

BSE SENSEX  
79,925

S&P CNX  
24,324



### Stock Info

Bloomberg	HNDL IN
Equity Shares (m)	2247
M.Cap.(INRb)/(USDb)	1558 / 18.7
52-Week Range (INR)	715 / 422
1, 6, 12 Rel. Per (%)	-2/7/36
12M Avg Val (INR M)	4050
Free float (%)	65.4

### Financials Snapshot (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	2,160	2,369	2,456
EBITDA	239	276	286
Adj. PAT	101	136	141
EBITDA Margin (%)	11	12	12
Cons. Adj. EPS (INR)	46	61	64
EPS Gr. (%)	1	34	4
BV/Sh. (INR)	361	416	473

### Ratios

Net D:E	0.5	0.4	0.3
RoE (%)	13.6	15.8	14.3
RoCE (%)	10.8	12.3	12.0
Payout (%)	0.0	9.8	9.4

### Valuations

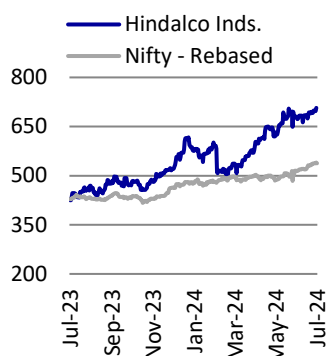
P/E (x)	15.2	11.3	10.9
P/BV (x)	1.9	1.7	1.5
EV/EBITDA(x)	8.0	6.9	6.5
Div. Yield (%)	0.0	0.9	0.9
FCF Yield (%)	5.4	2.8	4.2

### Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	34.6	34.6	34.6
DII	26.0	25.5	26.5
FII	31.0	32.1	30.3
Others	8.4	7.9	8.6

FII Includes depository receipts

### Stock Performance (1-year)



**CMP: INR693**

**TP: INR800 (+15%)**

**Buy**

## Capacity expansion to drive next leg of growth; Novelis to witness further margin gains

- Hindalco (HNDL) is undertaking a capex of ~USD6.9b (USD4.9b for Novelis and USD2b for HNDL) to expand capacities for several products across multiple locations over the next three to five years. This capex plan will augment its capacity across USA (FRP and recycling mill), Utkal (alumina debottlenecking), Aditya (can recycling and battery foil mill) and Silvassa (extrusion), among others.
- For FY25, the management expects to incur a capex of ~INR60b in India for: 1) mines expansion; 2) alumina refinery; 3) FRP-II expansion (battery and copper foil, copper tube, copper e-waste recycling foil); 4) smelter expansion; and 5) aluminum power work.
- We believe the upcoming 600kt facility at Bay Minette (Alabama, USA) will act as a proxy for the growing demand for beverage cans and auto-grade aluminum sheets in North America. The company has fully contracted its beverage packing facility at Bay Minette. Novelis has witnessed margin improvement in the last few quarters, which is likely to continue in FY25.
- In India, we believe HNDL is adding downstream capacities at the right time to capture growth opportunities in the domestic market. HNDL's increased focus on VAP for niche segments in aluminum and copper will help the company improve its domestic EBITDA margins to +10% by FY26E.
- HNDL has robust integrated operations and with rising base metal prices, we believe the long-term outlook remains positive. The capacity expansions would position HNDL well to capitalize on growth opportunities. We reiterate our BUY rating with our SOTP-based TP of INR790. **Key Risk:** Any further extension in the capex timeline, along with an increase in capex, will add pressure on the cash flow.

### HNDL on track to enhance its capacities

- HNDL has undertaken a ~USD6.9b (revised upward from USD4.6b) multi locational-multi product capex over the next three to five years. Around 70% (USD4.9b) of the total capex is earmarked for Novelis and the rest for enhancing the domestic aluminum and copper capacities.
- This capex will help HNDL shift its focus from being a core metal manufacturer to a metal-solution provider.
- The management aims to upscale the share of low-carbon sources to 30% for aluminum production by 2030.

### Bay Minette facility

- Novelis's capex of ~USD4.1b to set up its Bay Minette facility for augmenting 600kt of FRP capacity is progressing well. This facility will cater to North America's beverage can and auto-grade aluminum sheet demand.
- The expansion plan has been delayed by a year and the facility is now likely to be commissioned in 2HCY26, and would take 18-24months to fully ramp up. Therefore, we believe any significant incremental volumes will start in FY27-28.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Novelis has fully contracted its entire beverage packing facility to marquee customers. In the near term, we believe Novelis is on track to see margin improvement, aided by portfolio optimization, higher recycling capacities and favorable market dynamics.

