Hindalco reports fourth quarter and fiscal year 2016 results (standalone and consolidated)

28 May 2016

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Aluminium - strong production growth and efficiency gains; Greenfield projects ramp up and lower input costs helped deliver robust results despite severe macroeconomic headwinds.
Copper - resilient performance during challenging times

Fiscal year 2016 highlights:

- Consolidated turnover yet again surpassed Rs. 1 lakh crore approximately USD 15 bn despite sharp fall in realisations; consolidated PBIDTA at Rs.9,935 crore approximately USD 1.5 bn.
- Highest ever aluminium and alumina production at 1.1 mn tonnes and 2.7 mn tonnes respectively. All three Greenfield projects ramped up to designed capacities.
- Copper business delivered yet another robust performance.
- Novelis registered highest ever shipment at 3.1 mn tonnes. Automotive sector leading the growth.

Fourth quarter highlights:

- Aluminium production increased YOY 27 per cent to 307 KT.

significant cost efficiencies achieved, supportive input costs with
l and crude derivative prices.
in aluminium Value added Products (FRP and
YOY up 28%, Wire Rod Production increased 69%
a strong focus on power sector

Copper delivered a steady performance even as revenues fell sharply due to 20 per cent fall in LME.

Financial highlights

	Standalone					Consc
(In Rs. crore)	**Q4FY16**	Q4FY15	**Q3FY16**	**FY16**	**FY15**	**FY16**
Revenue from Operations	8,668	9,372	8,150	34,318	34,525	1,00,054
Other income	204	230	250	1,066	882	1,211
Profit Before Interest, Tax and Depreciation (PBITDA)	1,371	1,078	922	4,384	4,299	9,935
Depreciation	341	238	308	1,277	837	4,196
Finance costs	575	466	582	2,375	1,637	5,047
Profit before exceptional items and tax	455	374	31	733	1,825	692
Exceptional Items	-	146	-	-	578	171
Profit before tax	455	227	31	733	1,247	521
Tax expenses	98	68	(9)	125	322	515

	356	160	40	607	925	7
Profit/ (Loss) from Discontinuing Operations	-	-	-			(156)
Share in Profit/ (Loss) of Associates (Net)	-	-	-			175
Minority Interest in Profit/ (Loss) (Net)	-	-	-			(238)
Net profit	356	160	40	607	925	263
Basic EPS – Rupees	1.73	0.77	0.20	2.94	4.48	1.28

Hindalco Industries Limited, the flagship company of the Aditya Birla Group, today announced its standalone as well as consolidated audited results for the year ended 31 March 2016.

Quarterly Standalone Results:

Revenues for the quarter were lower by 8 per cent as compared with the corresponding quarter of the previous financial year due to a sharp decline in aluminium and copper realisations. The average LME prices (USD) for aluminium and copper were lower by 16 per cent and 20 per cent respectively as compared with the previous year. In aluminium business the impact was much severe due to a sharp fall in the local market premium, which declined by around 75 per cent; and a sharp surge in imports of aluminium in the country.

However, a strong increase in aluminium volumes following the increased production and our thrust on value addition across businesses helped us partially offset the impact of sharp fall in

realisations. The weaker Rupee also enabled partially offset the
...op in realisations. The lower cost of raw materials,
...y inputs was a major relief during the quarter.

...ly Profit before Interest, Tax, Depreciation and amortisation (PBITDA) at Rs.1,371 crore was higher by 27 per cent. This reflects a robust operational performance in the face of severe macro- economic headwinds.

Depreciation and finance cost were up 30 per cent, given the progressive capitalisation of Greenfield projects. These charges rose by Rs.212 crore over Rs.704 crore charged in Q4 FY15. Despite higher interest and depreciation charges, the PBT for the quarter (before exceptional items) at Rs.455 crore was 22 per cent higher than that in the corresponding quarter of the previous year due to strong operational gains. The net profit for Q4 FY16 at Rs.356 crore, was 123 per cent higher vis a vis Q4 FY15, the latter was impacted by certain one timers (Rs.146 cr).

Sequentially, compared to Q3FY16, revenues from operations were higher by 6 per cent, primarily due to increased volumes and improved product mix. Higher aluminium realisations on account of marginally better LME and weaker rupee also contributed to this increase.

The reported PBITDA was higher by 49 per cent as compared with Q3 FY16 while net profit soared to Rs.356 crore as compared to Rs.40 crore in Q3 FY16. This improvement was primarily on the back of higher volumes, aided by improved realisations. The cost pressures abetted significantly on account of lower energy costs, especially coal and this saw us deliver a strong performance. Progressive stabilisation of new factories contributed to better efficiencies and hence improved performance.

Annual Standalone Results:

For the year ended March 31, 2016, the company's revenue at Rs.34,318 crore were broadly stable at FY15 level notwithstanding the sharp fall in both aluminium and copper realisations. The steep fall in copper revenues was offset by increased revenues from

...ness. The aluminium higher revenues were achieved ... back of higher volumes and improved product mix ... decline in realisations.

...erest, Tax, Depreciation and Amortisation (PBITDA) for the year was marginally higher by 2 per cent. This reflects a robust operational performance in a challenging year, when average realisations were much lower. PBIDTA was also augmented by higher other income.

