

Financial Capital



Enriching Lives by Maximising Value for Our Stakeholders

Prudent financial capital management becomes a critical success factor as we move towards a new pool of customer-centric solutions. As we prioritise long-term value creation, the financial capital fuels our operations and enables strategic investments.

It represents borrowings and Shareholder's Equity available to invest in assets, research and development, innovation, marketing efforts, and other initiatives, thereby enhancing value and ultimately enriching the lives of our stakeholders.

Focus Areas

Prudent Capital Structure	Capital Allocation Policy
Value Enhancing Growth	Portfolio Enrichment

Key Highlights

EBITDA	PAT
₹ 24,131 cr.	₹ 10,097 cr.
Operating Cash Flow	Net Debt / EBITDA
₹ 19,208 cr.	1.39 x

Contributions to SDGs



Interlinkages with material topics and other capitals

Material topics

- ▶ Economic Performance

Capitals connected

- ▶ Manufactured Capital
- ▶ Human Capital
- ▶ Intellectual Capital
- ▶ Natural Capital
- ▶ Social & Relationship Capital

Key Risks and Opportunities addressed

R3	Price volatility of aluminium
R4	Increased import of aluminium
R7	Shareholders/lenders focus on ESG

Alignment with Strategic Priorities

SP-1	Prudent capital structure
SP-2	Value enhancing growth

Financial Capital

Economic Value Creation

Particulars	(in ₹ Crore)	
	FY2021-22	FY 2022-23
Revenue from Operations	195,059	223,202
Other Income	1,136	1,257
Economic Value Generated	196,195	224,459
Operating Costs	128,686	158,116
Employee Wages and Benefits	12,023*	13,063
Payment to providers of capital	3,867	4,669
Payments to government	3,801	2,856
Community Investments	88	136
Depreciation and other expense	32,732*	36,443
Economic Value Distributed	181,197	215,283
Economic Value Retained[#]	14,498	9,244

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

* There is a reclassification of ₹87 Crore between employee benefits and other expenses



Robust volumes and better operational efficiencies enable our strength.

Financial Performance

In FY2022-23, we delivered stable financial and operational performance supported by a diversified product portfolio, improved operational efficiencies and a record performance by the copper business despite a challenging global economic environment. Our India aluminium operations and Novelis continued to deliver resilient performance.

Our consolidated revenue was up 14% at ₹223,202 Crore in FY2022-23 compared to ₹195,059 Crore in FY2021-22, primarily driven by higher global aluminium prices and local market premiums.

We maintain a strong balance sheet during the reporting period, resulting in 1.39x Net Debt-to-EBITDA at the end of the year and being net debt free for our India operations.

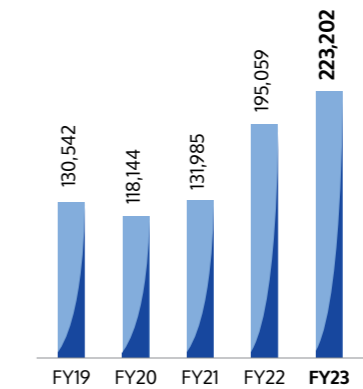
We are also actively pursuing ongoing strategic investments and partnerships to enhance our business ecosystem, seize emerging market opportunities and strengthen our positioning as an industry leader. In the future, the Company's raw material securitisation strategies in Indian operations would help in better availability of raw materials and cost optimisation.

Our ongoing growth projects — worth \$1.13 Billion in Indian operations and \$3.3 Billion in Novelis — would be executed over the next five years. These would be majorly funded through internal accruals.

Consolidated Financial Performance

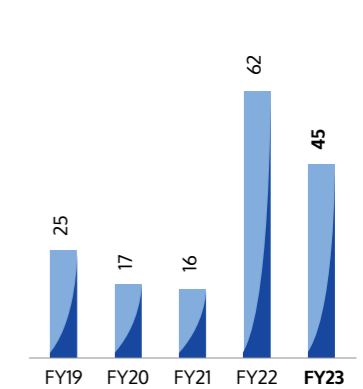
Revenue (₹ Crore)

₹223,202 cr.



