



Hindalco Industries Limited

Performance Review

Q3 FY08

30th January '08

ADITYA BIRLA GROUP



Highlights & Backdrop

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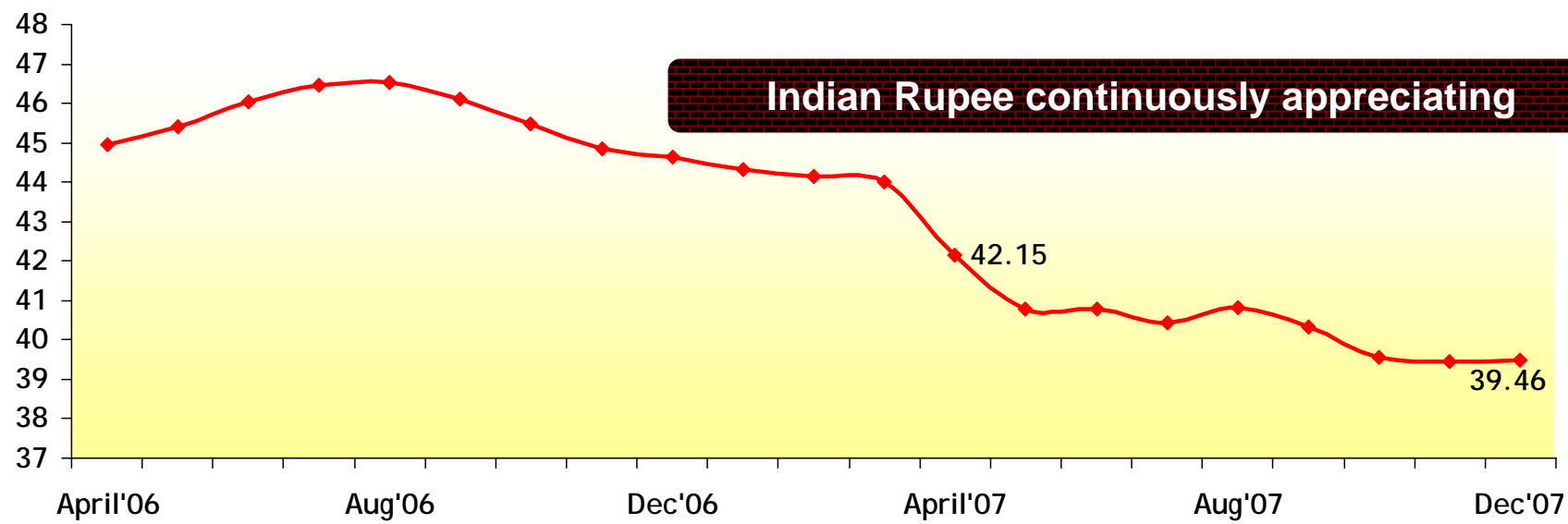
Backdrop : Q3 FY08

Adverse Global Macro economic factors

- US Sub prime crisis - a double barrel impact:
 - A sharp drop in the US primary aluminium consumption as the two major aluminium consuming sectors, housing & automobile witnessed a significant slow down

and

- Weakening dollar (INR appreciated by 12% from Rs.45.2/\$ during Q3 FY07 to Rs.39.7 /\$ during Q3 FY08)



- ❑ Primary aluminium production growth rate outstripped demand growth rate primarily on account of
 - Decline in the demand from the US and Japan
 - Increased supply from the US & Chinese smelters due to high aluminium prices in the previous quarters (in USD terms).

- ❑ Year end de-stocking resulted in further pricing pressure on aluminium in Q3

- ❑ Copper mines struggled to increase concentrate production while the smelters continued increasing production in line with growing demand- *Good news for integrated smelters but a difficult period for Custom smelters.*

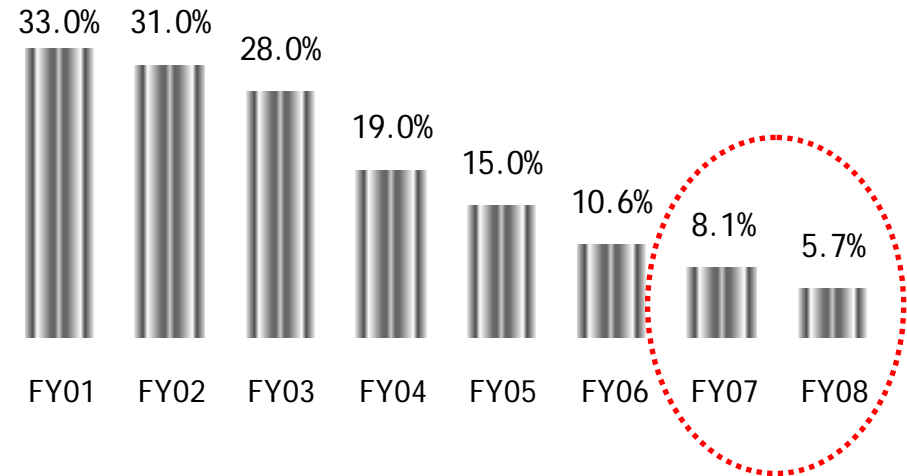
- ❑ A sharp increase in energy/fuel and other raw material costs

Adversities On Domestic Front Too.....



