August 20, 2024

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Sub: Transcript of Earnings Conference call of Hindalco Industries Limited *('the Company')* for the financial results of quarter ended June 30, 2024

Ref:

a. Regulation 30 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 *('Listing Regulations');*
b. ISIN: INE038A01020 *and*
c. Our Intimation dated August 1, 2024

Pursuant to the above referred, the transcript of the Earnings Conference Call held on August 13, 2024 for the financial results of quarter ended June 30, 2024 is enclosed herewith.

The above details along with the audio recordings of the Earnings Call are also available on the website of the Company i.e. www.hindalco.com

Sincerely,

for **Hindalco Industries Limited**

GEETIKA RAGHUNANDAN ANAND
Digitally signed by GEETIKA RAGHUNANDAN ANAND
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Company Secretary & Compliance Officer

Encl: a/a

Hindalco Industries Limited

"Q1 FY'25 Earnings Conference Call"

August 13, 2024

MANAGEMENT: **MR. SATISH PAI – MANAGING DIRECTOR – HINDALCO INDUSTRIES LIMITED**
MR. PRAVEEN MAHESHWARI – CHIEF FINANCIAL OFFICER – HINDALCO INDUSTRIES LIMITED
MR. STEVE FISHER – PRESIDENT AND CHIEF EXECUTIVE OFFICER – NOVELIS
MR. DEV AHUJA – CHIEF FINANCIAL OFFICER – NOVELIS
MR. SUBIR SEN – HEAD OF INVESTOR RELATIONS – HINDALCO INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Hindalco Industries' Financial Year 2025 First Quarter Earnings Conference Call. As a reminder, all participant lines will be in a listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference call is being recorded.

I now hand the conference call over to Mr. Subir Sen, Head of Investor Relations at Hindalco. Thank you, and over to you.

Subir Sen: Thank you, and a very good afternoon or morning, everyone. On behalf of Hindalco Industries, I welcome you all to the earnings call for the first quarter of financial year 2025. In this call, we will refer to the Q1 financial year 2025 investor presentation available on our company's website. Some of the information on this call may be forward-looking in nature and is covered by the safe harbor language on slide number two of the said presentation.

In this presentation, we have covered the key highlights of our consolidated performance for the first quarter of the financial year 2025 versus the corresponding period of the previous year. The segment-wise comparative financial analysis of Novelis, Indian aluminum and copper business is also provided. The corresponding segment information for prior periods is also restated accordingly for a comparative analysis.

Today, we have on this call from Hindalco's management, Mr. Satish Pai, Managing Director; and Mr. Praveen Maheshwari, Chief Financial Officer. From Novelis' management, we have Mr. Steve Fisher, President and CEO; and Mr. Dev Ahuja, Chief Financial Officer. Following this presentation, this forum will be open for question and answers. Post this call, an audio replay of this conference call will also be available on our company's website. Now let me turn this call to Mr. Pai to take you through the company's performance in quarter 1.

Satish Pai: Thank you, Subir. Thank you for joining Hindalco's earnings call today. Let me start with our achievements, progress and some key highlights across the metrics of ESG for this quarter versus the prior period on slide 4 to 8 of this presentation.

In the first quarter of financial year 2025, 97% of the total waste generated were recycled and reused. We achieved recycling of 138% of bauxite residue excluding Utkal, 106% of Ash in this period. We are steady fast in our efforts to reach net water positivity of 2050. Till date, we have initiated various projects, including desalination and other water recycling projects to minimize our freshwater consumption and maximize water reuse.

Specifically, in our copper business, we have seen remarkable progress. The Dahej desalination project, coupled with our tertiary water recycling units have enabled a significant reduction in freshwater consumption. We have successfully reduced freshwater usage from 19.5 million cubic meters per ton of metal in the first quarter of FY '24 to just 8.1 million cubic meters per ton, a notable achievement in our sustainability journey.

This year, we have recycled and reused 4.6 million cubic meters of wastewater, accounting for 24% of the total water consumed in our Indian operation. I'm also pleased to announce that Mouda has become the first plant of Hindalco to receive the prestigious CII GreenCo Water

Neutrality certificate in this quarter. Furthermore, 15 out of our 19 plants now operate with zero liquid discharge(ZLD), a critical component of our water sustainability strategy. We are on track to commission the Kuppam ZLD project by third quarter of this financial year, further enhancing our efforts to minimize our environmental impact.

In biodiversity, we have launched a pilot project at our Renukoot plant aimed at removing invasive species and reintroducing native plants. These invasive species are being sent to the paper mills for pulp production as a part of our commitment towards circular economy. As part of our ESG disclosure, we are set to publish our task force on nature related financial disclosures, TNFD report by the end of next quarter. In terms of our progress on renewables, we have commissioned 173 megawatts of solar and wind till date. Further 16 megawatts of solar projects are under execution and expected to be completed by quarter two and another 9 megawatts by quarter four of this financial year.

Our 100 megawatts hybrid power project is on course and expected to be commissioned by H1 calendar year 2025. Our aluminum specific greenhouse gas emission was recorded at 19.41 tons of CO2 per ton of aluminum in this quarter, flattish compared to the same period last year. On safety, our LTIFR in India was recorded at 0.4 in the first quarter of the financial year 2025, which was a bit higher compared to quarter 1 of last year. We continue to focus on reduction of LTIFR by continuously upgrading our safety enhancements and monitoring systems. We are sad that there was 1 fatality of a contract workmen that was recorded at our Indian operations this quarter.

