



Performance Review

Q1-FY2004

July 31, 2003



Overview

Q1-FY04 Highlights: Aluminium

- **10th Power Generating Unit with Boiler commissioned at Renusagar**
 - **Metal production capacity enhanced to 3,45,000 tpa**
- **Highest ever Production at 78,581 MT – up by 17.5%**
- **Domestic Sales grew 12.7% on the back of impressive growth in consuming sectors**
- **Realisations remain flat despite improved International Aluminium Prices due to**
 - **Higher proportion of Exports**
 - **Strengthening of Rupee against USD**
 - **Intensifying domestic competition**

Q1-FY04 Highlights: Copper

- **Planned Bi- Annual Shut down completed successfully**
- **Smelter now operating at peak levels**
- **Reduced Production and sales due to Shut down**
- **Copper II Expansion nearing completion**
- **Profits during quarter affected by**
 - **Shutdown and related expenses**
 - **Lower Tc/Rc**
 - **Higher DEPB premiums**
 - **Lower duty Drawback**
 - **Lower Exchange Rate**



Q1-FY04 Financial Highlights

(Rs. in Crores)

Particulars	Q1 '04	Q1 '03	Change
Net Sales	1,155.5	1,197.9	(3.5)
Other Operating Income	11.8	6.1	92.7
Other Income	68.1	37.9	79.9
Total Expenditure	832.3	850.5	(2.1)
Profit Before Interest Depreciation & Taxes (PBIDT)	403.1	391.5	3.0
Interest & Financing Charges	45.1	35.1	28.4
Depreciation	71.7	63.3	13.2
Profit before Tax	286.3	293.0	(2.3)
Provision for Current Tax	48.8	70.4	(30.7)
Provision for Deferred Tax	44.5	25.9	72.1
Net Profit	193.0	196.8	(1.9)
EPS (in Rs.)	20.9	21.3	(1.9)
CEPS (in Rs.)	28.6	28.1	1.8
* Interest Capitalised	6.6	15.0	(55.9)

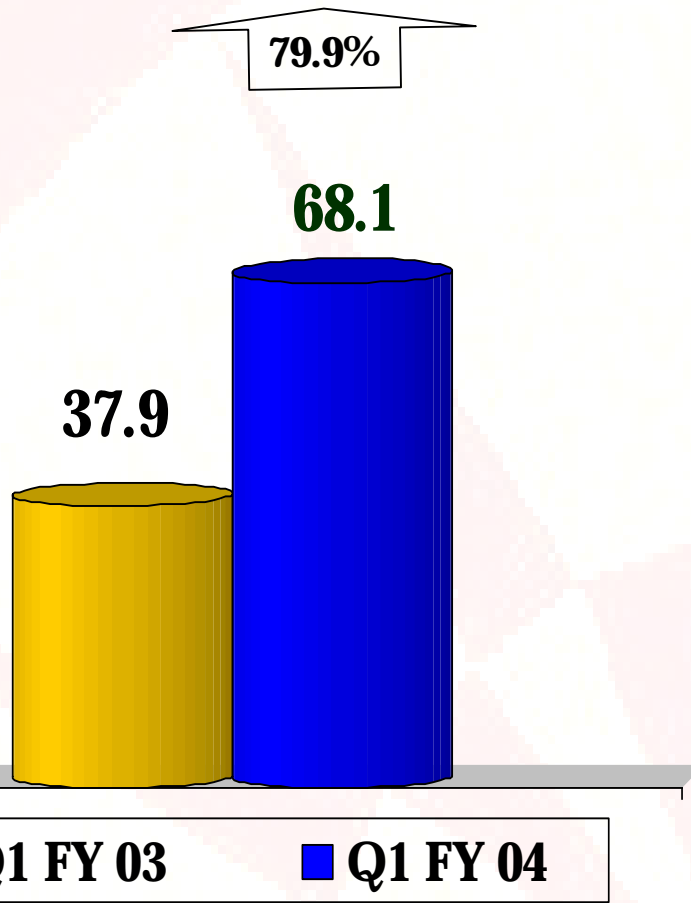
Q1-FY04 Segmental Highlights

(Rs. In Crore)

Particulars	Aluminium			Copper		
	Q1'04	Q1'03	FY 03	Q1'04	Q1'03	FY 03
Net Sales	664.4	586.0	2,374.0	491.1	611.9	2,601.5
EBIT	202.8	188.1	660.5	64.6	103.2	384.0
Capital Employed	3,843.6	3,326.4	3,850.2	2,661.3	2,251.1	2,401.4
ROCE	21.1%	22.6%	17.2%	9.7%	18.3%	16.0%

Other Income

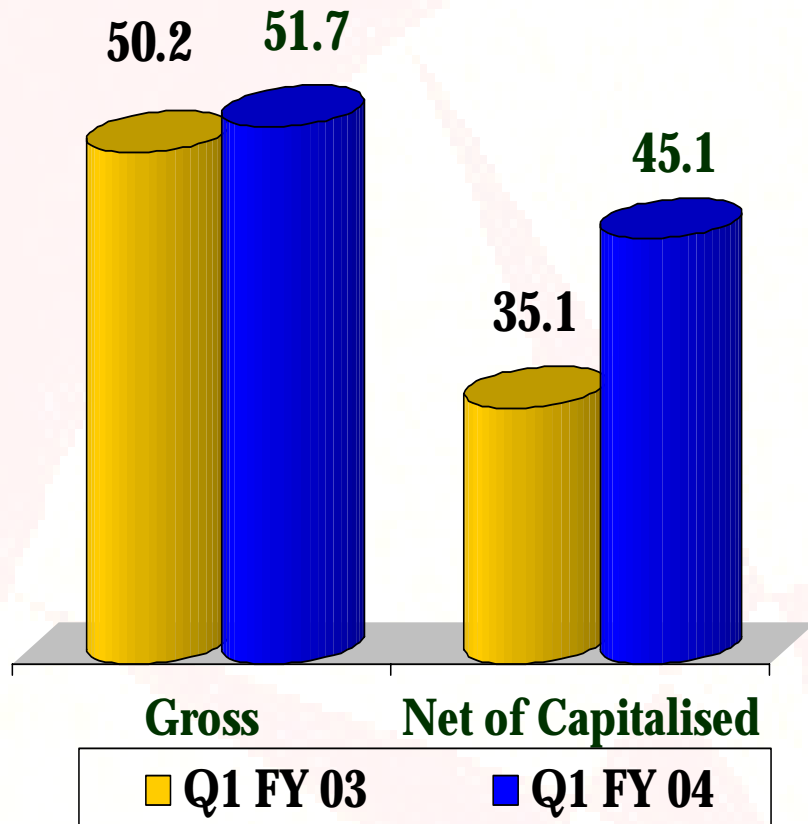
Rs. in Crores



- **Higher Other Income due to:-**
 - **Higher Treasury investments in MFs due to increase in surplus funds**
 - **Higher realised long term gains on MF investments**
 - **Forex rate Gain on Working Capital loans / Buyer's credit**
 - **Interest on Income Tax refunds**

