



HINDALCO INDUSTRIES LIMITED
ANNUAL REPORT
2014 - 2015

BIG IN YOUR LIFE



ASIA'S LARGEST SINGLE
LOCATION COPPER SMELTER



Mr. Aditya Vikram Birla

Our legendary leader. His ideals guide us.
Integrity, Commitment, Passion, Seamlessness and Speed.



Dr. Sarala Birla

was an iconic humanitarian.

A highly progressive person, she was way ahead of the times.

An educationist, a philanthropist, a patron of the arts,
Dr. Sarala Birla was an exemplar of all that is best in mankind.

Her legacy of values will be cherished forever.

Dear Shareholders,

The Global Scenario

The year 2014-15 continued to be a challenging year. The global economy growth was 3.4%, unchanged over the previous year. The world's largest economy, the US saw better growth, while the countries in the Euro zone registered marginal growth. There was a marked slowdown in China, and Japan witnessed near stagnation.

The key factors that affected the global economy included a steep decline in oil and commodity prices, and monetary easing by central banks in the US, EU and Japan. The global financial markets experienced heightened volatility, largely due to expectations of a tightening of monetary policy by the US Federal Reserve. The impasse on resolving the debt crisis in Greece added to the uncertainty. Geopolitical risks compounded the situation.

The IMF has projected economic growth at 3.3% in 2015, marginally lower than the growth recorded in 2014.

The domestic scenario

Among all the developing economies, India was a notable exception, with growth increasing to 7.3% in 2014. Agriculture recorded a growth of only 0.2%, given the subnormal monsoon. This was compensated by a more vigorous manufacturing sector, which grew at 7.1% in FY 2014-15, compared to 5.3% in FY 2013-14. Headline inflation fell sharply to 5%.

On the external front, India's vulnerability has reduced with the current account deficit contained at below 2% of GDP and a relatively stable currency. The monetary policy through the year was largely accommodative.



A slew of initiatives reinforced the positive macro factors. One must particularly mention the deregulation of diesel prices, reforms in the coal and mineral sectors, measures to boost FDI, and faster environmental clearances. The buoyant investor sentiment was manifest in capital inflows of \$73 billion. As infrastructure projects get off the ground, the prospects for a revival of the capital investment cycle seem very strong.

Your Company's performance

These developments on the global and domestic front have impacted your Company's overall performance. Regardless, your Company attained a consolidated turnover of \$ 17 billion (₹ 1.04 lakh crore) and an PBITDA of \$ 1.6 billion (₹ 10,049 crore), a growth of 8% and an PBITDA margin of 9.6% which is commendable.

The business set new records in terms of metal volumes and turnover, as our expansion projects stabilized and ramped up. Utkal Alumina refinery has achieved near-full capacity utilization and is already amongst the lowest cost alumina refineries globally. Mahan and Aditya smelters have ramped up to nearly 85% and 50% of their capacity respectively; and will hit full capacity levels this fiscal. On the back of these ambitious, new-age projects, aluminium volumes in India jumped 37% to 0.8 million tons and alumina output increased 40% to 2.3 million tons. EBITDA from Aluminium Business in India, including Utkal, increased 62% in FY15 to ₹ 2,345 crore.

The deallocation of coal blocks by the Supreme Court last year was a disruptive change in the business environment for our Aluminium business. Our expansion strategy was closely hinged on to the coal blocks allocated by the government in the past. In the changed scenario, Hindalco participated in the fiercely competitive auctions of coal blocks and managed to bag four coal blocks, securitizing ~25% of its coal requirement.

Copper business's performance has been noteworthy, recording the highest ever volumes of 386,000 tons and EBITDA of 258 million dollars (₹ 1,601 crore), a growth of 45% over last year. Operational efficiencies, lower cost of production; coupled with the favourable trend in treatment and refining charges, have been their success drivers.

Novelis came closer to the fruitioning of its strategic goals of realigning the product portfolio towards premium products, including auto; and increasing the recycled content in its input material. Novelis' shipments grew in all regions, crossing the 3 million ton mark, driven by rolling expansions in Brazil and Korea. Adjusted EBITDA increased 2% to 902 million dollars, despite several market headwinds.

Outlook

The commodity markets, and in particular the aluminium industry, are going through a challenging phase at present because of the sharp slide in realizations. This would impact your Company's performance in the near term. Nevertheless, on the back of the addition of world-class assets in the recent years, your

***“Your Company
attained a consolidated
turnover of \$ 17 billion
(₹1.04 lakh crore) and
an PBITDA of \$ 1.6
billion (₹ 10,049 crore)”***

“I would like to acknowledge the contribution of our teams in India and across the world.”

