

ANNUAL REPORT 2008 - 2009

Dear Shareholder,

As I look at the numbers in the current maelstrom, whilst our revenues and profits have been impacted across businesses, in relative terms, measured against the competition, we have stood our ground. The litmus test we apply is: if a down-turn of this magnitude were to persist for some time, would we be the last man standing, which means, will we be the industry player least likely to be affected?

Without doubt, we are facing our toughest challenge, but we will, all the same, be the 'last man standing' once the dust settles down, as the statistics for our various businesses bear out.

We believe that tough times don't last, tough people do. At a time like this, we constantly remind ourselves, that our collective endeavour as an organization is to build businesses for the long haul. In the past too, there have been sharp swings in business cycles - and there will be more of these in the future, though hopefully not of the magnitude and ferociousness we are seeing today. And each time in the past we have come out of the eye of the storm, we have emerged fitter and stronger.

Here, let me mention the role of our values and beliefs. Our values always guide us, much like the North Star. Our history and heritage as a Group, in one word, stand for trust. Whilst we see a meltdown the world over, not just of economies, but equally of governance, I believe that our demanding standards of governance will set us apart, even more, now, and in the future. Clearly, investors and employees will appreciate and learn to value differentiate between organizations like ours that are honest, ethical, transparent and well-governed, and others, for whom governance is a platitude. This is a huge strength, built over time into our genetic coding. It will always stand us in good stead.

Yours sincerely,

Kumar Mangalam Birla



HINDALCO INDUSTRIES LIMITED



Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers.

We live by their values.

Integrity, Commitment, Passion, Seamlessness and Speed

THE CHAIRMAN'S LETTER TO SHAREHOLDERS

... contd.



At the business level too we had to grapple with many challenges given the piquant environment. Your Company's consolidated turnover (gross) crossed US\$ 13.5 billion (Rs.65,625 crores) and EBIDTA of US\$ 763 million (Rs.3,665.2 crores). Of the revenues, over US\$ 11.3 billion came from the aluminium business, while copper accounted for US\$ 2.2 billion (Rs.10,760.26 crores).

Your Company has taken major initiatives to ensure to sustain profitable growth. An in-depth presentation of these steps has been detailed in the Management Discussion and Analysis, so I will highlight only the key points.

As part of its strategic growth initiatives, your Company has embarked on a series of expansion projects.

Your Company's Greenfield's projects – Utkal Alumina and Aditya Aluminium in Orissa, Mahan Aluminium in Madhya Pradesh and Jharkhand Aluminium in Jharkhand will go on stream between 2011 and 2013. With these, your Company's smelting capacity will increase from 0.5 million tons to 1.7 million tons with three new projects of 360 ktpa each. Likewise, your Company's refining capacity will increase from 1.7 million tons at present to 6.15 million tons. These expansions will give your Company a greater edge.

The fundamental reason for which we acquired Novelis – global market leadership, cutting edge technology, going up the value chain in the largest segment of value added products and a highly competent team.

I would like to add that the liquidity position of Novelis has remained stable despite challenging market conditions. The Company's actions taken to adjust metal intake, reduce production and decrease fixed costs will deliver an estimated \$140 million annualized future savings.

The fundamental reason for which we acquired Novelis – global market leadership, cutting edge technology, going up the value chain in the largest segment of value added products and a highly competent team, remain unchanged. However, Novelis has been impacted negatively, especially due to the falling off of markets in North America and Europe. Our Hindalco/Novelis teams are working double time to take appropriate action. I remain very confident,

that the inherent strengths of Novelis will see us through the next two years. Our commitment to Novelis remains unflinching.

Birla Copper demonstrated outstanding resilience by delivering highest ever PBT in a year when the TcRcs fell by 39% and market volatility was unprecedented. This was achieved through a combination of savvy marketing, innovative cost management and deft leveraging of its business model to maximise value creation. Effort towards significant value unlocking through marketing of waste materials are unrelenting. Birla Copper is today in the top quartile in the global pecking order, in so far as it relates to smelting costs.

