable section demands -- the consumer durables demand was subdued on account of inventory destocking and demand in the building and construction segment was marginally impacted by the rising interest rates.

The global FRP demand is expected to grow by 3% in calendar year '23 versus a similar growth in the last calendar year. The global demand for resilient beverage can sheet is expected to grow in the long run at a CAGR of 3% to 4%, although customer inventory reduction is expected to continue in the near term. The automotive segment demand is expected to grow at a CAGR of 11% over the next five years. This growth is led by elevated levels of pent-up demand supported by growing consumer demand for vehicles that use a higher share of aluminium like EVs and the easing of supply chain challenges and the availability of semiconductor chips that has led to a recovery in vehicle production levels.

The demand in specialties, especially in the building and construction segment showed some softness on account of seasonality and the macroeconomic environment as this demand broadly moves with the growth in the country's GDP and housing demand. This demand is expected to grow at a CAGR of 3% to 4%. The Aerospace segment is expected to remain strong with rising post-pandemic travel. Aircraft OEMs are forecasting a strong growth in the aircraft build rates over the next decade. In this sector, sustainability is also gaining importance, leading to higher consumption of aluminium.

In Q4 FY '23, Indian FRP demand is expected to grow marginally by 4% year-on-year due to a slowdown in the consumer durable sector. This demand is likely to pick up in the following quarters with stable consumption of aluminium in the Packaging and Building & Construction segment. Talking about the global copper industry, in calendar year 2022, overall global copper

production grew by approximately 1.9%, whereas consumption grew by 1.6% year-on-year. Chinese production increased by around 3% and consumption grew by around 2%. On a year-on-year basis, in the world, excluding China, copper production increased by 1.1% and whereas the consumption grew by 1%, resulting in a marginal global deficit of 0.2 million tons in calendar year '22.

In the first quarter of calendar year '23, the overall global production of copper increased by 4.3%, while consumption grew by 1.8% year-on-year. In Q1, calendar year '23, Chinese production grew by 4.8% year-on-year, whereas consumption grew by 2.3%. In the rest of the world, the production of copper increased by 4% year-on-year, where consumption grew by 1.3%. This has resulted in a global surplus of 0.6 million tons in Q1 of calendar year '23.

In Q4 FY '23, the domestic demand for copper increased by 16% year-on-year at 199 Kt versus 172 in Q4 FY '22, on account of higher demand for wire and cables. This is higher compared to the pre-COVID demand at 192 Kt in Q3 of FY '20. On a sequential basis, in Q4, the market demand was up 7%, with domestic producers share reaching 73% in this quarter.

During this quarter, the spot TC/RCs remained under pressure, ~19-20 c/lb due to supply disruptions in mines at Chile, Peru and Panama. The resumption of operations at most of these mines has helped in improving overall market sentiment in the current quarter. Further, several other Chinese smelters are also due for maintenance through April and May, which shall lead to further availability of copper concentrate in the market and thereby leading to further improvement in spot TC/RCs.

Details of our operational and financial performance in each of the business segments this quarter compared to the corresponding period of last year, as well as the previous quarters are covered in further slides and annexures to this presentation. Now let me conclude today's presentation with some key takeaways.

We, as a company, are working proactively to mitigate the current macroeconomic headwinds, cost pressures and ongoing customer destocking. Our India business is almost net-debt-free providing strong financial prudence for our organic growth strategy. We also continue to focus on resource security by acquiring captive coal mines in India to thereby reduce our dependency on external sources.

Our copper business continues to deliver its best ever performance and contribute significantly towards margin expansion of the overall India business. We continue to focus on value-added products like the copper rods and also catered to niche segments of special alloys and high-purity copper rods and tubes.

Novelis is on a recovery path backed by improvements in product pricing and a favorable product mix. The factors impacting Novelis current performance are transitory, this was reflected in the sequential improvements in margins this quarter. Novelis' robust cash generation and working capital relief will support its organic expansion projects under execution while keeping leverage to the committed levels.

