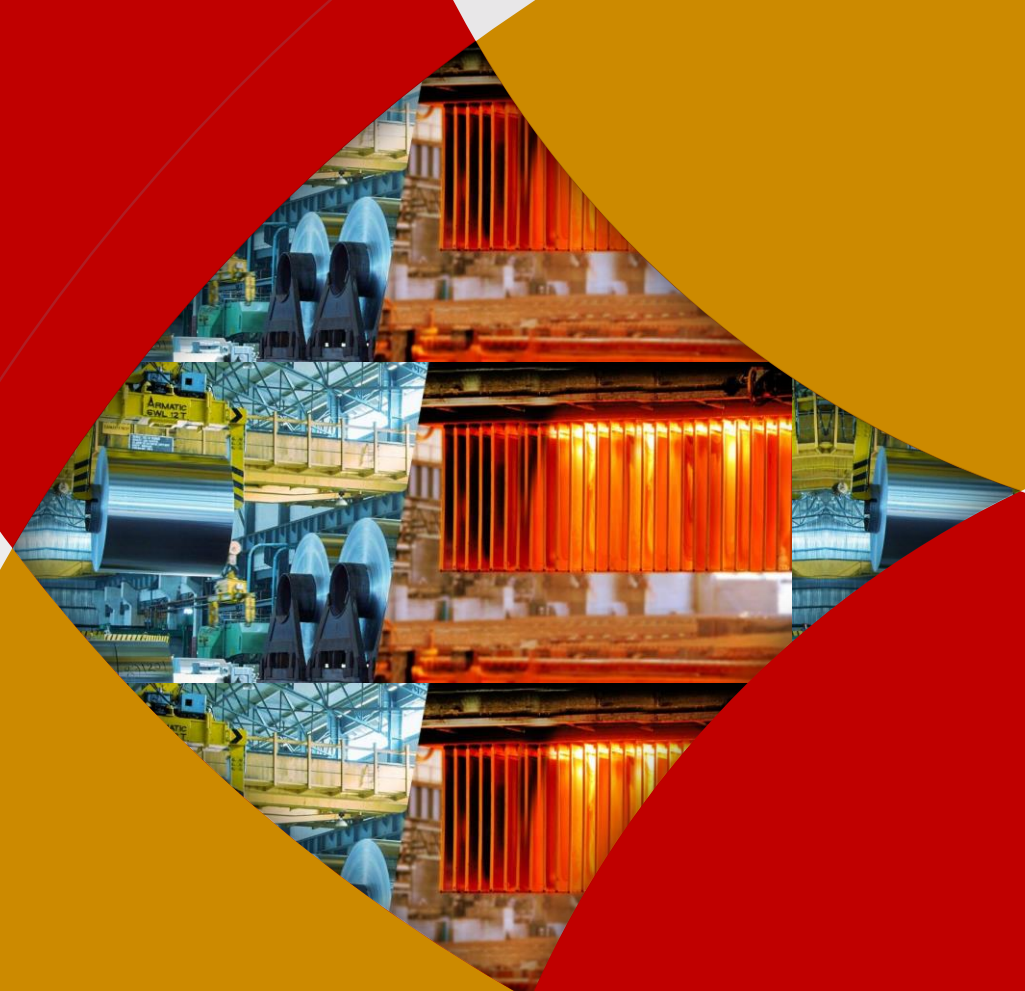


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HINDALCO

# Hindalco Industries Limited



Q2 FY21 Earnings Presentation

10<sup>th</sup> November, 2020

# SAFE HARBOUR

*Certain statements in this report may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company’s operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the company’s principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the company conducts business and other factors such as litigation and labour negotiations. The company assume no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.*



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- **Novelis**
- **Aluminium (India)**
- **Copper**



# Business Performance Key Highlights - Q2 FY21

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# Key Highlights : Q2 FY21

## Novelis\*

- **All time high quarterly shipments of 923 Kt (835Kt), up 11%**, due to the acquired business
- **All time high adjusted EBITDA at \$455 million (\$374 million), up 22%**, on the back of higher volumes, strong market demand coupled with good cost control and product mix
- **All time high adjusted EBITDA per ton at \$493 (\$448/t)**
- **Net Income from continuing operations at \$144 million, up 17% YoY**; Net Income (excluding special items) at \$158 million (\$160 million)
- **Completed divestment of Duffel and signed agreement for sale of Lewisport**; Net loss (net of tax) on divestiture recorded at \$170 million.
- Integration work continues with \$38 million annualized run-rate synergies already achieved (Total Potential \$120 million)

## Aluminium (India)

- **EBITDA ₹1,066 crore (₹808 crore) up 32%**, on account of favorable macros and lower input costs
- Record production at Utkal Alumina at 441 Kt. Globally, COP is one of the lowest
- Metal sales at 303 Kt (328 Kt), impacted by lower production
- Aluminium VAP (excluding wire rods) sales at 63 Kt (78 kt). Sharp recovery in volumes from Q1 FY21 (35Kt)
- Thrust on fixed cost reduction, better operational efficiencies supported by lower input costs, continues to help in keeping the cost of production low
- **EBITDA margin at 22.2% (14.6%), up 760 bps**, continue to be one of the best in the industry
- Utkal Alumina capacity expansion of 500 Kt is on track and expected to be commissioned in Q4 FY21

Note : Numbers in parenthesis() represent Q2 FY20 unless specified

\* a) As per US GAAP b)The financials of FY21 include Aleris

#Tax-effected special items include purchase price accounting adjustments, restructuring & impairment and metal price lag, in Novelis

### Copper

- Cathode production reached 73 Kt from 41 Kt in Q1 FY21, after ramp up of operations, post recovery from Q1 disruptions due to Covid
- Metal Sales at 75 Kt (82 Kt), as the market recovered in Q2 FY21
- CC Rods sales at 64 kt (63Kt) , up 2% YoY
- **Highest ever fertilizer sales volume at 127 Kt, up 143% YoY**, on the back of robust demand due to better monsoon
- EBITDA at ₹208 crore (₹307 crore)

### Consolidated

- Outstanding operational performance on the back of sharp recovery in all relevant markets
- **Business EBITDA at ₹4,672 crore (₹3,743 crore), up 25% YoY**
- PBT for continuing operations before exceptional and special items#, at ₹2,497 crore (₹2,014 crore), up 24% YoY
- **PAT for continuing operations before tax effected exceptional\* and special items# at ₹1,784 crore (₹1,253 crore), up 42% YoY**
- Strong liquidity position of \$2.6 billion with cash and cash equivalents of \$1.6 billion in Novelis; Hindalco India Business cash and cash equivalents at ₹8,235 crore at the end of Sept 30, 2020
- Net Debt to EBITDA at 3.52x as at 30<sup>th</sup> Sept. 2020 (vs 3.83x as at June 30, 2020)

Note :

a) Numbers in parenthesis() represent Q2 FY20 unless specified

b) Hindalco consolidated financials of FY21 includes Aleris

#Tax-effected special items include purchase price accounting adjustments, restructuring & impairment and metal price lag, in Novelis

\*Adjusted for post-tax impact of exceptional item of ex-gratia payment and Reversal of Excess REC provision in India

