

ADITYA BIRLA



AM:SJV: STEX: 2017

Date : 17<sup>th</sup> February, 2017

**BSE Limited**

Phiroze Jeejeebhoy Towers,  
25<sup>th</sup> Floor Dalal Street,  
**MUMBAI 400 001**  
(Stock Code -500440).  
**FAX NO. 2272 2037/39/41/61**

Dear Sir,

**Sub: Outcome of Committee Meeting held on 17<sup>th</sup> February, 2017**

The Committee of Board of Directors in their meeting held today, which concluded at 7.50 a.m. approved the following :

1. Unaudited Interim Condensed combined financial statements for nine months ended 31<sup>st</sup> December, 2016.

Also please find enclosed herewith Auditors Review Report issued by M/S Singhi & Co, Statutory Auditors of the Company.

Thanking you,

Yours faithfully,

**For Hindalco Industries Ltd**

**Anil Malik**  
President &  
Company Secretary

Encl: as above

# Singhi & Co.

## Chartered Accountants

161, SARAT BOSE ROAD, KOLKATA-700 026, (INDIA)

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### **Independent Auditor's Review Report on Unaudited Interim Condensed Combined Financial Statements of Hindalco Industries Limited for the nine months ended 31<sup>st</sup> December 2016 and 31<sup>st</sup> December 2015.**

#### **To The Board of Directors of Hindalco Industries Limited**

1. We have reviewed the accompanying unaudited interim condensed combined financial statements of Hindalco Industries Limited ("the Company") and its certain subsidiaries namely Novelis Inc (group), A V Minerals (Netherlands) N.V, A.V Metals Inc and Utkal Alumina International Limited (together referred as "combined entity"), which comprises the interim condensed combined balance sheet as at 31<sup>st</sup> December 2016 and 31<sup>st</sup> December 2015, the interim condensed combined statement of profit and loss and interim condensed combined cash flow statement for the nine months then ended and a summary of significant accounting policies and explanatory notes (interim condensed combined financial statements) for the purposes of inclusion in the preliminary placement document and the placement document ("PPD/PD") prepared by the Company in connection with the proposed Qualified Institutions Placement (the QIP) of its equity shares in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure requirement) Regulations 2009, as amended. The above mentioned interim condensed combined financial statements have been initialled by us for identification.
2. This interim condensed combined financial statements, which is the responsibility of the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under section 133, of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to issue a report on these interim condensed combined Financial Statements based on our review.
3. We conducted our review of the interim condensed combined financial statements in accordance with the Standard on Review Engagement (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity," issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed combined financial statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
4. Based on our review conducted as stated above and based on the Review Report / Fit-For-Consolidation Review Report ("FFC Review Report") of other auditor/ firm of Chartered Accountants, nothing has come to our attention that causes us to believe that the accompanying interim condensed combined financial statements don't present fairly, in all material respect, the state of affairs of the combined entity as at 31<sup>st</sup> December 2016 and 31<sup>st</sup> December 2015, the results of its operation and its cash flow for the period then ended in accordance with recognition and measurement principles of Indian Accounting Standard (Ind AS) 34, Interim Financial Reporting, specified under section 133 of the Companies Act 2013 (the Act), read with relevant rules issued thereunder and other accounting principles generally accepted in India.
5. We did not review the financial statements of Novelis Inc (consolidated), A V Minerals (Netherlands) N.V, A.V Metals Inc and Utkal Alumina International Limited, whose financial statements reflect total assets of Rs.760,083.9 million as at 31<sup>st</sup> December 2016 (previous period Rs. 764,691.4 million), total revenue of Rs. 474,454.5 million (previous period Rs. 503,223.1 million) and net cash flow amounting to Rs. 2,534.8 million (previous period Rs. 11,659.4 million) for the period then ended on that date, as considered in the interim condensed combined financial statements. These financial statements have been reviewed by other auditors/



firm of Chartered Accountants whose Review Report / FFC Review Report have been furnished to us by the management of the Company and our conclusion on the interim condensed combined financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries are based solely on the Review Report / FFC Review Report of other auditors / firm of Chartered Accountants.

6. We draw attention to the following:

As explained in paragraph 1 above, this interim condensed combined financial statement has been prepared by the management of the Company for the purpose of inclusion in the PPD/PD based on the financial statements of the Company and certain subsidiaries namely Novelis Inc (group), AV Minerals (Netherlands) N.V., AV Metals Inc. and Utkal Alumina International Limited. The financial statements of below mentioned Subsidiaries, Associates and Jointly Controlled Entities of the Companies have not been considered in the interim condensed combined financial statements. As explained by the management of the Company, the impact of not considering financials of below mentioned entities in the interim condensed combined financial statements will not be significant on the results and state of affairs of interim condensed combined financial statements.

- a. Subsidiaries – Suvas Holdings Limited, Minerals & Minerals Limited, Renuka Investments & Finance Limited, Renukeshwar Investments & Finance Limited, Lucknow Finance Company Limited, Mauda Energy Limited, East Cost Bauxite Mining Company Private Limited, Utkal Alumina Technical & General Services Limited, Hindalco - Almex Aerospace Limited, Hindalco Guinea SARL, Hindalco Do Brasil Industria Comercia de Alumina Ltda , Dahej Harbour and Infrastructure Limited and Birla Resources Pty Limited;
- b. Associates and Jointly Controlled Entity - Idea Cellular Limited (Consolidated), Aditya Birla Science & Technology Company Private Limited and Hydromine Global Minerals GMBH Limited (Consolidated).

Our conclusion on the interim condensed combined financial statements is not qualified in respect of above matter.

7. This report is intended solely for use of the management and for inclusion in the preliminary placement document/ placement document in connection with the issue of equity share of the Company under Qualified Institutional Placement. Our report should not be used for any other purpose except with our prior consent in writing.

For SINGHI & CO.  
Chartered Accountants  
Firm Registration No. 302049E

*Rajiv Singh*

Rajiv Singh  
Partner

Membership No. 053518



Place: Ahmedabad

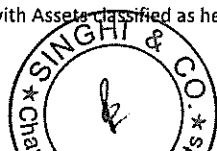
Date: 17<sup>th</sup> February 2017.

# HINDALCO INDUSTRIES LIMITED

Interim Condensed Combined Balance Sheet as at 31st December, 2016

(₹ Million)

	As at	
	31/12/2016	31/12/2015
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	640,315.1	595,034.9
Capital Work-in-Progress	23,430.8	88,989.4
Investment Property	93.2	95.3
Goodwill	178,967.9	175,501.9
Other Intangible Assets	35,476.8	38,303.3
Intangible Assets under Development	920.1	2,490.0
<b>Financial Assets:</b>		
Investment - Subsidiaries	6,743.3	6,736.4
Investment - Joint ventures and Associates	2,472.9	2,444.8
Investment - Other Debt and Equity Instruments	36,986.3	32,722.9
Loans	2,087.2	1,909.9
Other Financial Assets	3,255.9	3,845.0
Deferred Tax Assets (Net)	9,754.6	9,421.6
Non-Current Tax Assets (Net)	43.4	34.9
Other Non-Current Assets	11,170.1	11,233.0
	<u>951,717.6</u>	<u>968,763.3</u>
<b>Current Assets</b>		
Inventories	196,723.8	177,257.6
<b>Financial Assets:</b>		
Investments in Debt and Equity Instruments	73,166.1	60,743.9
Trade Receivables	81,186.1	86,743.6
Cash and Cash Equivalents	53,382.2	37,801.5
Bank balances other than Cash and Cash Equivalents	1,207.1	1,680.1
Loans	607.7	535.3
Other Financial Assets	19,401.0	27,663.4
Current Tax Assets (Net)	50.1	115.8
Other Current Assets	46,415.1	43,947.0
Assets classified as held for Sale	1,067.8	1,452.7
	<u>473,207.0</u>	<u>437,940.9</u>
	<u>1,424,924.6</u>	<u>1,406,704.2</u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Equity Share Capital	2,050.1	2,048.9
Other Equity	407,724.9	394,182.6
	<u>409,775.0</u>	<u>396,231.5</u>
<b>Non-Controlling interest</b>	9.9	1,416.6
	<u>409,784.9</u>	<u>397,648.1</u>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
<b>Financial Liabilities:</b>		
Borrowings	580,811.6	568,973.5
Trade Payables	-	22.8
Other Financial Liabilities	5,670.1	6,040.3
Provisions	66,046.3	61,462.3
Deferred Tax Liabilities (Net)	30,410.9	37,088.3
Other Non-Current Liabilities	4,842.9	5,492.4
	<u>687,781.8</u>	<u>679,079.6</u>
<b>Current Liabilities</b>		
<b>Financial Liabilities:</b>		
Borrowings	83,999.7	114,278.4
Trade Payables	170,561.5	149,696.1
Other Financial Liabilities	40,004.2	37,763.0
Provisions	9,438.1	9,031.5
Current Tax Liabilities (Net)	9,379.6	4,424.1
Other Current Liabilities	13,972.8	14,779.5
Liability associated with Assets classified as held for Sale	2.0	3.9
	<u>327,357.9</u>	<u>329,976.5</u>
	<u>1,015,139.7</u>	<u>1,009,056.1</u>
	<u>1,424,924.6</u>	<u>1,406,704.2</u>