Interest & Financing Charges

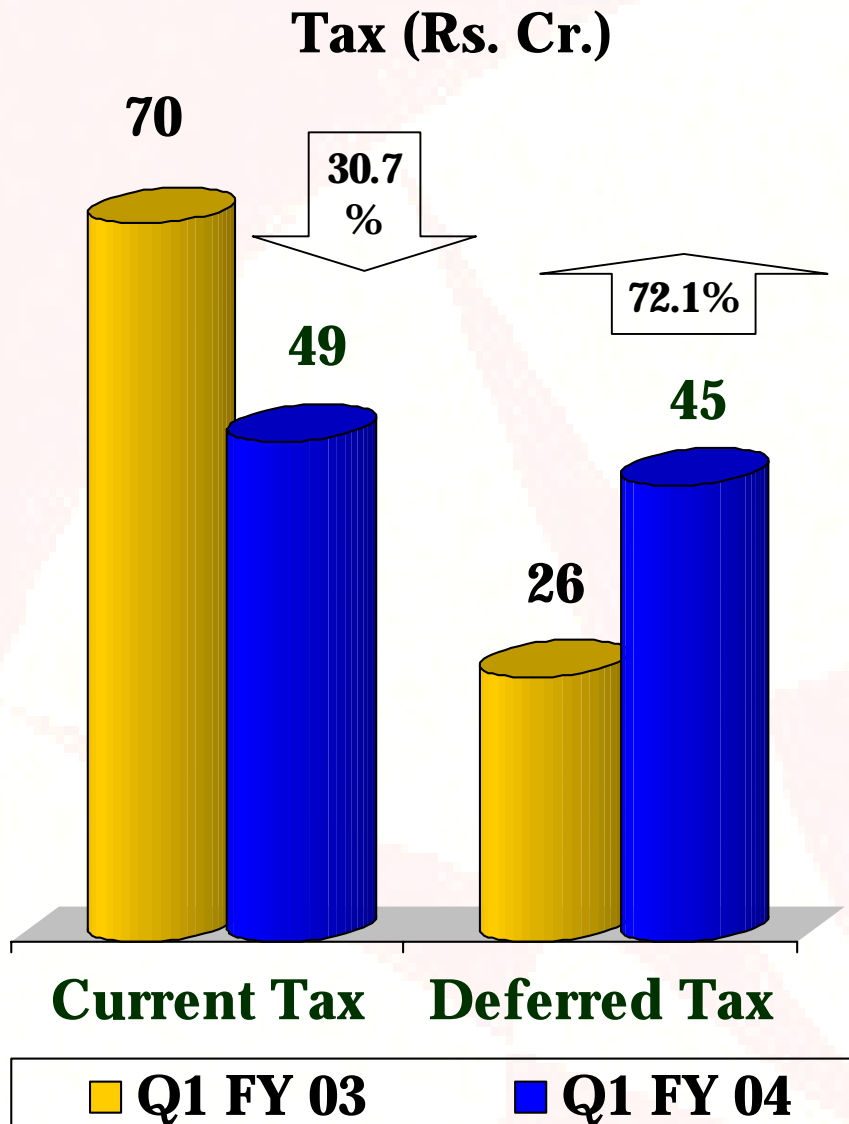
Interest & Financing Charges
(Rs. Crore)



- Raised Rs. 230 Crores (US\$ 50 Million) through 5 years ECB at fully hedged all in cost of 4.75%
- Gross Interest is marginally up
 - ❖ Higher interest bearing loans repaid
 - ❖ More loans raised at new benchmark rates
- Interest Capitalisation is lower by Rs. 8.4 Crores

Average Interest Rate reduced by over 200bps to 7 %

Taxation



□ Despite lower 80 HHC benefits, effective current tax rate reduced from 24.0% to 17.0% due to:-

- Higher WDV Depreciation
- Higher set-off of Long Term Capital Gains against carried forward losses
- Reduced Marginal tax rate



