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Sub: Transcript of the Q2FY26 Earnings Conference Call of Novelis Inc., a wholly owned subsidiary of Hindalco Industries Limited ["Company"]

Ref: a. Regulation 30 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
b. ISIN: INE038A01020 and
c. Our Intimation dated October 29, 2025.

Novelis Inc., a wholly owned subsidiary of the Company has published its Q2FY26 Earnings call webcast at its website www.novelis.com. In this regard, please find enclosed herewith Transcript of the aforesaid call.

The same will also be available on the website of the Company i.e. www.hindalco.com.

This is for your information and record.

Sincerely,

for **Hindalco Industries Limited**

Geetika Anand
Company Secretary & Compliance Officer

Encl: a/a

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Novelis Inc. Q2 2026 Earnings Call

November 4, 2025

Operator

Greetings, and welcome to the Novelis Q2 Fiscal Year 2026 Earnings Conference Call and Webcast. At this time, all participants are in a listen only mode. A question and answer session will follow the formal presentation. (Operator Instructions) As a reminder, this conference is being recorded. It's now my pleasure to turn the call over to your Host, Megan Cochard. Please go ahead, Megan.

Megan Cochard

Thank you, Kevin, and good morning or evening, everyone. Welcome to Novelis' second quarter fiscal year 2026 earnings conference call. Hosting our call today is Steve Fisher, our President and Chief Executive Officer; and Dev Ahuja, our Chief Financial Officer. Following the presentation, the call will be open to analysts and investors for questions. This conference call is being broadcast on the Internet at novelis.com in the Investors section. A replay of this call will also be available on our website. Before I turn the call over to Steve, let me remind you that today's earnings release and presentation include forward-looking statements, as defined in the Private Securities and Litigation Reform Act of 1995. These statements are subject to risks and uncertainties. These risks and uncertainties include, but are not limited to, those factors identified in the release and in our filings with the Securities and Exchange Commission.

Today's presentation also includes certain non-GAAP measurements. Reconciliation of these measurements is provided in the financial statements included with our earnings release, as well as in the appendix of our presentation.

Now, let me turn the call over to Steve.

Steve Fisher

Thanks, Megan. Good morning, or evening, everyone, and thanks for joining us today. Our second quarter results demonstrate that the fundamental drivers of our business remain strong, contributing to solid quarterly results, despite facing some pockets of market softness and tariff

headwinds.

Adjusted EBITDA improves sequentially, as expected, reflecting solid execution in a continued dynamic environment. Excluding the net tariff impact, adjusted EBITDA per ton would have exceeded \$500 in the second quarter. With the unexpected Oswego plant fire in mid-September, we are intensely focused on the safe and quick recovery of operations. We are first and foremost thankful there were no injuries as a result of the event.

We are also grateful for the swift response and collaboration between our teams, customers, industry peers, and equipment suppliers who worked tirelessly to restore the hot mill and minimize customer disruption. With expectations to restart the hot mill next month, the impact from the outage is primarily a factor of timing, with a headwind this fiscal year to largely be recovered next year.

Turning back to the quarter, Q2 shipments were in line with the prior year, mainly due to Novelis' production timing, as demand for infinitely recyclable, lightweight aluminum products continues to grow globally. We continue to see strong demand, particularly for aluminum beverage packaging sheet, which is our largest in market. While aluminum scrap prices are higher than prior year in some regions, they have continued to stabilize and have even turned favorable in North America, as scrap supply and aluminum local market premiums have increased.

As anticipated, adjusted EBITDA was impacted by a net negative tariff impact of \$54 million in the second quarter. However, we continue to expect our mitigation strategy, accessing more U.S. capacity, customer pass-throughs, and advocacy with the U.S. Administration on fair tariff relief will reduce the net tariff impact over the next couple of quarters. Earlier this year, we announced a \$300 million three year cost efficiency program to defend and improve our margins. We have already taken a number of actions around organization redesign and footprint rationalization visible in our Q2 results that accelerate our savings expectations this year. We now anticipate exiting fiscal '26 at a run rate savings level above \$125 million. We also continue to make significant progress constructing a state-of-the-art plant in the U.S., to bring much needed capacity to an undersupplied domestic market.

Our Greenfield Rolling and Recycling Plant in Bay Minette, Alabama is on track to hit some exciting milestones. We will begin commissioning the coal mill at Bay Minette next quarter and the rest of the plant to follow as we track toward total project commissioning in the second half of 2026.

I'll cover our business and market outlook in more detail in a few minutes, but first I'd like to turn the call over to Dev for a more detailed review of our current quarter financial results.

Devinder Ahuja

Thank you, Steve, and good morning or good evening. Let's turn to Slide 5 and our Q2 financial highlights compared to the prior period. As Steve just outlined, excluding some extraneous factors, our underlying business is performing well. Net sales increased 10% to \$4.7 billion, primarily driven by higher average aluminum prices.

Total rolled product shipments were in line with the prior year at 941 kilotons, but could have been higher if not for capacity constraints at Logan as we ramp-up post its de-bottlenecking expansion and a customer disruption in Europe. Slightly lower beverage packaging and specialty shipments were offset by higher automotive and aerospace. The 1% decrease in beverage packaging shipments were due to the Logan ramp-up and unusually cool and wet weather in Brazil in the quarter, which has since improved.