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**HINDALCO INDUSTRIES LIMITED**  
Interim Condensed Combined Balance Sheet as at 31st December, 2016

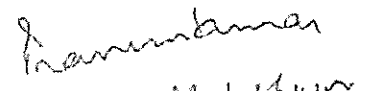
The accompanying Notes are an integral part of the Interim Condensed Combined Financial Statements.



Sachin Patil



Anil Malik



Praveen Maheshwar



# HINDALCO INDUSTRIES LIMITED

Interim Condensed Combined Statement of Profit and Loss for the nine months ended 31st December, 2016

(₹ Million)

	Nine Months ended	
	31/12/2016	31/12/2015
<b>REVENUES</b>		
Revenue from Operations	735,379.5	758,059.4
Other Income	8,709.3	9,715.6
<b>Total Revenues</b>	<b>744,088.8</b>	<b>767,775.0</b>
<b>EXPENSES</b>		
Cost of Materials Consumed	418,459.9	451,027.7
Purchases of Stock-in-Trade	889.2	14.8
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	(22,862.4)	7,445.8
Excise Duty	17,268.9	18,326.5
Employee Benefits Expenses	62,204.6	57,905.8
Power and Fuel	62,971.3	69,386.2
Finance Costs	43,975.9	38,309.6
Depreciation and Amortization	32,748.5	30,792.0
Impairment Loss/ (Reversal) (Net)	-	506.3
Other Expenses	105,426.3	94,953.0
<b>Total Expenses</b>	<b>721,082.2</b>	<b>768,667.7</b>
Profit/ (Loss) before Exceptional Items and Tax from Continuing Operations	23,006.6	(892.7)
Exceptional Income/ (Expenses) (Net)	(63.3)	-
Profit/ (Loss) before Tax from Continuing Operations	22,943.3	(892.7)
Tax Expenses:		
Current Tax	8,143.8	5,707.2
MAT Credit Entitlement	(2,725.8)	(418.2)
Deferred Tax	5,332.8	(1,995.0)
Profit/ (Loss) from Continuing Operations	12,192.5	(4,186.7)
Profit/ (Loss) from Discontinued Operations (Net)		
Profit/ (Loss) from Discontinued Operations before Tax	7.7	(8.1)
Tax on Discontinued Operations	-	-
Profit/ (Loss) from Discontinuing Operations (Net of Tax)	7.7	(8.1)
<b>Profit/ (Loss) for the period</b>	<b>12,200.2</b>	<b>(4,194.8)</b>
<b>Other Comprehensive Income:</b>		
Items that will not be reclassified to Profit and Loss	13,560.5	8,674.7
Items that will be reclassified to Profit and Loss	(12,392.1)	(627.2)
<b>Total Other Comprehensive Income</b>	<b>1,168.4</b>	<b>8,047.5</b>
<b>Total Comprehensive Income</b>	<b>13,368.6</b>	<b>3,852.7</b>
<b>Profit/ (Loss) for the period is attributable to:</b>		
Owners of the Parent	12,137.6	(4,244.9)
Non-Controlling Interests	62.6	50.1
	12,200.2	(4,194.8)
<b>Total Comprehensive income is attributable to:</b>		
Owners of the Parent	13,421.7	3,936.4
Non-Controlling Interests	(53.1)	(83.7)
	13,368.6	3,852.7
<b>Profit/ (Loss) for the period attributable to owners of the Parent:</b>		
Continuing Operations	12,129.9	(4,236.8)
Discontinued Operations	7.7	(8.1)
Continuing and Discontinued Operations	12,137.6	(4,244.9)
<b>Earnings/ (Loss) per Share for the period attributable to owners of the Parent</b>		
<b>From Continuing Operations</b>		
Basic (₹)	5.92	(2.07)
Diluted (₹)	5.92	(2.07)
<b>From Discontinued Operations</b>		
Basic (₹)	0.00	(0.00)
Diluted (₹)	0.00	(0.00)
<b>From Continuing and Discontinued Operations</b>		
Basic (₹)	5.92	(2.07)
Diluted (₹)	5.92	(2.07)



**HINDALCO INDUSTRIES LIMITED**  
Interim Condensed Combined Statement of Profit and Loss for the nine months ended 31st December, 2016

The accompanying Notes are an integral part of the Interim Condensed Combined Financial Statements.



Satish Pali

Anil Malik

Anuram Kumar  
Prasad Maheshwari

# HINDALCO INDUSTRIES LIMITED

Interim Condensed Combined Cash Flow Statement for the nine months ended 31st December, 2016

	(₹ Million)	
	Nine Months ended	
	31/12/2016	31/12/2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/ (Loss) before Tax:		
From Continuing Operations	22,943.3	(892.7)
From Discontinuing Operations	7.7	(8.1)
	22,951.0	(900.8)
Adjustment for :		
Finance Costs	43,975.9	38,309.6
Depreciation and Amortization	32,748.5	30,792.0
Impairment Loss/ (Reversal) (Net)	-	506.3
Employee Stock Option Scheme	50.4	74.1
Provisions made/ (written back) (Net)	376.8	19.2
Unrealised Foreign Exchange (Gain)/ Loss (Net)	2,868.6	137.2
(Gain)/ Loss on Derivative transactions (Net)	(689.5)	(4,962.1)
(Gain)/ Loss on Assets held for sale (Net)	(158.4)	(6.2)
(Gain)/ Loss on Sale of Fixed Assets (Net)	492.9	117.9
Interest Income	(3,068.6)	(4,308.8)
Dividend Income	(732.5)	(1,636.3)
Investing Activities (Net)	(4,974.3)	(2,043.7)
Other Non-operating Income/ Expenses (Net)	(5.8)	(112.0)
Operating profit before working capital changes	93,835.0	55,986.4
Changes in working Capital:		
(Increase)/ Decrease in Inventories (Net)	(30,234.9)	20,313.8
(Increase)/ Decrease in Trade and other Receivables (Net)	1,905.0	24,715.6
Increase/ (Decrease) in Trade and other Payables (Net)	18,405.4	(20,894.7)
Realised Hedging Gain/ (Loss) (Net)	2,797.0	5.6
Cash generation from Operation before Tax	86,707.5	80,126.7
(Payment)/ Refund of Income Tax (Net)	(9,006.5)	(9,684.7)
<b>Net Cash Generated/ (Used) - Operating Activities</b>	<b>77,701.0</b>	<b>70,442.0</b>
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Payments to acquire Property, Plant and Equipment and Intangible Assets	(19,003.3)	(29,801.8)
Proceeds from disposal of Property, Plant and Equipment and Intangible Assets	430.4	1,079.0
(Acquisition)/ Disposal of shares in Subsidiaries (Net)	1,469.5	(415.9)
(Purchase)/ Sale of Other Investments (Net)	7,201.2	3,533.1
Loans and Deposits given/ (received back) (Net)	(571.1)	5,092.6
Interest Received	3,286.7	3,930.9
Dividend Received	518.0	1,436.3
<b>Net Cash Generated/ (Used) - Investing Activities</b>	<b>(6,668.6)</b>	<b>(15,145.8)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Shares	26.7	0.6
Redemption of Debenture	(30.0)	(30.0)
Proceeds from Long-term Borrowings	185,865.5	50,180.0
Pre-payment of Long-term Borrowings	(174,587.1)	(25,425.8)
Repayment of Long-term Borrowings	(13,712.6)	(24,428.4)
Proceeds from/ (Repayment of) Short-term Borrowings (Net)	(3,864.5)	(21,067.0)
Payment of Finance Lease liability	(20.9)	(18.3)
Finance Cost Paid	(47,911.4)	(41,941.3)
Dividend Paid (including Dividend Distribution Tax)	(2,387.8)	(2,294.4)
<b>Net Cash Generated/ (Used) - Financing Activities</b>	<b>(56,622.1)</b>	<b>(65,024.6)</b>
<b>Net Increase/ (Decrease) in Cash and Cash Equivalents</b>	<b>14,410.3</b>	<b>(9,728.4)</b>
Add : Opening Cash and Cash Equivalents	39,003.9	44,772.5
Add : Exchange variation on Cash and Cash Equivalents	(50.0)	2,756.1
<b>Closing Cash and Cash Equivalents</b>	<b>53,364.2</b>	<b>37,800.2</b>



