ADITYA BIRLA

HINDALCO

AM/STOX-GN/76 **9th August, 2019**

BSE_Limited PhirozeJeejeebhoy Towers, 25th Floor Dalal Street, **MUMBAI 400 001** (Stock Code –500440).	**The National Stock Exchange of India Ltd** Exchange Plaza Bandra-Kurla Complex Bandra East **Mumbai- 400051**
BanqueInternationale A Luxembourg SocieteAnonyme 69, Route Esch L-2953 Luxembourg **Fax No. 00352 4590 2010** **Tel. 00 352 4590-1**	

Dear Sir,

Sub: Q1 FY 20-Investor Presentation

Please find enclosed herewith The Investor Presentation for the Quarter ended 30th June, 2019.

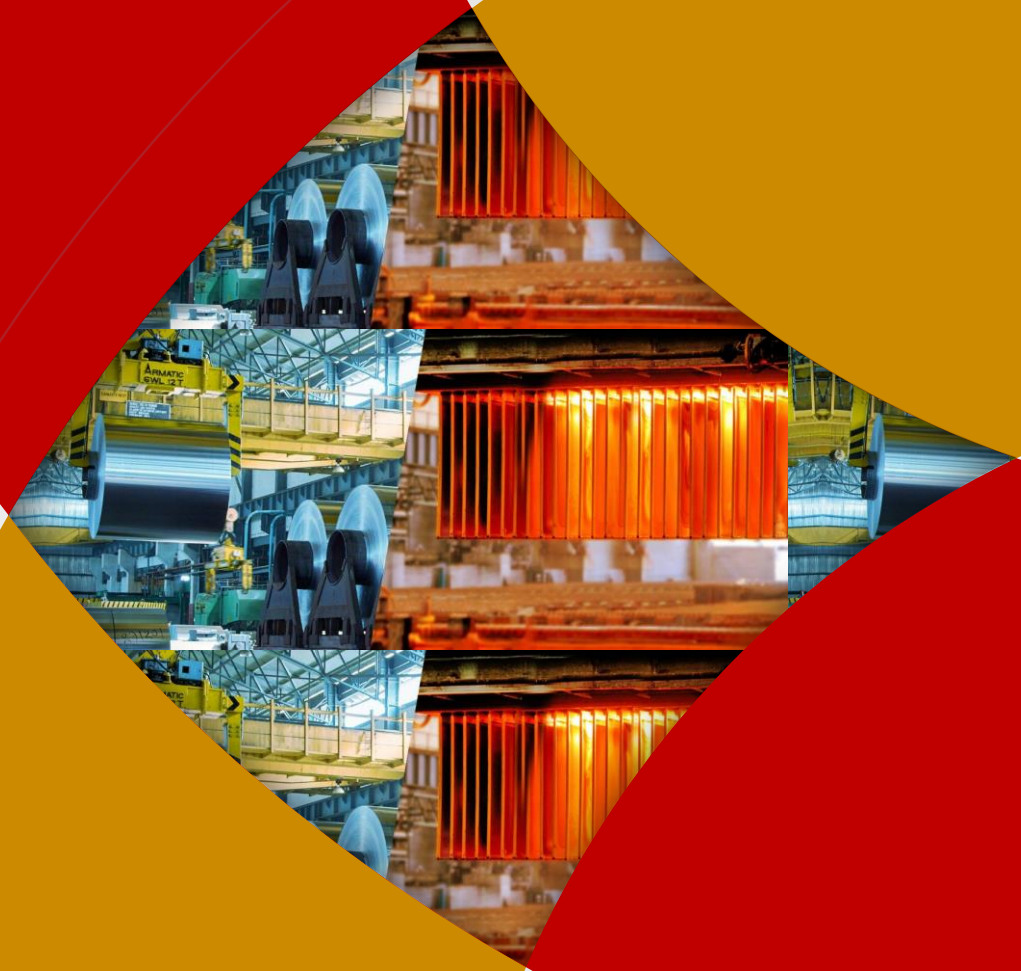
Thanking you,

Yours faithfully,
For Hindalco Industries Ltd

Anil Malik
President &
Company Secretary

Encl: as above

Hindalco Industries Limited



Q1 FY20 Earnings Presentation

09th August, 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.

Table of Content

Key Highlights – Q1 FY20	04
Economy & Industry Updates – Global & Domestic	07
Business Performance Highlights : Operational & Financial – Q1 FY20	12
Appendix	27

- Novelis
- Aluminium (India)
- Copper

Key Highlights – Q1 FY20

Key Highlights : Q1 FY20 vs. Q1 FY19

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Novelis*

- Record Adjusted EBITDA at US$ 372 million, up 11% YoY
- Record Adjusted EBITDA per ton of US $448, up 7% YoY
- Record Net Income (excluding special items#) at US$ 145 million (vs US$ 115 million in Q1 FY19) up 26% YoY
- Total shipments stood at 830 Kt, up 4% YoY
- Aleris acquisition regulatory approvals in progress; transaction is expected to close in Q3 FY20.

Aluminium (Hindalco Plus Utkal Alumina)

- Domestic market for Aluminium has grown at 7% on YoY basis
- Stable operations with Alumina and Aluminium metal production at 686 Kt and 326 Kt respectively
- Aluminium Metal Sales was up by 7% at 320 Kt (vs. 300 Kt in Q1 FY19)
- Global Aluminium prices dropped by ~21%, YoY to $ 1,793/ton
- EBITDA at Rs. 889 crore (vs Rs. 1,532 crore in Q1 FY19), due to lower realization
- EBITDA margin at 16%, one of the best amongst the global peers
- Aluminium VAP (excluding wire rods) production at 79 Kt (vs. 78 kt in Q1 FY19).
- Impact of Muri Alumina refinery closure is partially offset by higher volumes at Utkal Alumina

** All the numbers are as per 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 : Q1 FY20 vs. Q1 FY19 ..Contd.

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Copper

- Domestic Copper market grew 9% YoY
- Highest ever quarterly VAP production (CC Rod) at 66 Kt, up 2% (vs. 65 Kt in Q1 FY19)
- VAP Sales (CC Rods) were up by 3% at 63kt (vs. 61 Kt in Q1 FY19)
- Smooth ramp-up of smelter-3 post planned maintenance shutdown
- EBITDA at Rs. 267 crore (vs Rs. 347 crore in Q1 FY19), due to lower volumes and realizations