Company is well poised to ride the structural growth trends such as increasing urbanization, light-weighting of vehicles and growth in emerging markets.

To our teams

I would like to acknowledge the contribution of our teams in India and across the world. I believe, it is our people, who underpin everything else. They are the ultimate reason why we meet with success, in the face of all odds, year after year. Their commitment and dedication is beyond words.

The Aditya Birla Group: In perspective

We have had a good year at the Group level. Our Group's consolidated revenue crossed the Rupees 2.5 trillion mark, setting a new milestone. We are up 9% over the last year. In dollar terms as well, regardless of the ups and downs in foreign currency, we reported revenues of \$ 41 billion, an 8% rise. Over 50% of our Group's revenues flow in from our global operations.

I believe, that the bottom line and the cash in the till is a greater parameter to gauge performance rather than simply revenues. On this score too, we have done well.

Our EBIDTA in Rupee terms is an impressive ₹ 322 billion, again over 9% vis-à-vis FY14. In dollar terms, we achieved an EBIDTA of \$5.25 billion, reflecting an 8% rise over that of the last year.

I deeply believe that building our future can only be possible by building more leaders and through people development processes. Towards this, our endeavours continue to deliver results. Two of our programmes deserve a special mention. “Cutting Edge” – our leadership programme targeted at developing P&L leaders and “Turning Point” – aimed at building cost centre leaders and unit heads, have proved very promising. Over 70 talented managers have graduated from these programmes and have taken on leadership roles at senior levels.

At the same time our senior leaders are being actively encouraged to take on cross business roles to gain multi-sectoral experience.

We have a bench strength of over 250 youngsters who joined us 5 years ago as Group Management Trainees, and Leadership Associate Programme (Lead) and Leadership Programme for Experienced (Leap) members, have demonstrated great potential and grown significantly. Some of them are already in key positions. I hope to see many of them occupy positions of critical importance in our businesses in the near future. As part of our globalisation agenda we have also been recruiting both interns and Lead and Leap participants from renowned International Business Schools.

Similarly, our **GMLP** – Global Manufacturing Leadership Programme, aimed at reinforcing our technical and manufacturing strength is paying a rich dividend. The Aditya Birla Group is being increasingly viewed as the most aspirational place for manufacturing professionals in India.

“Our Group's consolidated revenue crossed the Rupees 2.5 trillion mark, setting a new milestone.”

Our focus on gender diversity and creating enabling policies and programmes to ensure that we provide a conducive, encouraging and an equitable place for women to thrive and excel is gaining momentum. We have launched “**Spring Board**”, the accelerated women’s leadership development programme, designed for high calibre women managers. Currently, we have more than 150 women positioned at middle management and senior management levels.

Gyanodaya, our in-house world-class university, has aligned with the best-in-class global business schools, professors and consultants among others. Many of our best talent is also enlisted for short-term courses at these institutions. Such a cross pollination and stoking of the intellect enables us move with the times and are continuously learning.

Ranked No. 1 in the Nielsen Corporate Image Monitor

We are humbled that for the third year running, our Group has been ranked No. 1 in the Nielsen Corporate Image Monitor 2014-15. We have emerged as ‘Best in Class’ across most of the pillars. This is a remarkable vote of confidence by the stakeholder constituency in our leadership teams. It is a testament to our “Group brand, governance standards, transparency, customer primacy and CSR engagement. The six pillars of Corporate Image on which organisations are engaged comprise of Vision and Leadership, Product & Service quality, Workplace Management, Financial Performance, Operating style and Social responsibility”.

Nielsen’s Corporate Image Monitor measures the reputation of the 42 leading companies in India across sectors (based on the Bombay Stock Exchange list and the Economic Times Ranked Top 50 Companies) and “the findings serve as an important indicator of the strength of the corporate brand”.

In sum

We are gearing to ensure that we have the right talent at the right time and at the right place for each of our businesses. Additionally, enhancing customer centricity and excellence capability by developing customer value propositions that are unmatched, stepping up the focus on R&D to increase the share of value-added products across businesses, are our focus areas. The thrust on digitisation across our business processes and using analytics and big data continue. These are our steps towards accelerating top-line and bottom-line growth and enhancing stakeholder value.