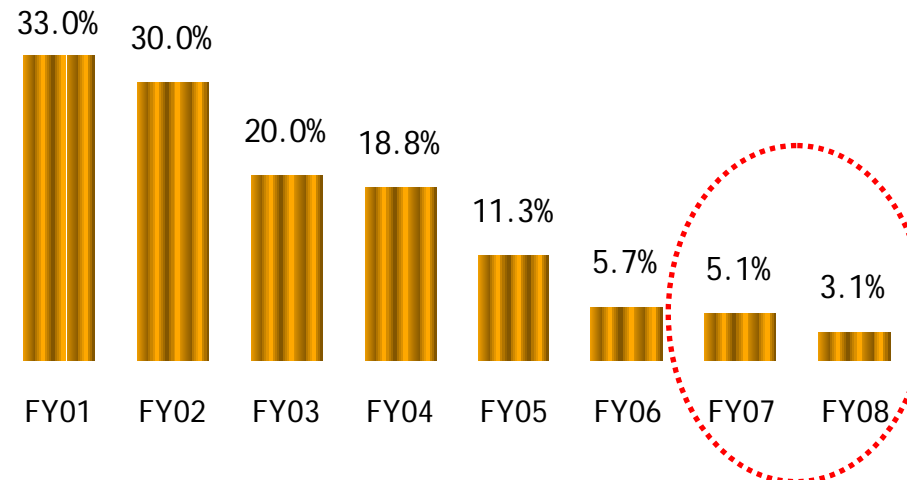
- Reduced Import duty differential
 - Aluminium Customs duty down from 8.08% to 5.72%

Aluminium import duty



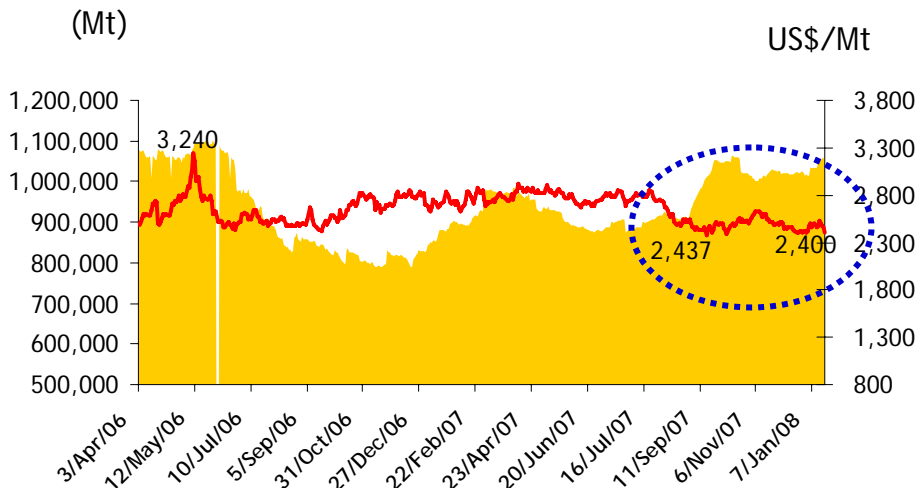
- Copper duty differential down from 5.1% to 3.1%.

