ADITYA BIRLA

HINDALCO

11th November, 2019

BSE Limited Phiroze Jeejeebhoy Towers, 25th Floor Dalal Street, Mumbai: 400 001 **Scrip Code –500440**	**The National Stock Exchange of India Ltd** Exchange Plaza Bandra-Kurla Complex Bandra East Mumbai- 400051 **Scrip Code: HINDALCO**
BanqueInternationale A Luxembourg SocieteAnonyme 69, Route Esch L-2953 Luxembourg Fax No. 00352 4590 2010 Tel. 00 352 4590-1	

Dear Sir,

Sub: Q2 FY20 - Investor Presentation

Please find enclosed herewith The Investor Presentation for the second quarter and half year ended 30th September, 2019.

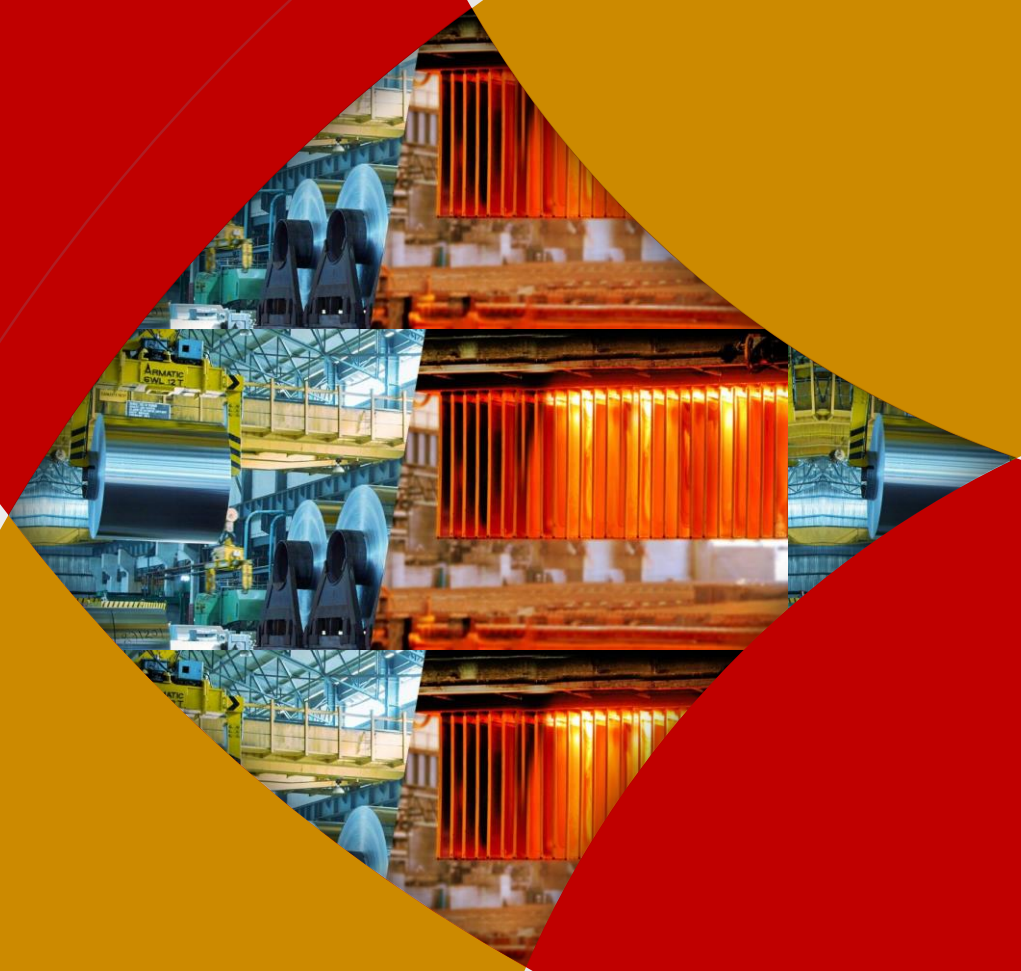
Thanking you,

Yours faithfully,
For Hindalco Industries Ltd

Anil Malik
President &
Company Secretary

Encl: as above

Hindalco Industries Limited



Q2 FY20 Earnings Presentation

11th November, 2019

SAFE HARBOUR

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

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- Novelis
- Aluminium (India)
- Copper

Key Highlights – Q2 FY20

Key Highlights : Q2 FY20 vs. Q2 FY19

Novelis*

- Record Adjusted EBITDA at US$ 374 million, up 5% YoY
- Adjusted EBITDA per ton at US $448, up 2% YoY
- Record Net Income (excluding special items#) at US$ 160 million (vs US$ 122 million in Q2 FY19) up 31% YoY
- Total shipments stood at 835 Kt, up 3% YoY; Can sheet shipments were up 10% YoY
- Aleris acquisition – European Union conditional approval received, regulatory approvals in US and China are in progress; transaction is expected to close by January 21, 2020, the outside date under the merger agreement, subject to closing conditions and regulatory approvals

Aluminium (Hindalco Plus Utkal Alumina)

- Domestic market for Aluminium has de-grown by (-)6% YoY ; was flat on H1, YoY basis
- Global Aluminium prices dropped by ~14%, YoY to $ 1,761/ton
- Stable operations with Alumina and Aluminium metal production at 667 Kt and 330 Kt respectively
- Aluminium metal sales were up by 1% at 328 Kt (vs. 326 Kt in Q2 FY19)
- Aluminium VAP (excluding wire rods) sales were up by 5% at 78 Kt (vs. 74 kt in Q2 FY19).
- EBITDA at Rs. 849 crore (vs Rs. 1,368 crore in Q2 FY19), due to lower realization, partially offset by lower input costs

** Aer US GAAP*
*#*Tax-effected special items includes restructuring & impairment, metal price lag, gain/loss on assets held for sale, loss on extinguishment of debt, loss on sale of business, business acquisition and other integration costs*

Key Highlights : Q2 FY20 vs. Q2 FY19 ..Contd.

ADITYA BIRLA HINDALCO

Copper

- Domestic Copper market has grown by 10% YoY and 12% on H1 YoY basis, due to the base effect
- CC Rod production at 65 Kt, up 24% (vs. 53 Kt in Q2 FY19)
- Record production in CCR-3 at 44 kt in Q2 FY20
- VAP Sales (CC Rods) were up by 14% at 63kt (vs. 55 Kt in Q2 FY19); share of VAP sales at 76% of total volumes
- EBITDA at Rs. 263 crore (vs Rs. 408 crore in Q2 FY19) due to lower by-product realisations and impact of heavy rains in Dahej, Gujarat in August 2019.

