

# Upstream-Downstream performance divergence

Metals & Mining ▶ Result Update ▶ November 13, 2024

**TARGET PRICE (Rs): 600**

Hindalco delivered a strong upstream performance that is on a firm foot vs a starkly different downstream performance with bleak near-term outlook for Novelis, balancing out one another in Q2 and resulting in EBITDA beat of 9.5% at business segment level. On Novelis, there is no incremental clarity, especially on quantification in terms of impact on profitability from rise in scrap prices. It seems a part of margin contraction is structural. Near term, mgmt indicated that direction of profitability is lower, at least in Q3/4 FY25. On Upstream, full benefit of the alumina price increase is likely to be realized in Q3/4, given realization lag; hedges roll-off at USD2,700/t for FY26 which we see as an attractive level; supply deficit of ali in China is positive for prices. Copper TC/RC negotiation for CY25 is scheduled this week in China; maintain SELL; TP: Rs600.

### Hindalco: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	2,232,020	2,159,620	2,334,331	2,318,909	2,458,975
EBITDA	241,310	257,280	325,851	284,554	310,410
Adj. PAT	100,560	104,940	165,607	131,333	147,158
Adj. EPS (Rs)	45.4	47.3	70.7	59.1	66.2
EBITDA margin (%)	10.8	11.9	14.0	12.3	12.6
EBITDA growth (%)	(19.7)	6.6	26.7	(12.7)	9.1
Adj. EPS growth (%)	(28.9)	4.2	49.5	(16.4)	12.0
RoE (%)	11.6	10.4	14.6	10.4	10.5
RoIC (%)	13.3	14.0	18.4	13.4	13.5
P/E (x)	14.4	13.8	8.8	11.0	9.9
EV/EBITDA (x)	7.8	7.2	5.7	6.6	6.0
P/B (x)	1.5	1.4	1.2	1.1	1.0
FCFF yield (%)	5.0	4.5	2.2	0.5	3.1

Source: Company, Emkay Research

### Q2FY25 earnings beat of 9.5%

Hindalco reported Q2FY25 headline EBITDA of Rs91bn, 26.3%/23.1% ahead of consensus/Emkay estimates. Adjusting for one-offs, the beat was 9.5% vs our estimates, led by better cost control and healthier premiums. Upstream delivered healthy EBITDA/t of USD1,349 in Q2 vs USD1,273 in Q1, despite sequentially lower prices. Copper EBITDA benefitted by higher by-product prices. Net debt came in at Rs360bn (+1.4% QoQ).

### Upstream hedges favorable; Novelis's profitability to worsen in Q3/4 FY25

At the earnings call, the discussion revolved around Novelis's bleak outlook, upstream performance along with alumina price benefits and volume hedging, and growth projects with a nuanced discussion around copper smelter project against the backdrop of subdued TC/RCs. **1) Novelis:** There is no incremental clarity, esp on quantification in terms of impact on profitability from rise in scrap prices. It seems a part of margin contraction could be structural, given that China is putting up 20mt of scrap melting capacity and drawing down scrap from rest of the world. It is difficult to pass-through scrap price rise to customers. Near term, mgmt indicated that direction of profitability is lower, at least in Q3/4 FY25. **2) Upstream:** Full benefit of alumina price rise likely to be realized in Q3/4, given realization lag; ali hedges roll-off at USD2,700/t for FY26 which we see as an attractive level; supply deficit of ali in China positive for prices. **3) Copper:** TC/RC negotiation for 2025 to happen this week in China; indicative levels significantly lower. **4) Projects:** 3 growth projects: 180kt ali smelter, 850kt refinery, 280-300kt copper smelter, costing ~USD1bn each with expected commissioning over 2027-29.

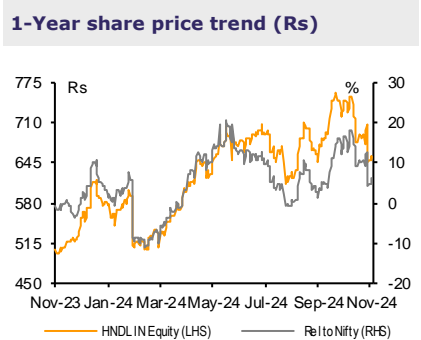
### Raising near-term price forecasts results in upgrades to earnings

We recently upgraded our near-term ali price forecasts, essentially marking-to-market for increase in spot prices (Exhibit 1). Incorporating the Q2 results (which were ahead of expectations) and our latest commodity price deck, our EBITDA estimates increase by 11.5% for FY25, while the revisions are modest for out-years.