Copper Duty Differential

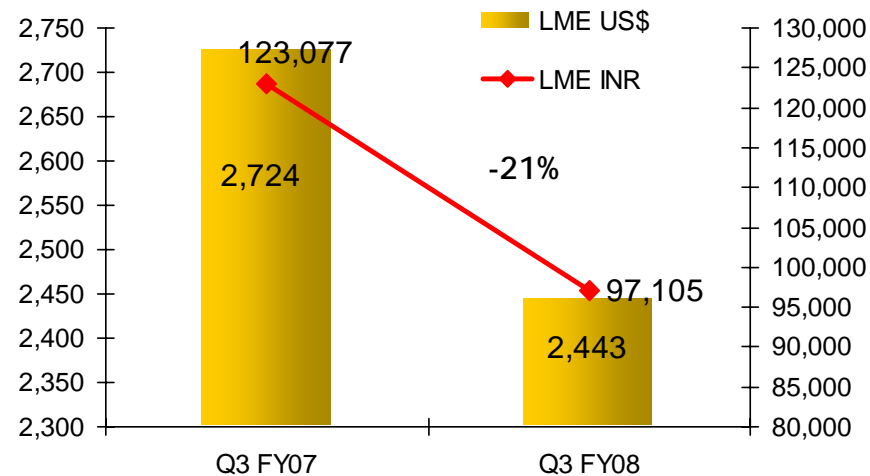


Impact Of Adverse Macroeconomic Trends

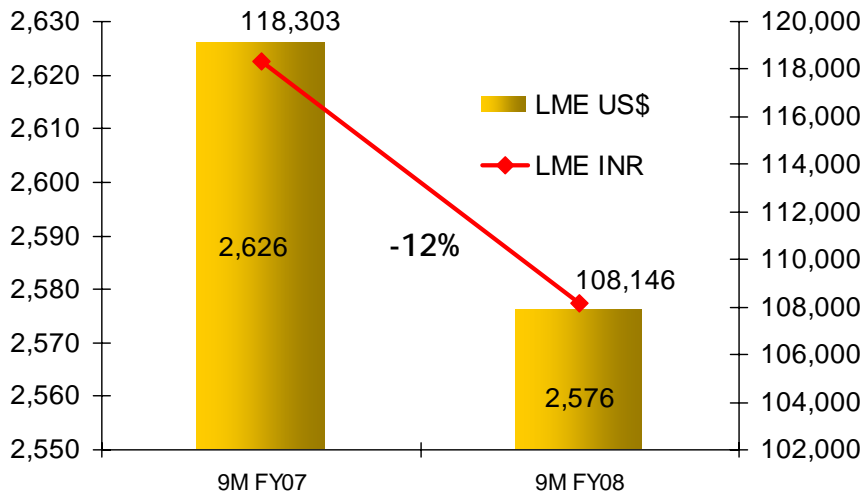
Aluminium stocks going up there by pulling down LME to the lowest level in last two years



Significant fall in AI LME (in INR & USD terms) during Q3 FY08.....