Hindalco (Consolidated)

- Consolidated EBITDA at Rs. 3,918 crore (vs. Rs. 4,276 crore in Q2 FY19)
- Consolidated Profit Before Exceptional Items and Tax at Rs. 1,748 crore (vs. Rs. 2,152 crore in Q2 FY19)
- Excluding exceptional Items# Consolidated PAT at Rs. 1,152 crore, (vs. Rs. 1,448 crore in Q2 FY19)
- Long term loans remain unchanged from FY19-end
- Consolidated Net Debt to EBITDA at 2.83x (vs. 2.48x as at March 31, 2019)

Awards & Recognitions

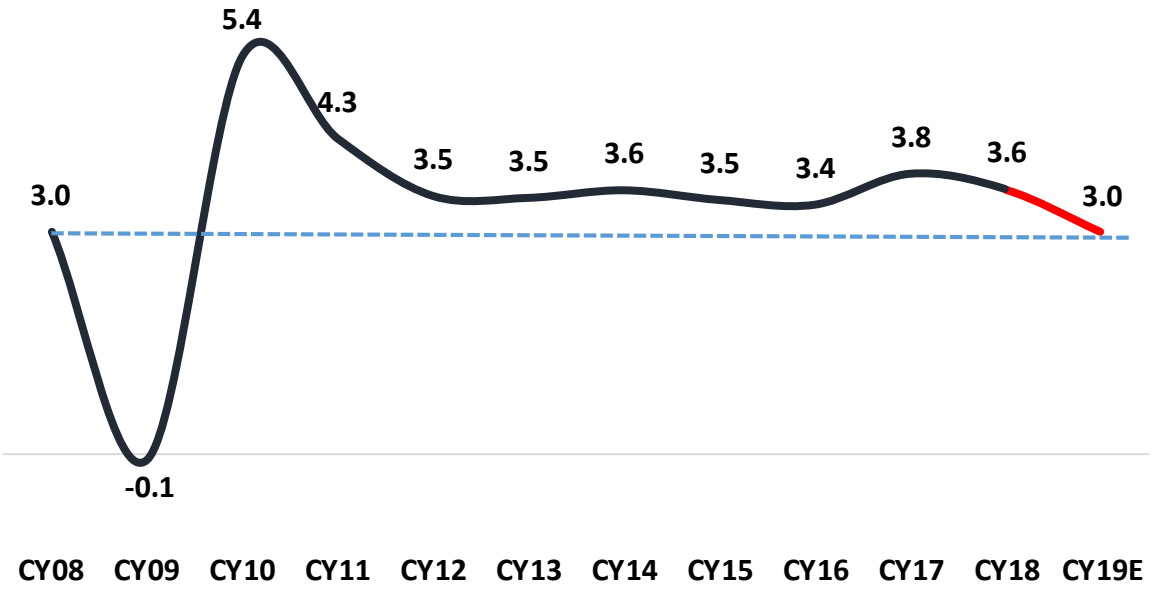
- Entered 2019 S&P Dow Jones Sustainability Index (DJSI). Its is one of the 98 companies in the Emerging Markets Sustainability Index and one of the 12 companies from India to make the list. Its DJSI score places Hindalco among the world's top 3 aluminium companies
- Received the first National Corporate Social Responsibility (CSR) Award 2019, by the Ministry of Corporate Affairs, Government of India.

#Tax-effected exceptional items includes restructuring expense at Novelis and impact of Muri Alumina refinery

Economy & Industry : Global & Domestic

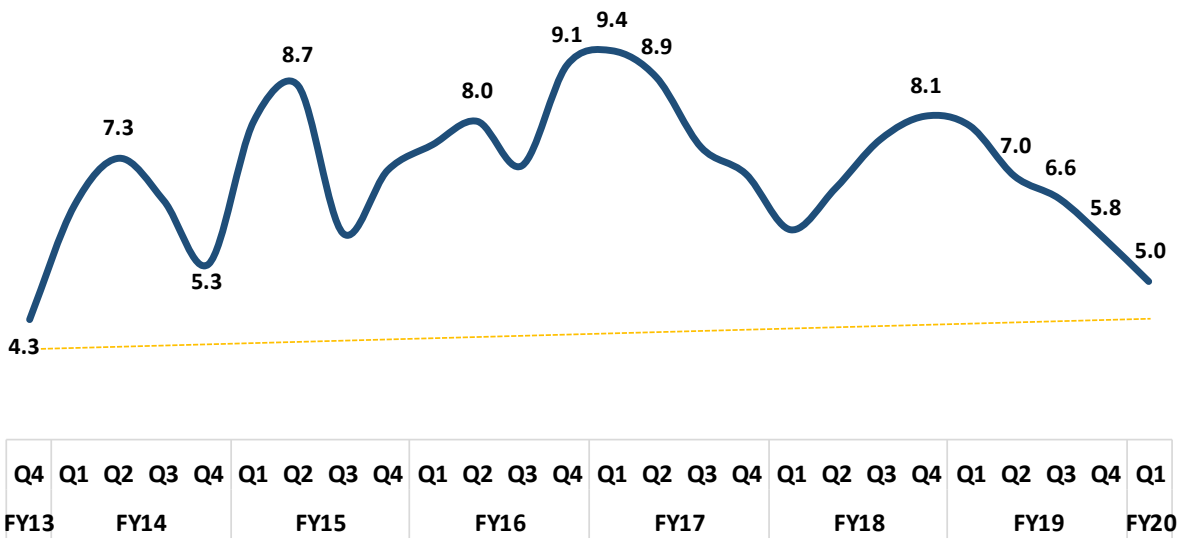
Economy Updates

Global GDP Growth (% YoY)



- Global economy continues to register sluggish growth and expected to grow by 3% in 2019; lowest since financial crisis.
- Subdued growth in manufacturing sector and global trade are the major reasons for the slowdown.
- IMF expects marginal recovery in 2020, global economic growth is expected @ 3.4%.

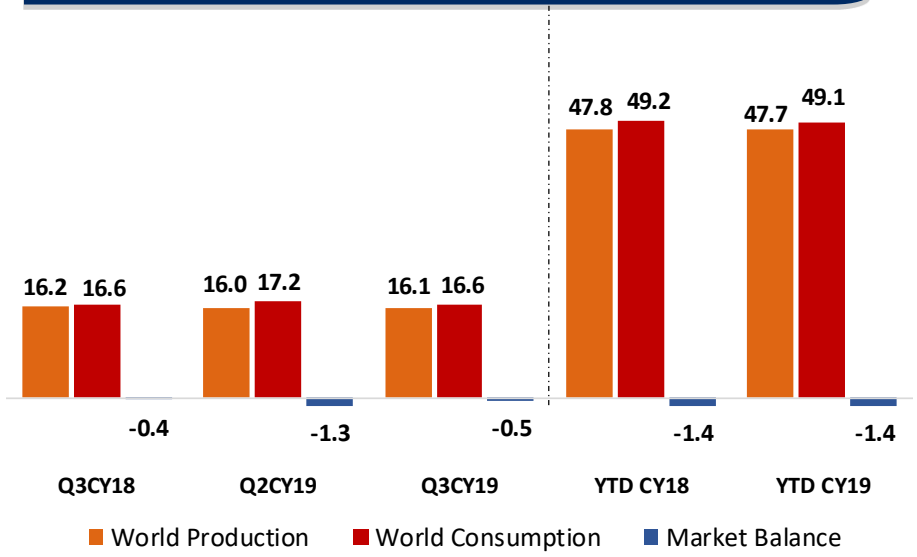
India GDP Growth (% YoY)



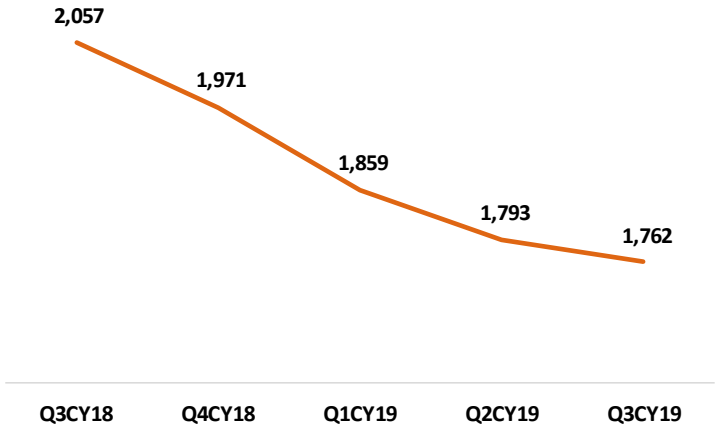
- In Q1FY20, economic growth touched a six year low to 5% on account of slowdown in manufacturing sector, low consumer demand and subdued investment activities.
- Accommodative monetary policy and various Government announcements will likely boost investment activities and economic growth
- As per RBI's latest estimates, domestic economy is likely to grow at 6.1% in FY20

