

# Hindalco Industries Ltd

## Press Meet

### FY11 Consolidated Results

May 30, 2011

# Contents

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Highlights and Financials

Economy and Industry

Performance Review

Looking Ahead ...

# FY11 - Highlights

## Strong Financial & Operating Performance

Highest ever sales

\$ 16 Bn



24%

Best ever Underlying EBIDTA

\$1.9 Bn



31%

Strong Operational Cash flows

\$ 1.4 Bn



32%

Strong overall liquidity

> \$ 2.4 Bn

Highest ever capex spend

> US \$ 1.7 Bn - Accelerated growth projects

Efficient Capital Structure

Strategic flexibility for future growth

***Best ever performance despite challenging conditions***

# FY11 – Highlights ... Drilling Down

## Aluminium India

- ❑ Strong operational performance
- ❑ Financial closure of Utkal & Mahan achieved under difficult market conditions

## Novelis

- ❑ Best ever performance, poised for transformational growth
- ❑ Value accretive to Hindalco shareholders

## Copper Mines in Australia

- ❑ Record production at Nifty, Robust performance, Restart of Mt. Gordon, geared for further growth

## India Copper smelter

- ❑ Strong performance despite lower TcRc; establishing multiple value drivers

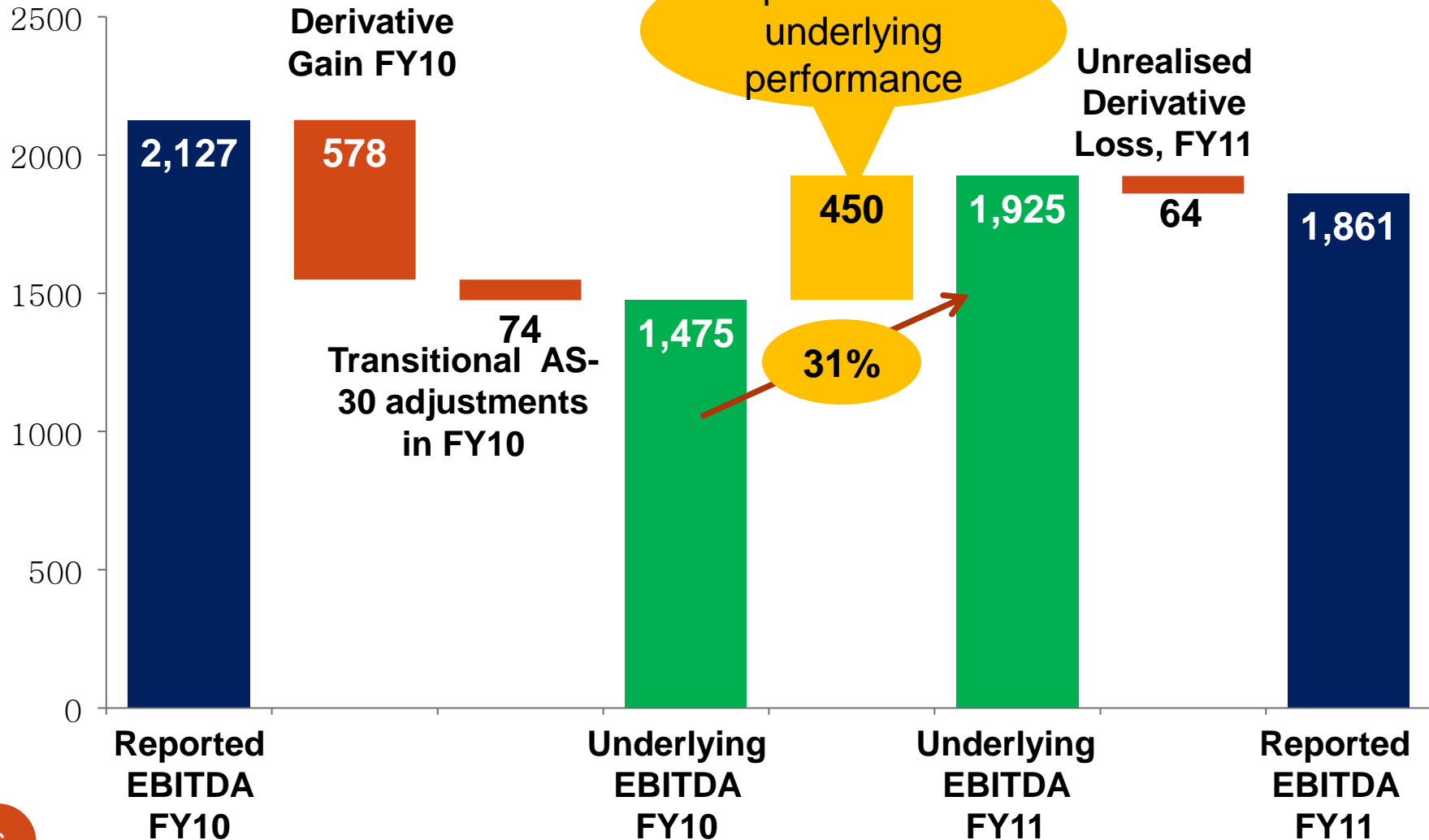
	₹ Cr		US\$ Mn		
	FY10	FY11	FY10	FY11	Change (%)
<b>Net Sales</b>	<b>60,722</b>	<b>72,078</b>	<b>12,827</b>	<b>15,848</b>	<b>24%</b>
<b>EBITDA</b>	<b>10,069</b>	<b>8,433</b>	<b>2127</b>	<b>1,861</b>	<b>-13%</b>
<b>Adjusted EBITDA*</b>	<b>6,983</b>	<b>8,724</b>	<b>1475</b>	<b>1,925</b>	<b>31%</b>
<b>PBT</b>	<b>6,181</b>	<b>3,843</b>	<b>1306</b>	<b>845</b>	<b>-35%</b>
<b>PAT</b>	<b>3,926</b>	<b>2,456</b>	<b>829</b>	<b>540</b>	<b>-35%</b>
<b>EPS (₹)</b>	<b>22.17</b>	<b>12.84</b>			

\* Adjusted for unrealized derivative gains / losses under US GAAP and transitional AS-30 adjustments under Indian GAAP

# Adjusted EBITDA vs. Reported EBITDA



US\$ Mn



# Novelis: Underlying PBT

(\$ Mn)	FY10	FY11
Reported PBT	727	243
Unrealized gains (losses) on derivatives	578	(64)
Loss on extinguishment of debt	--	(84)
Restructuring charges	(14)	(34)
Others	5	1
Total adjustments	569	(181)
Underlying PBT	158	424

**168% jump in underlying PBT**

# Economy and Industry

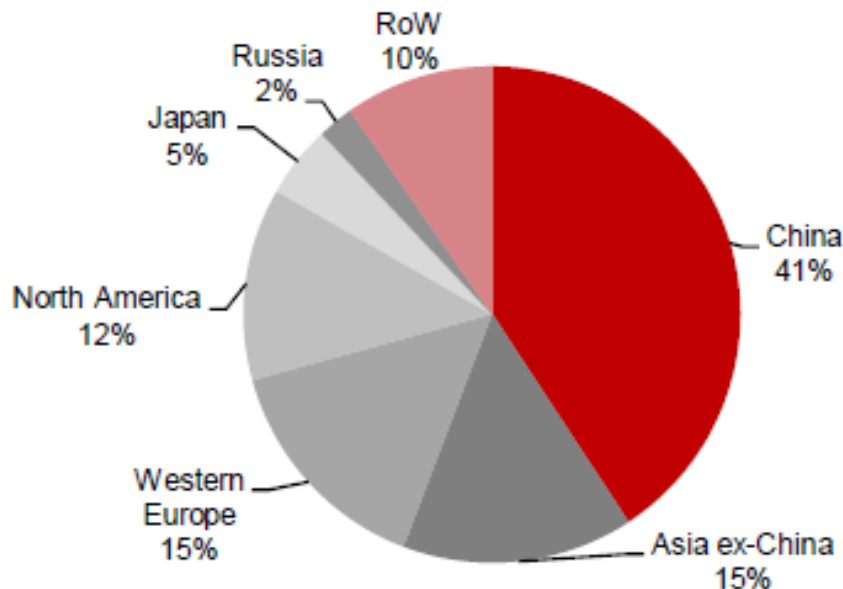
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# Aluminium: Strong Demand