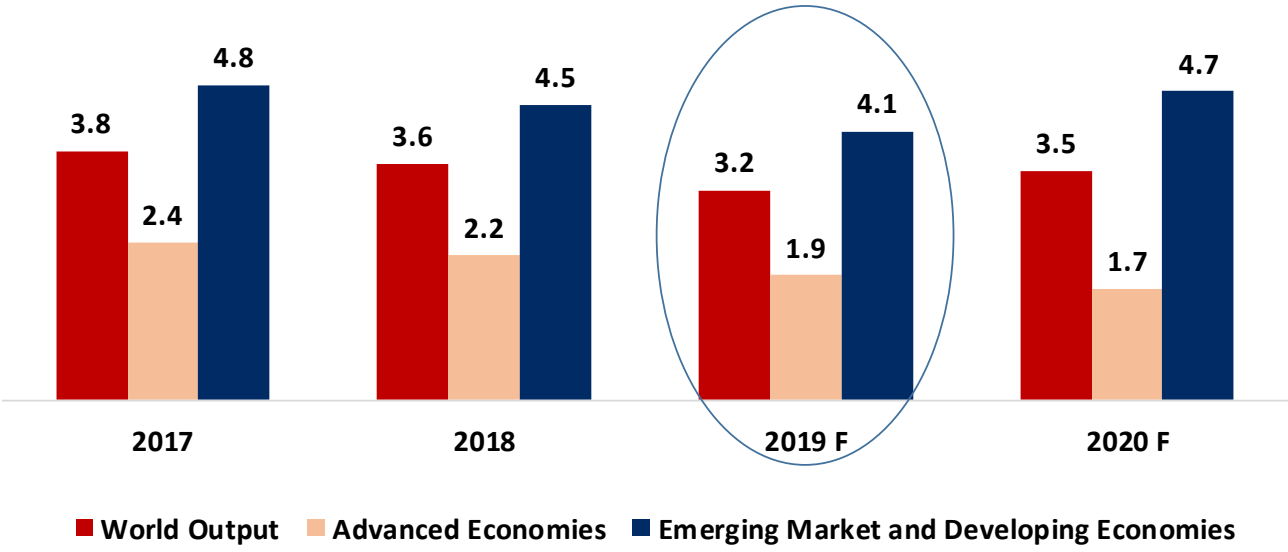
Hindalco (Consolidated)

- Consolidated EBITDA at Rs. 3,769 crore (vs 4,334 crore in Q1 FY19)
- Consolidated PBT (Before Exceptional Items) at Rs. 1,578 crore (vs. Rs. 2,275 crore in Q1 FY19)
- Consolidated PAT at Rs. 1,063 crore, (vs. Rs. 1,475 crore in Q1 FY19)
- Long term loans remained unchanged from FY19 end
- Consolidated Net Debt to EBITDA at 2.69x (vs. 2.48x as at March 31, 2019)

Economy & Industry : Global & Domestic

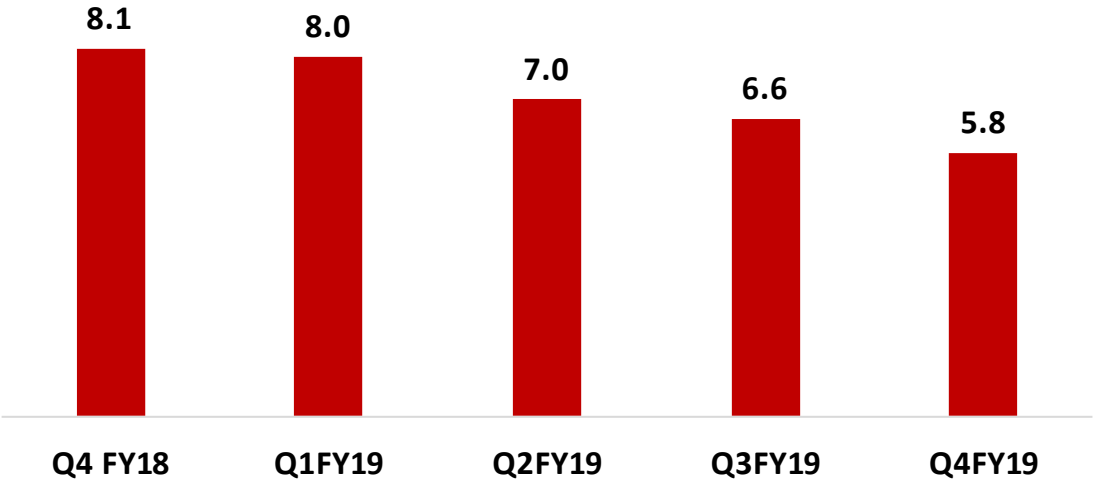
Economy Updates

Global Economic Activities Expected to Remain Sluggish in 2019



- Major markets reported sluggish growth in Q2 CY19
- Trade War between the US and China and the prospect of no-deal Brexit impacting global growth
- Global economic growth is likely to moderate from 3.6% in CY18 to 3.2% in CY19.

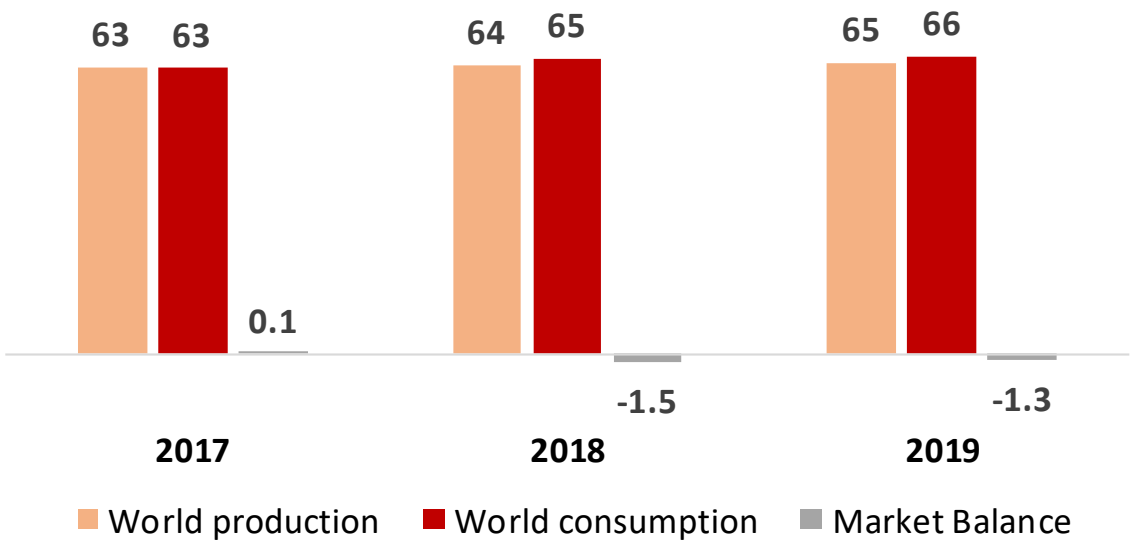
India GDP Growth Witnessed Moderation



- GDP growth in Q4 FY19 moderated due to subdued consumption and investment demand
- Index of industrial production recorded a growth of 3.7% in Apr-May 2019 vs. 4.1% in Apr-May 2018. Manufacturing PMI in July @ 52.5, show expansion in the sector
- RBI reduced the key policy rate by 35 bps to 5.40%, 3rd rate cut in a row.
- Projected GDP growth by RBI for FY20 is 6.9% (posing down-side risk) marginally lower from the earlier prediction of 7%

