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HINDALCO

Hindalco Industries Limited



Q2 FY19 Earnings Presentation

02nd November, 2018

SAFE HARBOUR

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- Aluminium
- Copper
- Novelis Inc.

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Key Highlights – Q2 FY19

Key Highlights – Q2 FY19

Hindalco Standalone (Plus Utkal Alumina)

- EBITDA of Rs. 1,922 crore vs Rs. 1,825 crore in Q2 FY18, up 5%, despite rising input costs, mainly coal and furnace oil
- Profit Before Tax at Rs. 968 crore vs Rs. 792 crore in Q2 FY18 (before exceptional items), up 22%, due to lower interest cost and higher EBITDA
- Profit after Tax at Rs. 725 crore vs Rs. 470 crore in Q2 FY18, up 54% reflecting a strong performance
- Net Debt to EBITDA (on TTM Basis) at end Sept, 2018 further improves to 2.47x from 2.67x at end of March, 2018
- Hindalco wins back Krishnashila Coal linkage of 3.1 MnT in auction conducted in September '18
- Deleveraging continues at Hindalco - prepaid Long term loan of Rs. 1,575 crore in October 2018

Aluminium (Hindalco Plus Utkal Alumina)

- EBITDA at Rs. 1,364 crore vs Rs. 1,204 crore in Q2 FY18, up 13%, on account of supporting macros and better realisations.
- EBITDA margin at 22% in Q2 FY19, despite rising input costs
- Production of Aluminium Metal was consistent at 326 Kt (vs 326 Kt in Q2 FY18) on account of stable operations
- Production of Alumina at 701 Kt (vs 712 kt in Q2 FY18), marginally lower, on account of operational issues due to heavy rains in the quarter

Key Highlights – Q2 FY19

Copper

- EBITDA at Rs. 388 crore vs Rs. 467 crore in Q2 FY18, down 17%, on account of planned maintenance shutdown in July 2018 and lower copper realizations.
- Copper Cathode production was down at 72 Kt in Q2 FY19 vs 96 Kt in Q2 FY18, due to planned maintenance shutdown
- CC Rod production, up 24% at 49 Kt vs. 39 Kt in Q2 FY18 on account of ramp-up of the new CCR-3 facility
- Share of VAP (CC Rods) in the total sales volume reached 70% in Q2 FY19 vs 43% in Q2 FY18
- DAP production up 73% to 88 kt in Q2 FY19 vs 51 kt in Q2 FY18

Novelis Inc.

- Record shipments in Q2 FY19 at 807 kt vs 802 kt in Q2 FY18
- Automotive shipments increased by 9% in Q2 FY19 vs Q2 FY18
- Highest ever adjusted EBITDA at US\$ 355 million (up 18% vs Q2 FY18)
- Highest ever adjusted EBITDA per ton of US \$ 440 (vs US\$ 377 in Q2 FY18)
- Net Income at US\$ 116 million in Q2 FY19
- Broken ground for new automotive finishing line in Changzhou, China doubling its capacity to 200 Kt
- Secured commitment from banks for financing Aleris acquisition

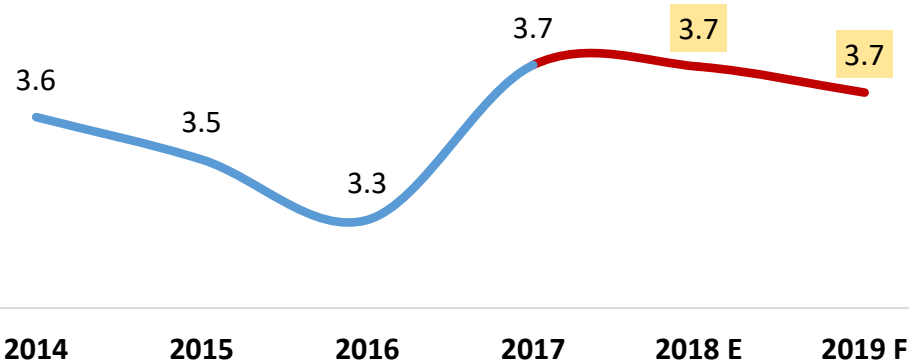


Economy & Industry : Global & Domestic

Economy Updates

Global Economy

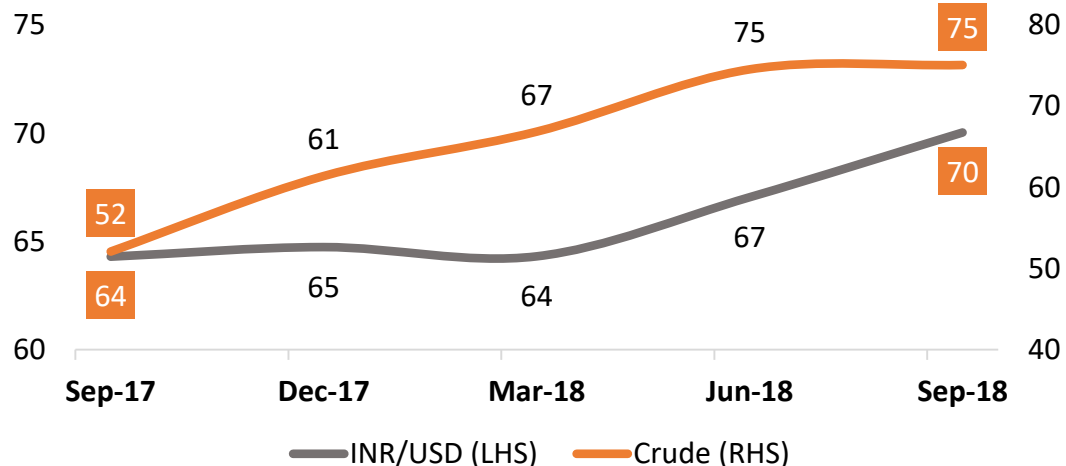
IMF Marginally Moderated the Global Growth (% YoY)



- US continues to grow at 3.5% in Q3-CY18 vs 2.8% Q3-CY17
 - Driven by strong consumption, investment and Govt spending
- Euro Area economic activities remains subdued
 - In Q3 CY18 economy grew by 1.7% vs. 2.2% Q3 CY17
- China growth moderated
 - GDP growth slowed to 6.5% in Q3-CY18 vs. 6.7% in Q2-CY18