For the first six months of the year, beverage packaging shipments are up 3%. Adjusted EBITDA was down 9% year-over-year to \$422 million in the second quarter, including a \$54 million net negative tariff impact. Adjusted EBITDA per ton was \$448, but excluding the tariff is \$506 per ton. Net income attributable to our common shareholder increased 27% to \$163 million, primarily driven by favorable metal price lag, and Sierre flood-related charges in the prior year, partially offset by lower adjusted EBITDA and Oswego related charges, amongst other items. Net income, excluding special items, decreased 37% year-over-year in Q2 to \$113 million. Turning to the adjusted EBITDA bridge for Q2 on Slide 6, the lower EBITDA result versus the prior year is primarily due to tariffs. The year-over-year tariff impact on this bridge is higher than the current \$54 million impact due to a timing related positive tariff reimbursement in the prior year.

Looking at the operational drivers excluding tariffs, we see the benefit from higher product pricing and our cost-efficiency actions, which are ramping up quickly. In addition, we have seen stable to improving scrap prices in recent months, particularly in North America, where scrap benefit and availability is now better than the prior year. However, scrap benefit in other regions were less favorable than the prior year, driven by a drop in local market premiums and were the primary driver to higher operating costs in the EBITDA bridge.

Let's look at Q2 performance year-over-year by segment beginning on Page 7. North America shipments were down 7% year-over-year, despite broadly favorable market demand. Operational limitations as we ramp-up Logan resulted in lower beverage packaging shipments, while footprint rationalization and some weaker macro conditions led to lower specialty shipments. These shipment decreases were partially offset by higher automotive shipments on strong demand.

The 28% decrease in adjusted EBITDA is driven by tariffs.

As better scrap prices, favorable product mix, and higher product pricing were partially offset by the lower volume. In Europe, shipments improved 12% and adjusted EBITDA 29%, as compared to the prior year, which was impacted by flooding in Sierre. The increase in shipments was primarily driven by strong demand for beverage packaging, though shipments increased in each product and market and would have been even stronger if not for production disruption at one of our automotive customers.

The improvement in EBITDA was primarily driven by volume and higher product prices, partially offset by elevated scrap prices. Turning to the next slide, we had another strong shipment quarter in Asia, growing 12% year-over-year, driven by higher beverage packaging specialty, and aerospace shipments partially offset by lower shipments of automotive products. Adjusted EBITDA increased 9% as higher volume benefits were partially offset by less favorable product mix and higher scrap prices compared to the prior year. In South America, beverage packaging shipments were down 2% as regional consumption trends were affected by adverse weather conditions that have since improved. Adjusted EBITDA was down 12% primarily as a result of higher scrap prices compared to the prior year.

Now, let's turn to cash flow on Slide 9. Year-to-date adjusted free cash flow is an outflow of \$499 million compared to the prior year outflow of \$345 million, mainly due to lower adjusted EBITDA and higher capital expenditures for strategic growth investments underway. Partially offsetting this was significantly favorable metal price lag as a result of the rise in the Midwest premium. For fiscal 2026, we continue to expect total capital expenditures to be in the range of \$1.9 billion to \$2.2 billion, including approximately \$300 million for maintenance CapEx.

We ended the second quarter with a net leverage of 3.5x and liquidity of \$2.9 billion. We have completed a number of financing and refinancing activities over the last few quarters that provided a staggered term debt maturity profile with no near-term maturities. Our ongoing focus on balance sheet discipline will support us as we navigate through the near-term pressure resulting from the Oswego outage.

We expect the impact on near-term EBITDA could elevate net leverage into the vicinity of 4x for a short period of time before returning quickly towards a level around 3.5x. Cost efficiencies on the next slide. So, Novelis has been working on a number of strategic initiatives to defend and improve our margins, thereby building more resiliency in the business.

Earlier this year, we set a three year target to permanently reduce our cost structure by \$300

million through operational efficiency, footprint rationalization, and SG&A streamlining actions. We had also set an initial target to exit fiscal year 2026 at a \$75 million savings run rate, which last quarter we raised to \$100 million. With another quarter behind us, we are again raising our nearterm target and now expect to exit this year at a savings run rate above \$125 million. This is a result of further acceleration of all the cost efficiency initiatives underway. We believe these actions will drive simplification. Better leverage technology and automation to gain efficiency and drive margin improvement.

I'd now like to hand the call back to Steve for a market and business outlook.

Steve Fisher

Thanks, Dev. First I want to take a moment to address the fire at our Oswego, New York plant on the evening of September 16. Again, we're relieved that all employees were safely evacuated. And there were no injuries among our people or first responders. We are deeply grateful for the partnership, their partnership and professionalism.

Since that night, our focus has been on ensuring the safety of our people and the stabilization of the site and restoring operations and rerouting material from around the world to serve our customers. The fires impact was contained to the hot mill and the building structure surrounding it. All other areas of the plant, recycling and casting, cold rolling, automotive finishing and shipping were unaffected. And production in these areas has continued.