Aluminium Industry

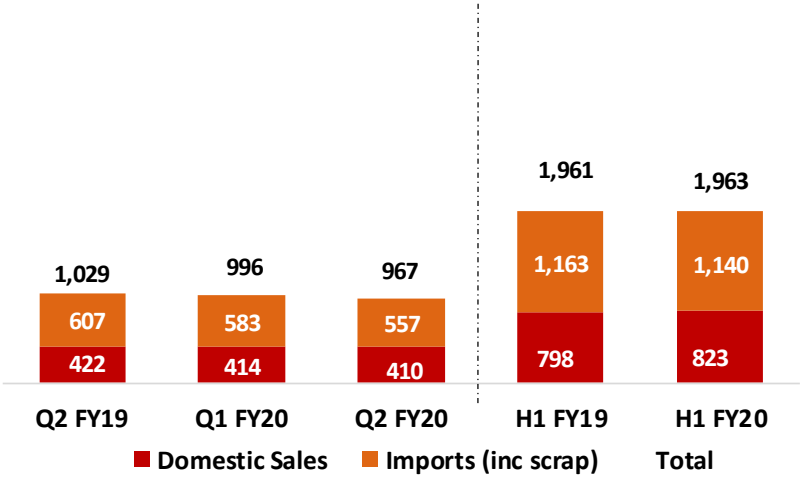
Global Demand & Supply Balance (Mt)



Global Price of Aluminium (Cash -$/T)



Domestic Demand (Kt)



Global Market

- Global demand in CY19 (YTD basis) declined by (-) 0.2% vs. growth of 4% YTD CY18 due to global industrial slowdown and subdued Chinese demand
  - Demand in World Ex. China and China in CY20 (YTD basis) is (-) 1.8% and 1.1% vs. 2% and 5% in the corresponding period of CY19.
- Global demand growth in CY19 is expected to decline to (-) 0.4% (65 Mt); lowest since global financial crisis
  - Market is likely to remain in deficit of 1.2 Mt in CY 19 vs deficit of 1.3 Mt in CY18.

Domestic Market

- In Q2FY20, domestic demand registered a decline in growth to (-)6% to 967 Kt.
  - Domestic demand in FY20 (YTD basis) marginally grew by 0.1%
  - Imports including scrap declined by (-)8% in Q2 FY20 vs. growth of 25% in Q2FY19

FRP Industry

- **Global FRP demand continued to grow at a steady pace of ~3% in CY19**

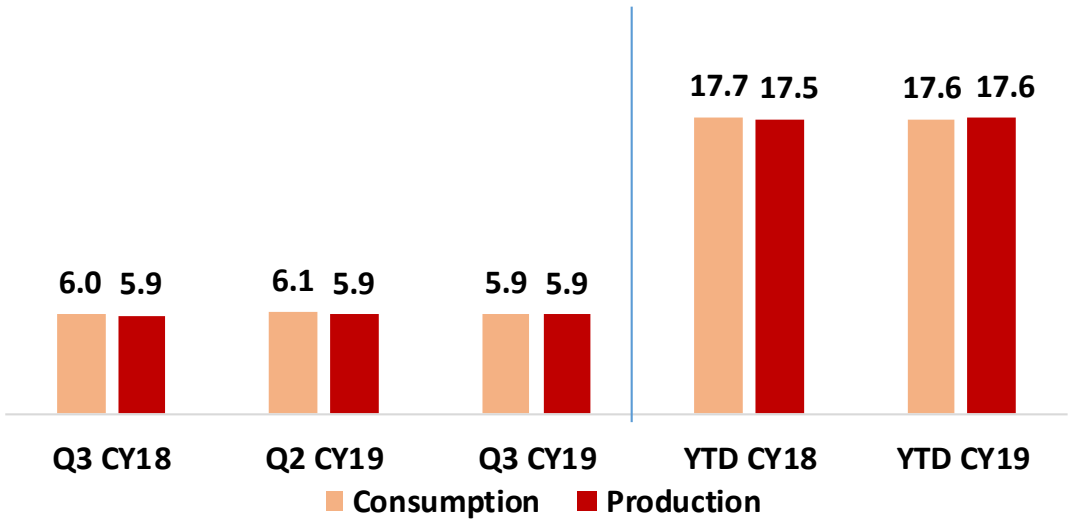
- In CY19, global demand for beverage can stock is growing strongly due to packaging material shift to aluminium from other substrates for the products like energy drinks, sparkling water & crafted beer. This has resulted a **growth of 3% in the beverage can sheet market**

- Steady demand in automotive body sheets for Trucks, SUVs, Electric and premium vehicles due to global adoption of strong, lightweight, formable aluminium in vehicle parts and structures. This is expected to grow at a **CAGR of 10% (between CY19-CY25E)**

- **Domestic FRP demand** has de-grown (-)**1% YoY in Q2 FY20 due to subdued demand in the construction and transportation sector,** but has grown 1% YoY on YTD basis. This is expected to grow at a **CAGR of ~6-7% (between CY18-CY22E)**

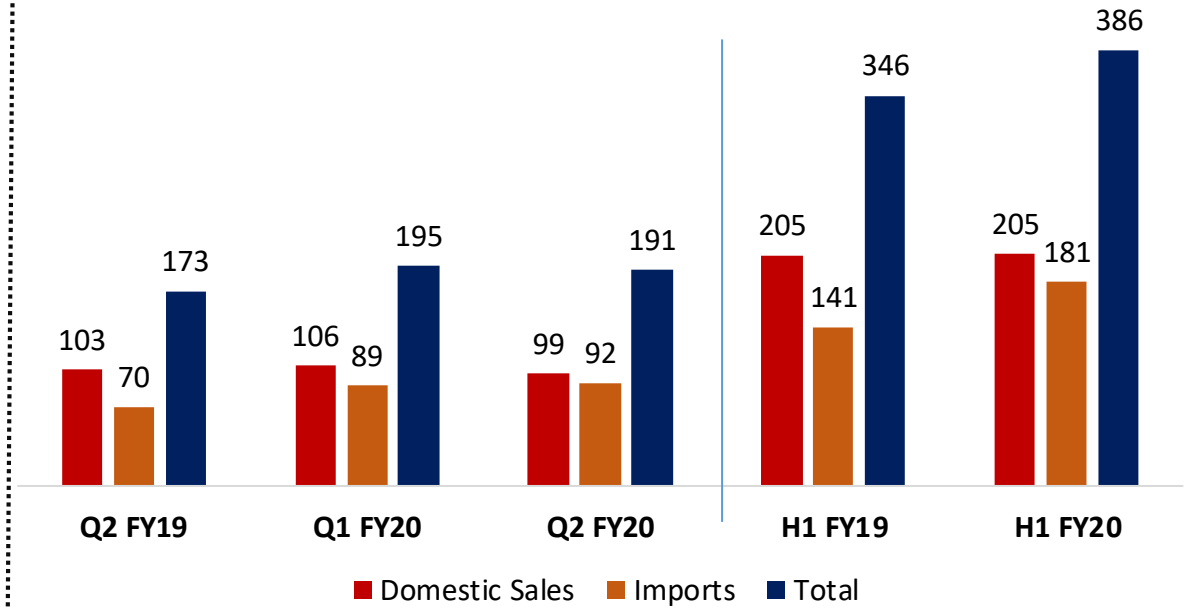
Copper Industry

Global Demand & Supply Balance (in Mt)



- Uncertain global macroeconomic conditions, slow growth in industrial activities and trade disputes impacted copper demand in CY19.
- Refined copper demand is expected remain flat at 23.5 Mt in CY19 vs. 23.6 Mt in CY18.
  - Demand growth in World Ex. China and China is expected to be (-)1.2% and 1% in CY19 v.s 1.3% and 5% in CY18
- Concentrate demand in CY19 is expected to remain flat at 16.7 Mt (0.3% YoY) ; Market is expected to be in balance

Domestic Demand (Kt)



- In Q2 FY20, market grew by 10% (to 191 Kt), due to the base effect; negating the base effect the real demand growth is ~6%. However, since Sept-19 demand from user industries has started showing signs of moderation
  - YTD FY20 growth at 12%
- Market share of imports have increased from 40% in Q2 FY19 to 48% in Q2 FY20.