Domestic Economy

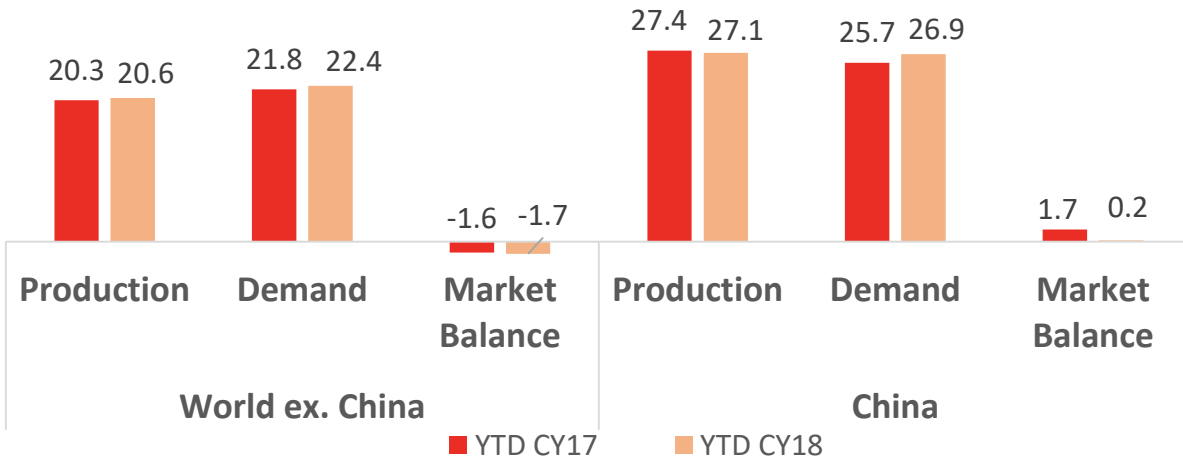
Movement in INR/USD & Crude (Brent \$/Barrel)



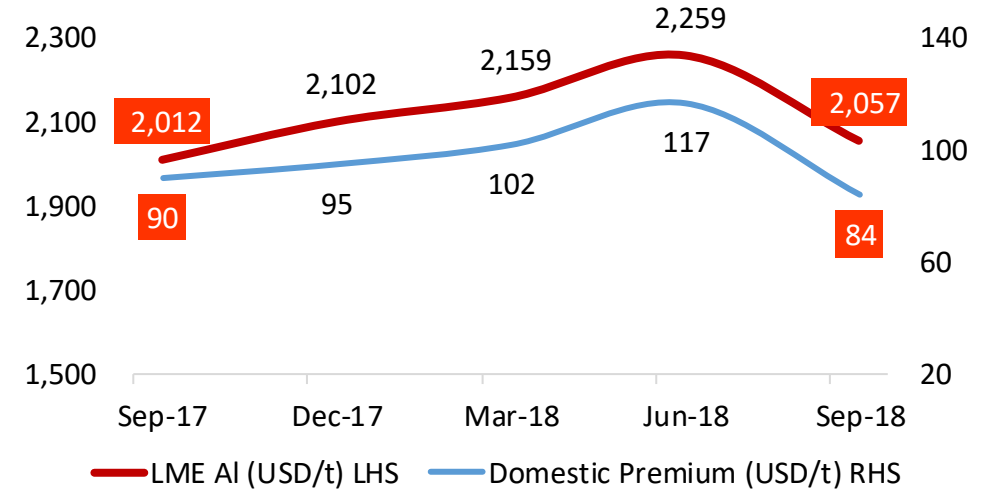
- GDP growth surged to a nine-quarter high of 8.2% in Q1-FY19
 - GDP growth projection by RBI for FY19 is 7.4%
- IIP growth in Apr-Aug'18 was 5.2%, up 2.3% in corresponding period
- Rupee depreciated by 8.9% to Rs. 70.14 in Q2 FY19 (vs Rs.64.3 Q2FY18)
 - Currently Rupee is trading in the range of Rs. 73 -74
- Surge in crude oil price is likely to put pressure on Economy
 - Up by 44% YoY in Q2FY19
 - Currently Crude is trading in the range of US\$ 72-73/barrel

Aluminium Industry

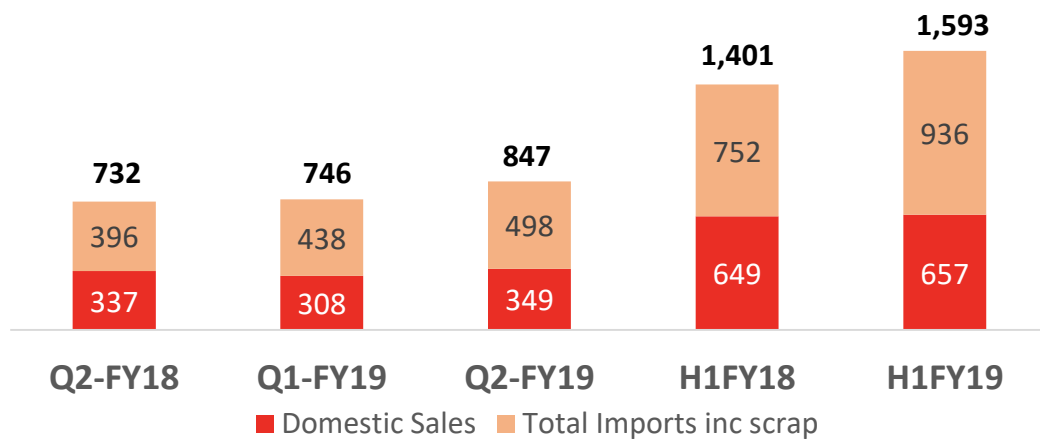
Global Market Scenario (MnT)



Movement of LME and Domestic Premium



Domestic Demand (KT)



Global Market:

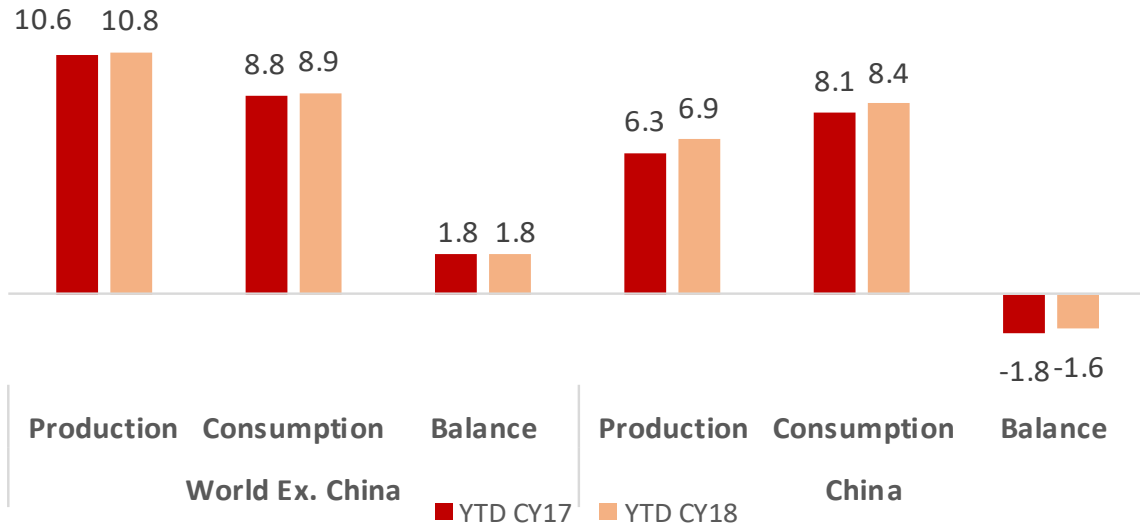
- Deficit in Global market is expected to around 1.8 MnT in CY18
- **Demand** is expected to grow by 4% and **Supply** by 1% YoY in CY18

Domestic Market:

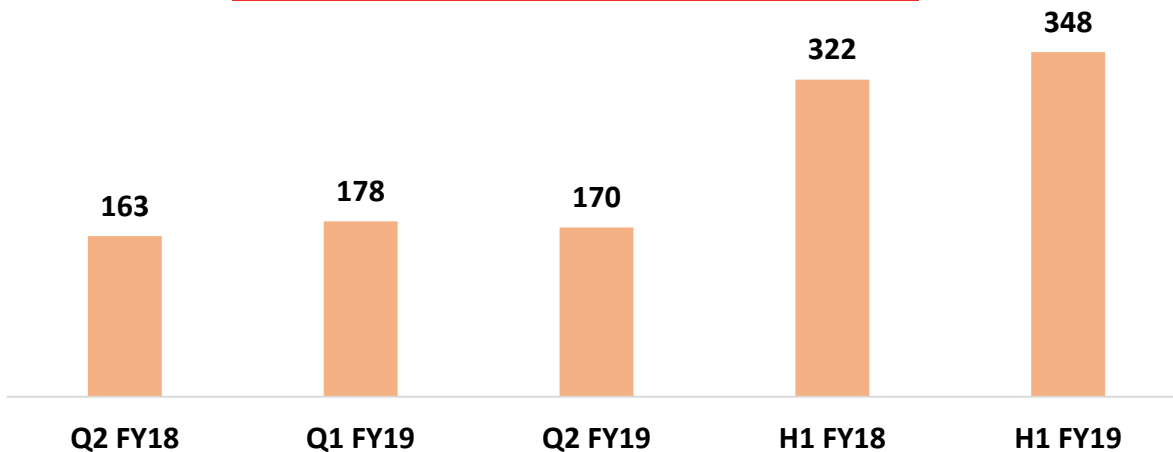
- Demand has grown by 16% in Q2 FY19 and 14% in H1 FY19 YoY
- Imports including scrap grew by 26% in Q2 FY19 YoY
- Increase in input costs adversely impacting cost of production

Copper Industry

Global Market Scenario (MnT)



Domestic Demand (Inc. Imports) in KT



LME Price of Copper (USD/t)



Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Key macro drivers (Q2 FY18 vs Q2 FY18)						
TC/RC (USDc/lb)		S. Acid Price (Rs./MT)		DAP Realization (Rs./MT)		

Global Market :

- Global concentrate output is expected to grow by 1.8% to 17 MnT in CY18
 - Concentrate market is expected to witness a marginal surplus of 150KT in CY18
- Global refined copper consumption to grow by 2.8% to 23.55 MnT in CY18.

Domestic Market:

YTD consumption growth is 8% and expected to grow by 10% in FY19



Result Highlights : Operational Performance – Q2 FY19

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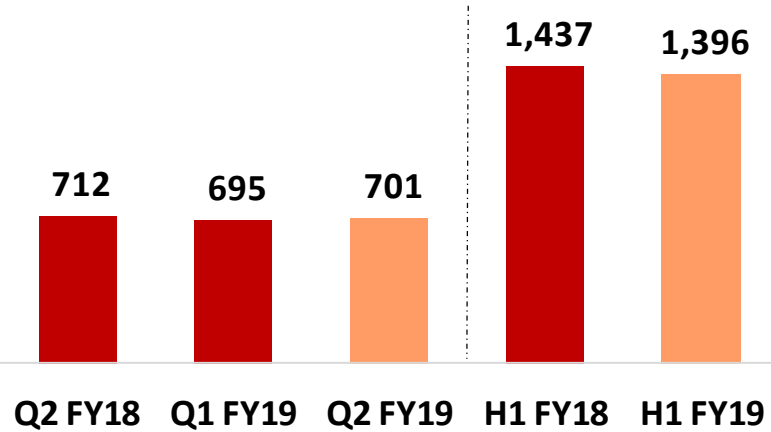


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Operational Performance : Aluminium

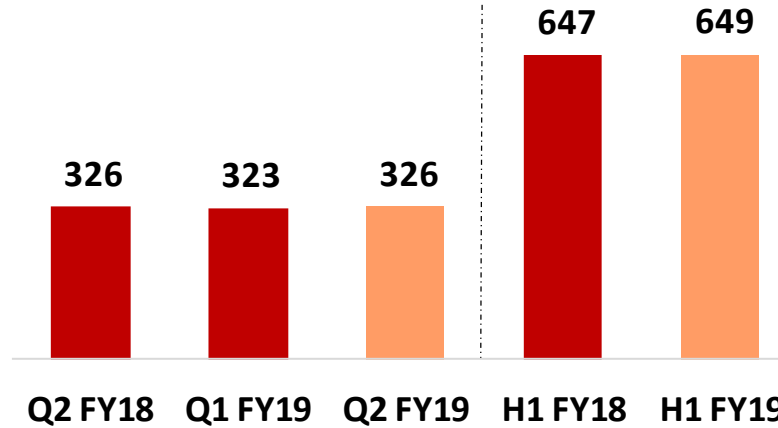
Production – Alumina, Aluminium Metal & VAP