Outlook

Your Company will continue to strengthen its leadership position. Substantial increase in capacities, improved cost optimization, higher productivity and strong fundamentals augur well for your Company in the years to come.

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I believe our people are our biggest strength. We have further strengthened our endeavour, in these times of slowdown, to aggressively establish a performance – oriented culture that rewards better performance and distinguishes the best performers from the others. I would like to acknowledge all of our performers who deliver results.

The Aditya Birla Group: In Perspective

Today, we manage multinational teams – 1,30,000 employees, comprising 30 nationalities, across 25 countries, anchor our US\$ 29.2 billion meritocratic conglomerate. Our values – Integrity, Commitment, Passion, Seamlessness and Speed, is the thread that strings us together.

Post our Group being declared the “Best Employer” in 2007 by the Hewitt / Economic Times / Wall Street Study, our brand as an employer continues to grow strongly. More than 8,000 leading professionals from India and globally have teamed up with us.

Our rigorous assessment process, inclusive of Development Assessment Centres, assesses our people early in their career on their potential to hold leadership roles. This way, we have ensured that we have a robust bench strength of talent. We also use short term secondments and long term assignments to develop the capability of our people to work across borders. This year over 1,700 colleagues have been job rotated.

Over 80% of our businesses have participated in a compensation benchmarking exercise this year and we have taken significant corrective and proactive measures to stay competitive and attractive. This positioning will further help us to attract and retain the right talent.

We lay great emphasis on continuous learning through our in-house learning university – Gyanodaya. This globally benchmarked institution leverages resources from around

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the world to meet the development needs of our people. Over a 1,000 executives have taken courses this year. Additionally, more than 14,000 employees spread across the world, from Farmington Hills in USA to Giza in Egypt to Perth in Australia and Renukoot in Uttar Pradesh have used Gyanodaya's E-learning platform called GVC. GVC prides itself in having a course completion ratio of 90%, which is a world benchmark.

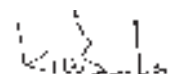
As perhaps many of you may be aware we track the organisational climate every two years. We use the Organisational Health Survey (OHS), as the barometer of employee engagement at work. It is conducted by Gallup. Over 22,000 executives, across 17 businesses, spanning 25 countries and 750 cities/interiors participated in the OHS6. The participation level at 94%, according to Gallup, is a benchmark. 83% of the employees surveyed in the OHS6 said that they are proud to be an employee of the Aditya Birla Group and get professional satisfaction working here. 67% of our management employees have clearly emphasized their confidence in the ability of the leaders at various levels to successfully manage the emerging challenges that the Group is facing. Almost three-fourths of our employees (73%) have stated that they would definitely advocate our Group as a place to build a meaningful career.

Going forward, I would like to emphasize that the brand of leadership that we seek to build combines the virtues of professionalism with the commanding power of the mind, heart and soul. The mind which has the intellect to perceive the right from the wrong, the heart which has an emotional bond with the organisation that cannot be severed, and a soul that is indomitable. Our biggest strength has been an emotional bonding that our employees have with the Group that makes the paradigm of duty truly boundaryless.

Best Regards,

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Yours sincerely,



Kumar Mangalam Birla

SUPER POWER IN PREMIUM METALS

Hindalco's well-crafted growth and integration hinges on the three cornerstones of



COST COMPETITIVENESS

Reflected through its strong manufacturing base and operational efficiencies across the value chain

Report

Top Quartile of lowest cost Aluminium producers globally

World leader in Aluminium Rolling (19% market share)

