Hindalco Industries

Operator: Ladies and gentlemen, good day and welcome to the Hindalco Industries Ltd. Q2 FY27 earnings conference call. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Subir Sen, Head of Investor Relations at Hindalco. Thank you, and over to you, sir.

Subir Sen – Head of Investor Relations: Good morning and good evening, everyone. Thank you for joining us. On behalf of Hindalco Industries Ltd., I welcome you all to our Q2 FY27 earnings call. We will be referring to the Q2 investor presentation available on our website. Please note that certain statements made during this call may be forward-looking and should be read in conjunction with the safe harbor statement on slide 2 of the said presentation.

The presentation highlights our consolidated performance for the quarter, along with our segment-wise performance review of Novelis and our India Aluminium and Copper businesses. The corresponding segment information for prior periods has been restated accordingly for comparative analysis wherever applicable. Joining us today from Hindalco are Mr. Satish Pai, Managing Director, and Mr. Bharat Goenka, Chief Financial Officer. From Novelis, we have Mr. Steve Fisher, President and CEO, and Mr. Dev Ahuja, Chief Financial Officer. Following management's remarks, we will open the floor for questions and answers. After this call, an audio replay will also be available on the company's website. With that, let me now hand over the call to Mr. Pai to take you through the company's performance and key highlights of the second quarter of FY27.

Satish Pai – Managing Director: Hello, everyone. I would like to take this opportunity to wish everyone a happy and healthy festive season. Thank you for joining Hindalco's earnings call today. On slides 5 to 9 of this presentation, you can see our achievements and progress across quarterly metrics for safety and sustainability for this quarter. Let me take you through the key highlights of these initiatives.

At Hindalco, safety is always our highest priority, and I am pleased to report that there were no fatalities this quarter across all our Indian operations. Our LTIFR for this quarter stands at 0.16, showing significant improvement over the prior period. I am also pleased to share that the Aditya Alumina refinery was honored with the British Safety Council Award 2026, a testament to our unwavering commitment to occupational health and safety. We also launched an AI-powered, behavior-based safety observation app in 22+ regional languages to strengthen critical risk identification, while developing 40 certified root experts to enhance incident investigation and root cause analysis across our businesses.

At Hindalco, we continue to make strong progress on circularity and responsible waste management. This quarter, 62% of the total waste generated was recycled or reused, impacted by higher rainfall at certain plants and temporary logistical challenges. We achieved a 93% recycling rate for bauxite residue, excluding Utkal, 77% recycling of ash, and 110% recycling of copper slag this quarter.

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We have made consistent progress in improving water efficiency across our operations through a series of focused interventions. In our aluminium business, higher recycling rates of 33% were recorded this quarter, up from 30% a year ago, with increased rainwater harvesting across the sites helping us reduce freshwater consumption on a year-on-year basis. In our copper business as well, specific freshwater consumption improved year-on-year due to continued recycling and higher rainwater harvesting this quarter.

Biodiversity conservation remains an integral part of our sustainability agenda. At the end of Q2 FY27, cumulative tree plantation had crossed 6.8 million trees, with nearly 5.4 lakh saplings planted this quarter to strengthen green belt cover and enhance local biodiversity across our operations. We have implemented conservation programs for special-status species across 10 high-priority sites, reinforcing our commitment to biodiversity conservation and ecosystem restoration. This includes our flagship Miyawaki forest at our Belagavi plant, aimed at restoring 123 hectares of habitat and strengthening local biodiversity in the region.

Renewable energy remains a key pillar of our decarbonization strategy. As of the end of Q2, we have 643 megawatts of renewable energy capacity across solar, wind, and hydel resources, along with 35 megawatts of pumped storage tie-ups under our round-the-clock renewable energy program. By FY27 exit, our renewable energy portfolio is set to reach 884 megawatts, complemented by 100... [trails off]

Management: ...and {? 125 megawatts ?} of RTC capacity, accelerating our transition to a cleaner and more sustainable energy mix, and building a more sustainable and future-ready Hindalco. Our aluminium-specific greenhouse gas footprint stood at {? 19.4 tons ?} of CO2 per ton of aluminium in Q2, lower than the comparable period last year.

Now let me give you a glimpse of the current broader economic environment at the slide level. The IMF projects global growth at {? 3.1% ?} in 2026, slowing from {? 3.5% ?} in 2025, as the global economy remains resilient but divergent in its performance. A significant drag is arising from the Middle East and Central Asia region, where growth is expected to contract by {? 0.3 ?} in 2026 after expanding {? 3.7% ?} a year earlier, reflecting the economic disruptions caused by the prolonged conflict and energy supply constraints.

The negative supply shock arising from the conflict and its impact on global economic activity has been partially offset by strong investments in artificial intelligence and the broader technology sector. The US economy is expected to grow by {? 2.3% ?} in 2026, supported by resilient domestic demand and continued investment, while in China it is projected to slow down to {? 4.5% ?} from {? 5% ?} amid weak domestic demand and ongoing structural challenges.

Global growth remains vulnerable to escalating geopolitics, continued commodity price volatility, higher financial conditions, and increasing trade fragmentation. Global inflation is projected to rise from {? 4.1% ?} in 2025 to {? 4.7% ?} in 2026, driven primarily by higher energy and food prices before easing begins again in 2027.