Your sincerely



Kumar Mangalam Birla

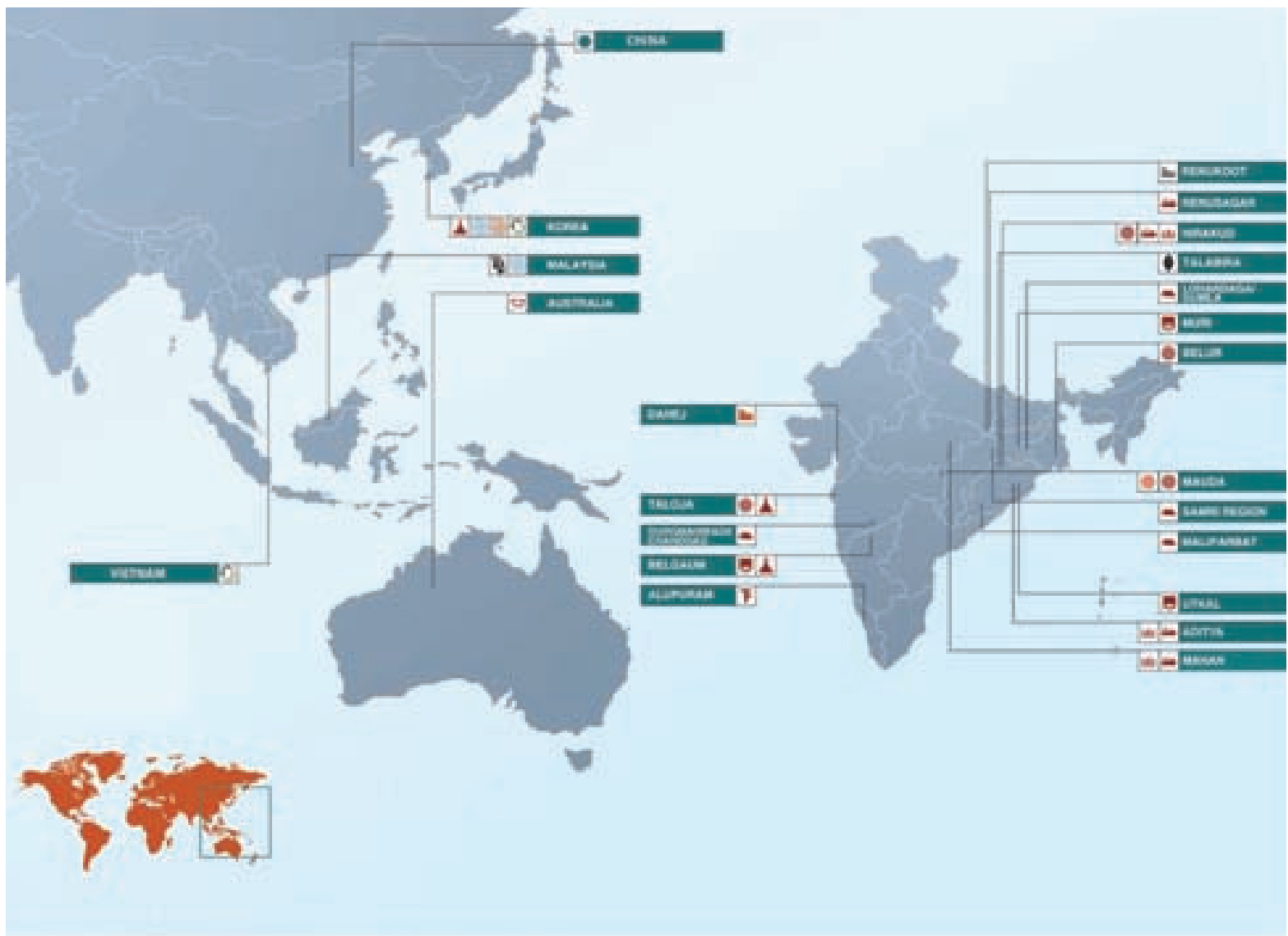
“Our focus on gender diversity and creating enabling policies and programmes to ensure that we provide a conducive, encouraging and an equitable place for women to thrive and excel is gaining momentum.”

“We are humbled that for the third year running, our Group has been ranked No. 1 in the Nielsen Corporate Image Monitor 2014-15. We have emerged as ‘Best in Class’ across most of the pillars.”



...DIVERSE WORLD

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 Mt Gordon Mines Australia	<ul style="list-style-type: none"> • Copper Cathode • Copper Concentrate • Copper Concentrate



WIDE OPERATIONS




















	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		



Table of Contents

1	Board of Directors and Key Executives	83	Business Responsibility Report
2	Financial Highlights	85	Independent Auditors' Report
4	Management Discussion & Analysis	90	Balance Sheet
15	Corporate Governance Report	91	Statement of Profit and Loss
26	Shareholder Information	92	Cash Flow Statement
35	Sustainable Development – Synergizing Growth with Responsibility	93	Notes forming part of Financial Statements
39	Social Report – Towards Inclusive Growth	147	Consolidated Financial Statements
44	Directors' Report		