Key Macro Drivers (Q2 FY20 vs Q2 FY19)

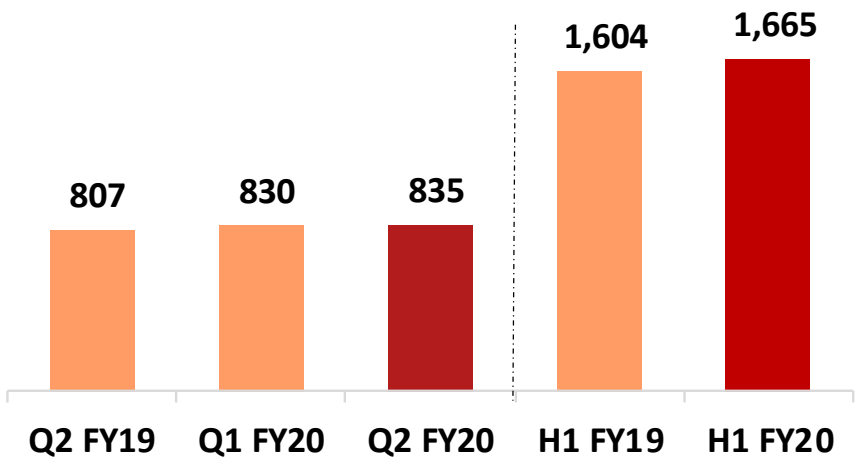
TC/RC (US Cents/lb)	S. Acid Price (Rs./Mt)	DAP Realization (Rs./Mt)
↓	↓	↓

Business Performance Highlights : Q2 FY20

Novelis

Operational Performance - Novelis

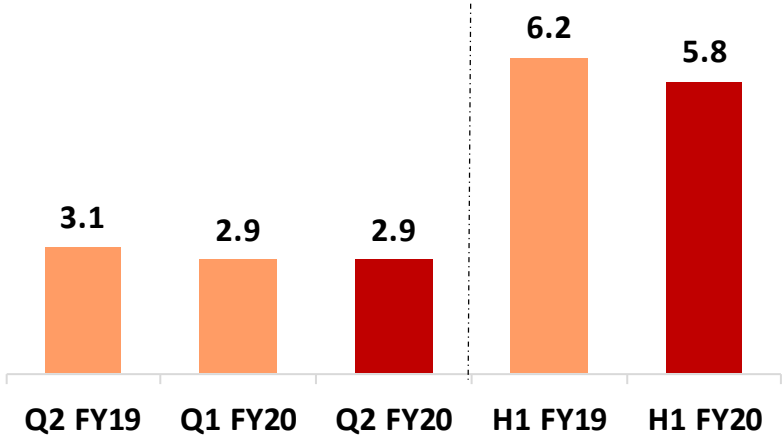
Overall Shipments (KT)



- Excellent operational performance resulting in :
  - Improving recovery & quality
  - Unlocking capacity
  - Increasing customer satisfaction
- Overall shipments grew 3% YoY, broadly favorable market conditions and strong demand :
  - Beverage Can sheet shipments were up 10% YoY, on account of strong global demand
  - Automotive body sheet markets remained strong in US; China market remains subdued
- All major expansion projects in US, China and Brazil are on track and on budget
- Recently announced US recycling expansion for automotive aluminium scrap with capital investment of $36 million in Greensboro, Georgia.
- Aleris acquisition update :
  - Conditional approval granted in Europe, pending divestment of Duffel plant
  - Clear path to approval in the US
  - China discussions in process
- Transaction is expected to close by January 21, 2020, the outside date under the merger agreement, subject to closing conditions and regulatory approvals

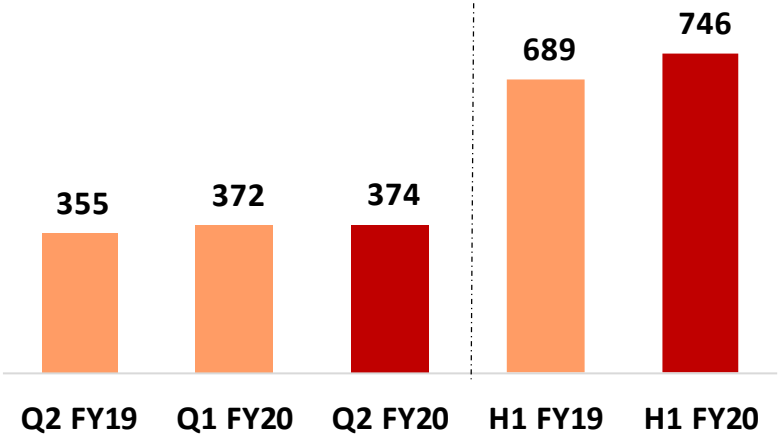
Financial Performance - Novelis

Revenue (USD Billion)



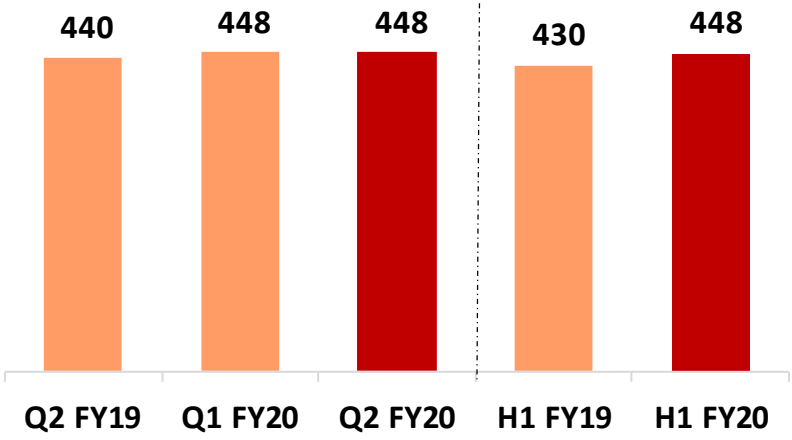
- Revenues at US$ 2.9 billion, down 9%, on account of decrease in average base aluminium prices and local market premiums, partially offset by higher total shipments and favorable product price and mix.

Adjusted EBITDA (USD Million)



- Record quarterly adjusted EBITDA up by 5% at US$ 374 million on account of higher shipments, favorable price and product mix, partially offset by less favorable recycling benefits due to lower aluminium prices

Adjusted EBITDA (USD/tonne)



- Adjusted EBITDA per ton up by 2% at US$ 448 in Q2 FY20.