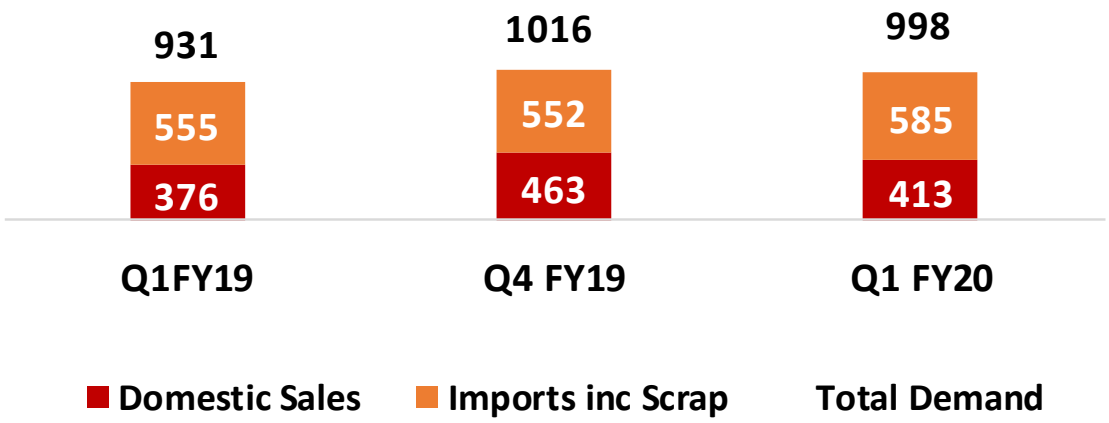
Aluminium Industry

Global Demand & Supply Balance (Mt)



- The US-China trade tensions continue to impact commodity market
- Subdued global economic and industrial activities resulted in low demand growth.
- China domestic demand expected to pick up with economic stimulus introduced
- The market deficit is likely to be around 1.2 Mt to 1.5 Mt in 2019 but LME expected to remain depressed due negative market sentiments in the short term.

Domestic Demand (Kt)



- Domestic demand grew by 7% YoY in Q1 FY20. However, consumption growth moderated in certain user industries due to tight liquidity conditions.
- Domestic market share of imports (including scrap) at around 60% which grew 5%
- Scrap imports grew at 8% YoY.

FRP Industry

- **In CY19, the Global FRP demand continued to grow at a steady pace of around 3%**

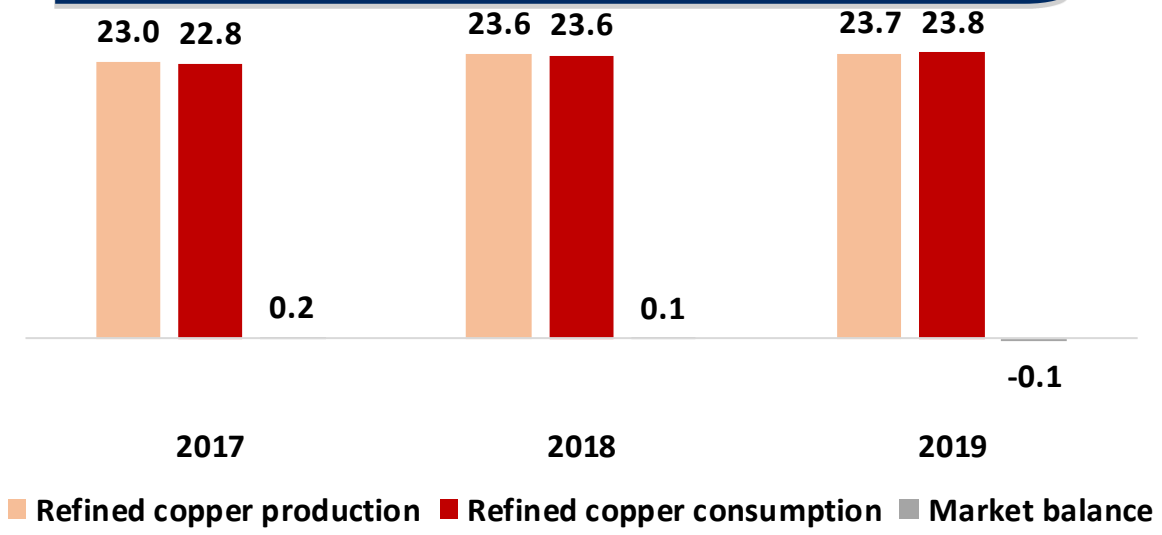
- In CY19, Global Can Stock market has started to show growth with demand from continuous shift from glass to the Cans, new can sizes, new end-use segments like energy drinks, sparkling water & crafted beer in aluminium packaging. This has resulted in a **strong mid to long term growth of 3% in the beverage can market**

- Global adoption of strong, lightweight, formable aluminium in vehicle parts and structures, has led to continuous growth in the Automotive Body Sheet demand. This is expected to grow at a **CAGR of 12% (between CY18-CY25E)**

- **Domestic FRP demand** is currently growing at steady pace of **4% YoY in Q1 FY20,** primarily driven by construction and packaging segments. This is expected to grow at a **CAGR of ~7% (between CY18-CY22E)** .

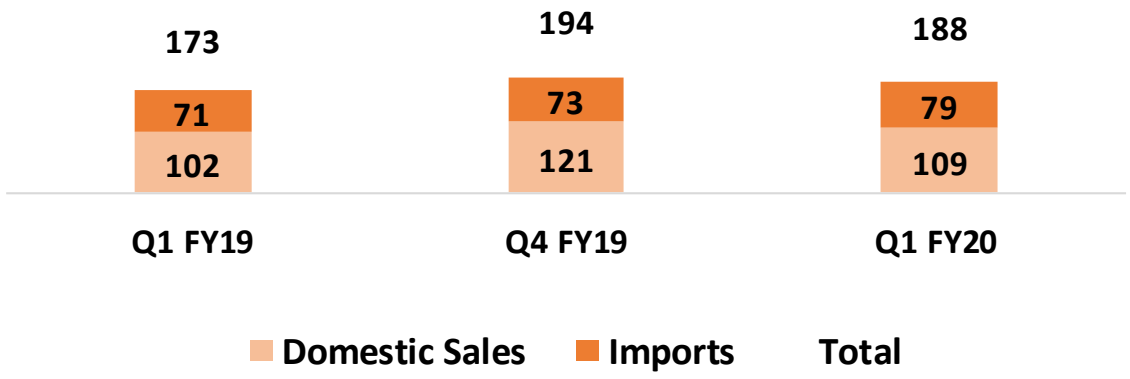
Copper Industry

Global Demand & Supply Balance (in Mt)



- Global copper demand weaker than expected in H1 CY19.
- Smelters profitability under pressure due to moderation in TC/RC and sulphuric acid prices.
  - Copper concentrate market is expected to be in a marginal deficit of around 100 Kt in 2019.
  - New smelter capacity of ~ 1.3 Mt has came-up in China in H1 CY19

Strong Domestic Demand (Kt)



- Copper consumption increased by around 9% YoY, driven by electrical sector (power, cables and transformer)
  - Imports constituted 42% of domestic market share which grew is around 11% YoY.