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## HINDALCO INDUSTRIES LIMITED

Interim Condensed Combined Cash Flow Statement for the nine months ended 31st December, 2016

	(₹ Million)	
	Nine Months ended	
	31/12/2016	31/12/2015
<b>Above Cash and Cash Equivalents comprise of:</b>		
Deposits with initial maturity less than 3 months	10,989.8	12,769.4
Current Accounts	24,120.5	18,411.4
Cheques and drafts on hand	1,949.0	7.6
Cash on hand	4.7	3.6
Liquid Investments	<u>16,318.2</u>	<u>6,609.5</u>
	<u>53,382.2</u>	<u>37,801.5</u>
<b>Reconciliation with Balance Sheet:</b>		
Cash and Cash Equivalents as per Balance Sheet	53,382.2	37,801.5
Less: Fair Value adjustments in Liquid Investments	(18.0)	(1.3)
Cash and Cash Equivalents as per Cash Flow Statement	<u>53,364.2</u>	<u>37,800.2</u>



*[Signature]*  
Amil Malik

*[Signature]*  
Satsish Poo

Laxman Kumar  
Praveen Maheshwari

# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

### 1. Basis of Preparation:

The Interim Condensed Combined Financial Statements (the financial statements) comprise of the following:

- (a) Interim Condensed Combined Balance Sheet (Balance Sheet)
- (b) Interim Condensed Combined Statement of Profit and Loss (including other comprehensive income)
- (c) Interim Condensed Combined Cash Flow Statement
- (d) Selected explanatory notes to the above

The financial statements have been prepared in accordance with the recognition and measurement principles of the Indian Accounting Standard (Ind AS) 34, Interim Financial Reporting, as prescribed under section 133 of the Companies Act 2013, as notified under the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India. The financial statements have been prepared by the management of Hindalco Industries Limited (the Parent) for the purpose of inclusion in the preliminary placement document/ placement documents in connection with proposed qualified institutions placement of its equity shares. The financial statements do not include all the disclosures required under the Ind AS. The financial statements have been prepared on historical cost basis except for financial instruments, inventories designated in fair value hedge relationship, share based payments and re-measurement of plan assets under defined benefit plan.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Parent and the entities controlled by the Parent and its subsidiaries take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102- Share-based Payments, leasing transactions that are within the scope of Ind AS 17 - Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 - Inventories or value in use in Ind AS 36 - Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 2. Basis of Consolidation:

The Interim Condensed Combined Financial Statements relate to the Parent and its certain subsidiaries namely Novelis Inc (Consolidated), A. V. Minerals (Netherlands) N.V., A.V. Metals Inc and Utkal Alumina International Limited (together referred as combined entity/ the Group).

The Interim Condensed Combined Financial Statements have been prepared by adding, line by line like items of assets, liabilities, equity, income and expenses. Intra-combined entity transactions, balances and unrealized profits on transactions between combined entities are eliminated in full. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. Appropriate adjustments to deferred taxes are made for elimination of unrealised profits and losses from intra-combined entity transactions following Ind AS 12 - Income Taxes.

The financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the combined entity uses accounting policies other than those adopted in the financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that combined entity member's financial statements to ensure conformity with the parent's' accounting policies. The financial statements of all entities used for the purpose of combining are drawn up to the same reporting date as that of the parent company.

Non - Controlling Interest in the profit/ loss and equity of the subsidiaries are shown separately in the Statement of Profit and Loss and the Balance Sheet, respectively.

### 3. Significant Accounting Policies:

#### A. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.



# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

The results and assets and liabilities of associates or joint ventures are incorporated in the financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with Ind AS 105 - Non-current Assets Held for Sale and Discontinued Operations. When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised in equity as capital reserve in the period in which the investment is acquired.

The requirements of Ind AS 36 – Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with Ind AS 36 - Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with Ind AS 36 – Impairment of Assets to the extent that the recoverable amount of the investment subsequently increases.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate.

There is no re-measurement to fair value upon such changes in ownership interests. When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to the statement of profit and loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to the statement of profit and loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### B. Interest in joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the Ind ASs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.



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## HINDALCO INDUSTRIES LIMITED

### Notes forming part of the Interim Condensed Combined Financial Statements

#### C. Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in statement of profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12- Income Taxes and Ind AS 19 – Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 – Share-based Payments at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105- Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in other comprehensive income as a bargain purchase gain and accumulated in equity as Capital Reserve.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Ind AS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with Ind AS 109 – Financial Instruments, or Ind AS 37 - Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in the statement of profit and loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in the statement of profit and loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the statement of profit and loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

#### D. Property, Plant and Equipment

Property, plant and equipment held for use in the production or/and supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The initial cost at cash price equivalence of property, plant and equipment acquired comprises its purchase price, including import duties and non-refundable purchase taxes, any directly attributable costs of bringing the assets to its working condition and location and present value of any obligatory decommissioning costs for its intended use. Cost may also include effective portion on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment recycled from hedge reserve as basis adjustment.

In case of self-constructed assets, cost includes the costs of all materials used in construction, direct labour, allocation of overheads, directly attributable borrowing costs and effective portion of cash flow hedges of foreign currency recycled from the hedge reserve as basis adjustment.



# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

Subsequent expenditure on major maintenance or repairs includes the cost of the replacement of parts of assets and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will be available to the Group, the expenditure is capitalised and the carrying amount of the item replaced is derecognised. Similarly, overhaul costs associated with major maintenance are capitalised and depreciated over their useful lives where it is probable that future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognised. All other costs are expensed as incurred.

### *Capital work-in-progress*

Capital work-in-progress assets in the course of construction for production or/and supply of goods or services or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs associated with the commissioning of an asset are capitalised where the asset is available for use but incapable of operating at normal levels until a period of commissioning has been completed.

### *Depreciation*

Depreciation is charged so as to write off the cost or value of assets, over their estimated useful lives or, in the case of leased assets (including leasehold improvements), over the lease term if shorter. The lease period is considered by excluding any lease renewals options, unless the renewals are reasonably certain. Depreciation is recorded using the straight line basis. The estimated useful lives and residual values are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of that item is depreciated separately if its useful life differs from the others components of the asset.

Freehold land is not depreciated.

Depreciation commences when the assets are ready for their intended use. Depreciated assets in property and accumulated depreciation accounts are retained fully until they are removed from service.

### *Disposal of assets*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between net disposal proceeds and the carrying amount of the asset and is recognised in the the statement of profit and loss.

### *Mining Reserves, Resources and Rights*

Mineral reserves, resources and rights (together Mining rights) which can be reasonably valued, are recognised in the assessment of fair values on acquisition. Exploitable mineral rights are amortised using the unit of production basis over the commercially recoverable reserves. Mineral resources are included in amortisation calculations where there is a high degree of confidence that they will be extracted in an economic manner. Commercially recoverable reserves are proved and probable reserves. Changes in the commercial recoverable reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

### *Stripping cost*

Stripping costs incurred during the mining production phase are allocated between cost of inventory produced and the existing mine asset.

Stripping costs are allocated and included as a component of the mine asset when they represent significantly improved access to ore provided all the following conditions are met:

- (a). it is probable that the future economic benefit associated with the stripping activity will be realised;
- (b). the component of the ore body for which access has been improved can be identified; and
- (c). the costs relating to the stripping activity associated with the improved access can be reliably measured.

The stripping cost incurred during the production phase of a surface mine is allocated to the existing mine asset to the extent the current period stripping cost exceeds the stripping ratio.