Let me now give you a glimpse of our quarterly consolidated performance this quarter versus the same quarter of last year on Slide 10. This quarter's performance on a consolidated basis was driven by normalized demand for beverage packaging sheet at Novelis, better cost control in the aluminum India business backed by a continuous record performance by the copper business. Our consolidated business segment EBITDA was up 42% year-on-year at ₹8,578 crores, whereas our overall reported EBITDA was up 31% year-on-year at ₹7,992 crores. The consolidated net profit after tax was up 25% on a year-on-year basis at ₹3,074 crores.

At the Hindalco India business level, excluding Novelis, our overall reported EBITDA was up 55% year-on-year at ₹3,840 crores. The net profit after tax was up 102% on a year-on-year basis at ₹1,957 crores.

Our Indian aluminum business is currently hedged at around 22% commodity at a price of $2,550 per ton for the financial year 2025 and around 15% of the commodity at a zero collar with the bottom of $2,258 and a ceiling of $2,539 per ton. 11% of the currency is hedged at ₹88.43 per dollar. On the balance sheet, our consolidated net debt stands at ₹35,530 crores. In the India operations, we have net cash of ₹1,770 crores, while the Novelis net debt stands at ₹38,226 crores at the end of June 2024. Hindalco, at the consolidated level maintained a strong balance sheet with net debt-to-EBITDA well below 2x at 1.24 at the end of June 2024, which is lower than the corresponding period of last year.

All our strategic capex in India is mapped with the cash flow generation in the business and are in line with our capital allocation policy. Coming to our business-wise performance this quarter.

Novelis shipments were at 951 Kt versus 879 Kt in the prior period, up 8% year-on-year due to normalized demand for the beverage packaging sheet. Novelis delivered a quarterly EBITDA of $500 million, up 19% year-on-year, driven by higher shipments and favorable product pricing. The resultant EBITDA per ton stood at $525 versus $479 in the previous quarter, up 10% year-on-year.

All our expansion projects, including the Bay Minette project in Novelis are on track with the new 240 Kt automotive recycling and casting center at Guthrie began commissioning this quarter. However, an unprecedented weather event in Novelis Europe at the end of June, caused significant flooding at its Sierre, Switzerland plant. Fortunately, all of our employees were safely evacuated, though production has been halted since June 30. We currently estimate the plant to be back up and running at the end of the second quarter.

On Hindalco India's upstream aluminum performance this quarter, shipments were down 4% year-on-year and revenues were up 10% year-on-year. EBITDA was up 81% year-on-year at ₹3,493 crores, primarily supported by lower input costs and favorable macros. The resultant EBITDA per ton stood at $1,273, higher by 84% year-on-year. EBITDA margins were also higher at 40% this quarter and continue to be the best in the global industry.

This quarter, the Indian downstream aluminum quarterly shipments were up 18% year-on-year at 96 Kt in this quarter on account of market recovery. EBITDA was down 19% year-on-year at ₹110 crores this quarter versus ₹135 crores in the prior period. The resultant EBITDA per ton was at $138 per ton lower by 32% year-on-year this quarter, impacted by unfavorable product mix and lower realization.

Our copper business continued to deliver its best-ever performance this quarter as well. The overall metal shipments were at 119 Kt, up 1% year-on-year of which CCR volumes were at 100 Kt, up 2% year-on-year. The quarterly copper EBITDA was at an all-time high of ₹805 crores, up 52% year-on-year on account of higher shipments, better realization and robust operations.

Now let me give you a glimpse of the current broader economic environment on Slide 12 and 13. Global economic growth remains resilient despite some moderation in pace. IMF projects the GDP growth to remain steady in 2024 at 3.2% compared to 3.3% in 2023 on moderating inflation, accommodative financial condition and rising global trade. Growth in advanced economies is projected at 1.7% in 2024 in line with 2023. And growth in the emerging market economies is projected at 4.3% in 2024, moderating slightly from 4.4% in 2023. While growth in the U.S. appears to be moderating from 2023 levels, growth in the euro area appears to have bottomed out and is expected to accelerate going forward.

Despite moderating activity in China, Emerging Asia continues to remain the main engine of global growth accounting for almost half of the global growth in 2024. IMF projects global headline inflation to moderate from 6.7% in 2023 to 5.9% in 2024. Disruptions to disinflation, past fiscal challenges, rising geopolitical tension and climate change remain key risks to economic growth. On the domestic front, economic activity continues to be resilient. Going forward, the RBI projects GDP growth to remain at robust 7.2% in FY '25. High capacity utilization, healthy balance sheets of banks and corporates, sustained manufacturing and service activity and the government's continued thrust on infrastructure spending suggests a positive outlook.

Union budget's focused on fiscal prudence, job creation and capex will also continue to support this economic momentum. However, risk to outlooks arise from geopolitical tension, fluctuations in international commodity prices and geoeconomic fragmentation. RBI projects inflation to decline to 4.5% in FY '25 from 5.4% in FY '24. However, volatility in food prices and crude oil prices present downside risk to the disinflation process. Headline inflation has moderated from its peak, though not uniformly. The RBI does remain cautious and is committed to maintaining the 4% inflation target.

