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Hindalco Industries Limited



Q1 FY19 Earnings Presentation

10th August, 2018

SAFE HARBOUR

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- Aluminium
- Copper
- Novelis Inc.

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Key Highlights – Q1 FY19

Key Highlights – Q1 FY19

Hindalco Standalone Plus Utkal Alumina

- Highest ever quarterly EBITDA of Rs. 1,951 crore vs Rs. 1,661 crore in Q1 FY18 and Rs. 1,807 crore in Q4 FY18, on the back of supporting macros and higher by-products realisations in Copper Business, partially offset by increase in cost of inputs, mainly coal and furnace oil
- PBT at Rs.1,007 crore vs Rs. 599 crore in Q1 FY18 (before exceptional items), up by 68% due to lower interest cost and higher EBITDA
- PAT double at Rs. 734 crore this quarter compared to Rs. 364 crore in Q1 FY18
- Net Debt to EBITDA (on TTM Basis) at end June, 2018 improves to 2.57x from 2.67x at end of March, 2018

Aluminium - Hindalco Plus Utkal Alumina

- EBITDA up 35% at Rs. 1,531 crore in Q1 FY19 vs Rs. 1,132 crore in Q1 FY18, on account of better realisations and stable plant operations.
- EBITDA margin at 27%, highest in last 28 quarters
- Production of Aluminium metal was consistent at 323 Kt in Q1 FY19 (vs 321 Kt in Q1 FY18) due to stable operations
- Production of Alumina at 695 Kt in Q1 FY19 (vs 724 kt in Q1 FY18), marginally lower due to planned maintenance shutdown in one of the refineries

Key Highlights – Q1 FY19

Copper

- EBITDA at Rs. 335 crore this quarter vs Rs. 322 crore in Q1 FY18, up by 4% due to supporting macros and improved realizations of by-products
- Copper Cathode production was down at 81 Kt in Q1 FY19 vs 109 Kt in Q1 FY18, due to planned maintenance shutdown in one of the smelters
- CC Rod production at 61 Kt in Q1 FY19 compared to 39 Kt in Q1 FY18, up 56% due to ramp-up of the new CCR-3 facility
- DAP production getting back to normal at 70 kt in Q1 FY19 vs 30 kt in Q4 FY18 and 67 kt in Q1 FY18.

Novelis Inc.

- Total Shipments in Q1 FY19 was 797 kt vs 785 kt in Q1 FY18
- Automotive shipments increases by 3% YoY
- Highest ever adjusted EBITDA* at US\$ 332 million (up 15% vs Q1 FY18)
- Highest ever adjusted EBITDA* per ton of US \$ 417 (vs US\$ 368 in Q1 FY18 & US\$ 396 in Q4 FY18)
- Net Income at US\$ 137 million (up 36% vs Q1 FY18)
- Signed definitive agreement to acquire Aleris Corp, for an Enterprise Value of US\$ 2.58 billion

* Adjusted EBITDA excludes metal price lag

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Economy & Industry : Global & Domestic

Economy Updates

Global Economy

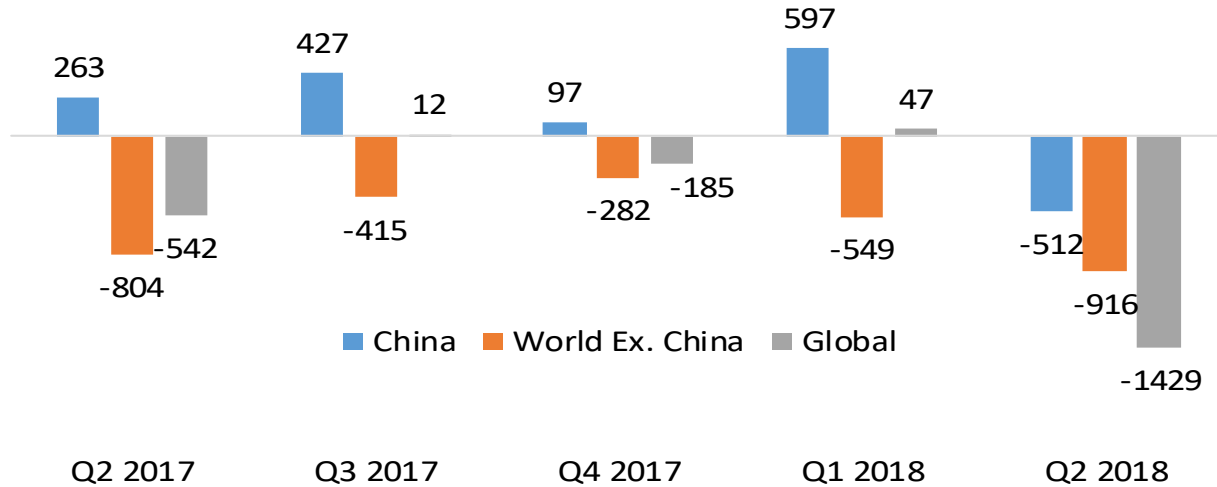
- Global economy continues to expand amid divergent growth trajectories of major economies
 - Amongst DM- US growth accelerates while Japan and Euro areas slow down
 - Amongst EM- Chinese growth decelerates, India continues to expand while ASEAN expected to stabilize
- IMF has maintained the global growth forecast at 3.9% for CY18