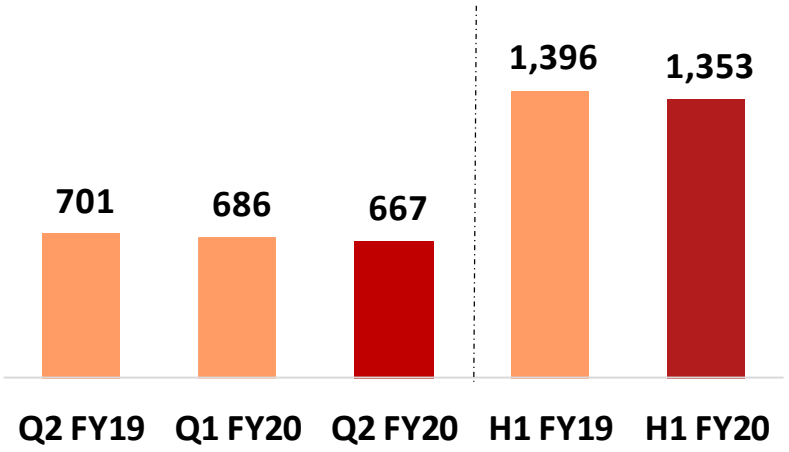
Note: All above numbers are as per the US GAAP

Aluminium Business

(Hindalco Aluminium including Utkal)

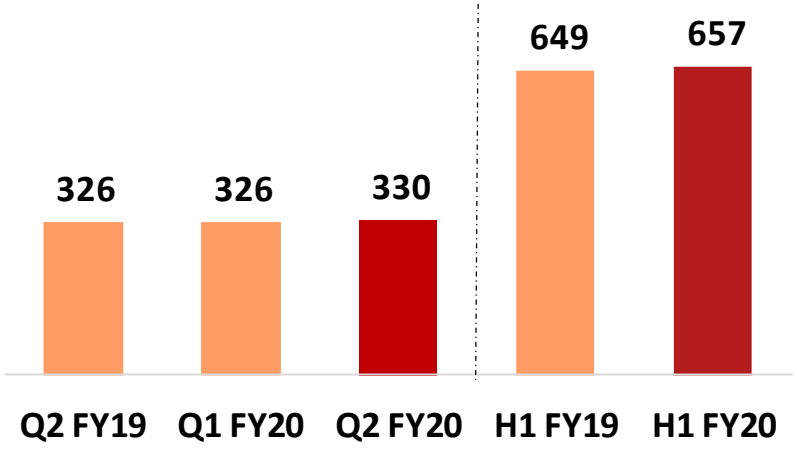
Production – Alumina, Aluminium Metal & VAP

Alumina* (Inc. Utkal Alumina) KT



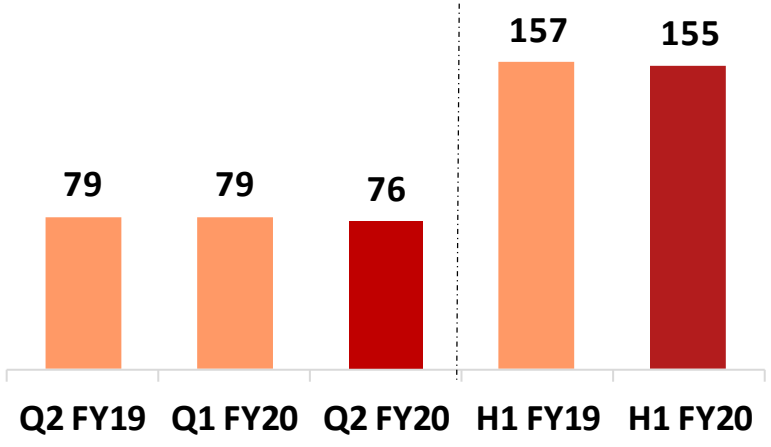
- Stable Alumina production

Aluminium Metal (KT)



- Aluminium metal production grew 1% YoY

Aluminium VAP# (KT)

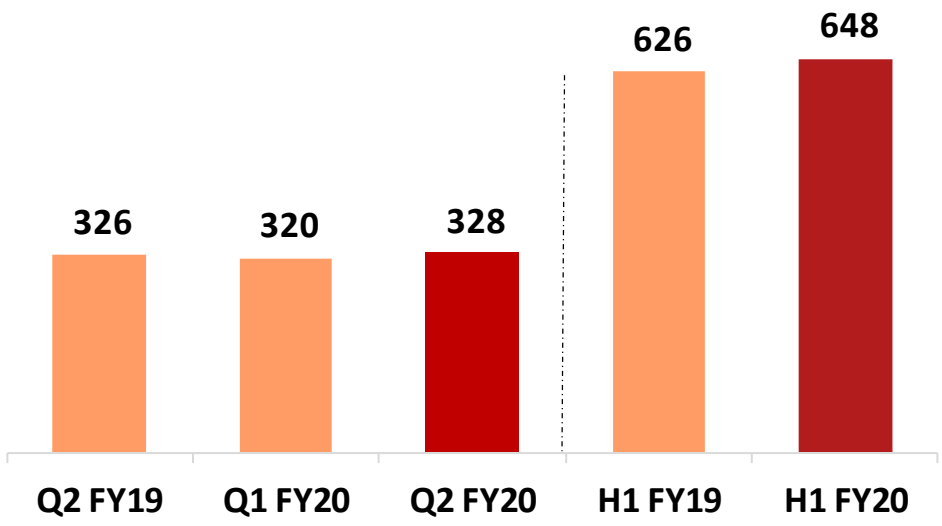


- Stable Aluminium VAP production

**Hydrate as Alumina*
 # Excluding Wire Rods

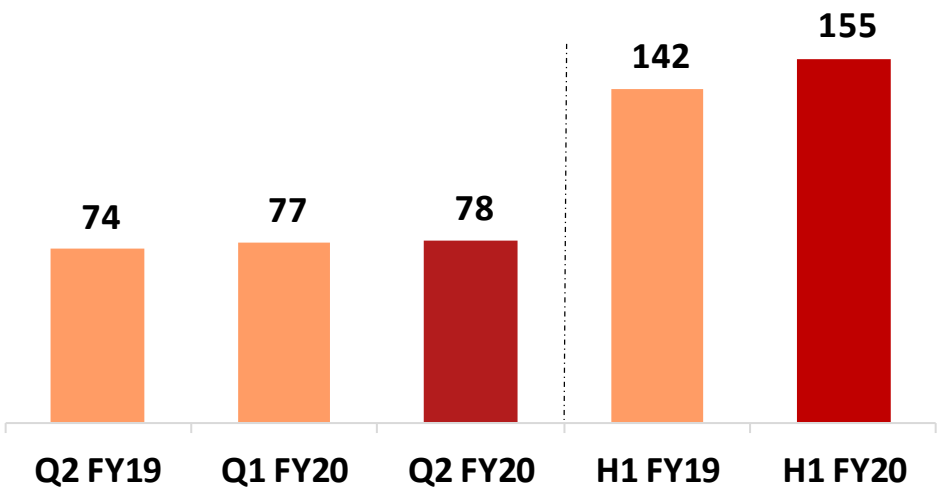
Sales Volume – Aluminium Metal & VAP

Aluminium Metal Sales in all forms (KT)



- Aluminium metal sales higher by 1% YoY in Q2 FY20 and 4% in H1 FY20

Aluminium VAP# (KT)