Our approach to ESG continues to be comprehensive across value chains and is in-line with our intent as well as long-term targets for 2050. With our strong balance sheet and fundamentals intact, we stay focused with our value-enhancing growth strategy directed towards organic growth, diversifying our portfolio to provide not products, but also solutions while expanding downstream businesses in both aluminium and copper. We continue to moderate and pace our new strategic capex, both in India and in Novelis to be in line with our generated free cash flow.

Thank you very much for your attention. The forum is now open for any questions.

Moderator: We'll take our first question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Good evening, congratulations on good set of numbers and also a very impressive deleveraging towards the end of the year. Sir, my first question is on the cost direction. If you could just share what sort of cost reduction for the aluminium business you've seen in 4Q? And how is coming quarter is looking? And also, if you could just elaborate on the coal situation, how has it improved and the mix?

Satish Pai: Yes. I think, Sumangal, I had guided, at our Q3 concall, that our costs will come down by 5% or 6% in Q4. So actual Q4 costs were down by 6% from Q3 and this was largely because coal availability and increased coal prices that is now moderated but also CP coke, pitch, furnace oil, prices have started to come down. Now if I go to Q1FY24 versus Q4, I'm going to be a little bit cautious and say that we are probably going to be at similar levels of Q4. Whereas some of the carbon prices have further gone down, but since we are now going into the monsoon period with coal availability becoming tighter. So currently, we have around 22 days of inventory in all our plants. But I shall remain a little bit cautious. So I think probably Q1FY24 overall cost of production is expected to be flattish to a little bit lower than this Q4.

Sumangal Nevatia: Okay. So that's a bit surprising because given the -- I mean what we read on the coal e-auction side and availability, expectation was that it will continue to decline further by maybe a few more quarters. So any reason why for this cautious commentary?

Satish Pai: So look, if you look at our coal prices in Q4, they dramatically corrected down, and I'm looking at the current e-auction premiums. They are sort of flattish with Q4. So I currently doubt that coal prices can come down dramatically, especially we are going into the monsoon quarter now. So we have so many years of experience that if rains come very heavily and all, coal availability can get tight. So at least from my side, my guidance, I'm going to be a little bit cautious. I think after the monsoon, again, you will see a reduction going down.

Sumangal Nevatia: Got that. Sir, and in the opening remarks, did we say Chakla now in FY '26, I think earlier we were like somewhere more in 3Q '25?

Satish Pai: Yes. So it's FY, so it would probably be like December -- between December to March of December '25 to March of '26. Between those 3 months will be starting.

Sumangal Nevatia: Got it. And sir, my second question is with respect to our overall capex for '24 and '25, especially India business? And how should we see this aluminium downstream volumes ramping up with this capex being spent now?

Satish Pai: Yes. So first, in this FY '24, the 30-odd Kt of Silvassa extrusion will start to come in. So the plant has been commissioned, we are now going through the qualification processes that need to do. So that 30 Kt will add to the downstream. I don't think all 30 will come in by March of this year, but quite a lot will come in and by mid of next year, fully coming.

Our capex next year, we are guiding at around ₹5,000 crores. Last year, we spent around ₹3,000 crores. And a large part of the capex is going to be the rolling mill expansion in Hirakud and Aditya, which adds 170 Kt of sheet capacity and the Chakla coal mine. So -- next year, capex is going to be ₹5,000 crores. Now as per our planning, that ₹5,000 crores will be completely met with our generated cash flows during the year. Our treasury at the end of March '23 and '24 should be more or less at the similar levels.

Moderator: We have a next question from the line of Indrajit Agarwal from CLSA India. Please go ahead.

Indrajit Agarwal: First one broader macro question. When we look at overall your detail about the demand supply scenario. So how do you see aluminium prices trending in the next few months? And with that respect, do you think that we are now a little bit undercovered in hedges, and we could see a much higher impact on profitability versus some of the global peers who will see a significant downside on coal costs as well -- or power costs as well?