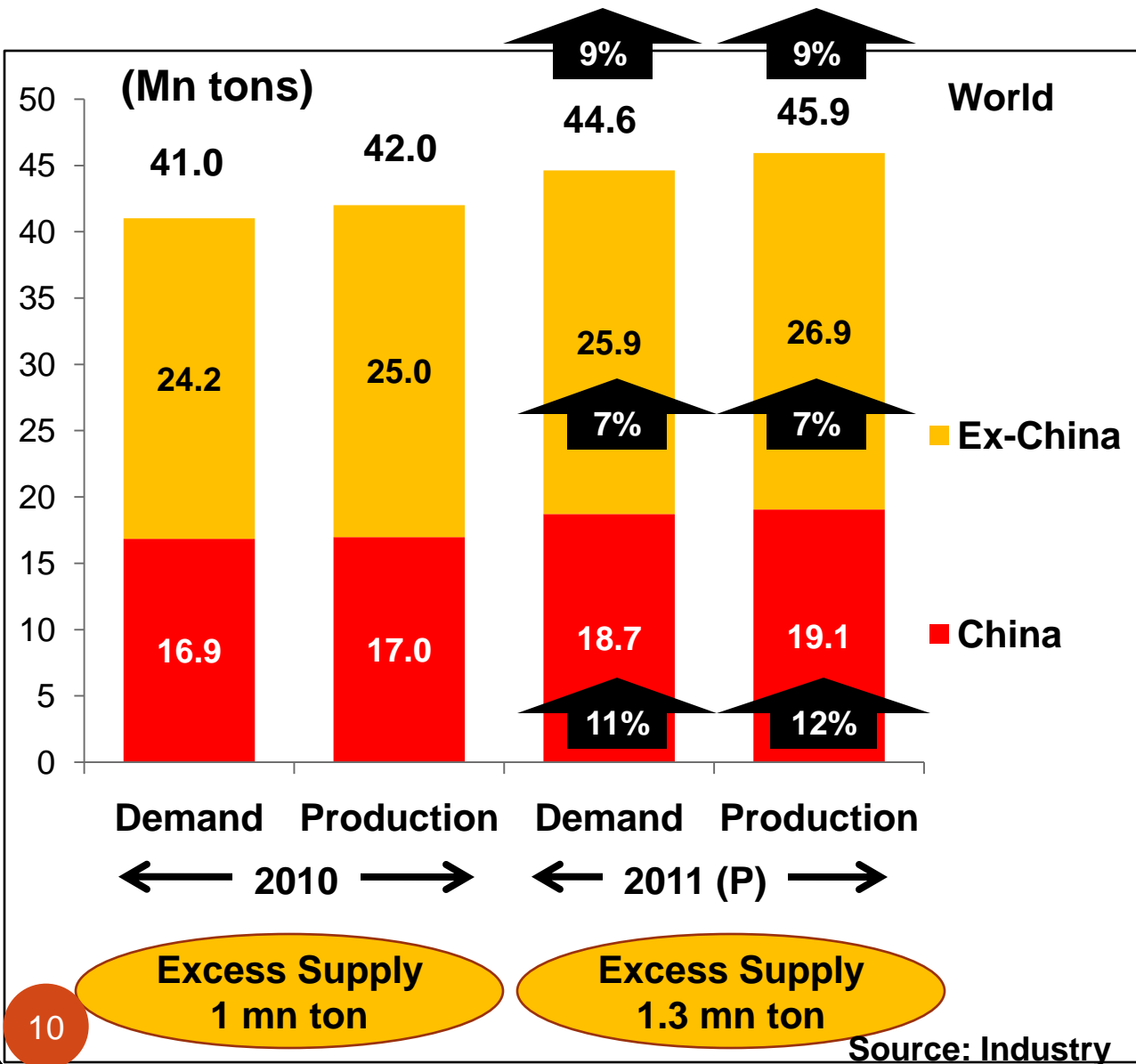
## Aluminium consumption by regions

- ❑ Asia driving > 50% demand
- ❑ Asia as dominant if not more than W. Europe or US

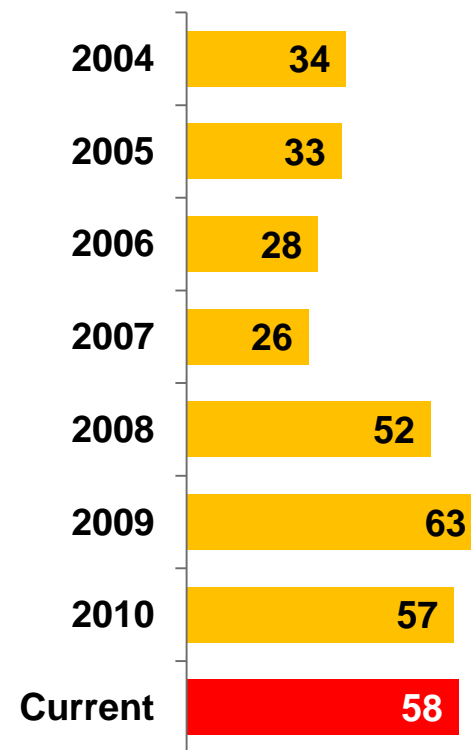


- ❑ Demand growth expected to remain strong
  - ❑ Global demand to grow at ~ 8-10%
  - ❑ Asia & China to witness strong growth despite moderation concerns
  - ❑ US & Europe demand too continue to be robust

# Aluminium: Demand, Supply



## Reported stocks (days of consumption)



Including private stocks, global inventory ~11 mn tons or ~96 days of consumption

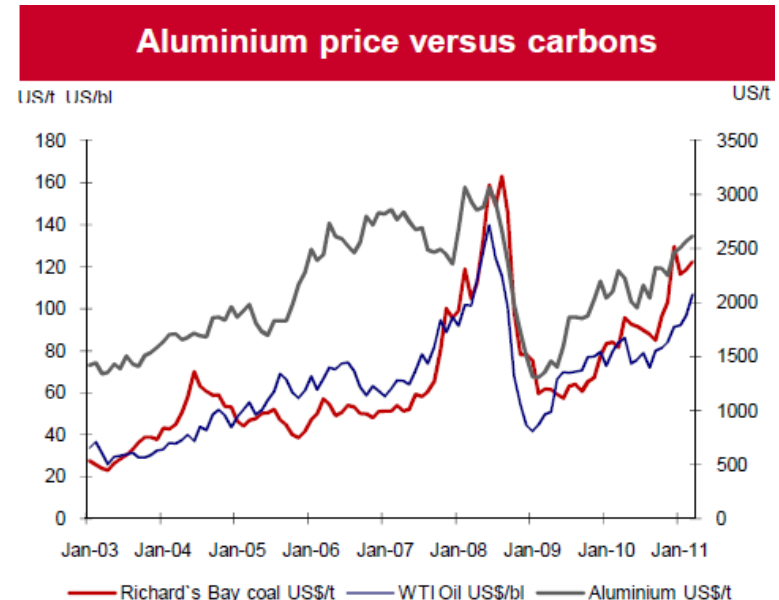
# Incessant Cost Push

**Alumina & power together constitute ~ 65-70% of aluminium cost**

- ❑ **Alumina:** De coupling looks imminent...
  - ❑ Several new contracts on spot pricing basis ~ 30%
  - ❑ Moved up from ~11.5% of aluminium to >15.5%
- ❑ Fundamentals do not justify aluminium linked pricing
  - ❑ New bauxite finds in difficult terrains – Guinea, Guinea Bissau, Cameroon