Largest recycler of used aluminium cans

Primary Aluminium and Copper registered on the London Metal Exchange

Star Trading House Status

Awards in Exports, Quality, Design & Innovations



QUALITY

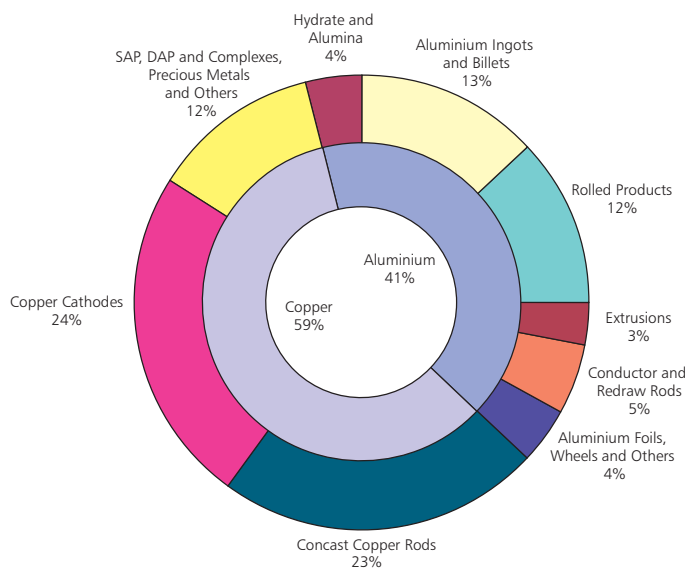
Through its versatile range of products serving core applications for diverse industries; and