Satish Pai: So Our EBITDA per ton in the Upstream business this last quarter was \$825 per ton. Most of my peers are around \$500-600 per ton in Q4, because we looked at all the announced results. So I think the interesting question is, I was expecting LME to be around \$2250 to \$2400 in the coming few months. This last week of course, LME has come down. But I think it's going to be a little bit dependent in my opinion on two factors, which not -- have not really changed from the last quarter. What's happening in China and the strength of Chinese economy and Chinese aluminium demand and the second is what's happening in the U.S., interest rate, worries about recession, etcetera. So, I think that the market seems to be fluctuating quite a lot from all commodities on any plus or minuses on these two fronts. So it's good to be from a macroeconomic point of view, a little bit volatile.

Indrajit Agarwal: Sure. And my second question is on the downstream business, where -- profitability to be consistently coming down over the last 2, 3 quarters. Our calculated number is less than \$200 for this quarter. So when we look at the split, it is the conversion cost that has increased meaningfully. So just wanted to understand what goes what is the key component in that conversion cost? And how do you see the profitability of this business in the next few quarters?

Satish Pai: Yes. I don't -- I'm not that worried about the conversion cost because again, these downstream plants are little bit like Novelis, the operating leverage is high, meaning the fixed cost. So volumes were down. And really what happened in India is that on the consumer durables segment, and I will focus directly on to Aluminium Circles, which goes into pressure cooker

manufacturers and all that. There was a bit of destocking happening in the segment. So during the month of November '22, volumes picked up by our customers were a bit low.

Now that situation from April 23 onwards has turned around. So, you will see that in Q1 of this year, we will be going above the 90 Kt easily of downstream demand and the profitability will be back to the \$200 per ton. So we -- even in India, we had a little bit of destocking in the consumer durable side, and that's a high margin segment for us. That's why the EBITDA per ton in Q4, as you rightfully pointed out, was down.

Indrajit Agarwal: Sure. And one last housekeeping question, if I may. What is our current Utkal capacity because we are running at a 2.2 million tons production run rate this quarter. So what is the operating capacity currently? And how can we see it towards the end of this fiscal?

Satish Pai: It's about 2.2 million, 2.3 million tons.

Moderator: We have a next question from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: Congratulations for a good set of numbers, Sir. I have a couple of questions. The first one, as you said that the copper smelter is undergoing major maintenance. So what kind of hit on EBITDA can we expect in Q4? And given we have seen copper over a period of several quarters, the run rate is now firmly above ₹550 crores odd every quarter. So what would be -- first of all, what are the sustainable drivers for the same? And whether this run rate can be maintained given the correct TC/RCs market?

Satish Pai: Yes. I think that generally, I think we have planned for about the sort of ₹450 to ₹500 crore levels that we keep guiding. I think in Q1 of this year, because of the large smelter one shutdown, we'll probably be in the range of ₹350 and ₹400 crore for Q1. By Q2, we'll be picking back up again to our original guidance pre-shutdown.

Amit Dixit: Okay. The second one is on essentially routine bookkeeping question again on coal sourcing mix in the quarter, linkage, production from our own mines individually and, of course, you indicated about the about the future mix. So I just wanted to get the mix for this quarter.

Satish Pai: Yes. The linkage for the Q4 was 52%, e-auction was 44%, our own mines was 3%, and the import and all was about 2%.

Amit Dixit: Sir, this was slightly surprising because your peers indicated a much better linkage materialization -- I mean whether they are in aluminium or zinc...

Satish Pai: Yes, I think our peers probably were in the NCL Odisha site. So our linkages in the Singrauli area, some of our old linkages had lapsed and new linkages are yet to be signed up. So that's why for us, we are at this percent. I mean we are getting more than 90% of the linkages we have. But the percentage of linkage in the total mix was 52%.