We are dedicating the full strength of our resources to restore the hot mill. And minimize disruption with the help of on site stadium lighting. Work to repair the roof and adjacent structural damage is able to continue 24/7. We have installed new roof trusses. Procured all the nearly 7000 parts needed for repairs. And large seal cleaning continues across the facility.

We have made considerable progress over the past month. Which has allowed us to accelerate our timeline. And we currently expect the hot mill start in December. We regret the impact this is having on our customers, and we are continuing to take steps to minimize this disruption. To do this cross functional teams have been working diligently to identify and qualify other avenues of supply from Novelis plants around the world. As well as industry peers to ensure consistent quality and delivery.

I want to recognize the hundreds of employees, contractors. And partners working around the clock safely, efficiently. And with remarkable collaboration, as a result of this event, we recognize

\$21 million in charges in the second quarter. The plant is insured for property damage and business interruption losses related to such events. But there will be some timing lag between the cash impact and our ability to recover the insurance claim. We estimate will have a total negative free cash flow impact in the second half fiscal 2026 from this event of approximately \$550 million to \$650 million, which includes an estimated adjusted EBITDA impact of \$100 million to \$150 million. We currently estimate approximately 70% to 80% of these impacts will be recovered through insurance in future periods. While this event represents one of the toughest moments for Novelis, it's also a defining one. We're rebuilding stronger with tighter global integration and an unwavering commitment to our customers.

Now, let's take a look at our in-market outlook on Slide 12. We believe our diverse portfolio mix and geographic footprint positions Novelis well to capture the favorable long-term fundamental demand for aluminum products across in-markets, driven mainly by sustainability and lightweighting preferences. Long and near-term demand for aluminum beverage packaging remains strong across regions and continues to be driven largely by favorable package mix shift towards aluminum.

In automotive, aluminum continues to win in the marketplace as it offers significant advantages over other materials. For example, aluminum's lower weight improves agility, acceleration, and braking performance, resulting in safer vehicles, while its strength-to-weight ratio enables higher payload and towing capacity. Demand for SUVs and pickup trucks in North America, vehicles that use a higher share of aluminum, continues to grow.

However, the softer European macroeconomic environment and a recent European OEM disruption limits near-term demand in that region. In China, smaller, lower-priced Chinese vehicles that use less aluminum content are winning share of automotive sales in Asia and Europe. We estimate this will soften the longer-term aluminum demand growth rate to a range of 3% to 5% and is the strategic rationale behind our decision earlier this year to idle one of two cash lines in China.

Turning to aerospace, structural demand for new aircraft sustains the aluminum aerospace plate and sheet market, but OEM supply chain challenges continue to constrain near-term demand.

And lastly, for specialties, demand in the building and construction market has modestly improved but remains suppressed. Meanwhile, economic and tariff uncertainty are muting demand in some markets, including truck/trailer and light gauge products, and slower EV rollouts are constraining demand in the battery market. Turning to Slide 14. We continue to make good progress on the

construction of our greenfield rolling and recycling facility in Alabama. As a highly sophisticated and automated plant, Bay Minette will soon -- will serve as a cornerstone of our operations and a bold step forward transforming the future of sustainable aluminum manufacturing.

We anticipate that approximately two-thirds of the production at this plant will be for the North America beverage packaging market where demand currently outpaces local supply. The remaining capacity will primarily be targeted to the automotive market with flexibility for specialties production. We have secured long-term contracts for all the new beverage packaging capacity at this plant and continue to make good progress on the automotive contracting side. The team continues to advance steadily across all fronts. Installation of both the hot and cold mill is in progress and hiring and workforce training is well underway. We will reach an exciting moment next quarter when commissioning of the cold mill is set to begin. Commissioning assets in other areas of the plant will follow over the remainder of the year as we track towards full project commissioning.

With the project now at a very advanced state and in line of sight to commissioning, we now estimate the total project capital cost will be in the order of \$5 billion. This increased cost estimate is a result of a combination of factors including inflation, both traditional inflation as well as tariffs, and higher costs due to competition for contractors and labor given the number of significant construction projects going on in the U.S. We also have more clarity into the requirements of very complex packages as we have advanced construction at the site. And importantly, we are laying a robust foundation on which we can expand and grow in the future. The aluminum industry needs more domestic capacity to meet growing customer demand for automotive, beverage packaging, and specialty aluminum products. And we're building this now at Bay Minette. We are in ongoing discussions with the U.S. administration on tariff relief and the need to be ready to invest further considering the demand projections suggest additional capacity will be needed. As such, we need to ensure the site is best designed now so we can quickly begin future investment at Bay Minette when the time is right.

In summary, our underlying business is performing well in a dynamic environment. The fundamental drivers of our business are solid, supported by continued strong demand, particularly in the beverage packaging segment. Our cost efficiency program has accelerated and is now expected to deliver run rate cost savings in excess of \$125 million this year. In addition, overall scrap prices continue to trend in a positive direction. We are dedicating the full strength of our resources to Oswego recovery with a hot mill restart expected next month and leveraging all

available options to minimize customer impact.