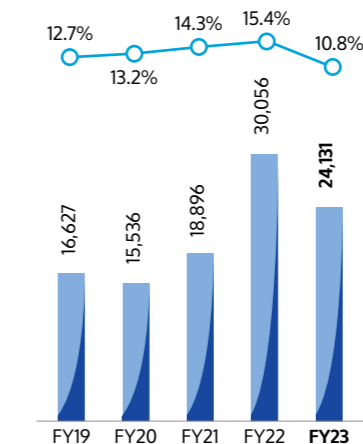
EPS (₹)

₹45



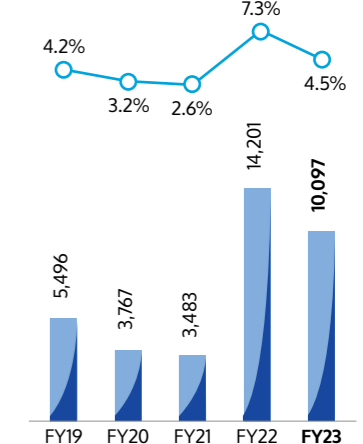
EBITDA (₹ Crore)
EBITDA Margin (%)

₹24,131 cr.



PAT (₹ Crore)
PAT Margin (%)

₹10,097 cr.

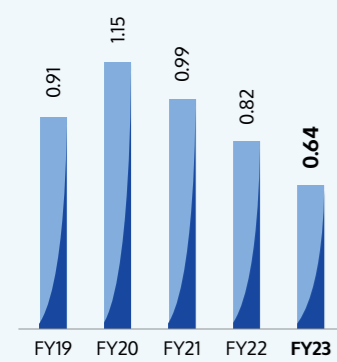


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Key Return Ratios

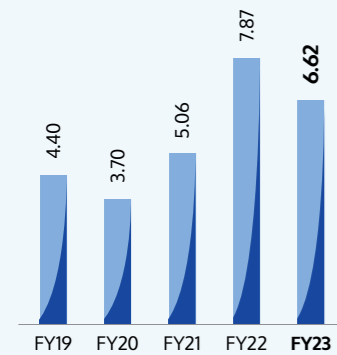
Debt Equity (in times)

0.64



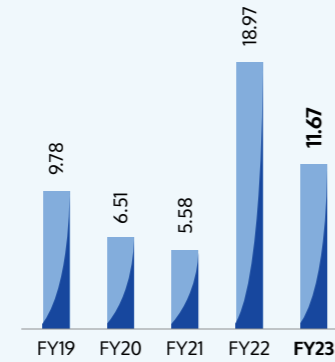
Net Interest Cover (in times)

6.62



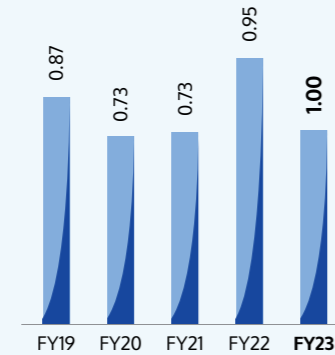
ROE (%)

11.67 %



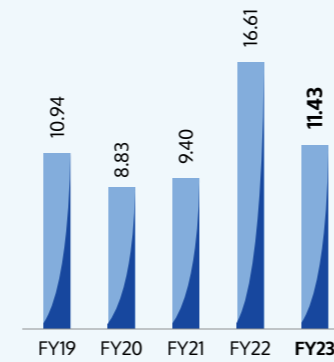
Asset Turnover (in times)

1.00



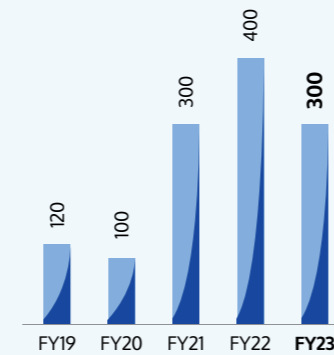
ROCE (%)

11.43 %



Dividend Payout (%)

300 %



Novelis Financial Performance Highlights

At Novelis, our net sales increased to \$18.5 Billion in FY2022-23, an 8% jump over last year due to higher aluminium prices and a favourable product mix. There was a 2% decrease in total Flat Rolled Products (FRP) due to weaker consumer demand in the beverage can and specialties market.

Adjusted EBITDA decreased 11% to \$1.8 Billion in FY2022-23, compared to \$2.0 Billion last year, driven by higher energy costs because of geopolitical instability and less favourable metal benefits. Free cash flow from continuing operations was \$443 Million compared to \$649 Million last year due to a higher capex and unfavourable metal price lag. A favourable release in working capital partially offsets this.

