



Investor Presentation Q2-FY02 Results

October 30, 2001

Q2 FY 2002 : Results at a glance

□ Sales <u>Rs. 557.3 Cr.</u>	↑ 1.2%
□ Operating Profit <u>Rs. 253.4 Cr.</u>	↓ 4.3%
□ Operating Margins at <u>45.5%</u>	↓ 2.6%
□ Other Income <u>Rs. 43.8 Cr.</u>	↑ 33.1%
□ Profit before deferred tax at <u>Rs. 184.5 Cr.</u>	↑ 5.2%
□ Net Profit at <u>Rs. 167.1 Cr.</u>	↓ 0.4%
□ EPS at <u>Rs. 22.4</u>	↓ 0.4%

Results reflect

A Challenging Environment

- ❑ Weakness in the Economy and slowing Industrial growth
- ❑ Lower LME Prices and pressure on domestic prices
- ❑ Substantial Increase in Input Prices

and Hindalco's Response by way of

- ❑ Increasing share of value added products
- ❑ Emphasis on domestic sales
- ❑ Continuous improvement in Efficiencies
- ❑ Cost Reduction Drive

**Brownfield Expansion provides
optimistic view for ensuing quarters**

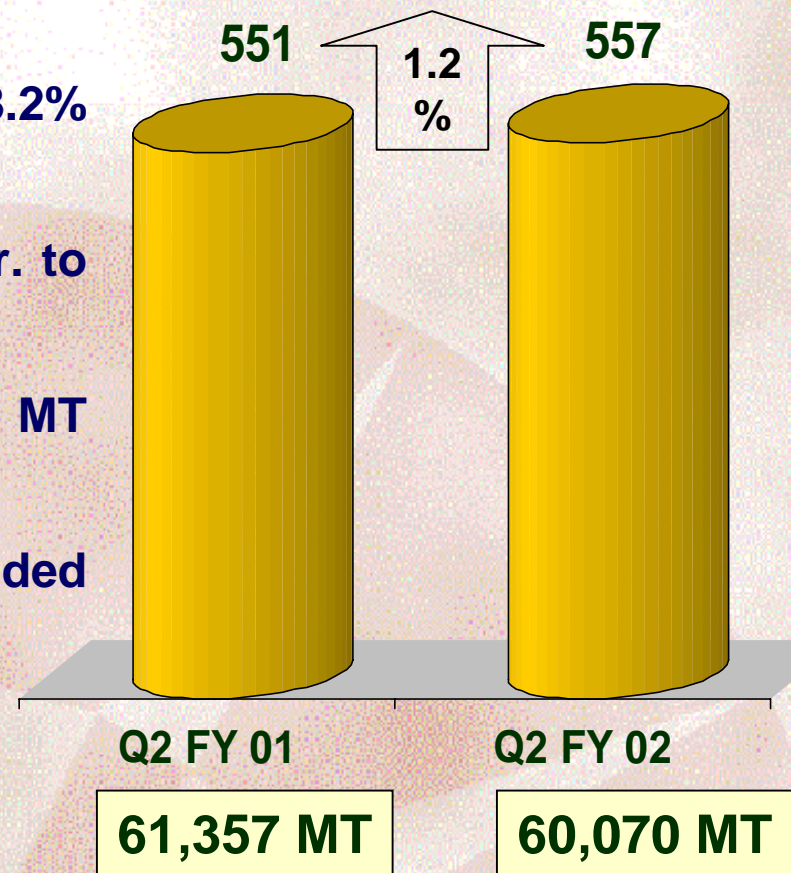
Turnover

□ **Net Sales Increased by 1.2%**

- Realization increased by 3.3% but
- Sales Volume lower by 2.1%
- Domestic Volumes increased by 8.2% to 52,246 MT (48,297 MT)
- Exports decreased from Rs.104 Cr. to Rs. 65 Cr.
 - Volumes lowered from 13,060 MT to 7,823 MT
 - Higher share of Value added products improved realization

% Change	Volume	Realization
Domestic	8.2%	2.2%
Exports	-40.1%	4.7%
Total	-2.1%	3.3%

Net Sales (Rs. Crore)



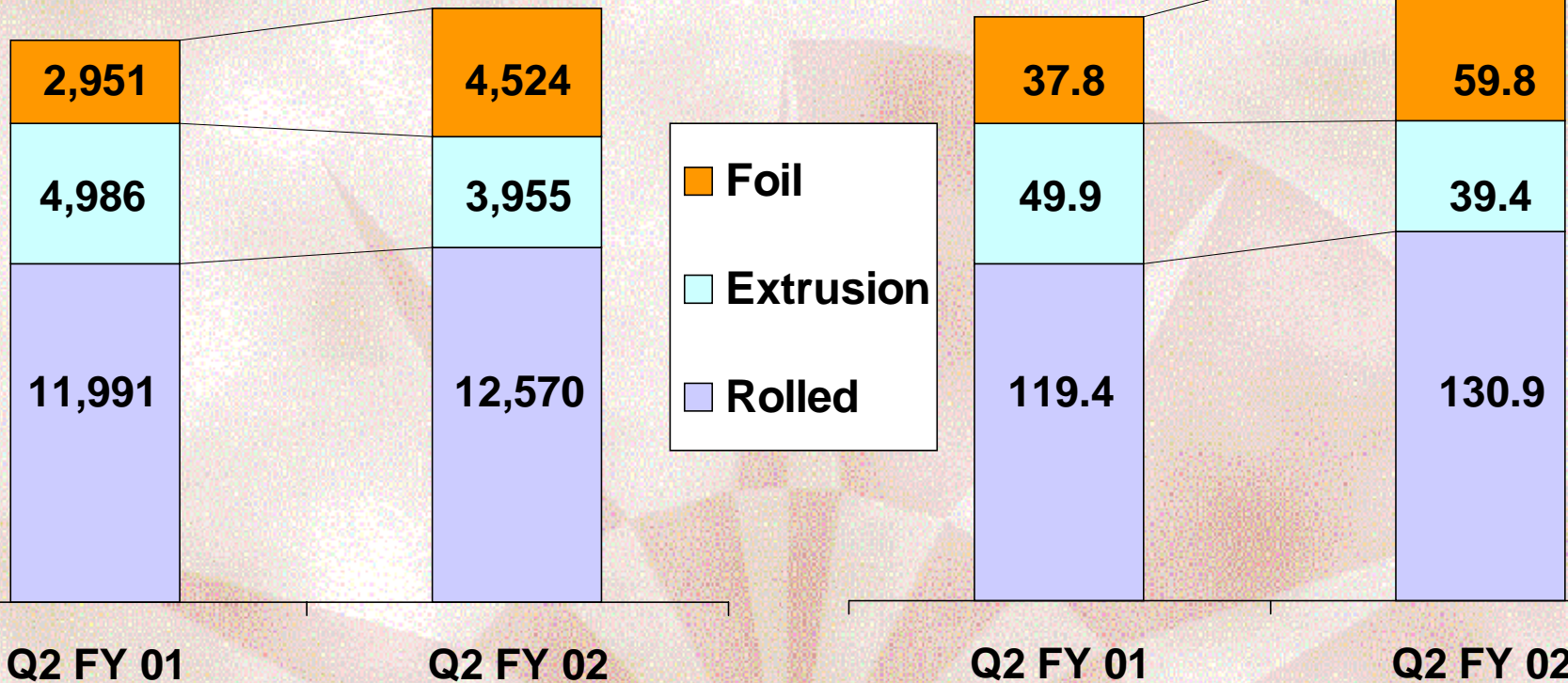
Improved Realisation of Value Added Products