Moving on to the aluminum industry outlook on Slide 14 and 15. In Q2 calendar year '24, Chinese production remained steady at 10.6 million tons, while consumption rose to 11.3 million tons, resulting in a deficit of 0.7 million tons. This 3% growth in consumption was led by increase in solar installation, in EV production and electrical grid investments. Coming to the rest of the world, Q2 calendar year production was at 7.3 million tons and consumption at 6.9 million, resulting in a surplus of 0.4 million tons. In Q2 calendar year '24, consumption declined by 1% due to ongoing softness in Europe, Middle East and Japan, offset by strong growth in India and a moderate recovery in North America. Therefore, the overall global production was at 17.9 million tons and consumption was at 18.2 million tons, resulting in a deficit of 0.3 million tons in Q2 CY '24.

In Q1 FY '24, domestic demand for aluminum reached 1319 Kt, marking a robust 15% year-on-year growth. This strong performance was primarily driven by increase in demand in the Electrical segment, particularly in cables and conductors as well as rising demand of aluminum in the solar sector. There was a significant rise in the domestic demand from the packaging industry, industrial machinery and consumer durable segments.

However, the automotive sector saw slightly muted demand primarily due to softness in passenger vehicles and commercial vehicles. The global aluminum FRP demand excluding China is expected to grow by 4% in calendar year '24 with demand recovery across all major segments of beverage packaging, automotive, specialty and aerospace between CAGRs of 4% to 7% over the next 3 to 4 years. Near-term demand in our latest end market, beverage packaging remains quite positive, particularly in North America and is improving in South America and Europe as well.

Global automotive demand remains broadly stable even amidst some ongoing macro challenges. Demand for premium aerospace plate and sheet remains solid over the long term, reflecting strength from the growing OEM build rates supported by multiyear backlog for aircraft deliveries. The Indian FRP demand in financial year '25 is expected to grow by around 7% to 8% on a year-on-year basis. This increase is led by strong demand from packaging, automotive and Building & Construction segments.

Turning to the copper industry on Slide 17 and 18. In Q2 CY '24, Chinese production remained flat year-on-year at 2.8 million tons, whereas consumption declined by almost 3% year-on-year at 3.8 million tons, resulting in a deficit of 1 million tons. In the rest of the world, production increased by 6% year-on-year at 3.6 million tons, whereas consumption was flattish year-on-year at 2.8 million tons, resulting in a surplus of 0.8 million tons in Q2 calendar year '24. Therefore, the overall global production of copper increased by 3% year-on-year at 6.4 million tons while consumption declined by 1% year-on-year at 6.6 million tons, resulting in a deficit of about 0.2 million tons in Q2 calendar year '24.

On the domestic side, in Q1 financial year '25, market demand increased by approximately 4% year-on-year at 2.1 Kt versus 194 Kt in Q1 financial year '24. Domestic producer shares increased to 73% in Q1 FY '25 versus 71% in the same period of last year. In Q1 FY '25, the availability of concentrates remains constrained. On the demand side, numerous smelters are either advancing or prolonging maintenance shutdown and reducing utilization rates to reduce demand of copper concentrate. Looking ahead, the spot TC/RCs are suspected to stay low due to the ongoing limited supply of copper concentrate.

Details of the operational and financial performance in each of our business segments this quarter compared to the corresponding period of last year as well as previous quarters are covered in further slides and annexures to this presentation.

Now let me conclude today's presentation through some key takeaways and our way forward. We continue to scale up the aluminum downstream operations with our Silvassa extrusion plant ramping up successfully and our Aditya FRP expansion project remaining on track with the target commissioning in FY '26. These expansions will take our downstream capacity to 6,000 Kt, reinforcing our commitments towards growth and margin expansion.

Our financial health remains robust, providing a solid foundation to support our organic growth. Our strong balance sheet is a key enabler as we continue to invest in our organic strategic growth initiatives. Our major capital formation phase in downstream business is nearing completion and from here on, we will focus on growth opportunities in the upstream business in both aluminum and copper.

Sustainability remains at the core. I'm happy to say that we have now achieved 57% of our 300 megawatts target in renewables by 2026. Our current renewable energy capacity has reached 173 megawatts. We are on track to commission additional 100-megawatt hybrid project, including storage by the first half of calendar year '25. The key focus for us is completions of Novelis Bay Minette project, which remains on schedule and is expected to be completed in the second half of calendar year '26.

This project will be a significant driver for our future growth and innovation. In June, we began commissioning a highly advanced automotive recycling center in North America that will increase our ability to utilize more pre and post consumer automotive scrap. And in July, we announced UBC recycling expansion at our Latchford U.K. recycling center. Both of these investments shall help to increase recycled content of our products while reducing carbon emissions. We continue making steady progress across a number of strategic capital investments that will strengthen our business for the future. With that, I'd like to thank you for your attention and open the forum up for any questions.

Moderator: Thank you very much. We'll take our first question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: My first question is on the cost side. Can you guide as to what is our expectation on movement of various cost items for the aluminum business over the next quarter?

Satish Pai: So on consumption basis our cost for Q1 compared to Q4 was down by 2%. And largely, that's because coal costs came down, but so did some of the carbon costs. I think that in Q2 versus Q1, it will be flattish to 1% up because normally during monsoons, the spot auction prices of coal tend to go up, and caustic prices have also gone up a little bit. So Q2 to Q1, I think, will be flat to 1%. But Q1 to Q4, we were down by 2%.