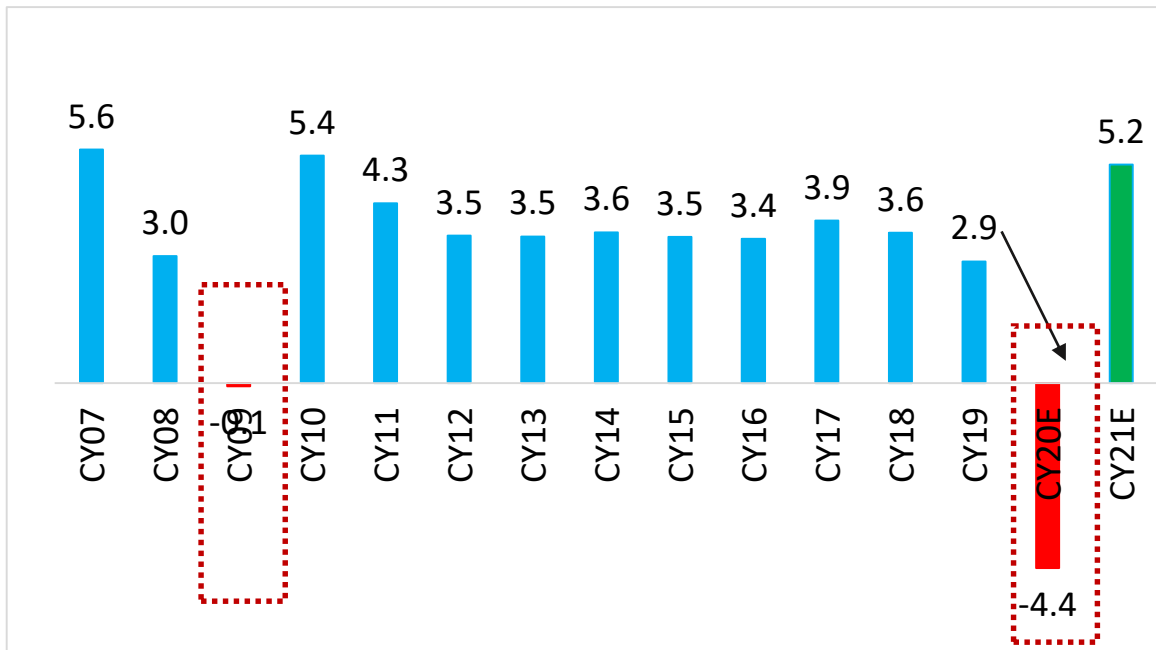


# Economy & Industry Updates Global & Domestic

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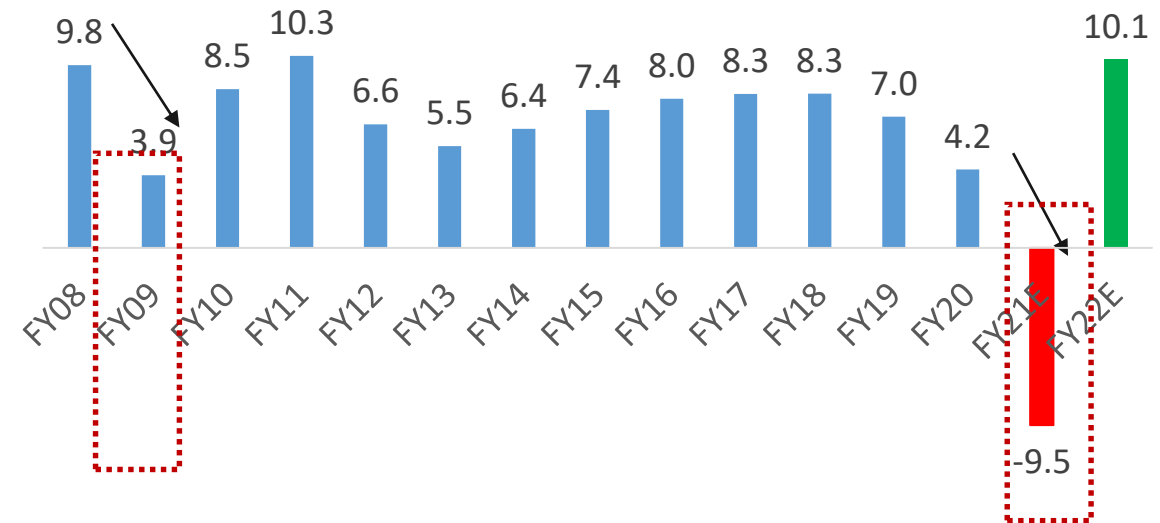
# Economy Updates

## Global GDP Growth (% YoY)



- Global growth is projected to rebound to 5.2% YoY in CY21, however growth recovery is expected to be 'uneven, long and uncertain' as per the IMF
- IMF (Oct '20 forecast) projects the global economy to contract by 4.4% in CY20 vs. growth of 2.9% in CY19 as the pandemic continues into H2 of CY20.
- Except China (1.9% growth CY20) the GDP is expected to contract in all emerging and developed economies .
- Second wave of Covid-19 infections across Europe remain a concern
- Expansionary fiscal policy should continue to play a leading role in economic recovery as per IMF

## India GDP Growth (% YoY)

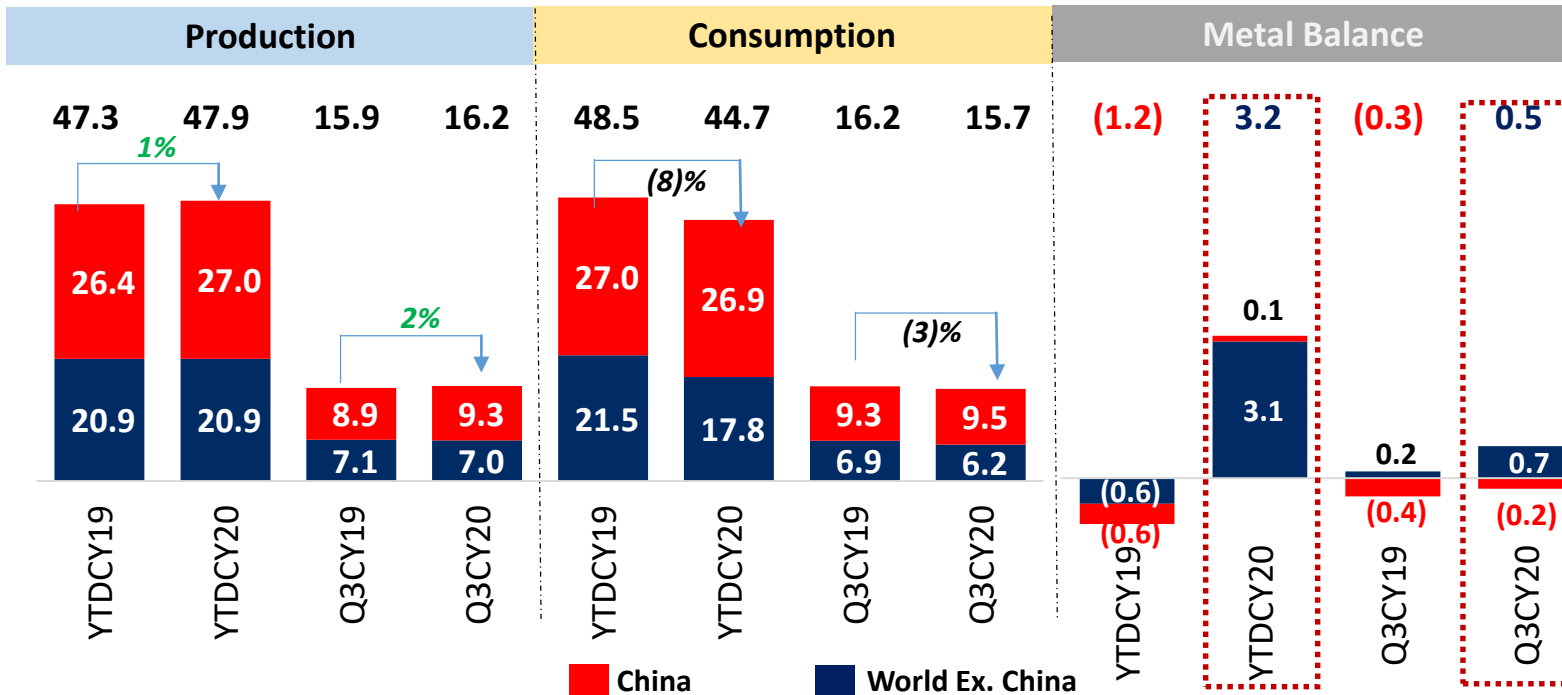


- RBI forecasted the GDP to contract by 9.5% in FY21 and **rebound to 10.1% in FY22**
- High frequency monthly indicators confirm economic recovery is on track with the worst already over**
- Inflation expected to inch down in H2FY21 to around 5%** from 6.7% in H1FY21, as supply chain disruptions fade (RBI)
- While RBI kept repo rates unchanged in its Oct'20 policy review, continued with its liquidity boosting measures to support demand
- India's GDP growth contracted 23.9% in Q1FY21, worst amongst major advanced and developing economies