Moderator: We have our next question from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: Just a couple of questions. One was actually on linkage coal actually. Can you maybe talk about how much linkage coal has, say it has expired? How much are you looking to renew the existing

linkage coal that you have, how much longevity we -- is there for that linkage coal, any tie to that would be if -- because of competitive intensity, some of the linkage coal auctions don't materialize. What is the alternate source you would look at?

Satish Pai: The alternate source is e-auction. So currently, we have about 3 million of Tranche 2 and Tranche 3 that had lapsed last year, and the auctions are going on as we speak. So we have already tied up some parts and the auctions will continue till middle of June.

Satyadeep Jain: And in addition to that, the existing linkage, I have, how much run rate do we have -- how many years of linkage coal for the existing linkages...

Satish Pai: The linkages are normally for about 5 years.

Satyadeep Jain: So the new one I understand, you in the process of signing. The older ones in addition to the 3 million tons, they would expire in?

Satish Pai: Another 3 years now, yes. See, our whole game plan is that within those other 3 years, our requirement for linkages should start to go down as Chakla comes online.

Satyadeep Jain: But after Chakla and Meenakshi, I know it's due 3 years on the line, but when Chakla comes online, you would still want to come into this 3 million ton of linkage coal. So in that case, you may be looking at oversupply in the next two years, if you have linkage coal also in Chakla also?

Satish Pai: I think from our point of view, there is an oversupply of coal, we are quite happy because the prices will come down. Because we are not in the commercial coal business, so for us, coal is a cost. So you're right. I mean, if all the commercial mines in mining start to come in, hopefully, coal prices will go down further, and that's good for our business.

Satyadeep Jain: Second, on copper smelter, obviously, the business is actually generating very high ROCE at the level the entire business and one of your peers actually been talked about setting up a greenfield copper smelters on the coastal area. Would you -- is it mainly the other big environmental issues that would stop you from looking at a copper smelter -- or is there any other consideration? Or would you look at that sometime in the future, if the opportunity...

Satish Pai: We are looking at it any time. I think that if there is any company that can run things in an environmentally clean and sustainable manner, it is Hindalco. So -- but I think what we are doing right now, if you remember, is we have a copper inner grooved tube project, copper-alloy project that we are executing. We have also got clearance from our both for a copper scrap facility that will add about 50 Kt of copper along with associated minerals. And then we will also continue to look at the viability of a smelter as well. So as I said, these are now issues of capital allocation and capital phasing.

Moderator: We have a next question from the line of Rajesh Majumdar from B&K Securities. Please go ahead.

Rajesh Majumdar: So Sir, I just want to know something on the EBITDA per ton bridge for the upstream operations, if it were, if you look at 4Q over 3Q, the impact of the LME price is about \$70-odd if I'm not

mistaken, and the impact of the cost is about \$90-odd as per your 5%, 6% odd figure you gave. But the improvement in the EBITDA per ton is nearly \$130, if I'm not mistaken. So an additional \$30, \$40 has come from somewhere. I just wanted to get a figure. That was my first question.

Satish Pai: So look, I'm going to try to bridge out your last \$30, \$40. But I think overall, the LME was better. But for us, the single biggest impact Q3 to Q4 is on the coal prices going down. So coal prices were down by around 16% sequentially. So that was the single largest impact on the EBITDA per ton of the primary business. The macro impact was a smaller impact. The coal was the single biggest.

Rajesh Majumdar: Right, sir. And my second question is also linked to that. You earlier mentioned that Q1 over Q4 won't be a significant difference in the e-auction coal prices. But if you look at it and you're talking about the exit levels of Q1 -- Q4 versus Q1 -- if you look at the average e-auction prices of Q4 against what the current prices are, they are sharply lower. So wouldn't that there be an impact of that as well in the Q1 costs?