Domestic Economy

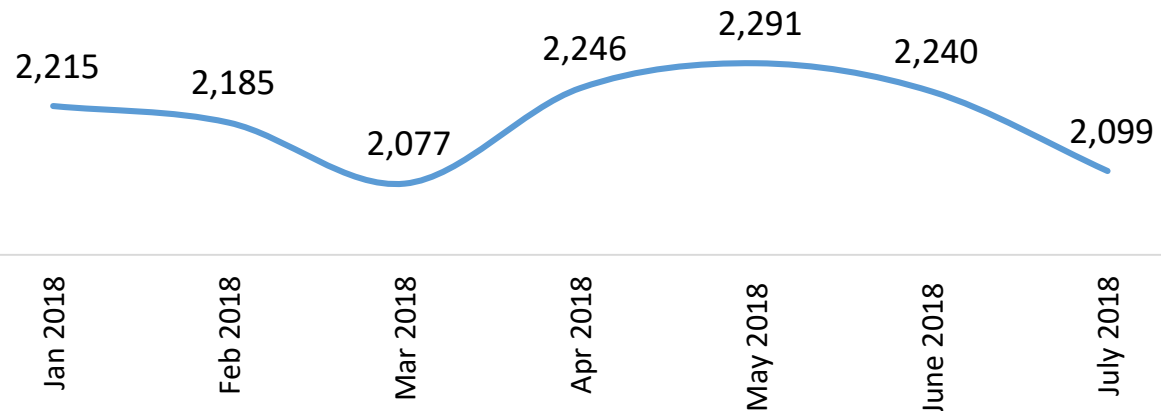
- RBI has maintained growth forecast at 7.4% for FY19.
- IIP strengthened in April-May FY19 to 4.0% YoY vs. 3.1% YoY in the corresponding period previous year.
 - PMI manufacturing data continues to be in expansionary mode
- Rupee devalued by 4% to Rs. 67 in Q1 FY19 vs Rs. 64.34 in Q4FY18
 - Currently Rupee is trading in the range of Rs. 68.70 – Rs. 68.90
- RBI increased its policy repo rate by 25 bps from 6.25% to 6.50% - the second rate hike in the current financial year due to inflationary pressure

Aluminium Industry Overview - Global

Market Balance (KT)



Movement in Aluminium Prices (USD/t)



- Demand is expected to grow by 4-5% and production is likely to grow around 1-2% in CY18.
- Global market deficit (including China) is expected in CY18.
- China announced winter cuts in 2018 also. Recently, China implemented reforms in coal-based power plants.
- Sanction on UC Rusal disrupted global aluminium supply chain in Q2 CY18
 - Uncertainties around the sanction still prevails
- US tariff:
 - 10% import duty extended on aluminium products for countries which were exempt earlier.
 - ADD of 167% to be imposed on downstream products from China.






Domestic Aluminium Industry Drivers

- Demand in domestic market continues to improve - grew by 10% YoY to 924 kt this quarter
- Increase in low cost imports of fake semis and wire rods from China and ASEAN countries impacted domestic demand for primary metal
- Increase in coal, furnace oil and anode prices will put pressure on cost of smelting
- Q1 FY19, LME prices witnessed volatility and regional premiums also increased due to sanction on UC Rusal.

Key macro drivers	Q1 FY18	Q1 FY19	YoY%	Q4 FY18	QoQ%
LME (US\$ /T)	1911	2259	↑ 18%	2159	↑ 5%
Premium (MJP) (US\$/T)	110	117	↑ 6%	102	↑ 15%
Rs./US\$	64.5	67.0	↑ 4%	64.3	↑ 4%

Copper Industry – Overview and Drivers

- Global consumption of refined copper to touch 23.6 MnT and production is expected reach 23.3 MnT in CY18 - indicating a marginal deficit in 2018.
- Domestic demand for refined copper grew by 12% YoY to 178 kt in Q1FY19.
- Market share of imports touched 40% in Q1 FY19 from 28% in the previous quarter, due to production disruption in the domestic market
- LME price of copper witnessed a growth of 21.4% YoY in Q2 CY18.
 - After reaching peak of over US\$ 7,300/t in Jun-18 , LME hit a low of US\$ 6,000/t in Jul-18
- No mines related disruption has been reported yet

Key Macro Drivers (Q1 FY19 vs Q1 FY18)				
TC/RC (US\$ c/lb)	LME (US\$ /MT)	Rupee / US\$	S. Acid Price (Rs./MT)	DAP Realisation (Rs./MT)
				