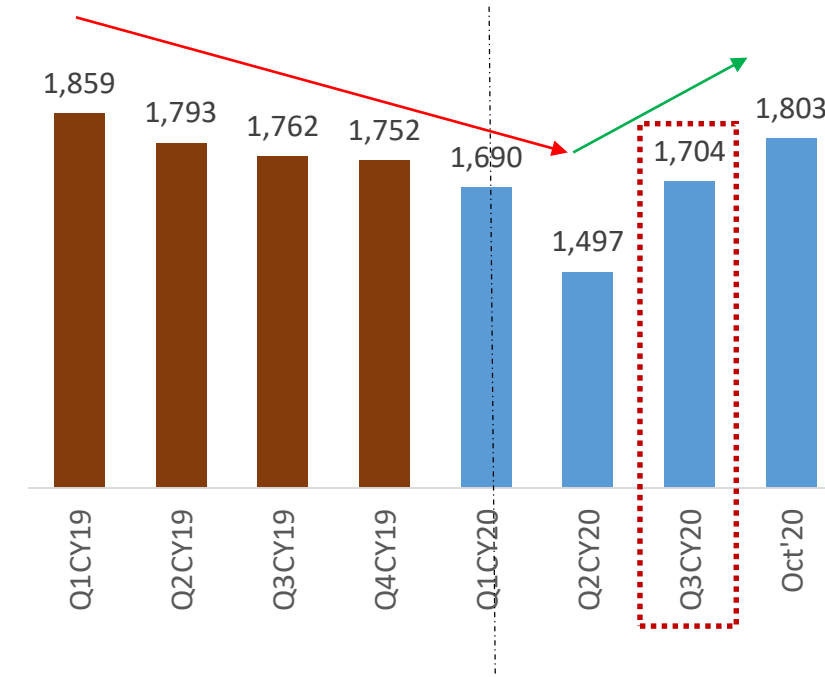


# Global Aluminium Industry

## Global Demand & Supply Balance (Mt)



## Global Price of Aluminium (Cash -\$/T)



### YTD CY20 (vs YTD CY19)

- **Global production grew by 1%, consumption declined by 8%, leading to surplus of 3.2 Mt**
  - China: Production increased by 2%, consumption was flattish, consequently led to surplus of 0.1 Mt
  - World Ex-China: Production was flattish, consumption dropped by 17%, causing a surplus of 3.1 Mt

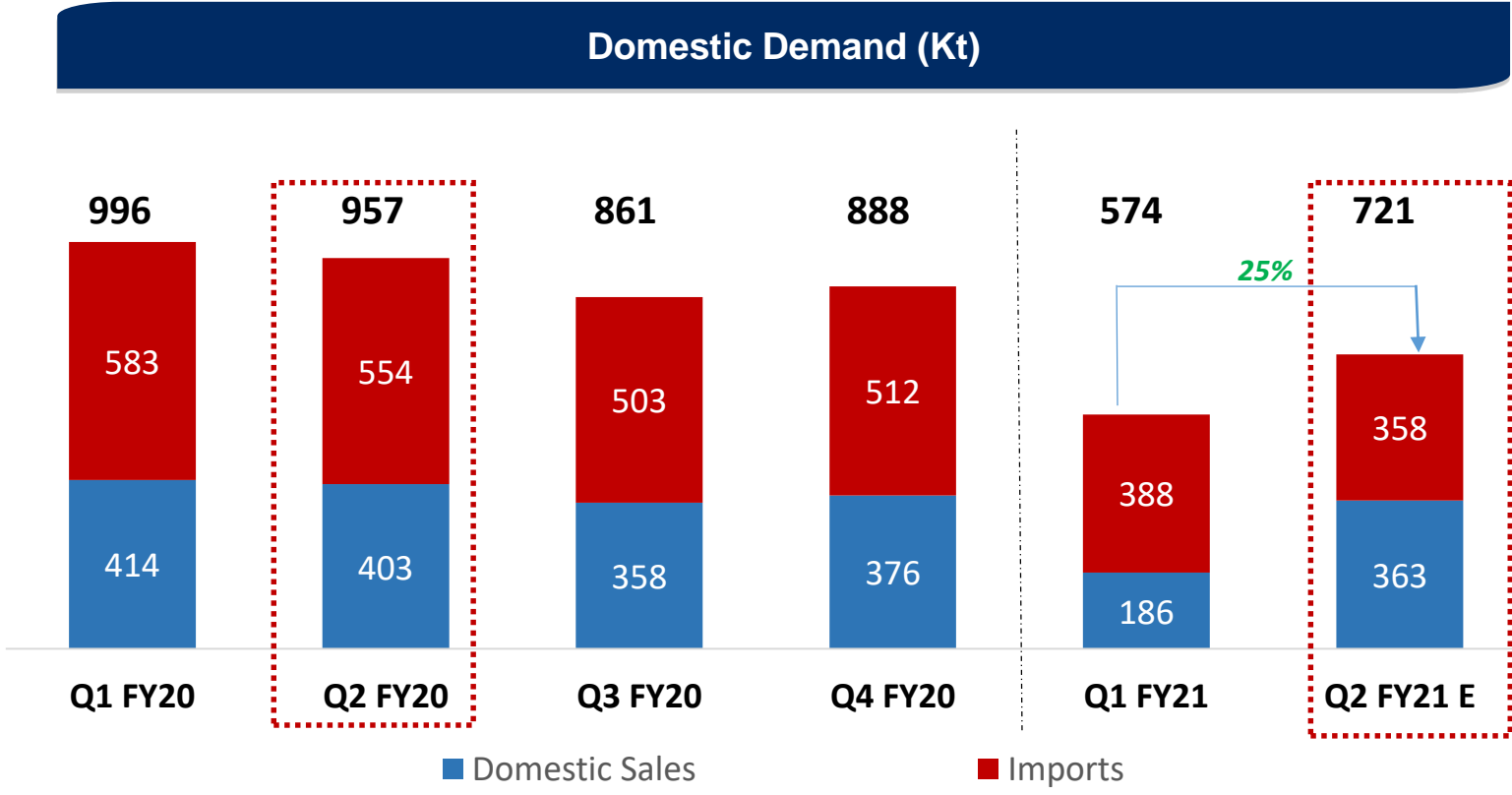
### Q3 CY20 (vs Q3 CY19)

- **Global production expanded by 2%, consumption contracted by 3%, leading to surplus of 0.5 Mt**
  - China: Production increased by 5%, consumption grew by 3%, consequently led to deficit of 0.2 Mt
  - World Ex-China: Production fell by 2%, consumption declined by 10%, inducing a surplus of 0.7 Mt

### Global aluminium prices continued to improve

- **Q3 CY20**, prices improved to \$1,704/t up from \$1,497 in Q2 CY20; October' 20 prices at \$1,803/t

# Domestic Aluminium Industry



- **Sharp Recovery is expected in demand by ~25% QoQ in Q2 FY21; Sept 2020 demand at 90% of pre-covid levels (Sept 2019)**
- Demand in Q2 FY21 is estimated to declined by 25% YoY, while the domestic producers sales declined by 10% YoY. Consequently the share of domestic producers increased to ~50% in Q2 FY21 (41% in Q2 FY20)
- Demand continues to be strong in packaging (pharmaceutical & food packaging) and industrial machinery while auto demand has also started reviving; Subdued demand from Building & Construction and Electrical sectors in Q2 FY21.

# Aluminium Flat Rolled Products (FRP) Industry

- The global FRP Demand is expected to decline by ~7% in 2020 (vs 2019) due to the COVID-19 and is expected to bounce back with growth ~8% in 2021 (vs FY20) on account demand recovery and base effect.



## Beverage Cans

- Continued resilience in Europe and Asia with some impact of reduced tourism
- Higher at-home consumption favors can, particularly in North and South America, with the package mix shift towards recyclable aluminium leads to increased demand



## Automotive

- The Demand in the US is strong as most of the auto OEMs have now operating at almost full capacities and have started building inventories.
- Sharp recovery in Europe in Q2 after spring shutdowns
- In Asia, EVs, high-end SUVs and luxury vehicles demand for auto sheets remained sturdy



## Aerospace

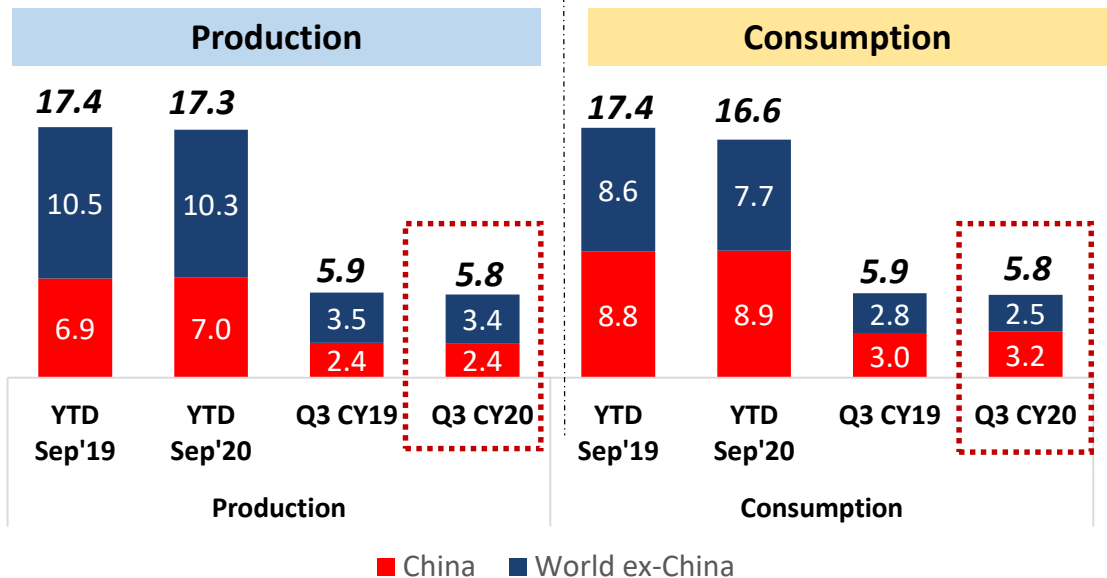
- As the travel would pick-up, it will drive the demand of FRP in the aerospace segment.
- This demand is backed by the high order backlogs.
- Demand is expected to remain low into next year due to reduced build rates and consumer air travel.

