# Financial Capital

## Strong, Consistent Performance

Hindalco delivered an exceptional financial performance despite headwinds from rising input costs, pandemic-related disruptions and global inflationary pressures. Our strength was enabled by robust volumes, better operational efficiencies, strategic product mix and improved performance in our downstream business. We are entering new-age markets where we aim to create value out of niche, high-value products. We plan to build on this momentum and prepare to enter the next phase of organic growth with focus on sustained profitability, stronger balance sheet and strategic capital allocation.

### Key Highlights

**₹30,056 CR#**
EBITDA

**₹13,730 CR**
PAT

**₹16,838 CR**
Operating Cash Flow

**1.36x**
Net Debt/EBITDA

#Exceptional Income/(Expenses) for the the year ended 31st March, 2022, exclude ₹418 Crore, which represents the principal portion of (a) PIS/COFINS related tax credit income in Brazil of ₹358 Crore (net of litigation cost of ₹9 Crore) and (b) tax rebates for sales to Manaus, Brazilian Free Trade Zone of ₹60 Crore, as it is included in the results of Novelis segment and is part of EBITDA

### Contributions to SDGs

8 DECENT WORK AND ECONOMIC GROWTH

### Value Enhancing Growth

**SP-1** Robust capital structure

**SP-2** Value enhancing growth

### Interlinkages with Material Topics and Other Capitals

| Material Topics | Capitals Connected |
| --- | --- |
| Economic Performance | Manufactured Capital |
| Macro-Economic Fluctuations | Human Capital |
| | Intellectual Capital |
| | Natural Capital |
| | Social & Relationship Capital |

### Our Focus Areas

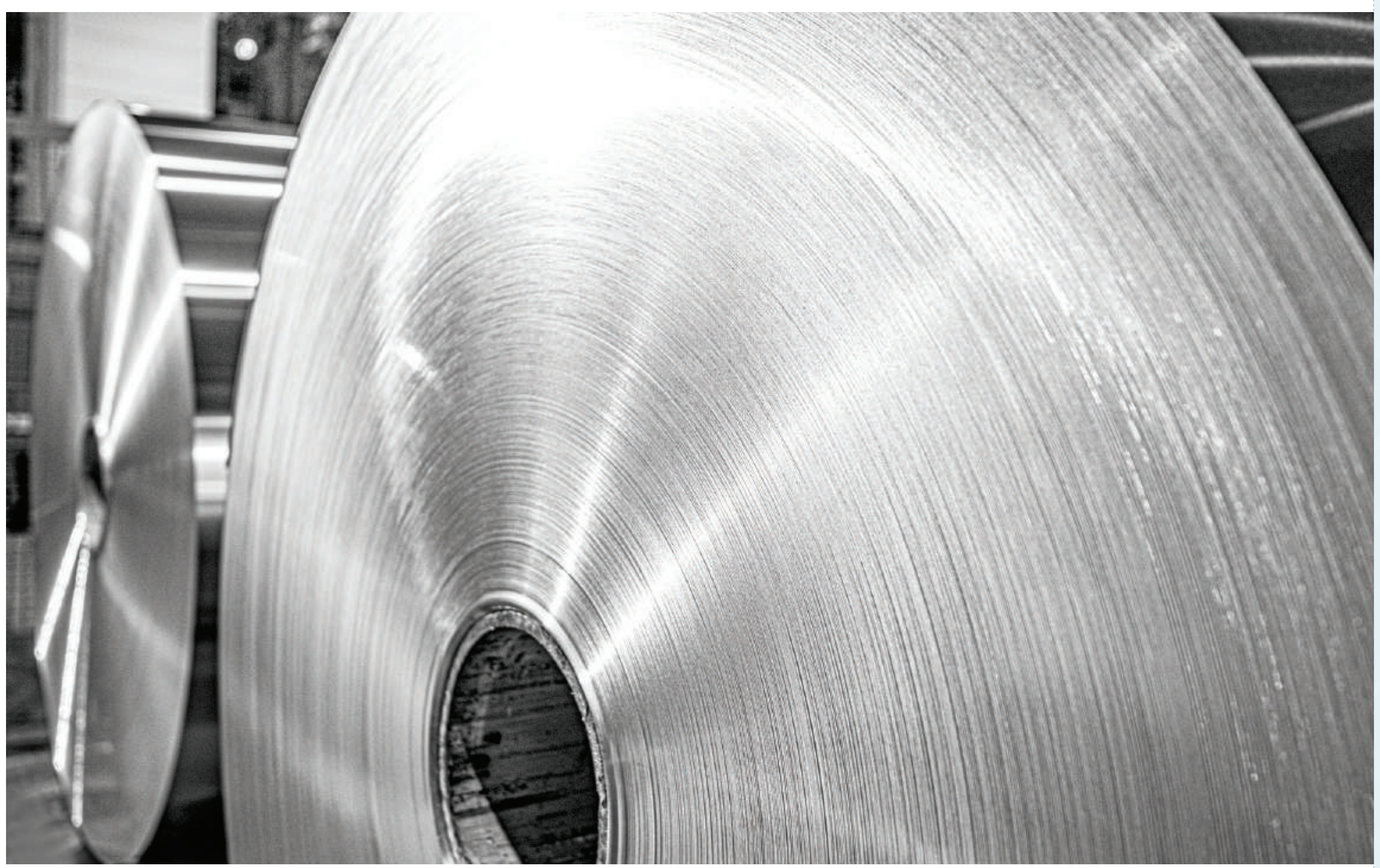
- Value Enhancing Organic Growth by Capitalising on Demand Drivers
- Sustainable Profitability through Product Mix Enrichment
- Strong Balance Sheet
- Strategic Capital Allocation Directed Towards Organic Growth