Target Price – 12M	Sep-25
Change in TP (%)	NA
Current Reco.	SELL
Previous Reco.	SELL
Upside/(Downside) (%)	(7.9)
CMP (12-Nov-24) (Rs)	651.7

Stock Data	Ticker
52-week High (Rs)	773
52-week Low (Rs)	481
Shares outstanding (mn)	2,247.2
Market-cap (Rs bn)	1,464
Market-cap (USD mn)	17,352
Net-debt, FY25E (Rs mn)	403,190
ADTV-3M (mn shares)	7
ADTV-3M (Rs mn)	4,511.8
ADTV-3M (USD mn)	53.5
Free float (%)	64.9
Nifty-50	23,883
INR/USD	84.4
<b>Shareholding, Sep-24</b>	
Promoters (%)	34.6
FPIs/MFs (%)	28.6/28.0

Price Performance			
(%)	1M	3M	12M
Absolute	(12.8)	3.5	35.1
Rel. to Nifty	(8.9)	5.6	10.4



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## Earnings call – Key takeaways

### Macro:

- High frequency indicators giving mixed picture of India demand.
- On the macro front, the management expects FRP demand growth of 4% in 2025 and of 6% in 2026, Automotive: steady to positive; EVs growing at a tempered pace; automotive specialty demand is softer; India FRP demand growth of 7-8%, led by packaging.
- China putting in a lot more scrap melting capacity; a new 20mt capacity is being put up which is adding tightness in the scrap market.

### Operational and Financial:

- Management indicated that, currently, 30% of aluminium is hedged at USD2,579/t with 15% of collar hedge at USD2,262-2,547/t and 14% for FY26 at USD2,700/t.
- Management stated that Hindalco is looking for a long-term partnership to export alumina.
- Company targets maintaining Net Debt-to-EBITDA well below 1.5x.
- In the next 3-3.5 years, Hindalco is expected to add debt of USD1-1.5bn in India, to fund the projects.

### Projects:

- Company said that brownfield Aluminium smelter expansion (powered by renewable energy) at Aditya, with USD1bn of capex, is expected to commission by Oct-27 and the brownfield Copper smelter at Dahej is expected to come in CY29.
- Management highlighted that growth in copper is starker because India has a big deficit. It is a good time to invest in a downturn, as the business is cyclical. Some excess refining capacity could go out of the market, eventually leading to market balance. Global miners are in discussions with Hindalco to sign long-term supply agreements.
- Management said that Chakla is in the forest clearance stage 1, and it is hoping to get it commissioned by 2HCY25; Meenakshi West by CY27.
- India business capex is expected to be Rs60bn in FY25 and Rs70-80bn in FY26.

### Novelis:

- Management refrained from giving any guidance on EBITDA/t for Novelis, as it believes that there is no clear visibility as of now. Mitigation measures are being taken by the management.
- Scrap prices: difficult to call, if the rise from 60-65% to 70-75% of Midwest prices is structural or cyclical.
- Management believes it is difficult to pass through the scrap cost increase; can only pass through PPI inflation and premiums.
- A 60-90-day lag for procurement to processing, so it could worsen in Q3 and Q4. Q3 seasonally weak too, due to maintenance shutdowns.
- On Bay Minette, the management indicated that USD1,000/t EBITDA is reasonable expectation.

### Upstream:

- On upstream business, the management indicated that costs were down 1.3% in Q2, and it expects costs to go up by 1.0-1.5% sequentially in Q3.
- Unclear when the Alumina price disruption will settle down.
- Full benefit of the alumina price increase is likely to be realized in Q3/4 FY25, given a one-month of realization lag.

**Copper:**

- Management said that the Q2 performance was driven by extra gold sales, sulfuric acid benefit, and a positive one-time derivative effect.
- Management guided for Rs6.5bn quarterly EBITDA for Q3 and Q4 in FY25.
- TC/RC negotiation for 2025 to take place this week in China; indicative levels significantly lower.

**Downstream:**

- Management expects EBITDA/t to improve in the near term.