India continues to demonstrate resilience in its domestic economy despite a challenging global environment. The RBI forecast GDP growth for FY27 at {? 7.1% ?}, against {? 7.8% ?} in FY26. Recent high-frequency indicators suggest that economic activity continues to maintain

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momentum. Manufacturing remains steady despite cost pressures, while the services sector continues to benefit from robust domestic and external demand. Investment activity continues to strengthen, aided by government infrastructure spending, improving private-sector capex, and strong credit growth.

Rural consumption is expected to be supported by resilient non-farm activity, although deficient monsoon conditions and strong El Niño effects pose risks to agricultural output and rural demand. Urban demand remains healthy, backed by stable employment conditions.

Meanwhile, external headwinds, including geopolitical tensions, elevated commodity prices, supply chain disruptions, tighter global financial conditions, and trade-related uncertainties, continue to weigh on the growth outlook. Inflation prospects have become less favorable, with CPI inflation projected at {? 5.2% ?} in FY27, driven by food and fuel price pressures, deficient monsoon conditions, El Niño-related risks, and volatility in global crude oil prices.

With signs of inflation becoming more broad-based, the RBI has raised the policy repo rate by {? 25 basis points ?} to {? 5.5% ?} and shifted its policy stance [hesitates] to calibrated tightening, signaling its focus on containing inflation while ensuring macroeconomic and financial stability.

Moving on to the industry outlook on slides 12 to 14. On slide 12, from a pricing perspective, the quarter was marked by significant volatility. Looking ahead, the global aluminium market is expected to remain in deficit through calendar year 2026. Current estimates point to a deficit of around {? 0.8 million tons ?}, significantly higher than earlier expectations. Any further disruptions in the Middle East could tighten supply further and provide additional support to aluminium prices. While capacity restarts and new supply additions are expected to gradually rebalance the market, the medium-term outlook remains constructive.

Looking at the global aluminium market in Q3 calendar year 2026, Chinese aluminium production grew about {? 3% ?} year-on-year to nearly {? 11 million tons ?}, supported by capacity additions in Yunnan, partially offset by capacity rationalization in Shandong. In the rest of the world, production declined {? 6% ?} to around {? 8 million tons ?}, primarily due to disruptions stemming from the Middle East conflict and the closure of Mozal, partially offset by higher production in Indonesia. As a result, global aluminium production stood at approximately {? 19 million tons ?}, down {? 1% ?} year-on-year.

On the demand side, aluminium consumption in China increased {? 4% ?} to around {? 12 million tons ?}, supported by continued strength in new energy vehicles and healthy export demand for semi-fabricated and finished products. However, the construction sector remained weak amid ongoing challenges in the real estate market. Outside China, consumption declined {? 2% ?} to around {? 7 million tons ?}, reflecting softer demand in Europe, the Middle East, and North America, partially offset by growth in India. Overall, global aluminium consumption reached approximately {? 19 million tons ?}, up {? 1% ?} year-on-year. With demand continuing to outpace supply, global aluminium markets remained in deficit by roughly {? 0.5 million tons ?} this quarter.

Turning to India, demand remains resilient and continues to be among the strongest growth markets globally. Aluminium demand in Q2 FY27 is estimated to be around {? 1.7 million tons ?}, [hesitates] representing growth of approximately {? 6% ?} year-on-year. This growth is primarily

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driven by the automotive sector, supported by healthy vehicle production and sustained demand across both passenger and commercial vehicles. Overall, India continues to outperform most global markets and remains one of the most attractive long-term growth opportunities for aluminium demand.

Turning to the Indian copper industry on slide 14, refined copper demand in India remained relatively subdued during the quarter, declining {? 3% ?} year-on-year to {? 388 KT ?}. While demand from the building, construction, and power sectors continued to grow, this was partially offset by softer demand from the consumer durables and electrical equipment segments.

On the copper concentrate side, Q2 FY27 continued to witness extremely tight copper concentrate markets, with spot TCRCs remaining at negative levels in the range of {? -48 to -58 cents per pound ?}, and concentrate availability [hesitates] remaining constrained. The market continued to be affected by the structural gap between expanding global smelting capacity and constrained growth in mine supply.

Coming to slide 14, our consolidated business EBITDA was up {? 52% ?} year-on-year at {? 13,869 crores ?} this quarter, and consolidated profit after tax was up {? 59% ?} year-on-year at {? 7,534 crores ?}. In the Hindalco India business, business segment EBITDA was up {? 66% ?} year-on-year at {? 9,011 crores ?} this quarter, whereas quarterly profit after tax was {? 5,852 crores ?}, up {? 91% ?} [hesitates] year-on-year this quarter.

On slide 17, it is encouraging to see earnings from our non-LME-linked businesses, namely Novelis, aluminium downstream, and copper, continuing to grow and reaching {? 6,860 crores ?} this quarter, with momentum continuing to accelerate. These businesses have a much lower correlation to LME price movements and are driven by factors such as value-added products, recycling, innovation, customer relationships, and operational performance.

Our growth is increasingly being driven by three key factors: recovery at Novelis, strong operational performance in our copper business, and the continued expansion of our aluminium downstream portfolio into new products, applications, and premiumization.