- **India FRP demand in Q2 FY21 is estimated to sharply recover by ~35% QoQ (de-grew by ~23% YoY)**

The demand is recovering in the backdrop of stable demand from pharma & food packaging and improvement in auto demand. Consumer durables demand is supported by increasing penetration of e-commerce sales. However the B&C demand is recovering and is expected to reach the pre-covid levels by Q4 FY21.

# Copper Industry (Global & Domestic)

## Global Demand & Supply Balance (in Mt)



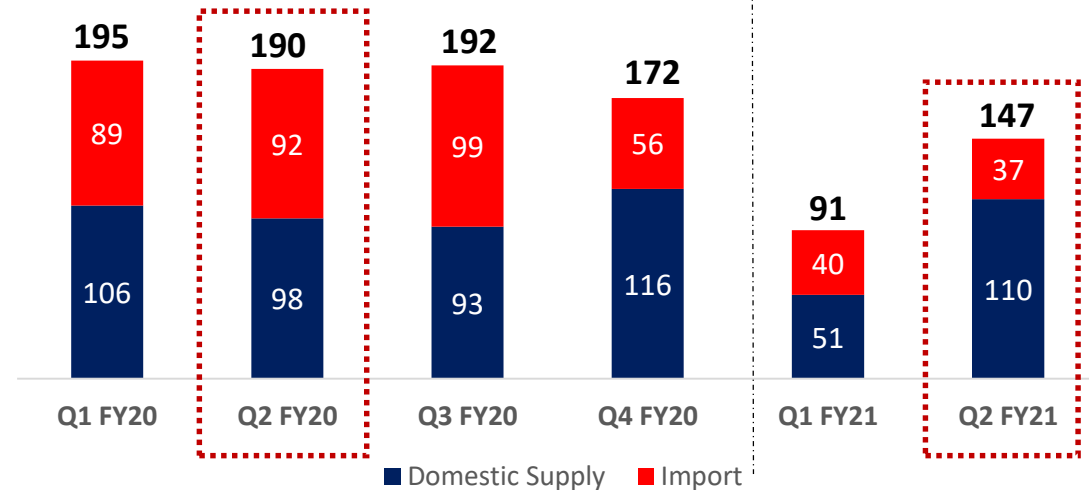
### YTD CY20 (vs YTD CY19)

- Global refined copper consumption declined by 5% due to Impact of COVID-19
  - China consumption increased by 1%, whereas World ex-China dipped by 10%.

### Q3 CY20 (vs Q3 CY19)

- Global copper consumption recovered to 98%
  - Chinese refined copper consumption grew by 6% whereas Rest of the World, still impacted by Covid, declined by 10%.
- Covid-19 continue to disrupt copper mines and mines output in terms of copper declined by 5% in Q3 CY@20 compared to Q3 CY19
- Impact of Covid-19 has been more on mines than smelters, **spot Tc/Rc remained tight through out the Quarter.**

## Domestic Demand (Kt)



- In Q2FY21, overall domestic market (147 Kt) reached to 77% of Q2FY20 level (190 Kt). On QoQ basis, market jumped by 62% compared to 91 Kt in Q1FY21 as market tend to recover post COVID.
- In Q2FY21, sales of domestic producers increased by 12% YoY, to 110 Kt while imports declined by 60% YoY, to 37 Kt compared to Q2 FY20.
- Market share of imports decreased to 25% in Q2 FY21 vs. 48% in Q2FY20.

## Key Macro Drivers (Q2 FY21 vs Q2 FY20)





# Business Performance : Q2 FY21

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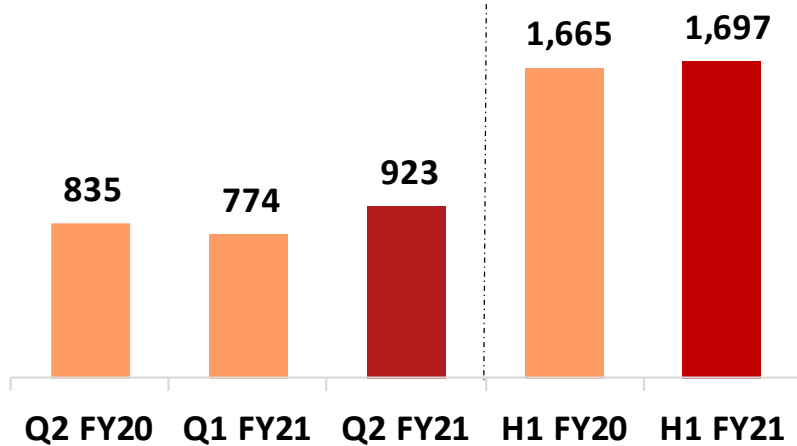
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# Novelis

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# Operational Performance – Novelis

## Overall Shipments (KT)

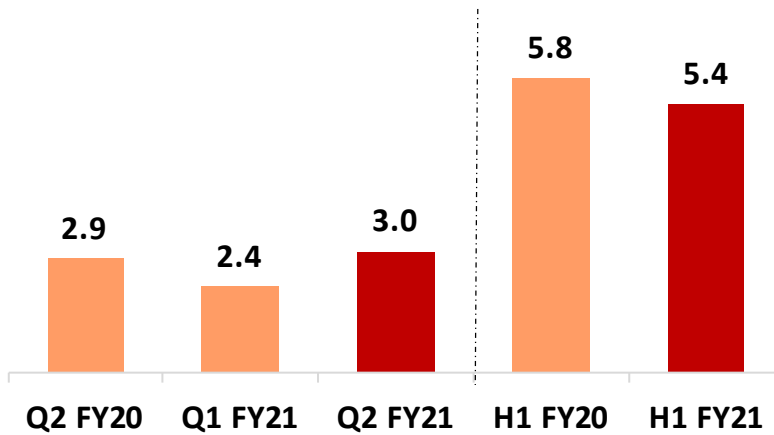


- Diverse global footprint and product portfolio with strong customer positioning provides competitive advantage, as some pandemic uncertainty remains.
- Record shipments at 923 Kt in Q2FY21 up 11% YoY and 19% sequentially :
  - Can shipments remained strong and resilient, up sequentially from Q1
  - Automotive shipments doubled QoQ with sharp recovery in demand
  - Specialties shipments were up double digits, QoQ with Aleris
  - Aerospace demand continue to remain weak
- Aleris acquisition updates:
  - Completed divestment of Duffel for €310 million
  - Signed an agreement with American Industrial Partners to sell Lewisport for estimated \$171 million net cash proceeds
  - Integration work continues with \$38 million annualized run-rate synergies already achieved (Total Potential \$120 million)
- Expansion project updates:
  - Restarted commissioning process at Guthrie and Changzhou automotive expansions ; shipments to begin in end-FY21 and early-FY22 respectively
  - Pinda, Brazil expansion is on track and to commission in FY22