**Raising near-term commodity price forecasts**

We recently raised our near-term commodity price forecasts, essentially marking-to-market for the recent increase in metal prices which is followed by a trajectory toward our average aluminium price forecast of USD2,550/t in CY25 and USD2,700/t in CY26. While the 2025 price forecast looks optically low vs spot prices despite our positive view on aluminium supply/demand and prices, we note that the recent price gains would eventually consolidate and that there would be periodic bouts of volatility resulting from changes in supply/demand dynamics as well as the global macro. Nevertheless, we expect a healthy aluminium pricing backdrop in the medium term.

We forecast alumina prices to settle at USD450/t in CY25, while they could average at USD600/t in the Oct-Dec '24 quarter. The supply squeeze in alumina remains in place, and the recent disruptions have caused prices to hit USD750/t.

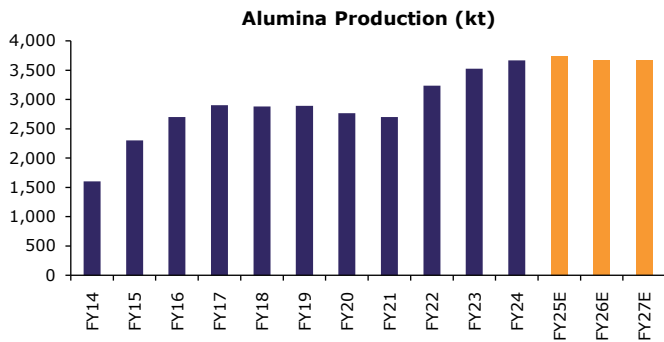
**Exhibit 1: Raising near-term prices; leaving medium-term price estimates unchanged**

Commodity		New			Old			New vs Old (Change)		
		2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Copper	USD/t	9,223	9,500	10,000	9,173	9,500	10,000	0.5%	0.0%	0.0%
Aluminium	USD/t	2,422	2,550	2,700	2,389	2,550	2,700	1.4%	0.0%	0.0%
Alumina	USD/t	474	450	432	444	450	432	6.6%	0.0%	0.0%