We have tariff mitigation actions underway primarily by accessing more U.S. capacity to reduce the net tariff impact starting in Q3. We are advancing strategic investments like Bay Minette that drive value, achieve sustainability goals and capture growing demand for sustainable aluminum FRP.

With that, we're happy to take your questions. I'll turn it back over to the operator.

Questions And Answers

Operator

Thank you. We'll now be conducting a question-and-answer session. (Operator Instructions). Our first question is coming from Indrajit Agarwal from CLSA. Your line is now live.

Q - Indrajit Agarwal

Yes. Hi, good morning team. Two questions from my side. First on Bay Minette, we have seen another CapEx escalation. Now the cost being almost twice of the initial CapEx outlay of \$2.6 billion. When we initially announced it was a high-teen IRR project, does that mean it's now a single-digit IRR project for us?

A - Steve Fisher

Yes. So we've made really good progress on this project. This is a project that's really a project that comes along every four decades and will be here for the domestic U.S. supply for the next 50 years. And in this investment, the first phase has come at a higher price. But we do know that we can efficiently expand off this as we've done at other facilities around the world, which makes this a great overall investment.

We're still very confident in the greater than \$100 per ton EBITDA.

A - Devinder Ahuja

\$1,000.

A - Steve Fisher

\$1,000, I'm sorry. Greater than \$1,000 EBITDA per ton. And overall, we think the returns will be very solid on this. Dev, do you want to add?

A - Devinder Ahuja

Indrajit, so first, one quick correction. We never said high teens IRR. It was mid-teens IRR, I mean, just for record. Having said that, we did tell you that we are still in double-digits after the last cost escalation. Now we are telling you that we will drop a slightly below double-digits, but we are going to be above the cost of capital that I'm telling you. And why? Because as we have been looking so intensely at our cost efficiency activities, you saw what I said earlier about how well those activities are doing.

We are also therefore discovering more opportunities to drive more efficiency in the operating cost of the project. In the uncontracted business, which is about one-third of the total -- of the total volumes in Bay Minette, we see pricing opportunities most of the auto business basic-- most of the uncontracted business is basically auto and a lot of manufacturing is going to come into the U.S. Automotive manufacturing is going to shift into the U.S. It's already starting to happen. So we are seeing opportunities which are helping us to still have an IRR, which will justify the attractiveness of the project, i.e. We will still be above the cost of capital. So this is all the background for you.

Q - Indrajit Agarwal

Sure, thank you for the detailed explanation. My second question is on the cost saving. While congratulations on a higher saving run rate for fiscal '26, is there any change in the ultimate saving of \$300 per tonne run rate or that remains as is?

A - Devinder Ahuja

We are saying about \$300.

A - Steve Fisher

\$300 million.

A - Devinder Ahuja

\$300 million, sorry. Yes. \$300 million. We are saying we'll achieve about \$300 million and so basically as we are accelerating our actions, as we are getting good results, we will come back to you. I mean, we are confident that we are on a very good track. So that's why for now, let's call it above \$300 million and in time, we will come back as we progress.

Operator

Thank you. Our next question today is coming from Prateek Singh from DAM Capital. Your line is now live.

Q - Prateek Singh

Hi. Thanks for the opportunity. So with the Bay Minette plant still one year away almost from commissioning, how confident are we of this \$5 billion number? Can we expect another small escalation from here or is this the final number as it stands right now?

A - Steve Fisher

Yes. So we're well along now. We're excited that we'll be commissioning the cold mill next quarter. All the other pieces of equipment will start right thereafter through the second half of 2026, where a full plant will be commissioned. So we're near the end. So around \$5 billion is the right number. Can it be a couple percentage higher or lower? Yes. I mean, it's all about execution now. But the \$5 billion is a very, very good estimate at this point in time.

Q - Prateek Singh

Understood. And on the tariff side, a few quarters back, I think we were quite confident of the U.S. and Canada reaching a deal. Of course, there's something not in our hands. But are we now seeing it as a new reality that this is something which will continue in the medium to long-term? And this impact would likely be permanent. And hence, we are making plans to go away from tariffs or any such measures that we're thinking of taking over the next few quarters.

A - Steve Fisher

Yes. So all we can do is put mitigation plans in place for the current regime of tariffs. And that's what we're doing. And so we've said it's \$60 million net tariffs per quarter, of which we have actions of which we believe will significantly start to mitigate that in the second half of fiscal 2026. As it specifically relates to U.S., Canada, and what might happen there, it's purely speculation. And we'll have to wait and see once a bilateral is ultimately put in place. The sentiment that we get is that, that would be an opportunity at least to relook at the 232 aluminum overall tariff percentage. But we'll have to wait and see what happens.

Operator

Thank you. Next question today is coming from Amit Murarka from Axis Capital. Your line is now live.

Q - Amit Murarka

Yes. Hi. Thanks for the opportunity. Just on the Oswego facility guidance of \$550 million to \$600 million to cash flows in FY '26, I just wanted to understand, one, what does it do to your net debt guidance, which I think you were giving at 3.5x debt EBITDA? And secondly, like how certain are you of the 70% to 80% recovery through the insurance which you're guided?

