



HINDALCO INDUSTRIES LIMITED

Regd. Off.: "Century Bhavan", 3rd Floor, Dr. Annie Besant Road, Worli, Mumbai-400 025

UNAUDITED FINANCIAL RESULTS (PROVISIONAL)
FOR THE QUARTER ENDED 30TH SEPTEMBER, 2000

(Rupees in Million)

	Quarter ended 30/09/2000	Quarter ended 30/09/1999	Half Year ended 30/09/2000	Half Year ended 30/09/1999	Previous Accounting Year ended 31/03/2000 (Audited)
1 Net Sales	5,508	5,157	11,160	9,941	20,312
2 Other Income	329	331	636	628	1,387
3 Total Expenditure	2,861	2,786	5,818	5,434	10,911
a). (Increase)/Decrease in Stock in Trade	(77)	86	(17)	171	(40)
b). Consumption of Raw Materials	1,050	1,002	2,136	1,972	3,889
c). Staff Cost	371	382	736	691	1,408
d). Manufacturing Expenses	1,163	986	2,276	1,981	4,333
e). Other Expenditure	354	330	687	619	1,321
4 Interest	168	149	329	321	597
5 Gross Profit	2,808	2,553	5,649	4,814	10,191
6 Depreciation	354	335	707	667	1,354
7 Profit before Tax & Extraordinary Item	2,454	2,218	4,942	4,147	8,837
8 Provision for Taxation	700	605	1,430	1,155	2,485
9 Profit after Tax & before Extraordinary Item	1,754	1,613	3,512	2,992	6,352
10 Greenfield Project Expenses	-	-	-	-	228
11 Net Profit	1,754	1,613	3,512	2,992	6,124
12 Paid-up Equity Share Capital (Face Value : Rs.10/- per Share)	745	745	745	745	745
13 Reserves (excluding revaluation reserve)					37,247
14 Earnings per Share for the period & the previous Year (Rs)	24	21	47	40	82
15 Metal Production (MT)	62,222	62,652	124,057	123,790	248,930

Notes:

- 1 The above results have been taken on record in the meeting of the Board of Directors of the Company held on Monday, 30th October, 2000.
- 2 The half yearly results for the period ended 30th September, 2000 have been reviewed by the Auditors.

By and on behalf of the Board

Place: Mumbai

Dated: 30th October, 2000

A.K. Agarwala
Whole-time Director

Performance Update

For the half year ended 30th September-2000

Dear Shareholders,

Season's greetings and best wishes for a happy and prosperous new year.

It gives me great pleasure to share the performance of your Company during the first half of fiscal 2000-01 (H1FY01). Your Company has recorded an excellent performance, both strategically and operationally.

Net sales revenues have increased 12% year-on-year (YoY) to Rs.11.2 billion in H1FY01 from Rs.9.9 billion in the corresponding period last year. Operating profits have soared from Rs.4.5 billion to Rs.5.3 billion. Net profits have grown 17% to Rs.3.5 billion as against Rs. 3.0 billion in the corresponding period last year. Such a commendable performance is the outcome of our continuing efforts towards strengthening market leadership, increasing share of value added products and cost reduction.

Strategically, the Company has made substantial progress on implementation of the Brownfield expansion detailed in the Annual Report for 1999-2000. We have also completed the acquisition of Indian Aluminium Company, Limited (Indal). Consequently, the Board of Indal was re-constituted on the 27th June 2000 with Mr Kumar Mangalam Birla, the Chairman of your Company as well as the Aditya Birla Group taking over as the new Chairman. I have joined the reconstituted Board as its Vice Chairman.

Synergy realisation process for Indal Integration under way

We have initiated processes towards a comprehensive integration and realisation of synergies at Indal. Specialist teams from both the companies are working in cohesion to evolve and implement strategies targeted at optimising production and integrate marketing and distribution activities.

Hindalco and Indal complement each other in terms of Metal and Alumina. Hindalco is marginally short in Alumina and procures the same from Indal. This partnership continues even today. Similarly, Indal is short on Metal and Hindalco remains a regular supplier. The combined Rolled Product Capacity of the two Companies is 170,000 tonnes, against which production was only 110,000 tonnes during Fiscal 2000. We see a considerable potential to scale up volumes and synergy gains through product rationalisation, product development, logistics management and improved customer service.

We expect the integration and synergy realisation process to yield desired results from the second half of the current fiscal and the full benefits to be realised in about 30 months. To focus on costs, we are implanting the legendary "Parta" and allied MIS systems at all Indal locations. While doing so, we are taking care to ensure that we integrate the same with the Full Business Potential (FBP) programme presently being followed by Indal. We believe that these integrated systems will yield results in the form of better efficiency, improved asset utilisation and higher margins.