FY21 numbers include Aleris

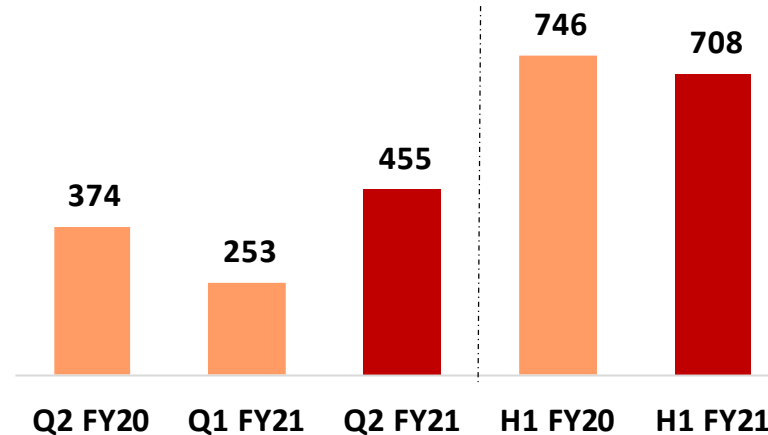
# Financial Performance – Novelis

## Revenue (\$ Billion)



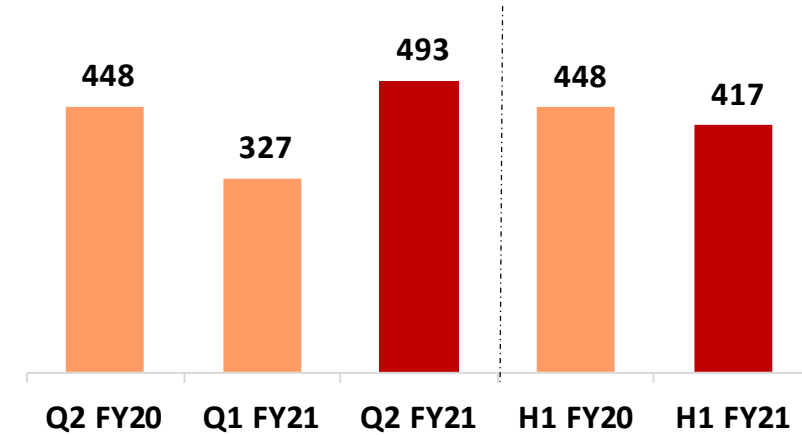
- Net sales in Q2 FY21 stands at \$3.0 billion **up 24% sequentially** on account of higher shipments, LME and market premiums

## Adjusted EBITDA (\$ Million)



- All time high adjusted EBITDA at \$455 million in Q2 FY21, up 80% sequentially**, on the back of higher volumes, good cost control, better product mix and EBITDA contribution from the acquired Aleris business

## Adjusted EBITDA (\$/tonne)



- All time high adjusted EBITDA per ton at \$493/t in Q2 FY21, up 51% sequentially**

Note: a) All above numbers are as per the US GAAP b) FY21 numbers include Aleris



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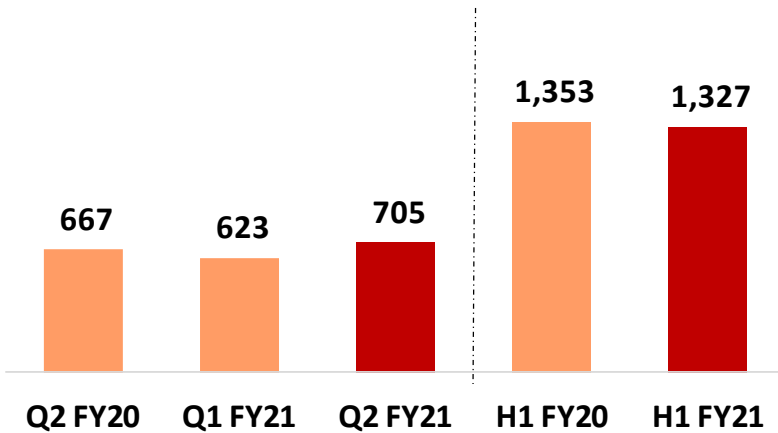
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# Aluminium (India)

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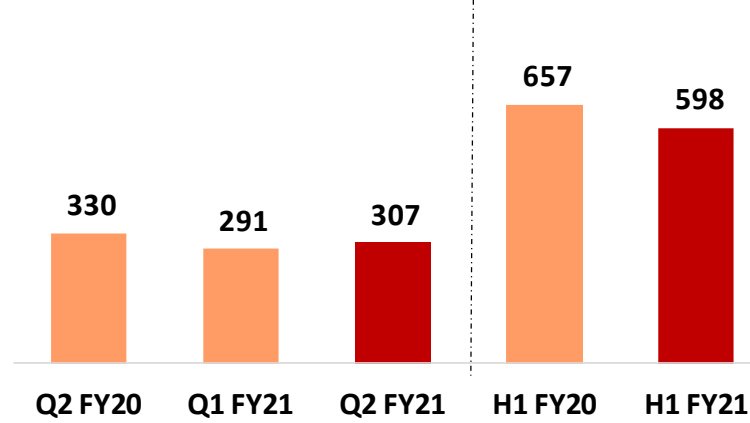
# Production – Alumina, Aluminium Metal & Aluminium VAP

### Alumina\* (KT)



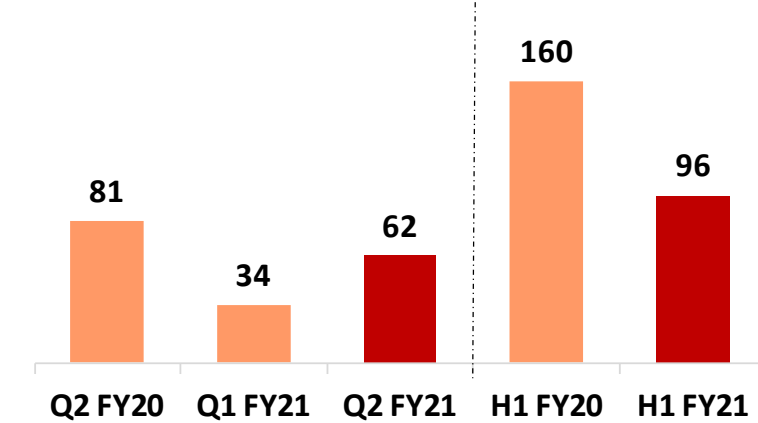
- Utkal Alumina refinery recorded **highest ever production of 441 Kt** in Q2 FY21.

### Aluminium Metal (KT)



- Aluminium Metal Production was higher by 5% QoQ in Q2 FY21

### Aluminium VAP# (KT)

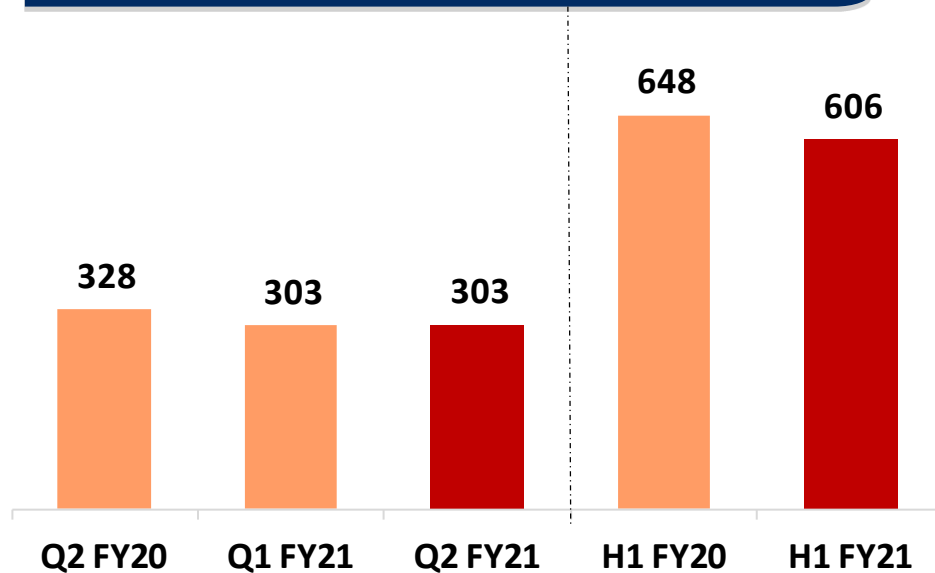


- Aluminum VAP production was higher by 81% QoQ in Q2 FY21

\*Hydrate as Alumina  
# Excluding Wire Rods

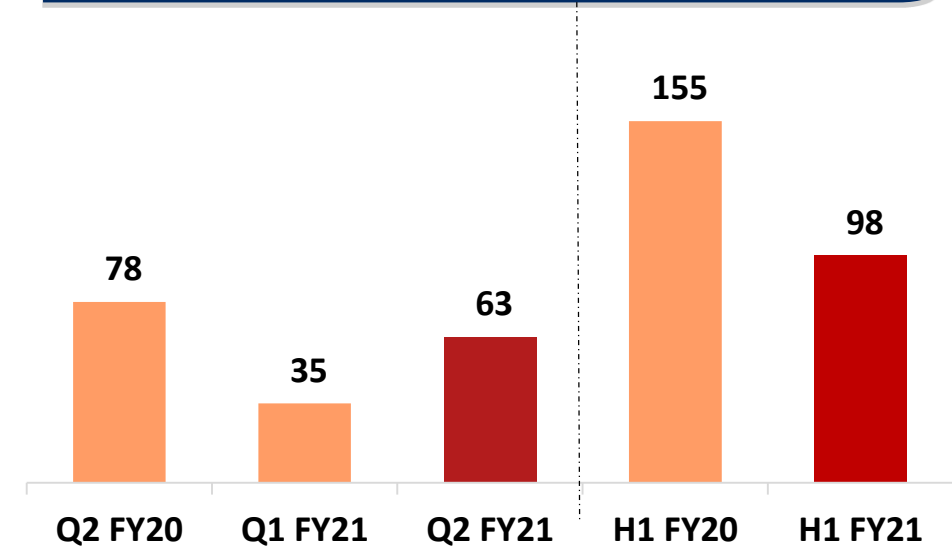
# Sales Volume – Aluminium Metal & VAP

## Aluminium Metal Sales in all forms (KT)



- Aluminium Metal Sales were flat QoQ
- Domestic Sales as % of total metal sales improved to 36% in Q2 FY21 vs 20% Q1 FY21.**