Key Macro Drivers (Q1 FY20 vs Q1 FY19)

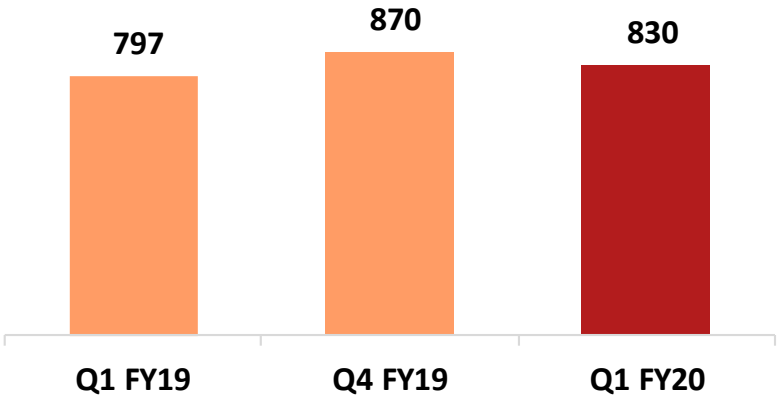
TC/RC (USDc/lb) ↓	S. Acid Price (Rs./MT) ↓	DAP Realization (Rs./MT) ↑

Business Performance Highlights : Q1 FY20

Novelis

Operational Performance - Novelis

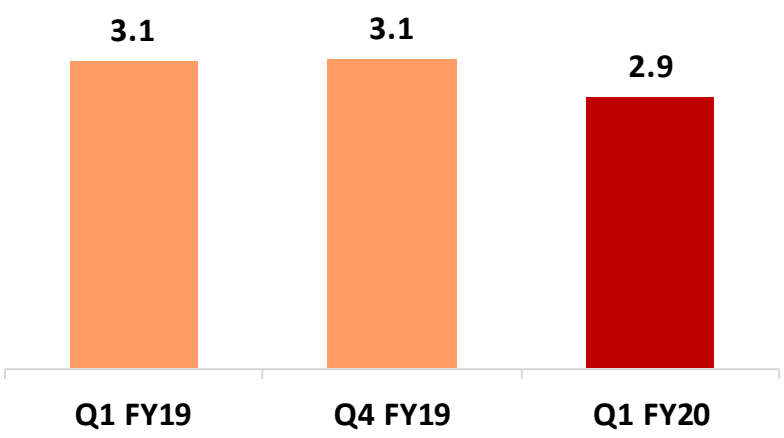
Overall Shipments (KT)



- Strong operating performance with favorable market conditions driving financial growth
- Global demand for Aluminium Flat Rolled Product (FRP) was strong with overall shipments up 4% YoY :
- Organic Expansion projects in US, China and Brazil are progressing on time and budget :
  - 200 Kt greenfield automotive finishing lines in the U.S. to begin customer qualification in late FY20
  - 100 Kt automotive finishing expansion in China commissioning in FY21
  - 100 Kt rolling and 60 Kt recycling expansion in Brazil commissioning in FY21
- Aleris acquisition regulatory approvals in progress; transaction is expected to close in Q3 FY20.

Financial Performance - Novelis

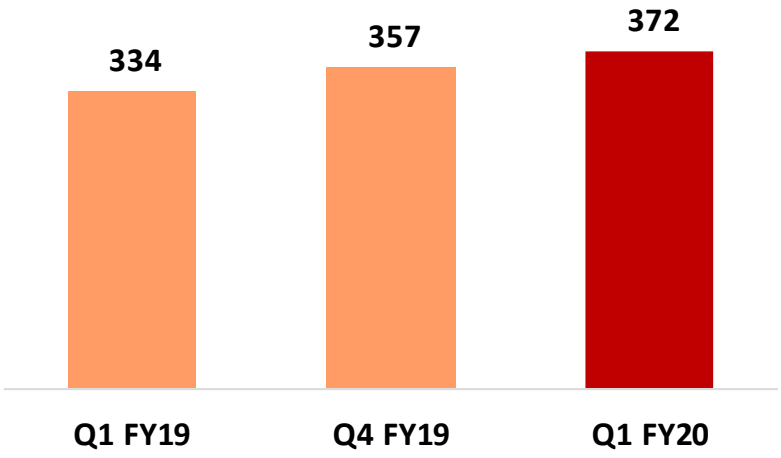
Revenue (USD Billion)



- Revenues at US$ 2.9 billion, down 6%, on account of decrease in average base aluminium prices, partially offset by higher total shipments and favorable product price and mix.

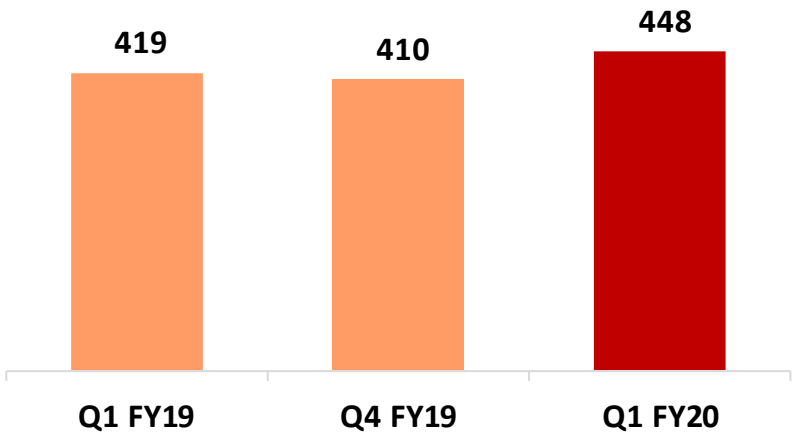
Note: All above numbers are as per the US GAAP

Adjusted EBITDA (USD Million)



- Record quarterly adjusted EBITDA up by 11% at US$ 372 million on account of higher shipments in both Beverage Cans and Automotive body sheets, favorable price and product mix, partially offset by less favorable recycling benefits due to lower aluminium prices

Adjusted EBITDA (USD/tonne)



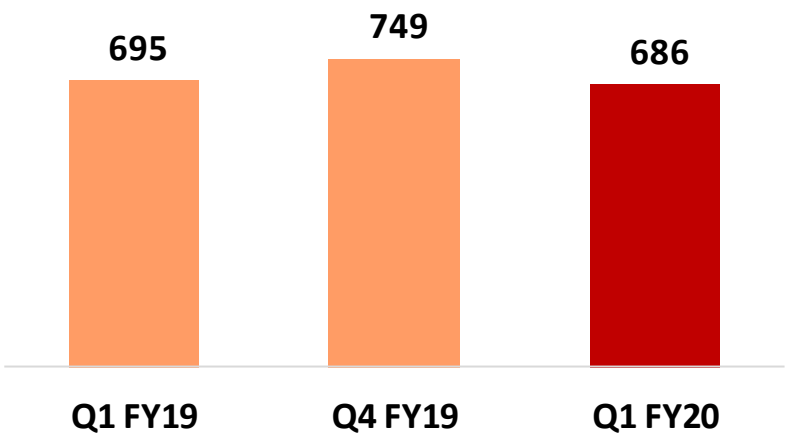
- Record Adjusted EBITDA per ton up by 7% at US$ 448 in Q1 FY20.