## Power

- ❑ Rising costs..
  - ❑ High global energy costs
  - ❑ Crude derivatives

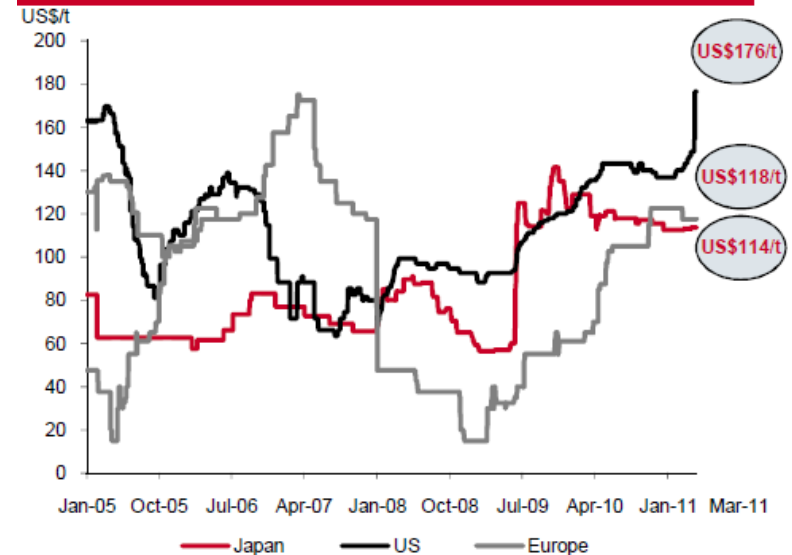


# Aluminium Price Outlook

Warehousing deals have created a physical shortage

- Warehousing deals viable until -  $Contango > (storage\ cost + carrying\ cost)$
- Inventory may rise further in 2011
- *Unwinding possible when global interest rates inch up*

## Regional physical premiums



## Key drivers of LME

Cost Push



LME supported in the near-term

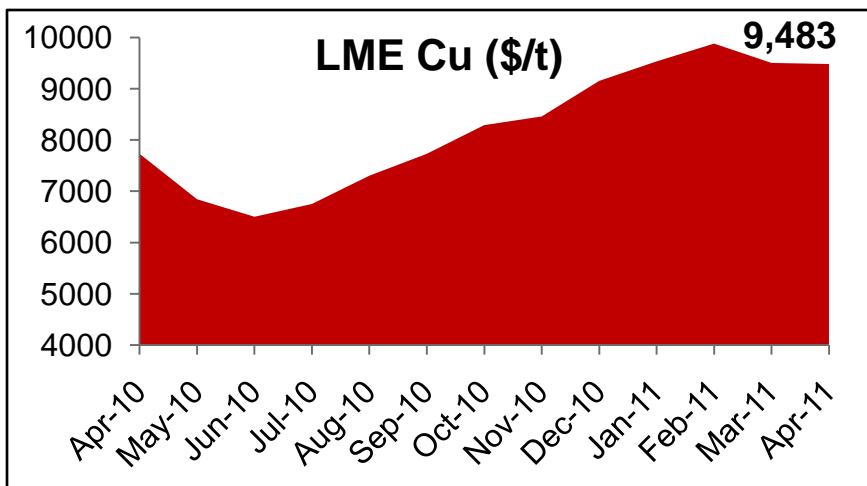
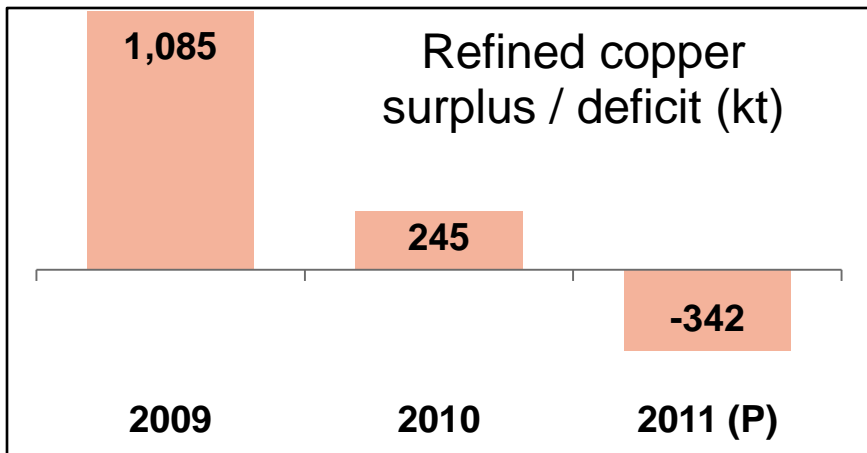
But...

### Vulnerable to ...

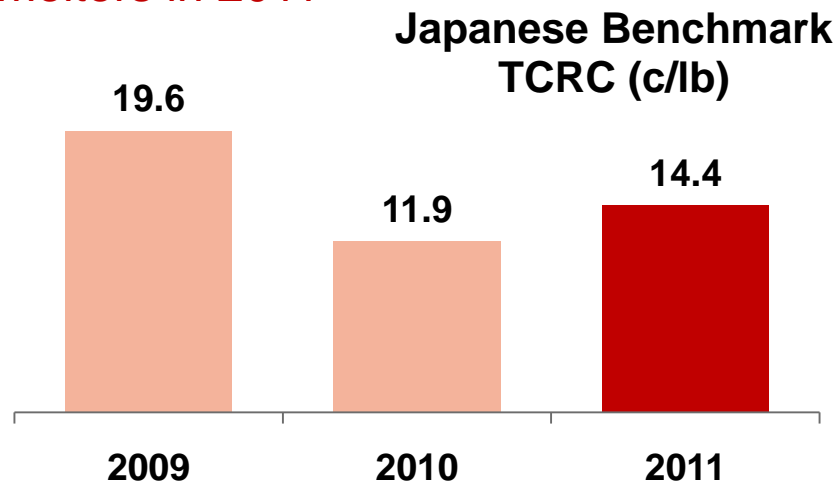
- Change in investor sentiment due to macro themes like debt crisis, China slowdown, etc.
- Unwinding of warehousing deals

# Copper: Mixed Outlook

Copper market has tightened



Concentrate terms improved for smelters in 2011



- Certain smelter disruptions and disciplined Chinese buying helped push up spot TCRCs to >25 c/lb in last two months