Volume (MT)	
19,928	21,048

Sales (Rs. Crore)	
207.2	230.1

5.6%

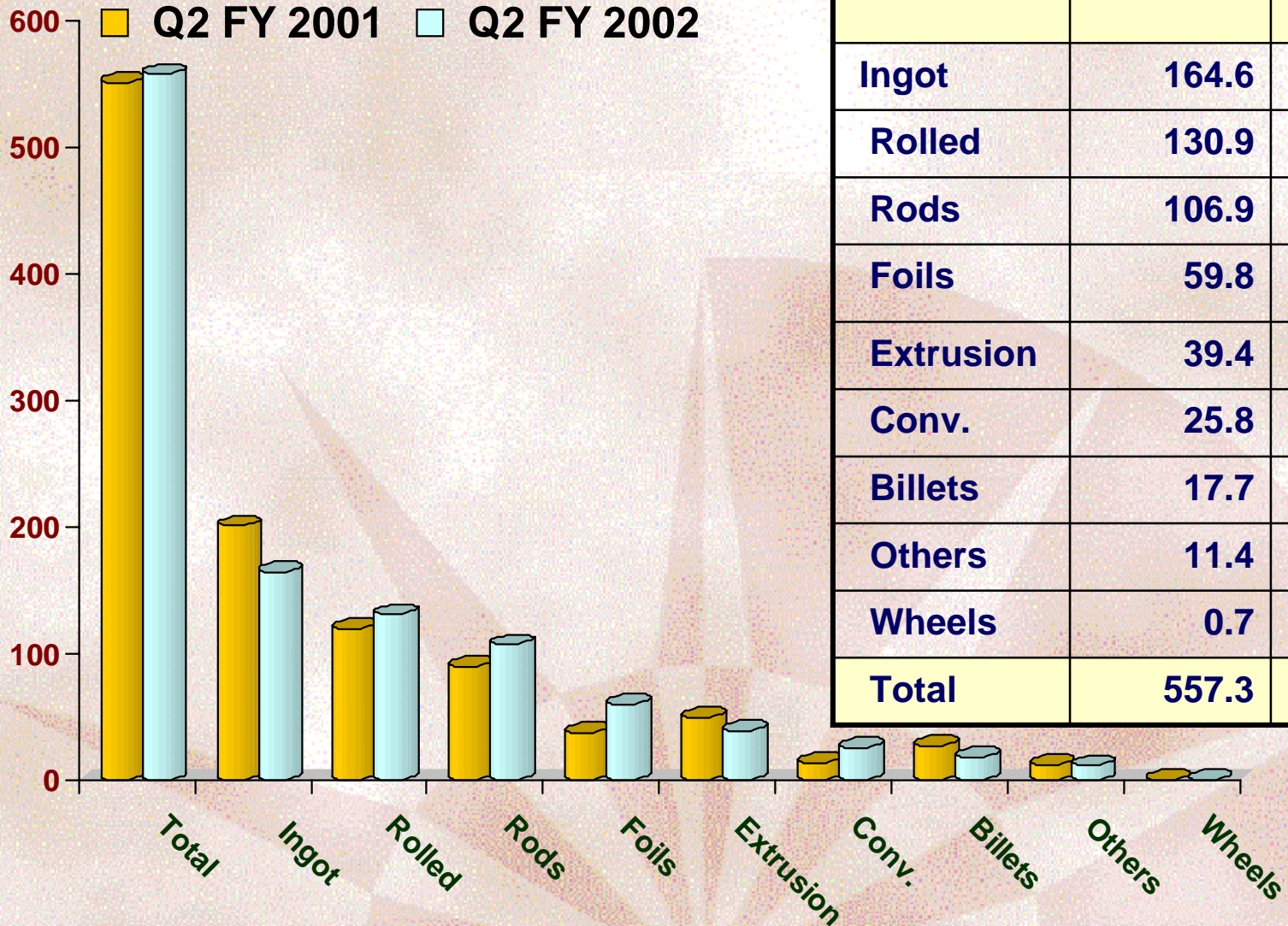
11.1%



Better product mix contributing to Revenue Growth

Product Wise Sales

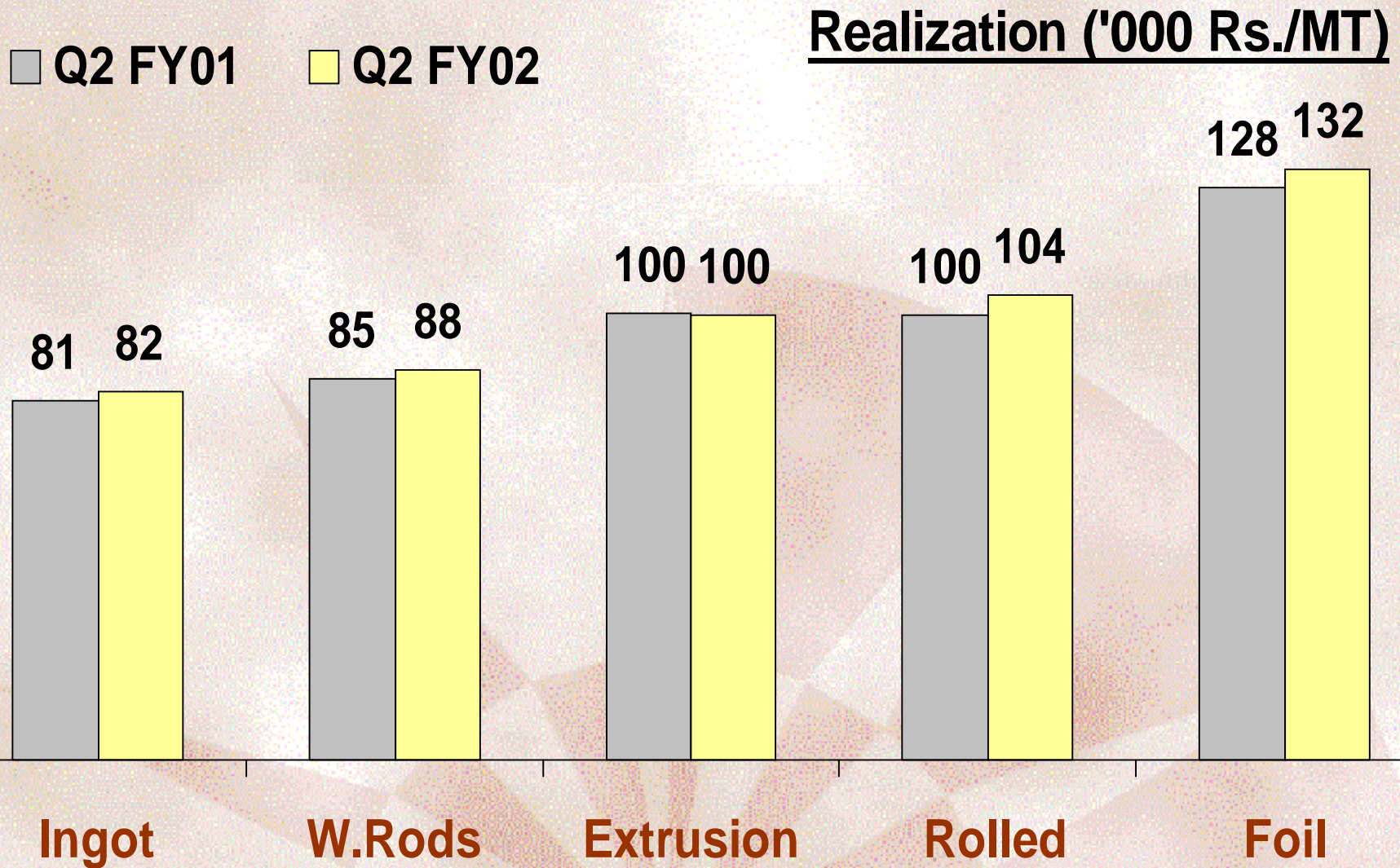
Rs. Crore



Rs. Crore

Particulars	Q2 FY02	Q2 FY01
Ingot	164.6	200.7
Rolled	130.9	119.4
Rods	106.9	89.8
Foils	59.8	37.8
Extrusion	39.4	49.9
Conv.	25.8	13.8
Billets	17.7	26.9
Others	11.4	12.1
Wheels	0.7	0.4
Total	557.3	550.8