Alumina (Inc. Utkal Alumina) KT



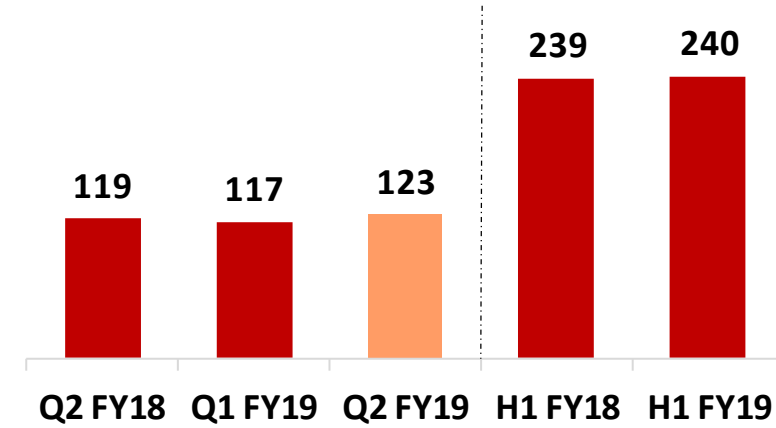
- Alumina production marginally lower on account of operational issues due to heavier rains in the quarter

Aluminium Metal (KT)



- Stable Aluminium Metal Production

VAP incl. Wire Rod (KT)

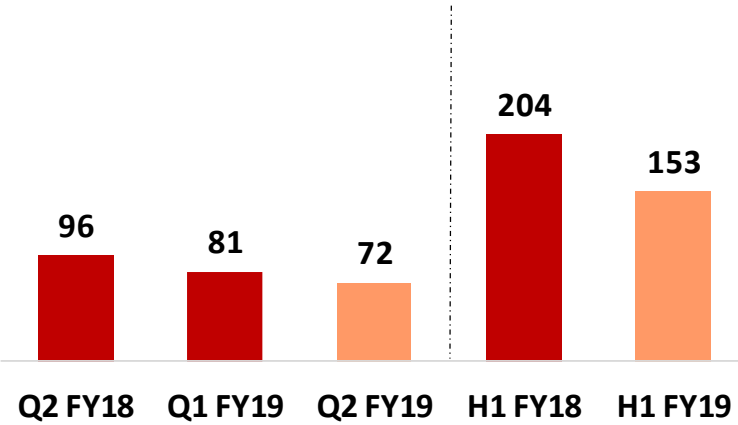


- Value Added Product (VAP) production level is higher despite challenges from imports

Operational Performance : Copper

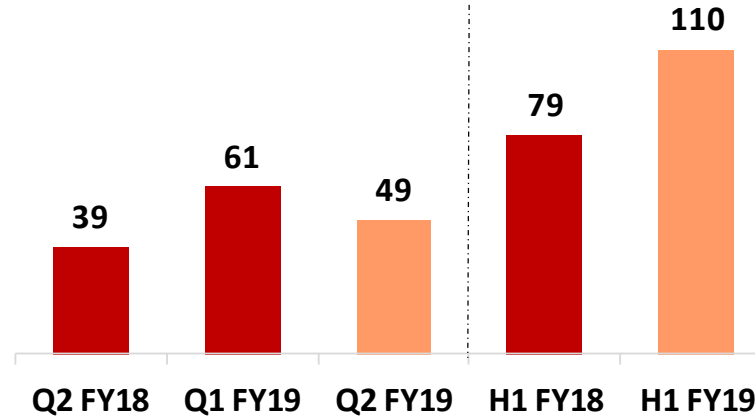
Production – Copper

Cathode (KT)



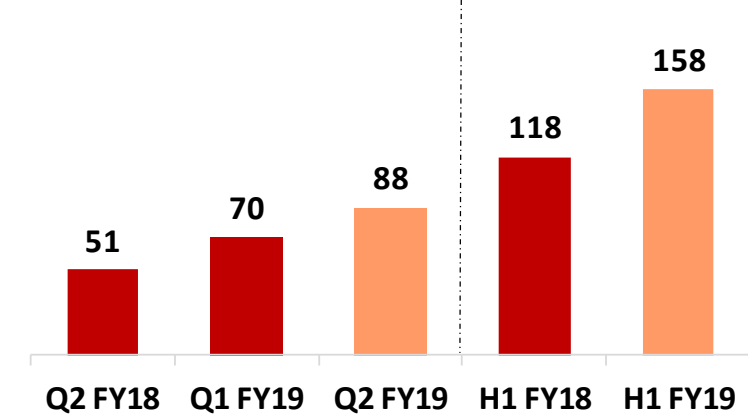
- Cathode production was lower due to planned maintenance shutdown in one of the smelters

CC Rod (KT)



- CCR – 3 is ramping up as per schedule

DAP (KT)



- DAP Production stabilizes

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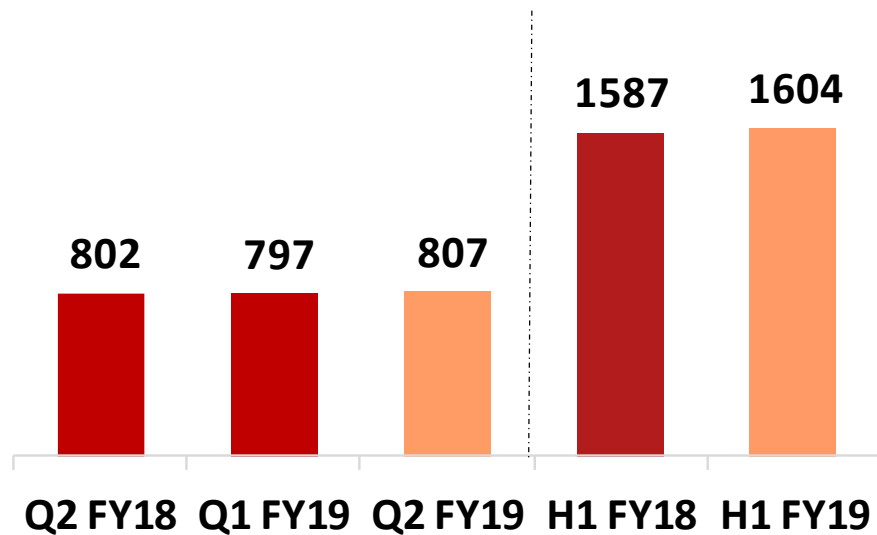


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Operational Performance : Novelis Inc

Operational Performance - Novelis Inc.