Prices strong yet vulnerable to changing investor sentiment

# Global Demand Drivers: FRP

**CAN SHEET**



**AUTOMOTIVE SECTOR**



**CONSTRUCTION SECTOR**



**ALUMINUM DEMAND**



**ASIA**



**N. AMERICA**



**EUROPE**



**S. AMERICA**







Source: Industry reports and company estimates

# Performance Review: Indian Operations

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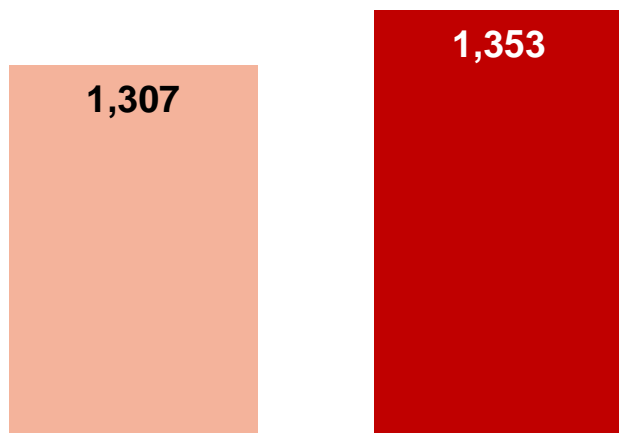
# Key Business Drivers & Impact

Driver	Change ( %) FY11 over FY10	Impact
Aluminium LME Average(\$/ton)	21	
Copper TC/RC (cents/lb)	(26)	
Exchange Rate (₹/\$)	(4)	
Energy Costs	>20	

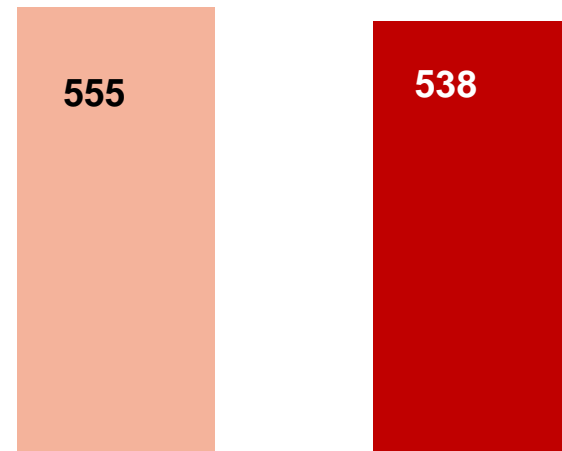


# Aluminium Operations: Production Trend

Alumina (kt)



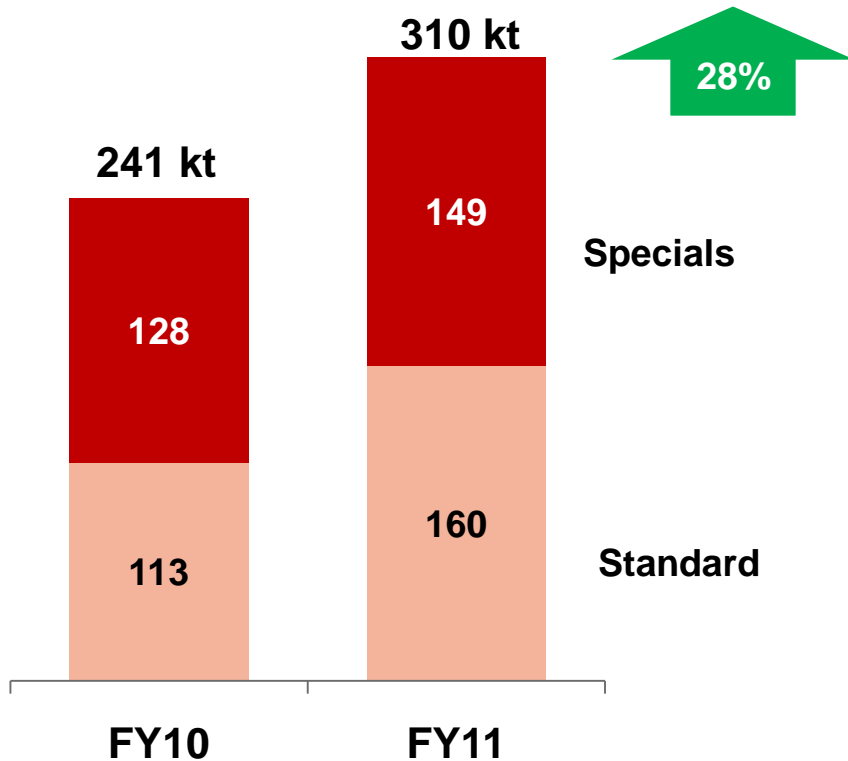
Metal (kt)



- ❑ Alumina production increased as a result of brownfield expansion
- ❑ Despite Hirakud outage, metal production declined by only 17 Kt as Renukoot continued to deliver higher volumes through asset sweating

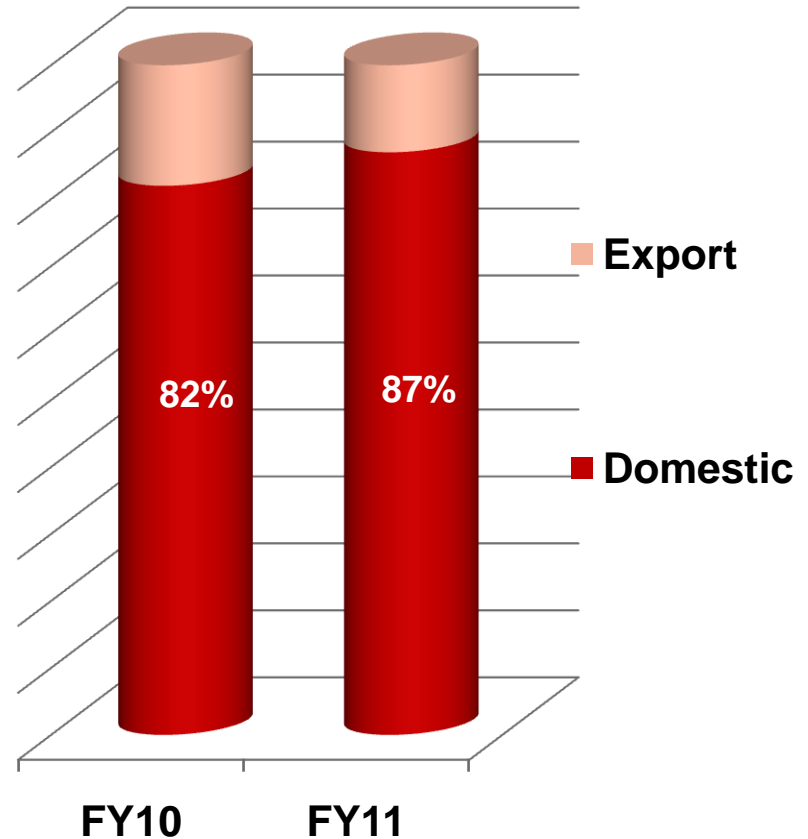
# Aluminium: Improved Mix

**Jump in Hydrate / Alumina sales with focus on specials**



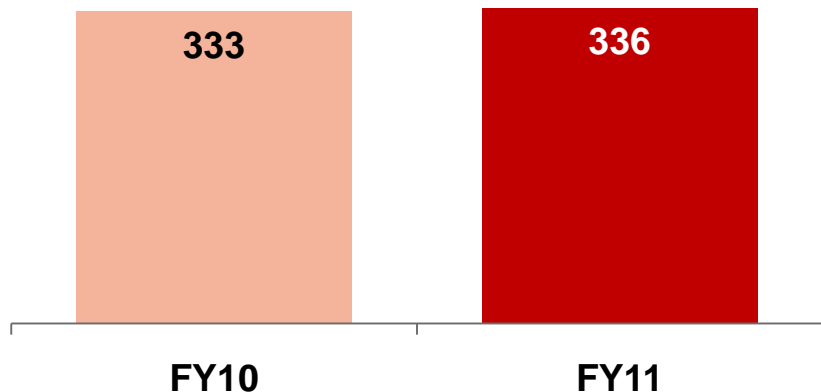
**Specials market share**  
**Domestic ~85%, Global ~6%**