Business Review- Aluminium



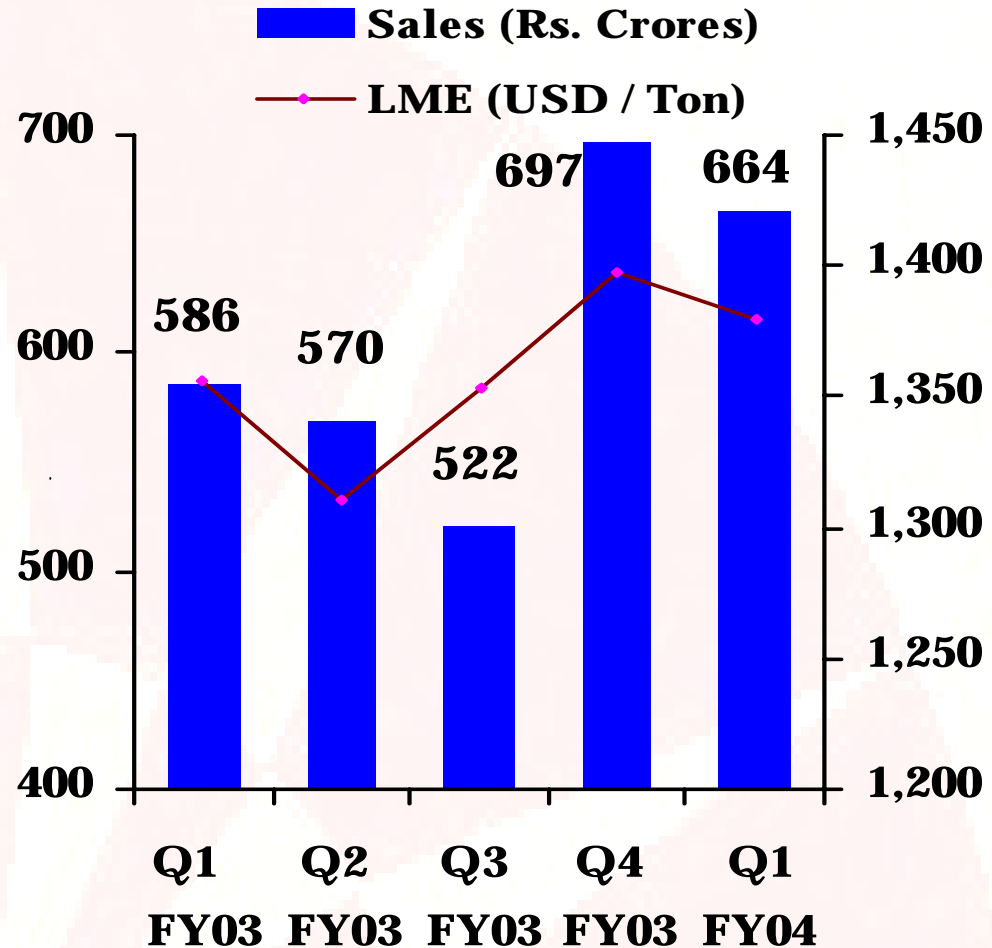
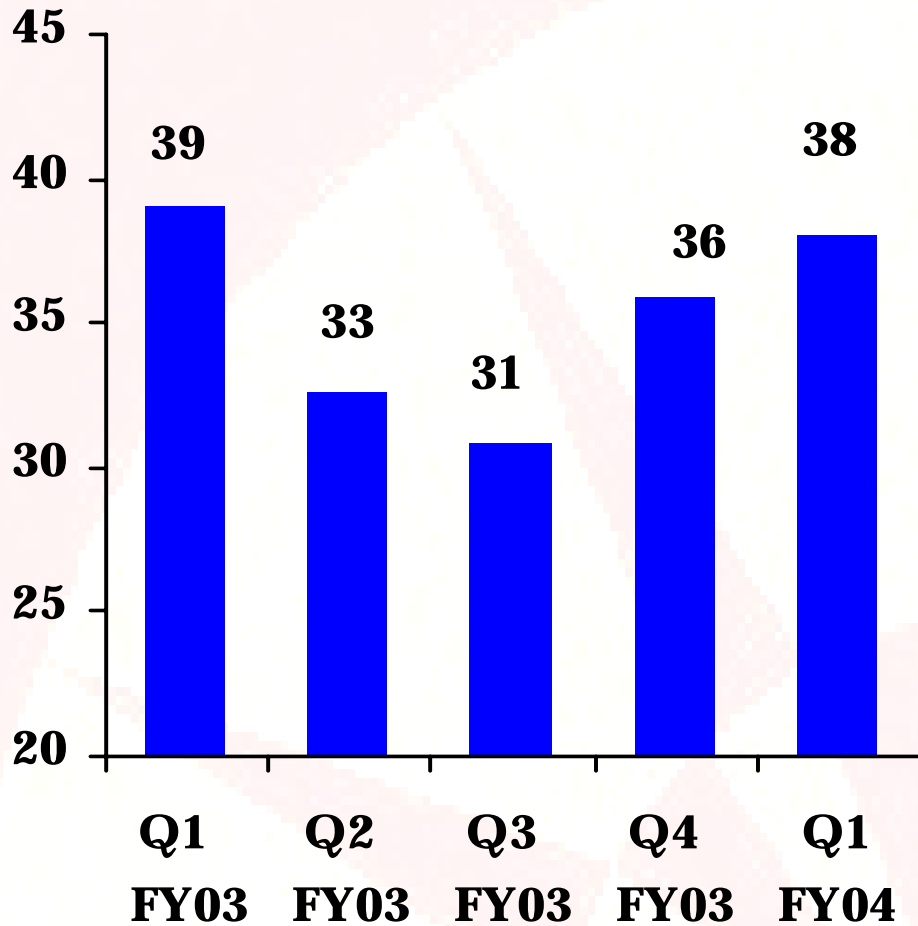
Aluminium : Financial Results

(Rs. in Crores)

Particulars	Q1' 04	Q1' 03	% Change
Sales Volumes (MT)	75,251	66,307	13.5
Net Sales	664.4	586.0	13.4
Other Operating Income	4.8	2.2	120.4
Total Operating Expenditure	416.0	358.8	16.0
Operating Profit	253.1	229.4	10.3
Depreciation	50.3	41.3	21.7
Profit Before Interest & Tax	202.8	188.1	7.8