# Financial Capital

## Economic Value Creation (FY2021-22)

| Particulars | FY2021-22 (in ₹ CR) | FY2020-21 (in ₹ CR) |
|---|---|---|
| Revenue from Operations | 1,95,059 | 1,32,008 |
| Other Income | 1,136 | 1,199 |
| **Economic Value Generated** | **1,96,195** | **1,33,207** |
| Operating Costs | 1,28,686 | 85,103 |
| Employee Wages and Benefits | 11,936 | 10,782 |
| Payment to providers of capital | 4,435 | 3,960 |
| Payments to government | 3,801 | 1,881 |
| Community expenditure | 88 | 89 |
| Depreciation and other expense | 32,509 | 25,080 |
| **Economic Value Distributed** | **1,81,455** | **1,26,895** |
| **Economic Value Retained*** | **14,740** | **6,312** |

* Economic value retained = Direct economic value generated - Economic value distributed





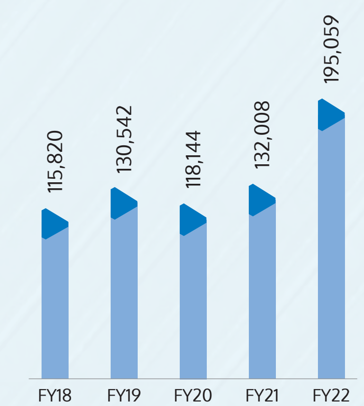
## Exceptional Financial Performance

In FY2021-22, our operational and financial performance improved significantly despite headwinds from rising input costs and inflationary challenges. Our continued focus on cost efficiency and integration helped us deliver record financial performance in terms of Revenue, EBITDA, PAT and Earnings per share this year. We are also prepared to enter the next phase of organic growth on the back of a strong balance and healthy ratios.