Source: Bloomberg, Emkay Research

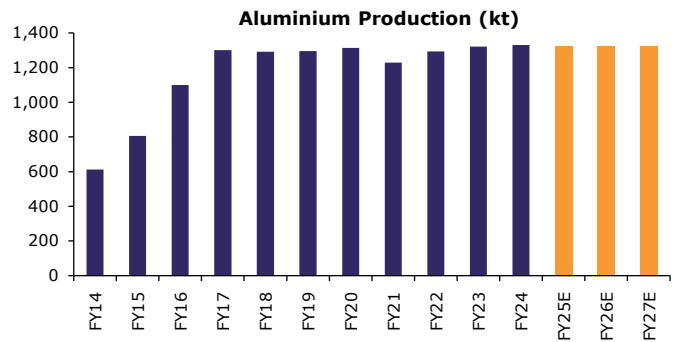
### Key charts

**Exhibit 2: Alumina production to remain steady over FY25-27E**



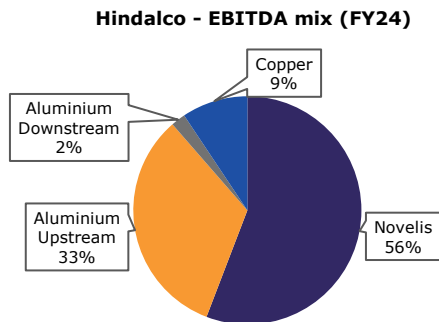
Source: Company, Emkay Research

**Exhibit 3: Aluminium production to be stable over the next few years**



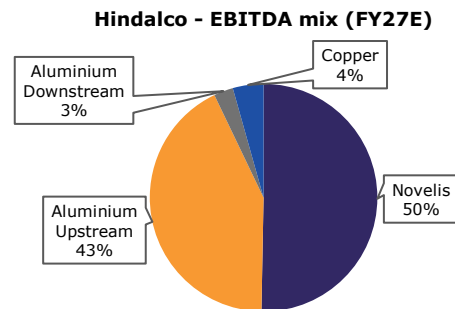
Source: Company, Emkay Research

**Exhibit 4: Novelis has the largest pie of EBITDA share in FY24...**



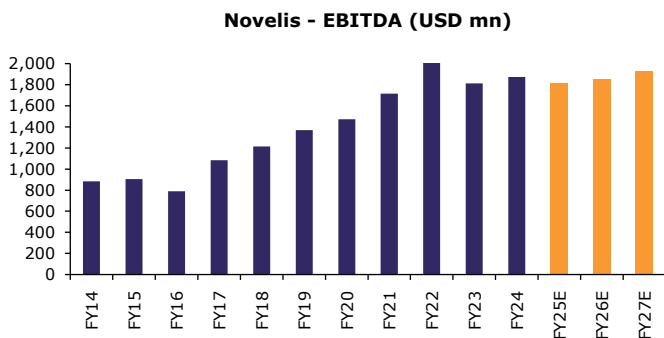
Source: Company, Emkay Research

**Exhibit 5: EBITDA share to improve in the aluminium upstream by FY27E over FY24**



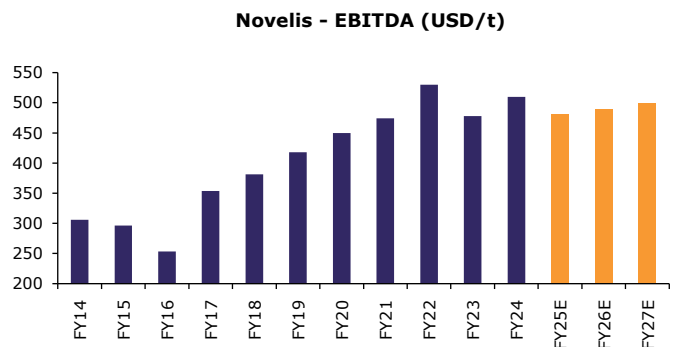
Source: Company, Emkay Research

**Exhibit 6: Novelis's EBITDA could worsen...**

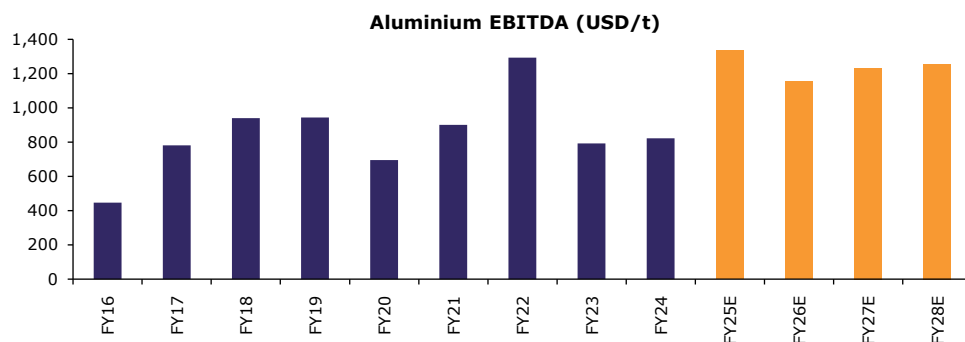


Source: Company, Emkay Research

**Exhibit 7: ...given the uncertain outlook in the near term**



Source: Company, Emkay Research

**Exhibit 8: Aluminium EBITDA/t to grow, from USD822 to USD1,233 in FY27E**

Source: Company, Emkay Research

**Exhibit 9: Change in estimates**

	Units	FY25E			FY26E			FY27E		
		New	Old	chg	New	Old	chg	New	Old	chg
<b>Financial metrics</b>										
Net sales	Rs mn	2,334,330.6	2,306,628.4	1.2%	2,318,909.0	2,349,426.3	-1.3%	2,458,974.8	2,516,180.8	-2.3%
EBITDA	Rs mn	325,850.8	292,337.9	11.5%	284,554.2	281,896.4	0.9%	310,410.3	304,115.5	2.1%
EBIT	Rs mn	262,682.2	225,833.5	16.3%	215,107.0	210,777.5	2.1%	237,086.1	228,592.5	3.7%
Net profit	Rs mn	165,586.8	139,055.7	19.1%	131,332.6	128,215.4	2.4%	147,157.5	141,042.1	4.3%
EPS	Rs	70.7	61.0	15.8%	59.0	57.6	2.4%	66.2	63.4	4.3%
DPS	Rs	4.9	4.3	15.8%	4.1	4.0	2.4%	4.6	4.4	4.3%
Net debt / (cash)	Rs mn	403,190.1	411,202.4	-1.9%	435,149.1	427,118.0	1.9%	419,340.9	375,077.9	11.8%