Aluminium: Margin Recovery Sustained

Operating Margins



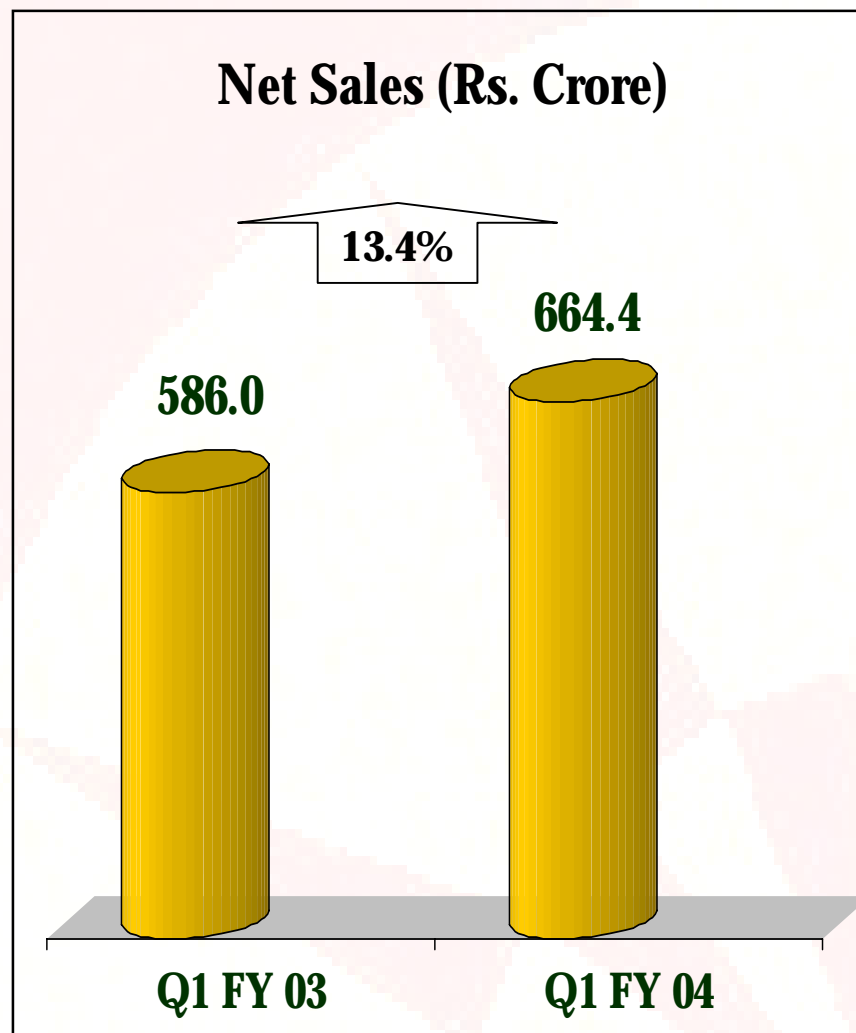
Driven by improving operating parameters and better economies of scale



Aluminium : Production Performance

Production	Unit	Q1' 04	Q1' 03	Change
Alumina	MT	146,793	118,175	24.2
Primary Metal	MT	78,581	66,867	17.5
Wire Rod	MT	13,643	12,691	7.5
Rolled Products	MT	17,967	17,997	(0.2)
Extruded Products	MT	4,086	4,614	(11.5)
Aluminium Foils	MT	4,527	4,437	2.0
Alloy Wheels	No.	10,304	7,131	44.5
<u>Net Power Availability</u>				
Renusagar	MU	1,256.3	1,053.8	19.2
Co-generation	MU	62.7	61.6	1.8

Higher Sales Volumes



Quantity MT	Q1 FY 2003	Q1 FY 2004
Domestic	54,431	60,873
Exports	11,876	14,378
Total	66,307	75,251

% Change	Volumes	Realisations
Domestic	11.8	0.8
Exports	21.1	(4.8)
Total	13.5	(0.1)

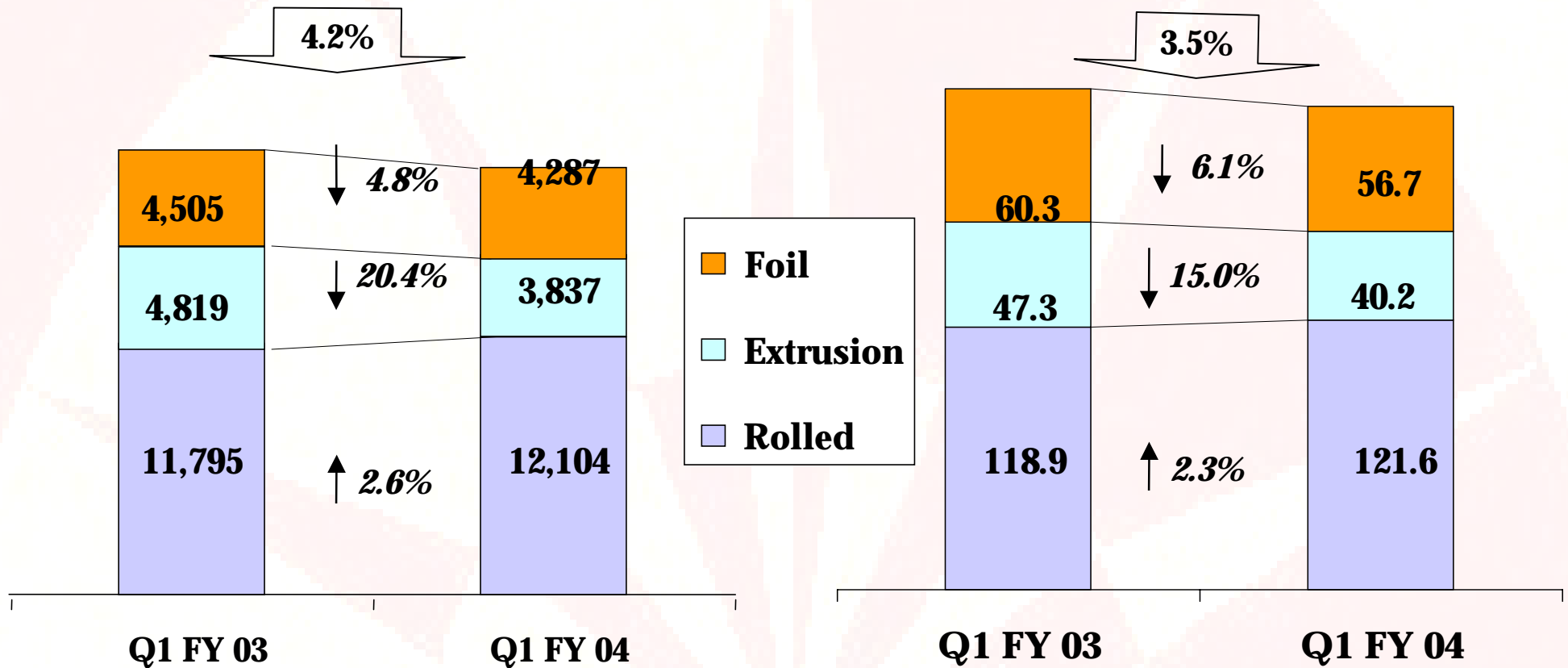
Higher exports and Lower share of VAP resulted in flat Realisations