Coming to our business-wise performance this quarter on slide 17, India upstream aluminium shipments were up {? 1% ?} year-on-year and revenues were up {? 33% ?} year-on-year. Our quarterly EBITDA stood at {? 7,009 crores ?}, up {? 55% ?} year-on-year, backed by favorable macroeconomic conditions and our strong performance across the value chain. This delivered EBITDA per ton of {? 2,125 ?} this quarter. EBITDA margins were at {? 52% ?} and continue to be among the best in the global industry.

Our hedging position in aluminium for the rest of FY27 stands at around {? 29% ?} of the commodity at {? $3,000 per ton ?}, and {? 21% ?} in the currency at {? 93 rupees per dollar ?}.

Our Indian downstream aluminium business [hesitates] continued to deliver a strong performance, while quarterly shipments were up {? 6% ?} year-on-year...

Management: ...at 119 KT. Aluminium downstream delivered quarterly EBITDA of 329 crores, up 26% year-on-year this quarter versus 261 crores in the prior period. This was driven by product mix and

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premiumization. The resulting EBITDA per ton stood at $289 per ton this quarter.

Copper performed exceptionally well during this quarter, delivering another strong set of results. Overall metal shipments were at 116 KT, up 2% year-on-year, while CCR volumes were stable at 96 KT. Quarterly copper EBITDA reached a record 1,673 crores, a significant 164% increase year-on-year, driven by strong operational performance and healthy domestic demand across segments despite elevated LME prices.

In addition, higher realization from sulphuric acid and other by-products, along with certain one-time gains, further supported earnings during this quarter. Copper is expected to deliver underlying quarterly EBITDA of around 1,200 crores on a sustainable basis, underscoring the strength and resilience of this business.

Turning to cash flows and capital allocation on slide 20, our business continued to generate strong cash flows of 23,322 crores during the period, representing a robust 57% year-on-year increase. At the same time, we invested 20,719 crores in capital expenditure, up 83% year-on-year, as we continue to advance our growth and capacity expansion projects. These investments are focused on strengthening our competitive position and delivering long-term value creation.

Importantly, we continue to maintain a strong balance sheet, with consolidated net debt to EBITDA at 1.8 as of September 2026, providing us with flexibility to fund growth while maintaining a disciplined approach to capital allocation and shareholder returns.

Now let me conclude today's presentation with some key takeaways. At Novelis, our second-quarter performance once again reflected the strength and resilience of the underlying business. We have now normalized production at our Sierre hot mill and, through September 2026, received cumulative insurance recoveries of 519 million. Importantly, our long-term EBITDA per ton guidance of $600 remains unchanged.

We are confident that the strength of the business, supported by cost restructuring, will drive a return to positive free cash flow and mark the beginning of our deleveraging journey by the end of FY27.

We also achieved a major milestone at Bay Minette, where our 600 KT greenfield rolling and recycling facility produced its first cold-rolled coil in September. Commercial shipments are expected to commence in the first quarter of FY28. Bay Minette will further strengthen our operating footprint, expand our recycling capabilities, and position Novelis for the next phase of long-term profitable growth.

Turning to our India business, we continue to deliver record-breaking performance with industry-leading profitability across both our aluminium and copper businesses. This performance reflects the strength of our integrated business model, our relentless focus on operational excellence, disciplined cost management, and consistent execution across market cycles.

On the growth front, all our key upstream expansion projects are progressing well and remain aligned with our strategic ambition of doubling upstream capacity. These investments will further strengthen our integration and cost leadership. Our goal is to deliver a four-fold increase in

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downstream EBITDA by FY30.

A key aspect of our transformation is the growing contribution of non-LME-linked businesses, as our portfolio increasingly shifts towards value-added products, recycling, innovation-led solutions, stronger customer partnerships, and operational excellence. Our earnings profile is becoming more resilient and less correlated to movements in LME prices.

We are also making steady progress on strengthening our resource security. As the Chakla, Banda, and Meenakshi mines become operational, we will enhance raw material self-sufficiency, lower production costs, support margin expansion, and further strengthen the earnings profile of our upstream business.

With over 50,000 crores of expansion projects currently under execution across our businesses in India, and another 50,000 crores of growth opportunities under evaluation, we are preparing for the next phase of our growth journey. These investments of over 1 lakh crore in growth projects over the next 5 years reflect our confidence in India's long-term demand outlook and reaffirm our commitment to creating sustainable value.

Overall, Hindalco is exceptionally well-positioned for the future, backed by our integrated business model, strong resource base, disciplined capital allocation, and strategic investments across the value chain. We are well-equipped to capitalize on emerging growth opportunities. We remain committed to our purpose of engineering better futures while delivering sustainable growth, enhanced profitability, and long-term value creation for our stakeholders. Thank you very much for your attention, and the forum is now open for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Pinakin from HSBC. Please go ahead. Pinakin, please go ahead with your question. Your line is unmuted.

Pinakin – HSBC: Thank you very much for the opportunity. Can you, sir, give us some clarity on when you expect to have detailed timelines for the 50,000 crores of expansions being evaluated in the India business?

Management: Pinakin, I think our focus right now is to get the first set of projects completed. Just so that we can recap, the copper recycling plant in Pakhajan will be commissioned in December of this year. Then, starting with the alumina plant at the Aditya refinery, which will be commissioned in December 2027, the 180 KT Aditya first line will also be commissioned in December 2027. These 3 big projects are our focus.