Result Highlights : Operational Performance – Q1 FY19

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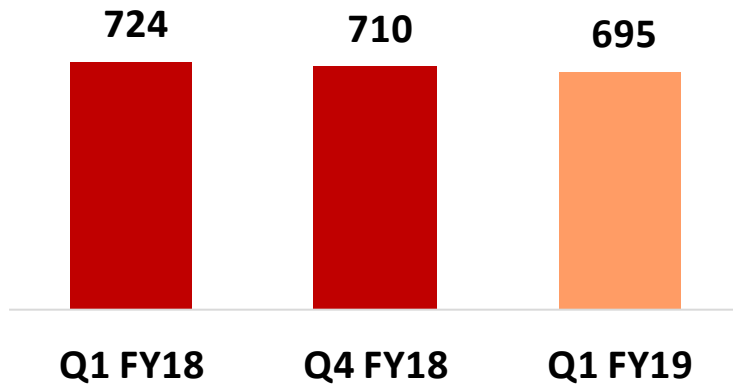


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Operational Performance : Aluminium

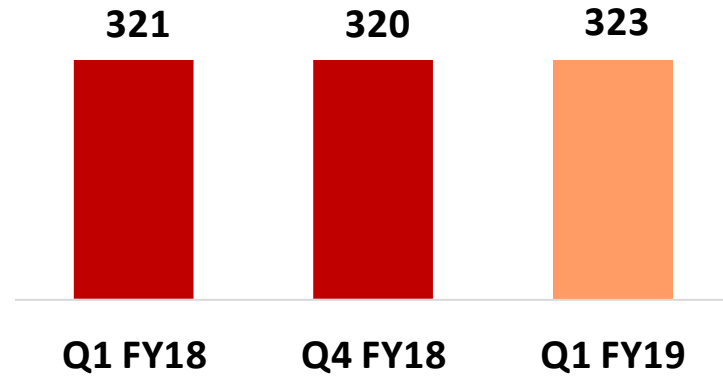
Production – Alumina, Aluminium Metal & VAP

Alumina (Inc. Utkal Alumina) KT



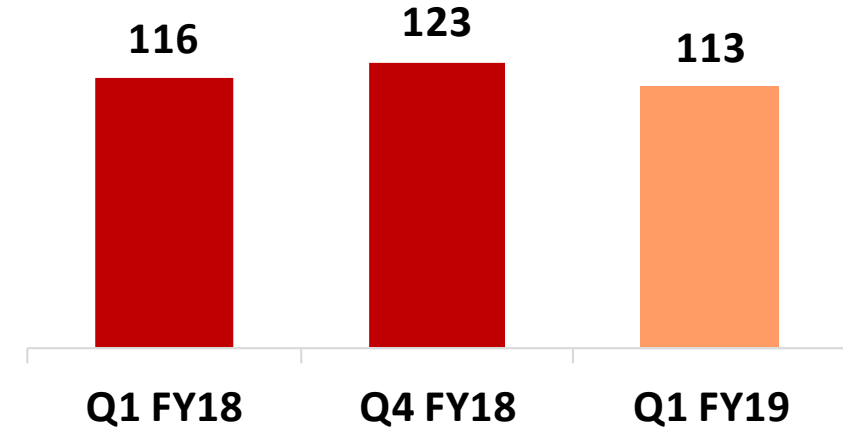
- Alumina production marginally lower due to planned maintenance shutdown in one of the refineries

Aluminium Metal (KT)



- Stable Aluminium Metal Production - all the smelters operated at peak designed capacities

VAP incl. Wire Rod (KT)



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

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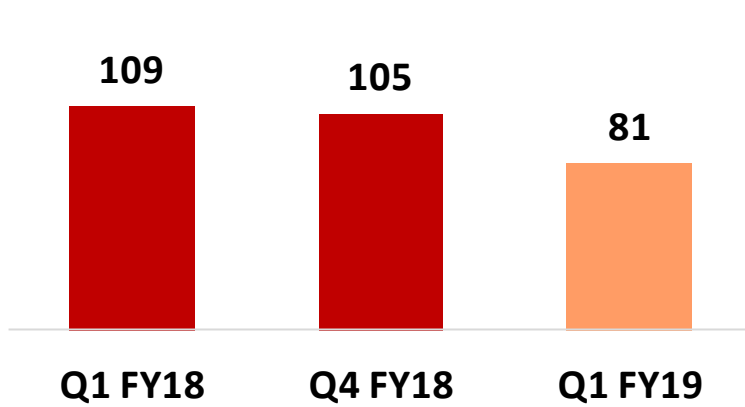