#### Indian operations

- HNDL has earmarked ~USD2b for domestic capex with a strong focus on downstream projects for improving VAP share.
- It is also setting up a 25kt battery foil facility in Odisha with a capex of ~INR8b to cater to the growing demand from the domestic EV segment.
- The company has also identified several projects for future expansion across upstream, downstream, copper vertical, specialty chemicals and energy with an outlay of USD2.3b by FY28E.

#### Other international geographies

- HNDL is investing USD365m in Guthrie, US, to set up a state-of-the-art automotive recycling and casting facility. This is the second-largest capex undertaken by Novelis and the project is progressing well. The facility is on schedule to be commissioned by 1QFY25 and will focus on the recycling of pre- and post-consumer auto scrap.
- The higher recycling content as a part of production will help Novelis improve margins going forward, along with a reduction in carbon emissions.
- Novelis is also undertaking multiple debottlenecking projects across geographies, which will yield high returns through either additional capacity or cost reduction initiatives.
- Novelis has a current rolling capacity of ~4.2mt, which will increase to 4.5mt after the completion of all the debottlenecking projects, and to over 5.1mt after the completion of the Bay Minette facility.
- The management expects a capex of ~USD1.4-2.1b (60-65% for Bay Minette) for FY25 (overall ~USD3.4b capex outflow expected over FY25-26E).

#### Coal linkages to drive cost synergies

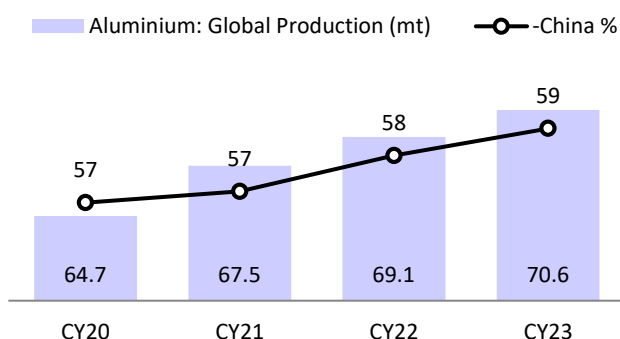
- HNDL's total coal requirement is ~16.2mt, which is currently fulfilled either by its linkages (~60%), e-auctions (~36%) or own mines/imports.
- Chakla mine, which has PRC of ~4.5mt, is expected to come on stream by 3QCY25 (earlier Dec'24). It was delayed due to a delay in forest clearance.
- Chakla mine is expected to start its production in FY25E and would exit FY25 with a production of ~1mt. The mine will reduce the company's dependency on procurement of coal from external sources.
- HNDL is still awaiting allotment amid land acquisition issues for 10mt Meenakshi mine and as a back-up plan, HNDL acquired Meenakshi West mine at a ~33% premium, which has PRC of 6-7mt.
- The management aims to increase the share of low-carbon sources to 30% for aluminum production by 2030.

#### Valuation and view: reiterate BUY

- The company's Indian operation is net debt free and HNDL's consolidated ND/EBITDA ratio improved to 1.21x as on Mar'24 vs. 1.43x in Dec'23.

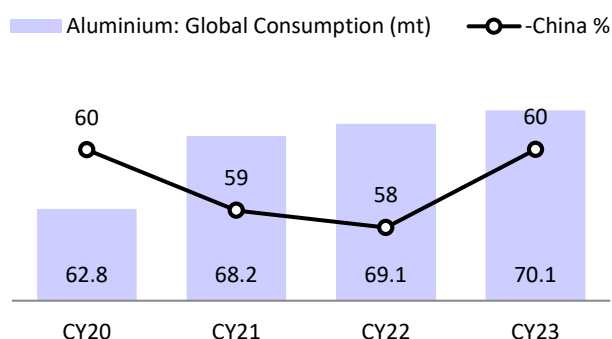
- Though the ongoing capex at Novelis would position HNDL as the global leader in beverage cans and automotive FRP segments, any further extension in the capex timeline, along with an increase in capex outlay, will put pressure on the cash flow of the company. Its capex would be a key monitorable for any further cost revisions or delays.
- Volume growth across geographies is expected to remain stable going forward and HNDL has already secured long-term contracts from marquee customers for its Bay Minette facility, which provides future revenue visibility. Therefore, with favorable pricing and muted costs, Novelis will see its EBITDA/t improve further in the mid-to-long term.
- **We reiterate our BUY rating on HNDL with our SOTP-based TP of INR800. The stock is trading at 6.5x FY26E EV/EBITDA and 1.5x FY26E P/B.**