Overall Shipments (KT)



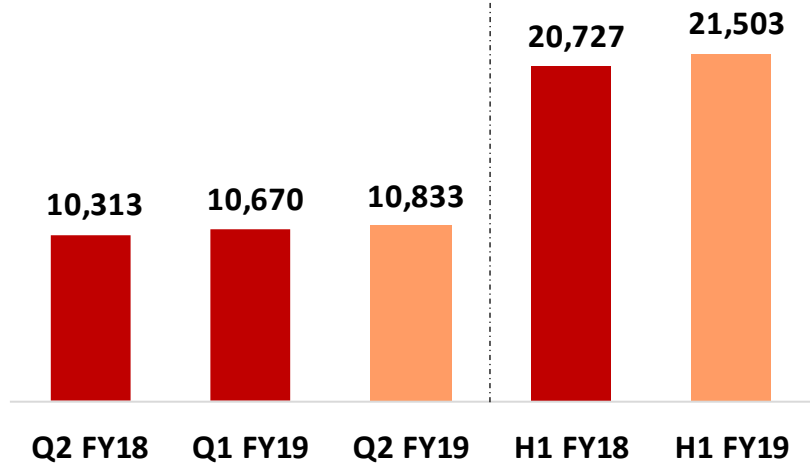
- Strong quarterly performance on the back of increased asset optimization, better product mix and favorable market conditions.
- Global demand for aluminum Flat Rolled Product (FRP) remains high
- Total FRP shipments grew 1% at 807 Kt in Q2 FY19 vs 802 kt in Q2 FY18
- Automotive Shipments Increased by 9% YoY
- Beverage Can market remains strong
- Breaks ground for new automotive facility in Changzhou, China.
 - US\$ 180 million investment will double facility's capacity to 200kt by CY20
- Aleris acquisition continues to progress as expected and remains on track
- Secures firm commitment from Banks for financing Aleris acquisition



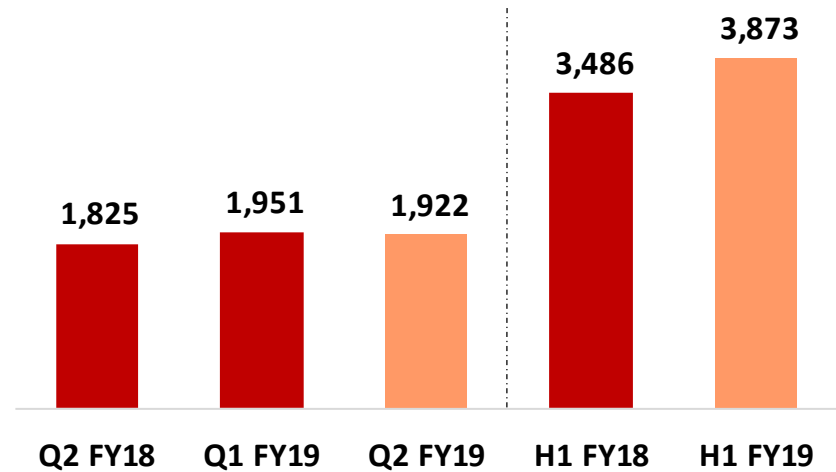
Result Highlights : Financial Performance – Q2 FY19

Hindalco Standalone plus Utkal Alumina

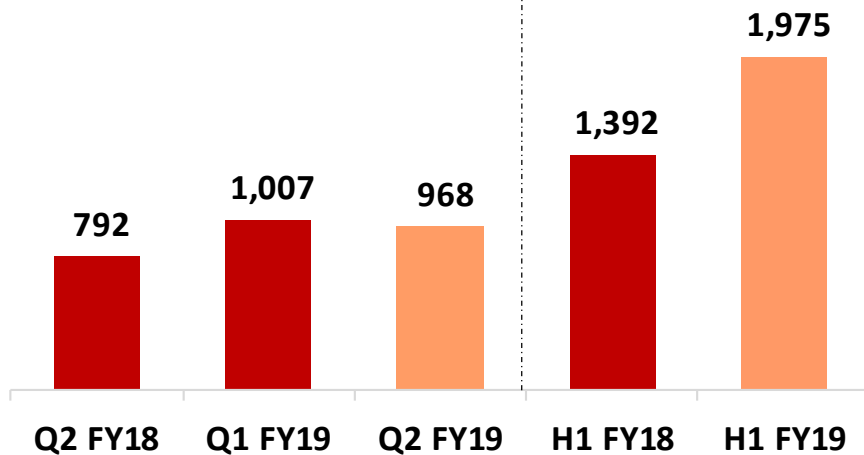
Revenue (Rs. Crore)



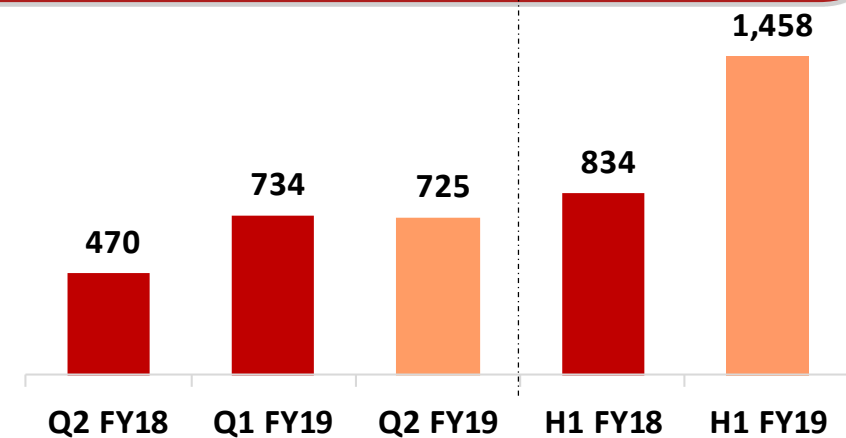
EBITDA (Rs. Crore)



PBT (Before Exceptional Items) (Rs. Crore)



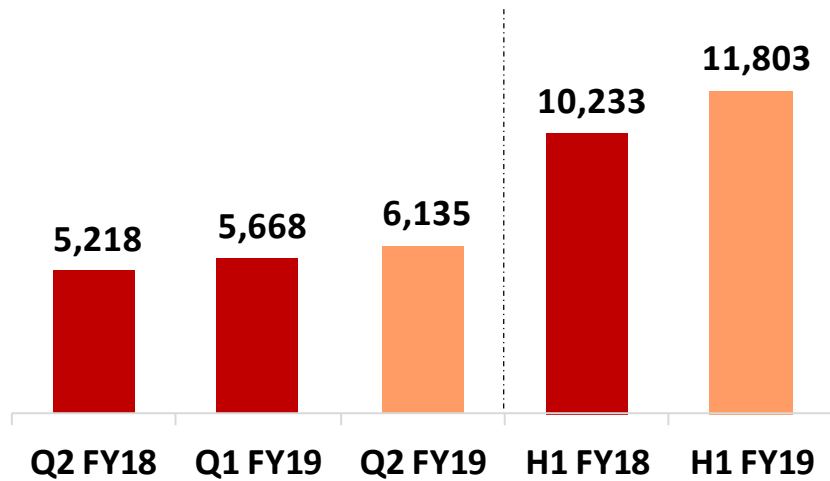
Profit After Tax (Rs. Crore)