A - Devinder Ahuja

So let me start with the last point first. How confident are we? Well, I mean, not very long back, we have gone through the Oswego experience, where we saw the recovery in this range. We know our insurance policy and the terms of the insurance policy. So we have a reasonable basis to talk about the 70% to 80% recovery. Now, your other question was about the size of the impact, which is, as you will understand, is timing. The \$550 million to \$650 million, you heard our liquidity number. And so it's not like liquidity in itself is a concern. Having said that I mean, in a -- in a sooner than later time frame, the parent is going to support us by way of some equity infusion. The intent of the equity infusion of like \$750 million dollars is basically to make sure that we Both our parent and us sort of want to make sure that we don't go too far from our commitment

of the 3.5 years temporarily because of the pressure on EBITDA from Oswego. The leverage may seem elevated not because of debt, but because of the short term impact on EBITDA before we get the insurance recovery.

So add up all this in a sooner than later time frame. We will have an equity infusion. Primarily, it will help us to take care of the rest of Bay Minette with the cost escalation. But it will also allay any possible questions around sort of meeting the needs of putting Oswego back in action. So I hope that that clarifies.

Q - Amit Murarka

Sure. So by when do you expect the \$750 million?

A - Devinder Ahuja

I mean, in a sooner than later time frame, I don't want to put a month or a date on it, but it's in a sooner than later time frame is what I would say.

Q - Amit Murarka

So is it March '26 should be a fair assumption that.

A - Devinder Ahuja

Yes. I mean, if you insist, yes, I mean, but I'm telling you, it's in a shorter than later time frame. But yes. I mean, if you want to put that date, I think that's reasonable.

Operator

Thank you. Our next question today is coming from Abe Landa from Bank of America. Your line is now live.

Q - Abe Landa

Hi. Good morning. Thank you for that information, especially around the equity infusion. I think previously we had talked about raising kind of an additional \$350 million of debt. I know you

raised \$100 million in a solid waste disposal revenue bond recently, even \$250 million, I guess. In light of like the Oswego fire, the increase in Bay Minette CapEx. And I think also what you just said, the parent infusing \$750 million. Kind of what are your debt raising plans? For the foreseeable future.

A - Devinder Ahuja

Right. And so thank you for the question. And just to be clear, we are not going to raise any more debt than we had planned earlier, directionally. We have \$250 million left. Remember, we said between last and this fiscal year, we'll be raising \$1.5 billion. We raised \$750 million in January. Through the mini bonds, we raised \$400 million plus \$100 million, the most recent \$100 million that you referred. So we have raised \$1250 million -- \$250 million to go. And also comes the equity infusion.

The long and short, what I want to tell you is that we will basically go a little up, maybe hover around four on the net leverage, primarily because of the denominator impact of EBITDA from Oswego, and not the numerator impact, but the denominator impact. So we will hover around four for a short duration in the next calendar year. And by the end of the next fiscal year, we are pretty much going to be back at 3.5x. And after that, we will kind of get on to a journey of kind of positive free cash flows and de-levering.

So this is a picture for you. So we are not going to raise, to be clear, we are not going to raise any more than the debt that we had already planned. And that is the reason why this parental support by way of equity infusion is happening so that we are able to respect the commitments on debt.

Q - Abe Landa

Thank you. That's very clear. That may be my follow-up. Is there a way to describe or just kind of talk about the cadence of the EBITDA and cash flow impact from the Oswego fire? It sounded like it's going to hit you in the back half of fiscal 2026 and then start to become more of a benefit in fiscal 2027.

And then I guess is the net impact, call it \$110 million, which is 20% of \$550 million to \$195 million, which is 30% of \$650 million. Like, is that how we are supposed to think about the net impact from a cash flow perspective and maybe what's the net impact from an EBITDA perspective?

Thank you.

A - Devinder Ahuja

I think you got it pretty right. So the cash flow impact is going to come within fiscal year FY '26. And in FY '27, we hope to get recoveries. I wouldn't be too optimistic. I would say the recovery in FY '27 will be more back-ended towards the later part of the fiscal year. So let's say Steve said \$550 million to \$650 million. So let's take the midpoint of that, which is \$600 million, take about \$150 million plus, minus, right? So that's really how you should think about. So eventually, the total net cash flow impact will be \$450 million, and plus, minus. But I think that you pretty much summarized it pretty well, I would say. And remember that in the beginning, as I was alluding to earlier, that there'll be a short-term pressure on the EBITDA, because until the time we have insurance confirmations, we cannot book, we cannot book the claim receivable. And so it will kind of show up in EBITDA, starting from, starting from the third fiscal quarter, the December quarter so something to be clear about. That will be timing. But in the beginning, it will pressure the EBITDA to the extent of volume impact, et cetera. But going back, I think you captured it pretty well when you were asking your question.

Operator

Thank you. Our next question is coming from Satyadeep Jain from Ambit, your line is now live.

Q – Satyadeep Jain

Hi. Thank you. First, we wanted to ask on the, on the comment on scrap, you seem to allude that there is some improvement in tightness in North America, but at the same time, you're seeing tighter availability in South America. Just want to understand, because when going into the year, the expectation was you'll see greater tightness in scrap in North America, given competition is also starting.