Continued Emphasis on Value Added Products

Volume (MT)	
21,119	20,288
31.9%	26.9%

Sales (Rs. Crore)	
226.5	218.5
38.7%	32.9%

of total sales



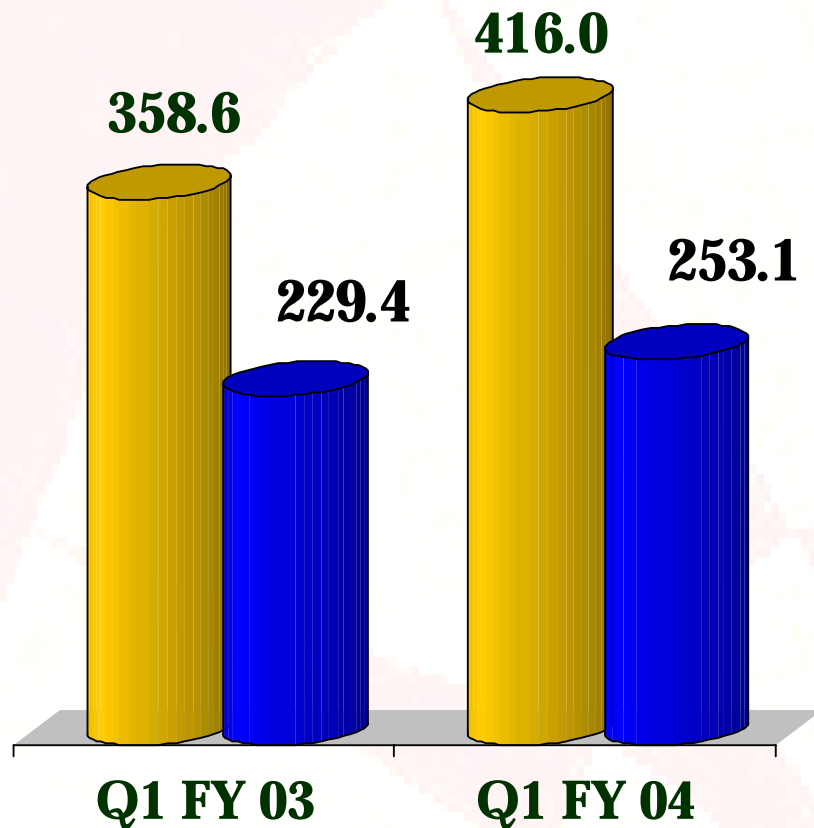
Weak Demand for Extrusions lowered volumes

Competitive pressure in Foils hit realisations

Operating Expenditure & Profit

Rs. in Crores

■ Op. Exp. ■ Op. Profit



Operating Expenses increased by

16.1% due to:-

- **13.5% Higher Volumes**
- **Higher Raw Material Prices**
- **Higher Salary & Wages**

Operating Margin at 38.1% as compared to 39.2%

Aluminium: Industry Outlook

Global Scenario

- **Good long-term fundamentals, positive signs for the near term**
- **A strong Global economic recovery is proving to be elusive**
- **China's production and consumption continue to outshine**
- **Economic recovery to gradually gather pace – to lead a revival of commodity basket**

Domestic Scenario

- **GDP forecast to grow 6 % in FY04; to support improved consumption**
- **Impressive growth in Transport, Building Construction and Packaging sectors; Electrical and Consumer Durables have a promising outlook**
- **Competitive pressure to remain intense**

Price Outlook

- **Recent hike in International Spot Prices driven by technicals and fund play**
- **Prices expected to range in US\$ 1375 to US\$ 1425/MT level**
- **Domestic prices to remain under pressure**



Business Review - Copper



Copper : Q1 Financial Results

(Rs. Crores)

Particulars	Q1' 04	Q1' 03	Change
Sales Volumes (MT)	36,766	44,508	(17.4)
Net Sales	491.1	611.9	(19.7)
Other Operating income	7.0	4.0	77.5
Total Operating Expenditure	412.2	490.7	(16.0)
Operating Profit	85.9	125.1	(31.3)
Depreciation	21.4	22.0	(2.7)
Profit Before Interest & Tax	64.6	103.2	(37.4)

