



The Chairman's Address to Shareholders of Hindalco Industries Limited at the 62nd Annual General Meeting, August 23, 2021

Dear Fellow Shareholders,

Last year when I addressed all of you virtually, it felt like a momentous point of departure. Today, it feels like business as usual. This is emblematic of how rapidly, creatively, and effectively we have all adapted. As people. And, as corporations.

The past 18 months have been among the toughest periods for the industry—an unprecedented passage of time that has tested the resilience of corporations and individuals. Through this unsettling period, it has been energizing to see how the Hindalco ecosystem evolved and thrived. Your Company came together in new ways to foster the 3 key pillars of People, Planet and Prosperity.

Your Company joined the collective fight against COVID-19, working hard to augment critical healthcare facilities at our locations to ensure that our employees and the local community have access to necessary care. Team Hindalco worked tirelessly and innovatively to meet evolving market demands in response to the crisis, keeping the supply of aluminium for essential sectors such as Defence and Pharma going.

If the story of 2020 was about resilience. In 2021 the story is all about transformation. And one of the biggest levers for transformation is technology.

Technology has been one of the greatest enablers of the pandemic era – connecting us to each other, helping us to work from anywhere, and keeping us safe.

In the fast-changing world that we live in, companies need to look beyond short-term goals to ensure sustainable growth. To do so, we must transform swiftly and strategically. I am happy to share that Hindalco has progressed well on the transformation journey for some years now, as it aligns with its core purpose to manufacture materials that shape a Greener, Stronger, Smarter world.

Let's now turn to the current global economic landscape

The world has been fighting the Covid-19 pandemic for more than a year now, and the struggle has had deleterious effects on lives, livelihoods, and the economy. Uncertainty about virus mutations and repeated infection waves has not gone away. Yet, one gets a strong sense that there are more silver linings to the economic scenario today than at most points during the pandemic.

First, vaccination has made rapid progress globally, with many developed economies approaching herd immunity levels. Emerging market economies are now accelerating their vaccination programs.

Second, policy support – in terms of fiscal stimulus and ultra-easy monetary policies – has been stupendous at the global level. While some countries may be pondering over a gradual normalization of monetary policies, such actions will happen at a measured and calibrated pace.

Third, companies and businesses have demonstrated remarkable resilience throughout the pandemic – taking up productivity and digitization measures with missionary zeal. Businesses have devised ways of working that adapt to pandemic-related conditions and uncertainties.

Against this broader backdrop, the International Monetary Fund now expects the world economy to grow at 6% in CY2021, although on a contracted base. More remarkably, world growth is projected at an above-trend 4.9% in CY2022. US and China, which together account for one-third of the world economy, are powering the global economic recovery.

Economic indicators show that the Indian economy is also rapidly normalizing towards pre-pandemic activity levels. In FY22, the Indian economy is projected to grow at a little below 10%. Vaccination is picking up pace, which would improve India's resilience against a potential third wave. Various steps taken by RBI and the government have helped in containing the economic disruptions of the pandemic.

The fiscal stance clearly seems to be poised for an acceleration of Government capex in the coming years, especially in relation to the National Infrastructure Pipeline projects. Alongside, there are very strong signals of a pick-up in the private sector capex cycle, driven by companies like Hindalco.

The three factors of cyclical upswing, conducive policy impulses and an improving global backdrop are likely to align themselves to position India for a virtuous cycle of growth and investments in the medium-term. In the interim, of course, the policymakers and companies will need to remain on guard with respect to the pandemic-related uncertainties.

Moving on to your Company's Performance in FY21.

I am happy to inform you that despite the pandemic-induced volatility in the business environment, Hindalco marked some significant milestones. We were recognised as the **World's Most Sustainable Aluminium Company** by the S&P Dow Jones Sustainability Indices 2020. We completed the acquisition

of Aleris – which is a major milestone on our path to global leadership in the aluminium sector.

In FY21, your Company delivered an outstanding financial and operational performance bolstered by operational efficiencies, a robust risk management framework and a sustainable business model. Your Company reported a consolidated EBITDA of ₹18,896 crore, an increase of 22% percent year-on-year. Consolidated PAT on our continuing business was ₹5,182 Crore, a 38% percent growth, year-on-year.

Your Company continued to strengthen its balance sheet and brought down the consolidated Net Debt-to-EBITDA to 2.59 times at the end of the financial year from a peak of 3.83 times at the end of June 2020, after closing the acquisition of Aleris. The acquisition is a key step towards the diversification of your Company's downstream portfolio into certain premium market segments, particularly aerospace. Post the acquisition; this year proved to be remarkable for Novelis (+Aleris) as it delivered its best performance, clocking the highest-ever:

- Shipments of 3613 Kt
- Adjusted EBITDA of \$1,714 million at Novelis
- Adjusted EBITDA/tonne of \$474 at Novelis

Our India downstream strategy of reducing exposure to the global Aluminium price fluctuations and increasing the share of value-added products (VAP) across businesses is also playing out well. You will be happy to know that more than 80% of Hindalco's consolidated EBITDA was delinked from the volatility of the global metal prices taking together the Novelis, Copper and India Aluminium downstream Value-Added Products (VAP). The VAP sales are going up year after year in Aluminium.

Your Company announced its Silvassa extrusion facility this year to increase the share of VAP. This plant will service the fast-growing market for extruded aluminium products in the western and southern regions of India. In the Copper business, too, the shift towards value-added products continues.