**Exhibit 1: Global primary aluminum production**



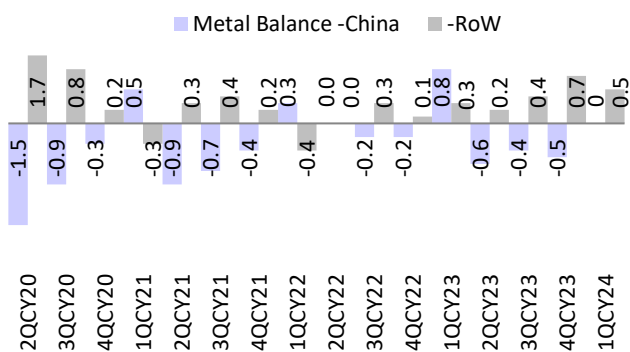
Source: MOFSL, Company

**Exhibit 2: Global primary aluminum consumption**



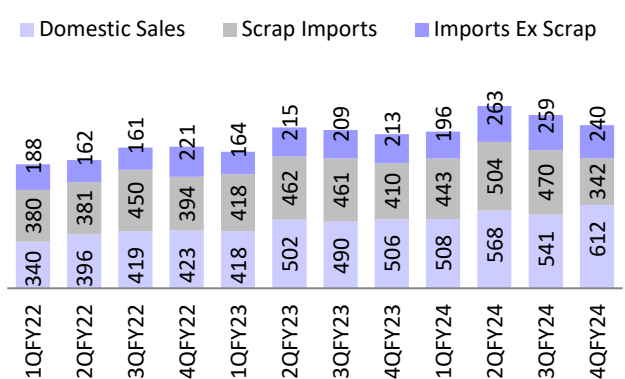
Source: MOFSL, Company

**Exhibit 3: Quarterly metal balance - Aluminum**



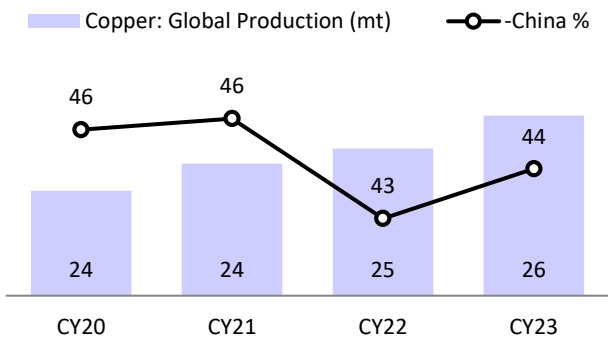
Source: MOFSL, Company

**Exhibit 4: Domestic aluminum demand - Quarterly**



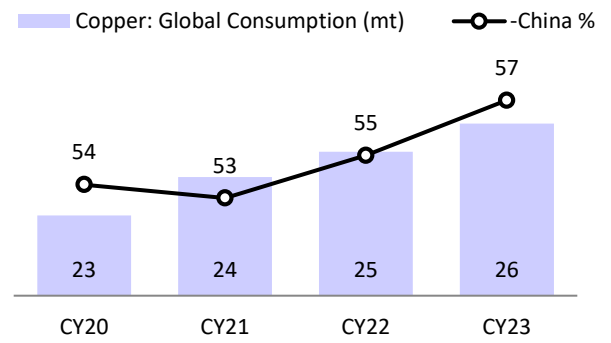
Source: MOFSL, Company

**Exhibit 5: Global copper supply**



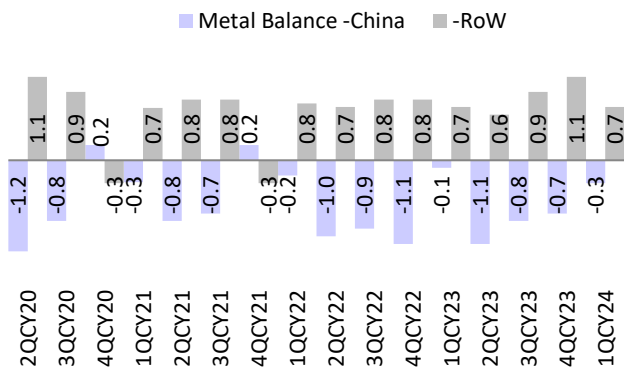
Source: MOFSL, Company

**Exhibit 6: Global copper demand**



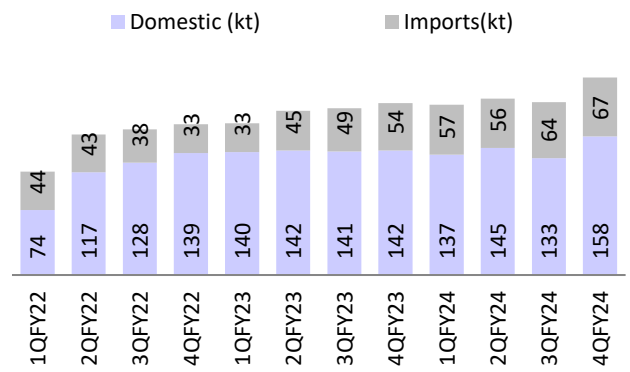
Source: MOFSL, Company

**Exhibit 7: Quarterly metal balance - Copper**



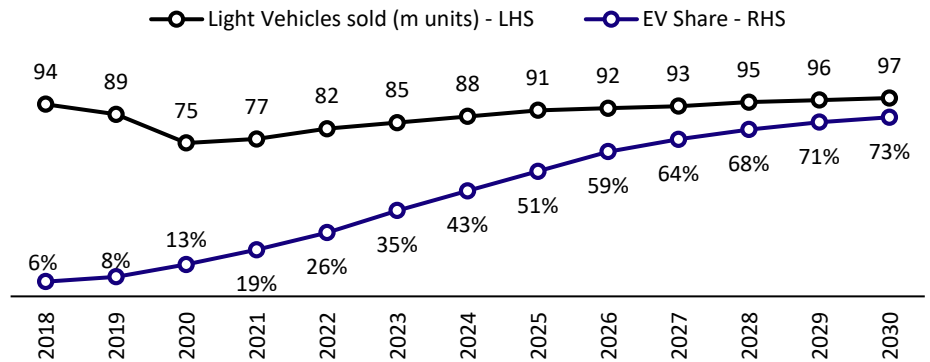