And given this, the prices are, it would seem to indicate that South American profitability would be very high at these aluminum prices and scrap, but actually, it's continued to erode in the last couple of quarters at \$680 per tonne now. So what's happening on scrap between different markets? And given where scrap spreads are, you've seen improvement from 2Q now into 3Q. Your commentary doesn't sound very bullish in terms of improvement in profitability. Just wanted

to see what's, what's going on in terms of the scrap spread, scrap prices, availability across markets.

A - Devinder Ahuja

Yes. No, I mean, you should not read anything negative. That was not intended at all. So let me give you some context and background. So first of all, the U.S. conditions on scrap spread, margins, et cetera, is pretty positive. In fact, so much that net-net, it is creating a globally positive situation. As far as the other regions are concerned I mean, the primary reason, I mean, the availability is not a problem. The markets are very steady. So we are not talking about anything from the point of view of concerns. We did have a bit of sort of pullback in availability in the quarter of, in Brazil, local scrap availability, there was a bit of a pullback, but we are now back, and there is no long-term concern. So, overall, the scrap conditions are, I would say, net-net very positive, subject to the only thing that premiums in the non-U.S. Regions are a bit depressed, and that is affecting some scrap margins.

So, net-net, we feel good about scrap. The point that you made about sort of the depressed Brazilian, the depressed South American profitability, I mean, there is a bit of a timing. There was a maintenance shutdown in this quarter, and therefore you see some quarter-on-quarter, sort of impact. You know, metal conditions are back, the market is looking good, it is picking up, so we really do not have any fundamental concerns overall, either on scrap availability, margins, or on South America margins.

Q – Satyadeep Jain

When you put this all together, given you have the outage impacts from Oswego, but you have some of the other tariff mitigation measures and implement, how would you look at this trying to get a picture of how 2Q could look at, talking about depressed EBITDA and leverage, just trying to understand how to look at EBITDA for the second, given different moving parts.

A - Devinder Ahuja

Yes. So, the way to look at the second half is the one outlier in the second half will be the impact on EBITDA from Oswego. So, the impact on EBITDA on Oswego between Q3 and Q4 could be

of the order of \$100 million to \$150 million. And so, that is the outlier that you need to take into account.

The rest, I can tell you, I mean, you see the underlying performance of the business, net of tariffs. I mean, we are at \$505 per ton, tariff mitigation actions will progressively happen, overall scrap market conditions are positive, canned demand is really good. In a sense North America is looking good overall. So, if you add up all the factors, all that you need to think is that there will be a short-term pressure on EBITDA because of the timing of the Oswego impact. Otherwise we are in pretty good conditions in terms of the momentum.

Most importantly, keep in mind the cost takeout actions, they are going very well. And progressively, we will start seeing the impact of that. So overall, net-net, I would say we are in a pretty good situation overall. Keep in mind the seasonality of Q3, that we always talk about. But overall, we feel overall good.

A - Steve Fisher

And of the Oswego impact, \$100 million to \$150 million, the majority of that will be Q3.

A - Devinder Ahuja

Exactly.

A - Steve Fisher

We'll probably be in the ballpark of losing about 75 KT in Q3. There could be a little bit of spill over into Q4, but the majority of the \$100 million to \$150 million would be Q3.

Operator

Thank you. Our next question is coming from Sumangal Nevatia from Kotak Securities. Your line is now live.

Q - Sumangal Nevatia

Thank you for the chance. My first question is on the delimited cost escalation. I just want to

understand better what are the reasons for this cost escalation. Is it the plant equipment, construction cost, or some other element? And then generally, what is the learning for future expansion? What can we do different to better estimate the capital cost before digging up a project?

A - Steve Fisher

Thanks. Sumangal. As we said, we've made very, very good progress at Bay Minette, excited about starting to commission equipment next quarter, so very positive on the progress the team's made on the ground. As it relates to some of the escalation, approximately 50% of the escalation of the cost is inflation.

Normal inflation, tariffs, competing for subcontractors in a very, very difficult tight market with all the projects in the U.S. going on. The next large bucket is probably 30% to 40%. This is a mega complex project, and as we got into it and we're getting there to commissioning, we realized that there was going to be more cost associated with some of the package complexities that we were putting in, and so that's the other big bucket.

And then we also are making it future ready. We see the market continuing to grow. We want to make sure that we can be in a position to accelerate investment to capture the market through the next decade. And so that's the third bucket. As far as learnings, I mean, the biggest learning is really getting much more advanced in the detailed engineering before giving out cost estimates publicly before maybe starting the project.

And I think that's the big learning. This is obviously a project that was the first one in four decades, either in the U.S. Or Europe. So it's a mega project. And, yes, as we got into it, we did realize that there's additional cost there.

Q - Sumangal Nevatia

Understood. Understood. Just a follow-up, do we expect I mean, what sort of commercial volume do we expect in fiscal year '27, given that we will have this planned sometime maybe for more than a quarter and my second question is generally on tariffs and scrap spread.