Then the next Aditya line will be commissioned in December 2028, and the copper smelter will be commissioned in December 2028. So this is part of that first 50,000 crores.

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In Mahan, the Mahan expansion is now going through the EC process, and we are trying to get the licensing and everything sorted out. That will be the next big project. Then, of course, we have the downstream copper recycling expansion from 50 KT to 150 KT.

So it will be fair to say that every 1.5 years we will be starting one more project. What we are trying to do, Pinakin, is stay at consolidated net debt to EBITDA of about 2, which is the level we have committed to you. As we go along, we will give you more information as some of these new projects get approved for execution.

Pinakin – HSBC: [line issue] Sure, got it. Sir, in copper smelting, you highlighted sulphuric acid and some one-time gains {? [unclear] ?}

Operator: Your voice is breaking. Can you come to an area with good reception?

Pinakin – HSBC: [line issue] {? [unclear] ?}

Operator: We are still unable to hear you, Mr. Pinakin. I would request you to please check your connection and call back into the queue. We will go on to the next question, which is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia – Kotak Securities: Good evening, and thank you for the opportunity. My first question is on costs. If you could guide us on how costs are moving for the aluminium division in the coming quarters. What are the timelines for commissioning the captive coal mines? Are both Chakla and Banda on track for the end of FY27?

On the copper division, I missed it, but you mentioned something that 1,200 crores is a sustainable run rate for copper. Can you please elaborate on that? What has changed in terms of the quarterly EBITDA run rate? One factor, of course, is sulphur, but some elaboration would help. Thank you.

Management: All right, let me remember all your questions, Sumangal. Starting with costs, Q2 costs were up roughly 5% above Q1. The cost increase was due to 2 main factors: coal and CP coke. Coal was impacted during the monsoon quarter, and we were badly affected in the northern region. It was basically Renusagar, Renukoot, and [trails off]

Management: ...because the rainfall was very heavy and demand from the northern power plants was very strong. We had low linkage materialization and had to buy a lot of coal through spot auctions. On the Odisha side, we did not have an impact.

So, long story short, that led to a 5% increase in the cost of production of aluminium from Q2 to Q1. We expect Q3 to Q2 to also be around that 5%, because coal in the northern area has still not stabilized. October continued to be very hot. We are slowly, by mid-November, starting to see some signs of improvement. So I think Q3 to Q2 will also be 5% up, and in Q4 we will start to see the price go down as coal prices and coal availability improve in Q4.

Now, as to your second question, what is important for us is to get Chakla and Banda started so that by the next monsoon we are not under this pressure. At Banda, the box cut has already happened. It has a high stripping ratio, so the first coal should start to come out toward the second half of the next financial year. For Chakla, we still expect to receive coal sometime in the middle of next year.

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On copper, you heard correctly. We think it will be about 1,200 to 1,300 in the coming quarters, largely driven by sulphuric acid pricing along with precious metal sales. Of course, I think pricing for copper downstream products is also helping.

Sumangal Nevatia – Kotak Securities: Understood. Sir, if you can just elaborate on the proportion of sulphuric acid realization in a normalized year, such as FY25-26, versus what it is today?

Management: Right now, I think we are running at roughly 16,000 rupees a ton. Last year, in the same quarter, it was around 7,000 rupees a ton. Let me tell you, even 7,000 is quite high. If you go back before that, it used to be around 3,000 or 4,000 rupees a ton. So sulphuric acid and sulphur prices are really high right now.

Sumangal Nevatia – Kotak Securities: Okay. In terms of contribution to our EBITDA, what is the proportion, and what is the volume that we produce and sell?

Management: In terms of contribution, let us say that approximately 50% comes from other activities and 50% comes from copper, more or less. The volume of sulphuric acid is 300,000 tons a year. A month, sorry. A quarter... a quarter. 300,000 tons a quarter. Sorry.

Sumangal Nevatia – Kotak Securities: Understood. I have just one more question on Novelis. Given that we are seeing so many moving parts with respect to tariffs, Oswego, and insurance recoveries, the overall predictability of earnings and margins has really gone down for us. Is it possible now, since we are returning to normalized levels, to give us some guidance for, say, FY28, on volumes and some range of margins that we can expect, given the current tariffs and current scrap spreads?

Management: I do not know why you are saying there are so many moving parts, because we have been quite clear in saying that we currently have some headwinds from tariffs, but we are working with a clear plan, and by the fourth quarter tariffs would come down to a fairly marginal level. So that is swing factor number 1, right? We are giving you predictability, to be clear.

Number 2 is the Oswego fire impact. We are saying that the Oswego fire impact... [inaudible] impact. On the Youngstown strike impact, we have told you that we had a 20 million impact in Q2, and you can broadly expect a similar impact in Q3. After that, it is over. So that is swing factor number 2 for you, right?

Then the third thing is insurance recoveries. For insurance recoveries, you can expect that we have another 47 million of insurance recoveries that will fall into EBITDA, and that should largely be completed by this fiscal year-end.