Source: Emkay Research

## Exhibit 10: Summary of estimates

Consolidated (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E		FY23	FY24	FY25E	FY26E	FY27E
<b>P&amp;L</b>						<b>Operational metrics</b>					
Net sales	2,232,020.0	2,159,620.0	2,334,330.6	2,318,909.0	2,458,974.8	Aluminium (USD/t)	2,493.6	2,205.6	2,508.5	2,587.5	2,700.0
Cost of sales	-1,990,710.0	-1,902,340.0	-2,008,479.7	-2,034,354.7	-2,148,564.5	Copper (USD/t)	8,566.3	8,364.6	9,486.7	9,625.0	10,000.0
<b>Rep EBITDA</b>	<b>241,310.0</b>	<b>257,280.0</b>	<b>325,850.8</b>	<b>284,554.2</b>	<b>310,410.3</b>	<b>Production (kt)</b>					
<b>EBITDA margin</b>	<b>10.8%</b>	<b>11.9%</b>	<b>14.0%</b>	<b>12.3%</b>	<b>12.6%</b>	Novelis	3,790.0	3,673.0	3,780.0	3,784.0	3,872.0
Depreciation	72,940.0	75,210.0	77,482.5	83,873.8	89,097.1	Alumina	3,525.0	3,665.0	3,740.0	3,665.2	3,665.2
EBIT	168,370.0	182,070.0	262,682.2	215,107.0	237,086.1	Aluminium Upstream	1,322.0	1,331.0	1,325.3	1,325.3	1,325.3
Interest and taxes	36,460.0	38,580.0	32,700.6	32,700.6	32,700.6	Aluminium Downstream	380.0	393.0	395.6	378.4	528.0
PBT	131,910.0	143,490.0	229,981.6	182,406.4	204,385.5	Copper	439.0	506.0	474.9	460.4	460.4
Tax	31,440.0	38,570.0	64,394.9	51,073.8	57,227.9	<b>Realization (USD/t)</b>					
<b>Net earnings post MI</b>	<b>100,970.0</b>	<b>105,150.0</b>	<b>157,166.8</b>	<b>131,332.6</b>	<b>147,157.5</b>	Novelis	4,877.6	4,413.3	4,591.2	4,664.3	4,751.2
<b>EPS (Rs)</b>	<b>45.4</b>	<b>47.3</b>	<b>70.7</b>	<b>59.0</b>	<b>66.2</b>	Aluminium Upstream	2,881.8	2,650.6	2,958.5	2,962.5	3,075.0
Dividend (Rs/sh)	3.0	3.5	4.9	4.1	4.6	Aluminium Downstream	3,604.8	3,236.6	3,458.5	3,537.5	3,650.0
Dividend Payout (%)	6.6%	7.4%	7.0%	7.0%	7.0%	Copper	11,819.6	11,773.0	12,836.7	12,225.0	12,600.0
Number of shares	2,225.8	2,224.5	2,224.5	2,224.5	2,224.5	<b>Cost of Production (USD/t)</b>					
<b>Balance sheet</b>						<b>Financial metrics</b>					
<b>Gross block</b>	<b>831,430.0</b>	<b>846,720.0</b>	<b>1,007,513.8</b>	<b>1,195,473.3</b>	<b>1,322,171.9</b>	EBITDA margin	10.8%	11.9%	14.0%	12.3%	12.6%
Inventories	429,580.0	408,120.0	415,702.7	393,896.9	404,215.0	Net margin	4.5%	4.9%	6.7%	5.7%	6.0%
Receivables	162,140.0	164,040.0	159,885.7	158,829.4	168,422.9	ROE	11.7%	10.5%	13.9%	10.4%	10.5%