## Key Financial Highlights (Consolidated)

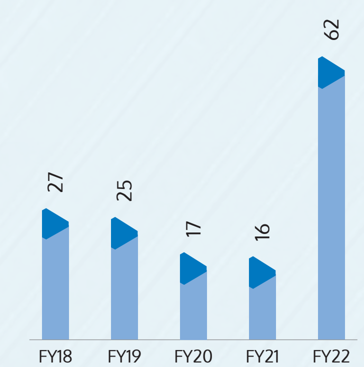
**Revenue** (₹ Crore)

**₹1,95,059 CR**



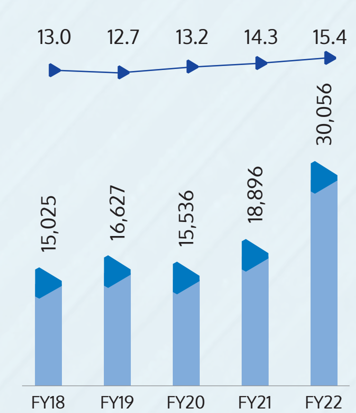

**EPS** (₹)

**₹62**



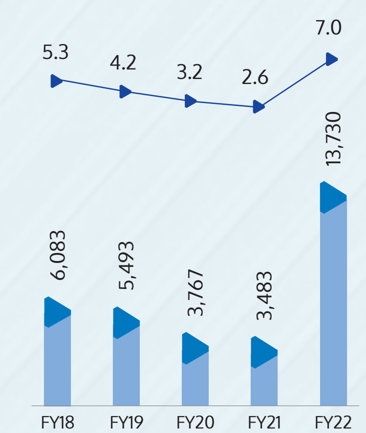

**EBITDA** (₹ Crore)
**EBITDA Margin** (%)

**₹30,056 CR**




**PAT** (₹ Crore)
**PAT Margin** (%)

**₹13,730 CR**

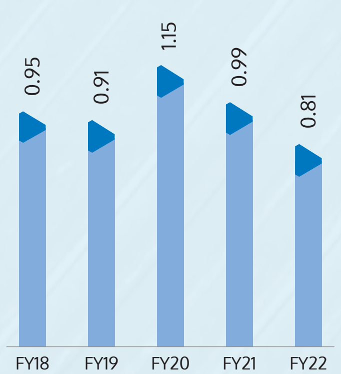


# Financial Capital

## Key Return Ratios (Consolidated)

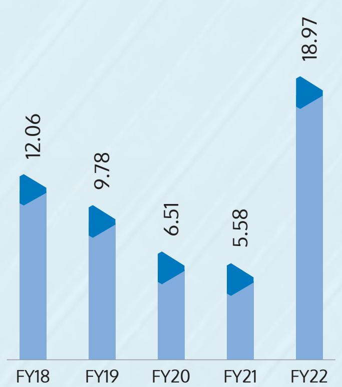
### Debt Equity (in times)