I do not know what else is in your mind as a swing factor, but we have clearly called out these factors. Having said that, as supply chains normalize, I will tell you one more thing, which is actually on the positive side. Right now, we are still facing some supply chain issues that have not normalized, and these are putting some negative pressure on shipments for the time being. However, as normalization progresses, and based on the underlying markets, shipment momentum should pick up quite well starting from Q4 of this fiscal year. So I think we have sliced and diced all the factors for you, and I hope that should help.

Sumangal Nevatia – Kotak Securities: Got it. That is helpful. Thank you, and all the best.

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Management: Thank you.

Operator: Thank you. The next question is from the line of Jashandeep Singh Chadha from Nomura. Please go ahead.

Jashandeep Singh Chadha – Nomura: Hello, and thank you for the opportunity. Happy Diwali in advance, sir. My first question is regarding your hedging. What is your hedging position, and can you give us some sense of the regional premium and how you see it in the near future? That would be my first question.

Management: For H2 of FY27, the remaining 6 months, we are hedged 29% at $3,000 per ton. If we now go into FY28, we are about 26% hedged at 3,168. That is our position.

MJP had spiked up, but I think MJP is correcting. I think Q3 MJP is already about 270, and we expect MJP to be in the $200 to $250 range in Q4.

Jashandeep Singh Chadha – Nomura: Thank you, sir. My next question would be largely on potlining capitalization. Do you have any rough estimate of how much it would have added to EBITDA per ton? Also, inter-business depreciation seems to have increased significantly. Is it just this quarter, or should we start building in higher depreciation going forward?

Management: It is the impact of the potlining. Basically, what we have done is capitalize the potlining, which, more or less, we were the only company in the aluminium business not doing. All our competitors do it.

The impact roughly adds about 130 crores to the EBITDA line and adds 130 crores to the depreciation line. That is why you are seeing depreciation a little higher, while the positive impact on the EBITDA line is 130 crores. You will see this going forward.

In Q2, there was a little additional catch-up related to Q1 as well, which is why the number was slightly higher. On an ongoing basis, you are now seeing approximately 130 crores of additional EBITDA due to the potlining being amortized, with depreciation correspondingly increasing by the same amount.

Jashandeep Singh Chadha – Nomura: Understood, sir. Just one last question. In your presentation last quarter, I believe you were showing or estimating close to 1 million tons of deficit. Now it has come down to 0.8 million tons. How are you seeing LME prices over the next year? Also, one bookkeeping question: what will be your capex run rate over the next couple of years?

Management: Let me first start with your first question, which was on the LME prediction. Whether it is 0.8 million or 1 million, this is a call that has been made in the last few months. It really depends, and I would not read too much into the difference. Next year is the interesting one.

If Middle East supplies normalize, and if the expected Indonesian volumes come through—and there is a big if as to whether that additional 1.5 million tons will come or not—then the consensus in some ways was that LME next year could be between 2,600 and 2,800. That is the outlook for next year. It is difficult to say because one geopolitical event, as you know, changes that whole scenario very quickly.

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What was the second question?

Jashandeep Singh Chadha – Nomura: Sir, it was your capex.

Management: Capex this year will be around 12,000 crores. Next year will be substantially higher. I will give you the number at the February board meeting, when we have completed our budgeting. Next year will be high, and the year after will be at similar levels because of all these projects that I mentioned to you. The capex outlook in FY28 and FY29 will be quite high.

Jashandeep Singh Chadha – Nomura: Understood, sir. Is it fair to say that by next year you will reach peak net debt? Also, just one last question, if I can squeeze it in: for your future upcoming projects, what LME prices are you building into your internal calculations for IRR?

Management: I think we took 2,650 or... yes, about 2,600 we took.

Jashandeep Singh Chadha – Nomura: Understood. Thank you.

Jashandeep Singh Chadha – Nomura: Sorry? Peak net debt or peak debt?

Management {? Mr. Pai ?}: No, consolidated debt. We have said that we will keep consolidated net debt to EBITDA at around 2. What is going to happen is that Novelis, in Q4, will reach about 4, and then over the next 2 years it will go through a deleveraging cycle, ending up between {? 2.5 to 2.8 ?} as planned.

India, which is now negative, will not remain negative once we enter our growth capex phase. It will become 1 to 1.5. But for the consolidated business, what we are trying to do is keep it at the level we committed to, which is around 2.

Jashandeep Singh Chadha – Nomura: Understood, sir. Thank you so much. I will join the queue again.

Management {? Mr. Pai ?}: Thank you.

Operator: Thank you. The next question is from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal – Antique Stock Broking: Hello, good evening, sir. My first question is: could you quantify the one-offs in the copper segment? Is it correct to assume that, out of {? 1,600 ?}, if we assume that {? 1,200 ?} is the steady state, this quarter had {? 400 crore ?} of one-offs?

Management {? Mr. Pai ?}: It was not a single one-off. There were a couple of things that happened. We had a certain amount of copper slag sales where the difference between our accruals and what we realized from selling was higher. There was a certain amount of derivative noise. There were also additional precious metal sales. Taken together, there was roughly {? 350 to 400 ?} that we do not think is repeatable on a sustainable basis.

Pallav Agarwal – Antique Stock Broking: Also, if I look at aluminium upstream EBITDA sequentially, given the fall in the LME and the 5% increase in costs, the EBITDA decline could probably have been higher. Did we receive the benefit of some higher premium, or what led to the

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better-than-expected performance there?