Payables	358,600.0	344,440.0	357,674.5	362,282.3	382,621.1	ROCE	10.9%	10.8%	14.6%	11.1%	11.5%
<b>Net working capital</b>	<b>233,120.0</b>	<b>227,720.0</b>	<b>217,913.9</b>	<b>190,443.9</b>	<b>190,016.9</b>	ROIC	11.5%	11.2%	14.0%	10.4%	10.4%
<b>Cash</b>	<b>150,830.0</b>	<b>144,370.0</b>	<b>141,819.9</b>	<b>109,860.9</b>	<b>125,669.1</b>	Gross debt (Rs mn)	583,350.0	545,010.0	545,010.0	545,010.0	545,010.0
Total assets	2,248,170.0	2,319,070.0	2,478,469.6	2,605,216.7	2,762,412.0	Net debt/(cash) (Rs mn)	432,520.0	400,640.0	403,190.1	435,149.1	419,340.9
Total liabilities	1,300,000.0	1,257,500.0	1,270,734.5	1,275,342.3	1,295,681.1	Net debt to EBITDA (x)	1.8	1.6	1.2	1.5	1.4
<b>Total Equity</b>	<b>948,170.0</b>	<b>1,061,570.0</b>	<b>1,207,735.1</b>	<b>1,329,874.4</b>	<b>1,466,730.9</b>	Net debt to Equity	45.6%	37.7%	33.4%	32.7%	28.6%
<b>Cash flow</b>						<b>Valuation</b>					
Operating cash before WC	224,450.0	247,870.0	331,744.7	298,980.7	326,183.1	P/E (x)	9.5	10.2	9.2	11.0	9.9
Working capital and other	-31,900.0	-7,310.0	-54,588.7	-23,603.8	-56,800.9	EV/EBITDA (x)	5.7	5.7	5.7	6.6	6.0
<b>Operating cash flow</b>	<b>192,550.0</b>	<b>240,560.0</b>	<b>277,156.0</b>	<b>275,376.9</b>	<b>269,382.2</b>	FCF yield	9.9%	7.7%	2.8%	0.7%	4.1%
Capex	-97,370.0	-157,280.0	-236,003.8	-265,442.1	-210,572.4	Dividend yield	0.7%	0.7%	0.8%	0.6%	0.7%
<b>Investing cash flow</b>	<b>-80,160.0</b>	<b>-142,760.0</b>	<b>-236,003.8</b>	<b>-265,442.1</b>	<b>-210,572.4</b>	<b>Methodology</b>		<b>Rs mn</b>	<b>Rs/sh</b>		
Borrowings/(repayments)	-81,870.0	-43,930.0	0.0	0.0	0.0	DCF	1,341,239.1	602.9			
Equity changes	-8,900.0	-6,670.0	-11,001.7	-9,193.3	-10,301.0	EV/EBITDA	1,413,702.5	635.5			
<b>Financing cash flow</b>	<b>-104,500.0</b>	<b>-108,170.0</b>	<b>-43,702.3</b>	<b>-41,893.9</b>	<b>-43,001.6</b>	<b>Blended fair value</b>	<b>1,359,354.9</b>	<b>611.1</b>			
<b>Net change in cash</b>	<b>7,420.0</b>	<b>-10,370.0</b>	<b>-2,550.1</b>	<b>-31,959.0</b>	<b>15,808.2</b>	<b>Target price</b>		<b>600.0</b>			
<b>Ending cash</b>	<b>150,830.0</b>	<b>144,370.0</b>	<b>141,819.9</b>	<b>109,860.9</b>	<b>125,669.1</b>	Current price		651.7			
Free cash flow	94,710.0	83,280.0	41,152.2	9,934.9	58,809.8	Price return		-7.9%			
						Dividend return		0.8%			
						<b>Expected total return</b>		<b>-7.2%</b>			
						<b>WACC</b>		<b>11.0%</b>			