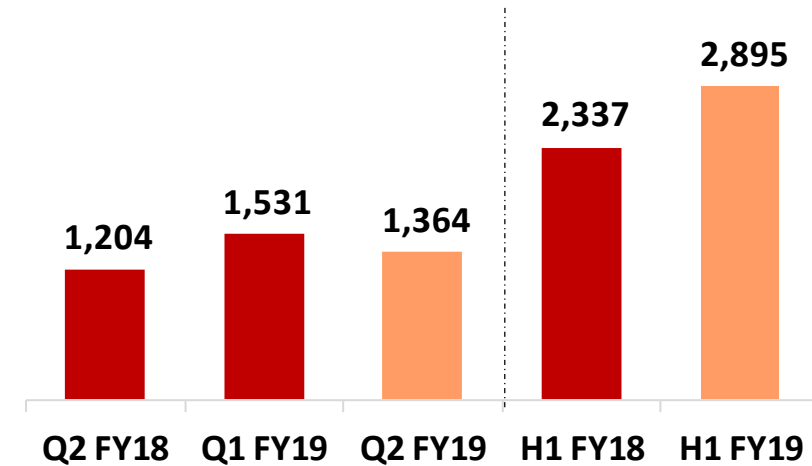
Note: Post the applicability of GST with effect from July 1, 2017, Revenue is required to be disclosed net of GST as per requirement of Ind AS 18, 'Revenue'. Accordingly, the Revenue figures for the half year are not comparable with the previous periods.

Hindalco Aluminium plus Utkal Alumina

Revenue (Rs. Crore)



EBITDA (Rs. Crore)

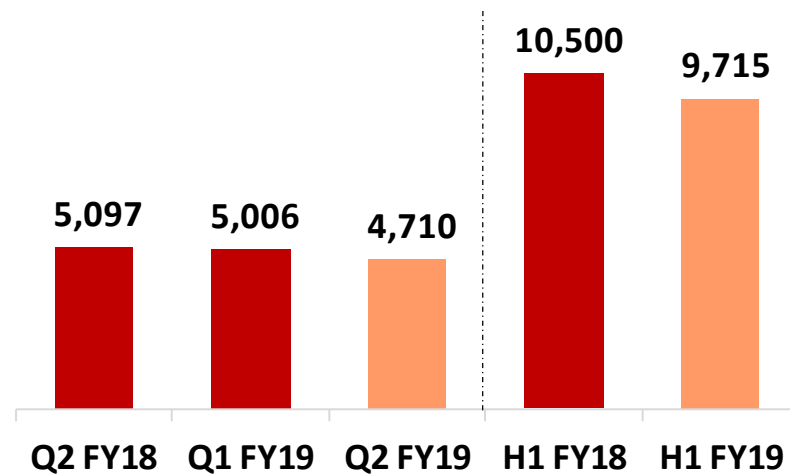


- EBITDA up 13% YoY in Q2 FY18 on account of better macros and stable operations, despite pressure on input cost
- EBITDA up 24% YoY in H1 FY19
- EBITDA margin at 22% in Q2 FY19 ; 25% in H1 FY19

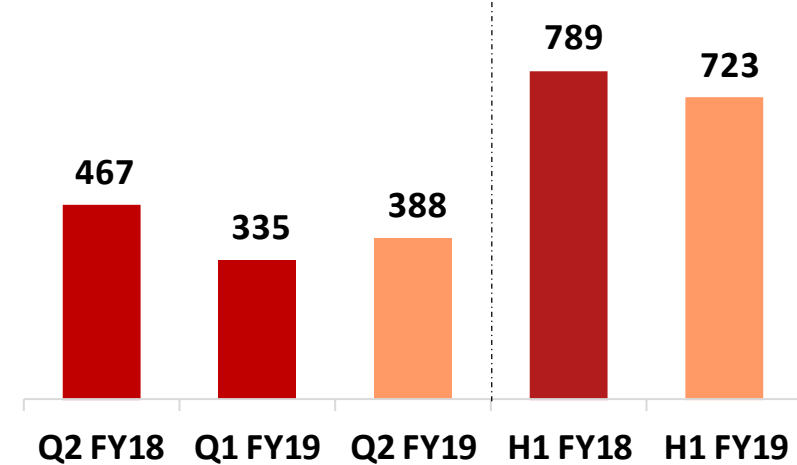
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Copper Business

Revenue (Rs. Crore)



EBITDA (Rs. Crore)

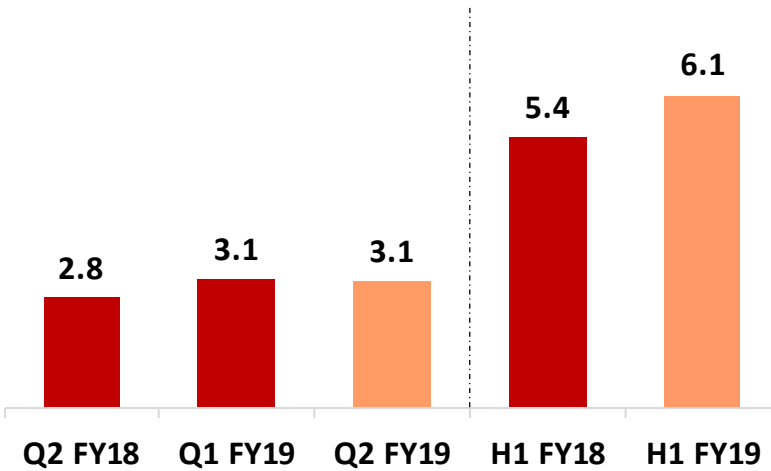


- Revenues were lower due lower volumes on account of planned maintenance shutdown in Q2 FY19 in one of the smelters
- EBITDA was lower by 17% vs Q2 FY18 due to maintenance shutdown and also lower copper realizations

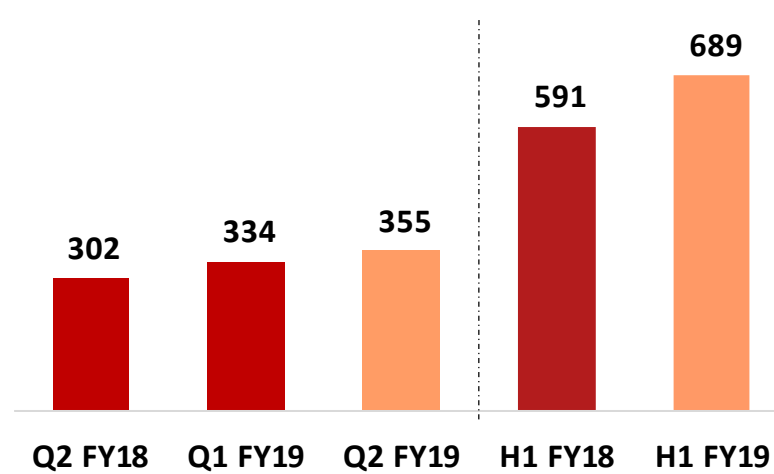
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Novelis Inc.