**0.81** Times



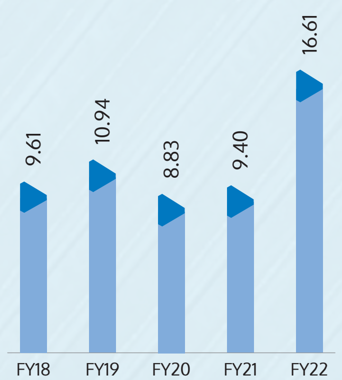

### ROE (%)

**18.97**%



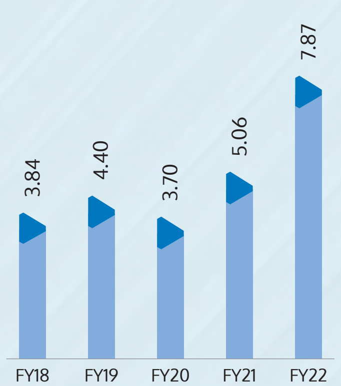

### ROCE (%)

**16.61**%



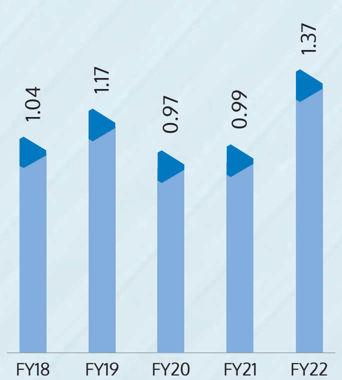

### Net Interest Cover (in times)

**7.87** Times



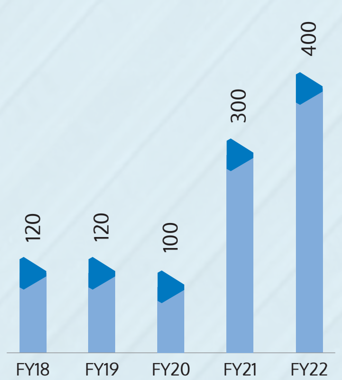

### Asset Turnover (in times)

**1.37** Times




### Dividend Payout (%)

**400**%






### Value Enhancing Organic Growth by Capitalising on Demand Drivers

As the world's largest flat rolled aluminium producer catering to beverage packaging, automotive body sheets, specialty products and aerospace segments, Novelis is well-placed to gain from the CAGR of 4% in global FRP aluminium consumption from 30 Mn MT in 2021 to 36.3 Mn MT in 2026.

The beverage can segment constitutes 58% of Novelis' FRP shipment, catering to North American, European, South American and Asian markets. Two key factors are expected to drive revenue from the North American markets – rise in consumer demand for FRP products in beverage segment and support for domestic production. The aggressive sustainability targets of key American beverage producers and the demand-supply gap in beverage can segment, together are expected to contribute significantly towards future growth in this region. Greater adoption of aluminium products and favourable pricing in all markets served by Novelis, are contributing towards the Company's overall growth in this segment.

Despite the headwinds from the pandemic and supply chain challenges over the past two years, the automotive body sheet segment is poised to recover at a healthy rate; supported by pent-up demand for vehicles. Gradual global transition to electric vehicles is also expected to contribute towards growth of Novelis' Automotive Body Sheet (ABS) segment by 2026. Global automotive aluminium FRP demand is expected to grow at a CAGR of 11% between 2021 and 2028.

We also expect strong growth in our high-value specialty segment catering to housing, automobile and packaging industries, driven by sustainable packaging preferences of consumers. We are positioned to benefit from the recovering aerospace industry.

In India, aluminium demand is expected to double to 8 MMTPA in the next 10 years. This will be driven by the demand from premium urban projects in the building & construction segment, growth in Electric Vehicles (EV), demand from pharmaceutical and food & beverages sectors, along with other industrial applications.

This translates into a CAGR of 6-8% across all major segments. Copper consumption is also expected to more than double in a decade fuelled by demand from infrastructure for smart cities, electric mobility and green energy, among others. This translates to a CAGR of 6 -12% in various end user segments.

Utkal Alumina is among the producers of lowest cost, highest quality alumina in the world

# Financial Capital

With the acquisition of Asoj, Birla Copper has strengthened its copper rod manufacturing capacity

## Sustainable Profitability through Product Mix Enrichment

Our margins have improved through stringent cost control and a diversified product mix which has an increased share of high-end value-added products.

### Product-Mix Enrichment:

**In Novelis:** Novelis' strategic investments over the last decade helped us capitalise on favourable market trends of lightweight and sustainable aluminium products as we diversify and optimise our product portfolio. As a global leader in the aluminium and aluminium beverage packaging industries, we leveraged our new capacity and global footprint to increase our sales and capture markets, which improved the pricing for beverage packaging and specialties products. We also increased shipments of premium automotive products which further enhanced product mix.

**In India:** We are expanding our aluminium downstream capacity from the existing 350 kt to around 600 kt by FY2026-27 in the categories of Flat Rolled Products, Extrusions and other value-added products. During the year, we acquired Hydro's Kuppam Extrusions facility to expand our presence in the high-end value-added extrusions and fabricated solutions market. Strategy for copper also focusses on downstream value-added products. We acquired Polycab's Ryker Copper Rods facility in Gujarat of 225 kt to strengthen its copper rod manufacturing capacity by providing a time-to-market advantage taking its total capacity of CCR to 540 kt. We plan to make strategic investments in high-value intermediary component segment of Air conditioning systems with two products, coated aluminium AC fins and copper Inner Groove Tubes (IGT).

### Cost Optimisation Initiatives:

At Novelis, our investments enabled us to increase the amount of scrap recycling. By maximising scrap inputs, driving operational efficiencies and higher utilisation rates, we were able to control and optimise our fixed cost structure. The acquisition of Aleris in 2020 has been highly accretive both in terms of market positioning and synergies.