Source: Company, Emkay Research

## Hindalco: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>2,232,020</b>	<b>2,159,620</b>	<b>2,334,331</b>	<b>2,318,909</b>	<b>2,458,975</b>
Revenue growth (%)	14.4	(3.2)	8.1	(0.7)	6.0
<b>EBITDA</b>	<b>241,310</b>	<b>257,280</b>	<b>325,851</b>	<b>284,554</b>	<b>310,410</b>
EBITDA growth (%)	(19.7)	6.6	26.7	(12.7)	9.1
Depreciation & Amortization	72,940	75,210	77,483	83,874	89,097
<b>EBIT</b>	<b>168,370</b>	<b>182,070</b>	<b>248,368</b>	<b>200,680</b>	<b>221,313</b>
EBIT growth (%)	(27.3)	8.1	36.4	(19.2)	10.3
Other operating income	0	0	0	0	0
Other income	12,570	14,960	14,314	14,427	15,773
Financial expense	36,460	38,580	32,701	32,701	32,701
<b>PBT</b>	<b>131,910</b>	<b>143,490</b>	<b>229,982</b>	<b>182,406</b>	<b>204,385</b>
Extraordinary items	(410)	(210)	8,440	0	0
Taxes	31,440	38,570	64,395	51,074	57,228
Minority interest	0	0	0	0	0
Income from JV/Associates	90	20	20	0	0
<b>Reported PAT</b>	<b>100,970</b>	<b>105,150</b>	<b>157,167</b>	<b>131,333</b>	<b>147,158</b>
PAT growth (%)	(28.9)	4.1	49.5	(16.4)	12.0
<b>Adjusted PAT</b>	<b>100,560</b>	<b>104,940</b>	<b>165,607</b>	<b>131,333</b>	<b>147,158</b>
<b>Diluted EPS (Rs)</b>	<b>45.4</b>	<b>47.3</b>	<b>70.7</b>	<b>59.1</b>	<b>66.2</b>
Diluted EPS growth (%)	(28.9)	4.2	49.5	(16.4)	12.0
<b>DPS (Rs)</b>	<b>3.0</b>	<b>3.5</b>	<b>4.9</b>	<b>4.1</b>	<b>4.6</b>
<b>Dividend payout (%)</b>	<b>6.6</b>	<b>7.4</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>
EBITDA margin (%)	10.8	11.9	14.0	12.3	12.6
EBIT margin (%)	7.5	8.4	10.6	8.7	9.0
Effective tax rate (%)	23.8	26.9	28.0	28.0	28.0
<b>NOPLAT (pre-IndAS)</b>	<b>128,240</b>	<b>133,130</b>	<b>178,825</b>	<b>144,490</b>	<b>159,346</b>
Shares outstanding (mn)	2,221.7	2,222.0	2,222.0	2,222.0	2,222.0