Sumangal Nevatia: Okay. Got it. Sir, what would be our mix of e-auction and linkage? And is there any further juice left in terms of cost reduction from coal as our linkage increases and e-auction reduces?

Satish Pai: So look, I don't think that in the near term -- we are about 48% linkage, about 49% to 50% e-auction. And I don't think that, that mix is going to change so much in the coming year. I think what's going to make a difference is when our own Chakla mine starts because that's the time when we will get some fixation on our coal costs on a steady basis going forward.

Sumangal Nevatia: Understood. Understood. Sir, my second question is with respect to few upstream projects in aluminum division. I think last year, we had put it under future opportunities. But now given the balance sheet has become net cash, if you could just elaborate on which are the projects which we could take and what sort of capex on an annual basis we are looking at for FY '25, I think it is well guided but for FY '26, '27.

Satish Pai: Yes. I think that that's why I put in my prepared remarks, the downstream capex, both with Silvassa and the FRP phase 2. Now we will be looking at the alumina expansion in Odisha. We will be looking at a copper smelter -- I'm giving it in the sort of terms of priority. And then we are looking at 180 pot smelter expansion in Aditya with the renewable hydrid starting there in January. So these are the 3 large upstream projects that are on our radar screen now. And each one of them is about an ₹8,000 crores project.

Sumangal Nevatia: Okay. Okay. So is it happening one after the other, whenever we take it up? Or given our balance sheet strength, we can simultaneously work on these?

Satish Pai: No. I think that we have -- look, all of these require ECs, public clearance, statutory clearances. So it's not just the availability of the cash, there is a practicality of execution as well. So the alumina refinery is the first of the block. The second probably will be the copper smelter because there's a real shortage of copper in the country. And in January, we will get the pumped hydro project starting in Aditya. So we will get clarity on the green power as well. So we are doing the engineering work in the background for the 180 pot expansion.

Sumangal Nevatia: Okay. And sir, if we start for FY '26, generally, it's going to be 2 to 3 years of construction time before commissioning?

Satish Pai: Yes. Yes.

Moderator: We'll take our next question from the line of Amit Dixit from ICICI Securities.

Amit Dixit: Congratulations for a good performance. I have a couple of questions. The first one is on copper. Now if I look at the copper's EBITDA trajectory evolution. I mean we were used to seeing EBITDA at ₹400 crores roughly a few quarters back, went to ₹500 crores, ₹600 crores and finally ₹805 crores. You mentioned in your prepared remarks that TC/RC margins could be under pressure because of constraints in concentrate availability. So first of all, what prompted this super performance? And what should be the sustainable EBITDA number that we should see going ahead?

Satish Pai: Yes. I think on the copper, what is important to note is that we are now selling a lot more copper rod. We are importing copper cathodes besides our own cathode. So if you look at our total sales in the copper for this year, we'll be selling more than 515 Kt, whereas our production of cathodes is about 380 to 400. So because the copper demand in the country is so high, and we have the copper rod capacity to make more rods. So we are taking full advantage of our capacity and selling more copper rod to the market at very good realization.

So that is an important part from a market point of view. And that increase thing means that from that 400 levels, we are quite clear now that the baseline for copper is going to be at the ₹600 crores level. The ₹800 crores, there is also some amount of derivative accounting numbers in there, which could probably change in the coming quarters. So I think that what you should be modeling going forward is more like the ₹600 crores. Copper has got quite a lot of derivative, we do offset hedging. So there will be some noise when the LME is fluctuating so much.

Amit Dixit: Okay. Sir, is it possible to quantify the gain from hedging copper division in this quarter?

Satish Pai: I don't know if I would cast just a gain because it can go both plus and minus. That's why I think that rather than give you the numbers quarter-to-quarter, I would rather say that you should model around ₹600 crores.

Amit Dixit: Okay. Understood. The second question is downstream aluminum. So EBITDA per ton has declined pretty swiftly if I look at compared to last quarter than last year, while you have mentioned that there has been little bit of challenge on certain sectors. If you could highlight which sector was it and the outlook going ahead for this particular division?

Satish Pai: Yes. So it was not any particular sector. What happened is the product mix. So we had to fulfill some orders of products that were at a lower conversion premium. Normally, we would have done it through outsourced vendors, but this time, we had to do it with our plant. So that's why the EBITDA per ton for those products went down. So the outlook for Q2 is extremely strong. So we have already seen July. So you will see the EBITDA per ton bouncing back in quarter 2.

Moderator: We'll take our next question from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: A couple of questions. First, continuing on Amit's question on downstream. While we have commissioned everything, and we are at about, say, 600 Kt, what could be the steady-state profitability that we can look at just on downstream eliminating the metal price lag?

Satish Pai: So once we have fully commissioned the FRP phase A and Silvassa is fully ramped up. So 600 kt into $200 per ton is roughly the number you should work with.

Indrajit Agarwal: Sure. And in bauxite, any clarity on availability as we head on to the next leg of alumina expansion? So is it likely from OMC? And what is the kind of contracts, have we entered into those contracts already?

Satish Pai: Yes. You remember, we had signed an MOU with OMC. So we are currently working on finalizing the bauxite contract from Kodingamali. And just to be clear, with that contract signed, then only we'll break ground for the refinery, not before.