Aluminium Business

(Hindalco Aluminium including Utkal)

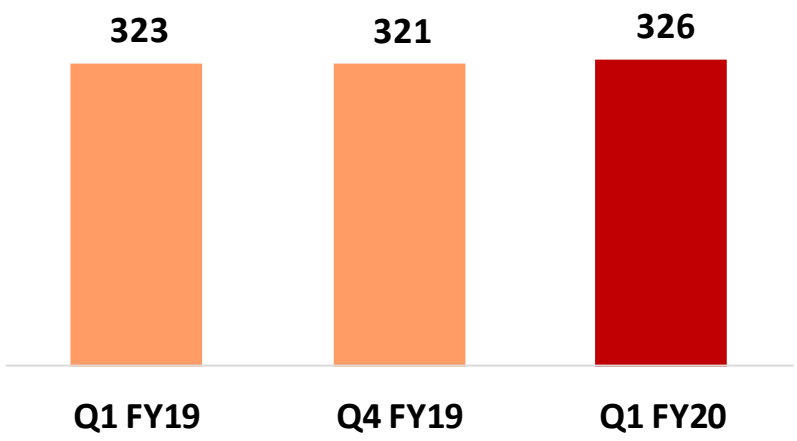
Production – Alumina, Aluminium Metal & VAP

Alumina* (Inc. Utkal Alumina) KT



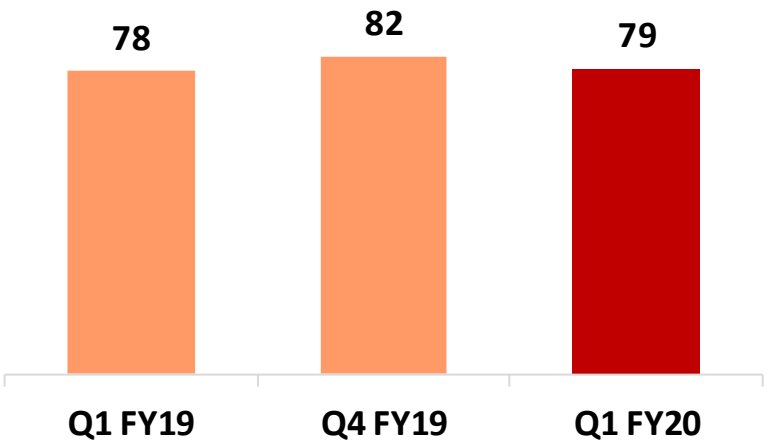
- Impact of Muri plant closure partially mitigated by higher production at Utkal Alumina

Aluminium Metal (KT)



- Stable aluminium metal production

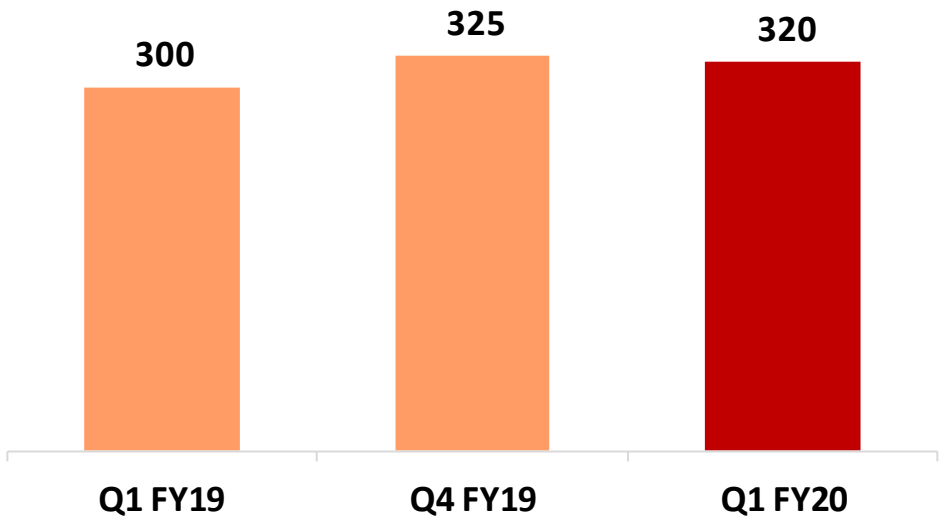
Aluminium VAP# (KT)



**Hydrate as Alumina*
 # Excluding Wire Rods

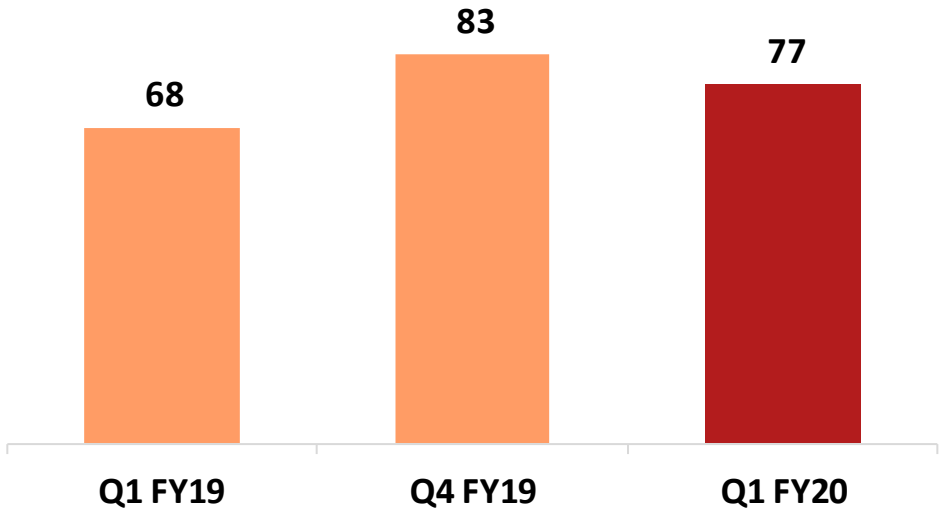
Sales Volume – Aluminium Metal & VAP

Aluminium Metal Sales in all forms (KT)