**Maximized domestic sale of metal ...**



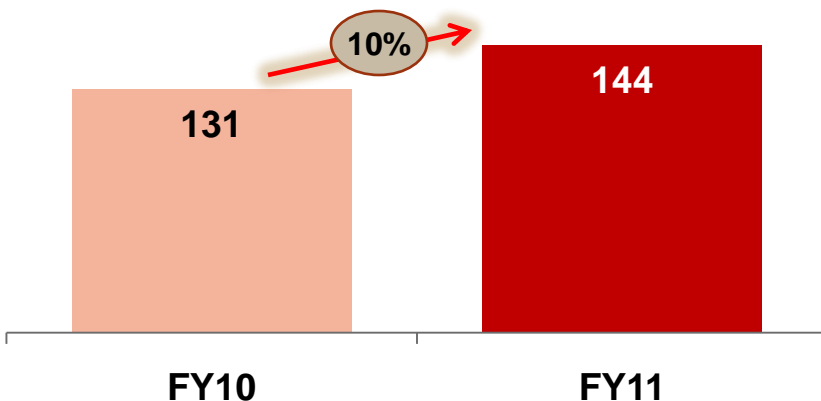
# Copper: Production

Cathode (kt)



Higher production despite outage due to cooling tower failure

CCR\*(kt)



Increased production of value added continuous cast rods

\* Own production



## Operational Excellence

- Copper output up by 3 kt despite cooling tower failure
- Fertilizer & acid streams optimized ~ 21% jump in DAP production



## Focus on unlocking hidden value

- Increased recovery of copper and selenium
- New capability to use external scrap to supplement primary route
- Driving 'waste to wealth' initiatives



## Marketing

- Sustained domestic market leadership to optimize sales mix

₹ Cr	FY10	FY11	Change (%)
<b>Net Sales</b>	<b>19,522</b>	<b>23,859</b>	<b>22</b>
<b>EBITDA</b>	<b>3,210</b>	<b>3,502</b>	<b>9</b>
<b>Adj. EBITDA*</b>	<b>2,861</b>	<b>3,502</b>	<b>22</b>
<b>PBT</b>	<b>2,265</b>	<b>2,595</b>	<b>15</b>
<b>PAT</b>	<b>1,916</b>	<b>2,137</b>	<b>12</b>
<b>EPS (₹)</b>	<b>10.82</b>	<b>11.17</b>	<b>3</b>

# Novelis

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# FY11 Highlights

- ❑ **Strong Global Demand Driving Near 100% Capacity**
- ❑ **Closed FY11 with Record Financial Results:**
  - ❑ **Shipments Up 10% vs. FY10 to 2,969 Kt**
  - ❑ **Net Sales Up 22% vs. FY10 to \$10.6 Billion**
  - ❑ **Record Adjusted EBITDA Up 42% vs. FY10 to \$1.1 Bn**
  - ❑ **Net Income of \$116 Million**
  - ❑ **Strong Liquidity of \$1.1 Billion**
  - ❑ **Solid Free Cash Flow of \$310 Million**
- ❑ **Successful Refinancing of entire capital structure**

**FY11 – An Outstanding Year**

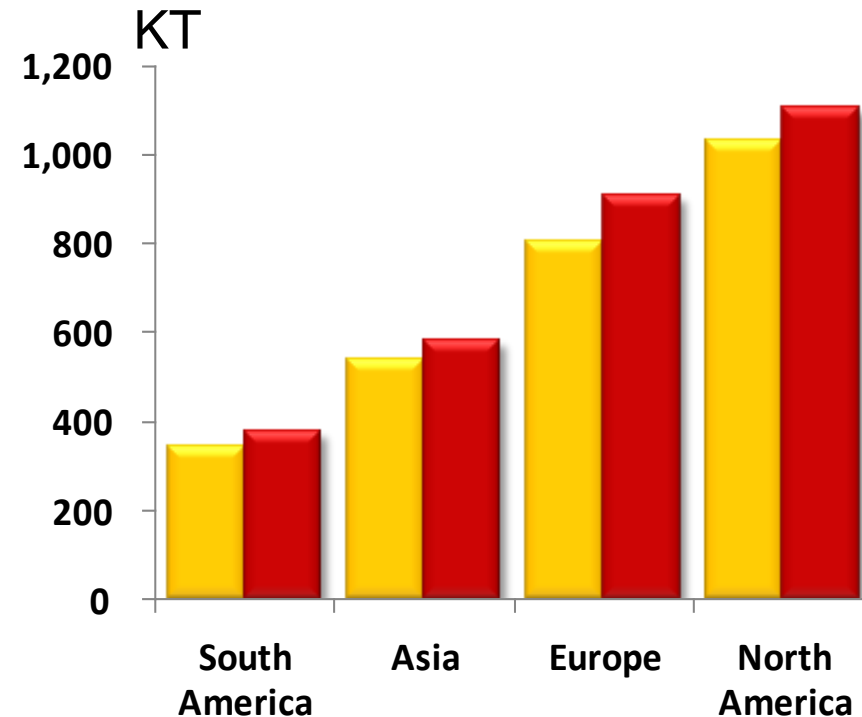
# Novelis: Value drivers

## Volumes & Pricing

	FY10	FY11	Ch. (%)
Shipments (kt)	2,708	2,969	10
<b>Adj. EBITDA per ton (\$)</b>	<b>279</b>	<b>361</b>	<b>29</b>