At our India operations, we have taken several cost optimisation initiatives across the value chain to improve efficiency and reduce the overall cost of production at all our facilities. Access to low cost alumina through Utkal Expansion, better coal mix and other cost saving initiatives, have helped us reduce our cost of production. As a result, we continue to remain in the first quartile of the global cost curve in FY2021-22.





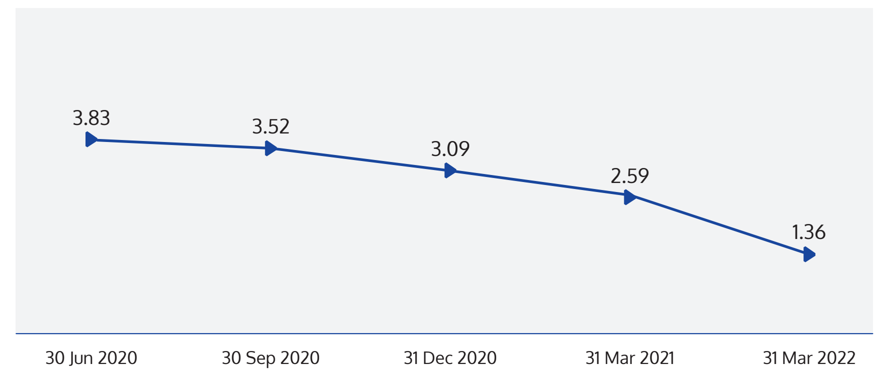
## Strong Balance Sheet

### Ready to fuel the next phase of organic growth

Deleveraging has consistently been one of the core focus areas for our Company in FY2021-22. Company's dedicated efforts on this front have facilitated significant reduction in Net Debt/Adj. EBITDA ratio is halved in FY2021-22 compared to the last year to 1.36 times as on 31st March, 2022, vs the leverage ratio from 3.8x as on 30th June, 2020.

This provides the company an immense opportunity to fuel its next phase of organic growth via capacity expansions in both Novelis and India to capitalise on the growing market demand across all the product categories. The company announced its expansion plans of nearly $8.0 Billion including the projects under appraisal to be spent over next five years, that shall be funded by the Company's internal accruals in line with its capital allocation framework.

### Consolidated Net Debt to EBITDA (x) Trend




## Strategic Capital Allocation Directed Towards Organic Growth

### Capacity Expansions

Novelis' investment towards organic expansion between FY2018-19 and FY2021-22 stood at $655 Million; in US, China, and Brazil. Between FY2022-23 and FY2026-27, investment in new capacities and facilities is expected to be more than $4.5 Billion. This investments to be made in the US, China, South Korea, Germany and Brazil, will cater to the entire portfolio of offerings. Out of the total investment, $2.5 Billion would go towards a greenfield project of 600 kt low-carbon recycling and rolling plant in Bay Minette, Alabama, primarily to meet the growing demand for cans in North America.

In India business, we have acquired Hydro's SAPA extrusions facility and Polycab's Ryker CCR facility for a total sum of $79 Million. Utkal alumina expansion of 500 kt, completed this year, takes our Alumina production capacity at Utkal to 2.2 Million MT. The estimated investments in India, spread over next five years, in Aluminium, Copper, Specialty Alumina and Resource Securitisation, is expected to be in the range of $3 to $3.3 Billion. This includes certain projects which are currently under appraisal. All these investments are mainly targeted towards downstream capacity expansion which will cater to the growing demand in global and domestic markets. These projects include 34 kt greenfield aluminium extrusions plant in Silvassa, and a 170 kt flat-rolled products facility in Hirakud; aimed at enhancing our value-added product mix. In alumina operations, further debottlenecking is planned at Utkal Alumina refinery for another 350 kt. We have also planned for debottlenecking of smelting capacity by 50 kt at Aditya and Mahan. At Belagavi and Aditya, we would expand specialty alumina capacity by 150 kt in precipitates, white hydrates and synthetic aggregates.