... as well as 9M FY08



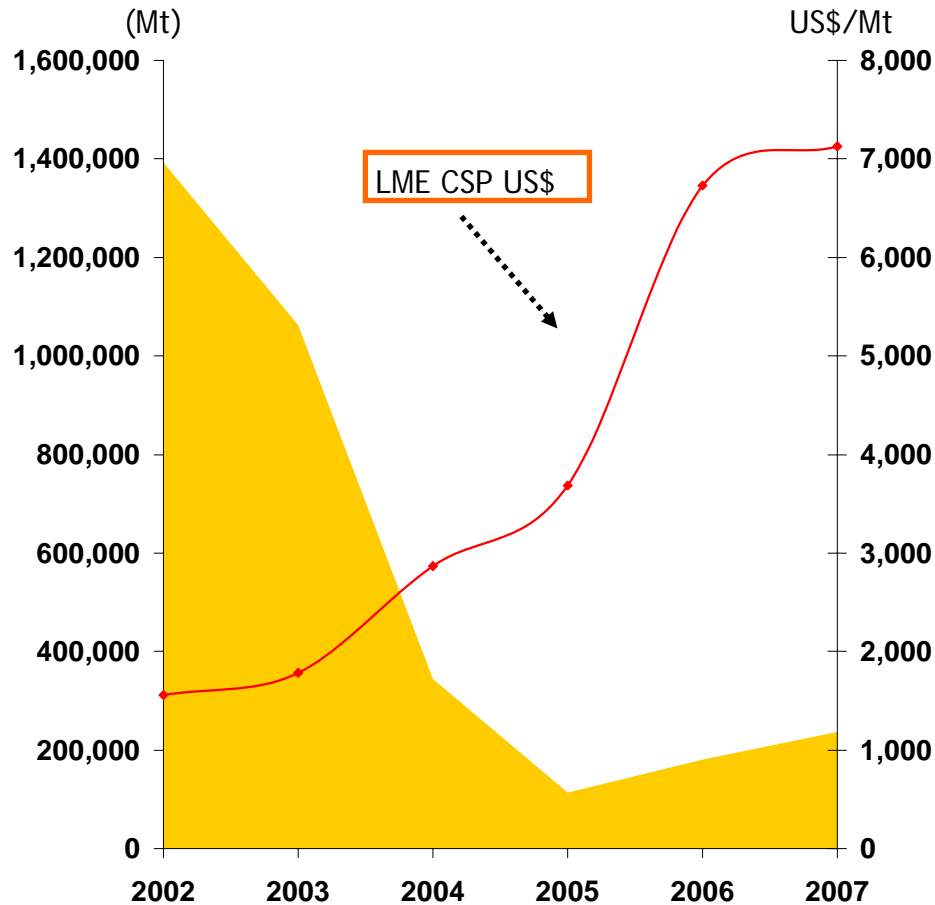
o *For the quarter—*

o *AI LME down by 10%*

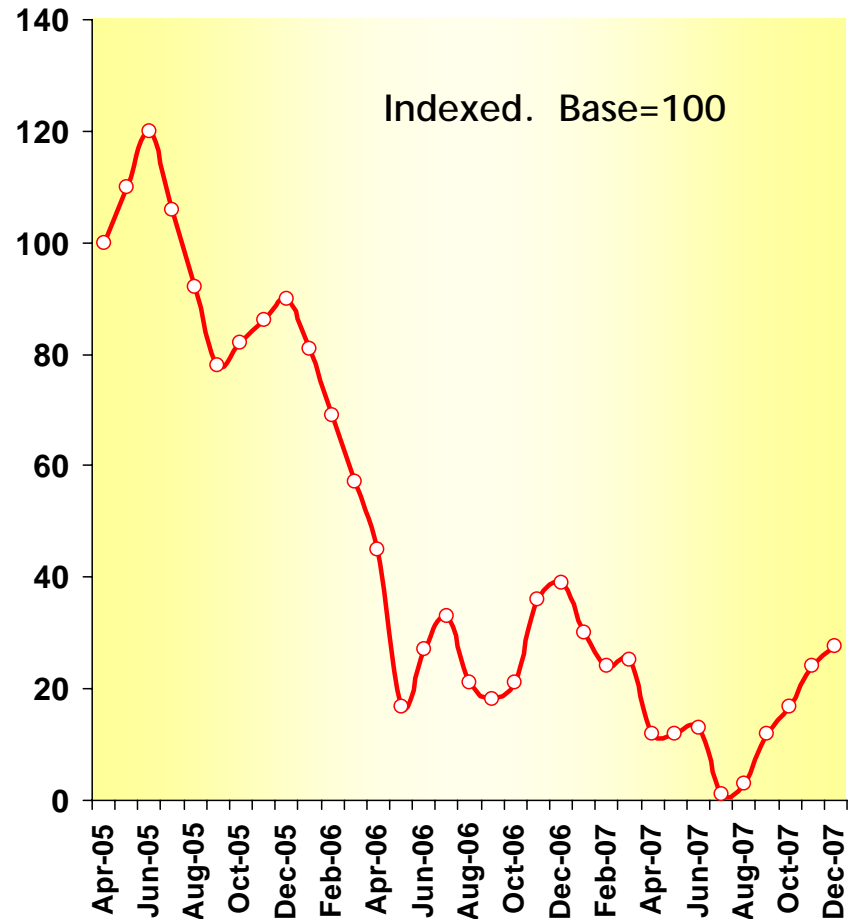
o *While Rupee LME down by 21%*

Copper- Strong Demand & Prices

Copper LME continues to be strong with falling stock



Weakening spot TC/RC



But little to cheer for Custom smelters as TC/RC remained subdued.

Hindalco's Actions.....

- Some of these trends were anticipated and the following steps had already been planned:

1. Brownfield expansions

- Aluminium

- *Hirakud production grew by 46% compared to Q3 FY07 on the back of expanded capacity*

- Alumina

- *Muri commissioning in progress*

2. Metal Production growth

- *Higher Metal production from existing plants (for both Aluminium and Copper)*

Hindalco's Actions.....