Capacity Expansions

As a part of the \$3.3 Billion ongoing organic expansion projects, Novelis is investing \$2.5 Billion to build a new low-carbon, state-of-the-art aluminium recycling and rolling facility of 600 KT in Bay Minette, Alabama. This facility will cater to the growing demand for can sheets and an undersupplied market, especially in North America.

Novelis will also invest \$365 Million in a 240 KT automotive-focused sheet ingot recycling facility in Guthrie, USA.

This strategy will serve the automotive aluminium body sheet industry, which is growing at a CAGR of 11% in the segments of high-end SUVs, pickup trucks and electric vehicles.

In line with its long-term downstream expansion strategy, Hindalco is foraying into high-end value-added segments in India's aluminium, copper, and specialty alumina.

This endeavour, worth \$1.13 Billion, is set to be executed over the next five years. These organic growth projects are expected to improve our margins and the Company in advancing from a manufacturing company to a manufacturing solutions provider.

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Key Focus Areas

Prudent Capital Structure

Our constant endeavour to create long-term shareholder value and strengthen our balance sheet over the past few years has laid the foundation for us to capitalise on upcoming growth opportunities.

The company has implemented a prudent debt management strategy, maintaining a healthy Net Debt-to-EBITDA ratio and managing its debt maturity profile. Our Consolidated Net Debt-to-EBITDA has reduced from 2.50x in March 2019 to 1.39x in March 2023.

Capital Allocation Policy

Till FY2021-22, our capital allocation policy framework stated that 75% of operating cash flow be spent for capex; around 15% be reserved for debt reduction.

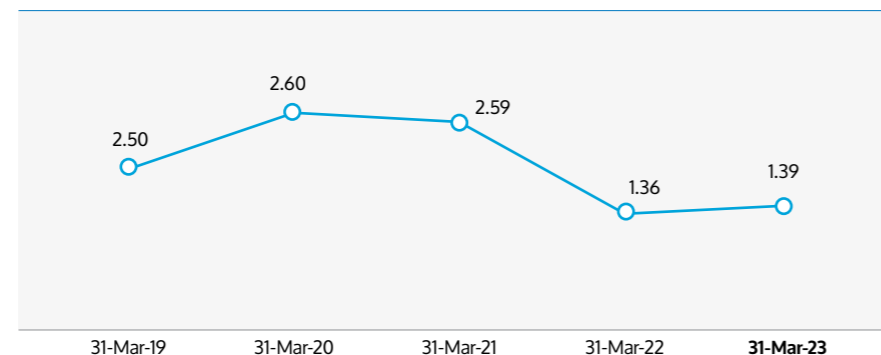
The balance was to be distributed to the shareholders. Given our comfortable debt position, internal accruals would be deployed towards our organic growth phase. As a result, our capital allocation would be majorly used for growth capex and dividend distribution to shareholders.

In FY2022-23, the board has recommended a healthy dividend of ₹3 per equity share (i.e., 300% of the face value of ₹1 each) subject to the approval of shareholders of the Company.



Hindalco is one of the largest producers of primary aluminium in Asia

Consolidated Net Debt/EBITDA (x) trend



Several initiatives for cost optimisation are underway, such as strengthening backward integration, investing in renewables, and bolstering our supply chain for sources of raw materials.

Value-Enhancing Growth

We are organically expanding our downstream businesses across product segments in India operations and Novelis. This approach allows Hindalco to capture new markets, strengthen customer relationships and improve margins.

Growth Projects Planned in the Next Five Years

Aluminium (India Operations)

- High-End Extrusions facility at Silvassa
- New Flat-Rolled Products (FRP) casting at Aditya
- Cold Rolling facility at Hirakud

- Coated Air Conditioning Fins facility (under the PLI scheme of Govt of India) at Taloja
- New Battery Foil Mill at Aditya
- New Battery Enclosures facility at Pune

Specialty Alumina (Chemicals) Business

- Precipitated Hydrate plant at Belagavi

Copper

- Superior copper alloy rod project at Vadodara
- First Inner-grooved copper tubes at Vadodara

- First-of-its-kind recycling facility for Copper and E-waste

Novelis

- State-of-the-art greenfield rolling and recycling facility in Bay Minette, US
- Automotive recycling centre in Guthrie, US

- Recycling expansion in Ulsan, South Korea
- Other investments in Debottlenecking/high-return rolling capacity release in North America, South America and Asia

We are working rigorously on cost optimisation and fortifying our resource security in coal and bauxite.