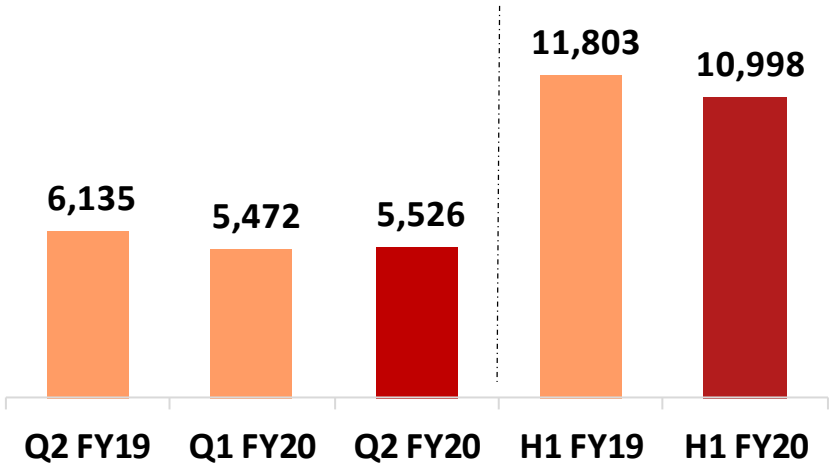


- Aluminium VAP sales grew 5% YoY in Q2 FY20 and 9% in H1 FY20
- Share of Aluminium VAP was 24% of total metal sales in both Q2 and H1 FY20

 # Excluding Wire Rods

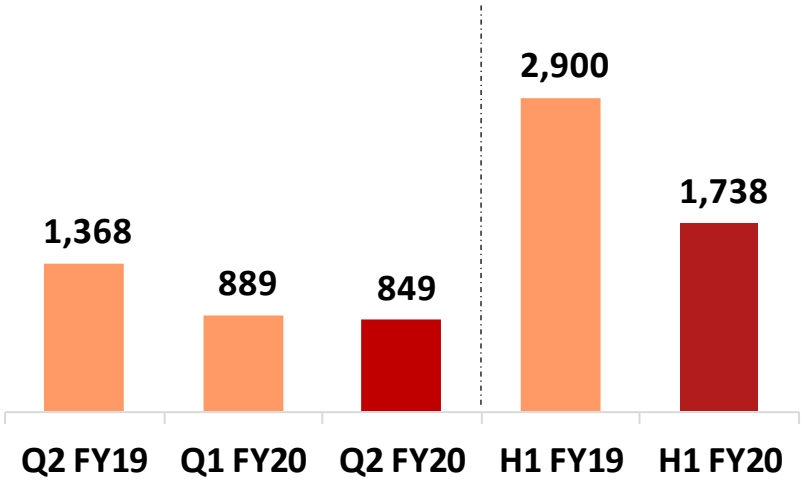
Financial Performance - Hindalco Aluminium including Utkal Alumina

Revenue (Rs. Crore)



- Aluminium revenues were down YoY in Q2 and H1 FY20, due to lower realisations

EBITDA (Rs. Crore)

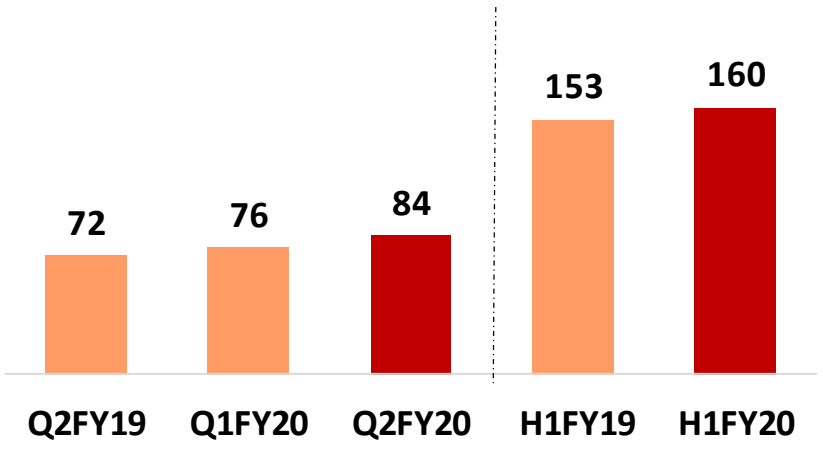


- EBITDA was down 38% YoY in Q2 FY20
- EBITDA margins at 15.4% in Q2 FY20

Copper Business

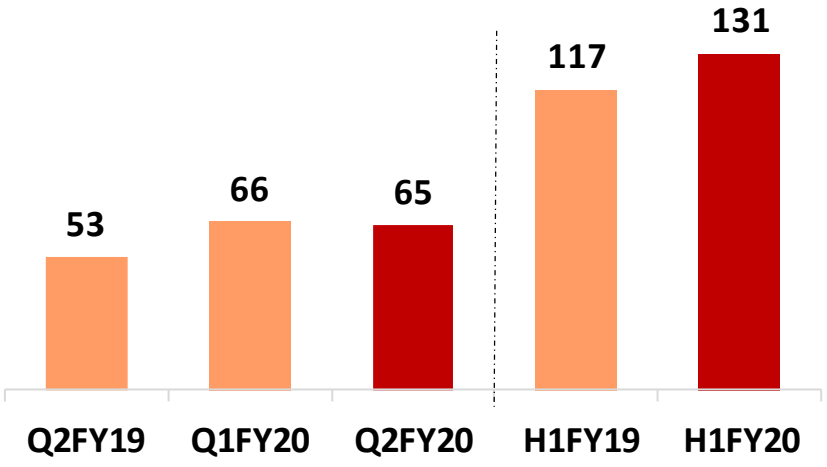
Production – Copper & VAP

Cathode (KT)



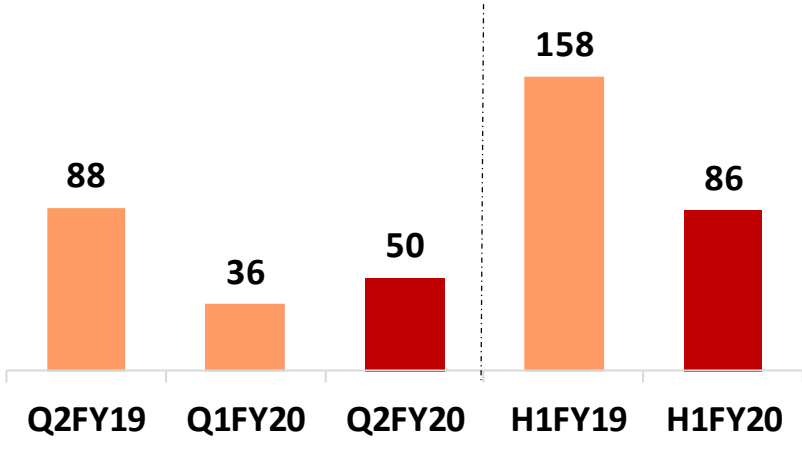
- Cathode production grew 17% YoY in Q2 FY20

CC Rod (KT)



- CC Rod production grew 24% in Q2 FY20 and 12% in H1 FY20, YoY

DAP (KT)