## Aluminium VAP# (KT)

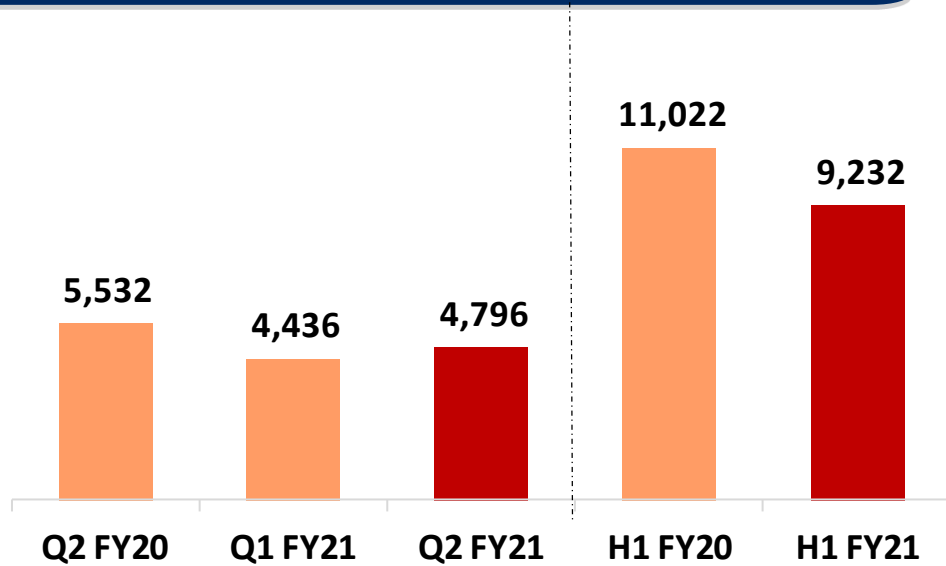


- VAP sales were up 81% QoQ in Q2 FY21** with sharp recovery of the domestic market compared to Q1 FY21
- VAP sales as a % to total metal sales has improved to 21% in Q2 FY21 vs 11% in Q1 FY21

# Excluding Wire Rods

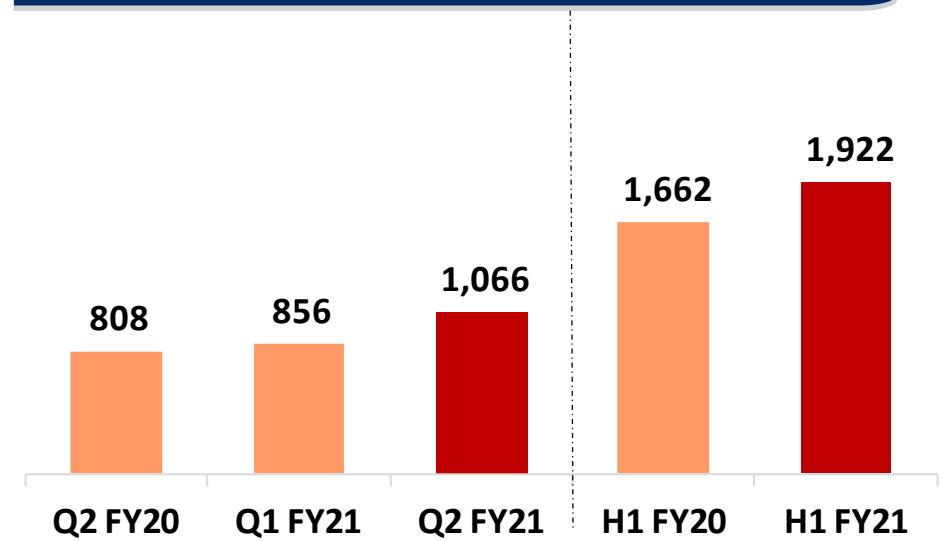
# Financial Performance - Aluminium (India)

## Revenue (₹ Crore)



- Aluminium revenues were up 8% QoQ, with higher aluminium prices in Q2 FY21 vs Q1 FY21

## EBITDA (₹ Crore)



- EBITDA at ₹1,066 crore, up 25% QoQ** in Q2 FY21 on account of favorable macros and lower input costs
- EBITDA margins at 22.2% up 290 bps QoQ**, and continue to be one of the best in the industry

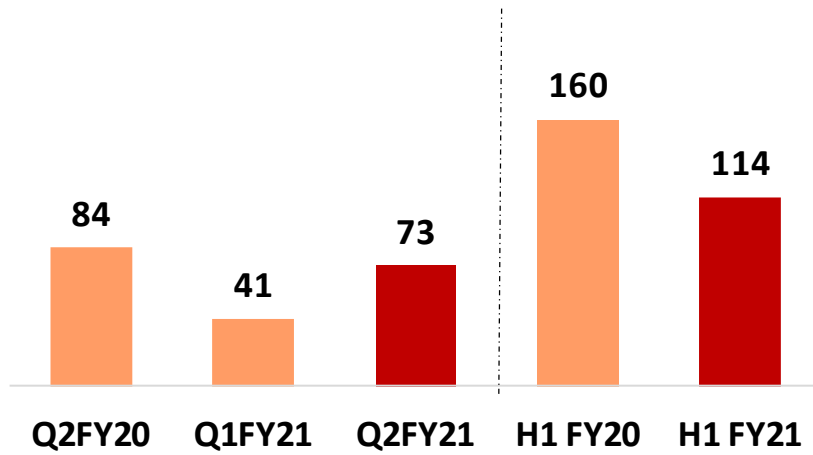


# Copper

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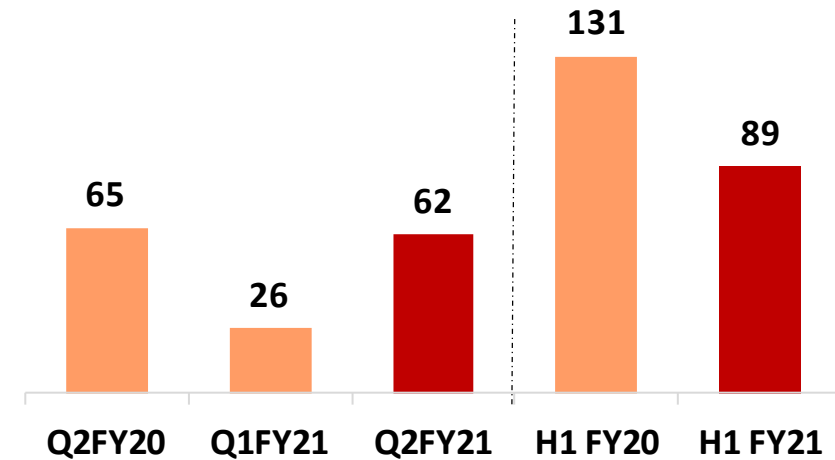
# Production – Copper Metal & VAP

## Cathode (KT)



- Cathode production at 73 Kt, up 76% QoQ in Q2 FY21 as a result of ramping up of the plant

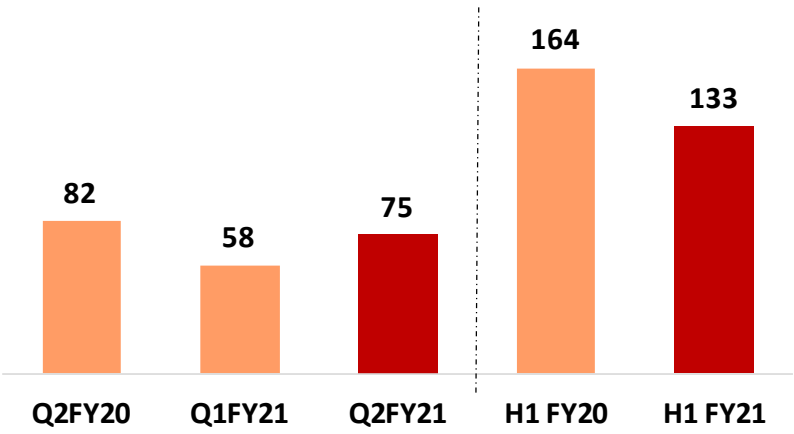
## CC Rod (KT)