Management {? Mr. Pai ?}: We received a higher premium. First, because of the exports we were undertaking, which went to high-premium countries, not {? MJP ?}. Second, for the value-added upstream products, such as conductor cables and similar products, we received better pricing. The VAP and the premiums resulted in higher EBITDA per ton.

Pallav Agarwal – Antique Stock Broking: In terms of copper pricing, you said concentrate availability is tight, which is reflected in the low or negative TC/RCs. However, inventories on the London Metal Exchange do not seem to be declining to that extent. Where is the disconnect between the two?

Management {? Mr. Pai ?}: You are referring to copper inventories on the London Metal Exchange. People, especially in the US and elsewhere, have been hoarding copper because they are worried about... So, for us, let me make one thing clear: copper concentrate availability is tight.

For companies like us, however, we are now very comfortable because we have large miners with whom we have long-term contracts. So we have no problem obtaining concentrate. But overall, because of the huge Chinese smelting capacity, the supply-demand balance has resulted in negative TC/RCs.

Pallav Agarwal – Antique Stock Broking: Sure. Okay, thank you, sir.

Management {? Mr. Pai ?}: Thank you.

Operator: Thank you. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal – CLSA: Hello, sir. Thank you for taking the question. First, on copper EBITDA run rate, you mentioned a {? 1,200 crore ?} quarterly run rate. What sulphuric acid price are you assuming?

Management {? Mr. Pai ?}: We are assuming high sulphuric acid prices, Indrajit—somewhere between {? 14,000 and 15,000 ?}. I think we are seeing that in Q3 and Q4. So we are taking these higher levels.

Indrajit Agarwal – CLSA: Sure, that makes sense. Second, you mentioned {? 2,600 to 2,800 ?} LME. To understand where you think the 90th-percentile cost is today, what kind of cash cost could Indonesian capacity have?

Management {? Mr. Pai ?}: We are not really clear on the Indonesian component, but on the average, let us say on the higher side of the cash cost, it is roughly around {? $2,000 to $2,200 per ton ?}.

Indrajit Agarwal – CLSA: Sure, understood. Third, on consolidated capex, with Novelis tapering off, consolidated capex may not rise next year. Is that understanding correct, even though India capex rises?

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Management {? Mr. Pai ?}: Yes, that is a fair point. This year, Novelis capex is very high. Next year it will return to normal maintenance plus projects of around {? $500-600 million ?}. So yes, consolidated capex may not increase by that much. You are right.

Indrajit Agarwal – CLSA: Sure. Lastly, on the relining EBITDA adjustment in aluminium of {? 150 crore ?}, for the quarterly run rate, is this the first quarter in which we have done it? Sequentially, does EBITDA improvement therefore look better optically than the underlying number?

Management {? Mr. Pai ?}: [pause] I think we had to restate because we did not... I am just checking. No, you are right. It looks better because this is the first quarter in which we did it, of {? 150 crore ?}. All right.

Indrajit Agarwal – CLSA: Of {? 150 crore ?}. All right. That is all from my side. Thank you, and happy Diwali.

Management {? Mr. Pai ?}: Thank you.

Operator: Thank you. The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain – Ambit Capital: Hi, thank you. Mr. Pai, just one more question on LME expectations. I know that, being a commodity, many people expect LME to decline as supplies increase. When you strategize, I know you have a hedging strategy and like to keep something open, but if the general expectation is that prices will decline, would you like to hedge more? Also, would you still want to proceed with Mahan 370 if we see more capacity and prices decline, given the 370 KT project that you are evaluating?

Management {? Mr. Pai ?}: Fundamentally, you have to take a 10-, 15-, or 20-year view of these things. We think that aluminium demand in India is going to grow at {? 7-8% ?}, which is fairly conservative. Globally, it is {? 2-3% ?}.

It is also very clear that nobody in the Western world is adding any smelting capacity. So the only places left are India and Indonesia. If you look at our cost curve, Satyadeep, once Chakla, Bunder, and Meenakshi are running, we will have locked in our cost curve at very attractive levels, except for CP coke.

LME prices can swing up and down, but we will be the last man standing. So yes, we think that taking advantage of the backward integration of bauxite and coal is the reason why we should make the investment. There can be some years in which prices decline, but we think the fundamental long-term demand trend for aluminium is good.

Satyadeep Jain – Ambit Capital: What brownfield optionality would there be after you reach 2 million tons between Aditya and Mahan?

Management {? Mr. Pai ?}: In downstream, we still have the capability to add another cold mill in Aditya, which would add another {? 170 KT ?}. On top of 600 KT, we can add {? 170 KT ?} of rolling capacity.

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For extrusions, we are already looking at projects in {? Kupam and Silvassa ?} to address automotive demand and consumer electronics. If we reach {? 2 million tons ?} of aluminium, we will reach approximately {? 1 million tons ?} of downstream capacity in India.

Satyadeep Jain – Ambit Capital: And after reaching 2 million tons of upstream capacity, what brownfield optionality do you have between Aditya and Mahan?

Management {? Mr. Pai ?}: Are you referring to upstream or downstream optionality?

Satyadeep Jain – Ambit Capital: Upstream.

Management {? Mr. Pai ?}: Upstream. We can easily add another {? 360 KT ?} in Mahan. We have checked, and we have the land. At Aditya, we are using the land for the rolling mill, so we will not have any more land in Aditya after this {? 360 ?} expansion. But in Mahan, we can undertake another {? 720 KT ?} expansion.