- Aluminium Metal Sales higher by 7% YoY

Aluminium VAP# (KT)

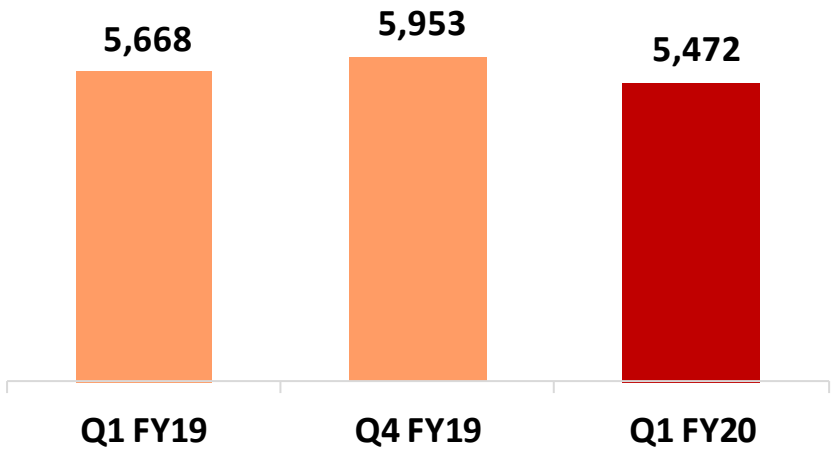


- Aluminium VAP shipments has grown 13% YoY
- Aluminium VAP was 24% of total metal sales (Vs 23% in Q1 FY19)

 # Excluding Wire Rods

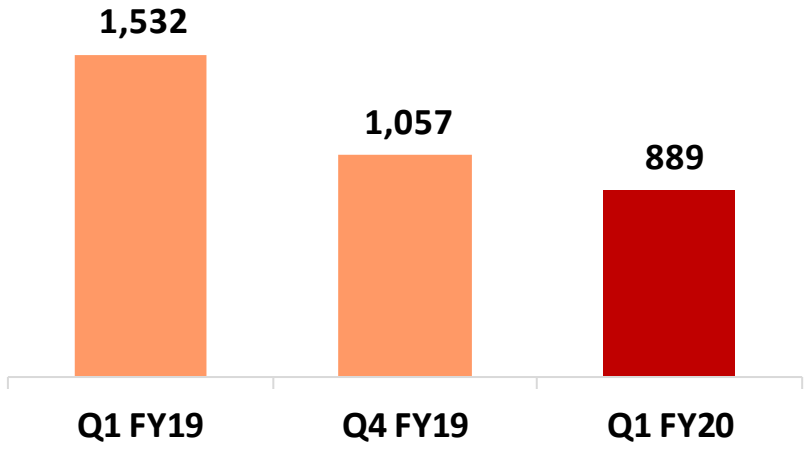
Financial Performance - Hindalco Aluminium including Utkal Alumina

Revenue (Rs. Crore)



- Aluminium revenue down due to lower realisations

EBITDA (Rs. Crore)

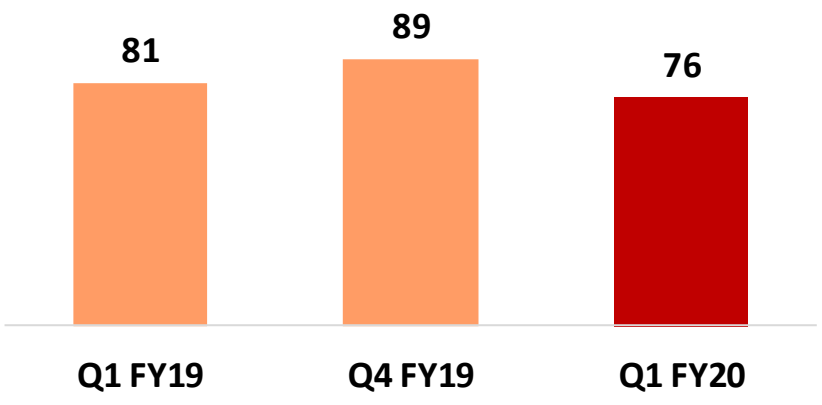


- EBITDA margins at 16%, one of the best amongst global peers

Copper Business

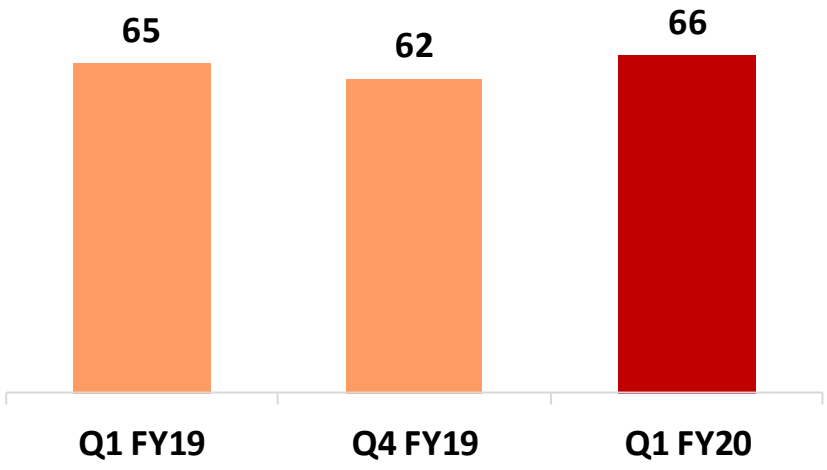
Production – Copper & VAP

Cathode (KT)



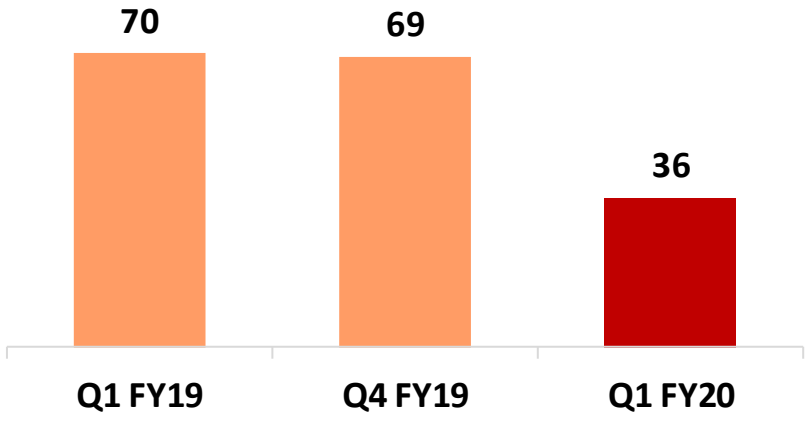
- Cathode production impacted due to the planned maintenance shutdown in Q1 FY20

CC Rod (KT)



- Highest ever CC Rod production in Q1 FY20.