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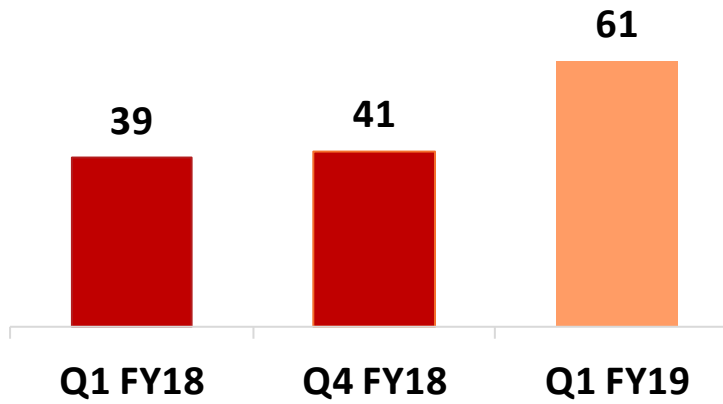
Operational Performance : Copper

Production – Copper

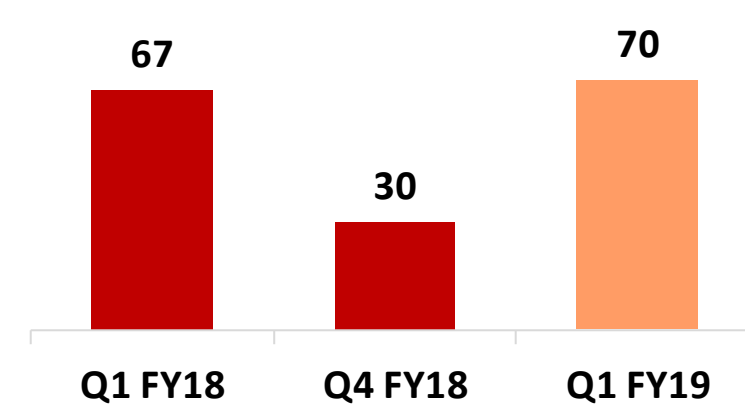
Cathode (KT)



CC Rod (KT)



DAP (KT)



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

- CC Rod production up by 56% on account of ramping up of the new CCR-3 facility.

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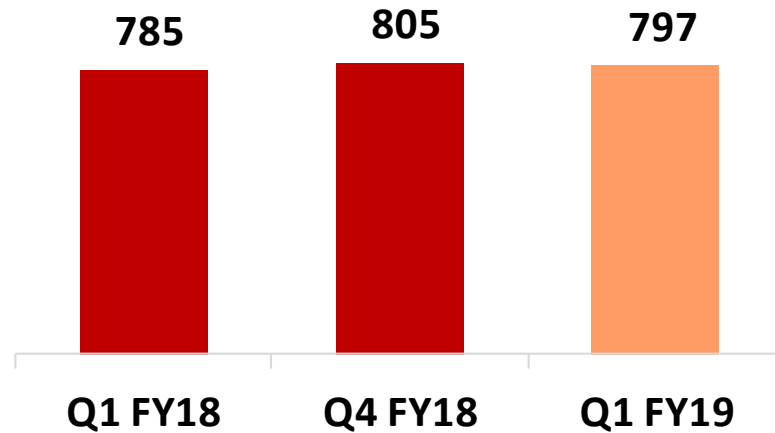


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Operational Performance : Novelis Inc

Operational Performance - Novelis Inc.

Overall Shipments (KT)



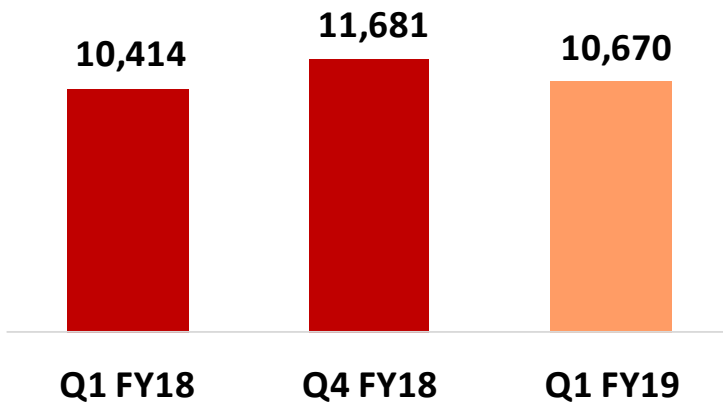
- Outstanding operating performance with increased asset optimization and favorable market conditions drive strong results
- Global demand for aluminum Flat Rolled Product (FRP) remains high
- Total FRP shipments grew 2% at 797 Kt in Q1 FY19 vs 785 kt in Q1 FY18.
- Aluminium Automotive sheet demand continued to be robust
 - Automotive shipments was marginally impacted in Q1 FY19 due to some one-time event and is expected to be compensated by higher volumes in Q2 FY19.
- Investments in automotive finishing capacities in Kentucky U.S. and Changzhou, China on schedule to add approximately 300 kt by FY21
- Beverage Can market remains strong