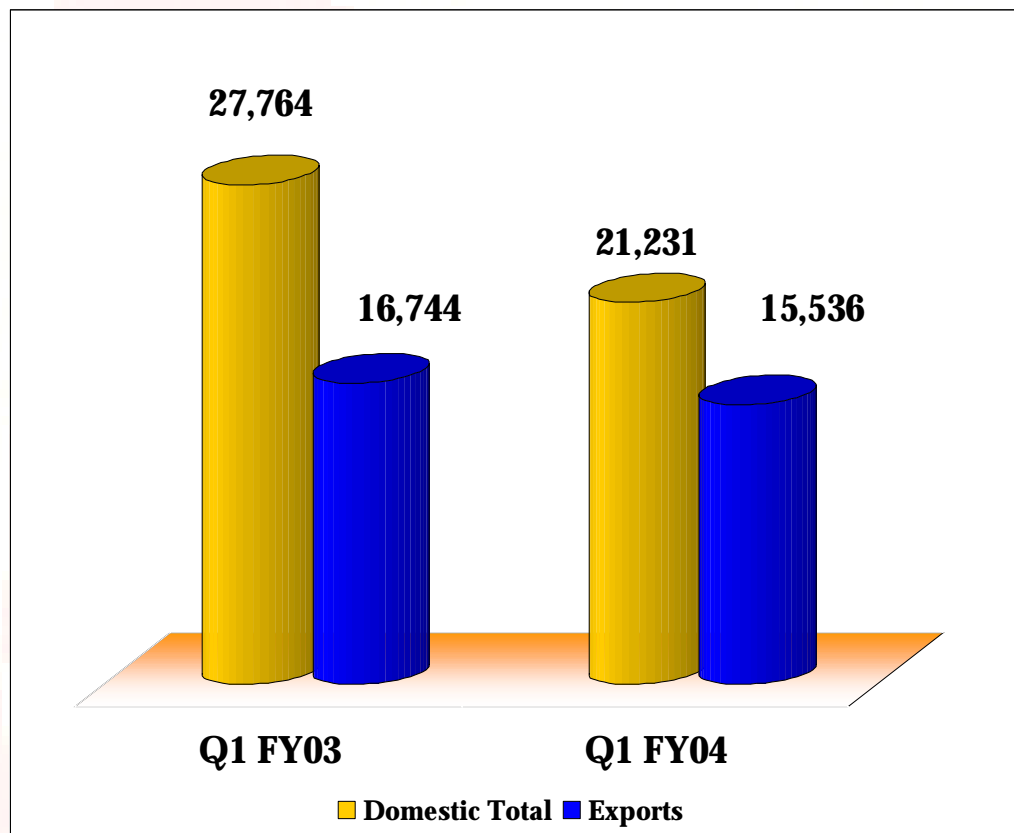
Copper : Production Performance

Production	Unit	Q1 FY 2004	Q1 FY 2003	Change
Copper Cathode	MT	36,376	45,497	(20.0)
CC Copper Rods	MT	18,921	17,744	6.6
DAP/NPK	MT	32,939	91,476	(64.0)
Sulphuric Acid	MT	94,714	133,333	(29.0)
Phosphoric Acid	Mt	14,048	20,921	(33.0)
Gold	Kg	920	801	14.9
Silver	Kg	5,917	4663	26.9

Bi-Annual Planned Shutdown during May-June 03

Sales Volumes & Turnover

Quantity MT	Q1 FY 2003	Q1 FY 2004
Domestic	25,240	19,257
Deemed Exports	2,524	1,974
Domestic Total	27,764	21,231
Exports	16,744	15,536
Grand Total	44,508	36,767
Sales Values (Rs. Crores)	612	491

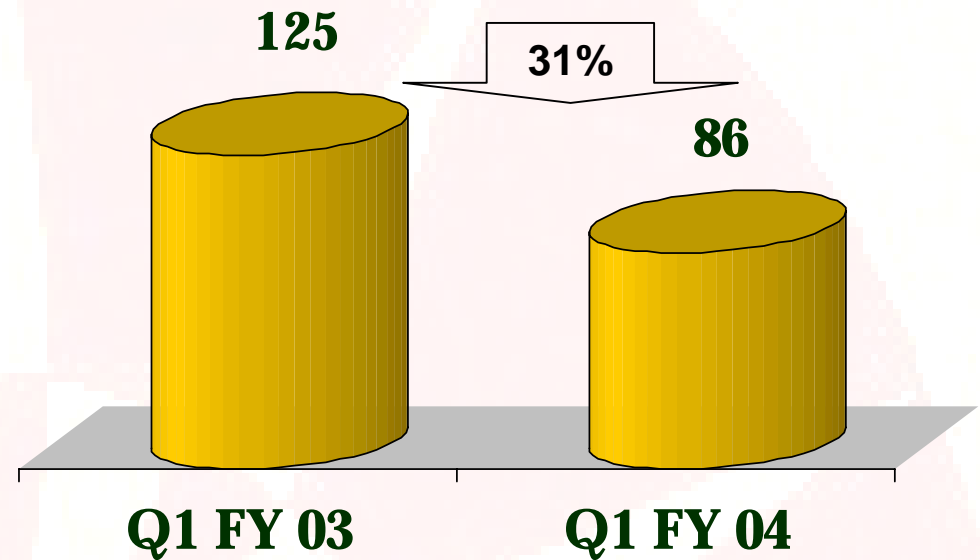


**Lower turnover due to Bi-annual
 Plant Shutdown in Q1 04**

Operating Profit

- Lower Production due to Bi-annual shutdown.
- Higher DEPB premiums.
- Lower duty Drawback, TcRc & Exchange Rate.
- Shutdown Expenses

Operating Profits (Rs. Crore)



Copper: Industry Outlook

- **Copper fundamentals are improving**
 - **Global demand likely to grow 3% in 2003,(4% in 2002) supported by over 6.5% growth in Asia**
- **Global Prices**
 - **Copper prices improving on restrained supplies and demand hopes**
 - ***LME quarterly average prices up by \$54/MT (\$1641) as compared to last year average (\$1586)***
- **Domestic scenario is not encouraging**
 - **Negative Growth in JFTC segment.**
 - **Huge surge in imports from Sri Lanka under ISFTA**
 - **Growth in Winding wire and Transformer Industry has offset to some extent the negative impact.**
 - **Very Good Monsoon and Power sector reforms give hope of good demand ahead.**

With likely restrictions on imports from Sri Lanka the domestic demand for copper is expected to grow by 3% during FY04 (-12% in FY2003)

Successful penetration in to the lucrative Asian markets will help Birla Copper continue to perform better in future too.

Concentrate Market

- **Spot TCRC down from 5.64 to 3.85 c/lb - a drop of over 30% during the quarter.**
- **Mid year negotiations for 2003-04, currently under way, are likely to end at lower numbers as compared to the annual terms of 58/5.8 for CY 2003.**
- **However, Birla Copper is well covered for the year by increasing tonnage under long term contracts and advancing spot purchases in a falling spot market and hence insulated from the current lows.**
- **With sustained increase in copper prices, Market is likely to improve during 2004 after mines announce reinstatement of cuts.**

Striving to create superior value for stakeholders



THANK YOU



PRESS RELEASE

Date: 31.07.2003

**HINDALCO
THE ADITYA BIRLA GROUP'S FLAGSHIP COMPANY
Q1, FY 2003-04
SUSTAINS PERFORMANCE**

- **Turnover** **Rs. 1,155.5 Crores**
- **PBIDT** **Rs. 403.1 Crores**
- **Net Profit** **Rs. 193.0 Crores**
- **EPS (for the Quarter) Rs. 20.9**

Financial Highlights	Quarter ended 31 st June 2003	Quarter ended 31 st June 2002
Net Sales	1,155.5	1,197.9
PBIDT	403.1	391.5
Interest & Financing Charges	45.1	35.1
Depreciation	71.7	63.3
Profit before Tax (PBT)	286.3	293.0
Provision for Taxes	93.3	96.2
Net Profit	193.0	196.8

Hindalco, the flagship Company of the Aditya Birla Group, reports sustained performance during the 1st Quarter ending June 30th, 2003.

The Company has attained a turnover of Rs.1,155.5 Crores, which is 3.5% lower than that of Rs. 1,197.9 Crores achieved in the comparable quarter of the previous year. The Company's Profit before Interest, Depreciation and Taxes (PBIDT) is higher by 3.0% at Rs. 403.1 Crores vis-à-vis Rs. 391.5 Crores in the corresponding quarter of the earlier year. However, its Net Profit stands at Rs. 193.0 Crores as against Rs. 196.8 Crores in the corresponding quarter of the earlier year.

