

**THE CHAIRMAN'S ADDRESS TO SHAREHOLDERS OF HINDALCO INDUSTRIES  
LIMITED ON THE 51<sup>st</sup> ANNUAL GENERAL MEETING AT MUMBAI  
ON FRIDAY 03 SEPTEMBER 2010.**

**Dear Shareholders,**

I am pleased to welcome all of you to the 51<sup>st</sup> Annual General Meeting of your company.

The global economy clearly indicates visible signs of recovery. The severe slowdown of 2008-09 is behind us. Regardless, GDP growth levels will take some more quarters to get back to the pre-2008 track. In India, we are much better positioned with GDP slated to grow over 8.5%. The economy is on a firm growth trajectory.

The world aluminium consumption stood at around 34 Mn tonnes in 2009. This reflects an 8% decline over the previous year, from around 37.5 Mn tonnes consumption in 2008. Aluminium production was also lower at 37.7 Mn tonnes vis-à-vis 40 Mn tonnes in 2008.

Copper consumption fell for the second year in a row. Over the last two years, consumption has dropped from 18 Mn tonnes in 2007 to 16.7 Mn tonnes in 2009.

**Moving on to the operations of your company during the year under review**, I am pleased to share with you that your company has registered a strong and resilient performance. That this was achieved in the background of the global economic meltdown is indeed commendable.

Your company's consolidated sales stood at Rs.60,722 crore, which is marginally lower than the previous year driven largely by right-sizing Novelis operations and LME prices. Your management's focus has shifted from being volume driven to being profit driven.

PBIDTA at Rs.10,069 crore vis-à-vis Rs.3,661 crore in the previous year registered a 175% growth. This includes pre tax adjustment for unrealised derivative gains of Rs. 2,736 crore as against unrealised derivative loss of Rs.2,381 crore in the previous year at Novelis. Adjusted EBIDTA, the true performance measure for Novelis, increased by 55% in US dollar terms despite shipments being lower by 2%. Significantly, Net Profit at Rs. 3,926 crore soared by 712%, in comparison to the previous year.

In the aluminium business, revenue fell by 11% to Rs.48,091 crore given the lower LME; and slackened demand in the first half of the year. Earnings before Interest soared from a loss of Rs.425 crore to a profit of Rs.5,998 crore.

In the copper business revenue rose by 13% to Rs.12,575 crore, EBIT trebled from Rs.374 crore to Rs. 1,003 crore.

**Let me now focus on your company's standalone results. Your company's standalone results have been impressive.**

For the year ended 31 March 2010, net sales at Rs.19,536 crore were higher by 7%. Your company has reported its highest ever metal volumes, better product and geographic mix. There has been a significant reduction in conversion cost despite input cost pressures. Notwithstanding subdued commodity prices, your company's exemplary performance reflects its inherent strengths and position relative to domestic as well as global peers.

In the Aluminium Business, lower Rupee-LME eroded profit by around Rs.750 crore. An additional, Rs.100 crore was wiped out on account of the higher cost of coal at Renusagar power. The copper business, which benefitted from higher contracted TcRc (Treatment charges and Refining charges), lost Rs.750 crore on lower by-product credit. A substantial drop in the realisation of sulphuric acid and lower fertiliser subsidy led to this erosion. Viewed against this backdrop, the performance of both the businesses was very satisfactory. Other income at Rs.260 crore was down by Rs.377 crore, on account of low treasury corpus post repayment of bridge loan in November 2008. This, as you are aware, was taken out for the acquisition of Novelis and for higher project spends. The money has been well spent on value-accretive investments.

As there was abundant liquidity, short-term rates were low. In turn, it affected returns on the company's investments which are largely in liquid plans. It also reduced the cost of working capital borrowing. Consequently, the interest and financing charges decreased from Rs.337crore in FY09 to Rs.278 crore in FY10.

**Moving on to Novelis, I am indeed pleased to inform you that Novelis witnessed a remarkable turnaround in the midst of extremely challenging circumstances. In an economy that was still emerging from recession, Novelis reported record results in terms**

of **record adjusted EBITDA, liquidity and free cash flow**. Novelis achieved these remarkable results despite only a 2% decrease in shipments Y-o-Y driven by soft market conditions in the first half of the year. Novelis' sales were also marginally impaired due to a shrinkage in the average LME prices.

Adjusted EBITDA at USD 754 million is higher by 55% Y-o-Y. This was achieved on the back of cost-out and restructuring implemented throughout the year. Price increases negotiated in specific contracts across all regions also contributed to the EBITDA.

The company registered a commendable improvement in liquidity over the past year. Its liquidity surpassed USD 1 Billion on back of a strong operational cash flow, the bond issuance and increased gross borrowing. Free cash flow went from a negative USD 352 Million in FY09 to a positive USD 355 Million in FY10. This was a direct result of a stronger performance, good working capital management and controlled capex levels.

**Building on a solid foundation, Novelis today is a leaner and more nimble entity. It is perhaps the only pure play focused, aluminum rolled products global company. It is on track to achieving its target of USD 1 billion adjusted EBITDA.**

**I am also pleased to inform that Aditya Birla Minerals Ltd.**, your Company's Australian subsidiary, witnessed a turnaround as well, largely due to sustained cost management processes. It has reported a PAT of AUD 61.4 million vis-à-vis a loss of AUD 76 million in the earlier year.

