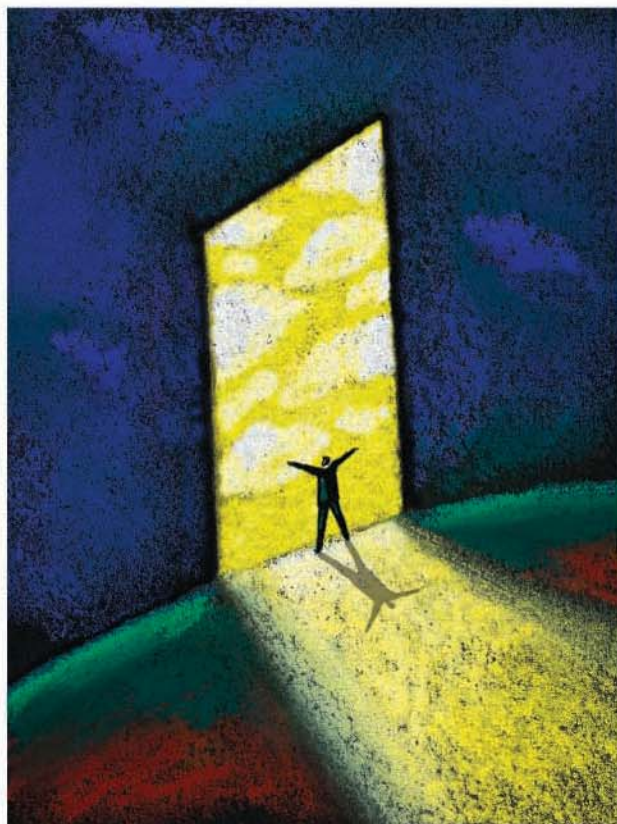


LAST MAN
STANDING



FIRST MAN
FORWARD

ADITYA BIRLA



HINDALCO

ANNUAL REPORT
2011-2012

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.



Dear Shareholder,

Almost four years after the greatest financial and economic upheaval since the Great Depression, the global economy is regaining a measure of stability and confidence. But the risks to growth looks unsteady once again, with the problems in the Euro Zone. The IMF projects that the global economic growth will decline from 4% in 2011 to 3.5% in 2012, before picking upto 4% in 2013. The Euro zone shows signs of slipping into a recession again, though that is expected to be offset by around 2% growth in the US and 6% in the emerging and developing economies. The economies of Africa, particularly Sub-Saharan Africa, are demonstrating structural improvement. Japan is on the road to normalcy after the twin disasters of the tsunami and the Fukushima nuclear reactor accident. The global supply chains, disrupted by the disasters in Japan and the floods in Thailand, have been restored. The financial condition of the large global corporations is extremely strong and their cash holdings at an all-time high.

The worst-case scenarios for the global economy have not come to pass. That, in no small measure, is due to the unprecedented stimulus provided by governments and central banks. Europe has also reached a degree of consensus on fiscal reforms. The ECB has also put in place firewalls to ward off a widespread economic contagion.

Clearly, the road ahead is not yet smooth. The bond, inter-bank and sovereign debt markets in Europe remain jittery. The process of financial deleveraging still has a long way

to go. Oil prices remain stubbornly high. Unemployment is proving extremely sticky and concerns about inequality are growing. A major worry is the political gridlock in many major countries, that makes it difficult to strike the right trade-offs between growth and fiscal and monetary restraint.

The Indian economy was quick off the mark in recovering after the 2008 shocks. But the growth momentum has slowed considerably over the past year. GDP growth in the third quarter of FY 2011-12 was 6.1%, down from 8.3% in the corresponding quarter of FY 2010-11. Some of the key indicators are bearish. Gross Fixed Capital formation has contracted in recent months. Growth in Industrial production in the April 2011-February 2012 period slid to 3.5% compared to 8.1% during the same period last year. Inflation particularly in food items, remains high. There have been major slippages on the fiscal side. The Current account deficit, in the April-December 2011 period widened to 4.0% of GDP, a clear warning sign. On a trade-weighted basis the Rupee depreciated around 8% in the past year. Given the slippage in growth, RBI's decision to ease monetary policy was timely. Even so monetary policy will not be effective unless it is supported by fiscal restraint. India's economy is poised delicately. Recent policies have not taken the economy forward.