Source: MOFSL, Company

**Exhibit 8: Domestic refined copper demand**



Source: MOFSL, Company

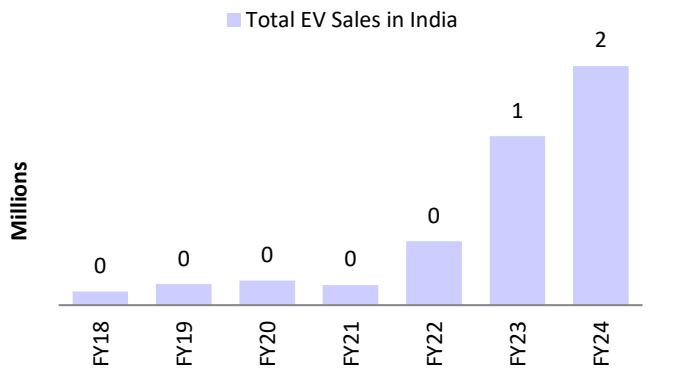
**Exhibit 9: Global share in light vehicle (LHS) and share of EV (RHS)**



Source: MOFSL, Ducker 2022 Light Vehicle Aluminum Content and Outlook study, Company

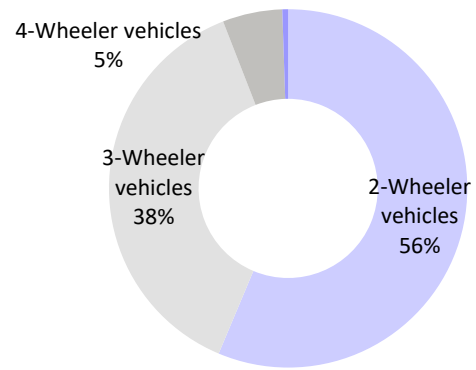
- The electrification in North America will increase the aluminum content in light vehicles to ~557lbs per vehicle by 2030, as aluminum is a light metal compared to steel, improves vehicles efficiency and curtails emission
- Domestic EV sales grew 41% YoY to 1.67m unit in FY24. In last 10 years, domestic EV sales saw a 90% CAGR.
- Domestic demand of aluminum from the auto segment is expected to clock A 6-8% CAGR in the near future.