Several initiatives such as strengthening of backward integration, investments in renewables, and bolstering our supply chain for sources of raw materials are in various stages of implementation.

We are also investing in procuring captive coal mines to become self-reliant and safeguard ourselves from the volatility of energy prices and provide supply and quality assurance.

Chakla coal mine with a capacity of 4.5 Million MT is expected to be operational by FY2025-26. Meenakshi coal mine with a capacity of 10-12 Million MT is awaiting regulatory approvals.

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Portfolio Enrichment

With its portfolio enrichment strategy, Hindalco is advancing from a manufacturing company to a manufacturing solutions provider.

We are investing more than a billion dollars in various projects to develop

innovative products and solutions that will cater to the evolving needs of our customers. We can access an extended value pool in emerging markets through our fabrication and precision engineering solutions.

These solutions shall set us apart in the market, increase our pricing power, and enable us to capture higher margins. Here are some of our key initiatives:

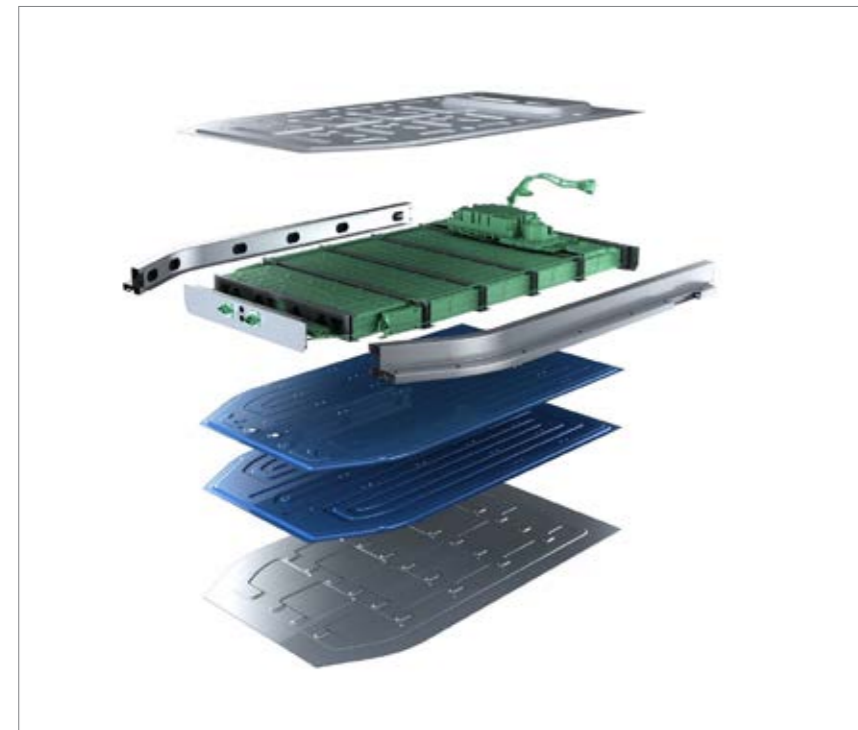
Aluminium-based battery enclosures for cars and two-wheelers

To serve as a solution provider for OEMs, we are setting up a 4-wheeler battery enclosure plant with a capacity of 164,000 units/annum to be commissioned by Dec-23.

Aluminium panels and railway freight wagons for passenger rail coach

We are co-designing aluminium panels and wagons in collaboration with railway coach manufacturers. This project aims to provide the Indian Railways with efficient, and sustainable solutions.

We introduced the first aluminium rake this year (FY2022-23) in Odisha, demonstrating our commitment to innovation.



Building aluminium trailers for Commercial Vehicles (CVs)

We have started manufacturing lightweight bodies for commercial vehicles to help operators reduce dead load, increase fuel efficiency and extend their range. A dedicated facility manufacturing 10,000 containers was established in January this year.



Customised window solution under the 'Eterna Fenestration Solutions' brand

To take advantage of the rapidly growing real estate market, we provide customised doors and windows solutions by combining advanced design with unique alloys. These solutions are meant for consumers seeking reliable and efficient fenestration solutions.



Precipitated Superfine Hydrate for halogen-free wires

We are commissioning a Precipitated Hydrate plant with a 20 KT capacity by FY2023-24. The fine particles, ranging from 1 to 2 microns in size, produced by this plant have diverse applications in different sectors, particularly in meeting the new safety standards for halogen-free wires in flame retardants.

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