Satish Pai: So look, I mean our Q4 coal prices came down 16%. So depending on the areas where we got our e-auction prices, we got very good coal prices in Q4 itself. So maybe for some others, the Q4 prices were not as good as ours, they maybe -- they have an improvement. But I, again, giving you a data point, our coal cost sequentially Q3 to Q4 was down by 16%.

Rajesh Majumdar: Right. But it could still be sharply lower in Q1, in my opinion because the e-auction levels are much, much lower -- on an average basis compared to Q4.

Satish Pai: I hope you are right. I'm not going to argue with that. And I'm just saying that this is a monsoon quarter, so I don't want to give a guidance that is over optimistic.

Moderator: We have a next question from the line of Aditya Welekar from Axis Securities. Please go ahead.

Aditya Welekar: So sir, earlier we were expecting that with the easing of the freight rate hikes and probable pauses in the hikes will support the aluminium prices. And then with the fair pivot, we could see some prices moving higher. However, the recent macroeconomic data such as contracting manufacturing PMIs in Europe and U.S. points towards the weakness in manufacturing activity. Thus, there are some reports of not very encouraging demand from China with social inventory still rising and some reports of dumping of Russian aluminium in the LME warehouses, probably distorting the LME prices. So, in that backdrop, sir, what is your thoughts on the LME, aluminium as a benchmark and its price trajectory going forward?

Satish Pai: Yes. I think as I said in my prepared remarks, there is a lot of macroeconomic uncertainty that is having this impact on the commodity prices. So I'm not so sure on one aspect. I have actually quite encouraged with the U.S. manufacturing activity, largely because of the IRA Act that the government has put in. And we have also started to see housing starts in the U.S. start to pick up now that the interest rates have sort of flattened. I think the bigger worry on the LME prices right now, is your last point on the health of the Chinese economy. This -- there is conflicting remarks because some people think the government is pumping it up and it should be okay and some people are worried. So I think that this is the one that worries me the most, that is the health of the Chinese. European demand is not getting any worse than what it was.

And by the way, the other positive is European energy prices have sharply come down. And in fact, if you look at last week, they are sort of at the prewar levels.

Aditya Welekar: Okay. And sir, any comment on this Russian -- Russia dumping its LME dump in LME warehouses probably distorting the LME prices -- so there was some differential between LME prices and CME prices.

Satish Pai: So, the LME actually put out an interesting statistic that showed the percentage of Russian metal in LME warehouses over the last few years. So according to them, the percentage of Russian metal in the LME warehouses has not drastically increased. And general market commentary is that, yes, there has been some more metal going into the Asian exchanges because they can't put it everywhere else. But that nobody thinks that, that Russian metal led to LME prices going down. The Chinese demand is the bigger factor.

Aditya Welekar: Understood. The second point is on this -- in the previous call, you said that they -- we were witnessing some destocking in cookware segment for the Indian operations in consumer durables market. So is the destocking over now and we can see some improvement from that segment in from Q1 onwards?

Satish Pai: We have already started to see that in this current quarter that we are in -- so we are hoping for a good monsoon Diwali session this time.

Moderator: We have a next question from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Just wanted to confirm on the aluminium hedging position.

Moderator: Sir, we're not able to hear you?

Satish Pai: Yes, I can hear him. I can hear him.

Kirtan Mehta: Just wanted to confirm on the aluminium hedging positions. Have we increased beyond the levels that we had previously guided?

Satish Pai: Yes, we are now 11% hedged at \$2,755 per ton for FY24. So we have set hedging that any time LME goes about \$2,500, we try to catch it. I think we added a couple of percentage points from the Q3 levels for FY24.

Kirtan Mehta: Right. And another question was about the other raw materials in the aluminium value chain like Coal-tar pitch and others, which are carbon-related costs. So do we expect that to continue to come down over the next few quarters?