The stripping activity asset is subsequently depreciated on a unit of production basis over the life of the identified component of the ore body that became more accessible as a result of the stripping activity and is then stated at cost less accumulated depreciation and any accumulated impairment losses.

Stripping costs include such activities as removal of vegetation as well as digging the actual pit for mining the ore.

## **E. Investment property**

Investment properties held to earn rentals or for capital appreciation or both are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any gain or loss on disposal of investment property is determined as the difference between net disposal proceeds and the carrying amount of the property and is recognised in the statement of profit and loss. Transfer to, or from, investment property are at the carrying amount of the property.

## **F. Intangible Assets (Other than goodwill)**

### *Intangible assets acquired separately &*

Intangible assets acquired are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

### *Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset is recognised. Where no internally-generated intangible asset can be recognized, development expenditure is charged to the statement of profit and loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

### *Intangible assets acquired in a business combination*

Identified intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

### *Derecognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the statement of profit and loss when the asset is derecognised.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

## G. Goodwill

Goodwill arising on acquisition is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described above.

## H. Impairment

### *Impairment of tangible and intangible assets excluding Goodwill*

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit and loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit and loss.

Refer accounting policy on "Goodwill" for impairment of goodwill.

# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

### I. Non-current assets (or disposal groups) held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

### J. Foreign currencies

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian Rupees, which is the Group's presentation currency.

In preparing the financial statements transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items are measured at historical cost.

Exchange differences on monetary items are recognised in the statement of profit and loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to qualifying assets under construction are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedge accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to the statement profit and loss on repayment of the monetary items.

Changes in the fair value of financial asset denominated in foreign currency classified as fair value through other comprehensive income are analysed between differences resulting from exchange differences related to changes in the amortised cost of the security and other changes in the carrying amount of the security. Exchange differences related to changes in amortised cost are recognised in the statement of profit and loss, and other changes in carrying amount are recognised in other comprehensive income.

Changes in the fair value of non-monetary equity instruments irrevocably classified as fair value through other comprehensive income includes gain or loss on account of exchange differences.

The fair value of financial liabilities denominated in a foreign currency is translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss.

For the purposes of presenting these financial statements, the assets and liabilities of the Group's foreign operations are translated into Indian Rupees using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to the statement of profit and loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the statement of profit and loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the statement of profit and loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### K. Provisions and contingencies

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event and it is probable ("more likely than not") that it is required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the estimated cash flows to settle the present obligation, its carrying amount is the present value of those cash flows. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money in that jurisdiction and the risks specific to the liability.

# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

### *Onerous contracts*

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist when a contract under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received from it.

### *Restructurings*

A restructuring provision is recognised when there is a detailed formal plan for the restructuring which has raised a valid expectation in those affected. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring.

### *Contingent liabilities acquired in a business combination*

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with Ind AS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with Ind AS 18 - Revenue from Contracts with Customers.

### *Restoration, rehabilitation and decommissioning*

Close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of the estimated future costs of restoration to be incurred during the life of the mining operation and post closure. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

The initial close-down and restoration provision is capitalised. Subsequent movements in the close-down and restoration provisions for ongoing operations, including those resulting from new disturbance related to expansions or other activities qualifying for capitalisation, updated cost estimates, changes to the estimated lives of operations, changes to the timing of closure activities and revisions to discount rates are also capitalised within "Property, plant and equipment".

### *Environmental liabilities*

Environment liabilities are recognised when the group becomes obliged, legally or constructively to rectify environmental damage or perform remediation work.

### *Litigation*

Provision is recognised once it has been established that the group has a present obligation based on consideration of the information which becomes available up to the date on which the groups financial statements are finalised and may in some cases entail seeking expert advice in making the determination on whether there is a present obligation.

## L. Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### *The Group as lessor*

Amounts due from lessee under finance leases are recorded as receivables at the amount of net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

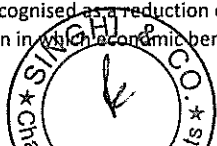
### *The Group as lessee*

Assets held under finance leases are initially recognised at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Variable increases in lease payments which are linked to an inflation price index are considered as contingent rentals and are not recognised on a straight-line basis. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



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# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

### M. Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of finished goods and work in progress includes raw materials, direct labour, other direct costs and related production overheads. Costs of inventories include the transfer from equity any gains/losses on qualifying cash flow hedges for foreign currency purchases of raw materials.

Cost is determined using the weighted average cost basis. However, the same cost basis is applied to all inventories of a particular class. Inventories of stores and spare parts are valued at weighted average cost basis after providing for cost of obsolescence and other anticipated losses, wherever considered necessary.

By-products and scrap are valued at net realisable value

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### N. Trade receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected to be collected within a period of 12 months or less from the reporting date (or in the normal operating cycle of the business if longer), they are classified as current assets otherwise as non-current assets.

Trade receivables are measured at their transaction price unless it contains a significant financing component in accordance with Ind AS 18 (or when the entity applies the practical expedient) or pricing adjustments embedded in the contract.

Trade receivables which arise from contracts where the sale price is provisional and revenue model have the character of a commodity derivative are measured at fair value. The fair value is measured at forward rate and recognised as an adjustment to revenue.

Loss allowance for expected life time credit loss is recognised on initial recognition.

### O. Financial Instruments

All financial assets are recognised on trade date when the purchase of a financial asset is under a contract whose term requires delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets which are classified as at fair value through profit or loss (FVTPL) at inception. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

#### *Classification of financial assets*

Financial assets are classified as 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under Ind AS 32 - Financial Instruments: Presentation). All other non-derivative financial assets are 'debt instruments'.

#### *Financial assets at amortised cost and the effective interest method*

Debt instruments are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment, with interest recognised on an effective yield basis in investment income.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

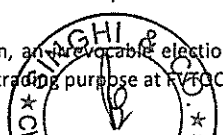
#### *Financial assets at fair value through other comprehensive income (FVTOCI)*

Debt instruments are measured at FVTOCI if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and selling assets; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at fair value with any gains or losses arising on remeasurement recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses. Interest calculated using the effective interest method is recognised in the statement of profit and loss as investment income. When the debt instrument is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the statement of profit and loss as a reclassification adjustment.

At initial recognition, an irrevocable election is made (on an instrument-by-instrument basis) to designate investments in equity instruments other than held for trading purpose at FVTOCI.



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# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is directly reclassified to retained earnings.

For equity instruments measured at fair value through other comprehensive income no impairments are recognised in the statement of profit and loss.

Dividends on these investments in equity instruments are recognised in the statement of profit and loss in investment income when the Group's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.

### *Financial assets at FVTPL*

Financial assets that do not meet the criteria of classifying as amortised cost or fair value through other comprehensive income described above, or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL.

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading at FVTOCI at initial recognition.

Financial assets classified at FVTPL are initially measured at fair value excluding transaction costs.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognised in the statement of profit and loss. The net gain or loss recognised in the statement of profit and loss is included in the 'other gains and losses' line item.

Interest income on debt instruments at FVTPL is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVTPL is recognised in the statement of profit and loss in investment income when the Group's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, and the amount of the dividend can be measured reliably.

### *Impairment of financial assets*

On initial recognition of the financial assets, a loss allowance for expected credit loss is recognised for debt instruments at amortised cost and FVTOCI. For debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income in the statement of profit and loss and does not reduce the carrying amount of the financial asset in the balance sheet.

Expected credit losses of a financial instrument is measured in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition.

When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If, the credit risk on that financial instrument has increased significantly since initial recognition, the group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognised as an impairment gain or loss in the statement of profit and loss.

### *Derecognition of financial assets*

The Group derecognises a financial asset on trade date only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



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# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in the statement of profit and loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

### *Financial liabilities and equity instruments issued by the Group*

#### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### *Compound instruments*

The component parts of compound instruments (convertible instruments) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

#### *Financial guarantee contract liabilities*

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

#### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

#### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired or incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may also be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and Ind AS 109 Financial Instruments permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the statement of profit and loss, except for the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability which is recognised in other comprehensive income.

The net gain or loss recognised in the statement of profit and loss incorporates any interest paid on the financial liability.

#### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

### **P. Derivatives and hedge accounting**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) hedges of a net investment in a foreign operation (net investment hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio).

The full fair value of a hedging derivative is classified as a non-current asset or liability when the residual maturity of the derivative is more than 12 months and as a current asset or liability when the residual maturity of the derivative is less than 12 months.