Your Company's model of a balanced portfolio with strong value added businesses and operational excellence have been the key drivers of this commendable performance.

For the Financial Year 2011-12, your Company's performance has been outstanding both at the Standalone and Consolidated level. Your Company's net revenue on a Consolidated basis stood at US\$ 17 billion (₹ 80,821 crore) vis-à-vis US\$ 15.85 billion (₹ 72,202 crore) achieved in the previous year. Net profit is in excess of US\$ 700 million (₹ 3,397 crore) as against US\$ 540 million (₹ 2,456 crore). These numbers are indeed very encouraging.

Your Company's model of a balanced portfolio with strong value added businesses and operational excellence have been the key drivers of this commendable performance. Aluminium business in India recorded the highest ever metal production. Cost pressures were largely neutralized through greater efficiencies. Copper business in India attained the highest ever profitability led by improvement in recovery, product-mix and by maximizing the value from by-products.

Novelis too reported strong operating results, braving the economic headwinds globally, recording the second straight year of adjusted EBITDA in excess of \$1 billion. Even as its shipments slowed, its EBITDA per ton continued to grow. Significant initiatives taken towards optimizing the Company's footprint and rationalizing the cost structure, have stood the Company in good stead. Novelis increased the recycled content in its production to 39% in FY12 from 33% in the previous year, which is notable.

All of its major strategic expansions in Brazil, South Korea and the United States are on track. Importantly, we have ventured into China with a plant that will initially focus on automotive sheet finishing capabilities. This will further solidify our global automotive leadership position. All through the year, at Novelis strategic investments were made in global recycling facilities in South America, Europe and Germany. These facilities ensure metal supply and optimization of the overall cost base.

Novelis' investments have been strategically geared to leverage growth opportunities in the emerging markets, the increasing emphasis on light-weighting in the automobile industry and recycling in all the four operating regions.

Our efforts to actively consolidate our pole position in the metals business in India as well are firmly rooted. All of your Company's expansion projects are on course.

Let me highlight a few projects, which should be up and running in the near future, in India. The Mahan Aluminium Project, Aditya Aluminium Project and Utkal Alumina Refinery are all at an advanced stage of implementation. Post-stabilization these will be amongst the lowest cost producers globally. The Flat Rolled Products (FRP) project at Hirakud in Odisha which is underway will enable your Company to produce high-end canbody stock. It will be distinctive – being the only plant of its kind in India. It will give your Company a head start in the domestic and export markets.

The Consolidated capex spends in FY 2011-12 was over US\$ 2.3 billion (₹ 12,500 crore).

Outlook

Your Company is poised to achieve a quantum leap in the next few years in every respect – volume, capabilities and

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Our Group has been ranked fourth in the Global Top Companies for Leaders and first in Asia Pacific in the Top Companies for Leaders' 2011 study conducted by Aon Hewitt, Fortune and the RBL Group. 470 companies worldwide participated in this study. This recognition is personally heartening for me, given that we have competed against the best of breed global companies.

enhanced value for all its stakeholders. It is well on its way to becoming a premium global metals major with a robust presence across the Upstream and Downstream parts of the value chain of both Aluminium and Copper. Your Company has displayed tremendous resilience in the last few years with its impressive performance despite the significant slack in the economy globally. The new assets that the Company is building will undeniably encircle it with an even greater competitive edge. Given the distinctive growth path that we have charted, the only direction that your Company can go in the years ahead is upward.

To our teams

I thank all our teams for their solid performance, undiluted commitment and laser sharp focus on delivering results.