Brownfield expansion progressing as per schedule

As you know, your Company is implementing a brown-field expansion at a cost of Rs.18 billion at its existing site in Renukoot, Uttar Pradesh. We have made substantial progress and orders for major equipments have been placed. We expect commissioning in phases by FY03-04. The first significant milestone of this expansion will be the commissioning of one Potline in FY02.

REVIEW OF OPERATIONS

Operational Review and Analysis

Improved consumption norms, continued control over costs, optimum asset utilisation, greater emphasis on value added products and a superior product mix with higher average realisation, have enabled us to deliver a superior performance during the period under review. In exports, better international prices and an emphasis on value added products have enabled improved realisations.

Plant Performance

Your Company's plant performance has been satisfactory and hopefully in line with your expectation. The table below provides an overview:

Production	Unit	H1FY0 1	H1FY0 0	% Change	FY00
Alumina	MT	235,173	213,588	10.1	453,305
Aluminium Metal	MT	124,057	123,790	0.2	248,930
Wire Rod	MT	21,140	25,332	(16.5)	49,018
Rolled Products	MT	31,932	26,934	18.6	58,690
Extruded Products	MT	9,425	7,319	28.8	14,959
Aluminium Foils	MT	6,345	2,761	129.8	7,537
Alloy Wheels	No.	13,873			
Net Power Availability					
Renusagar	MU	1,989	1,989	0.0	4,050
Co-generation	MU	116	126	(7.9)	246

The Company's plants have demonstrated further improvement in capacity utilisation from the stretched levels of FY2000. The introduction of the "Innovative Sweetening Process" in the Alumina refinery has yielded the desired results. With Smelter capacity utilisation at optimum levels, Metal production has increased marginally.

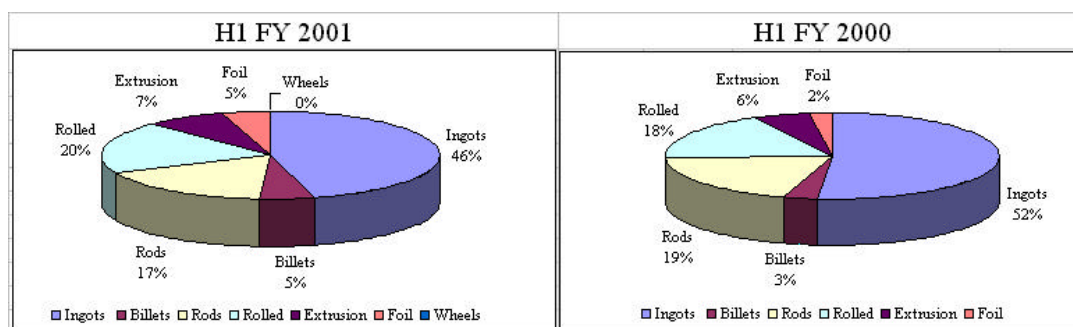
Your Company's carefully crafted strategy hinges on an increasing share of value added products. In line with this goal, production of Rolled and Extruded products has grown by around 19% and 29% respectively. Production of Foils at the Silvassa plant improved significantly, with volumes registering a quantum leap of 130% YoY to 6345 tonnes. The Foil plant is operating at levels well above its rated capacity. Wire Rods output has been scaled down to 21,140 tonnes as against 25,332 tonnes in H1FY00, as demand has been sluggish with a poor off-take from the State Electricity Boards. Besides, this segment offers relatively low value addition as well. Alloy Wheels production at the Silvassa plant has stabilised now and we are confident of increasing output gradually during H2FY01, in consonance with marketing efforts.

Sales Volume and Product Mix

I would now like to provide you with an overview of our sales and product mix.

Products	Sales Volume (MT)			Net Sales (Rs. Million)		
	H1FY0	H1FY0	%	H1FY0	H1FY0	%
	1	0	Change	1	0	Change
Ingots	52,576	60,872	(13.6)	4,238	4,204	0.8
Billets	6,697	4,229	58.4	524	297	76.6
Wire Rods	21,409	25,282	(15.3)	1,816	1,915	(5.2)
Rolled	24,520	23,546	4.1	2,401	2,067	16.1
Extrusion	9,266	7,419	24.9	915	659	38.8
Foil	5,956	2,719	119.1	755	297	154.0
Conv. (Ingots)	4,903	5,851	(16.2)	264	284	(7.2)
Others	29	-	-	247	215	-
Total Sales	125,356	129,918	(3.51)	11,160	9,940	12.27
Value Added	54.1%	48.6%	5.5%	58.5%	53.6%	4.9%
Products						
Exports	24,187	24,029	0.7	1,925	1,519	26.7

In H1FY01, aggregate sales volumes were 125,356 tonnes over 129,918 tonnes in the comparable period last year. Larger sales volumes during the corresponding period last year were feasible through a higher liquidation of inventories. Sales of Ingots and Wire Rods have declined by 13.6% and 15.3% respectively as your Company's focus is on shifting towards higher value added products. Reflecting this strategy, the share of value added products increased from 48.6% in H1FY00 to 54.1% in H1FY01.