**Exhibit 10: Total EV sales across categories in India (in Nos.)**



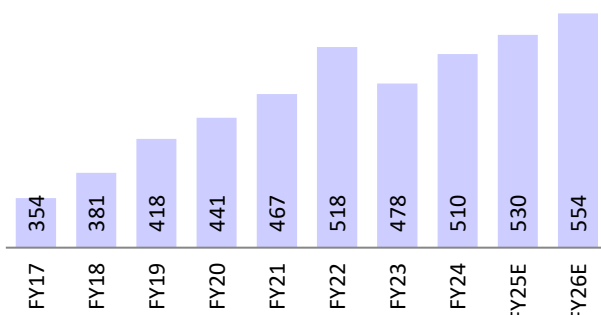
Source: MOFSL, sme.v.in

**Exhibit 11: Domestic EV product mix**



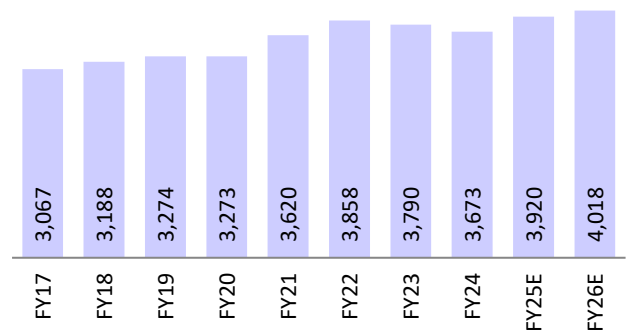
Source: MOFSL, sme.v.in

**Exhibit 12: Novelis EBITDA (USD/t) likely to reach 554/t**



Source: MOFSL, Company

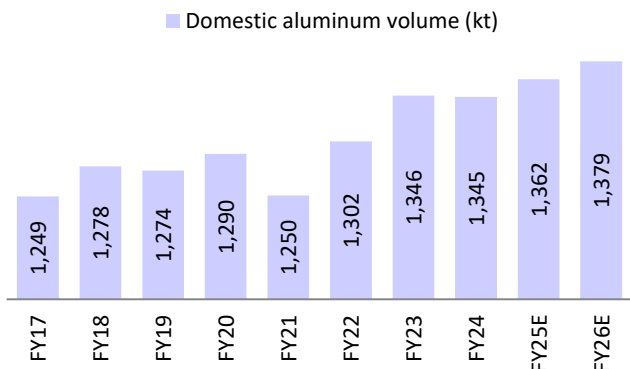
**Exhibit 13: Novelis increment volume (kt) from FY27 onward**



Source: MOFSL, Company

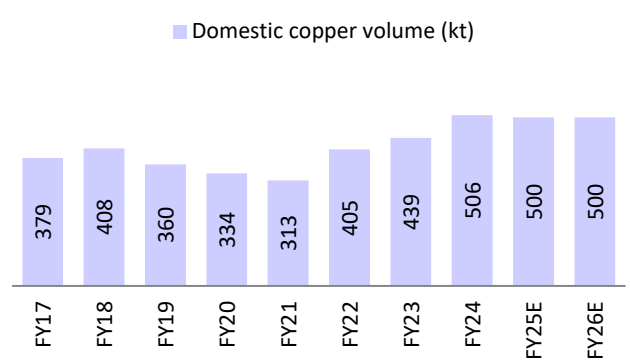
- Shipment volume stood at 951kt (+2% YoY/+5% QoQ) in 4QFY24. Total flat rolled product shipments increased primarily due to higher demand for beverage packaging sheets.
- Adjusted EBITDA/t stood at USD540/t, primarily driven by favorable metal benefits from recycling and lower operating costs than previous year. Margins are likely to improve in FY26.