The Company's performance has to be viewed in the light of the planned bi-annual shutdown of its Copper division during May and June 2003. The results then are indeed impressive.

Of the Company's overall turnover of Rs. 1,155.5 Crores, the Aluminium division has contributed to Rs. 664.4 Crores, mirroring a 13.4% increase over Rs. 586.0 Crores in the corresponding quarter of last year. Higher volumes and a continued thrust on value added products have been its growth enablers.

In Aluminium, although international commodity prices improved during the quarter over the corresponding quarter last year, intensifying competition in the marketplace and a higher proportion of exports capped realisations at the level of the last year. Operating margins at 38.1% when compared to 39.1% achieved in the corresponding quarter of the previous year have declined marginally. However, on an encouraging note, this is on the recovery path since the Fourth Quarter of the last fiscal.

The Copper division's Net Sales at Rs. 491.1 Crores vis-à-vis Rs. 611.9 Crores achieved in the comparable quarter of the previous year, reflect a 19.7% dip, mainly on account of the lower output as a consequence of the planned shutdown, stated earlier.

Major Distinction

In a nationwide study undertaken by Business Today and AT Kearney, Hindalco has been rated as one of India's 16 Best Managed Companies. This study focused on "identifying and analysing successful growth patterns of value building growth companies". Across India more than 250 companies were analysed. Of these, that Hindalco stood out is indeed a feather in its cap.

Operational Review

Aluminium

Production in Aluminium surged on the back of increased capacities from the Brownfield expansion.

- Metal production touched 78,581 MT vis-à-vis 66,867 MT in the corresponding period last year, reflecting a rise of 17.5%, mainly on account of the additional production from the new Potlines.
- Rolled product output of 17,967 MT reflects a 0.2% decline over that of 17,997 MT in the previous year.
- Extruded Products at 4,086 MT from 4,614 MT last year is down by 11.5%, because of a weak demand.
- Redraw Rods at 13,643 MT is 7.5% higher over the production of 12,691 MT in the comparable Quarter last year.

- The output of Alumina which is a key input – was 146,793 MT, higher by 24.2% over production of 118,175 MT in the comparable period of the previous year.
- Power export from the Company's Renusagar Power Plant was 1,256 MU, a 19.2% increase over 1,054 MU achieved in the corresponding period last year.
- Production of Foil at 4,527 MT has grown by 2.0% over 4,437 MT attained in the corresponding period last year.
- Aluminium Alloy Wheels production rose from 7,131 wheels during the first quarter last year to 10,304 wheels this quarter.

Copper

As Birla Copper undertook a planned bi-annual shutdown of the Smelter during this Quarter, production has been lower compared to that of the previous year.

- Copper Cathodes production fell by 20% from 45,497 MT to 36,376 MT this year.
- The output of Continuous Cast Copper Rods rose by 6.6% to 18,921 MT vis-à-vis 17,744 MT in the corresponding quarter last year.
- Sulphuric Acid production at 94,714 MT is lower by 29.0% over 133,333 MT in the corresponding quarter last year.
- The production of DAP and Complex Fertilisers cratered by 64.0% from 91,476 MT to 32,939 MT this quarter.
- The output of Gold surged by 14.9% from 801 Kg last year to 920 Kg in the first quarter of the current fiscal.
- Similarly, production of Silver soared by 26.9% to 5,917 Kg vis-à-vis 4,663 Kg in the corresponding quarter last year.

Brownfield Expansion

Aluminium

The commissioning of the 10th and the 11th Potlines marks another milestone in the Company's Brownfield expansion. The 10th Power Generating Unit of 80 MW and its Boiler at the Renusagar Power plant which have gone on stream, nearly complete the Brownfield expansion. With this the Smelter capacity stands raised to 345,000 tonnes annually, Alumina capacity at 660,000 tonnes and captive power generation at 779 MW.

This Rs. 1,800 Crores Brownfield expansion has been completed ahead of schedule and within the budget.

To leverage upon the Brownfield expansion, the Company plans to enhance the smelter capacity to 360,000 tonnes and the Alumina Refinery to 700,000 tonnes through de-bottlenecking. This will also entail installation of balancing equipment including another co-generation plant of 41 MW capacity. These activities are slated for completion in phases by the year 2004-05.

Copper

In the Copper division, a Brownfield expansion is underway as well. The smelting capacity has been ramped up from 150,000 tonnes to 250,000 tonnes per year. Currently trial runs are on and the facility will be commissioned shortly.

In Copper, the Company aspires to be among the top 10% cost competitive producers globally. To attain this stature the Company is in the process of finalizing another low cost Brownfield expansion at Dahej. Even as this is a forward-looking step Hindalco is in a vantage position as it can fully exploit the infrastructure potential at Dahej while ensuring cost reduction and growth ongoingly.

OUTLOOK

The Company believes that the long-term fundamentals of both Aluminium and Copper are strong and promise exciting growth prospects. In its view, in the short-term, the expectations of a global recovery have been belied and large economies such as the US, Europe and Japan are emitting mixed signals.

Closer to home, the Company feels that China is on a high growth trajectory. In fact, the Asian region's performance is also encouraging. The prosperity of these economies augurs well for both Aluminium and Copper sectors as it presages a rise in metal consumption, it opines.

Aluminium

On the domestic front, developments portend well for this sector.

In India, the Government's thrust on the power sector and infrastructure sectors is a good omen. The passage of the Electricity Bill is a positive sign. The auto sector is also in a growth mode. Building construction continues to be supported by a continuation of tax breaks, the falling cost of money and growing financing options. The packaging and the consumer durable segment is gaining a momentum as well. And the rain Gods seem kind.

All these factors, Hindalco believes, will fuel the sector's growth. The management's road map for forging ahead is based on:

- Firstly – leveraging its ascendancy in the upstream and downstream business.
- Secondly – growing the market aggressively on the wings of its recently launched branding initiative.
- Thirdly - enhancing the market share of its new products and garnering maximum sale from its portfolio of value added products. In doing so, the Company intends to tap a far higher segment of the value chain. A large proportion of Aluminium reaches the customer in the form of downstream products such as Rolled products, Extrusions, and Foils mainly used in Transportation, Building Construction and Packaging sectors. Hindalco aims to have more than a significant presence in this segment.