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	131,910	143,490	229,982	182,406	204,385
Others (non-cash items)	(9,690)	1,820	(8,420)	0	0
Taxes paid	(27,330)	(26,750)	(64,395)	(51,074)	(57,228)
Change in NWC	20,630	6,510	9,806	27,470	427
<b>Operating cash flow</b>	<b>192,080</b>	<b>240,560</b>	<b>277,156</b>	<b>275,377</b>	<b>269,382</b>
Capital expenditure	(97,370)	(157,280)	(236,004)	(265,442)	(210,572)
Acquisition of business	(2,710)	18,560	0	0	0
Interest & dividend income	19,920	(4,040)	0	0	0
<b>Investing cash flow</b>	<b>(80,160)</b>	<b>(142,760)</b>	<b>(236,004)</b>	<b>(265,442)</b>	<b>(210,572)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(81,870)	(43,930)	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(39,500)	(39,120)	(32,701)	(32,701)	(32,701)
Dividend paid (incl tax)	(8,900)	(6,670)	(11,002)	(9,193)	(10,301)
Others	30,340	(18,360)	0	0	0
<b>Financing cash flow</b>	<b>(99,930)</b>	<b>(108,080)</b>	<b>(43,702)</b>	<b>(41,894)</b>	<b>(43,002)</b>
Net chg in Cash	11,990	(10,280)	(2,550)	(31,959)	15,808
OCF	192,080	240,560	277,156	275,377	269,382
Adj. OCF (w/o NWC chg.)	171,450	234,050	267,350	247,907	268,955
FCFF	94,710	83,280	41,152	9,935	58,810
FCFE	12,840	39,350	41,152	9,935	58,810
OCF/EBITDA (%)	79.6	93.5	85.1	96.8	86.8
FCFE/PAT (%)	12.8	37.5	24.8	7.6	40.0
<b>FCFF/NOPLAT (%)</b>	<b>73.9</b>	<b>62.6</b>	<b>23.0</b>	<b>6.9</b>	<b>36.9</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	2,220	2,220	2,220	2,220	2,220
Reserves & Surplus	945,840	1,059,240	1,205,405	1,327,544	1,464,401
<b>Net worth</b>	<b>948,060</b>	<b>1,061,460</b>	<b>1,207,625</b>	<b>1,329,764</b>	<b>1,466,621</b>
Minority interests	110	110	110	110	110
Deferred tax liability (net)	73,220	81,600	81,600	81,600	81,600
<b>Total debt</b>	<b>677,930</b>	<b>641,610</b>	<b>641,610</b>	<b>641,610</b>	<b>641,610</b>
<b>Total liabilities &amp; equity</b>	<b>1,699,320</b>	<b>1,784,780</b>	<b>1,930,945</b>	<b>2,053,084</b>	<b>2,189,941</b>
Net tangible fixed assets	831,890	917,940	1,076,461	1,258,030	1,379,505
Net intangible assets	324,360	322,900	322,900	322,900	322,900
Net ROU assets	26,810	25,470	25,470	25,470	25,470
Capital WIP	73,400	146,430	146,430	146,430	146,430
Goodwill	0	0	0	0	0
Investments [JV/Associates]	158,720	217,490	217,490	217,490	217,490
<b>Cash &amp; equivalents</b>	<b>150,830</b>	<b>144,370</b>	<b>141,820</b>	<b>109,861</b>	<b>125,669</b>
Current assets (ex-cash)	742,280	679,060	682,488	659,626	679,538
Current Liab. & Prov.	535,570	522,450	535,684	540,292	560,631
<b>NWC (ex-cash)</b>	<b>206,710</b>	<b>156,610</b>	<b>146,804</b>	<b>119,334</b>	<b>118,907</b>
<b>Total assets</b>	<b>1,699,320</b>	<b>1,784,780</b>	<b>1,930,945</b>	<b>2,053,084</b>	<b>2,189,941</b>
Net debt	432,520	400,640	403,190	435,149	419,341
Capital employed	1,699,320	1,784,780	1,930,945	2,053,084	2,189,941
<b>Invested capital</b>	<b>1,316,370</b>	<b>1,276,490</b>	<b>1,425,205</b>	<b>1,579,303</b>	<b>1,700,352</b>
BVPS (Rs)	425.9	477.2	542.9	597.8	659.3
Net Debt/Equity (x)	0.5	0.4	0.3	0.3	0.3
Net Debt/EBITDA (x)	1.8	1.6	1.2	1.5	1.4
Interest coverage (x)	4.6	4.7	8.0	6.6	7.3
<b>RoCE (%)</b>	<b>10.3</b>	<b>10.5</b>	<b>14.1</b>	<b>10.8</b>	<b>11.2</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	14.4	13.8	8.8	11.0	9.9
P/CE(x)	8.4	8.0	6.0	6.7	6.1
P/B (x)	1.5	1.4	1.2	1.1	1.0
EV/Sales (x)	0.8	0.9	0.8	0.8	0.8
EV/EBITDA (x)	7.8	7.2	5.7	6.6	6.0
EV/EBIT(x)	11.2	10.2	7.5	9.4	8.4
EV/IC (x)	1.4	1.4	1.3	1.2	1.1
FCFF yield (%)	5.0	4.5	2.2	0.5	3.1
FCFE yield (%)	0.7	2.1	2.2	0.5	3.1
Dividend yield (%)	0.5	0.5	0.8	0.6	0.7
<b>DuPont-RoE split</b>					
Net profit margin (%)	4.5	4.9	7.1	5.7	6.0
Total asset turnover (x)	1.4	1.2	1.3	1.2	1.2
Assets/Equity (x)	1.9	1.7	1.6	1.6	1.5
<b>RoE (%)</b>	<b>11.6</b>	<b>10.4</b>	<b>14.6</b>	<b>10.4</b>	<b>10.5</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	5.7	6.2	7.7	6.2	6.5
IC turnover (x)	1.8	1.7	1.7	1.5	1.5
<b>RoIC (%)</b>	<b>13.3</b>	<b>14.0</b>	<b>18.4</b>	<b>13.4</b>	<b>13.5</b>
<b>Operating metrics</b>					
Core NWC days	33.8	26.5	23.0	18.8	17.7
<b>Total NWC days</b>	<b>33.8</b>	<b>26.5</b>	<b>23.0</b>	<b>18.8</b>	<b>17.7</b>
Fixed asset turnover	1.9	1.8	1.8	1.6	1.5
Opex-to-revenue (%)	0.0	0.0	0.0	0.0	0.0

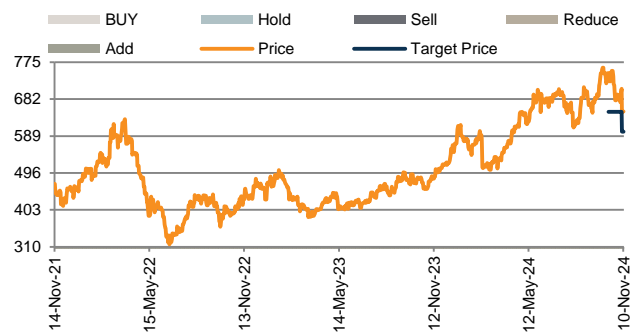
Source: Company, Emkay Research

**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
07-Nov-24	648	600	Sell	Amit Lahoti
12-Oct-24	747	650	Reduce	Amit Lahoti

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**



Source: Company, Bloomberg, Emkay Research



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