### *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit and loss, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the statement of profit and loss from that date.

### *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit and loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the statement of profit and loss in the periods when the hedged item affects the statement of profit and loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the statement of profit and loss.

### *Hedges of net investments in foreign operations*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit and loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to the statement of profit and loss on the disposal of the foreign operation.

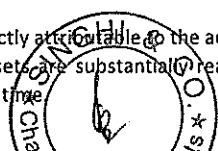
### **Q. Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents is as defined above, net of outstanding bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### **R. Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Group considers a period of twelve months or more as a substantial period of time.



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# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

### S. Accounting for government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the statement of profit and loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized in the balance sheet by setting up the grant as deferred income.

Other government grants (grants related to income) are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of providing immediate financial support with no future related costs are recognized in the statement of profit and loss in the period in which they become receivable.

Grants related to income are presented under other income in the statement of profit and loss except for grants received in the form of rebate or exemption which are deducted in reporting the related expense.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Emission allowances are initially recognised as an intangible asset measured at fair value when the group is granted the allowances and able to exercise control with a corresponding recognition of a grant at the same amount under deferred income. As carbon dioxide is emitted, the corresponding tons of emission allowances initially recognised under deferred income is reclassified and recognized in the statement of profit and loss.

Emission allowances are not amortised as their carrying value equals their residual value and therefore the depreciable basis zero, as their value is constant until delivery to the authorities. Emission allowances are subject to impairment test.

The provision for the liability to deliver allowances is recognised based on actual emission. The provision is measured at the carrying amount of allowances to the extent that the provision will be settled using allowances on hand with any excess emission being measured at the market value of the allowances at the period end. The group records the expense in the statement of profit and loss under other expenses.

When the emission allowances for the carbon dioxide emitted are delivered to the authorities, the intangible asset as well as the corresponding provision are derecognized from the balance sheet without any effect on the statement of profit and loss.

### T. Employee Benefits

#### *Retirement benefit, medical costs and termination benefits*

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement and medical plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds. In countries where there is a deep market in high-quality corporate bonds, the market rate on those bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation are used.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to the statement of profit and loss. Past service cost is recognised in the statement of profit and loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement

The Group presents the first two components of defined benefit costs in the statement of profit and loss in the line item employee benefits expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises an obligation for restructuring costs. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

### *Short-term and other long-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit retirement plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

### U. Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is recognised over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in the statement of profit and loss for the year.

### V. Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities using a weighted average probability.

#### *Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Where the local currency is not the functional currency, deferred tax is recognised on temporary difference arising from exchange rate changes between the closing rate and the historical purchase price of non-monetary assets translated at the exchange rate at the date of purchase if those non-monetary assets have tax consequences. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Minimum Alternative Tax (MAT) is recognized as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the statement of profit and loss and included in deferred tax assets. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### *Current and deferred tax for the period*

Current and deferred tax are recognised in the statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### W. Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from a past event, with the resolution of the contingency dependent on uncertain future events, or a present obligation where no outflow is probable. Major contingent liabilities are disclosed in the financial statements unless the possibility of an outflow of economic resources is remote. Contingent assets are not recognized in the financial statements.

### X. Revenue recognition

The Group derives revenue principally from sale of speciality alumina, aluminium, aluminium value added products, copper, precious metals, diammonium phosphate and other materials. The Group recognises revenue from sale of goods when the goods are delivered and titles have been passed at which time all the following conditions are satisfied:

- (a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue represents net value of goods and services provided to customers after deducting for certain incentives including, but not limited to discounts, volume rebates, incentive programs and contract signing bonuses.

Shipping and handling amounts invoiced to customers are included in revenue and the related shipping and handling costs incurred are included in freight expenses when the Group is acting as principal in the shipping and handling arrangement.

Revenue excludes taxes and duties that are collected on behalf of Government Authorities

For sales incentives to its customers, the Group makes estimates related to customer performance and sales volume to determine the total amounts earned and to be recorded as deductions from revenue. In making these estimates, the Group considers historical results that have a predictive value of the amount that the Group expects for the transferred goods and services. The actual amounts may differ from these estimates and are accounted for prospectively.

Certain of the Group's sales contracts provide for provisional pricing based on the price on the London Metal Exchange Limited (LME) or London Bullion Markets Association (LBMA), as specified in the contract, when shipped. Final settlement of the prices is based on the applicable price for a specified future period. The Group's provisionally priced sales are marked to market using the relevant forward prices for the future period specified in the contract with a corresponding adjustment to revenue.

Revenue from irrevocable bill and hold / holding certificate contracts is recognised when it is probable that delivery will be made, goods have been identified and kept separately, are ready for delivery in the present condition and usual payment terms for such contracts applies. Under these arrangements, revenue is recognised once legal title has passed and all significant risks and rewards of ownership of the asset sold are transferred to the customer.

Export incentives and subsidies are recognized when there is reasonable assurance that the Group will comply with the conditions and the incentive will be received.

### Y. Dividend and Interest Income

Dividend income from investments purchased is recognised when the shareholder's right to receive payment has been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Z. Claims

Claim on insurance companies, railway authorities and others, where quantum of accrual cannot be ascertained with reasonable certainty, are accounted for on acceptance basis.



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# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

### 4. Measurement of Fair Value:

- (a) **Financial instruments** - The estimated fair value of the Group's financial instruments is based on market prices and valuation techniques. Valuations are made with the objective to include relevant factors that market participants would consider in setting a price, and to apply accepted economic and financial methodologies for the pricing of financial instruments. References for less active markets are carefully reviewed to establish relevant and comparable data.
- (b) **Marketable and non-marketable equity securities** - Fair value for listed shares is based on quoted market prices as of the reporting date. Fair value for unlisted shares is calculated based on commonly accepted valuation techniques utilizing significant unobservable data, primarily cash flow based models. If fair value cannot be measured reliably unlisted shares are recognized at cost.
- (c) **Derivatives** - Fair value of financial derivatives is estimated as the present value of future cash flows, calculated by reference to quoted price curves and exchange rates as of the balance sheet date. Options are valued using appropriate option pricing models and credit spreads are applied where deemed to be significant.
- (d) **Embedded derivatives** - Embedded derivatives that are separated from the host contract are valued by comparing the forward curve at contract inception to the forward curve as of the balance sheet date. Changes in the present value of the cash flows related to the embedded derivative are recognized in the balance sheet and in the income statement.

### 5. Critical Accounting Judgement and key sources of estimation of uncertainty:

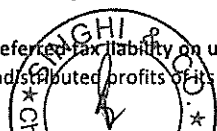
The application of accounting policies requires management to make estimates and judgments in determining certain revenues, expenses, assets, and liabilities. The following paragraphs explain areas that are considered more critical, involving a higher degree of judgment and complexity.

- (a) **Business Combination** - In a business combination consideration, assets and liabilities are recognized at estimated fair value and any excess purchase price included in goodwill. In the businesses the Group operates, fair values of individual assets and liabilities are normally not readily observable in active markets. This requires the use of valuation models to estimate the fair value of acquired assets and liabilities. Such valuations are subject to numerous assumptions and thus uncertain.
- (b) **Impairment of non-current assets** - Ind AS 36 requires that the Group assesses conditions that could cause an asset or a Cash Generating Unit (CGU) to become impaired and to test recoverability of potentially impaired assets. These conditions include internal and external factors such as the Group's market capitalization, significant changes in the Group's planned use of the assets or a significant adverse change in the expected prices, sales volumes or raw material cost. The identification of CGUs involves judgment, including assessment of where active markets exist, and the level of interdependency of cash inflows. CGU is usually the individual plant, unless the asset or asset group is an integral part of a value chain where no independent prices for the intermediate products exist, a group of plants is combined and managed to serve a common market, or where circumstances otherwise indicate significant interdependencies.

In accordance with Ind AS 36, goodwill and certain intangible assets are reviewed at least annually for impairment. If a loss in value is indicated, the recoverable amount is estimated as the higher of the CGU's fair value less cost to sell, or its value in use. Directly observable market prices rarely exist for the Group's assets, however, fair value may be estimated based on recent transactions on comparable assets, internal models used by the Group for transactions involving the same type of assets or other relevant information. Calculation of value in use is a discounted cash flow calculation based on continued use of the assets in its present condition, excluding potential exploitation of improvement or expansion potential.