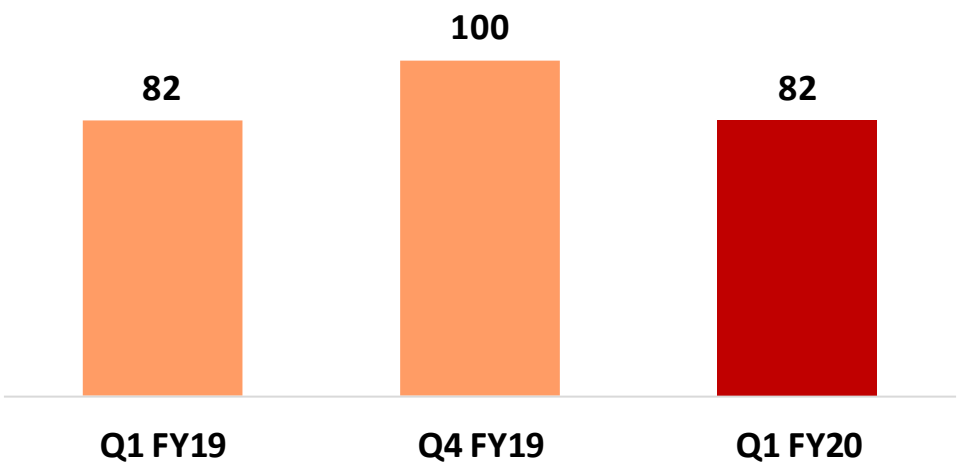
DAP (KT)



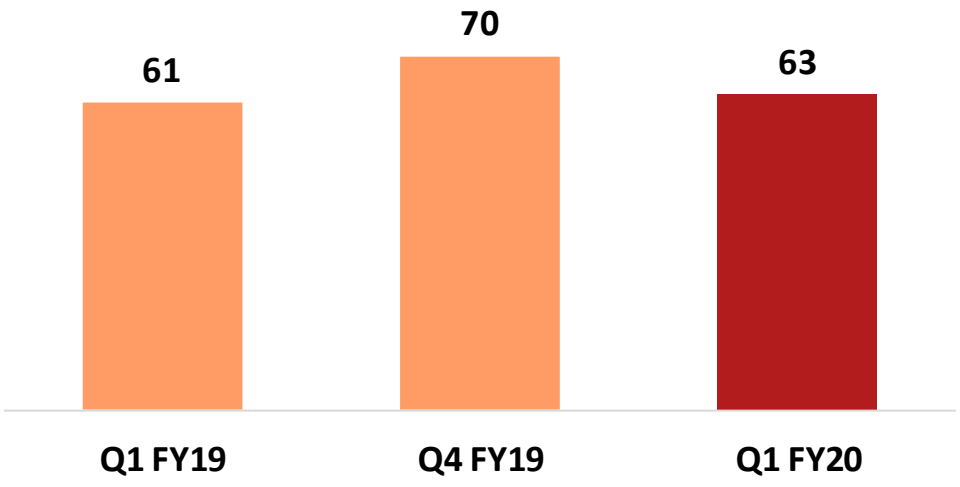
- DAP production down due to planned maintenance shutdown and operational issues

Sales Volume – Copper & VAP

Copper Metal Sales in All Forms (KT)



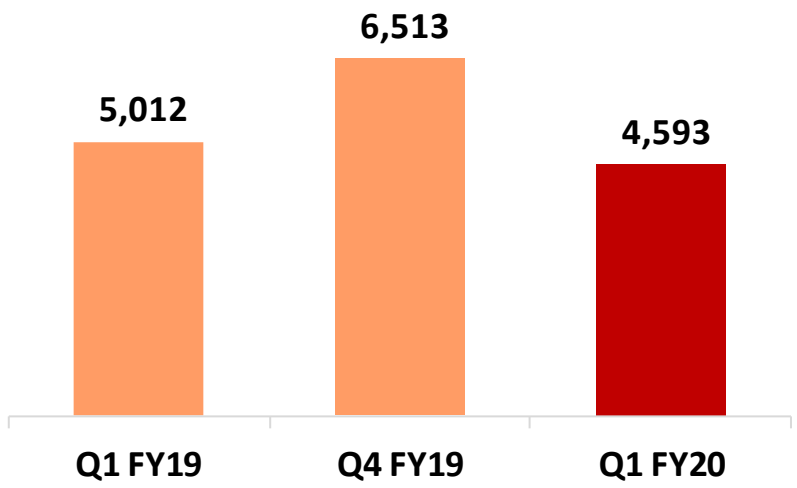
CC Rods (KT)



- Copper Continuous Cast Rods sales volumes were higher by 3% YoY

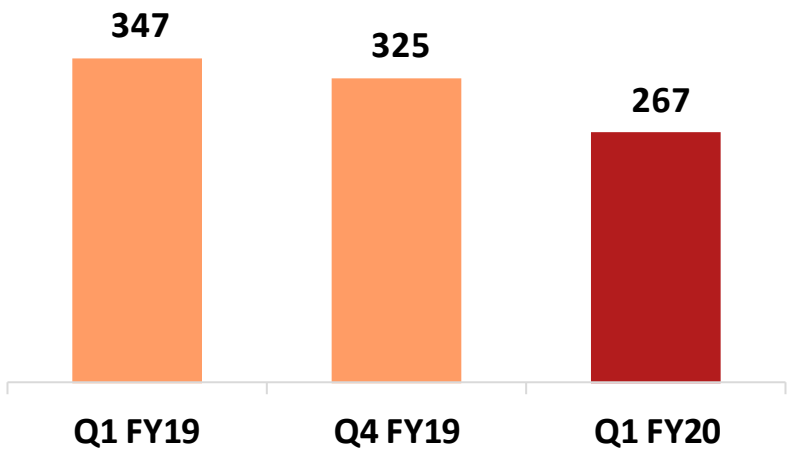
Copper Business – Financial Performance

Revenue (Rs. Crore)



- Revenues were marginally lower YoY on account of lower realizations and impact of planned maintenance shutdown

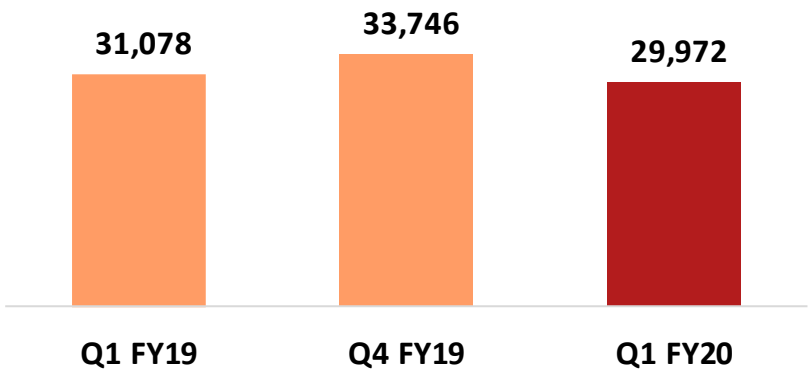
EBITDA (Rs. Crore)