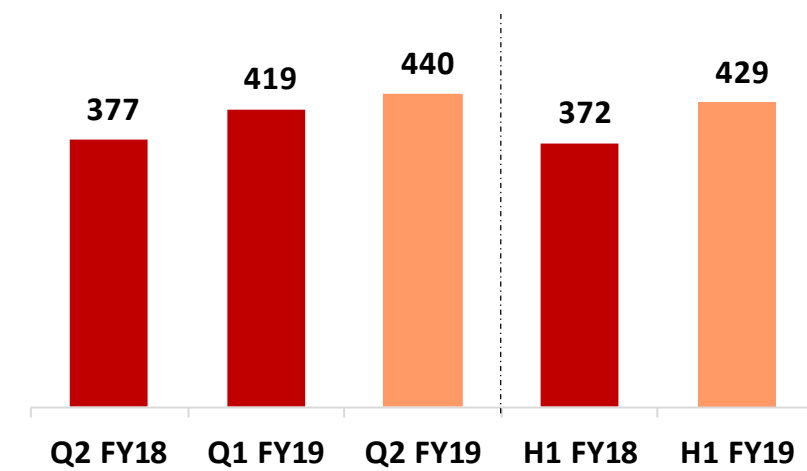
Revenue (USD billion)



Adjusted EBITDA (USD million)



Adjusted EBITDA* per tonne



- Revenues up by 11% to US\$ 3.1 billion in Q2FY19 vs US\$ 2.8 billion in Q2 FY18 driven by higher average aluminum prices, record shipments and favorable product mix
- Highest ever adjusted EBITDA at US\$ 355 million, grew by 18%, from US\$ 302 million in Q2 FY18 on account of better product mix, effective cost management and favorable market conditions
- Highest ever quarterly adjusted EBITDA per ton at US\$ 440 in Q2 FY19 vs US\$ 377 in Q2 FY18 supported by favorable product mix, better utilizations and recycling benefits

In Summary

Sustainable Business Performance

- Strong business performance, despite rising costs
- Strong growth in profitability aided by reduction in financing cost
- Novelis' strong performance on the back of increasing auto share and recycling

Balance Sheet

- Consolidated Net Debt to EBITDA at 2.84x at the end of September 2018.
- Deleveraging continues at Hindalco – Prepaid project loans of Rs. 1,575 Crore in October 2018

Growth Opportunities

- 500 Kt Utkal expansion is on schedule
- Copper CCR-3 ramp-up as per plan
- Novelis secures financing for Aleris acquisition, deal to close in 9-15 months from date of announcement

Key Risks

- Rising input costs, particularly coal and furnace oil prices
- Rising imports of Aluminium & Copper
- Weak global demand led by China



Thank You

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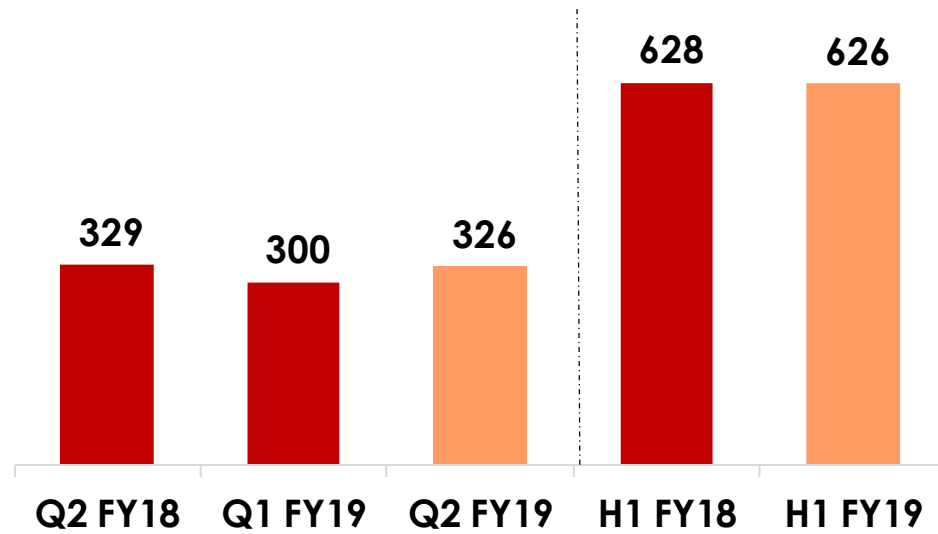


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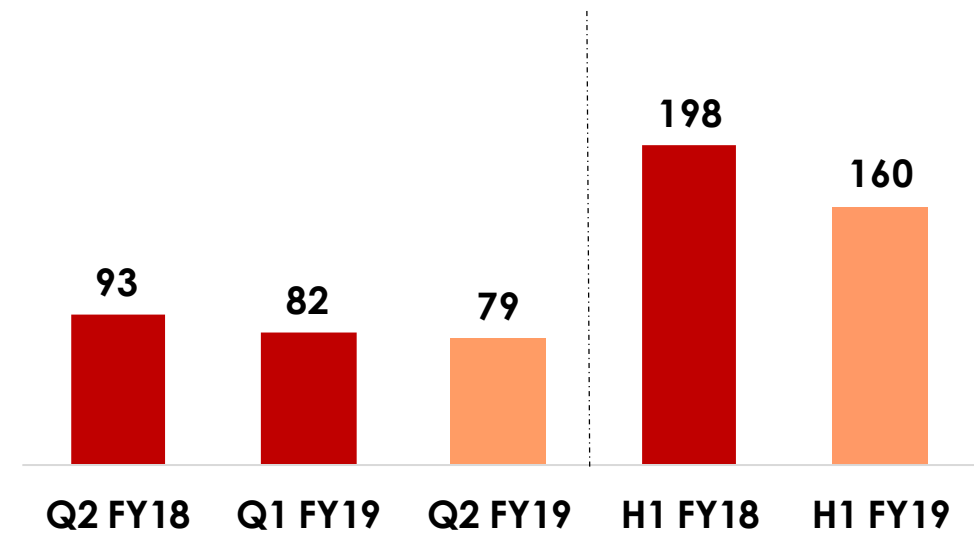
Appendix