## Shipments by Region – All-round growth

■ FY10 ■ FY11



*Footprint & Product portfolio optimization drove improved EBITDA margins*

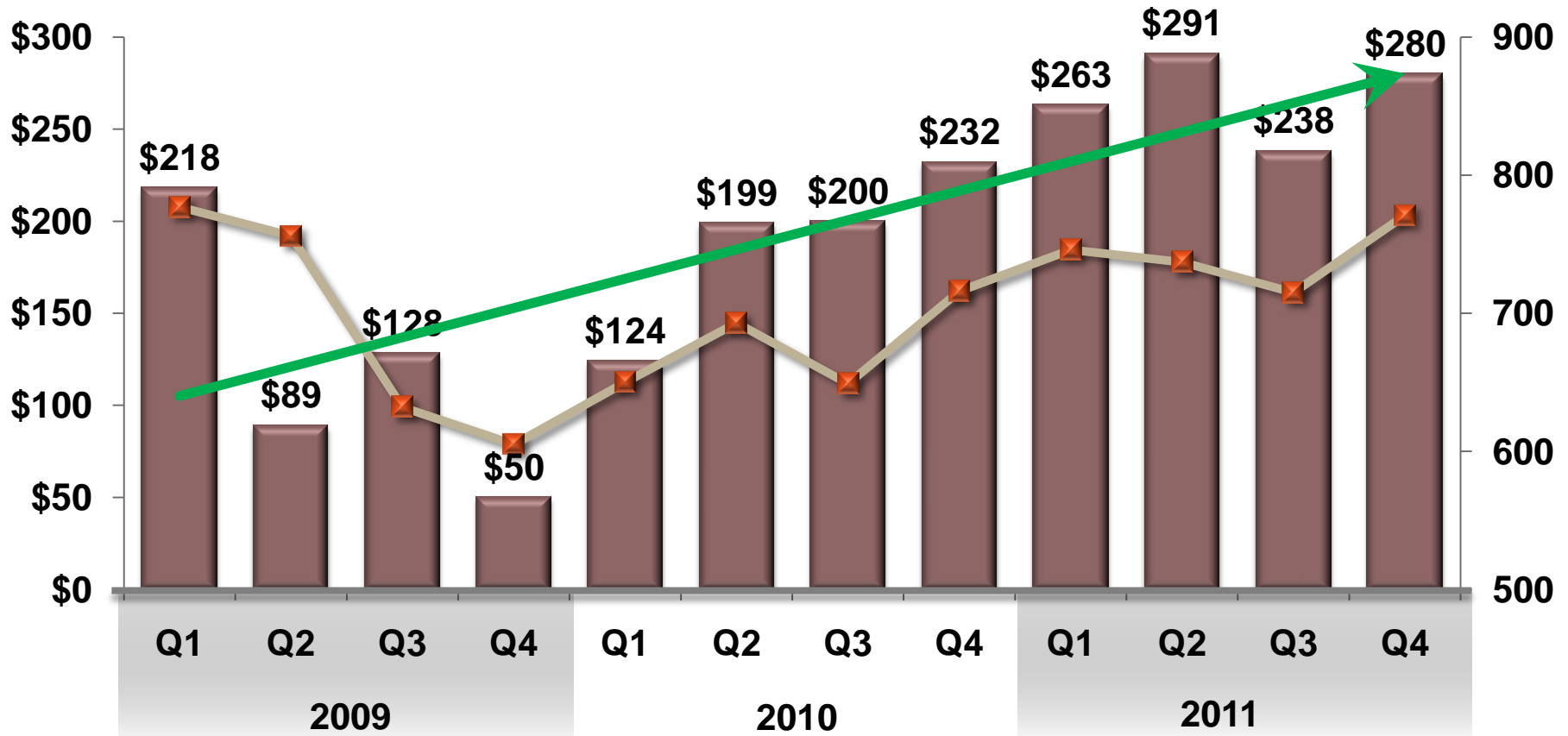


# Strong Momentum



Adjusted EBITDA (Millions) • Shipments (Kt)

Adjusted EBITDA    Shipments    Linear (Adjusted EBITDA)



**Company Actions Continuously Driving Stronger EBITDA**

# ABML

## *Copper Mines in Australia*

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# ABML: Strong Show

## Nifty Mine

- Highest Copper Production recorded at Nifty Ore
- Highest Ore Mined and Processed to date
- Stabilizing recovery at around 93%
- Full year production of copper at an all time high at 59,661 metric tonnes despite fall in copper grade.

## Mt Gordon

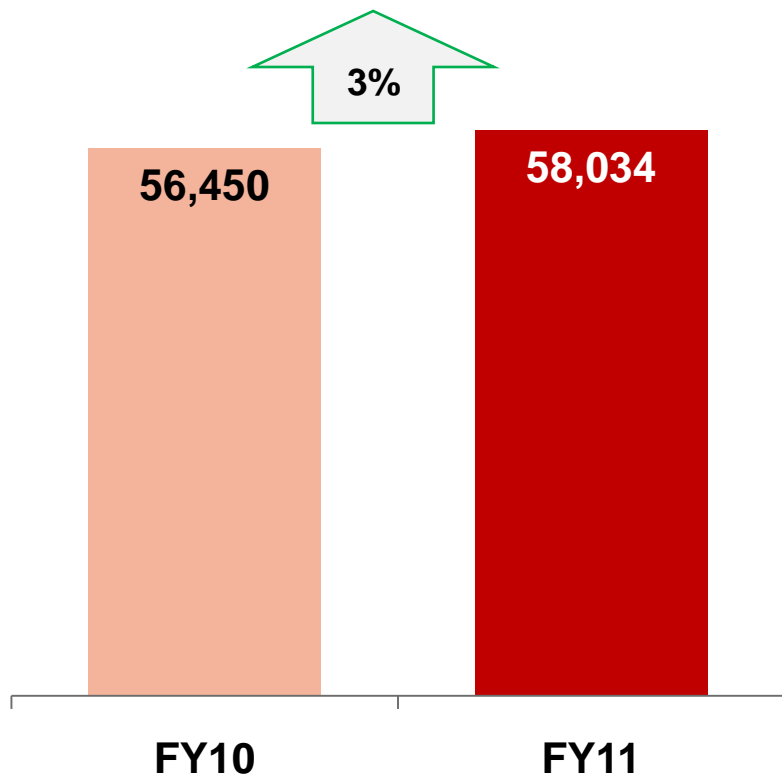
- Project received final approval
- Gradual ramp up to full scale as per mine plan commenced

## Financial

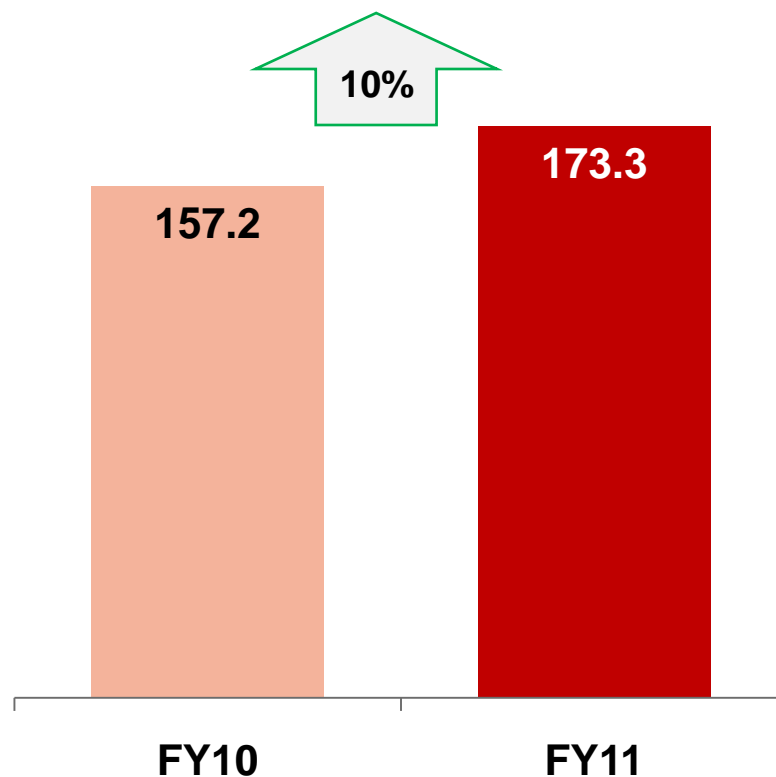
- Cash of A\$144m

# Robust Performance of Nifty Mine

## Nifty Sulfide Production (Cu tons)



## Nifty EBIDTA (A\$ mn)



***Highest ever Nifty production despite lower grade***

# Looking Ahead ...

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# Our Strategy

Aggressive growth in Aluminium – one of our chosen metals

Strong conversion businesses to lower vulnerability to economic downturns

Sharp accent on value addition and cost leadership in each of the businesses

*A High Alpha, Low Beta Portfolio*

## Our Goals

- ✓ Being amongst world's most valued metals companies
- ✓ Maintaining our contribution in ABG's journey to \$65 billion