Exports were higher by 27% at Rs.1,925 million in H1FY01 as compared to Rs.1,519 million in H1FY00. This notable growth has been attained despite volumes during H1FY01 remaining at levels reached in the corresponding period last year. Increased revenues have accrued from a marked improvement in the composition of exports. Volumes of value added products grew 50%, whereas Ingot exports declined about 23%. The conformance to international standards and bettered service levels are helping us increase exports of higher value products.

- **Ingots**

Higher volumes of value added products resulted in lower availability of ingots for sales. Ingot sales volumes thus dropped 13.6% YoY, on the back of a 10% and 23% fall in domestic and export sales respectively. Despite the lower volumes, your Company was able to sustain revenues due to improved price trends in the international markets.

- **Billets**

High quality Billets from your Company's state-of-the-art casting facility are contributing significantly to improved productivity in the extrusion business segment. Export volumes nearly doubled to 6,086 tonnes during H1FY01. This spurt

in exports is attributed to better product quality and aggressive marketing. Improved export volumes as well as significantly higher realisation in the international markets enabled this segment to report an impressive 77% YoY growth in revenues at Rs.524 million in H1FY01.

- **Wire rods**

We took a conscious decision to scaled down output of Wire rods on account of weak market conditions and lower value addition in this product segment. Wire Rods sales during H1FY01 were 21,409 tonnes compared to 25,282 tonnes reported for H1FY00.

- **Rolled products**

After meeting increased requirements from the Silvassa Foil Plant, sales volumes of Rolled products increased by 4.1%, from 23,546 tonnes in H1FY00 to 24,520 tonnes in H1FY01. Export volumes grew by over 12% YoY. Increased volumes and a realisation growth in excess of 12% in the domestic market activated a 16.1% YoY growth in revenues in this segment during H1FY01.

Sectors contributing to larger off-take of this product segment in the domestic market comprised of Packaging, Consumer Durables and Electronics.

The successful establishment of new products and applications during H1FY01 led to your Company's building niche areas. Some of the new applications established during this period are:

- Lamp Cap Stoc
- Litho Stock (Gr-II)
- Futura Cooker Circles
- Stucco Embossed Sheets, Coils and Building Sheets
- Tension Levelled Sheets/ Coils

- **Extrusions**

The Extrusion segment mirrored the highest growth of 24.9% in terms of volumes and 38.8% in terms of revenues. This growth is indeed remarkable considering that the growth in volumes for full year was 31% in FY2000. Your Company made inroads into key consuming sectors such as Defence and Electronics and held its own in other segments such as Transport and Building Construction despite a sluggish demand during this period. Conscious efforts to benchmark products and emphasis on providing `solutions' to consumers led to the garnering of higher market share and volume growth, regardless of the intense competition.

Your Company's recently introduced novel products such as the Turbo Cooler Stock, profile for Heat Sink, Auto Components and Pneumatic Value Cylinders and profile for Curtain Walling Systems have met with a very encouraging response from their customers.

- **Foils**

At the Foil plant at Silvassa, operations have been stabilised. Both its product quality and efficiency have been significantly enhanced. To ensure strong revenue growth as well as enhanced margins, the focus on value added products such as converted foils

is ongoing. Your Company's brands are now established as quality products in application areas such as House Foils, Cable Wrap (Telecom), Closure Stock (Pilfer Proof Caps), Pharma Blister and Fin Stock (air-conditioning).

Benefiting from the successful positioning of its brands and aggressive marketing efforts, sales volumes improved by over 119% YoY and an impressive 154% YoY growth in sales turnover was attained too. Your Company is now moving to establish its Foils in the international markets.

- **Wheels**

The Alloy Wheel plant produced 13,873 wheels during H1FY01, a definite sign of stabilisation of the Plant operations. Over 6,197 wheels were sold during H1FY01. Efforts are now focussed on effective marketing initiatives with emphasis on strengthening of distribution network and development of strong relationships with OEMs (Original Equipment Manufacturers). Your Company is also aggressively exploring opportunities for exports. A wider product range, talks with OEMs, pilot orders for exports and negotiation with distributors are expected to lead to positive results in the second half of the current fiscal.