Now assuming the tariffs continue and the spreads where it is today. On a steady state basis, I mean, do we benefit out of this? Or what is the net impact? Because initially, we did quantify an impact and then our communication has been in the second half, we will mitigate and as a scrap

spreads kind of benefiting us, we will kind of mitigate it. So from a FY '27 point of view, I mean, what is the net impact of tariffs we are likely to witness?

A - Steve Fisher

Yes. So on the first one, I'll take the Bay Minette question and hand over to Dev for tariffs. I would not project a lot of third party sales in FY '27. Remember, we've got a commission and then we've got to qualify with our customers. But we'll do everything we can. And to the extent we can get some, that's great. But I think, as an assumption, I would not factor anything significant into fiscal '27. And then as we get into '28, then I think that's when we'll start to see the volumes for Bay Minette come in.

A - Devinder Ahuja

So yes. So Sumangal, I'll take it in two pieces. So one is, what is the volume expectation for fiscal year '26? Well, had it not been for what happened in Oswego, we would have seen slight growth, some growth over the full year, the last year shipments of 3,757 KT. But because of the Oswego impact, we may see a little bit of a decline. So subject to outlier from Oswego, we would have seen some nice growth. And that's primarily because the beverage packaging market is doing extremely well.

Now, your question about what should one expect when it comes to tariff impact and for next year, I think that will be very speculative because we simply don't know what kind of trade deals will happen and so on and so forth. So we would rather not kind of speculate on that. We do what we control. And what we are doing right now is really working to implement the mitigation actions where we should be pretty advanced towards the end of this fiscal year, based upon what we know for now. So with that, I mean, we should be pretty well set. The fact that Midwest is at a high level and is of benefit but honestly I mean, these are all how they will pan out, what will happen, are all very speculative. We are addressing the fundamentals of the business, and our entire focus is on driving cost actions, efficiency actions, so that we have enough defensiveness in the system to be able to take care of any ups and downs. And then on tariff, we are doing whatever we can do within our control. We will see how it all goes.

Operator

Thank you. Next question today is coming from Ritesh Shah from Investec. Your line is now live.

Q - Ritesh Shah

Yes. Hi. Thanks for the opportunity. A couple of questions. First is for Dev. On the slide, we have indicated negative free cash flow impact of \$550 million to \$650 million, including adjusted EBITDA of \$100 million to \$150 million. This is with respect to fire at Oswego. I just wanted to understand the bridge, and why are we stating adjusted EBITDA over here given this is for FY '26?

A - Devinder Ahuja

So, when you say bridge, you are saying what? I mean the bridge between sort of when the cost will be incurred, when the cash flow impact will happen, and when it will come back? Is that what you mean by bridge?

Q - Ritesh Shah

No, not from a timing standpoint. If one had to look at or if one had to dissect \$550 million to \$650 million among the different components, how should one dissect this negative FCF number?

A - Devinder Ahuja

Okay. Okay, got it. All right. So, basically, the way to dissect it is that there will be an EBITDA impact of \$100 million to \$150 million. The rest of it is going to be largely repairs some CapEx. A good part of it will be cost to serve, which means to say that we are trying to buy every possible material from our own facilities or from others across the industry, and that will come at a higher cost because, in many cases, we will be even forced to air freight the material.

So, a majority of the cost or the cash flow impact out of this will be related to really helping our customers in the best possible way to be able to procure materials. There will be some CapEx for reconstruction. So, all that I can say in summary is that if you take \$600 million and take \$100 million to \$150 million out of that, a majority of the rest is going to be towards servicing

customers with more expensive material in these circumstances and repairs and CapEx costs for restoration.

So, at this point in time, it is still a work in progress. As we advance, as we close third quarter, we will give you some finer breakdowns.

Q - Ritesh Shah

Sure, just to get comfort on this number, should one presume that this is the outer limit of the impact, \$650 million, the number won't be higher than this and it won't spill into next fiscal?

A - Devinder Ahuja

Yes, it won't spill into next fiscal, that I can tell you with a high level of confidence. I can also tell you with a high level of confidence that we have been very, very thoughtful in giving this range of \$550 million to \$650 million. So we have a very strong level of confidence that there will not be much surprise in this number.

Operator

Thank you. Next question today is coming from Vikash Singh from ICICI Securities. Your line is now live.

Q - Vikash Singh

Thank you, sir, for the opportunity. I just wanted to understand, in Slide 13, you have written that the China, you are shutting down two Chinese automotive lines, citing low aluminum adoption. So just didn't understand why you think that there would be a low adoption in China. And secondly, can you, from a major confidence, can say that now this is the last escalation in the Bay Minette Phase 1 CapEx?

A - Steve Fisher

Yes. So starting with the automotive sheet in China, we didn't say that there would be no aluminum. We had previously saw growth in aluminum electric vehicles of larger sizes. And what's

happened is most of the domestic Chinese OEMs are building much smaller vehicles that do not require the light weighting as it relates to aluminum. And from a cost standpoint, they are trying to protect their margins.

So the level of adoption of aluminum penetration has come down. There's been more fierce competition for aluminum sheet inside of China. And that led us to make the decision earlier this year to take one of our cash lines out of service, not both. So we still have a cash line there that we believe has the capacity of 100 KT to continue to compete in what we're seeing in that market today. So that's on China auto growth and the adjustment we're making.