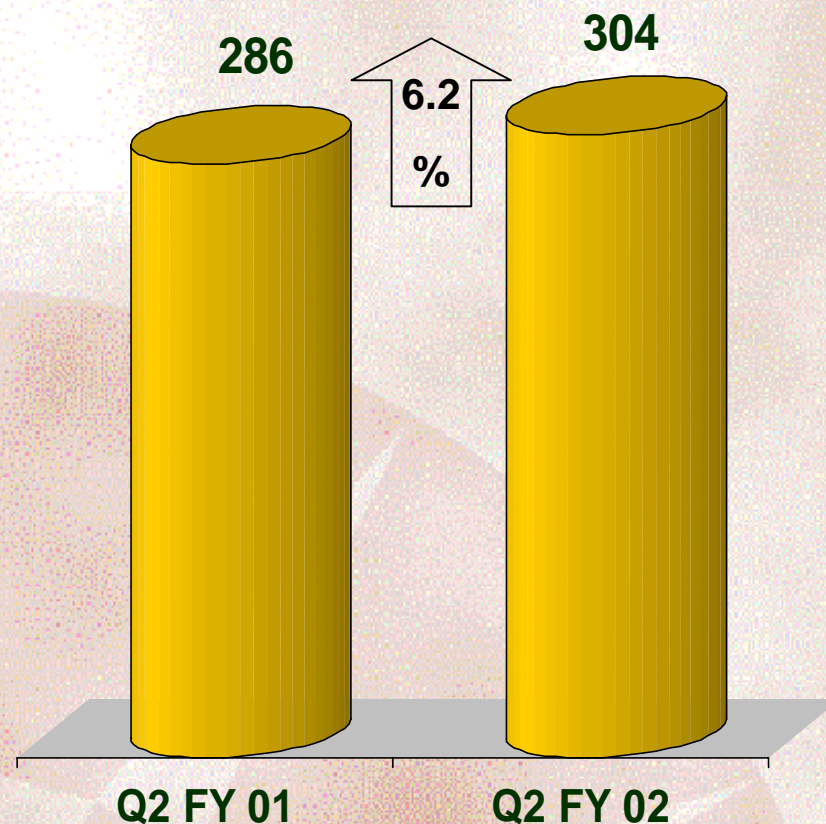
Higher Realization across all products



Operating Expenditure

- ❑ Operating Expenses increased by 6.2% due to
 - ❑ Higher prices of Caustic Soda , CP Coke and Bauxite
 - ❑ Higher repairs and maintenance expenses
 - ❑ Higher Power cost due to
 - Increase in coal prices
 - Poor coal quality
 - More maintenance cost
 - ❑ Increased salary and wages and Administration Expenses

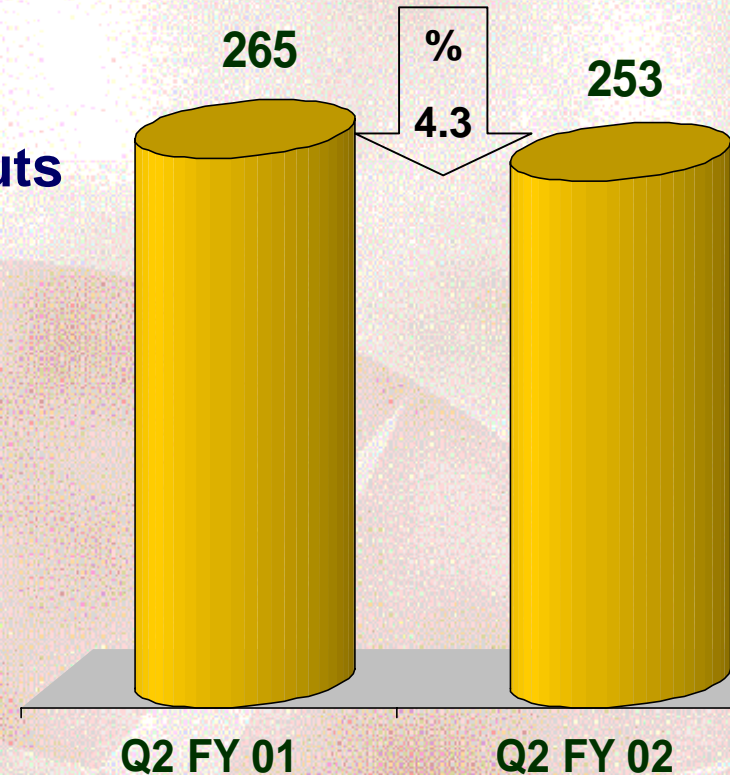
Operating Expenditure (Rs. Crore)



Operating Profits

- ❑ Operating Profits down by 4.3%
- ❑ Operating Margins at 45.5%,
- ❑ Increasing prices of critical inputs impacting margins
- ❑ **Fall contained by**
 - Improved Realization
 - Better Product Mix and
 - Operating efficiencies

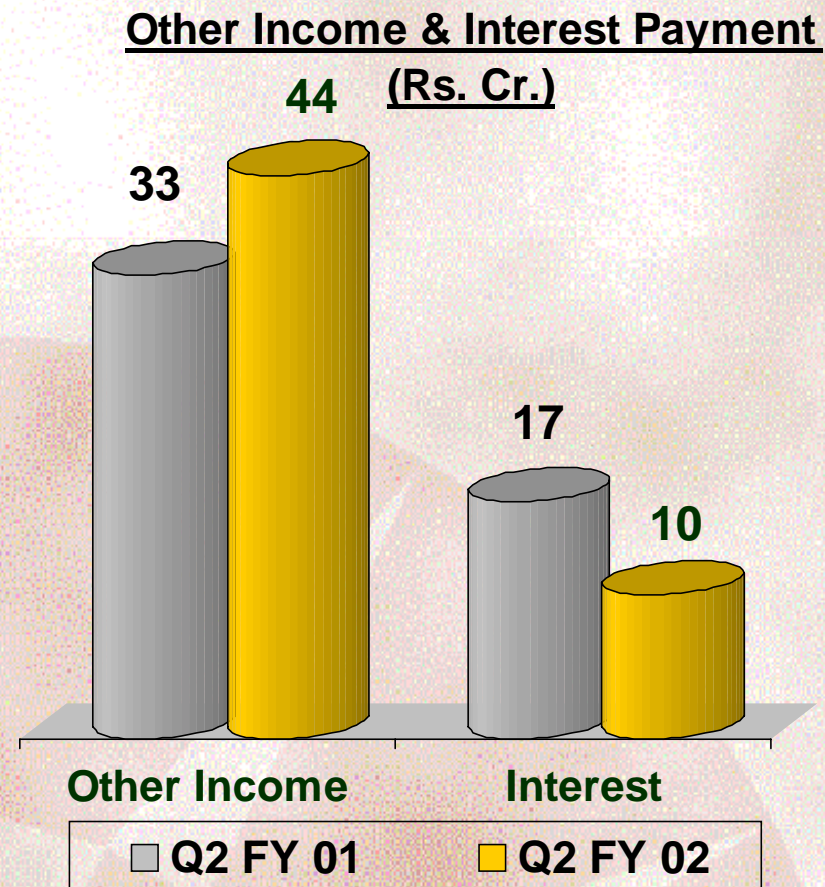
Operating Profit (Rs. Crore)