The Aditya Birla Group in perspective

Despite a choppy global economy, our Group turned in a solid performance in FY 2011-12, anchored by our 133,000 strong workforce comprising 42 nationalities spanning 36 countries. Our consolidated revenues were a little over USD 40 billion, reflecting a 14% growth.

It is my abiding belief that our people are the single most important enablers from every perspective. It is with a sense of deep pride that I share with you the fact that our continuous investment in the people area has paid rich dividends. Our Group has been ranked fourth in the Global Top Companies for Leaders and first in Asia Pacific in the Top Companies for Leaders' 2011 study conducted by Aon Hewitt, Fortune and the RBL Group. 470 companies worldwide participated in this study. This recognition is personally heartening for me, given that we have competed against the best of breed global companies.

I personally am convinced that we are now forging ahead on the people front. Our dedicated efforts in enhancing the quality of life of our employees and their families, continues unabated.

Our Talent Management and Leadership Development processes have been further enhanced, to meet our very specific talent requirements, with many more employees being included. To mention a few, launched:

- a Global Manufacturing Leadership Program to induct lateral recruits and fortify our technical talent in our Units.
- a Continuing Education Policy to support managers in acquiring higher specialist education for skills upgradation while they continue to be in their jobs.
- "Cutting Edge", the accelerated P&L Leadership Development Program, to enable function leaders to transition to P&L roles.
- And over 30,000 touch points to our learners through multiple learning formats. With these the number of people being targeted for honing competencies and developing skills has risen many times over. This is in sync with our "World of Opportunities" proposition. The customization of these learning programmes is far sharper this year on.

Beyond Business

Given that our employees have a desire to contribute to the larger community, including those of their colleagues who need support, we are setting up a new trust called the "World Of Opportunities Foundation", thorough which our employees can contribute to supporting the higher education of children in need.