3. Continued sweating of assets in downstream businesses resulting in increased production

4. Focus on improving the realisations of value added products

Financial Highlights -Q3 & 9M FY08

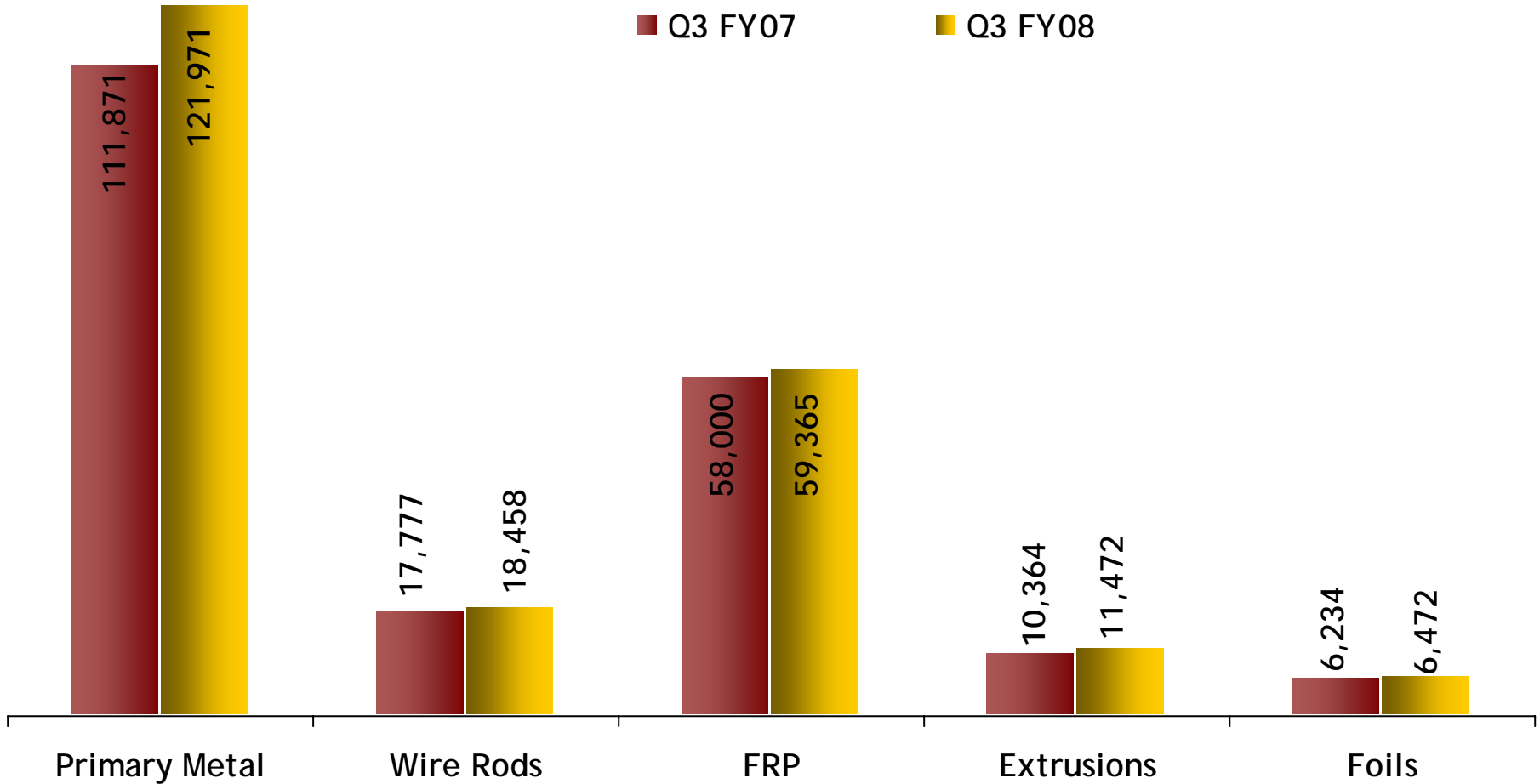


(Rs. Cr)

	Q3 FY08	Change (%)	9M FY08	Change (%)
Net Sales & Op. Revenue	4,532	-3%	14,169	4%
EBIDTA	915	-17%	2,955	-8%
Pre-tax profits	707	-21%	2,340	-8%
Net Profit	543	-16%	1,788	-3%
EPS (Per Share)	4.42	-32%	15.58	-17%

All round increase in production

(Mt)