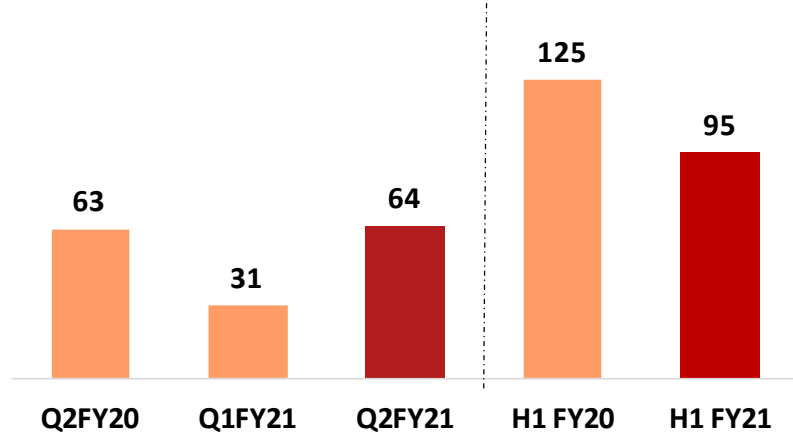
- CC Rods production more than doubled QoQ at 62Kt in Q2 FY21 with revival in demand

# Sales Volume – Copper Metal, VAP & DAP

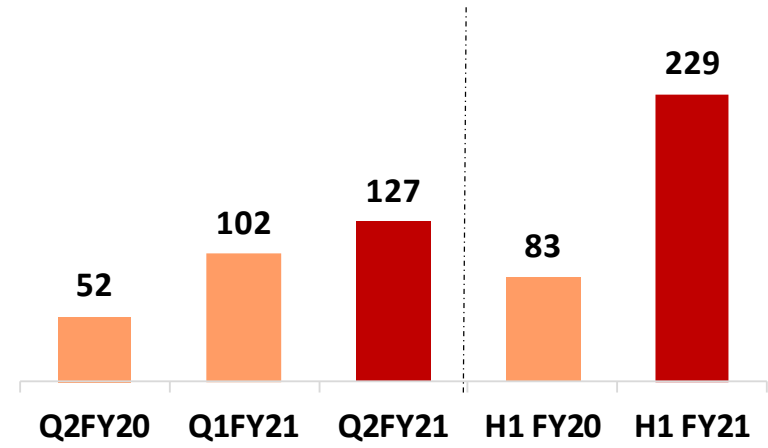
**Copper Metal Sales in All Forms (KT)**



**CC Rods (KT)**



**DAP (KT)**



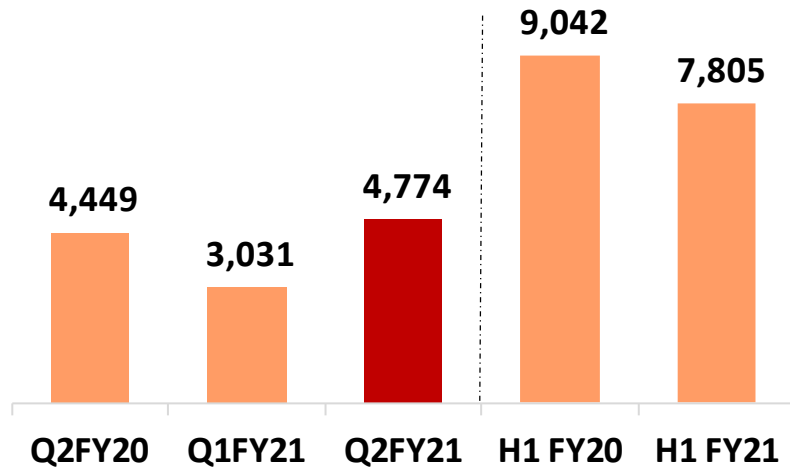
- **Copper Metal Sales was up by 28% QoQ**, as the demand revives in Q2 FY21

- **CC Rod Sales more than doubled QoQ** in Q2 FY21 as the market revives in Q2 FY21

- **Highest ever Fertilizer sales, up 25% QoQ** and more than doubled, YoY in Q2 FY21, on the back of robust demand due to good monsoons

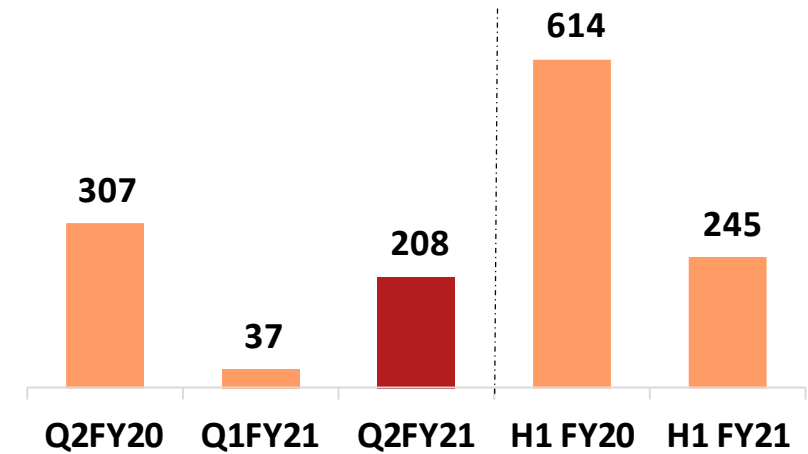
# Financial Performance – Copper Business

## Revenue (₹ Crore)



- Revenues were up by 58% QoQ in Q2 FY21, on account of higher LME

## EBITDA (₹ Crore)



- EBITDA bounces back to ₹208 crore in Q2 FY21 compared to Q1 FY21, on account of higher sales volumes of copper and fertilizer



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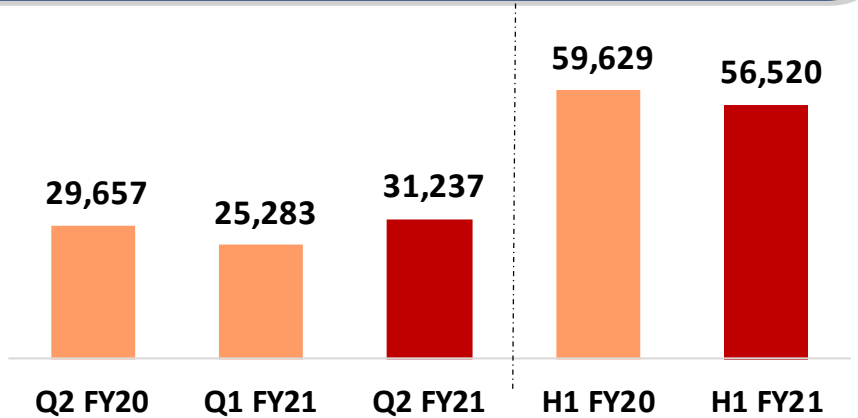
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# Consolidated Financial Performance

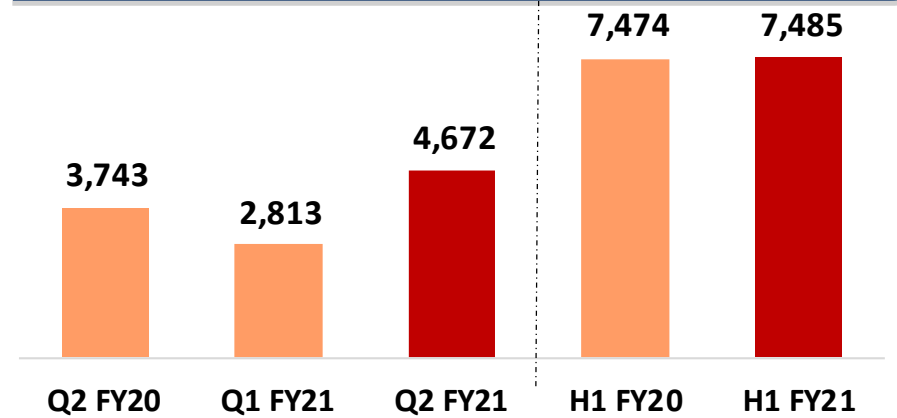
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# Consolidated Financial Performance