Financial Review and Analysis

(Rs. in Million)	H1FY01	H1FY00	% Change	FY2000
Gross Sales	12,652	11,303	11.9	23,076
Excise Duty	1,492	1,362	9.6	2,764
Net Sales	11,160	9,941	12.3	20,312
Total Expenditure	5,818	5,434	7.1	10,912
Operating Profit	5,342	4,507	18.5	9,400
Other Income	636	628	1.3	1,387
Interest	329	321	2.5	597
Depreciation	707	667	6.0	1,354
Profit Before Tax	4,942	4,147	19.2	8,837
Taxation	1,430	1,155	23.8	2,485
Profit after tax and before extra-ordinaries	3,512	2,992	17.4	6,352
Extra-ordinaries	-	-	-	228
Net Profit	3,512	2,992	17.4	6,124
EPS (Rs.)	47.2	40.2	17.4	82.2
Cash EPS (Rs.)	56.7	49.1	15.3	100.4

- Net Sales revenues have gone up 12.3% YoY to Rs.11.2 billion, despite a 3.5% drop in sales volumes. Firm international aluminium prices and the changing product mix in favour of value added products have ensured higher realisation.
- International price trends have been encouraging. Average cash prices on the London Metal Exchange increased from US\$1375/Tonne in H1FY00 to US\$1521/Tonne in H1FY01. The increase followed strong demand and shrinking supplies as a result of shutdown of capacities in the USA induced by a sharp increase in power costs. A steep fall in LME inventories also resulted in the strengthening of prices during H1FY01.

- Operating expenditure increased by 7.1% to Rs. 5.82 billion on account of higher cost of bauxite, electricity and petroleum products. Increasing volumes, particularly of value added products, added to higher operating expenditure.
- Operating profits at Rs.5.34 billion rose by 18% YoY in H1FY01, despite lower sales volumes. The major factors that facilitated this growth have been continuous cost cutting, higher realisations emanating from a better product mix, improved prices and contribution from value added products. Operating margins stood at 47.9% vis-à-vis 45.3% in H1FY00.
- Other income at Rs.636 million is marginally up compared to Rs.628 million in H12000, even though full utilisation of surplus funds was done for the Indal acquisition. Realisation of capital gains on sale of investments as well as gains from exchange rates during this period accounted for this rise.
- Interest charges have gone up by a marginal 2.5% to Rs.329 million in H1FY01 due to costs associated with the Rs.1,000 million loan procured during the year, which incidentally was at the benchmark rate of 10.75%. A partial repayment of existing loans also took place during H1FY01.
- Depreciation charges at Rs. 707 million in H1FY01 are higher by 5.7%.
- Tax liabilities escalated by 23.8% from Rs.1,155 million to Rs.1,430 million in H1FY01.
- Net profits have grown by 17.4% from Rs.2,992 million in H1FY00 to Rs.3,512 million in H1FY01. Consequently, Earning per Share has jumped from Rs.40.2 to Rs.47.2 while Cash Earnings per Share stepped up from Rs.49.1 to Rs.56.7 during this period.

SECTOR OUTLOOK

Global Outlook

The outlook for the global aluminium industry remains positive. Although demand from the US has slowed down, a sharp rise in consumption from Asia and China and a strengthening Japan and Europe are supposed to more-than-offset its impact. Consequently, global demand growth is believed to remain firm in 2000 as well as in the near term. Aluminium consumption is calculated to be strengthened by a strong global economic outlook. This is likely to be largely driven by a strong auto sector.

The on-going consolidation in the global aluminium industry should also enable discipline in utilisation of swing capacities and result in new applications through concerted efforts. With a strong demand growth, shrinking inventories and the absence of major capacity additions in the near term, the outlook for prices is positive.

Domestic Outlook

Firm forecasts for India's economic fundamentals augur well for domestic aluminium consumption. We expect aluminium consumption to outpace expectations of GDP Growth of 6-7 %, and are of the view that growth will exceed 8% in FY01 and in the near term. Transportation, Building Construction and Electronics and Packaging are reckoned to be the major growth drivers. We see aluminium finding increasing application in defence and other strategic areas. Meeting infrastructural needs will reverse the current sluggish spells in the traditional and substantial Electrical Sector.

Outlook for Hindalco

Your Company is the market leader. It has a distinct competitive advantage as it is amongst the lowest cost producers in the World and is fully geared to capitalise on emerging opportunities in the aluminium business both in India and abroad.

The major growth drivers for the Company in the near term will be:

- A shift in product mix to more of value added products
- Realisation of synergy gains arising from the Indal acquisition
- Increasing volumes from the phased commissioning of the brown field expansion

We are confident that these growth drivers will help us provide outstanding value to our shareholders in the new millennium.

Conclusion

In sum, your Company has demonstrated a strong performance in H1FY01. With better industry fundamentals, we expect to raise the level of performance in the second half.

As always, I look to your continued support to take your Company to greater heights.

Yours sincerely,

A.K. Agarwala
Director (Whole-time)

Dated 30th October 2000

Cautionary Statement

Statements made in this "Performance Update" describing the Company's objectives, projections, estimates, expectations or predictions 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, feedstock 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.