Satyadeep Jain – Ambit Capital: Just one more bookkeeping question. Of the 50,000 crores that you have in India, how much have you already spent? Also, what was the royalty payment? I know Novelis was approximately {? $11 million ?}. At the overall Hindalco level, what was the royalty payment, and how much of the {? 50,000 crore ?} has been spent so far?

Management {? Mr. Pai ?}: Hindalco was also at the same level, {? $11 million ?}, because we pay on a quarterly basis until we reach the cap of {? 225 crore ?}. That is how the royalty arrangement has been set up.

Of the {? 50,000 crore ?} capex, we were calculating it, and I think we have probably spent about {? 20 ?} by the end of this financial year.

Satyadeep Jain – Ambit Capital: Okay. Thank you so much.

Management {? Mr. Pai ?}: Thank you.

Operator: Thank you. The next question is from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain – Macquarie: Hi, sir. Good evening. My first question is on aluminium EBITDA for this quarter. Is it possible to give a breakdown of how much is sulphuric-acid-led and how much is pure copper and copper downstream?

Management {? Mr. Pai ?}: You are referring to copper EBITDA, not aluminium EBITDA.

Ashish Jain – Macquarie: Yes, sorry. My mistake. Copper EBITDA.

Management: No, I do not think we want to give you a breakdown there. I think it is fair to say that we have given you the underlying run rate on an ongoing basis, which is around 1,200 to 1,300.

Ashish Jain – Macquarie: Okay, sir. Then just to confirm, did you say earlier in the call that 50% of EBITDA this quarter was copper-led at Hindalco, or am I mistaken?

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Management: Yes, more or less. The money we receive from copper is sold—we do not sell too much cathode. We convert it into rods, and then we convert it into other downstream products. When I look at the premiums on all of that and put it together, roughly 40-50% will come from copper products. The rest will come from sulphuric acid, precious metals, and so on.

Ashish Jain – Macquarie: And this is despite TCRCs being where they are. That is why I am asking.

Management: Yes, that is why, if I were selling cathodes, I would be losing money.

Ashish Jain – Macquarie: Understood. Secondly, in terms of the cost curve for Q3 and Q4, you explained the outlook for coal, but what is the outlook for the other cost drivers from the aluminium business perspective, especially CP coke?

Management: CP coke. I do not expect too much variation from current levels in all the other costs. Actually, caustic prices are coming down a bit.

Ashish Jain – Macquarie: CP coke is also trending higher.

Management: Yes, these are the 2 costs that are high, but we do not expect CP coke to increase much more from current levels. It is already high. Coal is the one that needs to come down. Coal has a nearly 40% impact on the cost curve.

Ashish Jain – Macquarie: Understood. Great, sir. Thank you so much.

Management: Thank you.

Operator: Thank you. The next question is from the line of Rashi from Citi Group. Please go ahead.

Rashi – Citi Group: Thank you. If I missed this, did you indicate the alumina sales in the quarter and your expectations going forward?

Management: [pause] The alumina sales were 194 KT in Q2, and in Q3 we should sell in a similar range of 192 to 200.

Rashi – Citi Group: 192 to 200, understood. On capital expenditure, how much did you spend in India in the first half?

Management: [pause] About 7,000 crores. This year, I think our expectation is that we will spend about 12,000 crores by the end of the year, or 12,000 to 13,000 crores.

Rashi – Citi Group: Understood. You mentioned that India has a net cash balance. How much was that?

Management: 16,000 crores. We are sitting with a treasury balance of 16,000 crores. [pause] Net cash is 9,000 crores.

Management: Loans are approximately 6,000-7,000 crores. This is only the India book. That is why net debt to EBITDA is minus 0.35 in India.

Rashi – Citi Group: Understood. Thank you.

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Management: Thank you.

Operator: Thank you. The next question is from the line of Satyadeep from Investec. Please go ahead.

Satyadeep – Investec: Hi, sir. Thank you for the opportunity. You did indicate a broad outlook for aluminium. Can you please help us with your thoughts on alumina as well?

Management: The only good news on alumina is that the alumina index is starting to trend slightly upward. It had been low for the last 2 quarters. It is currently running at about $350, so we expect it to become firmer and move closer to {? $400 ?}.

Satyadeep – Investec: What would be the underlying variables driving that?

Management: It is simply because when Middle East capacity went offline, alumina demand declined. The third-party alumina market is largely driven by non-integrated producers, which are the Middle East smelters, because everyone else, including China, is more or less backward integrated.

Satyadeep – Investec: You indicated that the aluminium EBITDA increase this quarter was attributable to higher premiums and higher value-added products. Is it possible to give some color on how this is looking on a spot basis, how you see it in Q3, and whether it is sustainable?

Management: The value-added products are, of course, sustainable. That will continue. However, the premium may not be sustainable because MJP has already declined in Q3. We managed to obtain a fairly good premium on the export side in Q2. In Q3, MJP is already down by more than $100. The percentage of VAP should continue.

Satyadeep – Investec: You also indicated that, for the incremental projects, you will take up one new project every 1.5 years. Hypothetically, if we proceed with Mahan 370 KT first, which variables would determine the projects due for commissioning in 2027 and 2028? Are we looking at a particular utilization level, or is it more dependent on the balance sheet?