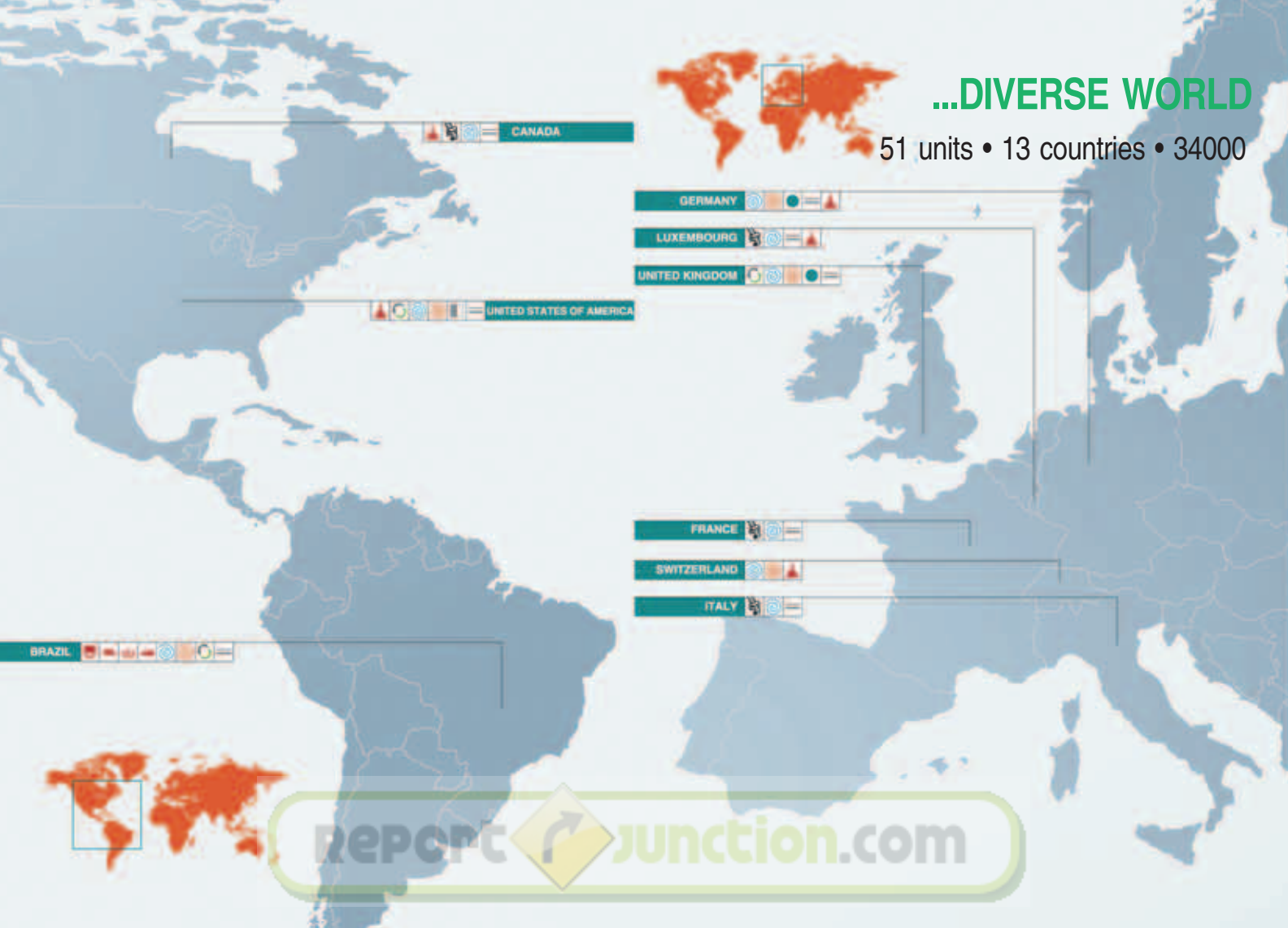


GLOBAL REACH

Operations in 5 continents. Reaching Customers across more than 50 countries

SHARE OF NET SALES VALUE





UNIFIED VALUE CHAIN...

Hindalco's Aluminium units across India encompass the entire gamut of operations, from Bauxite Mining, Alumina Refining, Aluminium Smelting to downstream Rolling, Extrusions, Foils, Alloy Wheels and Recycling.

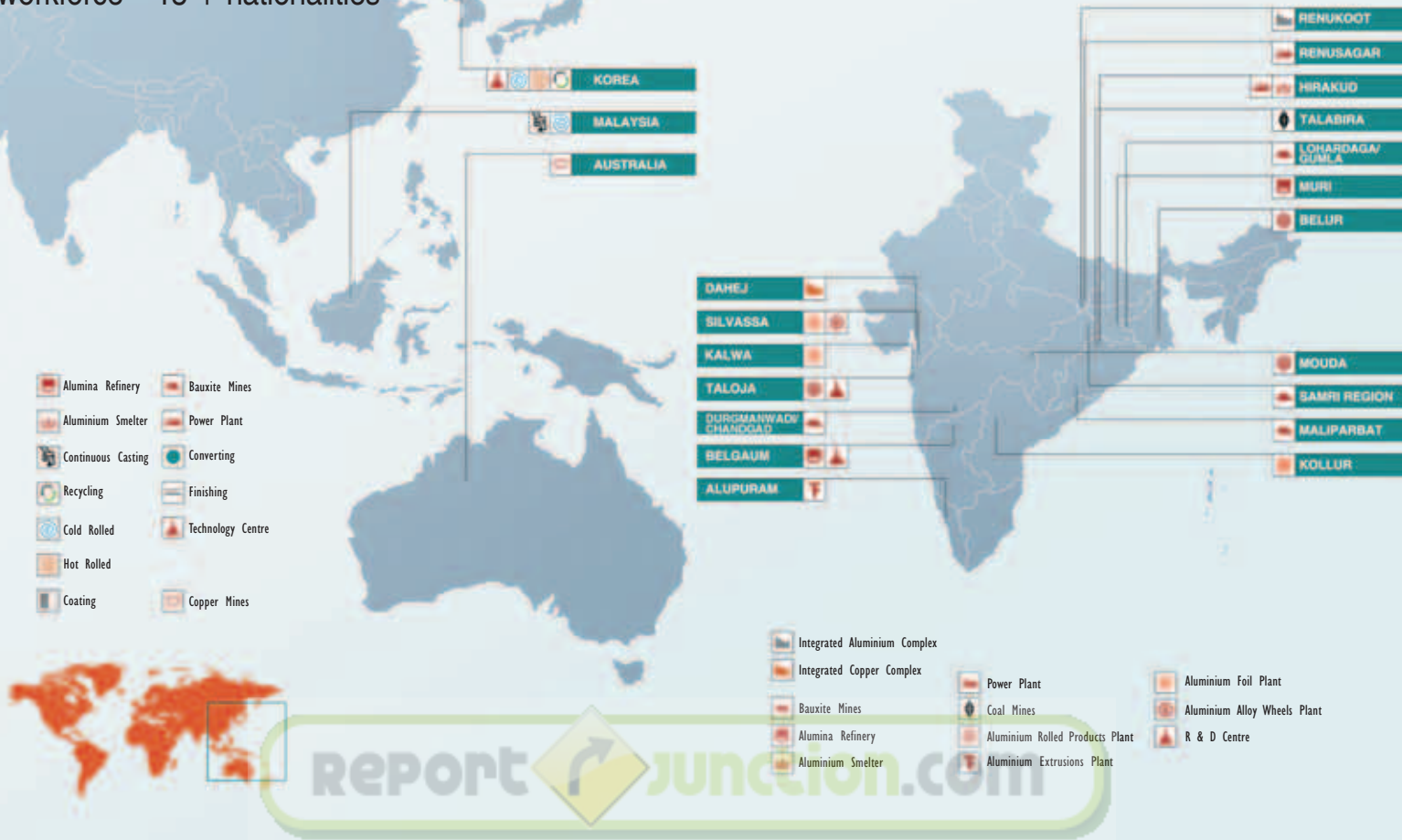
The integrated facility at Renukoot houses an Alumina Refinery and an Aluminium Smelter, along with facilities for production of semi-fabricated products, namely, Redraw Rods, Sheet and Extrusions. A co-generation power unit and a Captive Power Plant at Renusagar, to ensure continuous supply of power for smelter and other operations, back the Plant.