Determination of the recoverable amount involves management estimates on highly uncertain matters, such as commodity prices and their impact on markets and prices for upgraded products, development in demand, inflation, operating expenses and tax and legal systems. The Group uses internal business plans, quoted market prices and the Group's best estimate of commodity prices, currency rates, discount rates and other relevant information. A detailed forecast is developed for a period of three to five years with projections thereafter. The Group does not include a general growth factor to volumes or cash flows for the purpose of impairment tests, however, cash flows are generally increased by expected inflation and market recovery towards previously observed volumes is considered.

- (c) **Employee retirement plans** - The Group provides both defined benefit employee retirement plans and defined contribution plans. Measurement of pension and other superannuation costs and obligations under such plans require numerous assumptions and estimates that can have a significant impact on the recognized costs and obligation, such as future salary level, discount rate, attrition rate and mortality.  
The Group provides defined benefit plans in several countries and in various economic environments. The discount rate is based on the yield on high quality corporate bonds. In geographies when the Corporate Bond market is not developed, Government bond yield is considered as discount rate. Assumptions for salary increase in the remaining service period for active plan participants are based on expected salary increase for each country or economic area. Changes in these assumptions can influence the net asset or liability for the plan as well as the pension cost.
- (d) **Environmental liabilities and Asset Retirement Obligation (ARO)** - Estimation of environmental liabilities and ARO require interpretation of scientific and legal data, in addition to assumptions about probability and future costs.
- (e) **Taxes** - The Group calculates income tax expense based on reported income in different legal entities. Deferred income tax expense is calculated based on the differences between the carrying value of assets and liabilities for financial reporting purposes and their respective tax basis that are considered temporary in nature. Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the future, planned transactions or planned tax optimizing measures. Economic conditions may change and lead to a different conclusion regarding recoverability.
- (f) **Recognition of deferred tax liability on undistributed profits** - The extent to which the Group can control the timing of reversal of deferred tax liability on undistributed profits of its subsidiaries requires judgement.





# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

- (g) **Classification of leases** – The Group enters into leasing arrangements for various assets. The classification of the leasing arrangement as a finance lease or operating lease is based on an assessment of several factors, including, but not limited to, transfer of ownership of leased asset at end of lease term, lessee's option to purchase and estimated certainty of exercise of such option, proportion of lease term to the asset's economic life, proportion of present value of minimum lease payments to fair value of leased asset and extent of specialized nature of the leased asset.
- (h) **Useful lives of depreciable/ amortisable assets (tangible and intangible)** - Management reviews its estimate of the useful lives of depreciable/ amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, customer relationships, IT equipment and other plant and equipment.
- Recoverability of advances/ receivables – At each balance sheet date, based on discussions with the respective counter-parties and internal assessment of their credit worthiness, the management assesses the recoverability of outstanding receivables and advances. Such assessment requires significant management judgement based on financial position of the counter-parties, market information and other relevant factor.

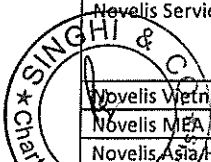
6. Details of the subsidiaries included in the Interim Condensed Combined Financial Statements are as under:

Name of the Company	Relationship	Principal Activity	Place of Incorporation	Place of operation
Utkal Alumina International Limited (Stand-alone)	Wholly-owned Subsidiary	Manufacturing	India	India
AV Minerals (Netherlands) N.V. (Stand-alone)	Wholly-owned Subsidiary	Holding Company	Netherlands	Netherlands
AV Metals Inc. (Stand-alone)	Wholly-owned Subsidiary	Holding Company	Canada	Canada
Novelis Inc. (Consolidated) - (a)	Wholly-owned Subsidiary	Holding Company	Canada	Canada

(a). Details of subsidiaries included in Consolidated Novelis Inc. (Novelis Group) are given below:

(i). Wholly-owned subsidiaries:

Name of the Subsidiaries	Principal Activity	Place of Incorporation	Place of operation
Albrasilis - Alumínio do Brasil Industria e Comercio Ltda.	Manufacturing	Brazil	Brazil
Novelis do Brasil Ltda.	Manufacturing	Brazil	Brazil
Brecha Energetica Ltda.	Dormant	Brazil	Brazil
Brito Energetica Ltda.	Dormant	Brazil	Brazil
4260848 Canada Inc.	Subsidiary	Canada	Canada
4260856 Canada Inc.	Subsidiary	Canada	Canada
8018227 Canada Inc	Subsidiary	Canada	Canada
8018243 Canada Limited	Subsidiary	Canada	Canada
Novelis (China) Aluminum Products Co. Limited	Manufacturing	China	China
Novelis (Sanghai) Aluminum Trading Company	Manufacturing	China	China
Novelis Laminés France SAS	Distribution Services	France	France
Novelis PAE SAS	Engineering	France	France
Novelis Aluminium Beteiligungs GmbH	Manufacturing	Germany	Germany
Novelis Deutschland GmbH	Manufacturing	Germany	Germany
Novelis Sheet Ingot GmbH	Manufacturing	Germany	Germany
Novelis Aluminium Holding Company	Holding Company	Ireland	Ireland
Novelis Italia SpA	Manufacturing	Italy	Italy
Novelis (India) Infotech Ltd.	IT Service Provider	India	India
Novelis de Mexico SA de CV	Dormant	Mexico	Mexico
Novelis Korea Ltd.	Manufacturing	South Korea	South Korea
Novelis AG	Manufacturing	Switzerland	Switzerland
Novelis Switzerland SA	Manufacturing	Switzerland	Switzerland
Novelis Europe Holdings Limited	Holding Company	UK	UK
Novelis UK Ltd.	Manufacturing	UK	UK
Aluminum Upstream Holdings LLC	Dormant	USA	USA
Eurofoil, Inc. (USA)	Dormant	USA	USA
Novelis Corporation	Manufacturing	USA	USA
Novelis Services Limited	Management Company	UK	UK
Novelis Global Employment Organization (Formerly known as PAE Corp)	Dormant	USA	USA
Novelis South America Holdings LLC	Holding Company	USA	USA
Novelis Acquisitions LLC	Subsidiary	USA	USA
Novelis Holdings Inc.	Holding Company	USA	USA
Novelis Delaware LLC	Subsidiary	USA	USA
Novelis Services (North America) Inc.	Cash Management Service Provider	USA	USA
Novelis Vietnam Company Limited	Manufacturing	Vietnam	Vietnam
Novelis MEA Limited	Import and Export	UAE	UAE
Novelis Asia Holdings (Singapore) Pte. Limited	Dormant	Singapore	Singapore



# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

(ii). Non wholly-owned subsidiaries:

Name of the Subsidiaries	Principal Activity	Place of Incorporation	Place of Operation
Aluminum Company of Malaysia Berhad	Manufacturing	Malaysia	Malaysia
Alcom Nikkei Specialty Coatings Sdn Berhad	Manufacturing	Malaysia	Malaysia

7. Share Capital:

	₹ Million	
	As at	
	31/12/2016	31/12/2015
<b>Authorized:</b>		
2,500,000,000 (Previous period 2,500,000,000) Equity Shares of ₹ 1/- each	2,500.0	2,500.0
25,000,000 (Previous period 25,000,000) Redeemable Cumulative Preference Shares of ₹ 2/- each	50.0	50.0
	<u>2,550.0</u>	<u>2,550.0</u>
<b>Issued:</b>		
2,066,698,938 (Previous period 2,065,539,406) Equity Shares of ₹ 1/- each - (a)	2,066.7	2,065.5
	<u>2,066.7</u>	<u>2,065.5</u>
<b>Subscribed and Paid-up:</b>		
2,066,691,541 (Previous period 2,065,532,009) Equity Shares of ₹ 1/- each fully paid-up	2,066.7	2,065.5
Less: Face value of 16,316,130 (Previous period 16,316,130) Treasury Shares - (b)	(16.3)	(16.3)
	2,050.4	2,049.2
Less: Face value of 546,249 (Previous period 546,249) Equity Shares forfeited	(0.5)	(0.5)
	2,049.9	2,048.7
Add: Forfeited Shares (Amount originally Paid-up)	0.2	0.2
	<u>2,050.1</u>	<u>2,048.9</u>

(a). Issued Equity Share Capital includes 7,397 Equity Shares (Previous period 7,397 Equity Shares) of ₹ 1/- each issued on Rights basis kept in abeyance due to legal case pending.