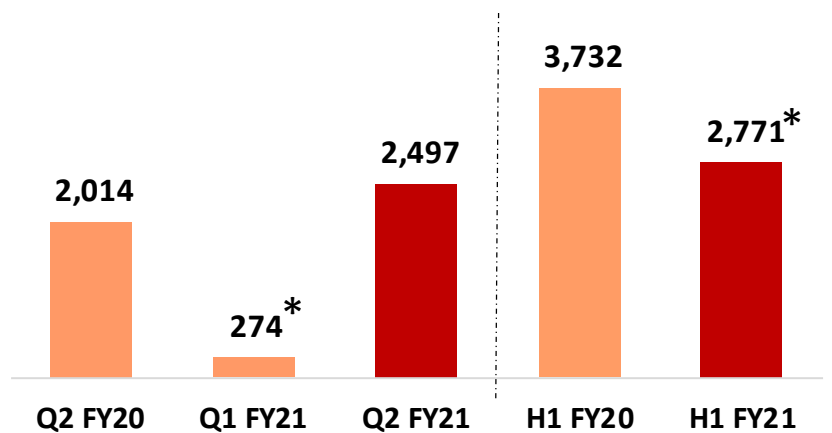
## Revenue (₹ Crore)



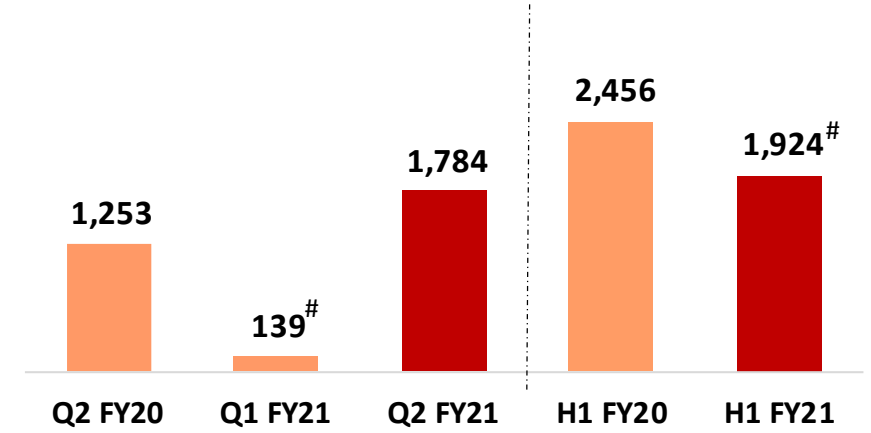
## Business EBITDA (₹ Crore)



## PBT Before Exceptional Items (₹ Crore)



## Profit After Tax (₹ Crore)



FY21 numbers include Aleris

\*PBT for continuing operations before exceptional & special items in Novelis

# PAT for continuing operations before tax effected exceptional in India & special items in Novelis

# Our Focus on

Protecting our people,  
communities and environment  
with business continuity



Stringent Cash Control  
and  
Cost competitiveness



Accelerating Value-Accretive  
Long-term Growth and  
Well positioned for the Future



Strong Liquidity  
and  
Balance Sheet



Resilient, Reliable and  
Sustainable  
Business Model





**Thank You**

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# Annexures

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# Consolidated – Key Financials

Particulars	Q2 FY20	Q1 FY21	Q2 FY21	Change YoY %	QoQ Change %	H1 FY20	H1 FY21	Change YoY %	(₹ Crore)
<b>Revenue from Operations</b>	<b>29,657</b>	<b>25,283</b>	<b>31,237</b>	<b>5%</b>	<b>24%</b>	<b>59,629</b>	<b>56,520</b>	<b>-5%</b>	
<b>Earning Before Interest, Tax, Depreciation &amp; Amortisation (EBITDA)</b>									
<i>Novelis*</i>	2,629	1,919	3,392	29%	77%	5,216	5,311	2%	
<i>Aluminium</i>	808	856	1,066	32%	25%	1,662	1,922	16%	
<i>Copper</i>	307	37	208	-32%	462%	614	245	-60%	
<i>All Other Segments</i>	(1)	1	6			(18)	7		
<b>Business EBITDA</b>	<b>3,743</b>	<b>2,813</b>	<b>4,672</b>	<b>25%</b>	<b>66%</b>	<b>7,474</b>	<b>7,485</b>	<b>0%</b>	
<i>Unallocable Income/ (Expense) - (Net) &amp; GAAP Adjustments</i>	175	(454)	499			213	45		
<b>EBITDA</b>	<b>3,918</b>	<b>2,359</b>	<b>5,171</b>	<b>32%</b>	<b>119%</b>	<b>7,687</b>	<b>7,530</b>	<b>-2%</b>	
Finance Costs	922	992	982	-7%	1%	1,879	1,974	-5%	
<b>PBDT</b>	<b>2,996</b>	<b>1,367</b>	<b>4,189</b>	<b>40%</b>		<b>5,808</b>	<b>5,556</b>	<b>-4%</b>	
Depreciation & Amortisation (including impairment)	1,249	1,551	1,838	47%	19%	2,484	3,389	-36%	
Share in Profit/ (Loss) in Equity Accounted Investments (Net of Tax)	1	3	-			2	3		
<b>PBT before Exceptional Items and Tax</b>	<b>1,748</b>	<b>(181)</b>	<b>2,351</b>	<b>34%</b>		<b>3,326</b>	<b>2,170</b>	<b>-35%</b>	
Exceptional Income/ (Expenses) (Net)	(256)	(419)	71			(278)	(348)		
<b>Profit Before Tax (After Exceptional Item)</b>	<b>1,492</b>	<b>(600)</b>	<b>2,422</b>	<b>62%</b>		<b>3,048</b>	<b>1,822</b>	<b>-40%</b>	
Tax	518	(31)	637			1,011	606	40%	
<b>Profit/ (Loss) from Continuing Operations</b>	<b>974</b>	<b>(569)</b>	<b>1,785</b>	<b>83%</b>		<b>2,037</b>	<b>1,216</b>	<b>-40%</b>	
<i>Profit/ (Loss) from Discontinued Operations</i>	-	(140)	(1,398)			-	(1,538)		
<b>Profit/ (Loss) After Tax</b>	<b>974</b>	<b>(709)</b>	<b>387</b>	<b>-60%</b>		<b>2,037</b>	<b>(322)</b>	<b>-116%</b>	

\*As per US GAAP ; FY21 numbers include Aleris

# Hindalco (India) Business – Key Financials

(₹ Crore)

Particulars	Q2 FY20	Q1 FY21	Q2 FY21	YOY Change %	QoQ Change%	H1 FY20	H1 FY21	YOY Change %
<b>Revenue from Operations</b>	<b>9,978</b>	<b>7,464</b>	<b>9,565</b>	-4%	28%	<b>20,056</b>	<b>17,029</b>	-15%
<b>Earning Before Interest, Tax, Depreciation &amp; Amortisation (EBITDA)</b>								
<i>Aluminium</i>	808	856	1,066	32%	25%	1,662	1,922	16%
<i>Copper</i>	307	37	208	-32%	462%	615	245	-60%
<i>Others</i>	1	1	1			2	2	
<b>Business EBITDA</b>	<b>1,116</b>	<b>894</b>	<b>1,275</b>	14%	43%	<b>2,278</b>	<b>2,169</b>	-5%
<i>Unallocable Income/ (Expense) (Net)</i>	153	244	202	32%	-17%	243	446	84%
<b>Total EBITDA</b>	<b>1,269</b>	<b>1,138</b>	<b>1,477</b>	16%	30%	<b>2,521</b>	<b>2,615</b>	4%
Finance Costs	479	457	389	19%	15%	973	846	13%
<b>PBDT</b>	<b>790</b>	<b>681</b>	<b>1,088</b>	38%	60%	<b>1,548</b>	<b>1,769</b>	14%
Depreciation	501	514	642	-28%	-25%	1,001	1,156	-15%
<b>PBT before Exceptional Items and Tax</b>	<b>289</b>	<b>167</b>	<b>446</b>	54%	167%	<b>547</b>	<b>613</b>	12%
Exceptional Income/ (Expenses) (Net)	(31)	(39)	70			(53)	31	
<b>Profit Before Tax (After Exceptional Item)</b>	<b>258</b>	<b>128</b>	<b>516</b>	100%	303%	<b>494</b>	<b>644</b>	30%
<b>Profit/ (Loss) After Tax</b>	<b>176</b>	<b>84</b>	<b>327</b>	86%	289%	<b>318</b>	<b>411</b>	29%



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