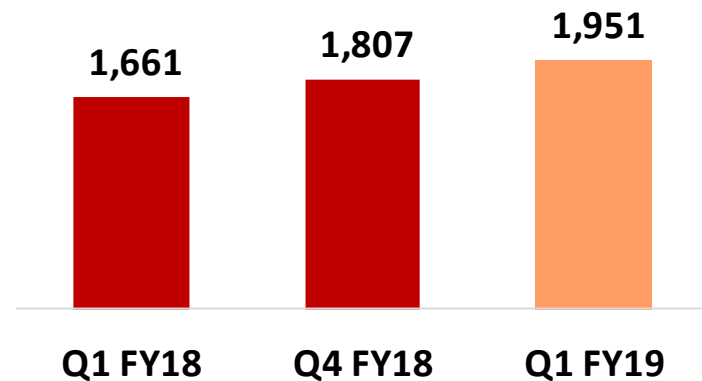
Result Highlights : Financial Performance – Q1 FY19

Hindalco Standalone plus Utkal Alumina

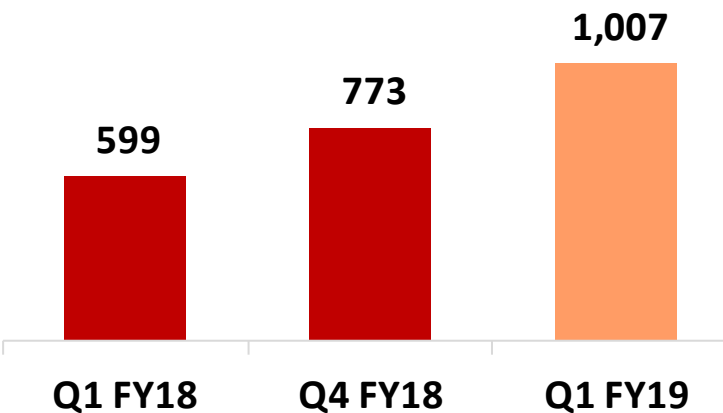
Revenue (Rs. Crore)



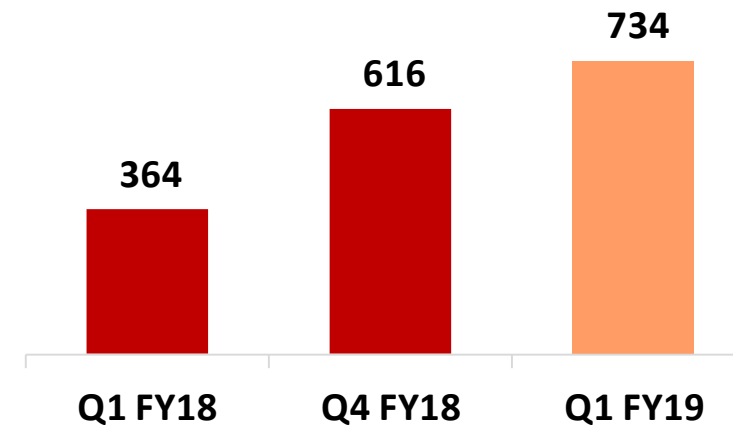
EBITDA (Rs. Crore)



PBT (Before Exceptional Items) (Rs. Crore)



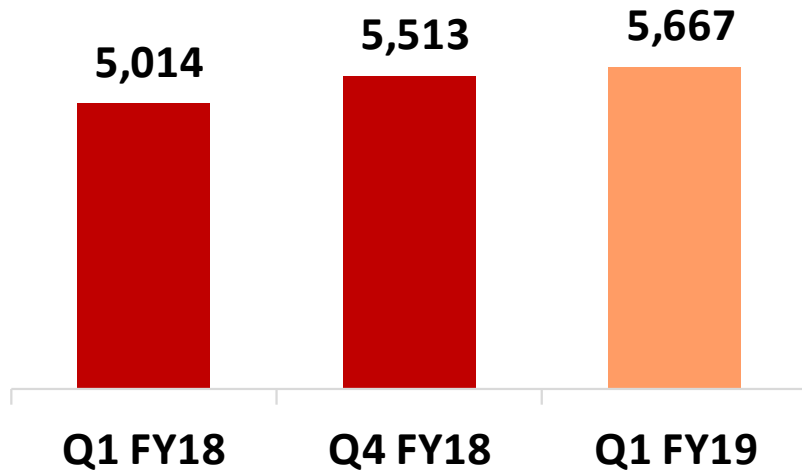
Profit After Tax (Rs. Crore)