Operating Margin	
48.1%	45.5%

Other Income & Interest Payment

- ❑ Higher dividend income
- ❑ Debt Schemes of mutual funds providing good returns
- ❑ Lower yield on Inter-Corporate and Bank Deposits
- ❑ Debts Raised:-
 - 200 Crores in June-July'01 @ 9.75%
 - 50 Crores in Sept'01 @ 9.00%
- ❑ Interest of Rs. 12.9 Cr. Capitalized as per AS-16

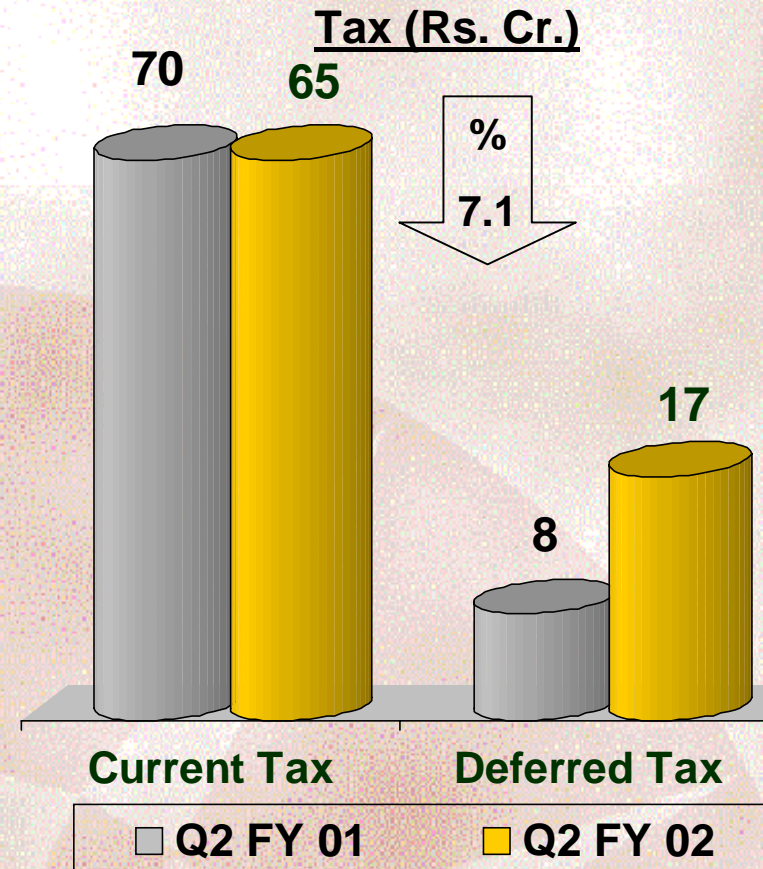


Taxation

❑ **Effective tax rate decreased from 28.5% to 26.1% due to:**

- **Decrease in tax rate from 39.55% to 35.7%**
- **Higher WDV Depreciation**
- **Set off of carried forward capital losses**
- **Higher tax free Income through dividends**

❑ **Lower Exports and reduction in 80 HHC benefit from 80% to 70%**



Q2 FY 2002 Results

(Rs. in Crores)

Particulars	Q2 FY2002	Q2 FY2001	Change (%)
Net Sales	557.3	550.8	1.2
Total Expenditure	303.9	286.1	6.2
Operating Profit	253.4	264.7	(4.3)
Other Income	43.8	32.9	33.1
Interest	10.2	16.8	(39.1)
Depreciation	37.5	35.4	5.8
Profit before Tax	249.5	245.4	1.7
Provision for Current Tax	65.0	70.0	(7.1)
Profit before Deferred Tax	184.5	175.4	5.2
Provision for Deferred Tax	17.4	7.6	129.6
Net Profit	167.1	167.8	(0.4)
EPS (Rs.)	22.4	22.5	(0.4)
Cash EPS (Rs.)	27.5	27.3	0.7

H1 FY 2002 Results

(Rs. in Crores)

Particulars	H1 FY2002	H1 FY2001	Change (%)
Net Sales	1,106.3	1,116.0	(0.9)
Total Expenditure	600.9	581.8	3.3
Operating Profit	505.4	534.2	(5.4)
Other Income	76.4	63.6	20.2
Interest	20.6	32.9	(37.2)
Depreciation	74.4	70.7	5.3
Profit before Tax	486.8	494.2	(1.5)
Provision for Current Tax	130.0	143.0	(9.1)
Profit before Deferred Tax	356.8	351.2	1.6
Provision for Deferred Tax	28.5	20.6	38.5
Net Profit	328.3	330.6	(0.7)
EPS (Rs.)	44.1	44.4	(0.7)
Cash EPS (Rs.)	54.1	53.9	0.3