# Strategic Pathway

## Objective

Short  
term/Immediate

Maintain cost  
leadership in the  
face of inflationary  
environment

Medium term

Re-inforce cost  
leadership with  
world class green-  
field projects

Consolidate Global  
leadership  
leveraging Novelis'  
head start

## Enablers

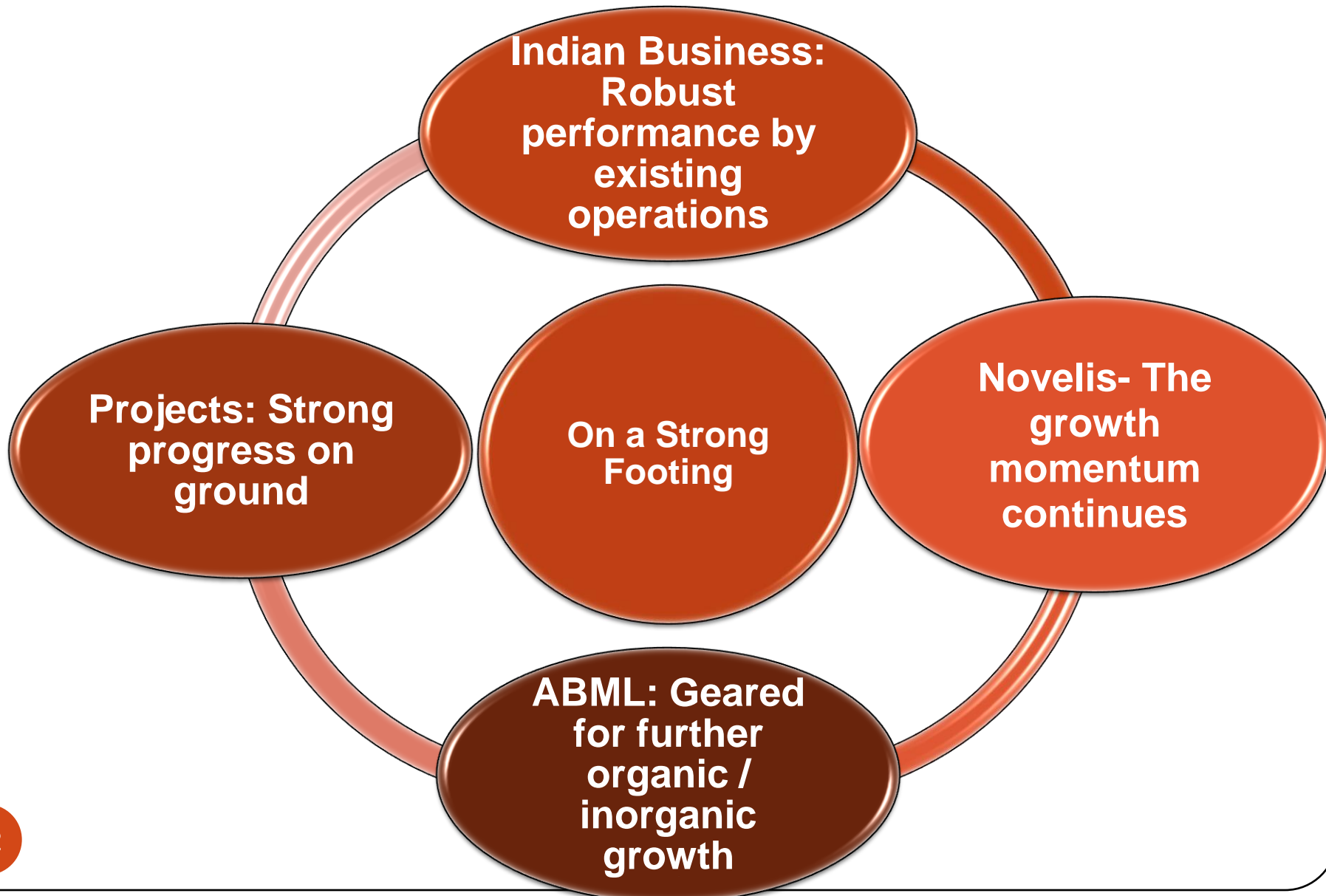
H'kud brown field  
expansion,  
Improving efficiency,  
Asset sweating

Significant progress in  
project implementation  
Balance sheet strength

Focused  
growth, rising  
volumes, new  
markets

# FY11: Progressing well ...

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# Attractive Project Pipeline

**Well timed capacity increase**

✓ Planned capacity increase may coincide with global economic recovery and ride the next commodity cycle

**Lower Production Cost**

✓ Hindalco's greenfield plants expected to be in global best quartile for manufacturing costs