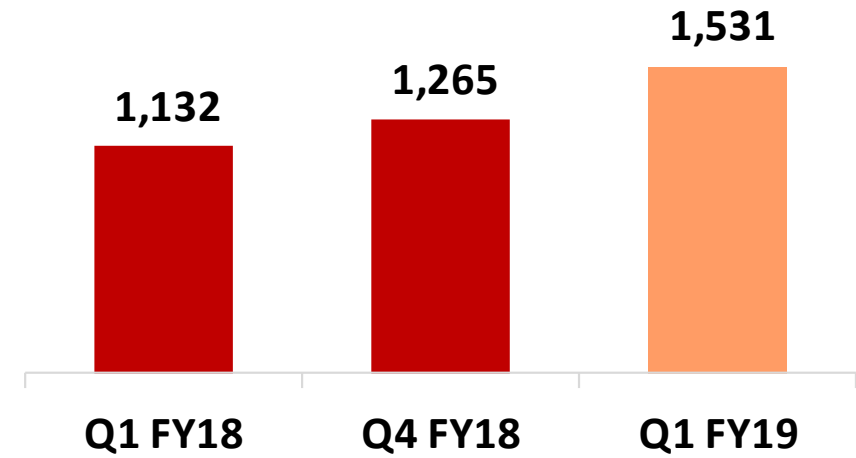
Note: Post the applicability of GST with effect from July 1, 2017, Revenue is required to be disclosed net of GST as per requirement of Ind AS 18, 'Revenue'. Accordingly, the Revenue figures for the quarter are not comparable with the previous periods.

Hindalco Aluminium plus Utkal Alumina

Revenue (Rs. Crore)



EBITDA (Rs. Crore)

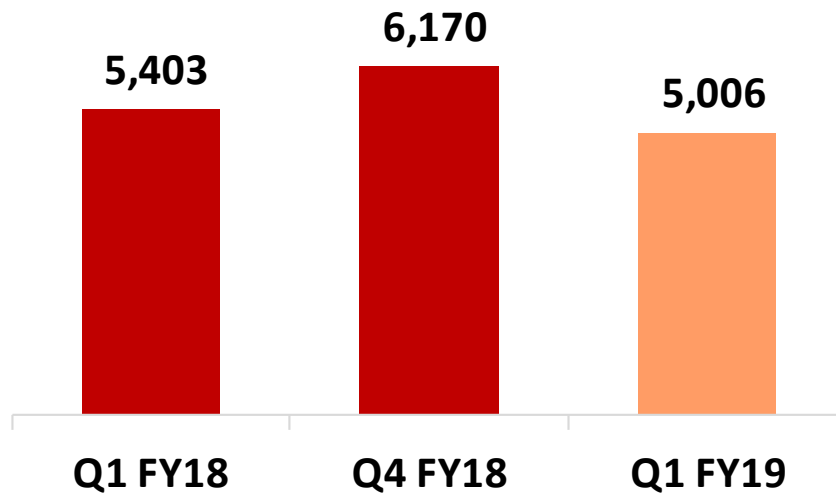


- EBITDA up 35% compared to Q1 FY18 on account of better macros and stable operations, despite pressure on raw material costs
- EBITDA margin at 27%, highest in last 28 quarters

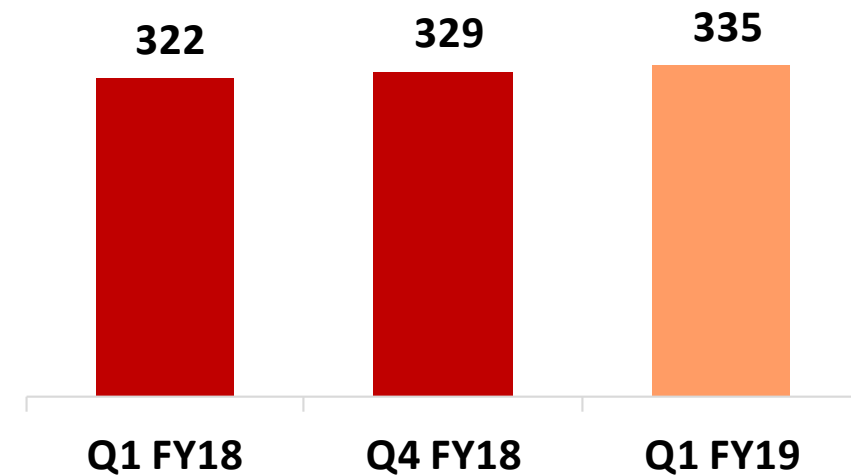
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Copper Business

Revenue (Rs. Crore)



EBITDA (Rs. Crore)

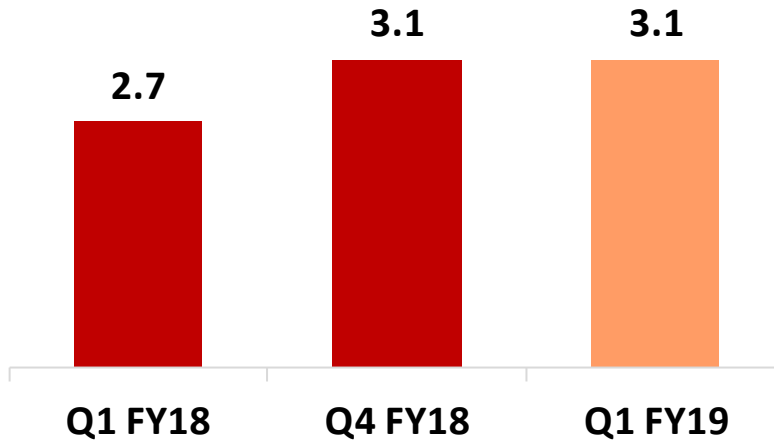


- Revenues were lower due to lower volumes on account of planned maintenance shutdown in Q1 FY19 in one of the smelters
- EBITDA was higher by 4% vs Q1 FY18 due to supporting macros and higher by-product realisations