Sales Volumes – Aluminium & Copper

Aluminium Metal Sales in all forms (KT)



Copper Sales (KT)



Financial Key Figures – Hindalco Standalone plus Utkal Alumina

(Rs. Crore)

Particulars	Q2 FY18	Q1 FY19	Q2 FY19	YOY Change %	H1 FY18	H1 FY19	YOY Change %
Revenue from Operations	10,313	10,670	10,833	5%	20,727	21,503	
<u>Earning Before Interest, Tax and Depreciation (EBITDA)</u>							
Aluminium (includes Utkal)	1,204	1,531	1,364	13%	2,337	2,895	24%
Copper	467	335	388	-17%	789	723	-8%
Others	154	85	170	11%	360	255	
Total EBITDA	1,825	1,951	1,922	5%	3,486	3,873	11%
Finance Costs	572	464	479	-16%	1,175	943	-20%
PBDT	1,253	1,486	1,443	15%	2,311	2,930	27%
Depreciation	461	480	475	3%	919	955	4%
PBT before Exceptional Items and Tax	792	1,007	968	22%	1,392	1,975	42%
Exceptional Income/ (Expenses) (Net)	(94)	-	-		(198)	-	-100%
Profit Before Tax (After Exceptional Item)	699	1,007	968	39%	1,194	1,975	65%
Profit/ (Loss) After Tax	470	734	725	54%	834	1,458	75%

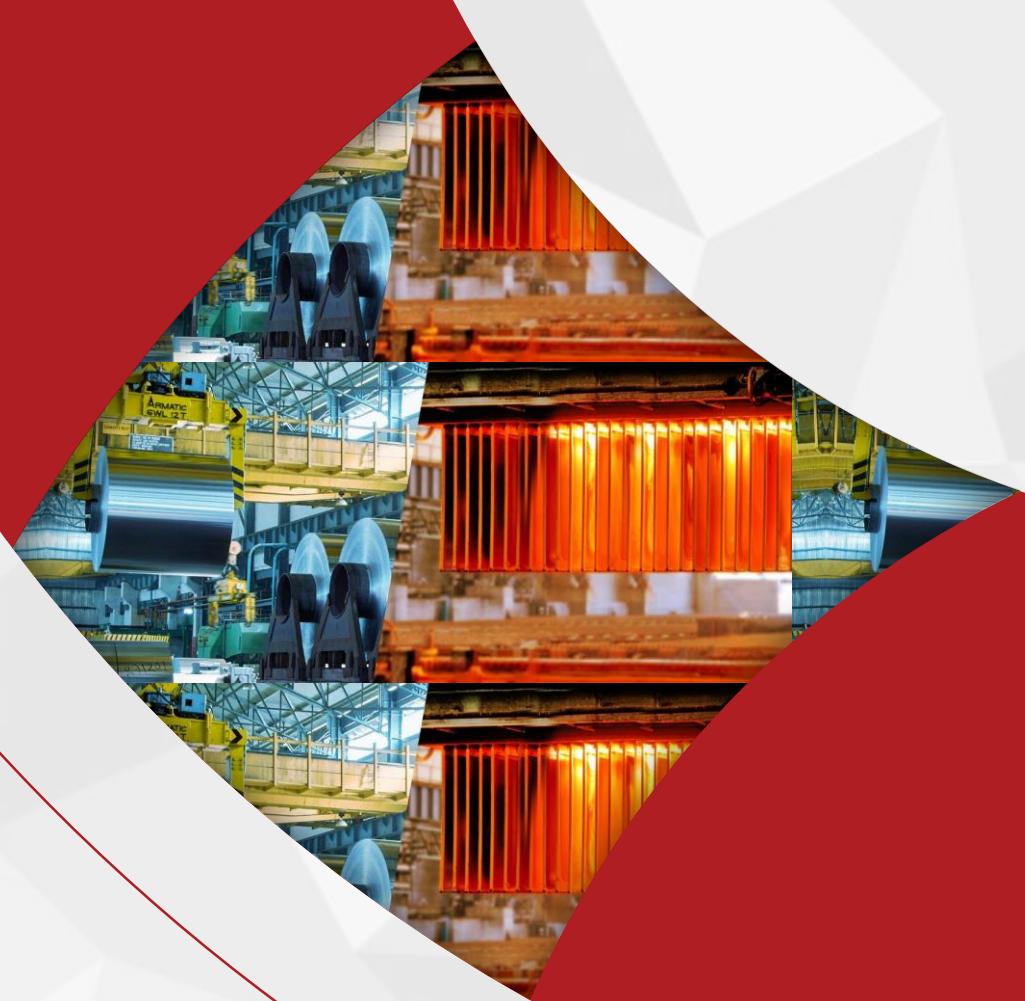
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Financial Key Figures – Hindalco Standalone

(Rs. Crore)

Particulars	Q2 FY18	Q1 FY19	Q2 FY19	YOY Change %	H1 FY18	H1 FY19	YOY Change %
Revenue from Operations	10,313	10,593	10,833	5%	20,726	21,426	
Earning Before Interest, Tax and Depreciation (EBITDA)							
Aluminium	962	1,011	744	-23%	1,842	1,755	-5%
Copper	467	335	388	-17%	789	723	-8%
Others	154	85	160		360	245	
Total EBITDA	1,582	1,431	1,292	-18%	2,991	2,723	-9%
Finance Costs	484	411	424	-12%	971	835	-14%
PBDT	1,099	1,020	868	-21%	2,020	1,888	-7%
Depreciation	386	404	400	4%	770	804	4%
Earning before Exceptional Items and Tax	713	616	468	-34%	1,250	1,083	-13%
Exceptional Income/ (Expenses) (Net)	(106)	-	-		(210)	-	-100%
Profit Before Tax	607	616	468	-23%	1,040	1,083	4%
Profit/ (Loss) After Tax	393	414	309	-21%	682	722	6%
Earnings per Share (EPS) - Basic (In Rupees)	1.76	1.86	1.38	-22%	3.06	3.24	6%

Note: Post the applicability of GST with effect from July 1, 2017, Revenue is required to be disclosed net of GST as per requirement of Ind AS 18, 'Revenue'. Accordingly, the Revenue figures for the half year are not comparable with the previous periods.



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