Last Man Standing – First Man Forward

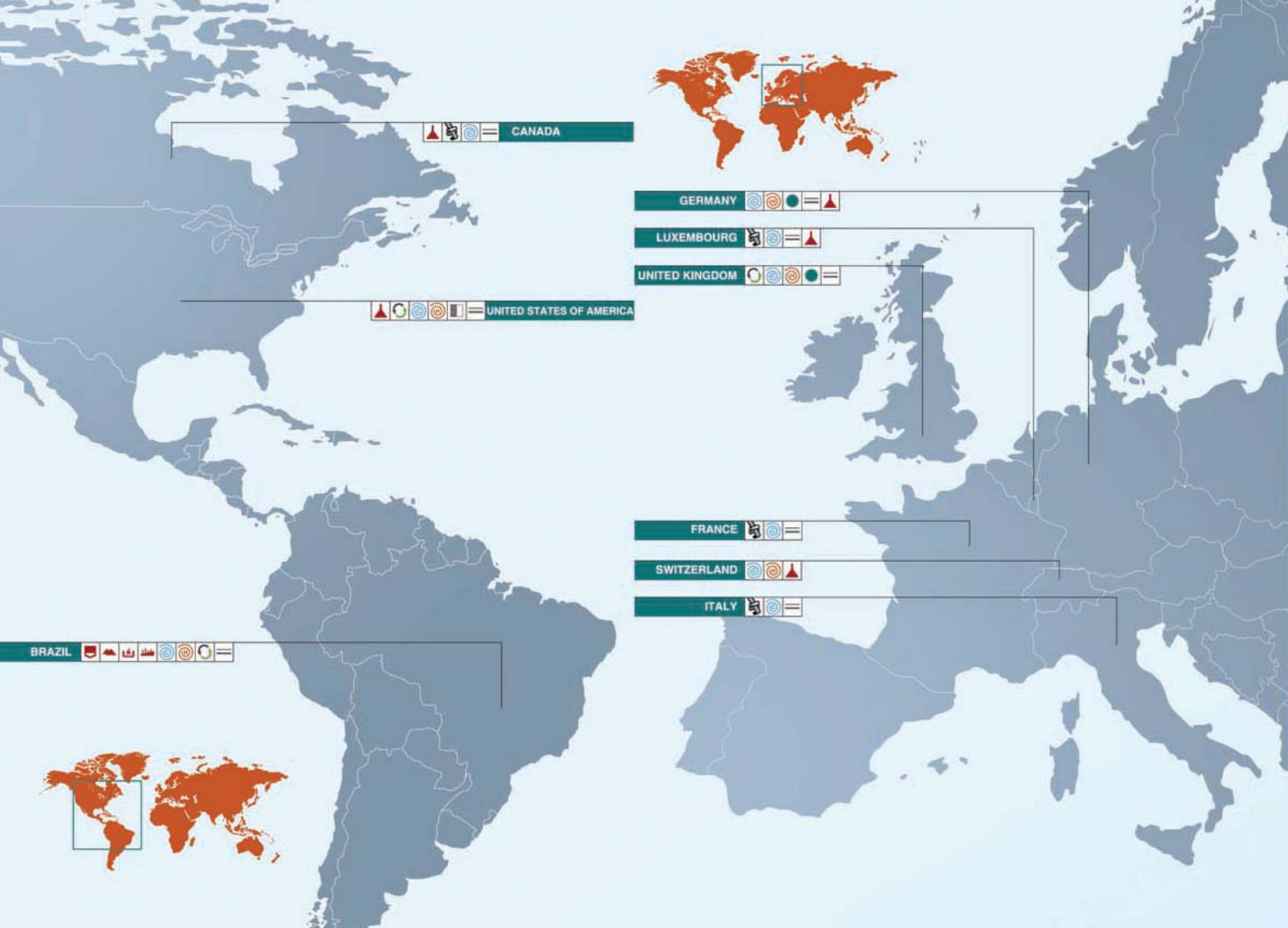
And finally let me add that over the years, we have through determined and deliberate effort come to be in this position of being the 'Last Man Standing', almost across each of our businesses. And when we do face a downturn today, from our position of strength, the message I want to convey is that, the last man standing has the best chance at being the first man forward. The first man forward to consolidate market positions, to show superior performance in each industry and get a few steps ahead of competition.

Yours sincerely,



Kumar Mangalam Birla

The message I want to convey is that, the last man standing has the best chance at being the first man forward. The first man forward to consolidate market positions, to show superior performance in each industry and get a few steps ahead of competition.



...DIVERSE WORLD

51 units • 13 countries

SUBSIDIARIES	UNIT LOCATED AT	
Novelis Inc	North America	<ul style="list-style-type: none"> • Rolled Product • Foil • Recycled Product
	Europe	<ul style="list-style-type: none"> • Rolled Product • Recycled Product
	Asia	<ul style="list-style-type: none"> • Rolled Product • Recycled Product
	South America	<ul style="list-style-type: none"> • Rolled Product • Alumina • Aluminium • Recycled Product
Aditya Birla Minerals Limited	Nifty Mines	• Copper Cathode
	Mt Gordon Mines	• Copper Concentrate
	Australia	• Copper Concentrate



WIDE OPERATIONS

• Around 34000 workforce • 15 + nationalities

	Alumina Refinery		Coating		Integrated Aluminium Complex
	Aluminium Extrusion Plant		Cold Rolled		Integrated Copper Complex
	Aluminium Foil Plant		Continuous Casting		Power Plant
	Aluminium Rolled Product Plant		Converting		R & D / Technology Centre
	Aluminium Smelter		Copper Mines		Recycling
	Bauxite Mines		Finishing		
	Coal Mines		Hot Rolled		

OUR VALUES



INTEGRITY

Honesty in every action



COMMITMENT

Deliver on the promise



SEAMLESSNESS

Boundary less in letter and spirit



PASSION

Energized action



SPEED

One Step Ahead Always

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