Source: Company Data

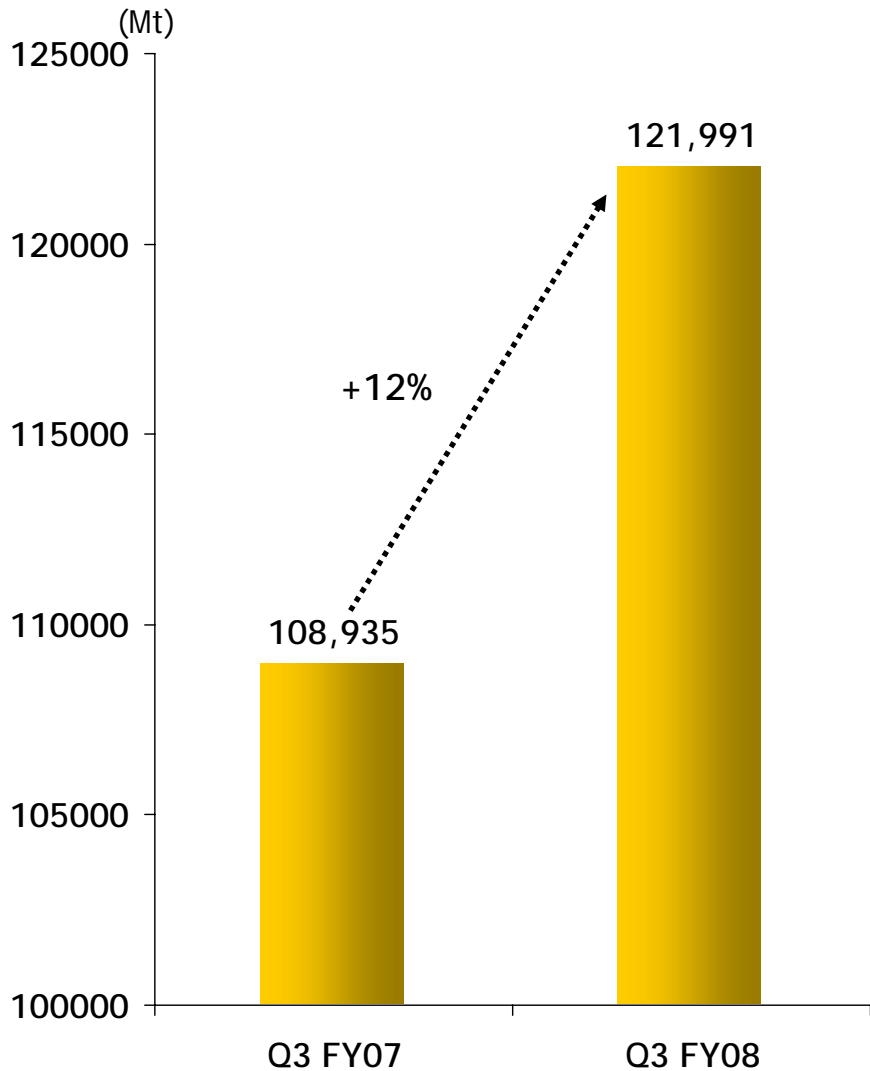
All round improvement in production

Higher Sales Volume

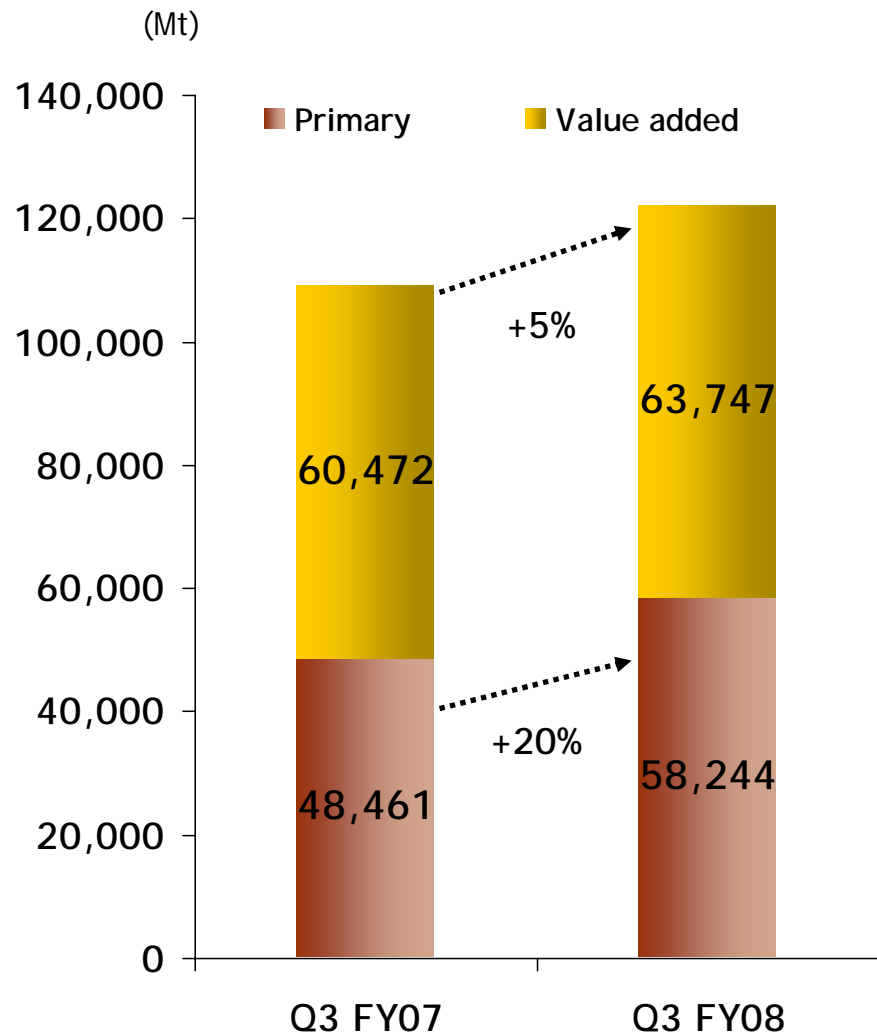


Aluminium

Sharp improvement in Aluminium sales volume



Accompanied with increased value added Sales



Copper: key levers of performance.....

- ❑ Cathode production rose by 7 % compared to Q3 FY07 to 78KT.
- ❑ Continuous Cast Rod production rose by 38% compared to Q3 FY07 to 34KT
- ❑ Sales increased by 4 % compared to Q3 FY07 to 79KT
- ❑ Operating efficiency and Conversion cost improved.
- ❑ Better realization due to improved product mix (more domestic & CC rod).
- ❑ Significant improvement in by-product Realization as compared to Q3 FY07.

The background features a large, semi-circular emblem with a sunburst or fan-like design. The emblem is composed of multiple triangular segments radiating from a central point at the bottom. The colors are muted, with shades of beige, light brown, and cream. A dark red horizontal bar with a slight 3D effect is superimposed over the center of the emblem.

Detailed Financials

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Drivers of performance Q3 FY08

Particulars	Unit	Q3 FY08A	Q3 FY07A
Al LME	\$/t	2,443	2,723
Re. / USD	Rs.	39.7	45.2
Al. Basic Customs Duty	%	5.0	7.5
Domestic Ingot Realisation	Rs/t	103,137	126,679
Copper Tc/Rc	c/lb	21.7	37.0
Cu LME	\$/t	7,220	7,039
Cu Duty Differential	%	3.10	5.10

Detailed Financial Results Q3 FY08



Rs.Crs.	Q3	Q3	%	YTD	YTD	%
	FY 08	FY 07	change	FY 08	FY 07	change
Net Sales	4,532	4,656	-3%	14,169	13,564	4%
Total Expenditure	3,731	3,611	3%	11,563	10,599	9%
Other Income	114	58	96%	349	247	41%
PBDIT	915	1,104	-17%	2,955	3,212	-8%
Depreciation & Impairment	146	139	5%	433	480	-10%
PBIT	769	965	-20%	2,522	2,731	-8%
Interest & Finance Charges	62	70	-11%	182	185	-2%
Profit Before Tax	707	896	-21%	2,340	2,547	-8%
Provision for Taxes	164	252	-35%	552	704	-22%
PAT	543	644	-16%	1,788	1,843	-3%
EPS	4.4	6.5	-32%	15.6	18.8	-17%



ALUMINIUM

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Aluminium: Production Performance - Q3 FY08



	Unit	Q3 FY08A	Q3 FY07A	% Chg
Alumina	MT	304,059	308,344	-1.4%
Metal	MT	121,971	111,871	9.0%
Wire Rods	MT	18,458	17,777	3.8%
Rolled Products	MT	59,365	58,000	2.4%
Extrusions	MT	11,472	10,364	10.7%
Foil	MT	6,474	6,234	3.8%
Alloy Wheels	Nos.	41,368	51,364	-19.5%
Power	MU	2,149	2,089	2.9%