**Exhibit 14: Aluminum upstream production (kt)**



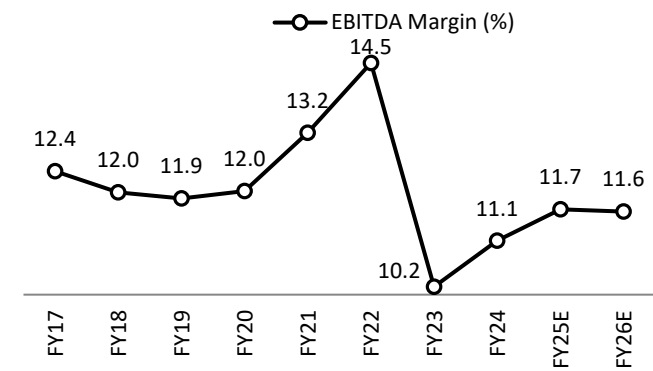
Source: MOFSL, Company

**Exhibit 15: Domestic copper volume (kt)**



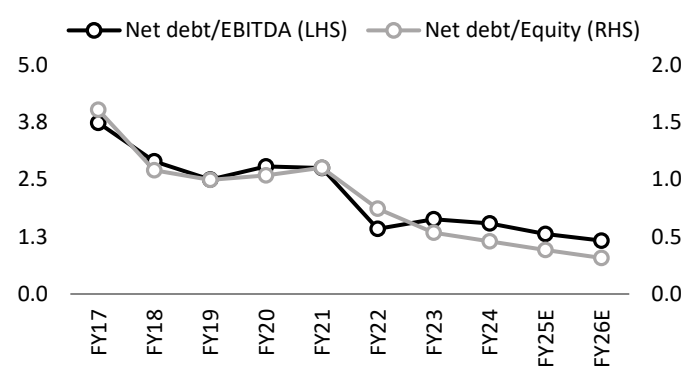
Source: MOFSL, Company

Exhibit 16: Consolidated EBITDA margin (%)



Source: MOFSL, Company

Exhibit 17: HNDL to continue its deleveraging



Source: MOFSL, Company

Exhibit 18: TP calculation

Y/E March	UoM	FY26E
<b>Hindalco - India</b>		
<b>Aluminium</b>		
Volumes	kt	1,379
EBITDA	INR/t	55,795
EBITDA	USD/t	649
EBITDA	INR m	76,941
<b>Copper</b>		
Volumes	kt	500
EBITDA	INR/t	49,450
EBITDA	USD/t	575
EBITDA	INR m	24,725
Others	INR m	-7,500
EBITDA Hindalco - India	INR m	94,166
EV/EBTIDA (x)	x	7.0
Target EV	INR m	6,59,161
<b>Novelis</b>		
Volumes	kt	4,018
EBITDA	USD/t	554
USD/INR	x	86
<b>EBITDA</b>	<b>INR m</b>	<b>1,91,379</b>
EV/EBTIDA (x)	x	7.0
<b>Target EV</b>	<b>INR m</b>	<b>13,39,656</b>
<b>Target EV - Group</b>	<b>INR m</b>	<b>19,98,817</b>
Net Debt	INR m	3,26,385
Equity Value	INR m	16,72,433
Equity Value	INR/sh	753
Investments (quoted)	INR m	1,07,889
Investments (quoted)	INR/sh	49
Discount factor	%	10%
<b>Target Price</b>	<b>INR/sh</b>	<b>800</b>

Source: MOFSL

## Financials and valuations

### Consolidated Income Statement

(INR b)

Y/E March	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
<b>Net sales</b>	<b>1,152</b>	<b>1,305</b>	<b>1,181</b>	<b>1,318</b>	<b>1,951</b>	<b>2,232</b>	<b>2,160</b>	<b>2,369</b>	<b>2,456</b>
Change (%)	15.0	13.3	-9.5	11.6	48.0	14.4	-3.2	9.7	3.7
Total Expenses	1,014	1,150	1,039	1,144	1,667	2,005	1,921	2,092	2,170
<b>EBITDA</b>	<b>138</b>	<b>155</b>	<b>142</b>	<b>174</b>	<b>283</b>	<b>227</b>	<b>239</b>	<b>276</b>	<b>286</b>
% of Net Sales	12.0	11.9	12.0	13.2	14.5	10.2	11.1	11.7	11.6
Deprn. & Amortization	45	48	51	65	67	71	75	76	77
<b>EBIT</b>	<b>93</b>	<b>107</b>	<b>91</b>	<b>109</b>	<b>216</b>	<b>156</b>	<b>164</b>	<b>201</b>	<b>208</b>
Net Interest	39	38	42	37	38	36	39	33	33
Other income	10	11	12	12	11	13	15	13	13
<b>PBT before EO</b>	<b>64</b>	<b>81</b>	<b>61</b>	<b>83</b>	<b>190</b>	<b>132</b>	<b>140</b>	<b>181</b>	<b>189</b>
EO income (exp)	18	0	-2	-4	6	0	0	0	0
<b>PBT after EO</b>	<b>82</b>	<b>81</b>	<b>59</b>	<b>79</b>	<b>196</b>	<b>132</b>	<b>140</b>	<b>181</b>	<b>189</b>
Current tax	16	19	15	19	38	29	30	45	48
Deferred tax (net)	5	7	6	8	16	3	9	0	0
Tax	21	26	22	27	54	31	39	45	48
Rate (%)	25.4	32.0	36.4	34.5	27.5	23.8	27.5	25.0	25.2
<b>PAT (before MI and Sh. of Asso.)</b>	<b>61</b>	<b>55</b>	<b>38</b>	<b>52</b>	<b>142</b>	<b>101</b>	<b>102</b>	<b>136</b>	<b>141</b>
Minority interests and disc. Operations	0	0	0	17	5	0	0	0	0
Share of asso.	-1	0	0	0	0	0	0	0	0
<b>Reported PAT (after MI &amp; Sh. of Asso.)</b>	<b>60</b>	<b>55</b>	<b>38</b>	<b>35</b>	<b>137</b>	<b>101</b>	<b>102</b>	<b>136</b>	<b>141</b>
<b>Adjusted PAT</b>	<b>42</b>	<b>55</b>	<b>40</b>	<b>56</b>	<b>136</b>	<b>101</b>	<b>101</b>	<b>136</b>	<b>141</b>
Change (%)	120.7	30.6	-28.1	42.3	142.3	-26.2	0.8	34.1	3.9