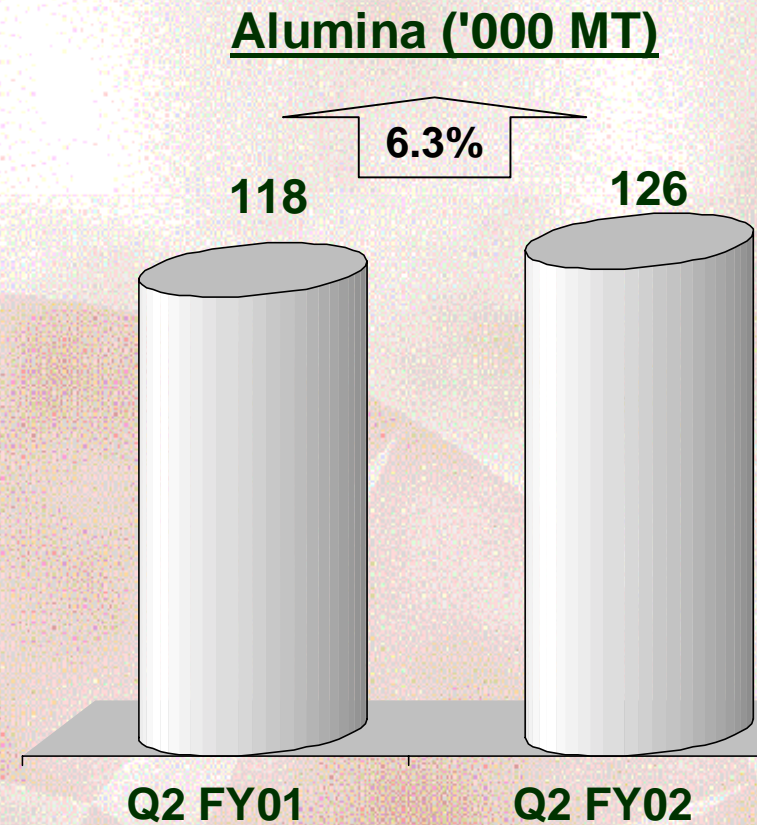


Production Performance

Alumina Production

□ 6.3% increase in Alumina production

✓ Improved operations



Captive Power Availability

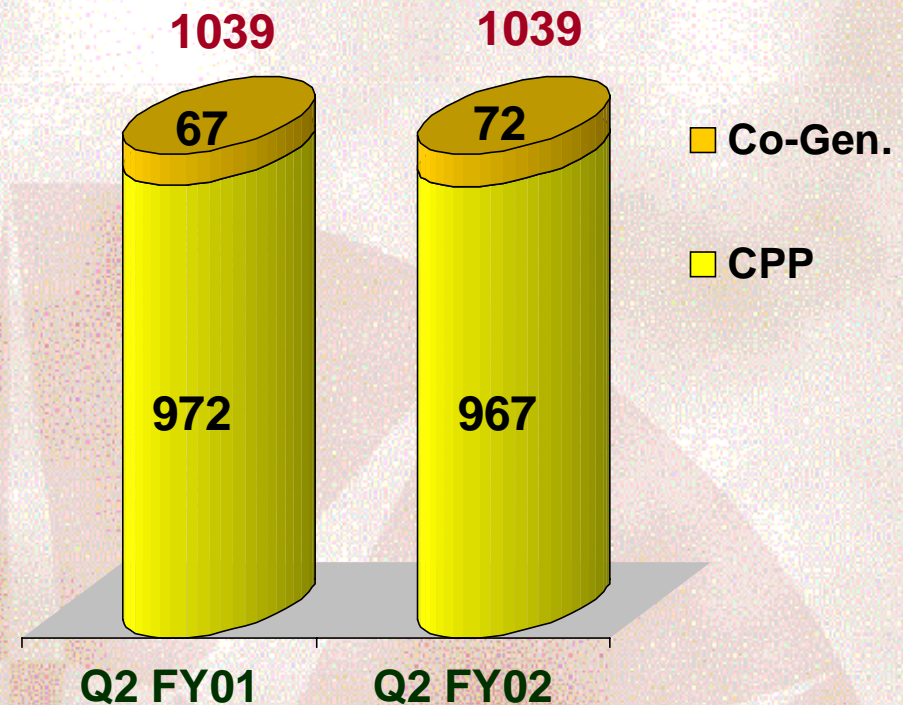
❑ Higher Generation at Cogeneration Plant

❑ Lower Generation at Renusagar:

➤ Reduction in Coal Supply from NCL

➤ Poor quality of coal

Captive Power Availability (MU)