Copper

In so far as the Copper sector is concerned, in the recent past the sector has faced a reversal. The domestic demand of refined copper fell by over 12%, primarily due to the explosive growth in the mobile network and WLL telephony in India. This in turn has led a reduction in the demand for copper from the Jelly Filled Telecom Cable (JFTC) sector which accounts for nearly 40% of the total copper consumption.

Additionally, the concentrate market too has progressively tightened. The growth in the smelter capacity coupled with a squeeze on concentrate availability due to the mines cut back and closures has created a demand supply gap. This has resulted in lower Treatment and Refining Charges for long-term contracts during 2003. The spot market continued to remain sluggish as stocks at mines and smelters dried up. Against such a milieu, the Company's Copper division has been able to secure a substantial quantity of concentrates under long-term contracts.

The Company is also hopeful of some of the mines reopening and production picking up. The outlook on copper prices seems to be bullish. Collectively, these factors should alter the concentrate market and TC/RC would improve hopefully in the foreseeable future.

The Company's strategy for sustained profitability and growth is three pronged.

- Firstly – to remain export driven and strengthen its presence in markets where there is a visible demand-supply gap, such as those in the Middle-East and the Asian region. The LME Grade "A" accreditation positions Birla Copper very favourably in global markets. With the capacity ramp up, the Company is well on its way to becoming a globally cost-competitive producer.
- Secondly - in the domestic markets, it aims to leverage its leadership position, riding on its superior products, customer and technical service capabilities; and
- Thirdly – it hopes to add further value to by-products generated at its Copper plant as these have the potential to be profit drivers.

Hindalco views the future with great optimism and believes that in the year 2003-04 it will grow significantly in revenues and earnings. Its main goal of pursuing the creation of shareholder value will continue unrelentingly.



HINDALCO INDUSTRIES LIMITED

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

UNAUDITED FINANCIAL RESULTS (PROVISIONAL) FOR THE QUARTER ENDED 30TH JUNE, 2003			
(Rupees in Million)			
Particulars	Quarter ended 30/06/2003 (Unaudited)	Quarter ended 30/06/2002 (Unaudited)	Previous Accounting Year ended 31/03/2003 (Audited)
1 Net Sales	11,555	11,979	49,755
2 Other Income	799	441	2,329
3 Total Expenditure	8,323	8,506	37,614
(a). (Increase)/Decrease in Stock in Trade	(485)	(822)	(237)
(b). Consumption of Raw Materials	5,208	5,992	23,280
(c). Staff Cost	585	523	2,228
(d). Manufacturing Expenses	2,354	2,103	9,125
(e). Other Expenditure	661	710	3,218
4 Interest & Finance Charges	451	351	1,201
5 Gross Profit	3,580	3,563	13,269
6 Depreciation	717	633	2,642
7 Profit before Tax & Extraordinary Items	2,863	2,930	10,627
8 Extraordinary Items	-	-	1,633
9 Profit before Tax	2,863	2,930	8,994
10 Provision for Tax	933	962	3,173
(a). Provision for Current Tax	488	703	2,520
(b). Provision for Deferred Tax	445	259	653
11 Net Profit	1,930	1,968	5,821
12 Paid-up Equity Share Capital (Face Value : Rs.10/- per Share)	925	737	925
13 Reserves			60,986
14 Basic & Diluted EPS (Rs.)	21	19	63
15 Aggregate of non-promoter shareholding			
(a). Number of shares	69,940,264	56,745,609	69,941,682
(b). Percentage of shareholding	75.63%	76.99%	75.63%

SEGMENT-WISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER CLAUSE 41 OF THE LISTING AGREEMENT			
(Rupees in Million)			
Particulars	Quarter ended 30/06/2003 (Unaudited)	Quarter ended 30/06/2002 (Unaudited)	Previous Accounting Year ended 31/03/2003 (Audited)
1. Segment Revenue			
(a). Aluminium Business	6,644	5,860	23,740
(b). Copper Business	4,911	6,119	26,015
	11,555	11,979	49,755
Less: Inter Segment Revenue	-	-	-
Net Sales/Income from operations	11,555	11,979	49,755
2. Segment Results (Profit/Loss before Tax and interest from each Segment)			
(a). Aluminium Business	2,028	1,881	6,605
(b). Copper Business	646	1,032	3,840
	2,674	2,913	10,445
Less: Interest & Finance Charges	(451)	(351)	(1,201)
	2,223	2,562	9,244
Add: Other un-allocable Income net off un-allocable expenses	640	368	1,383
Profit before Tax & Extraordinary Items	2,863	2,930	10,627
3. Capital Employed (Segment assets-Segment liabilities)			
(a). Aluminium Business	38,436	33,264	38,502
(b). Copper Business	26,613	22,511	24,014
	65,049	55,775	62,516

Notes:

- Under Brownfield expansion programme, the Company has commissioned 10th Power Generating Unit of 80 MW with Boiler and Aluminium smelting capacity stands enhanced to 345,000 MTPA.
- All facilities for Company's brownfield expansion at Copper Division for enhancing smelting capacity from 150,000 MTPA to 250,000 MTPA have been installed.
- In June 2003 the Company has raised foreign currency loan of Rs. 230 Crores for five years at a floating rate linked to LIBOR.
- Disclosure relating to number of complaints from investors during the quarter:

Pending as on 01.04.2003	Received	Resolved	Pending as on 30.06.2003
2	4	4	2

- Corresponding figures of first quarter of financial year 2002-03 have been restated for giving effect of amalgamation of remaining business (after demerger of fertilizer business at Jagdishpur) of Indo Gulf Corporation Limited with the Company w.e.f. 1st April, 2002. However, paid-up Equity Share Capital, EPS and non-promoter shareholding numbers have not been changed.
- The above results have been taken on record at the meeting of the Board of Directors of the Company held on Thursday, 31st July, 2003.
- The quarterly results for the period ended 30th June, 2003 have been reviewed by the Auditors.

By and on behalf of the Board

Place: Mumbai
Dated: 31st July, 2003

A.K. Agarwala
Whole-time Director