Satish Pai: So CP coke is sort of a little bit related to maybe carbon, but not really. But yes, we expect that these sort of prices we have seen have come down and could continue to go down. But you have to remember when I look at the absolute levels, they have come down. But if you look at it compared to last year, CP coke is still sort of up by more than 40%. So there's still a lot it can go down by.

- Kirtan Mehta:** And in terms of our cost mix, what would be its proportion?
- Satish Pai:** It's about 20% when you put furnace oil, CP Coke, caustic, pitch, all that put together.
- Kirtan Mehta:** Right. One last question was on the roll mill additions that we are doing, what would be sort of how is the progress? And when do we see it commissioning?
- Satish Pai:** You're talking about the India project, right?
- Kirtan Mehta:** Yes.
- Satish Pai:** So that project now is in full swing. So we should start to see the first coils coming out of there somewhat towards the fourth quarter of FY '25.
- Moderator:** We have a next question from the line of Parthraj Gohil from Nirzar Securities. Please go ahead.
- Parthraj Gohil:** Yes, Go ahead. I have questions on copper business. So sir, can you please give us an outlook on TC/RC rates for the next year and also from where, at what price are we sourcing copper concentrate?
- Satish Pai:** Yes. It's already declared in November, December of last year. So this calendar year, the TC/RCs are 20-21 cents per pound. And we do long-term linkages for most of 80% of our copper concentrate, largely coming from Chile, Peru, Canada, Australia, and still getting some from Indonesia. They're not stopped yet.
- Moderator:** We have a next question from the line of Ashish Kejriwal from Nuvama Institutional Equities. Please go ahead.
- Ashish Kejriwal:** Sir, my question is on coal sourcing. We acquire around 16 million tons, and you said that 3 million tons of Tranche 1 and 2 has lapsed. And we are on work to renew that. So one question is 3 million tons when we are renewing it, how much additional cost we are bearing? And second is out of 16 million tons, how much we are expecting to come from the linkage quote in FY '24?
- Satish Pai:** So I hope to renew it with as little extra cost as possible. I mean, we have just started the first amount we got were at zero premium. So let's hope that, that trend continues. But -- if I take next year's plan, I mean, again, the linkage normally should be about 55% -- should be linkage.
- Ashish Kejriwal:** And sir, in this -- even if Coal India does not increase any prices under FSA, then also, do we think that the linkage coal prices will be more or less what it was in the first FY '23?
- Satish Pai:** Sorry, I didn't get it. Coal India does not increase prices, then the linkages that we already have, the price will not go up.
- Ashish Kejriwal:** No, I was talking about the 3 million Tranche because this 3 million Tranche coal, we have received at a lower price. And then one we are renewing it, are we getting at the same price or the prices are different? Or the one of the...

Satish Pai: Notified price of Coal India applies to all coals that they provide. So if they increase it, it will apply to even previous linkages. The premiums are what we are talking about in the first round that we got was at a zero premium. I'm not sure we'll get all 3 million tons at that very low premiums. But I'm hoping -- let's see, we'll give you an update at the end of Q1 of FY24, because it would have been finished by that time.

Ashish Kejriwal: Sure. And sir, is it possible to share what we have got in the first round in terms of volume?

Satish Pai: No.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the floor over to Mr. Satish Pai for closing comments. Over to you, sir.

Satish Pai: Yes. Thank you. I think that the point I wanted to make is that as we had promised Q4 versus Q3 sequentially, the Novelis business has improved, as we had said it would. We think the destocking will probably continue into Q1. And then after that, we should start to see the recovery as said by Steve, Dev in their call.

I think on the India business now, it all revolves around how the LME and coal situation plays out for aluminium. And I think that on the copper side, once the shutdown is over, we should have a pretty good year because the demand for copper products in India is very strong right now.

So overall, looking forward to this year, the macroeconomic uncertainty is the only cloud that we see right now. I think the rest of it is in our hands to deliver. So thank you very much for your attention.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Hindalco Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.