As anticipated, depreciation and finance cost increased by Rs.1,178 crore over FY15 following progressive capitalisation of the projects. The PBT during FY16 (before exceptional items) was lower by 60 per cent at Rs.733 crore. Net profit for the year at Rs.607 crore was lower by 34 per cent as compared with that delivered in FY15.

Standalone Segmental Results

(In Rs. crore)	**Q4FY16**	Q4FY15	Q3FY16	**FY16**	**FY15**
Aluminium segment					
Net sales	4,738	4,142	4,248	17,125	14,105
Earnings Before Interest & Tax (EBIT)	517	306	81	880	1,349
Copper segment					
Net sales	3,932	5,238	3,905	17,209	20,451
Earnings Before Interest & Tax (EBIT)	377	390	348	1,419	1,516

Aluminium business

During FY 16, our primary focus was on ramping up the Greenfield projects to their designed capacities and stabilise these operations.

This objective was achieved during the year and all plants are now ... designed capacities.

... er alumina production (including Utkal refinery) at ... nes) was 11 per cent higher as compared with that in Q4 FY15. Aluminium metal production stood at 307 KT and was up 27 per cent on YoY basis. Higher production, improved efficiencies following stabilisation of most operations and supportive input costs resulted in a higher EBIT of Rs.517 crore; an increase of 69 per cent over the corresponding quarter of the previous year.

For the year, alumina production (including Utkal refinery) was 2.7 mn tonnes, an increase of 19 per cent over FY 15. Aluminium production for the year reached a record high. It crossed the 1 mn tonnes mark for the first time reaching 1.13 mn tonnes an increase of 36 per cent or almost 300 KT over that produced during the previous financial year. In spite of higher volumes, the EBIT of aluminium segment declined because of higher depreciation following progressive capitalisation of the projects. The standalone financials do not include Utkal's financial performance.

Copper business

The copper segment continued to deliver a solid performance even as the production was lower. YoY cathode production for Q4 FY16 at 93 KT was lower by 7 per cent, while fertiliser (DAP) production declined by 36 per cent to 69 KT. The decline in copper cathode production was due to certain operational related issues in one of the smelters. These issues are being addressed through a planned maintenance shutdown. Yet on YoY basis, EBIT of copper segment was only marginally lower at Rs.377 crore.

Though copper production for the year was steady at 388 KT, fertiliser production rose by 8 per cent. Our continued thrust on value addition led to higher production of continuous cast (CC) rods. The production of CC rods was higher by 5 per cent. Despite all these initiatives for value maximisation, EBIT was 6 per cent lower as compared with that achieved in FY15. This was primarily on account of the abolition of certain export incentive scheme and challenging market conditions.

sults

venue and profit before depreciation, interest and by 4 per cent and 1 per cent respectively, in comparison to the last year's corresponding figures. Net profit was lower at Rs.263 crore, a fall attributed to adverse macroeconomic conditions, higher interest cost and depreciation.

Novelis Inc. (A wholly owned subsidiary)

Revenues decreased 11 per cent to $9.9 billion in FY 2016, as higher shipments were more than offset by a 16 per cent decrease in average base aluminum prices and a 58 per cent decrease in local market premiums. For fiscal year 2016, the company recorded a net loss of $38 million. Excluding tax effected special items, net income was $131 million for the full year.

The rapid decline in local market premiums over the early months of FY 2016 resulted in $172 million in negative metal price lag for the full year, and was primarily responsible for the 12 per cent decrease in adjusted EBITDA to $791 million in FY 2016. Excluding the impact of metal price lag in both years, adjusted EBITDA was $963 million in FY 2016, up 7 per cent compared to $896 million in FY 2015.

The company more than doubled its free cash flow as compared to the prior year, generating $160 million in FY 2016 after investing $370 million in capital expenditure. As of 31 March 2016, the company reported a strong liquidity of $1.2 billion.

UAIL (A wholly owned subsidiary)

The alumina refinery at UAIL produced 1.4 million tonne of alumina in FY16 compared to 1 mn tonne in FY15. Of this, 130 KT of alumina was sold outside and the balance was supplied to smelters at Hindalco. The cost of production of alumina at UAIL is comparable to the world benchmark cost of production.

UAIL reported an EBITDA of Rs.714 crore. Its net loss stood at Rs.93 crore after accounting for interest charge of Rs.518 crore and

...Rs.289 crore.

...erals Limited (a 51 per cent subsidiary)

..., ABML completed the sale of Mount Gordon ... ouse Mineral Holdings.

In April 201... the company expressed its intention to accept subject to RBI approval, the revised offer of Metals X, an ASX listed company for the off market takeover of ABML. The offer comprises 1 Metals X share for every 4.5 ABML shares and A $0.08 cash for every ABML share and is at 32 per cent premium based on stock prices traded on the offer day.

Dividend

The Board of Directors of the company have recommended dividend of Re 1 per share aggregating to Rs.249 crore (including dividend distribution tax of Rs.42 crore) for the year ended 31 March 2016.

The company delivered a robust operational performance in adverse macroeconomic conditions. The operational performance was also supported by deflationary energy prices. While the macroeconomic headwinds persist, the uncertain global macros pose several challenges. The company, in the meanwhile continues with its un-relented focus on operational excellence, enhanced value addition and cash conservation to tide over these circumstances.

Statements in this "Press Release" describing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the company conducts business and other factors such as litigation and labour

negotiations. The company assume no responsibility to publicly
or revise any forward looking statement, on the
sequent development, information or events, or