Aluminium: Sales Revenues - Q3 FY 08

Sales Revenue	Unit	Q3 FY08A	Q3 FY07A	% Chg
Alumina	Rs.Crs.	131	141	-7%
Primary Metal	Rs.Crs.	415	392	6%
Wire Rod	Rs.Crs.	198	233	-15%
Rolled Products	Rs.Crs.	614	652	-6%
Extrusions	Rs.Crs.	165	163	1%
Foils	Rs.Crs.	125	143	-12%
Wheels	Rs.Crs.	9	10	-9%
Others	Rs.Crs.	73	61	19%
Net Sales	Rs.Crs.	1,729	1,796	-4%
<i>Of which Exports</i>	<i>Rs.Crs.</i>	<i>390</i>	<i>352</i>	<i>11%</i>

Aluminium: Sales Volumes - Q3 FY 08



Sales Tonnage	Unit	Q3 FY08A	Q3 FY07A	% Chg
Alumina	MT	57,343	56,998	1%
Primary Metal	MT	40,167	31,025	29%
Wire Rod	MT	18,077	17,436	4%
Rolled Products	MT	46,014	43,537	6%
Extrusions	MT	11,333	10,273	10%
Foils	MT	6,400	6,664	-4%
Wheels	Nos	37,734	44,065	-14%

A large, stylized sunburst logo in shades of yellow and orange, centered in the background. The sunburst consists of multiple triangular rays radiating from a central point at the bottom. A dark red horizontal bar is superimposed over the center of the sunburst.

COPPER

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Copper : Production Performance - Q3 FY08



Production	Unit	Q3 FY08	Q3 FY07	% Chg
Copper Cathodes	MT	78,333	72,904	7.4%
CC Rods	MT	34,471	24,942	38.2%
DAP/NPK	MT	36,066	39,757	-9.3%

Copper: Sales Revenues - Q3 FY 08 Rs. Crs.



Product	Q3 FY 08	Q3 FY 07	% Chg
Copper Cathodes	1273.3	1508.2	-15.6%
CC Rods	1071.6	861.7	24.4%
DAP/NPK	67.1	56.6	18.7%
Sulphuric Acid	53.1	12.2	334.8%
Gold	187.9	269.3	-30.2%
Silver	24.7	15.9	55.1%
Others	128.5	138.2	-7.0%
Total Sales	2806.2	2862.0	-2.0%
of which Exports (FOB)	1124.3	1498.9	-25.0%

Copper : Sales Volumes



Sales Volumes	Unit	Q3 FY08	Q3 FY07	% Chg
Copper Cathodes & Others	MT	44,495	50,391	-11.7%
CC Rods	MT	34,317	25,209	36.1%
DAP/NPK	MT	36,178	37,181	-2.7%
Sulphuric Acid	MT	182,757	153,731	18.9%
Gold	Kg	2,002	3,060	-34.6%
Silver	Kg	1,4503	8,896	63.0%

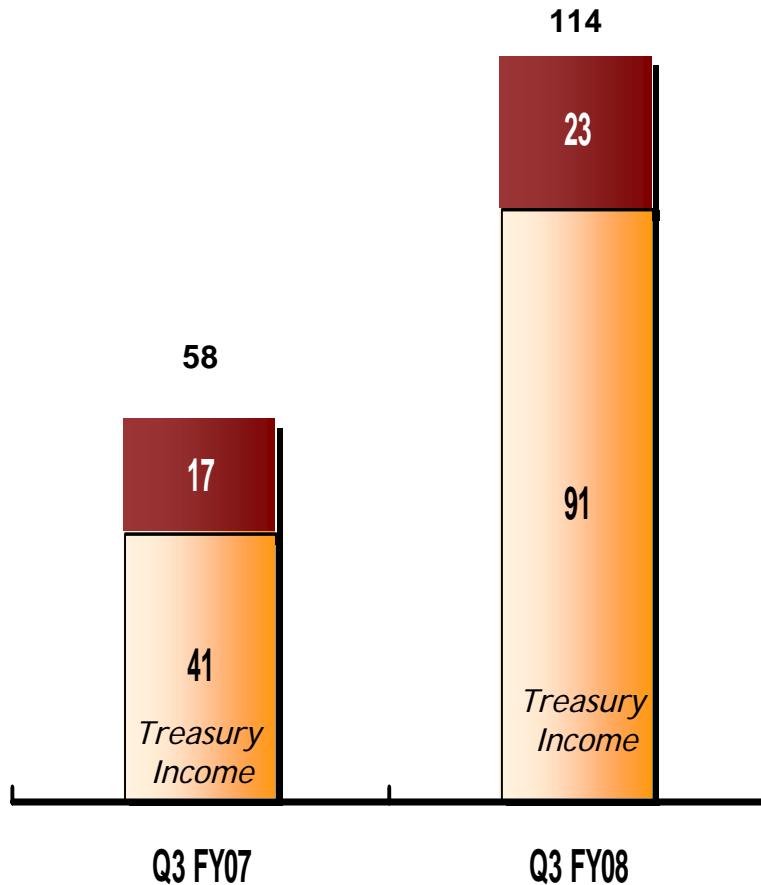
Company Results



Rs.Crs.	Segment Information		Company Information					
	AI EBIT	Cu EBIT	Interest	Other Income	Unallocable expenses	PBT	Tax	PAT
Q3 of FY07	755.5	159.5	-69.8	58.4	-8.1	895.5	-251.6	643.9
Q3 of FY08	578.9	94	-62.2	114.3	-18.3	706.7	-164.0	542.7
Change	-176.6	-65.5	7.6	55.9	-10.2	-188.8	87.6	-101.2