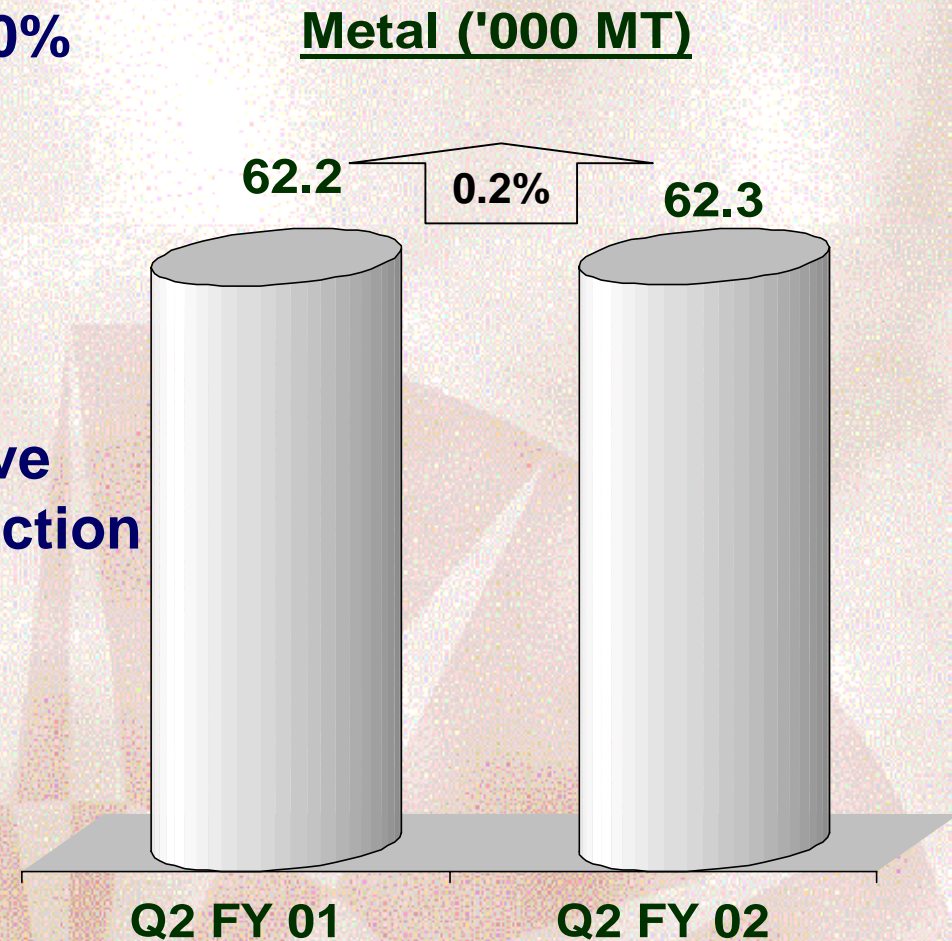


Metal Production

□ **Consistent Smelter Capacity Utilization in excess of 100%**

- Improving efficiencies
- Innovative practices

□ **Lower availability of captive power limited metal production**

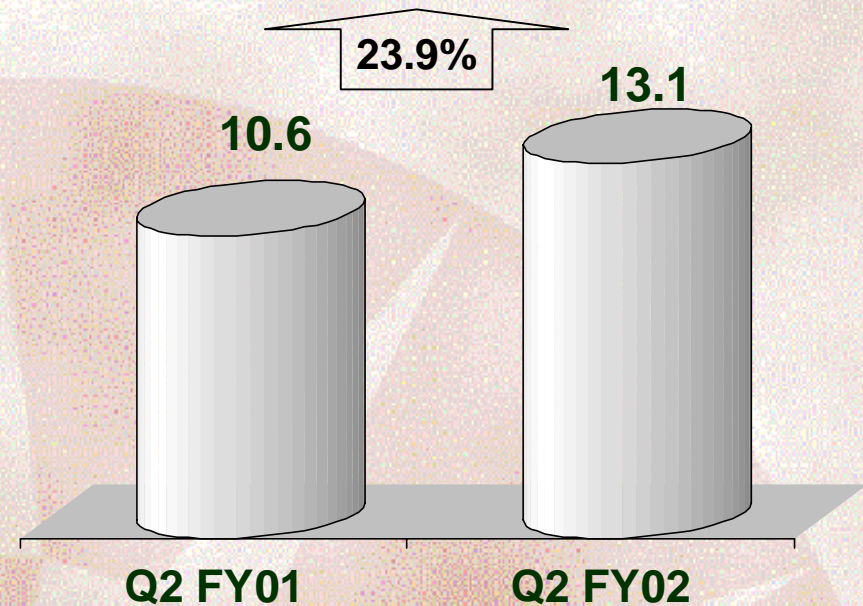


Wire Rod Production

□ Wire Rods Production increased

➤ Improved off-take from electrical sector

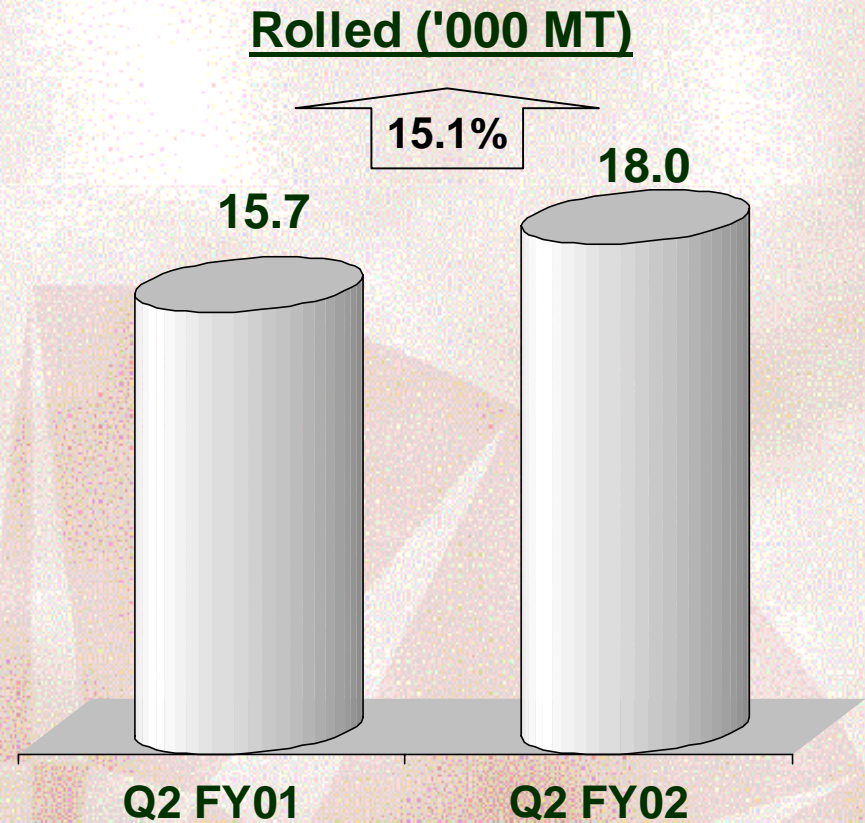
Wire Rods ('000 MT)



Rolled Production

□ 15.1% increase in Rolled Products

- Better Asset utilization
- Improved Product Mix

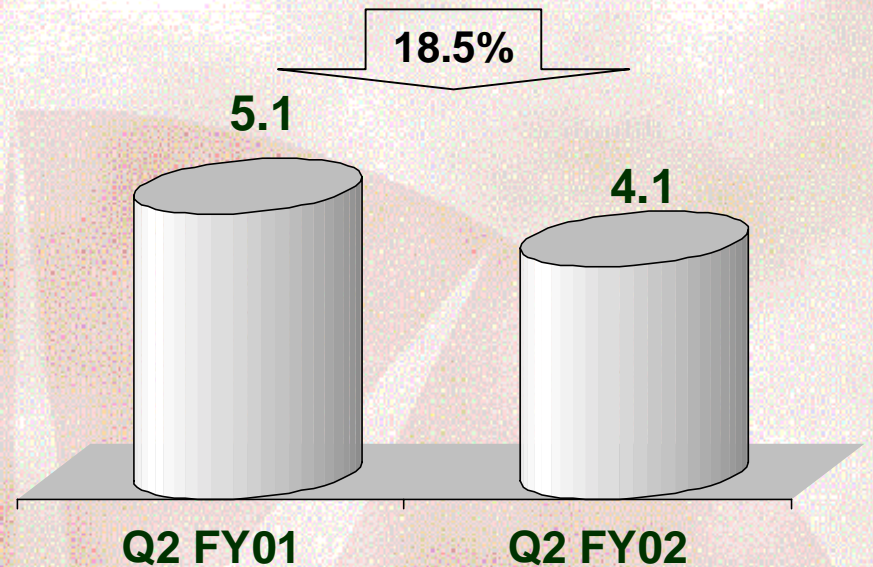


Extrusion Production

□ Extrusion production scaled back by 18.5%

- Weak Market
- Better Product Mix

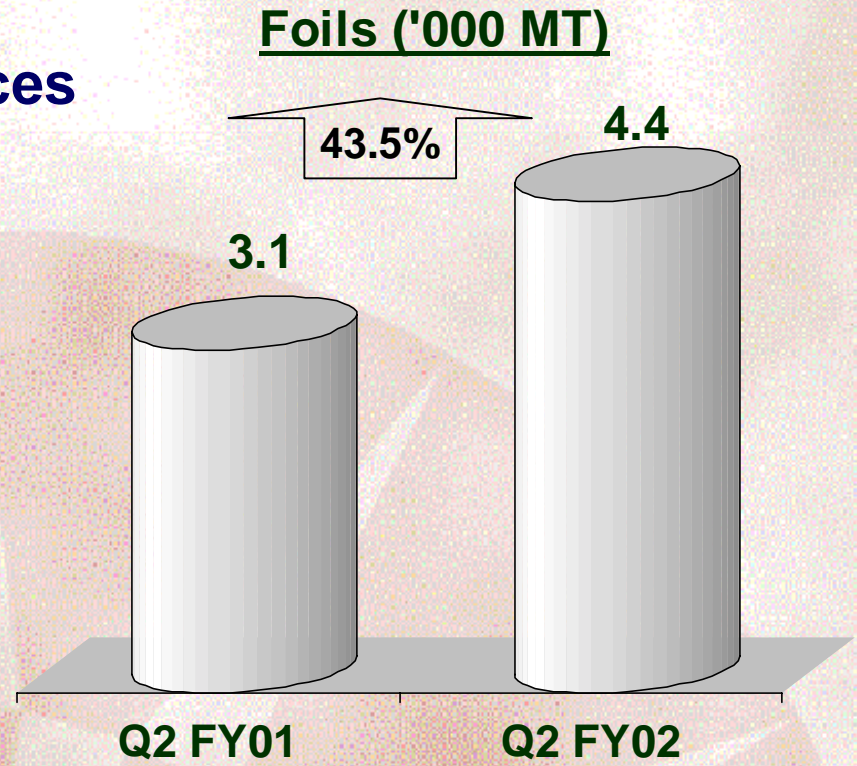
Extrusions ('000 MT)



Foil Production

□ 43.5% increase in Foils production at 4,400 MT (3,066 MT)

- Improved operating practices
- Enriched Product Mix
- Focused marketing efforts



Q2 FY 2002: Production Performance

Production	Unit	Q2 FY 2002	Q2 FY 2001	% Change
Alumina	MT	125,943	118,497	6.3
Aluminium Metal	MT	62,330	62,222	0.2
Wire Rod	MT	13,112	10,585	23.9
Rolled Products	MT	18,043	15,670	15.1
Extruded Products	MT	4,120	5,058	(18.5)
Aluminium Foils	MT	4,400	3,066	43.5
Alloy Wheels	No.	7,409	6,143	20.6
<u>Net Power Availability</u>				
Renusagar	MU	967	972	(0.5)
Co-generation	MU	72	67	7.6

FY 2002: Production Targets

Production	Unit	FY 2002 Targets	FY 2001 Actual	% Change
Alumina	MT	488,700	470,688	3.8
Aluminium Metal	MT	263,000	251,492	4.6
Wire Rod	MT	51,100	43,946	16.3
Rolled Products	MT	72,000	62,800	14.6
Extruded Products	MT	17,100	18,602	(8.2)
Aluminium Foils	MT	16,600	12,756	30.0
Alloy Wheels	No.	55,000	23,058	
<u>Net Power Availability</u>				
Renusagar	MU	4,108	3,977	3.3
Co-generation	MU	236	237	(0.3)