### Balance Sheet

(INR b)

Y/E March	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
Share Capital	2	2	2	2	2	2	2	2	2
Reserves	546	573	581	663	780	946	1,059	1,182	1,310
<b>Net Worth</b>	<b>548</b>	<b>575</b>	<b>583</b>	<b>665</b>	<b>782</b>	<b>948</b>	<b>1,061</b>	<b>1,184</b>	<b>1,312</b>
Minority Interest	0	0	0	0	0	0	0	0	0
Total Loans	520	524	674	660	632	583	545	528	510
Deferred Tax Liability	31	37	38	36	44	73	82	82	82
<b>Capital Employed</b>	<b>1,100</b>	<b>1,136</b>	<b>1,295</b>	<b>1,361</b>	<b>1,459</b>	<b>1,605</b>	<b>1,688</b>	<b>1,793</b>	<b>1,904</b>
Gross Block	1,083	1,131	1,200	1,343	1,459	1,567	1,651	1,806	1,965
Less: Accum. Deprn.	410	458	509	574	630	718	793	869	946
<b>Net Fixed Assets</b>	<b>673</b>	<b>673</b>	<b>691</b>	<b>770</b>	<b>829</b>	<b>849</b>	<b>857</b>	<b>936</b>	<b>1,018</b>
Goodwill	178	186	201	233	240	257	261	261	261
Capital WIP	21	41	77	102	49	77	149	149	149
Investments	69	52	31	77	87	83	122	122	122
<b>Working capital Assets</b>	<b>530</b>	<b>567</b>	<b>685</b>	<b>706</b>	<b>1,014</b>	<b>969</b>	<b>919</b>	<b>983</b>	<b>1,027</b>
Inventory	216	222	224	307	445	430	408	448	464
Account Receivables	100	115	93	130	211	162	164	180	187
Cash and Bank Balance	120	136	278	182	228	212	177	169	184
Others (incl. LT)	94	94	90	88	130	165	169	186	193
<b>Working capital liability</b>	<b>370</b>	<b>383</b>	<b>391</b>	<b>527</b>	<b>760</b>	<b>630</b>	<b>619</b>	<b>657</b>	<b>673</b>
Account Payables	204	207	183	283	442	418	393	431	447
Others (incl. LT)	166	175	208	244	318	212	226	226	226
<b>Net Working Capital</b>	<b>160</b>	<b>184</b>	<b>294</b>	<b>180</b>	<b>254</b>	<b>339</b>	<b>300</b>	<b>326</b>	<b>354</b>
<b>Appl. of Funds</b>	<b>1,100</b>	<b>1,136</b>	<b>1,295</b>	<b>1,361</b>	<b>1,459</b>	<b>1,605</b>	<b>1,688</b>	<b>1,793</b>	<b>1,904</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>18.9</b>	<b>24.7</b>	<b>17.8</b>	<b>25.3</b>	<b>61.3</b>	<b>45.3</b>	<b>45.6</b>	<b>61.2</b>	<b>63.6</b>
Cash EPS	47.6	46.2	39.8	52.5	94.3	77.4	79.6	95.4	98.3
BV/Share (adj.)	166.1	175.0	171.7	194.3	244.3	311.1	360.7	415.9	473.5
DPS	1.2	1.2	1.0	3.0	4.0	3.0	0.0	6.0	6.0
Payout (%)	6.4	4.9	5.6	11.9	6.5	6.6	0.0	9.8	9.4
<b>Valuation (x)</b>									
P/E	36.6	28.0	39.0	27.4	11.3	15.3	15.2	11.3	10.9
Cash P/E	14.5	15.0	17.4	13.2	7.3	8.9	8.7	7.3	7.0
P/BV	4.2	4.0	4.0	3.6	2.8	2.2	1.9	1.7	1.5
EV/Sales	1.7	1.5	1.6	1.5	1.0	0.9	0.9	0.8	0.8
EV/EBITDA	14.1	12.4	13.6	11.6	6.8	8.4	8.0	6.9	6.5
Dividend Yield (%)	0.2	0.2	0.1	0.4	0.6	0.4	0.0	0.9	0.9
<b>Return Ratios (%)</b>									
EBITDA Margins (%)	12.0	11.9	12.0	13.2	14.5	10.2	11.1	11.7	11.6
Net Profit Margins (%)	3.7	4.2	3.3	4.3	7.0	4.5	4.7	5.7	5.7
RoE	12.8	14.5	10.2	13.8	28.0	16.3	13.6	15.8	14.3
RoCE (pre-tax)	9.3	10.6	8.5	9.1	16.1	11.0	10.8	12.3	12.0
RoIC (pre-tax)	10.8	11.9	10.3	11.5	21.6	14.6	14.6	15.5	14.9
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	1.1	1.2	1.0	1.0	1.3	1.4	1.3	1.3	1.2
Asset Turnover (x)	1.0	1.1	0.9	1.0	1.3	1.4	1.3	1.3	1.3
Debtor (Days)	32	32	29	36	39	27	28	28	28
Inventory (Days)	69	62	69	85	83	70	69	69	69
Payable (Days)	65	58	56	78	83	68	66	66	66
<b>Leverage Ratio (x)</b>									
Current Ratio	1.4	1.5	1.8	1.3	1.3	1.5	1.5	1.5	1.5
Interest Cover Ratio	2.4	2.8	2.2	2.9	5.7	4.3	4.2	6.2	6.4
Debt/Equity	1.1	1.0	1.0	1.1	0.7	0.5	0.5	0.4	0.3