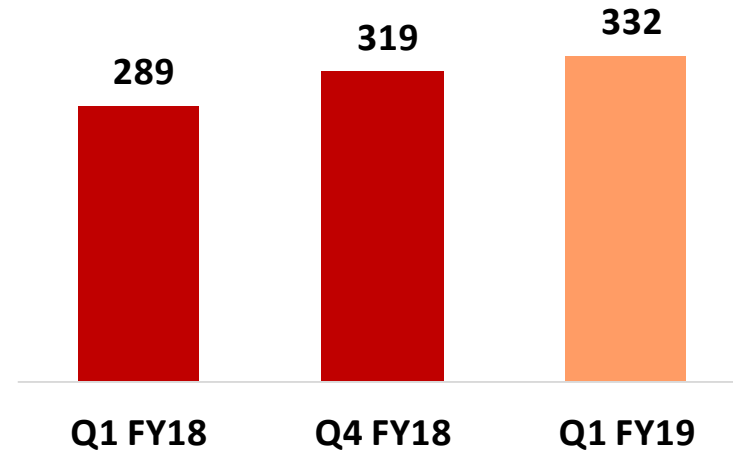
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Novelis Inc.

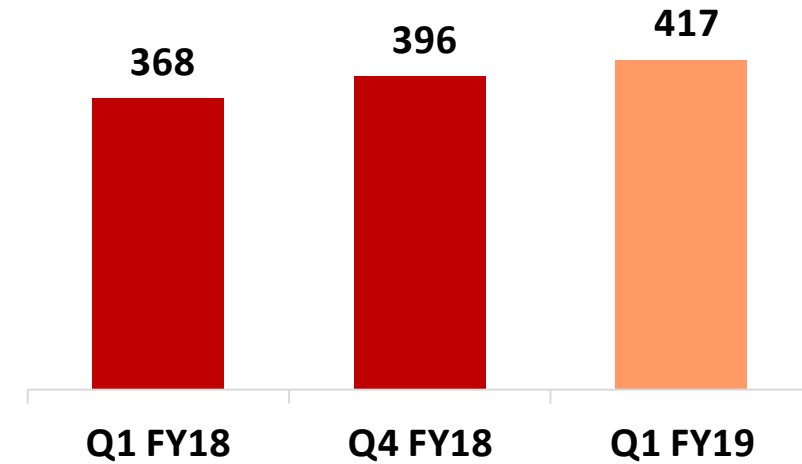
Revenue (USD billion)



Adjusted EBITDA* (USD million)



Adjusted EBITDA* per tonne



* Adjusted EBITDA excludes metal price lag

- Revenues up by 16% to US\$ 3.1 billion in Q1FY19 vs US\$ 2.7 billion in Q1 FY18 driven by higher average aluminum prices, higher shipment and favorable product mix
- Highest ever adjusted EBITDA* at US\$ 332 million, grew by 15%, from US\$ 289 million in Q1 FY18 on account of increasing operating efficiencies, better metal spreads and effective cost management
- Highest ever quarterly adjusted EBITDA* per ton at US\$ 417 in Q1 FY19 vs US\$ 368 in Q1 FY18 supported by favorable product mix, better utilizations and recycling benefits

Sustainable Performance

Sustainable Business Performance

- Highest ever quarterly EBITDA on the back of excellent operating performance
- PAT doubled to Rs. 734 crore

Stronger Balance Sheet

- Hindalco (including Utkal) Net Debt to EBITDA improves to 2.57x as on 30th June '18 from 2.67x at end of March, 2018 (on TTM Basis)
- S&P upgraded Novelis ratings from B+ to BB- and its senior unsecured notes rating from B to B+

Growth Opportunities

- New Continuous Cast Rod Plant (CCR-3) ramp up is on schedule, after its commissioning in Q4 FY18
- Utkal Alumina expansion project of 500 Kt is as per schedule

Novelis – Global Leader

- Novelis to acquire Aleris Corp to solidify its position as the World's #1 Aluminium Value Added Player
- Demand for aluminum flat rolled products remains high
- Highest ever quarterly adjusted EBITDA* per ton at \$ 417

Key Risk

- *Upward trend in input costs, mainly coal and furnace oil*
- *Increasing imports of Aluminium & Copper into India*