**Lower Capex cost (per ton basis)**

✓ State of the art facilities with best in class capex cost per ton

**Raw Material Coverage**

✓ Coverage for coal resources  
✓ Bauxite requirements are met internally

# Greenfield Projects Update

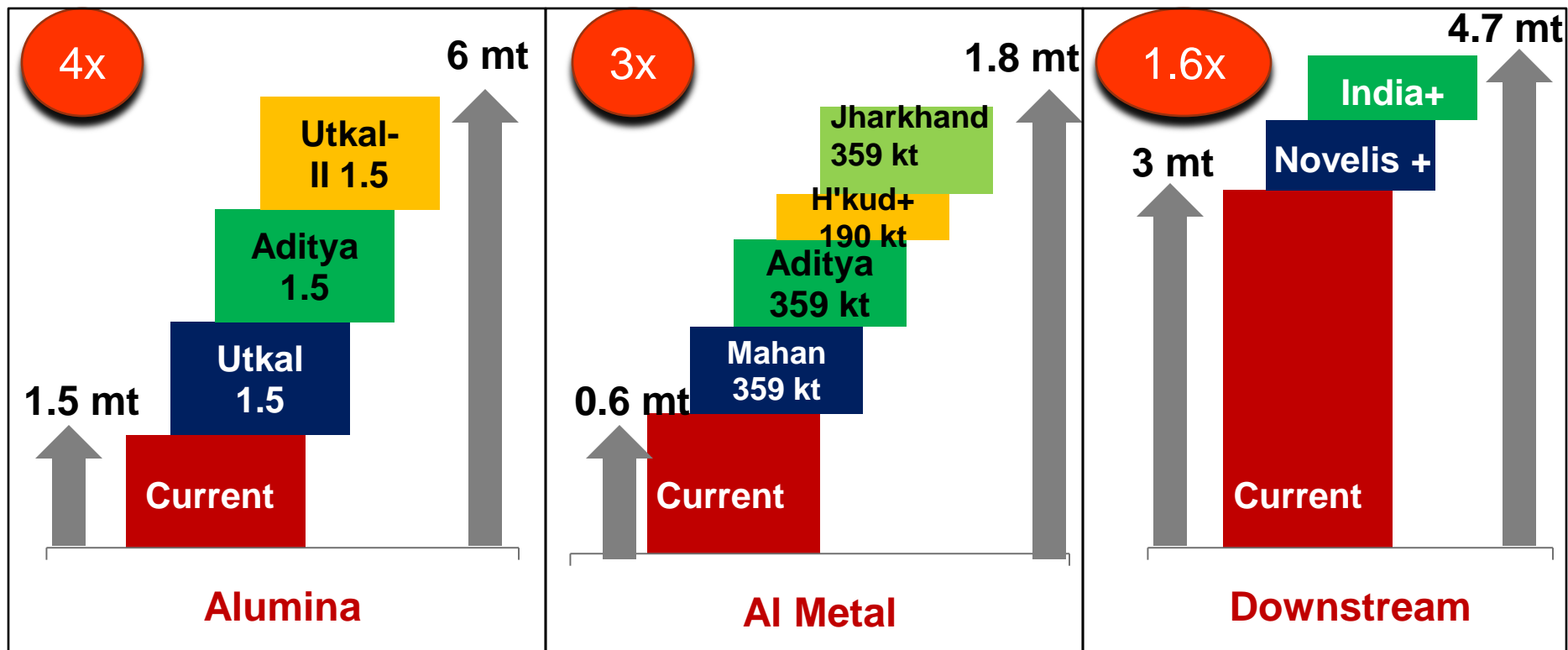


Project	Progress	Expected completion
<b>Mahan Aluminium, MP</b>	<ul style="list-style-type: none"> <li>• Strong progress on the ground &amp; over 90% of project cost committed</li> <li>• Project finance completed (contracted debt Rs 7,875 Cr)</li> <li>• Forest clearance for coal block awaited &amp; applied for tapering linkage for coal</li> </ul>	<b><i>First Metal End 2011</i></b>
<b>Utkal Alumina, Orissa</b>	<ul style="list-style-type: none"> <li>• Progressing with ~ 90% of project cost committed</li> <li>• Project finance completed (debt tied up Rs 4,906 Cr)</li> </ul>	<b>2012</b>
<b>Aditya Aluminium, Orissa</b>	<ul style="list-style-type: none"> <li>• Construction commenced till date 84% of project cost committed</li> <li>• Financing option under evaluation</li> </ul>	<b><i>Early 2013</i></b>
<b>Aditya Refinery, Orissa</b>	<ul style="list-style-type: none"> <li>• Majority land acquired</li> <li>• DFS underway to estimate latest cost</li> <li>• Financing options under evaluation</li> </ul>	<b>2014</b>
<b>Jharkhand Aluminium</b>	<ul style="list-style-type: none"> <li>• Land acquisition started</li> <li>• Coal mine allotted jointly to Tata Power &amp; Hindalco</li> </ul>	<b>2015</b>

# Update on Projects: Brownfield

Project	Scope	Expected completion
Hirakud expansion	Smelter: 155 to 213 ktpa	2012
FRP, Hirakud	Transfer from Novelis UK plant to produce a wide product range including can body stock	End 2011
Pinda (Brazil)	Significant increase in FRP capacity to 600 ktpa	End 2012
Korea expansion	Increase in FRP capacity by 300 ktpa	2013

# Planned Aluminium Portfolio



Lien over coal & bauxite to yield lowest decile cost structure

Downstream: Projects marrying Novelis quality & China-like costs

Long alumina: 0.4 mt now; 2.4 mt after all projects

# Novelis: The Transformation

**FY08**

**Constrained under-performance**

**FY09**

**Claiming the rightful share in the value chain**

**FY10**

**The Turnaround**

**FY11**

**Value accretive for HIL Shareholders**

**FY12.....**

**???**

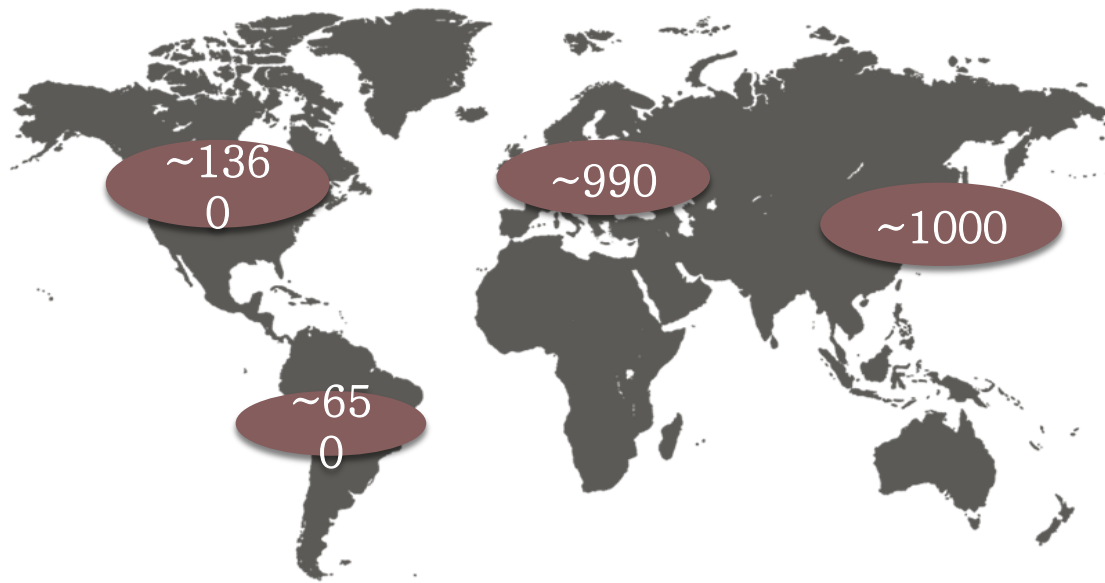
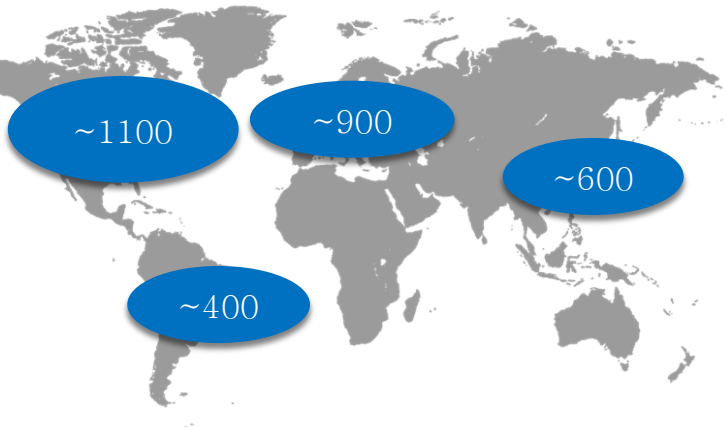
# Novelis Footprint: Today & In Five Years



Shipments (Kt)

Total Novelis FY11  
Capacity ~3,000

Total Novelis FY16  
Capacity ~4,000



**\$1.5 Billion Three-Year Capital Investment**

# Key Medium-term Themes ...

**Aluminium  
business in  
India**

- ❑ **Dramatic growth with 'Last Man Standing' cost positions**

**Novelis**

- ❑ **Maintaining momentum – through footprint optimization & leveraging technology edge**
- ❑ ***Participate in the most value-accretive growth opportunities worldwide***

**Copper  
Mines**

- ❑ **Growth through organic and inorganic routes**

**India  
Copper  
smelter**

- ❑ **Leveraging business model based on multiple value-drivers ... acid, fertilizers, precious metals, co-products ...**

**A De-Risked Portfolio with 2 metals – each having two business models (upstream and conversion)**

# Summing Up...

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- ❖ **Strong all-round performance in a challenging year on the back of continuous efficiency improvements**
- ❖ **Projects have gained a significant visibility – to reinforce low-cost advantage**
- ❖ **Novelis' technology edge and footprint optimization to drive the organization to new heights**
- ❖ **Robust performance of conversion businesses validates the strategy of building a de-risked portfolio**

**Hindalco on course to realize its ambitions**



Thank you