The integrated Copper unit at Dahej comprises copper smelters, backed by a captive power plant, oxygen plants, by-products plants, utilities and a captive jetty. Major products include continuous cast copper rods, copper cathodes along with SAP, PAP, DAP and precious metals.

Hindalco units have the Quality certification of ISO 9001, Environment certification of ISO 14001 as also OHSAS 18001 for Occupational Health & Safety. Several units have adopted the Integrated Management System (IMS) certification, reflecting a combined business excellence model.

WIDE OPERATIONS

workforce • 15 + nationalities



HINDALCO THROUGH ITS GLOBAL SUBSIDIARY NOVELIS OPERATES 32 PLANTS IN 11 COUNTRIES

The entry of Novelis into the Aditya Birla Group has provided a defining competitive edge to Hindalco as a global metals player. With its industry-leading assets and expertise, Novelis is the only company able to produce premium aluminium rolled products on all four continents where it operates. As the largest producer of flat rolled aluminium products, it ranks as number one in Europe, South America and Asia and is the second-largest in North America.

In addition to its aluminium rolling activities, Novelis operates bauxite mining, alumina refining, primary aluminium smelting and power generation facilities in Brazil that are integrated with its rolling plants there.

Its technologically sophisticated assets are best-in-class and its manufacturing technology leads the pack. Novelis caters to the top-end technologically advanced market sectors, producing premium sheet and foil products for high-value applications in automotive, transportation, packaging, construction, industrial products and printing.

DEFINING THE COMPETITIVE EDGE

TECHNOLOGY... THE ENGINE OF CHANGE

Innovation is what fuels the momentum of growth and development. Hindalco’s R&D tailors applications to suit customer requirements, while assuring quality standards that match global benchmarks. It is the key that culminates into Customer Satisfaction.



- R & D / TECHNOLOGY CENTRES**
- Research and Development Centre
Belgaum, India
 - Research and Development Centre
Taloja, India
 - Novelis Global Technology Centre
Kingston, Ontario, Canada
 - Novelis European Technology Centre
Goettingen, Germany
 - Novelis European Technology Centre
Sierre, Switzerland
 - Novelis European Technology Centre
Dudelange, Luxembourg
 - Novelis Technical Services
Aurora, Illinois, USA
 - Novelis Solatens Technology Centre
Spokane, Washington, USA
 - Novelis Korea Technology Centre
Ulsan, Korea



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