Indrajit Agarwal: On a industry level, if you look at one of your competitors, the largest alumina producer in India is also expanding alumina capacity without captive bauxite, do you think at some stage, we would, as a country need to import more bauxite or run at lower utilization in the alumina facilities?

Satish Pai: I think honestly, I cannot comment for others, but I could just say that there is sufficient bauxite in India.

Indrajit Agarwal: Sure. Lastly, any update on commissioning of coal blocks, Chakla, Meenakshi?

Satish Pai: So we are working through it and let -- it'd fair to say that the going is quite difficult. I mean we are trying to get the Stage 1 and Stage 2 forest clearances, trying to get the CA land. We have actually just met the Ministry and the minister to ask for help in expediting this process. But it is, to be frank, quite a rather tough going to get all this Stage 1, Stage 2 forest clearances. So we are working through that.

Moderator: Next question is from the line of Satyadeep Jain from AMBIT Capital.

Satyadeep Jain: A couple of questions. First, Mr. Pai just wanted to check on the IPO, obviously, there was a thought behind it and it didn't go through. Just wanted to understand, I believe as we looked at the road show presentations, the thought was that being a market leader in all the other industries, market leaders command a significant premium. When you marketed and the response you got, was it a big disconnect between your ask and what the market you believe was giving you this? And then unless you maybe get that ask in future the -- it's safe to assume that you will not go for a listing unless you have that valuation that you had in mind? That's is the first question.

Satish Pai: So I think the first thing I will say is that our whole target for this IPO, as you said, was to get a premium valuation for Novelis. I think what was clear is that at that time, with those market conditions going on, we were not able to get that valuation. And hence, we pulled it back because we were not doing it for cash. We didn't need it. We wanted it -- to do it for the valuation. So I think that the -- we will, at the appropriate time, reevaluate. And it will be fair to say that we would only list Novelis when we get the valuation we want.

Satyadeep Jain: Okay. Secondly, wanted to ask on the recent Supreme Court verdict. I mean, right now, we're waiting whether it's going to be retrospective or not. Just wanted to see, as you look at the orders in the past, is there any estimate, let's say, it is indeed retrospective, what could be the potential liability? Because like we couldn't see that in the report just wanted to see any continued liability.

Satish Pai: No, no. There is -- for us from a retrospective basis, we have negligible liability. I think that for us, we will only be concerned on an ongoing basis. Jharkhand has already announced some, so I'm quite sure other states will also do. So, I think that it's only on an ongoing basis where rate of taxes will go up. But from a retrospective basis, we are not -- no impact for us.

Satyadeep Jain: There's no demand to the bauxite, the Baphlimali mine or something. Any -- no demand basically in the past from -- through that mine?

Satish Pai: No. No.

Satyadeep Jain: Okay. Just one quick clarification question. It seems there is a delay on the RE RTC, maybe it's the Greenko's Pinnapuram project, there have been delays. So based on the discussions, it seems they've given you a revised time line of January. Is that fair? And I would believe after you test it out, maybe a few months of testing. After that, you would announce the next leg of expansion prospective?

Satish Pai: Yes. I think that January, they will start to provide the solar and the wind and the pumped hydro will come in, in a couple of months. So yes, I mean for us, we will see how that whole balancing works. As I mentioned in the earlier remark, we are already working in parallel for the engineering studies and the different clearances we will need. So yes, after we are sort of more or less clear about how the power will work, we'll announce the smelter.

Moderator: Next question is from the line of Ritesh Shah from Investec.

Ritesh Shah: Sir, a couple of questions. First, sir, what is our total bauxite requirement at this point in time? And where are we sourcing it from?

Satish Pai: Total bauxite, see, for us, we are long in alumina by nearly 800,000 tons, largely because of Utkal. And the way our bauxite is sourced is we get 10% to 12% of the bauxite from Jharkhand and all the rest from Odisha. Odisha meaning Baphlimali because that's the biggest mine. So that's how we are -- now when we announce the Aditya Alumina, we have to sign the contract with OMC for bauxite supply for that refinery. We have signed an MOU and we will convert it to a firm contract.

Ritesh Shah: Sir, can you provide some color on OMC bauxite offtake? Because I understand there are peers also who are actually eying for this particular incremental supplies from OMC. So how well are we placed over here? And the other question was, I do understand we have won 2 mines, both are composite leases, pretty large in size 600-hectares each. At what stage these mines are? And how it will help on the sufficiency part?

Satish Pai: You're talking -- the latter part of your question is the coal mine, right?

Ritesh Shah: No, sir, the bauxite mine. I did ask this question, I think, on the last or last to last call, I double-checked my data points. The 2 mines are in Chhattisgarh. One is...

Satish Pai: Yes, yes, you're talking about Samri, you're right. We got 2 more mines in Samri. So those we are still doing the sort of evaluation work. But the Samri and all goes to Renukoot. So the -- unless we do an expansion there, we took those mines more for the longetivity of the bauxite supply to Renukoot, not for any immediate demand. And for the OMC, whether others are there, OMC is a -- Odisha Mining Corporation, they have, I guess, many mines that they can access. So they have signed an MOU for us, which is the basis of our refinery project there. So we would just like to conclude our contract. I could not really comment on what others are going to get from OMC.

Ritesh Shah: But sir, do we have any assured offtake quantum over here that we have comfort and we can progress on?