* Adjusted EBITDA excludes metal price lag

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Thank You

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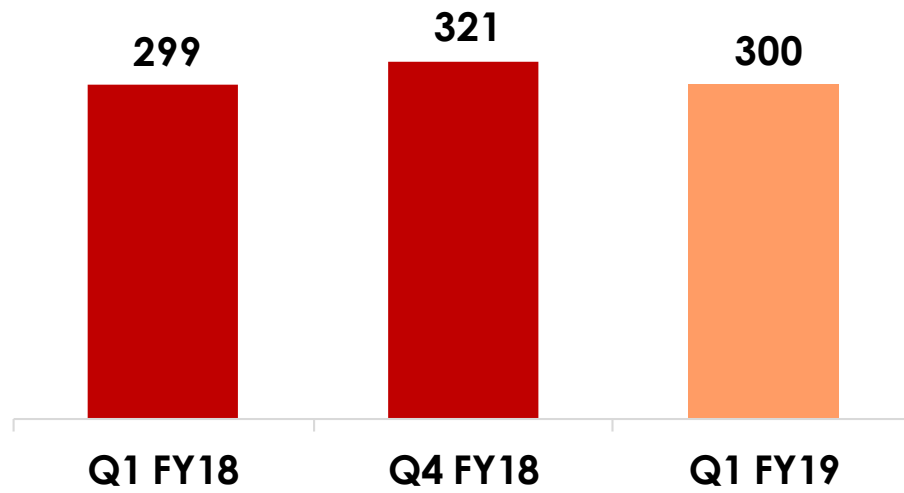


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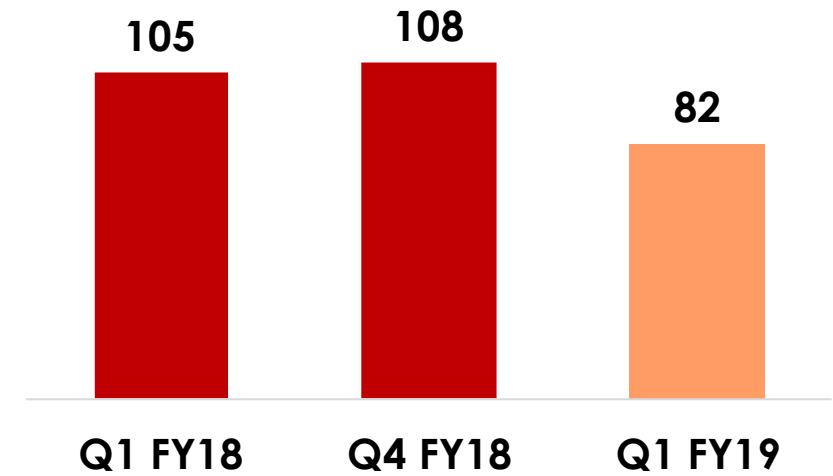
Appendix

Sales Volumes – Aluminium & Copper

Aluminium Metal Sales in all forms (KT)



Copper Sales (KT)



Financial Key Figures – Hindalco Standalone plus Utkal Alumina

Particulars	Q1 FY18	Q4 FY18	Q1 FY19	YOY Change %
Revenue from Operations	10,414	11,681	10,670	
Earning Before Interest, Tax and Depreciation (EBITDA)				
Aluminium (includes Utkal)	1,132	1,265	1,531	35%
Copper	322	329	335	4%
Others	207	213	85	-59%
Total EBITDA	1,661	1,807	1,951	17%
Finance Costs	603	500	464	-23%
PBDT	1,058	1,308	1,486	41%
Depreciation	459	535	480	5%
PBT before Exceptional Items and Tax	599	773	1,007	68%
Exceptional Income/ (Expenses) (Net)	(104)	-	-	
Profit Before Tax (After Exceptional Item)	495	773	1,007	103%
Profit/ (Loss) After Tax	364	616	734	102%

(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 quarter are not comparable with the previous periods.

Financial Key Figures – Hindalco Standalone

Particulars	Q1 FY18	Q4 FY18	Q1 FY19	YOY Change %
Revenue from Operations	10,412	11,681	10,593	
<u>Earning Before Interest, Tax and Depreciation (EBITDA)</u>				
Aluminium	880	920	1,011	15%
Copper	322	329	335	4%
Others	207	213	85	
Total EBITDA	1,409	1,463	1,431	2%
Finance Costs	488	446	411	-16%
PBDT	921	1,016	1,020	11%
Depreciation	384	460	404	5%
Earning before Exceptional Items and Tax	537	556	616	15%
Exceptional Income/ (Expenses) (Net)	(104)	-	-	
Profit Before Tax	433	556	616	42%
Profit/ (Loss) After Tax	290	377	414	43%
Earnings per Share (EPS) - Basic (In Rupees)	1.30	1.69	1.86	43%

(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 quarter are not comparable with the previous periods.



For Further Queries Please Contact :

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