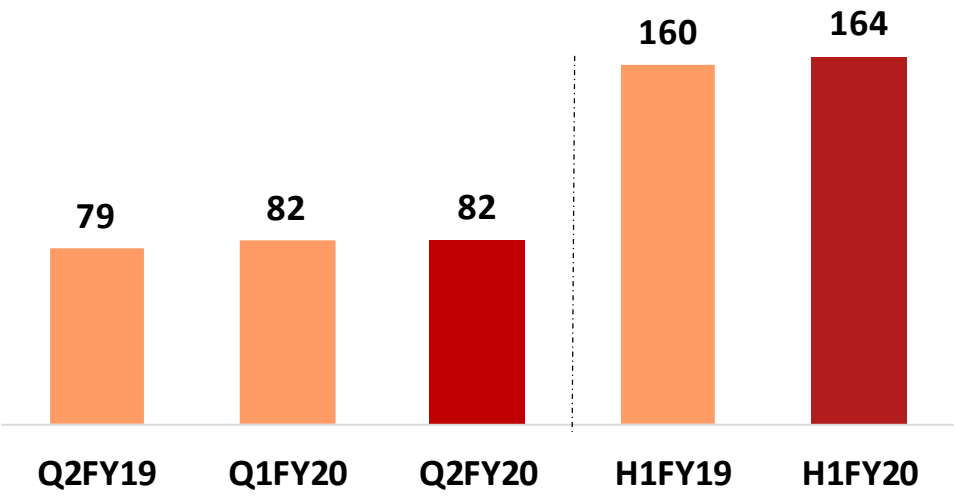


- DAP production was lower due to operational issues

Note : Q2 FY20 Production was impacted by heavy rains in Dahej, Gujarat in August 2019

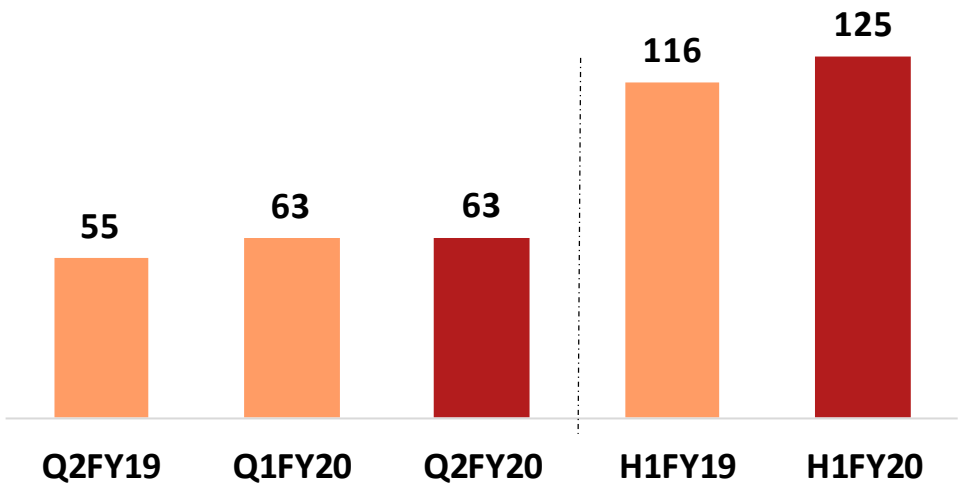
Sales Volume – Copper & VAP

Copper Metal Sales in All Forms (KT)



- Copper metal sales grew 5% and 3% YoY in Q2 and H1 FY20 respectively

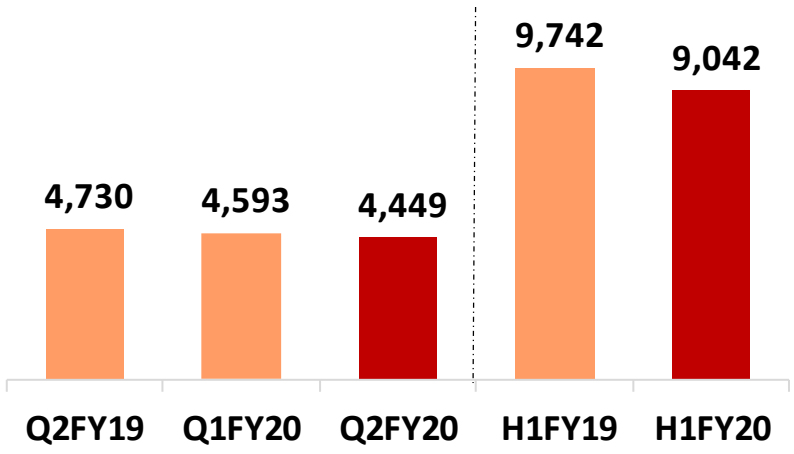
CC Rods (KT)



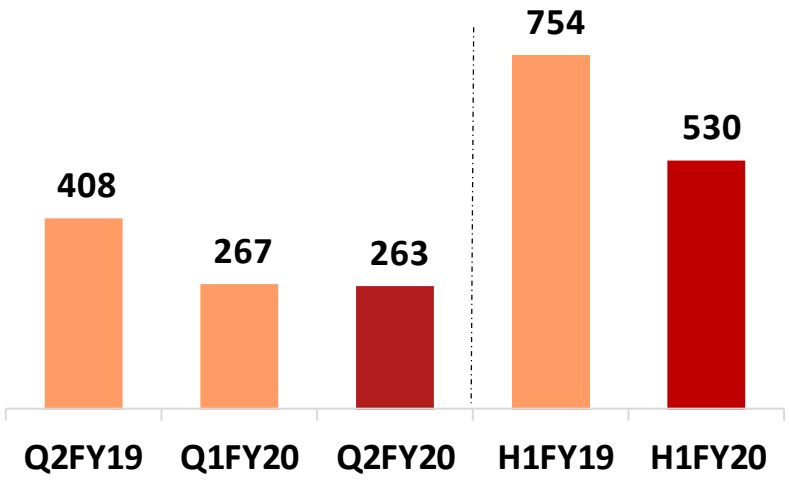
- Copper Continuous Cast Rods sales volumes were higher by 14% and 8% YoY in Q2 and H1 FY20 respectively.

Copper Business – Financial Performance

Revenue (Rs. Crore)



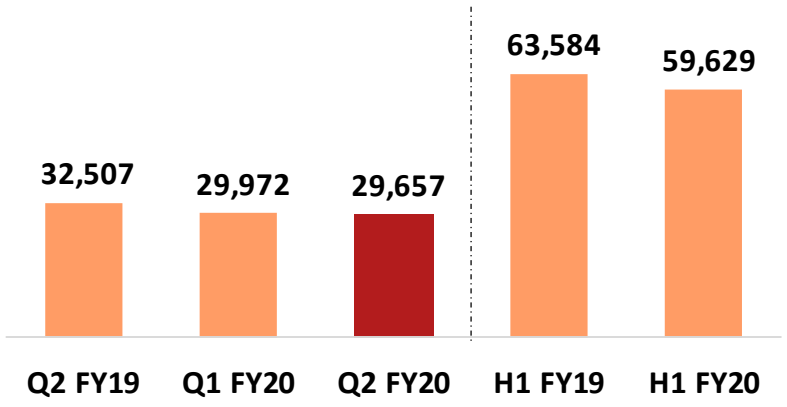
EBITDA (Rs. Crore)



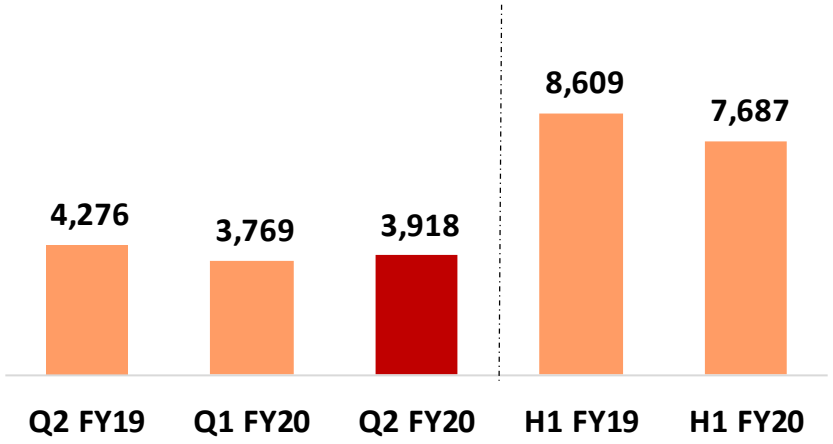
- Revenues were marginally lower YoY on account of lower by-product realisations
- EBITDA was down 36% YoY in Q2 FY20 due to lower by-product realisations