Satish Pai: We signed an MOU for a fixed -- because we wanted to put a 1 million ton alumina refinery, so we need to get 3 million tons of bauxite. So we signed an MOU for that. And then the second part is that we would go to 2 million tons of alumina and it will become 6 million tons. And OMC and us have to sign a binding supply agreement. Otherwise, we will not break ground.

Ritesh Shah: Yes, that's useful. And sir, just another question, just taking a leaf out of Satya's question. You indicated that you will start with solar and wind in Jan. And post that, it will be pumped hydro. What are the specific variables that we are looking at over here before we kickstart on the smelter part of the equation?

Satish Pai: See, really, the smelter requires 24/7 steady power. And what we are trying to get a handle on is that during a 24-hour period, you will have various power sources that need to be optimized to make that power to the smelter, steady, because solar will be for a x number of hours very high, then wind will be there, then pumped hydro. And the delta will have to be backed up by thermal, which is our own captive. So we just want to run our existing smelter for a couple of months with this variability to see how we manage it all.

Ritesh Shah: Sir, my question was basically from a rupees per kilowatt hour standpoint or from a availability standpoint, are there any specific variables that we have in mind that we'll keep an eye on?

Satish Pai: No, no. The costs -- don't worry. The cost is -- we have already modeled it. It will be very much competitive with the existing costs. This is not a -- this experiment or whatever is not because of the cost. It's how to manage different sources of power to optimize it to get a steady power for the smelter. The cost is competitive.

Moderator: Next question is from the line of Kirtan Mehta from BOB Capital Markets.

Kirtan Mehta: In terms of the aluminum cost metrics in our guidance, you mentioned that on the coal side, more or less, it's likely to be stable. I just wanted to understand on the carbon side, is there any juice left where we can see further reductions or those costs have also stabilized?

Satish Pai: It's difficult to say because the carbon price a little bit depends on what's happening with the oil prices, which are also a little bit subdued right now. So you could see a little bit lower carbon prices as well because it's a little bit tied to oil.

Kirtan Mehta: Right. And second part was also about the Silvassa extrusion plant, where we have said that we have ramped up it successfully. So has it already reached utilization, 100% utilization that we are targeting or this will gradually ramp up now the sale volume?

Satish Pai: No, it will gradually ramp up. So actually, we are now running at about 35%, 40% capacity by the end of the year, the Q4 run rate will reach its capacity, which is 3,000 tons a month. We'll -- this quarter, we'll be running at about 1,500 tons a month there, because it does for B&C as well as auto. So there is a little bit of a qualifying process for the auto side.

Kirtan Mehta: Understood, sir. And the last question was about the ₹8,000 crores capex that we have guided for the upstream projects. Is it possible to split them across the 3 projects as well?

Satish Pai: No, no. I said each project is ₹8,000 crores. The copper smelter, the aluminum 180 pots and the refineries are all in that range, plus/minus a little bit.

Moderator: We'll take our next question from the line of Parthiv Jhonsa from Anand Rathi.

Parthiv Jhonsa: Sir, I have a couple of questions. The first question is pertaining to the coal blocks which we have got right now. So what is our current coal requirement? And about the Chakla block, once it's operational, can you quantify what kind of a cost saving are we expecting from that particular mine?

Satish Pai: So I can't quantify the cost saving, but we consume 16 million tons of coal a year. Chakla gives 5.

Parthiv Jhonsa: All right. Also just -- okay. Just another -- just adding to that question. Sir, our current linkages have actually dropped down, say, from almost 55%, 60-odd percent a couple of quarters back to it's now about 48%, and it has remained around same level over last 1 or 2 quarters. Do you feel that this would reverse once -- or even before Chakla comes on stream or that is still a couple of quarters down the line, where our linkages actually increase back to that original level?

Satish Pai: So look, the reason why we are careful is a linkage is a long-term commitment. So it's a question of the price of the linkage. So we would not want to lock in a long-term linkage where the price has gone up. So that is why this percentage sometimes goes down. So suppose linkages come up and we get it at a cost that's attractive, then we will take more linkage. Otherwise, generally, our feeling is that the coal market is well supplied and as more and more commercial mines come up, I think that the pricing should not go up. So we don't want to lock in linkages at a higher price.

Parthiv Jhonsa: Okay. And sir, my second question is pertaining to the current prices in spot that copper and aluminum both have come off from their recent highs. How do you perceive over next quarter or maybe 2 quarters, how do you perceive the price panning out to be? Would -- are you expecting the prices to remain at the same level? Or what is your take on it, sir?

Satish Pai: Very difficult because see I think the pricing of commodities is not being driven by supply/demand or inventory. It's being driven a lot by macroeconomics and geopolitical events. So the Q1 LME price of aluminum was $2,500 on an average. Currently, it's running at $2,300.

And what happened? Chinese GDP came lower than expected. U.S. jobless report came in bad. So there is worry. So these type of things are having an impact on the commodity prices. So it's very difficult to predict, but the only thing you can say is that it will remain volatile.

Moderator: Next question is from the line of Tarang from Old Bridge.

Tarang: Okay. Three questions. One on the downstream business, sir, you spoke about reaching $200 on a per ton basis. Do you believe at some point of time, the profitability in the downstream business could come closer to the profitability that you see in your Novelis business? Not talking from a like a year, 2, 3, 4-year kind of avenue, but from a longer-term horizon because investment in these businesses is quite heavy. So wanted to get your perspective on that.