As it relates to Bay Minette, yes, we're confident in the \$5 billion. And we don't see a significant move really one way or the other, off the \$5 billion. So we do have a high degree of confidence in this assessment.

Operator

Thank you. Next question is coming from Tarang Agrawal from Old Bridge. Your line is now live.

Q - Tarang Agrawal

Hi. I'm audible?

Hello.

A - Steve Fisher

Yes.

Q - Tarang Agrawal

Okay. So I got two questions, one each on Bay Minette and Oswego. So firstly on Bay Minette, Dev, when you suggested that now the IRRs on the project have reduced to high single digit, my sense is this would be pertaining only to the first phase.

A - Devinder Ahuja

Correct. Correct, and with the second phase, yes, it's going to be a lot more attractive in the

second phase. So yes, you got it right.

Q - Tarang Agrawal

Okay. And our initial understanding here was that with the second phase, this project can handle a capacity of about 1.2 million tons. Is that the outer threshold or could that number be higher eventually?

A - Steve Fisher

So, so that is the rated capacity of the hot mill. So that's why we said we can add a second cold mill and get to approximately 1.2 million metric tons. What we've seen with all of our facilities, we continue to find ways to get additional capacities out of these assets. So over multiple, multiple years after commissioning this, we do believe that there are still efficiencies that can be gained. But for now, for the next 10 years, the 1.2 million metric tons is a good number to be thinking about.

Operator

Thank you, next question today is coming from Raashi Chopra from Citi. Your line is now live.

Q - Raashi Chopra

Thank you very much. Just on the Oswego, the impact of \$150 million to \$100 million on EBITDA and the cash flow impacting \$550 million to \$650 million. You mentioned that the cost to serve will be part of the balance after subtracting the EBITDA, but wouldn't cost to serve be kind of part of the EBITDA impact, but that's really to do with just the volumes as well as the general costs that are going up.

A - Devinder Ahuja

The cost to serve is not going to be EBITDA. It is going to be below EBITDA. The EBITDA impact of the \$100 million to \$150 million that we were talking about is basically all the volume that we have to, the net volume that we have to give up, to be clear.

A - Steve Fisher

And the cost to serve is extraordinary, well above what normally would be the cost to serve our customers. So it's, as Dev highlighted before, air freighting, coils from overseas, tariff impacts that are coming in, even moving coils by boats. So all of that is the additional cost to serve that would be extraordinary, and we would not be recording it in EBITDA.

Q - Raashi Chopra

Understood. And when you say that the insurance covers business interruption losses, would this cost to serve also be captured in that? I mean, I'm just trying to understand that because you're importing from overseas and you're getting impacted by tariffs, does insurance help you there? Or that's, I mean, that's really not part of it.

A - Devinder Ahuja

Yes. Yes. I mean, insurance will cover all the legitimate costs that we have incurred to keep the customer serviced to the best possible extent. So the volume that we will not be able to produce, the cost to serve, all this is part of the coverage, Raashi. So yes, the answer is yes.

Operator

Thank you. Next question today is coming from Dhawal Doshi from Diamond Asia. Your line is now live.

Q - Dhawal Doshi

Okay. Thanks a lot for the question. I just wanted to check a couple of your peers in their call have mentioned or have called out that they're going to be benefiting from the unfortunate incident that has happened at Oswego, and those benefits are likely to go through from the next calendar year. Do you expect these to be temporary or these could be a lasting impact as far as NOLIS is concerned?

And one more question following this is in terms of the working capital impact, because of the tariffs and the scrap spreads, do you expect the working capital to get further going ahead?

A - Steve Fisher

Yes. So on the first one, obviously, as we said in our comments, we looked for all options for our customers, routes through other Novelis assets in our system globally. We reached out to all of our peers to see what open capacity they might have that we could qualify as well. So there's no doubt that our peers, and I thank them, have stepped up and helped in this unfortunate period of time for our collective customers.

And ultimately, I think it's a show of strength from the aluminum resiliency as an industry to work together. I would expect most of that to be temporary to your question of long-term loss, but would be over the next few quarters as we catch up our customer backlog that's needed now.

A - Devinder Ahuja

And on the working capital, when we gave you the number, we already took into account that there'll be a temporary elevation in working capital needs over the next couple of months, mostly this quarter and spill over into the next quarter. And then that working capital cash will come back as we get into the full cycle of Oswego starting to produce. So there will be an impact on the working capital. It will be short-term and it will start coming back fairly soon.

Operator

Thank you. We reach into our question answer session. I'd like to turn the floor back over to Mr. Fisher for any further closing comments.

A - Steve Fisher

Yes. Thank you, Kevin. And thanks to everyone for attending our call today. Again. The fundamental drivers of our business remain strong. And while the unexpected fire Oswego has been a difficult challenge, I have no doubt that our collective resilience and discipline will guide us through recovery and position Novelis and aluminum industry for continued success in the years ahead.

So, again, thank you for your support. And we look forward to providing another business and financial update on our Q3 earnings call in early February. Thank you.

Operator

Thank you. That does conclude today's teleconference webcast. You may disconnect your line at this time and have a wonderful day. We thank you for your participation today