Financial Trend - Consolidated

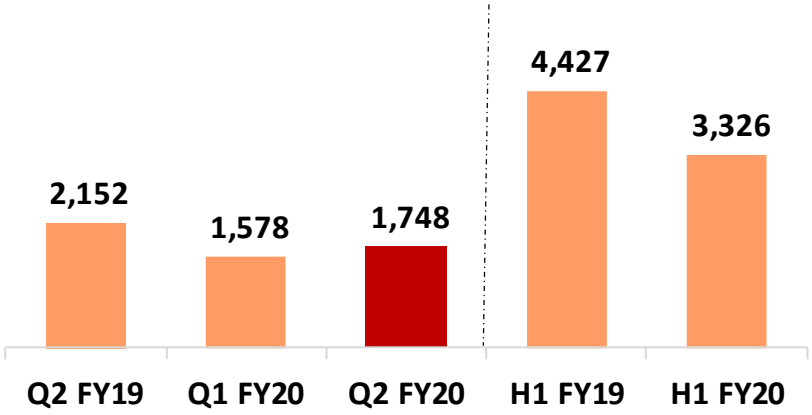
Revenue (Rs. Crore)



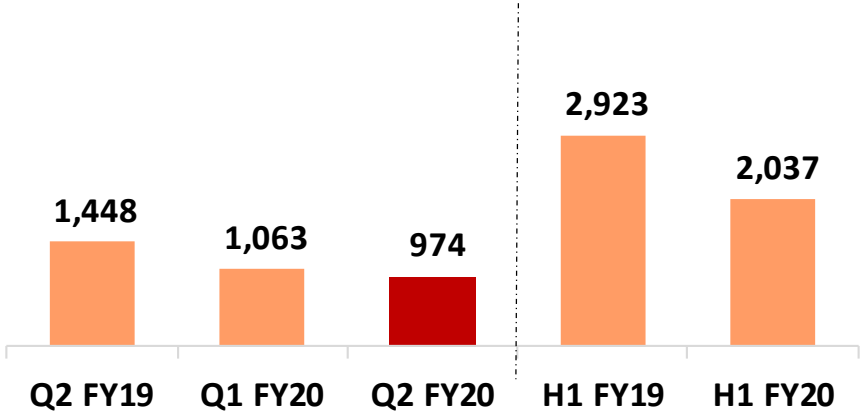
EBITDA (Rs. Crore)



PBT (Before Exceptional Items) (Rs. Crore)



Profit After Tax (Rs. Crore)



To Summarise

Sustainable Performance

- Sustained consolidated performance, despite global headwinds & uncertainties
- ~80% EBITDA (Rs. 3,918 Crore) of the total business is Non LME Linked in Q2 FY20
- Novelis' Continuous focus on improving operational efficiencies coupled with innovations, leading to operational excellence
- Inclusion of Hindalco in the DJSI index providing a strong path towards our commitment in delivering higher value

Growth Opportunities

- Novelis' organic expansion projects will enhance product portfolio, expand its recycling operations
- 500 Kt Utkal Alumina expansion will provide additional resource security
- India Downstream expansion leading to a more de-risked & sustainable business model
- Aleris acquisition by Novelis will lead to enhanced product mix

Outlook

- Global Inventories in Aluminium is gradually trending downwards
- Strong demand in beverage can sheet market with rising consumer demand for sustainable products in Beverage Packaging
- Transport and packaging domestic demand remains firm

Key Risks

- Weakening of global demand, led by China
- US-China Trade was escalation
- Rising imports of Aluminium & Copper into India
- Impact of Brexit

Thank You

Annexure

Financials – Hindalco Consolidated

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(Rs. Crore)

Particulars	Q2 FY19	Q1 FY20	Q2 FY20	YOY Change %	H1 FY19	H1 FY20	Change YoY %
Revenue from Operations	**32,507**	**29,972**	**29,657**	**-9%**	**63,584**	**59,629**	-6%
Earning Before Interest, Tax, Depreciation & Amortisation (EBITDA)							
*Novelis**	*2,485*	*2,587*	*2,629*	*6%*	*4,724*	*5,216*	10%
Aluminium (including Utkal)	*1,368*	*889*	*849*	*-38%*	*2,900*	*1,738*	-40%
Copper	*408*	*267*	*263*	*-36%*	*754*	*530*	-30%
All Other Segments	*(2)*	*(14)*	*5*		*(21)*	*(9)*	
Unallocable Income/ (Expense) - (Net) & GAAP Adjustments	*17*	*40*	*172*		*252*	*212*	
Total EBITDA	**4,276**	**3,769**	**3,918**	**-8%**	**8,609**	**7,687**	-11%
Finance Costs	962	957	922	4%	1,874	1,879	
PBDT	**3,314**	**2,812**	**2,996**	-10%	**6,735**	**5,808**	14%
Depreciation & Amortisation (including impairment)	1,162	1,235	1,249	-7%	2,309	2,484	-8%
Share in Profit/ (Loss) in Equity Accounted Investments (Net of Tax)	-	1	1		1	2	
PBT before Exceptional Items and Tax	**2,152**	**1,578**	**1,748**	-19%	**4,427**	**3,326**	-25%
Exceptional Income/ (Expenses) (Net)	-	(22)	(256)		-	(278)	
Profit Before Tax (After Exceptional Item)	**2,152**	**1,556**	**1,492**	-31%	**4,427**	**3,048**	-31%
Profit/ (Loss) After Tax	**1,448**	**1,063**	**974**	**-33%**	**2,923**	**2,037**	-30%

**As per US GAAP*

Financials – Hindalco Standalone including Utkal Alumina

(Rs. Crore)

Particulars	Q2 FY19	Q1 FY20	Q2 FY20	YOY Change %	H1 FY19	H1 FY20	YOY Change %
Revenue from Operations	**10,843**	**10,055**	**9,966**	**-8%**	**21,509**	**20,020**	-7%
Earning Before Interest, Tax, Depreciation & Amortisation (EBITDA)							
Aluminium (including Utkal)	*1,368*	*889*	*849*	***-38%***	2,900	1,738	-40%
Copper	*395*	*253*	*246*	***-38%***	730	499	-32%
Unallocable Income/ (Expense) (Net)	*162*	*133*	*156*		245	289	
Total EBITDA	**1,925**	**1,275**	**1,251**	**-35%**	**3,875**	**2,526**	-35%
Finance Costs	479	493	478		943	972	-3%
PBDT	**1,446**	**781**	**773**	-47%	**2,932**	**1,555**	-47%
Depreciation	475	494	496	-4%	955	990	-4%
PBT before Exceptional Items and Tax	**970**	**287**	**277**	-71%	**1,977**	**565**	-71%
Exceptional Income/ (Expenses) (Net)	-	(22)	(31)		-	**(53)**	
Profit Before Tax (After Exceptional Item)	**970**	**266**	**247**	-75%	**1,977**	**512**	-74%
Profit/ (Loss) After Tax	**726**	**167**	**167**	**-77%**	**1,461**	**334**	-77%

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