(b). Represents 16,316,130 equity shares of ₹ 1/- each fully paid-up issued to Trident Trust, pursuant to a Scheme of Arrangement approved by the Hon'ble High Courts at Mumbai and Allahabad vide their Orders dated 31st October, 2002 and 18th November, 2002, respectively, to the Trident Trust, created wholly for the benefit of the Company and is being managed by trustees appointed by it.

(c). Reconciliation of shares outstanding (excluding Treasury Shares) at the beginning and at the end of the reporting period:

	31/12/2016		31/12/2015	
	Numbers	₹ Million	Numbers	₹ Million
Equity Shares outstanding at the beginning of the period	2048669630	2,048.7	2048664252	2,048.7
Equity Shares allotted pursuant to exercise of ESOP	1159532	1.2	5378	0.0
Equity Shares outstanding at the end of the period	<u>2049829162</u>	<u>2,049.9</u>	<u>2048669630</u>	<u>2,048.7</u>

8. Details of Exceptional Income / Expenses (Net) are as under:

- (a) The Company has sold its entire holding in its subsidiary, Aditya Birla Minerals Limited, Australia by accepting the off-market takeover offer announced by Metals X Limited. As per the offer, a part of the proceeds were realized in cash and the balance in equity shares of Metals X Limited. The shares of Metals X Limited received as part of this transaction have also been liquidated. The resultant gain arising out of these transactions is ₹ 1,449.3 million.
- (b) Novelis Inc, wholly-owned subsidiary of the Company, has sold its 59.15% equity interest in Aluminium Company of Malaysia Berhad to Towerpack Sdn. Bhd. for USD 12 million. The transaction includes Novelis's interest in the Bukit Raja, Malaysia facility, which processed aluminium within the construction/industrial and heavy and light gauge foil markets, and the wholly owned entity Alcom Nikkei Specialty Coating Sdn. Berhad. The resultant loss arising out of these transactions is ₹ 912.2 million.
- (c) Through a Gazette notification (G.S.R 837(E) dated 31st August, 2016), Ministry of Coal, Government of India has amended the date of applicability of the Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015 retrospectively from 12th January, 2015 as against earlier applicability being later of date on which District Mineral Foundation is established or 20th October, 2015. Accordingly, an amount of ₹600.4 million has been provided for additional obligation that may arise as a result of this amendment in respect of coal purchased by the Company through e-auction and linkage.



# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

### 9. Discontinued Operations:

Mahan Coal Limited and Tubed Coal Mines Limited, joint operations of the Company, have been classified as discontinued operations since going concern concept is vitiated following deallocation of coal blocks earlier allotted to them. Details of results of the same are given below:

Particulars	₹ Million	
	Nine Months ended	
	31/12/2016	31/12/2015
Profit/ (Loss) from Discontinued Operations before Tax:		
Other Income	13.8	-
Employee Benefits Expenses	(3.1)	(5.9)
Other Expenses	(3.0)	(2.2)
	7.7	(8.1)
Tax on Discontinued Operations	-	-
Profit/ (Loss) from Discontinued Operations (Net of Tax)	7.7	(8.1)

### 10. Earnings per Share (EPS):

Basic earnings/ loss per share are calculated by dividing profit/ loss for the period attributable to equity holders of the parent by the weighted average number of equity shares outstanding during the period.

Diluted earnings/ loss per share amounts are calculated by dividing the profit/ loss attributable to equity holders of the parent by the weighted average number of equity shares outstanding during the period plus the effects of dilutive options under Employees Stock Options Schemes. The following reflects the profit/ loss and share data used in the basic and diluted earnings/ loss per share computations:

	₹ Million	
	Nine Months ended	
	31/12/2016	31/12/2015
Profit/ (Loss) for the period attributable to owners of the Parent:		
Continuing Operations	12,129.9	(4,236.8)
Discontinued Operations	7.7	(8.1)
Continuing and Discontinued Operations	12,137.6	(4,244.9)
Weighted average number of shares used in the calculation of EPS:		
Weighted average number of equity shares for basic EPS	2048949074	2048668974
Dilutive impact of Employee Stock Options Scheme	1283006	1350701
Weighted average number of equity shares for diluted EPS	2050232080	2050019675
Face value of per equity share (₹)	1.00	1.00
Earnings/ (Loss) per Share from Continuing Operations:		
Basic (₹)	5.92	(2.07)
Diluted (₹)	5.92	(2.07)
Earnings/ (Loss) per Share from Discontinued Operations:		
Basic (₹)	0.00	(0.00)
Diluted (₹)	0.00	(0.00)
Earnings/ (Loss) per Share from Continuing and Discontinued Operations:		
Basic (₹)	5.92	(2.07)
Diluted (₹)	5.92	(2.07)

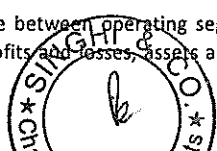
### 11. Segment Reporting:

The Group has three reportable segments viz. Aluminium, Copper and Novelis Inc. which have been identified based on combinations of its products and services and geographical areas and regulatory environments. No operating segments have been aggregated to form these reportable operating segments. Details of each of the reporting segments is as under:

- Aluminium Segment, which produces Hydrate and Alumina, Aluminium and Aluminium Products.
- Copper Segment, which produces Copper Cathode, Continuous Cast Copper Rods, Sulphuric Acid, DAP & Complexes, Gold, Silver and other precious metals.
- Novelis Inc. Segment which represents Novelis Inc, a wholly owned foreign subsidiary engaged in producing aluminum sheet and light gauge products and operating in all four major industrialized continents i.e. North America, South America, Europe and Asia, identified as separate reportable segment based on its geographical area and regulatory environment.

Management monitors operating results of above segments regularly for the purpose of making decisions about resource allocation and performance assessment. Segment performance is measured based on Segment EBITDA. Segment EBITDA is defined as "Earnings before Finance Costs, Exceptional Items, Tax Expenses, Depreciation and Amortization, Impairment of non-current Assets, Share in Profit/ loss in equity accounted entities but after allocation of Corporate Administrative Expenses".

Transfer price between operating segments are on arm's lengths basis in a manner similar to transactions with third parties. Inter-segment revenues, profits and losses, assets and liabilities are eliminated upon consolidation. Segment-wise Revenue, Results, Assets and Liabilities are given below:



1

# HINDALCO INDUSTRIES LIMITED

## Notes forming part of the Interim Condensed Combined Financial Statements

(₹ Million)

Particulars	Nine Months ended	
	31/12/2016	31/12/2015
<b>1. Segment Revenue</b>		
(a). Aluminium	147,080.8	135,461.7
(b). Copper	132,061.9	141,677.9
(c). Novelis Inc.	456,531.8	481,222.6
	735,674.5	758,362.2
Less: Inter-segment Revenue	(295.0)	(302.8)
<b>Total Revenue from Operations</b>	<b>735,379.5</b>	<b>758,059.4</b>
<b>2. Segment Results</b>		
(a). Aluminium	29,700.6	17,120.0
(b). Copper	9,597.2	10,825.0
(c). Novelis Inc.	53,191.9	33,959.3
	92,489.7	61,904.3
Less: Depreciation and Amortization (including Impairment)	(32,748.5)	(31,298.3)
Less: Finance Costs	(43,975.9)	(38,309.6)
	15,765.3	(7,703.6)
Add: Unallocated Income/ (Expenses) (Net)	7,241.3	6,810.9
<b>Profit/ (Loss) from Continuing Operations before Exceptional Items and Tax</b>	<b>23,006.6</b>	<b>(892.7)</b>
<b>3. Segment Assets</b>		
(a). Aluminium	492,003.5	511,995.3
(b). Copper	104,264.7	86,306.3
(c). Novelis Inc.	673,106.8	677,468.5
	1,269,375.0	1,275,770.1
Add: Corporate/ Unallocated Assets	155,549.6	130,934.1
<b>Total Assets</b>	<b>1,424,924.6</b>	<b>1,406,704.2</b>
<b>4. Segment Liabilities</b>		
(a). Aluminium	49,095.8	46,189.1
(b). Copper	42,888.5	29,544.3
(c). Novelis Inc.	224,822.8	221,516.6
	316,807.1	297,250.0
Add: Corporate/ Unallocated Liabilities (including Borrowings)	698,332.6	711,806.1
<b>Total Liabilities</b>	<b>1,015,139.7</b>	<b>1,009,056.1</b>

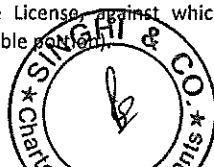
12. The Company had formulated a scheme of financial restructuring under sections 391 to 394 of the Companies Act 1956 ("the Scheme") between the Company and its equity shareholders approved by the High Court of judicature of Bombay to deal with various costs associated with its organic and inorganic growth plan. Pursuant to this, a separate reserve account titled as Business Reconstruction Reserve ("BRR") was created during the year 2008-09 by transferring balance standing to the credit of Securities Premium Account of the Company for adjustment of certain expenses as prescribed in the Scheme. Accordingly, the Company had transferred ₹ 86,473.7 million from Securities Premium Account to BRR and till 31st March, 2016, ₹ 28,480.7 million (31st March, 2015: ₹ 21,657.9 million) have been adjusted against BRR.