**On the issue of financing**, Given the global economic scenario, financing arrangements effected by your company deserve a special mention.

Further to your approval for the Qualified Institutional Placement placed in the last AGM, your company is in the process of putting in place an efficient capital structure to support its strategic growth plans. Your company has successfully raised USD 600 Mn through a Qualified Institutional Placement issuance. It was one of the largest QIP's to hit the market in 2009. The price achieved represented a discount of just 1.6% on the previous day's closing share price. Consequent to the very strong participation from long only investors, the stock traded up post the issuance despite the equity dilution. Your company has preserved its balance sheet strength to grow by reducing its leverage. This tie up the equity component of your company's green field expansion plans.

**Let me now move on to your company's brownfield expansion projects.**

The smelter expansion at Hirakud from 155 ktpa to 161 ktpa is under progress. It is slated for completion in the 2<sup>nd</sup> quarter of financial year 2011. Further capacity expansion to 213 ktpa, through the addition of 80 pots, is underway. We expect to complete this by Q4 of 2012.

Additionally your company is evaluating the possibility of amplifying the smelting capacity at Hirakud from the proposed 213 KTPA to 360 KTPA. An increase in the back-up captive power plant from the proposed 467.5 MW to 967.5 MW is on the anvil.

The process of marrying Novelis' high end technology with your company's cost focus is progressing well. The high quality assets of the closed Rogerstone plant in UK are being moved to Hirakud in Orissa, close to your company's smelter. This over time will act as a hub for can body stock. In turn it will help grow the highly promising beverage can market in India and neighbouring geographies to cater to the potential high growth of this product segment. The project will go on stream in Q2 FY 12.

**On your company's greenfield projects, let me begin with Utkal Alumina.**

Utkal Alumina, a 100% subsidiary of your company, is setting up a 1.5mtpa alumina refinery in Rayagada district of Orissa. The project will feed the alumina requirements of the Mahan and the Aditya smelters. These are currently under construction.

Your company has successfully achieved the financial closure of Utkal Alumina with the signing of a common loan agreement of Rs.4,906 crore with a consortium of 28 banks. This constitutes the entire debt requirement of the project. The production of alumina should commence in Q2 of FY 2012.

The equity requirement for Utkal Alumina project has been tied up as well. This is a significant milestone in your company's strategy to grow its alumina capacity and play the entire value chain in aluminium. **The Utkal Alumina project offers the potential to scale upto 3 mtpa at relatively low incremental capital cost.**

All of your Company's greenfield projects – Utkal Alumina, Mahan Aluminium, Aditya Alumina/Aluminium and Jharkhand Aluminium are on course. Notwithstanding the difficult terrain, your Company has made significant progress on each of these projects.

These projects are expected to be commissioned between 2012 to 2014. Towards these your company has earmarked a capex of around Rs. 40,000 crore towards these projects.

**The timely execution of greenfield projects would enhance our cost competitiveness and give your company a distinct global competitive edge.**

### **Dividend**

The Board of Directors of your company has recommended a dividend of Rs.1.35 per share on the enhanced share capital post QIP. The total outgo, on this score including the tax on dividend would be Rs. 301 crore, it compares well with the last year's figure at Rs. 269 crore. The dividend is subject to your approval.

### **Outlook**

The volatile financial and commodity markets in the last two financial years have severely tested the resilience of your Company's business model. This has truly been baptism by fire. Your Company has emerged much stronger. Your Company's ongoing focus on cost optimization, operational excellence and the integrated business approach will ensure its long term success.

**Before moving on with the agenda for the day, I would like to briefly speak about your Company's role as a caring corporate citizen.**

Sustainable Development and environment conservation are continuously on your Company's radar. Hence, these are integrated into its business strategies. Your Company is a signatory to the Global Compact and subscribes to the principle of triple-bottom line accountability.

All of your Company's plants and mines adopt clean technologies and processes that combine both economic progress and sustainable environment.

The mapping of Carbon Footprint for your Company's operations is underway. Subsequently, your Company intends to benchmark the action points of identified projects, aimed at the reduction of the Carbon footprint.

**Your Company believes in inclusive growth.** Reaching out to underserved communities is part of its DNA. Your Company's projects to build a better and sustainable way of life for

the underprivileged are carried out under the umbrella of the Aditya Birla Centre for Community Initiatives and Rural Development. The Centre is spearheaded by Mrs. Rajashree Birla, your Director.

Your Company's CSR activities extend to 655 villages and 5 urban slums, in proximity to its plants, across the country. Your Company's efforts towards environment conservation and social projects are spelt out in detail in the Annual Report. I sincerely hope all of you have read these chapters.

**Finally, I take this opportunity to very warmly thank all of your company's employees** for their contribution to your Company's performance. I applaud them for their superior levels of competence, dedication and commitment to your Company.

**I would also like to take this opportunity to thank our lenders who have supported our growth momentum.**

Let me also **express our deep sense of gratitude to all of you, our shareholders without whose unflinching support we would not have reached so far.**

I look forward to your continuing commitment and support in your Company's onward march. **Let me assure you that we remain focussed on our mission to continuously enhance Shareholder value.**

### **Conclusion**

Having provided you with a snapshot of the key dimensions of your Company, may I now commend the first resolution relating to the adoption of the Accounts and Directors' Report for your consideration and approval!

Thank you,

Kumar Mangalam Birla

*(This document does not purport to be a record of the proceedings at the Annual General Meeting )*