Capital Allocation Framework

During the year, your Company announced its Capital Allocation Framework with a guidance for the next five years with respect to the broad allocation of its consolidated operating cashflows after meeting maintenance capex and working capital requirements. The key focus of this framework is on pursuing profitable growth opportunities via organic expansions, strengthening the Balance Sheet through deleveraging, creating a clear road map for ESG, and overall stakeholder value enhancement.

In line with this framework, your Company has earmarked approximately \$2.5 to \$3 billion of growth capex on a consolidated basis, over the next five years. In Novelis, the capex will be invested mainly in auto-finishing line expansions in the US and China and rolling and recycling capacity expansions in Brazil. In India, we are on-track to implement organic growth projects entailing a capital outlay of over \$1billion towards Utkal alumina expansion, various Aluminium and Copper downstream expansions, and specialty alumina projects. These investments will advance our strategy of building a more a predictable and resilient business model.

Further, in FY21 & FY22, there were credit rating upgrades in Novelis and overall Hindalco. Novelis received credit rating upgrades on its unsecured notes by both S&P Global Ratings and Moody's Investor Services in March 2021. Novelis also received credit rating upgrades by S&P Global Ratings to

'BB' from 'BB-' in July 2021. CRISIL upgraded Hindalco's credit rating by one notch to 'AA+' with a 'Stable' outlook for Bonds in July '21. CARE Ratings affirmed 'AA+' Credit Rating with an outlook upgrade from 'Negative' to 'Stable' for long-term loans and bonds of Hindalco.

Having provided you with a brief overview of the major developments during FY21, let me now move on to the dividend. Your Directors have recommended a 300% dividend of Rs.3.00 per equity share of face value ₹ 1 each.

Let me touch on the recent consolidated quarterly performance

We started FY22 at a strong pace, despite the impact of the second wave. Your Company reported its highest-ever quarterly consolidated EBITDA of ₹6,790 crore compared to ₹2,359 crore in the prior year quarter, a noteworthy increase of 188% YoY. Our consolidated quarterly PAT touched an all-time high of ₹2,787 crore in Q1. We continue to see a strong demand across all our business segments, plants running at capacity, and improving margins, supported by better macros and operating efficiencies.

Covid Response

Hindalco is fortifying efforts to protect employees and the community. Over 93% of our employees have been vaccinated with at least one dose. A dedicated team of 77 doctors and 245 paramedics is working round the clock to serve employees and the community.

Hindalco has boosted medical infrastructure and equipped its own hospitals and health Centre's with critical care equipment such as CT scan machines, set up oxygen lines in remote locations to serve patients needing ICU care,

and enhanced its lab testing facilities. Hindalco has strengthened its medical teams, including adding pediatricians, and upskilling its paramedics.

Let me now talk about our ESG focus

For years, we have been working to build a greener tomorrow in line with our commitment to reduce our footprint on the environment.

Hindalco's ESG commitments include achieving net carbon neutrality by 2050. Net neutrality means for every tonne of carbon dioxide we put into the atmosphere, we take out one tonne from it, thereby achieving a balance. Our pursuits so far have led to a 17% reduction in specific energy consumption in Aluminium production against our target of 25% reduction by 2025.

Bauxite residue disposal is a global concern, and your Company has identified a circular solution where the residue is used as an input in the cement industry. In the year gone by, Hindalco has achieved 100% bauxite residue utilization, becoming the first aluminium company in the world to do so.

In collaboration with other industries, your Company continues to strengthen waste utilization and is confident of achieving our target of zero waste to landfill by 2030.

Your Company's focus on increasing recycled content in manufacturing downstream products is stronger than ever, with Hindalco subsidiary Novelis emerging as a leader in recycling with 61% recycled inputs for all our products.

Our sustainability-first approach to business received global recognition with Hindalco being ranked as 'Industry Leader' in Aluminium Industry segment, in

the 2020 Dow Jones Sustainability Indices. Industry Leaders are the top-performing companies in each of the 61 industries represented in the DJSI.

We also rose to meet our social responsibilities, with initiatives for distribution of food and essential items and sanitization of communities close to our plants. Beyond business, our social investments in India have led us to touch the lives of 1.2 million people across 10 states. For FY 20 - 21, our CSR spend in India was ₹53.99 crore.

Your Company is its people, and I am proud of how our employees have shown their true mettle, rallying around, and displaying remarkable fortitude in highly challenging circumstances.

I am pleased to share the progress that we have made in promoting diversity in our workforce. Our hiring of women engineers at the entry-level, has gone up from 18% in 2018 to 40% in 2020. Women today constitute 7% of our workforce.

Keeping in mind the new normal, we are continuously working on our Employee Value Proposition and innovating our programmes and initiatives for holistic employee development. 2.2 million man-hours of training were imparted across your Company in FY21. This includes 11.7 E-Learning events and over 650 hours of Technical training.

On behalf of your Company's Board, I would like to record our **deep appreciation** to the banks, financial institutions, stakeholders, business associates and the Central and State Governments. Their support has been invaluable in extending your Company's business. Our shareholders have always stood behind us, and we are grateful to you for your faith and support.

At the last AGM, I had remarked that periods of turmoil have historically seen the emergence of champions. And it is truly humbling to see your company, through its good corporate citizenship and financial performance, emerge a true champion.

Kumar Mangalam Birla

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