Satish Pai: Yes, it depends on the product mix. You see Novelis is a can, auto, aerospace, specialties and Novelis' key thing is it uses a good mix of scrap. And I think that in India, we are also going to increase the amount of scrap we use. And we are with Aditya FRP and all trying to go up the chain towards higher value products. So difficult to say when we will get there, but you should, as we go up the value chain and the mix of scrap keeps going up, the EBITDA per ton should go up.

Tarang: Okay. Second question on the copper smelter and aluminum 180 pots, the capacity envisaged would be 500 Kt for the smelter and about 180 Kt for the aluminum smelter, correct?

Satish Pai: No. I think on the copper, we are looking more like 280 to 300 Kt and the aluminum 180 is 180. Depend on the amperage, it can go up to 200 Kt as well.

Tarang: Okay. And the last question, sir, at some point of time, you had announced about investing heavily for materials with wagon for the railway program? And second was around the copper recycling. So any update on that? Copper and battery material recycling.

Satish Pai: Yes, the copper recycling project, the public hearing was concluded successfully 2 weeks ago. So we are now expecting to break ground by October for the copper recycling project. So 50 Kt of copper recycling, it's in the Dahej area very close to our existing smelter. So all the technology selection orders have been placed. So the project execution breaking ground will start now post monsoons, probably around October. And sorry, on which other project you were asking about?

Tarang: There was a commitment with respect to producing specific materials for the railways, right?

Satish Pai: Yes. Yes. The railway wagon. So unfortunately, the aluminum train project from the central government, the contracts to Alstom or Hitachi have not been given out yet. So that project has not moved. But on the commercial vehicles, the EV, for passenger cars, that part has gone much faster than we expected. We are now more focused on the commercial vehicles and EVs than on the railways.

Moderator: Next question is from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: A couple of questions. First on the upstream expansion. I'm referring to the 2023 Investor Day deck. There, our alumina expansion was pegged at close to $590 million. And aluminum expansion 180 Kt was $760 million. So both these are now closer to $1 billion each. So what has changed? So -- and aluminum capacity remains same. So alumina are we guiding for a larger capacity?

Satish Pai: So to be very, very honest, I said it's roughly around ₹8,000 crores per project, but very specifically, when we actually cost the project, take into account current prices, then I will come back with the exact numbers. So don't catch me on that point right now. So I -- yes.

Indrajit Agarwal: No, sure. And on copper, it's a new project, right? It was not a part of the future growth opportunities that we highlighted?

Satish Pai: No, we -- I think we had it that we are thinking -- maybe I don't know, but copper smelter is a new project, yes.

Indrajit Agarwal: Yes. Okay. And lastly, on alumina, given that we are already 800 Kt long and even on aluminum expansion, we will need probably 360 Kt more. So ultimately, we will be close to 2.5 million tons long alumina, where do you see the global deficit over there? So what is the dynamic that you see evolving in alumina globally? And do you think -- of course, we are at the lower quartile, the lowest decile cost curve, but would that still be a profitable project for us, ROCE accretive?

Satish Pai: Yes, I think that the Utkal expansion probably has been the most profitable and ROCE attractive projects we have done in the last couple of years. And the reason why is that the Middle East is very short of alumina. So we are -- people are ready to sign long-term offtake agreements with us, whether it's EGA, Sohar, Alba, all of them. So I think we are -- 1 million, 1.5 million tons of alumina, we should be very -- I have absolutely no worry that we can sell those on long-term contracts.

Moderator: Next question is from the line of Somaiah V. from Avendus Spark.

Somaiah V.: I have a few questions. So on the downstream front, post reaching the 600 Kt. So what would be -- I mean, anything else in the pipeline for the next 1 or 2 years in terms of downstream expansion?

Satish Pai: No, there'll be much smaller what I would call additional machining, maybe coating these type. No, there won't be any very large projects because we'll be in a consolidate and harvest mode on downstream.

Somaiah V.: Got it, sir. And also this alumina project, what would be the time lines or milestones that we're looking at?

Moderator: I'm sorry. Mr. Somaiah, can you use your handset mode, please. Your voice is not very clear.

Somaiah V.: Yes, sure. My question was on alumina. Just want to understand the time line when we expect full production on this.

Satish Pai: So look, we need to sign the contract that we are expecting to sign in the coming months, then we'll break ground, and we have done a lot of the parallel work already. So it will probably be another 24 to 26 months from that point.

Somaiah V.: Got it, sir. And also on the copper smelter. So when will we be taking a final decision? Or it's like we have already taken the decision and when will the work start on this? Just want to understand when this can come potentially online.

Satish Pai: No, again, I think that wait for a couple of more months. We are still doing some evaluation on the technology, et cetera, and then we'll announce it. But any of these projects takes a minimum of 36 months to get it off the ground.

Somaiah V.: Okay, sir. Also in terms of capex, how would we be approaching this? Because as you said each of this is around ₹8,000 crores and also in Novelis side, we are expanding. So from an India standpoint, we want to keep within cash flows, what we spend in a year and then only asking more from a debt angle. So how would we approach these project? We'll be taking them up one by one? Or is there a case that the copper expansion as well as the aluminum side simultaneity they can happen?