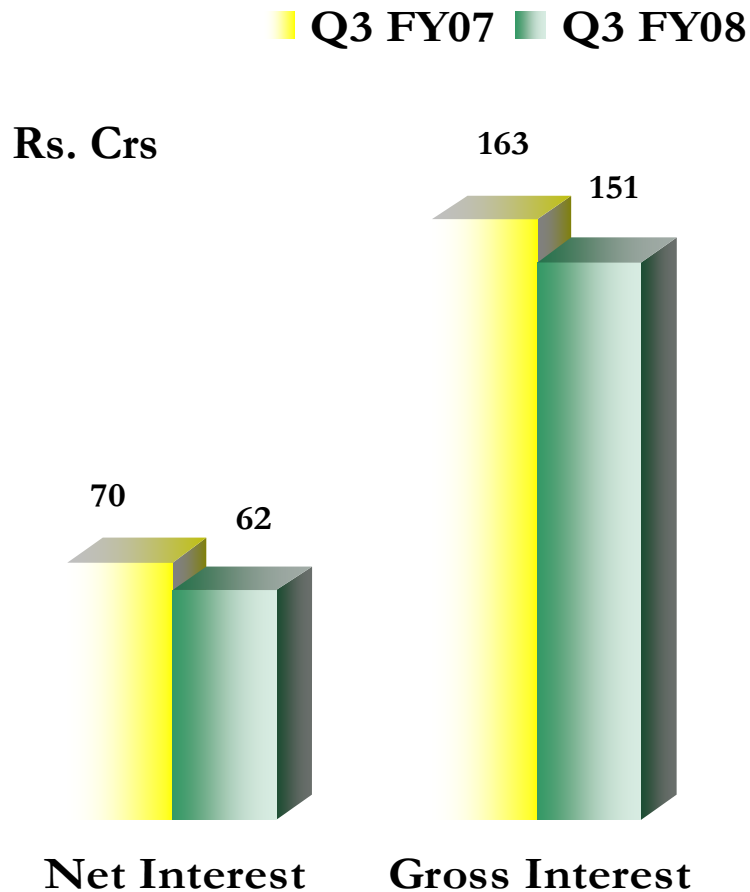
Other Income - Q3 FY08

Rs. Crs



- ❖ *Other Income up from Rs 58 Crs to Rs 114 Crs*
- ❖ *Non Treasury income increased by Rs 6 Crs*
- ❖ *Treasury income is higher by Rs 50 Crs due to:*
 - *Higher pre-tax treasury yield at 11.5% against 9.3% in the corresponding quarter last year*
 - *Higher Avg Treasury at Rs.6302 Crs. vs. Rs.3775 Crs due to Rights issue and preferential issue, Cash from operations, net of Novelis investment)*

Interest & Finance Charges - Q3 FY08



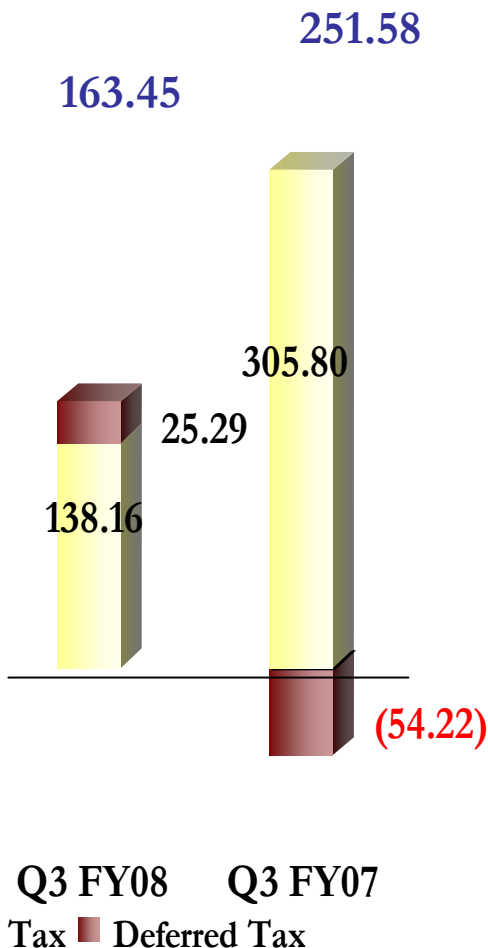
□ *Gross and Net interest is lower due to*

- *Lower average borrowing at Rs.8,005 Crs against Rs.8,910 Crs.*

Average interest rate increased from 7.32% to 7.56%

Taxes - Q3 FY08

Rs. Crores



- *Provision for Taxes lower due to :-*
 - *Decrease in effective tax rate from 28.1% to 23.2% due to proportionately higher exempt income in the current Quarter*
 - *Higher capitalization led to lower current tax and higher deferred tax*
 - *In Q3 FY 07 Deferred tax assets created on income from syndicated loans subjected to current tax.*