Management: It is actually dependent on execution capability and the balance sheet. We are working with one large EPC contractor as our partner. I would like to use the crew that is completing Aditya to then undertake Mahan. We have to phase it because the capacity to execute large projects is quite limited in the country right now. So we have to be careful.

Execution capability and the balance sheet are both factors. Utilization is not a factor. If we produce aluminium, the market is there.

Satyadeep – Investec: That was very helpful. Thank you so much, and all the very best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Rahul Gupta from Morgan Stanley. Please go ahead.

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Rahul Gupta – Morgan Stanley: Hi, thank you for taking my questions. I have 2 questions. First, downstream EBITDA per ton has been largely stable over the past couple of quarters. How should we look at it in the second half?

Management: It should start to increase because we are qualifying quite a few products in Aditya FRP right now. Aditya FRP is now at the 50% loading level. In the next 2 quarters, we would like to get many products through qualification, including battery foil, ULGE foil, and can body stock. As those volumes increase, EBITDA per ton should cross 300.

Rahul Gupta – Morgan Stanley: Understood, sir. My second question is slightly longer-term. When you talked about the newer upstream projects, you said they were based on an estimate of 2,600 LME prices. With all the backward integration and the move downstream, what kind of IRRs are you considering at 2,600 LME prices?

Management: At least in the teens at 2,600, because there is a certain amount of inflation in capex and execution costs as well. At 2,600, we want to be at least in the teens.

Rahul Gupta – Morgan Stanley: Understood. A follow-up: when you talk about approximately 1 trillion rupees of capex over the next few years, does that take into account inflation over the next few years?

Management: Yes, yes.

Rahul Gupta – Morgan Stanley: Okay, thank you so much. I wish you a very happy festive season.

Management: Same to you.

Operator: Thank you. The next question is from the line of Nishandip Singh Chaddha from Nomura. Please go ahead.

Nishandip Singh Chaddha – Nomura: Hello, sir. Thank you for the opportunity again. Around 50% of copper EBITDA came from non-copper material. Can we see a similar number for the last quarter, and what is it on an average run-rate basis?

Management: The last quarter was at a similar level. You would have to go back to when TCRCs were higher. If you go back to last year, the picture changes because TCRCs were 15 to 17. In that case, the contribution from the copper side would increase.

It is fair to say that the copper value chain is fairly diverse. One element increases while another declines, and they tend to balance each other. So you cannot really average it over...

Nishandip Singh Chaddha – Nomura: I see. It may be related to the last quarter, but Alchem has been terminated. Does that change your specialty alumina strategy or the 4 lakh downstream target? How should we look at it?

Management: Not at all. We just commissioned the PPT hydrate plant, for which the technology was fully developed indigenously. Of course, it took us 5 years to do that. We were hoping that with {? Aluchem ?} for tabular alumina, we would be able to shortcut that process.

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However, we are now looking for other people who can help us fast-track it, and we also have our internal program to develop tabular alumina. We are, of course, going to launch the white fused alumina project very soon. So... [trails off]

Mr. Pai: ...our plans to reach approximately 1 million tons of specialty alumina have not changed.

Nishandip Singh Chaddha – Nomura: Understood, sir. One last thing: I believe you answered this earlier, but I would like to ask it separately. Most of Hindalco and its peers are adding capacity, and you were saying that even for {? Mahan ?}, there is significant demand and utilization is not an issue.

Could you tell us the demand drivers in the domestic market— which sectors and which regions are expected to drive demand for aluminium over the next couple of years?

Mr. Pai: That is a good question and requires a more detailed answer, but I will give you a highlight. Historically, the electrical sector, which includes conductors and cables, accounted for nearly 40% of aluminium demand.

We are now starting to see the automotive sector become significant. We are starting to see the packaging sector become significant. We are starting to see industrial and home appliances become significant. As the Indian economy grows and urbanization increases, data centers are also starting to become significant.

All these other demand drivers are beginning to emerge. Indian demand is now starting to replicate Japanese, European, or US demand in many ways. For many years, it was very much concentrated in the conductor and cable market, which accounted for nearly 40% of our aluminium demand. Now it is much more broad-based.

Nishandip Singh Chaddha – Nomura: Understood, sir. I will also get in touch with you offline for further details. If you had to put a number on it, what CAGR would you build into aluminium demand over the next 5 years?

Mr. Pai: We normally work with a range. I always say that it can move up and down, but India grows at roughly a 7% CAGR. That is the number we use.

Nishandip Singh Chaddha – Nomura: Understood, sir. Thank you so much. I will join the queue again.

Operator: Thank you. Ladies and gentlemen, we will take that as the last question for today. For any further questions, please connect with the Hindalco IR team. I now hand the conference over to Mr. Pai for closing comments.

Mr. Pai: Thank you very much. It was another good quarter. For me, the upstream business performed well, but if you look at the coming quarters, we believe the recovery of Novelis, the ongoing strengthening of the copper business, and the aluminium downstream business will be important.

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Overall, the strength of Hindalco lies in its diversified business model, with at least 4 pillars driving growth. Thank you very much for your attention, and happy Dhanteras and happy Diwali to all of you.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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