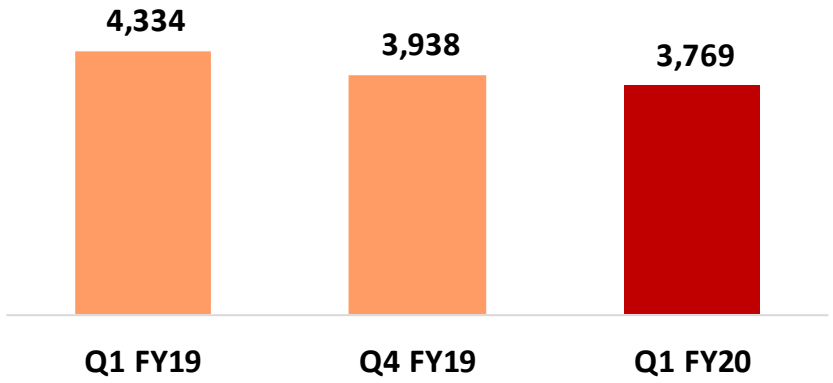
- EBITDA was down YoY due to lower by-product volumes and realizations in Q1 FY20

Quarterly Financial Trend - Consolidated

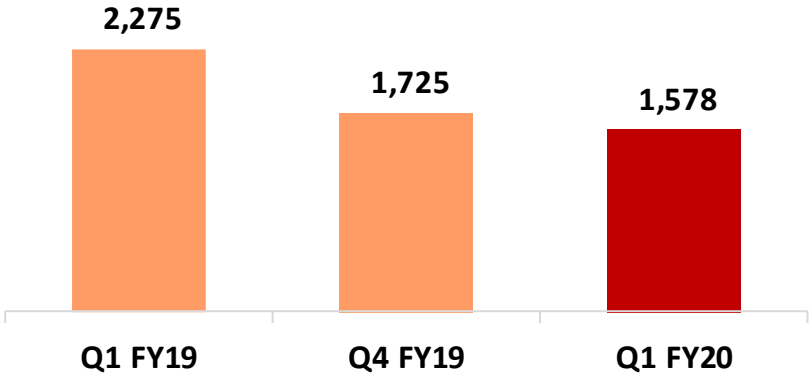
Revenue (Rs. Crore)



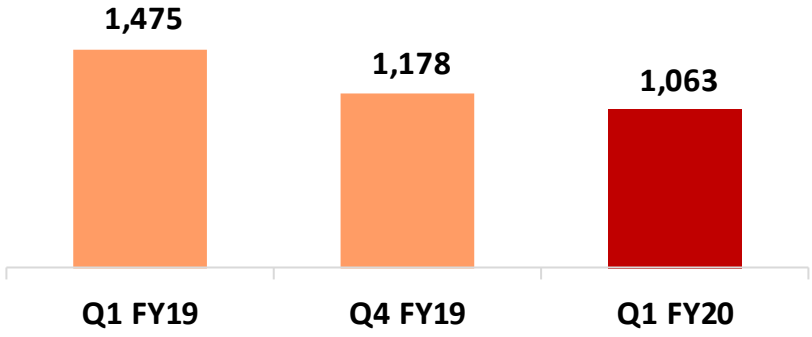
EBITDA (Rs. Crore)



PBT (Before Exceptional Items) (Rs. Crore)



Profit After Tax (Rs. Crore)



To Summarise

Balanced Product Portfolio (LME v/s Non LME linked)

- 79% EBITDA (Rs. 2,995 crore) of the total business is non-LME linked in Q1 FY20

Strong Balance Sheet

- Consolidated Net Debt to EBITDA at 2.69x as on 30th June 19
- Deleveraging providing strength to the Balance Sheet

A Sustainable Business Model

Resource Security

- **Fully integrated** aluminium business model is providing support in low commodity cycles
- **Long term supply contracts** with miners assures uninterrupted supply of copper concentrate

Operations

- Steady operational performance in India
- Novelis' continued focus on optimizing manufacturing operations and product mix to maximize its capacity in favorable market conditions

Thank You

Appendix

Quarterly Financials – Hindalco Consolidated

(Rs. Crore)

Particulars	Q1 FY19	Q4 FY19	Q1 FY20	YOY Change %
Revenue from Operations	**31,078**	**33,746**	**29,972**	**-4%**
Earning Before Interest, Tax, Depreciation & Amortisation (EBITDA)				
Aluminium (including Utkal)	*1,532*	*1,057*	*889*	*-42%*
Copper	*347*	*325*	*267*	*-23%*
*Novelis**	*2,416*	*2,228*	*2,538*	*5%*
All Other Segments	*(19)*	*(34)*	*(14)*	*29%*
Unallocable Income/ (Expense) (Net)	*58*	*361*	*88*	*52%*
Total EBITDA	**4,334**	**3,938**	**3,769**	**-13%**
Finance Costs	913	975	957	-5%
PBDT	**3,421**	**2,962**	**2,812**	-18%
Depreciation (including impairment)	1,147	1,236	1,235	-8%
PBT before Exceptional Items and Tax	**2,274**	**1,726**	**1,577**	-31%
Share in Profit/ (Loss) in Equity Accounted Investments (Net of Tax)	1	(1)	1	
Exceptional Income/ (Expenses) (Net)	-	-	(22)	
Profit Before Tax (After Exceptional Item)	**2,275**	**1,725**	**1,556**	-32%
Profit/ (Loss) After Tax	**1,475**	**1,178**	**1,063**	**-28%**

**As per Ind-AS*

Financial Key Figures – Hindalco Standalone including Utkal Alumina

(Rs. Crore)

Particulars	Q1 FY19	Q4 FY19	Q1 FY20	YOY Change %
Revenue from Operations	**10,667**	**12,455**	**10,055**	**-6%**
Earning Before Interest, Tax, Depreciation & Amortisation (EBITDA)				
Aluminium (including Utkal)	*1,532*	*1,057*	*889*	***-42%***
Copper	*335*	*315*	*253*	***-24%***
Unallocable Income/ (Expense) (Net)	*83*	*361*	*133*	*60%*
Total EBITDA	**1,951**	**1,733**	**1,275**	**-35%**
Finance Costs	464	458	493	-6%
PBDT	**1,486**	**1,275**	**781**	-47%
Depreciation	480	535	494	-3%
PBT before Exceptional Items and Tax	**1,007**	**740**	**287**	-71%
Exceptional Income/ (Expenses) (Net)	-	-	(22)	
Profit Before Tax (After Exceptional Item)	**1,007**	**740**	**266**	-74%
Profit/ (Loss) After Tax	**734**	**506**	**167**	**-77%**

For Futher Queries Please Contact :
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Investor Relations
Telephone- +91 22 6662 6666
E mail: hilinvestors@adityabirla.com
Website: www.hindalco.com

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