Aluminium Industry Outlook

Aluminium: Global Scenario

- ❑ **Global consumption down 3.2% so far in CY2001**
 - **US consumption down 12.5%, Asia down 7.4%, Japan down 6.7 % and Europe too is slowing**
 - **Strong China, CIS and Eastern Europe are not sufficient to reverse weak global trends**
- ❑ **Over 2.2 million tonnes of production cut backs have been overlooked as a result**
- ❑ **LME inventory has increased by 300 KT since Jan-01,**
- ❑ **LME Prices down 20% YTD at US\$ 1300, appears to have limited downside from these levels**
- ❑ **Recovery in the US must to revive global demand and prices**
- ❑ **US recovery delayed, likely only by H2 - CY2002**

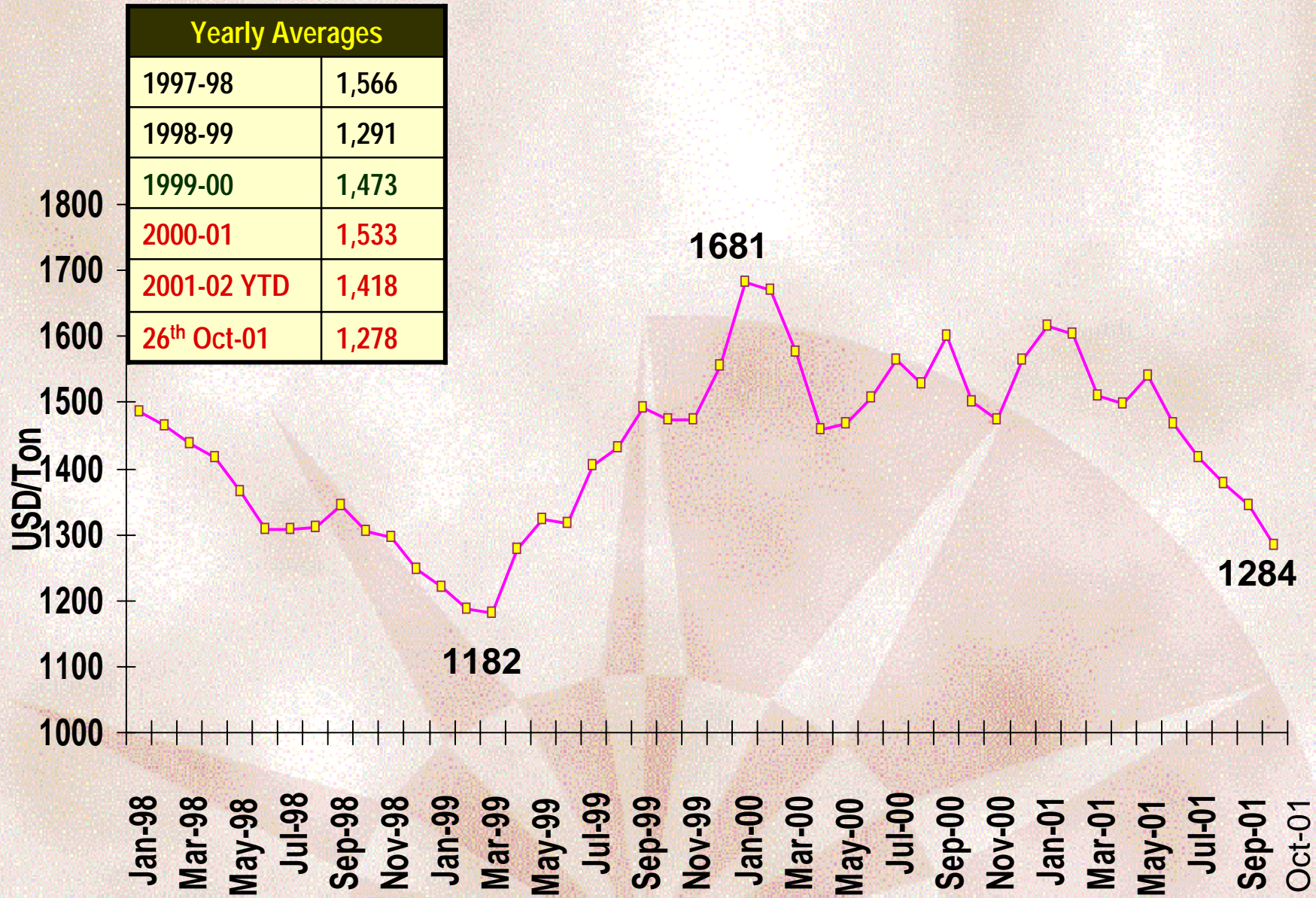
Global Growth Pattern

(in %)

Aluminium Consumption growth			
Region	9M CY 2001	CY 2000	CY 1999
North America	-12.0	-0.2	+6.8
Asia	-7.4	+13.5	+14.9
Japan	-6.7	+5.8	+2.3
China	+11.3	+15.4	+13.0
Western Europe	-0.6	+4.5	+3.1
World	-3.2	+6.1	+5.8
Aluminium Production Growth			
World	0.0	+3.3	+4.3

Source: CRU Aluminium Monitor October, 2001

LME Cash Prices - At 30 months low



Domestic Aluminium Outlook

Weak short-term outlook – Good long-term fundamentals

- ❑ Amidst a slowing economy, manufacturing is particularly hit
- ❑ Aluminium consumption across all sectors is slow
- ❑ Normal monsoon and better rain distribution this year revives hopes of rural consumption led revival of the economy
- ❑ Some positive trends are seen emerging in the important Electrical Sector
- ❑ Transportation, Building, Packaging and Strategic applications will be the major growth drivers

Intrinsic qualities of Aluminium and compulsions of Infrastructure needs should revive consumption growth

Pressure on Domestic Prices

- **Weak International Prices imply :**
 - **Exports are not attractive**
 - **Imports are likely to grow**
- **Slowing economic Growth does not present additional opportunities at home**
- **Producers are targeting the domestic market for Emerging additional output**
- **Consequently, the Supply/Demand imbalance is pressurising the domestic prices of all products**
 - **Prices of Ingots and wire rods reduced 4% - in the vicinity of Rs. 3,400 /mt w.e.f 1st October 2001**

Domestic Scenario: Demand & Supply

(Qty in '000 MT)

Particulars	Historical				Forecast				
	1997	1998	1999	2000	2001E	2002	2003	2004	2005
Year to 31st March									
Production	522	553	545	618	641	635	712	827	880
Growth %	(1.7)	5.9	(1.4)	13.4	3.7	(0.9)	12.1	16.2	6.4
<u>Demand</u>									
Domestic	550	535	552	604	571	594	641	693	748
Export	100	90	70	146	178	128	142	165	176
Total	650	625	622	750	749	722	783	858	924
Deficit	(128)	(72)	(77)	(132)	(108)	(87)	(71)	(31)	(44)
Growth in Consumption %	8.1	(2.7)	3.2	9.4	(5.5)	4.0	8.0	8.0	8.0



Growth Initiatives and Future Direction

Brownfield Expansion

Rs. 1,800 Crore Brownfield Expansion

Capacity (MT)	Existing	Brownfield	Total
Alumina	450,000	210,000	660,000
Aluminium Metal	242,000	100,000	342,000
Power at Renusagar	582 MW	150 MW	732 MW

- Work Progressing satisfactorily
- 9th Potline Commissioned (Capacity 33,000 mtpa)
 - Will have additional production of 12,000 MT in FY 02
- Sweetening process in Alumina Plant commissioned
- Completion in phases, largely by end 2002-2003

Profit Improvement Exercise

Project “Rocket –2K” : Profit Improvement Exercise –

□ Initiatives identified for Profit improvement:-

- Increase Thru put
- Cut Costs
- Improve Operating Efficiency
- Reduce Working Capital Cycle