During the nine months ended 31st December, 2015, the Company has made provision of ₹ 315.0 million towards diminution in value of its investment in Hydromine Global Minerals (GMBH) Limited (joint venture) as a result of its decision to dispose of its stake in this joint venture. The entire amount has been adjusted against BRR. During the nine months ended 31st December, 2016, no expense has been adjusted against BRR.

Had the Scheme not prescribed aforesaid treatment, the reported loss for nine months ended 31st December, 2015 would have been higher by ₹ 315.0 million and the Basic and Diluted loss per share for said period would have also been higher by ₹ 0.15.

### 13. Contingent Liabilities:

	₹ Million	
	31/12/2016	31/12/2015
Contingent Liabilities not provided in respect of followings:		
(a). Claims against the company not acknowledged as debt	9,808.3	8,212.3
(b). Corporate Guarantees outstanding	2,013.0	2,208.7
(c). Other money for which the Company is contingently liable:		
i. Bills discounted with Banks	22.2	23.0
ii. Customs duty on Capital Goods and Raw Materials imported under EPCG Scheme/ Advance License against which export obligation is to be fulfilled (excluding convictable non-ferrous)	2,558.6	2,581.7



*[Handwritten signature]*

## HINDALCO INDUSTRIES LIMITED

### Notes forming part of the Interim Condensed Combined Financial Statements

- iii. The Company has received a notice dated 24th March, 2007 from Collector (Stamp) Kanpur, Uttar Pradesh alleging that stamp duty of ₹ 2,529.6 million is payable in view of order dated 18th November, 2002 of Hon'ble High Court of Allahabad approving scheme of arrangement for merger of Copper business of Indo Gulf Corporation Limited with the Company. The Company is of the opinion that it has a very strong case as there is no substantive/computation provision for levy/calculation of stamp duty on court order approving scheme of arrangement under Companies Act, 1956 within the provisions of Uttar Pradesh Stamp Act, moreover the properties in question are located in the State of Gujarat and thus the Collector (Stamp) Kanpur has no territorial jurisdiction to make such a demand. It is pertinent to note that the Company in 2003-04 has already paid stamp duty which has been accepted as per the provisions of the Bombay Stamp Act 1958 with regard to transfer of shareholding of Indo Gulf Corporation Limited as per the Scheme of Arrangement. Furthermore, the demand made is on an incorrect assumption. The Company's contention amongst the various other grounds made is that the demand is illegal, against the principles of natural justice, incorrect, bad in law and mala fide. The Company has filed a writ petition before the Hon'ble High Court of Allahabad, inter alia, on the above said grounds, which is pending determination.
- iv. The Company has an agreement with Uttar Pradesh Power Corporation Limited (UPPCL) under which banking of surplus energy with UPPCL is permitted and such banked energy may be drawn as and when required at free of cost. However, UPPCL has raised demand of ₹ 553.2 million with retrospective effect from 1.04.2009 on the alleged ground that drawl of energy against the banked energy is not permissible during peak hours. The UPPCL has also included ₹ 492.1 million in the bill as late payment surcharge up to 31.12.2016. Thus total amount outstanding till 31.12.2016 is ₹ 1,045.3 million. However, if the case is decided against the company, 107.4 million units valuing ₹ 229.7 million will be treated as energy banked with UPPCL and accordingly net liability will be ₹ 815.6 million. The Company has challenged the demand by filing a petition on 27.12.2013 under section 86(i) (f) read with other relevant provisions of Electricity Act, 2003 seeking quashing/setting aside the demand. The matter has been heard on 12.02.2014 and the Hon'ble Uttar Pradesh Electricity Regulatory Commission (UPERC) vide its order dated 24.02.2014 has directed the UPPCL to restrain from taking any coercive action till final order of UPERC. The Company believes that it has a strong case and no provision towards this is required.
- v. The Company received a demand notice from Deputy Director of Mines (DDM), Sambalpur, vide letter No. 474/Mines, dated 19.03.2015 under section 21(5) of the Mine and Mineral (Development and Regulation) Act, 1957 ("MMDR Act, 1957"), to deposit an amount of ₹ 3,104.3 million towards cost price of Coal for the period from 2004-05 to 2010-11 towards alleged excess production of coal over and above the quantity approved under Mining Plan, Environment Clearance and Consent to Operate in respect of Talabira-I Coal Mine during the said period. The Company challenged the said order before the Hon'ble Revisional Authority, Ministry of Coal, Government of India, New Delhi on the ground that the DDM has no jurisdiction or authority to call upon the Company to pay the cost of coal for alleged violation, if any and the said demand is arbitrary and without lawful authority. Further, the Company has not carried out mining operation outside mining lease area and hence provisions of Section 21(5) of the MMDR Act, 1957 is not applicable. Hence, the said demand is contrary to the provisions of the MMDR Act, 1957 and Mineral Concession Rules, 1960. Interim stay has been granted by the Hon'ble Revisional Authority, Ministry of Coal and matter is pending hearing. In view of the above no provision has been made in the books.

14. Reconciliation of Equity, Profit/ (Loss) and Revenue previously reported under erstwhile Indian GAAP (Previous GAAP) and as presented now under Ind AS for the nine months ended 31st December, 2015 are given below:

(a). Reconciliation of Equity:

Particulars	₹ Million
Reported Equity as at 31st December, 2015 as per Previous GAAP	375,040.6
Adjustments:	
(a). Treasury Shares netted off with Share Capital	(344.5)
(b). Fair value adjustment of Investments	29,512.6
(c). Adjustment for share based compensation	(437.7)
(d). Adjustment in Property, Plant and Equipment	(956.6)
(e). Adjustment of transaction fees of term loan	3,842.4
(f). Fair value adjustment of deposits/ financial guarantee	28.4
(g). Entity accounted for as joint operation (Previous GAAP it was included as subsidiary)	375.5
(h). Other Adjustments	(434.3)
(i). Deferred Tax Adjustments (Net)	(8,978.3)
Equity as at 31st December, 2015 as per Ind AS	397,648.1

(b). Reconciliation of Profit/ (Loss):

Particulars	₹ Million
Reported Profit/ (Loss) for the nine months ended 31st December, 2015 as per Previous GAAP	(1,283.4)
Adjustments:	
(a). Fair value adjustment of Investments	(815.6)
(b). Adjustment for defined benefit obligations accounted through Other Comprehensive Income	(1,011.9)
(c). Adjustment of transaction fees of term loan	(85.8)
(d). Adjustment in Property, Plant and Equipment	20.0
(e). Adjustment for inventory carry trade arrangement	136.3
(f). Adjustment for share based compensation	189.3
(g). Fair value adjustment of deposits/ financial guarantee	28.4
(h). Other Adjustments	5.0
(i). Deferred Tax Adjustments (Net)	(1,377.1)
Profit/ (Loss) for the nine months ended 31st December, 2015 as per Ind AS	(4,194.8)



**HINDALCO INDUSTRIES LIMITED**  
Notes forming part of the Interim Condensed Combined Financial Statements

(c). Reconciliation of Revenue:

Particulars	₹ Million
Reported Revenue for the nine months ended 31st December, 2015 as per Previous GAAP	748,920.5
Adjustments:	
(a). Revenue of entity accounted for as joint operation (Previous GAAP it was included as subsidiary)	(8,870.3)
(b). Excise Duty on Sales earlier netted off with sales	18,326.5
(c). Other Adjustments	(317.3)
Revenue for the nine months ended 31st December, 2015 as per Ind AS	758,059.4

  
Satish Pai



  
Anil Malhotra

In witness whereof  
Praveen Malhotra