Satish Pai: So again, I keep repeating that the plan to do any projects simultaneously or not is not just a financial decision. I think that it's very clear that execution risk is probably the one that I worry about the most. Getting clearances and all that is incredibly time-consuming. So whether we like it or not, I think these projects, I don't think will happen simultaneously. I just don't think so. And even if we have the money to do it, I don't think they can just happen simultaneously. So I don't think you should worry about our balance sheet being stressed. I think we are generating good cash, we have ₹10,000 crores, ₹11,000 crores in treasury. We can easily afford ₹7,000 crores, ₹8,000 crores of capex. So, I don't think we'll stress the balance sheet at all in India.

Somaiah V.: Got it, sir. And also if you can just help us out with the capex numbers for this year and next year? And also on the Novelis side and India side, if you can just break it that should be helpful.

Satish Pai: So for the India side, this year, we'll be at ₹5,500 crores to ₹6,000 crores. Next year, we'll give you the numbers probably in Q4 of this coming year. And maybe, Dev, you can give the Novelis capex numbers for this year.

Devinder Ahuja: Yes, indeed. So for this year, we are guiding that's in the range of $1.3 billion to $2.1 billion. And right now, as we see it, we will be at the bottom end of this range, so closer to the $1.8 billion number yes. So that's what you can take.

Somaiah V.: Sir, also more of a bookkeeping question this quarter in terms of debt movement. So if you can just help us with how much of capex was spent and was there any working capital impact that led to increase in debt?

Praveen Maheshwari: No, so it was largely working capital. The LME both copper and aluminum was higher. Also in Q4, typically, you see that the working capital is low. So Q1 actually sees a coming back of working capital. In addition, we had smelter shutdown planned this quarter in copper. So our working capital was at a lower level. So yes, we had some working capital requirement this quarter and therefore, a slight increase in debt were there, but that's not a sign of worry.

Moderator: Next question is from the line of Prateek Singh of DAM Capital.

Prateek Singh: Sir, a couple of macro questions here. The first one is lastly on the cost curve, given where alumina is right now and aluminum prices have come up quite a bit. In your sense, what percentage of smelters right now globally would be above breakeven. Would it be like 75% or lower than that. So any sense on that?

Satish Pai: I think that's difficult to say, I've not seen the latest CRU curves and so if you are at a 2,200 LME price and you are buying alumina at 435, I would assume that many of the smelters would not be profitable. So it really depends on whether you are integrated in alumina or not like us. If you are buying alumina at 440 and you're at 2,200 LME, you will be quite stretched, I can tell you.

Prateek Singh: Understood, sir. And I mean, obviously, aluminum has come down quite a bit now. But did you hear anything about global smelter restarts specifically in Europe when Aluminum was quite high? Or do you think that even they are going slow on this, restarting upward capacity?

Satish Pai: There is not even rumors of anything restarting in Europe, I can tell you.

Prateek Singh: Understood. And the second bit is on China. So given that China is already running in terms of production very close to their threshold of 45 million tons a year. Do you think there is a risk there that the Chinese government may loosen this threshold? Or like still, they'll continue to kind of maintain this and they continue to focus on lower pollution and hence, continue to maintain this threshold, any risk issue there?

Satish Pai: I mean, from everything that we have heard so far, they have no intention of lifting that cap, because they don't want a little bit like Hindalco, not all the companies. They don't want to expand coal-based smelting, anything new. And then if you go for greener energy, they have seen that in places like Yunnan or Guizhou, every 3, 4 months of the year, the water gets low, they have to turn the power off in the smelter. So I think that's -- I don't see immediately the Chinese government lifting that cap. Everything that we heard, they are going to stick to it.

Prateek Singh: And the last one is a bookkeeping question. While I understand that we are long alumina at 200 Kt a quarter, would you be able to quantify alumina external sales in this quarter?

Satish Pai: Yes. It was 162 Kt in Q1 and the plan for Q2 is 190 to 200.

Prateek Singh: And this does not include the special alumina which we have enveloped?

Satish Pai: No, no. This is just metal-grade alumina.

Moderator: We'll take our next question from the line of Aditya Welekar from Axis Securities.

Aditya Welekar: Sir, just 1 question on the copper smelter. So just to understand supply chain. So where will we be sourcing the copper concentrate for that, given the backdrop that copper concentrate shortage is there? And the finished product from that where we will be routing it to our wire rods?

Satish Pai: Yes. I mean that what is driving our thinking on the copper smelter is that the copper demand in the country is going up very strongly. It is very clear to us that the smelter that is shut down is not going to restart. So I think that we think that to meet the demands and not allow other people to get in. We will have as a market leader to put capacity in. Now it will come up in a couple of years where we are expecting that mines that are there in the plans will also come in. So the next 2 years are going to be very tough on TC/RC, but if you see the projections of mine openings in 3 years, the TC/RC, again, should come back to good levels. So maybe we will time it right by the time our new smelter comes.

Moderator: Ladies and gentlemen, due to time constraints, we take that as last question for today. I would now like to hand the floor over to Mr. Pai for closing comments. Over to you, sir.

Satish Pai: Yes, yes. Thank you, everyone, for participating on this call. So for us, I just wanted to reiterate that Novelis, Hindalco, aluminum and copper was very good performance in Q1, and I think the more important part is the market and the market demand for the products that we supply seem to be also in good stead. So Overall, a good quarter for us, and I thank you again for your participation.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Hindalco Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.