### Cash Flow Statement

Y/E March	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
<b>(INR b)</b>									
<b>EBITDA</b>	<b>138</b>	<b>155</b>	<b>142</b>	<b>174</b>	<b>283</b>	<b>227</b>	<b>239</b>	<b>276</b>	<b>286</b>
Others	3	0	-2	-3	15	-3	9	0	0
tax paid	-14	-19	-1	-13	-38	-27	-27	-45	-48
Change in WC	-18	-17	-12	14	-92	-5	19	-34	-14
<b>CF from Op. Activity</b>	<b>109</b>	<b>120</b>	<b>127</b>	<b>172</b>	<b>168</b>	<b>192</b>	<b>241</b>	<b>198</b>	<b>224</b>
(Inc)/Dec in FA + CWIP	-30	-60	-68	-56	-54	-98	-157	-155	-159
<b>Free Cash Flow to firm</b>	<b>79</b>	<b>60</b>	<b>60</b>	<b>117</b>	<b>114</b>	<b>94</b>	<b>83</b>	<b>43</b>	<b>65</b>
(Pur)/Sale of Inv. & yield	25	7	7	9	-59	20	-4	13	13
Others & M&A	56	-3	-23	-210	42	-3	18	0	0
<b>CF from Inv. Activity</b>	<b>50</b>	<b>-57</b>	<b>-84</b>	<b>-256</b>	<b>-71</b>	<b>-81</b>	<b>-143</b>	<b>-142</b>	<b>-146</b>
Equity raised/(repaid)	0	-1	0	0	-1	-1	-1	0	0
Debt raised/(repaid)	-123	-14	109	-10	-28	-55	-61	-18	-18
Interest	-38	-36	-40	-37	-33	-38	-39	-33	-33
Dividend (incl. tax)	-3	-3	-3	-2	-7	-9	-7	-13	-13
<b>CF from Fin. Activity</b>	<b>-164</b>	<b>-55</b>	<b>67</b>	<b>-49</b>	<b>-68</b>	<b>-103</b>	<b>-108</b>	<b>-63</b>	<b>-63</b>
<b>(Inc)/Dec in Cash</b>	<b>-5</b>	<b>9</b>	<b>110</b>	<b>-133</b>	<b>30</b>	<b>7</b>	<b>-10</b>	<b>-8</b>	<b>14</b>
Add: Opening Balance	82	80	91	213	83	116	128	118	110
Changes in forex on CF	3	2	12	4	3	5	0	0	0
Closing cash Balance	80	91	213	83	116	128	118	110	125
Bank balance (inc. O/D adj.)	39	45	65	99	112	84	59	59	59
<b>Closing Balance (incl. bank balance)</b>	<b>120</b>	<b>136</b>	<b>278</b>	<b>182</b>	<b>228</b>	<b>212</b>	<b>177</b>	<b>169</b>	<b>184</b>

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Explanation of Investment Rating	
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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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