□ Annualized benefits of Rs. 40-50 Crores to be achieved gradually in two years

□ Progress being closely monitored:

Rs. In Crore

Benefits	Annualized Target		Achieved	
	Min.	Max.	YTD	Annualized
Total	37.0	50.0	10.5	19.7

Hindalco: Positive Outlook

- ❑ **Optimistic of improvement in Indian economic growth**
- ❑ **Hindalco prepared to perform better**
 - **Additional metal from Brownfield expansion to drive volume growth**
 - **Profit improvement exercise to provide recurring benefits**
 - **Benefits of Indal integration to accelerate**
 - **Integrated IT Solution on anvil**
 - **Dynamic decision making and proactive steps towards improved realization and better product mix**
 - **New Marketing strategy to yield results**
- ❑ **Opportunity to participate in divestments**

Will maintain domestic market leadership through superior performance

HINDALCO



THANK YOU



PRESS RELEASE

Date:30.10.2001

**HINDALCO
THE ADITYA BIRLA GROUP'S FLAGSHIP COMPANY
Q2 - FY 2001-02**

SUSTAINED PERFORMANCE AMIDST A WEAK SCENARIO

Sales	Rs. 557.3 Crores	Up 1.2 %
Profit before Deferred Tax	Rs. 184.5 Crores	Up 5.2 %
Net Profit	Rs. 167.1 Crores	

Hindalco, an Aditya Birla Group flagship Company, has recorded a satisfactory performance for the quarter ending September 2001, despite an environment of weakening economic fundamentals and a steep fall in the LME prices. Net Sales have grown and Net Profit sustained through the adoption of a strategy focusing on value added products, growing domestic sales and enhancing operating efficiencies.

A carry forward of this strategy along with increased output from the ongoing commissioning of the Company's brownfield expansion should result in stronger succeeding Quarters, despite a continuation of weak market sentiments.

Sales

The Company's Net Sales at 557.3 Crores are up by 1.2 % in comparison to the corresponding period of Fiscal 2001. The growth though marginal, is commendable given the prevailing market environment as well as the fact that sales volumes at 60,070 MT (61,357 MT) are lower by 2.1 %.

Higher sales have resulted from the successful marketing of an enriched product mix in the domestic market. With a higher share of value added products, export realisations have grown 4.7 % even as volumes have been consciously scaled down considerably.

Profits

Profits before Deferred Tax during Q2 of the current Fiscal stand at Rs. 184.5 Crores, an increase of 5.2 % over Profits in the corresponding period last year. Hindalco's Net Profit at Rs. 167.1 Crores is close to its profits of Rs. 167.8 Crores in the corresponding Quarter last year.

Operational Review

On the production front, in all areas, Hindalco's output bettered that of the comparable quarter of the earlier year, with the exception of Extrusion, as indicated :

- Metal Production at 62,330 MT, is marginally higher than that of 62,222 MT attained in the corresponding quarter of the previous year. The Company's Smelter is consistently operating in excess of capacity.
- Alumina production, at 125,943 MT is higher by 6.3 % over that of 118,497 MT in the corresponding period last year.
- Output of Rolled Products at 18,043 MT is significantly higher by 15.1 % over the output of 15,670 MT in the comparable Quarter last year, largely due to better utilization of available capacity and an improved product mix.
- Extrusion Production stood at 4,120 MT vis-à-vis 5,058 MT in the corresponding period last year. Extrusion production was scaled back consciously, in line with the market condition.
- Production of Redraw Rods at 13,112 MT mirrors a 23.9 % growth over 10,585 MT in Q2 Fiscal 2001.
- The Company's captive Power Generation was adequate to meet its in-plant needs.
 - Power sent out from the Company's Renusagar Power Plant was 967 MU, slightly lower than 972 MU in the comparable Quarter last year primarily due to constraints on coal availability because of problems at linked Collieries.
 - Power sent out from its Co-Generation Unit was 72 MU as against 67 MU in the corresponding Quarter last year and this despite the shutdown of the Co-generation Unit for its first comprehensive overhaul.
- Foil Production increased to 4,400 MT, up by 43.5 %, over 3,066 MT in the corresponding period last year.
- Production at the Aluminium Alloy Wheel Plant at 7,409 Wheels vis-à-vis 6,143 Wheels in Q2 of the previous fiscal, is up by 21 %.

Comparison - H1 Fiscal 2002 / H1 2001

The Q2 Fiscal trends in respect of Sales and Financial Performance are given below to enable compare the Company's Half Yearly performance with the previous year.

Rs. in Crores

	H1 FY 2002	H1 FY 2001
Net Sales	1106.3	1116.0
Profit before Deferred Tax	356.8	351.2
Net Profit	328.3	330.6

Fund Raising

The Company has raised a Debt of Rs. 50 crores in September 2001 for General Corporate purposes through the issue of 9 % Secured Redeemable Non-convertible Debentures. The Debentures have a maturity period of 7 years with a provision for investors to exercise Put/Call Option after completion of a period of 5 years.

Brownfield Expansion

As part of its growth plan, Hindalco has embarked on a substantial brownfield expansion at Renukoot entailing an investment of Rs.1800 Crores. On its completion, Aluminium Smelting Capacity will stand raised by 100,000 MTPA to 342,000 MTPA. Alongside, with its emphasis on ensuring self-sufficiency in key inputs, Alumina Refining Capacity will be augmented by 210,000 MTPA to reach 660,000 MTPA (450,000 MTPA) and Power Generation Capacity will be increased to 769 MW (619 MW). Work on the expansion is progressing as envisaged and is slated to be complete in phases, largely by end Fiscal 2002-03.

A capacity of 33,000 MTPA in Potline 9 has been commissioned. The additional production will accrue gradually, commencing H2 2002 itself.

This brownfield expansion will enable Hindalco to consolidate its domestic market leadership, besides ensuring greater availability for a stronger presence in international markets.

Other Growth Initiatives

Strengthening synergies with Indal promise increased benefits to both Hindalco as well as Indal. Synergies accrue from exchanging best practices, undertaking product rationalization and working closely in marketing products. The two Companies continue to work for optimizing capacities by way of increased tolling of alumina.

Hindalco's structured Profit Improvement exercise aimed at generating higher productivity, reducing costs significantly, strengthening efficiencies and lowering

inventories is underway. On its completion, in about two years, Hindalco expects an annualised savings, to the tune of nearly Rs.40 Crores.

An appropriate IT Solution that will integrate operations, ensure real time data availability, enable improved and faster decisions, enable effective Supply Chain Management and Customer Relations Management Systems has been zeroed in on by the Company. It will entail an estimated expenditure of about Rs.30 Crores over the next 2-3 years.

Outlook

The Aluminium business is cyclical and is currently passing through a weak phase. Hindalco's unique competitive strengths accord it a distinct advantage during such downturns.

Going forward, the Company hopes to benefit from expectations of strengthening economic fundamentals at home as well as the inevitable though delayed recovery of the world economy. In India, better monsoon is prompting expectations of a consumer driven recovery. Worldwide, the near term outlook is not so positive. However, significant production cutbacks over the preceding months and the fact that inventories remain low despite recent additions, augur well for aluminium when the economic turnaround happens.

Going forward, Hindalco will benefit from volume driven growth as additional volumes emerge from the ongoing brownfield expansion, derive recurring benefits from its profit improvement exercise, and the strengthened synergies with Indal. To consolidate its leadership at home and to grow in the global markets, the Company is also evolving innovative and aggressive marketing strategies.

Hindalco's outlook for the future is thus positive.

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