INDIA

BUY

Hindalco

Metals

Result Update 10 August 2018

Class apart, maintain Buy

We maintain buy on Hindalco (HNDL) with a revised TP of Rs340. HNDL's domestic aluminium business continued to deliver a solid operational performance (Blended EBITDA/t at US$762 on Utkal inclusive basis) led by industry leading cost positioning and optimum utilisations. Novelis' performance remained solid (EBITDA/t at US$417) and Aleris (acquisition underway) also performed strongly with EBITDA/t of US$361. We like HNDL on account of i) strong earnings visibility from low cost domestic aluminium asset base with domestic coal supply in place, ii) increasing proportion of non-commodity linked EBITDA share in consolidated entity with acquisition of Aleris, iii) high FCF generation, and iv) reducing net debt/EBITDA through faster repayments and carefully calibrated capex.

- **Strong show in aluminium continues, copper steady:** EBITDA (including Utkal) stood at Rs18.7bn, up 28% YoY and 17% QoQ and stood 3% higher than our estimates. The aluminium division (incl. Utkal) reported EBITDA of Rs15.3bn, up 35% YoY and blended EBITDA/t stood at ~US$762/t. This was aided by strong pricing in both aluminium & alumina and stable operations. The copper division reported steady operational performance with volumes of 82kt impacted by planned maintenance shutdown and EBITDA of Rs3.35bn, up 4% YoY supported by improved by-product realisations.
- **Novelis' operations maintain their solid performance:** Operational performance achieved a new record EBITDA/t aided by operational efficiency and favorable market conditions. Adjusted EBITDA/t (excluding metal lag) stood at US$417/t (up 13% YoY). Guidance remained strong on profitability and yet prudent on balance sheet for pursuing growth. Aleris (acquisition announced) also performed strongly with adj. EBITDA/t of US$361/t driven by higher automotive shipments.
- **Outlook – solid cost positioning to keep operational performance strong:** HNDL's overall aluminium portfolio CoP has high stability led by captive bauxite feed and favorable coal supplies tied through captive/linkage routes domestically. Increase in domestic coal prices and fuel prices are likely to impact CoP adversely to a marginal extent. *Global aluminium pricing outlook remains strong led by better demand-supply situation, a rising global cost curve led by higher carbon & alumina costs and positive indications about winter production cuts in China due to environmental concerns*. Management's focus on driving further cost savings and deleveraging the balance sheet remains intense. We tweak our estimates marginally factoring in higher costs due to coal/fuel inflation and lower other income.
- **Valuation and risks – maintain Buy:** Despite progressively improving performance, stock has remained sideways on account of concerns around impact of global trade war, lower aluminium prices and recent Aleris acquisition. However, we believe that HNDL remains on its guided strategy with deleveraging underway and overall operations getting stronger by each passing year. We maintain our EV/EBITDA multiple at 6.5x for domestic operations, 7x for Novelis and 7x for Aleris on FY20E earnings to arrive at our revised TP of Rs340. Maintain Buy and retain HNDL as our top large cap pick in Metals. Key downside risks are lower LME prices and lower volumes.

Standalone (Rs mn)	Q1FY19	Q1FY18	YoY%	Q4FY18	QoQ%	Q1FY19E	Var %
Net sales	**1,05,932**	**97,700**	**8.4**	**1,16,811**	**(9.3)**	**1,03,259**	**2.6**
EBITDA	**13,253**	**11,477**	**15.5**	**12,576**	**5.4**	**13,413**	**(1.2)**
EBITDA margin (%)	***12.5***	***11.7***		***10.8***		***13.0***	
Depreciation	4,043	3,792	6.6	4,598	(12.1)	3,900	3.7
Interest	4,108	4,878	(15.8)	4,464	(8.0)	4,200	(2.2)
Other income	1,055	2,563	(58.9)	2,049	(48.5)	2,000	(47.3)
PBT	**6,157**	**4,327**	**42.3**	**5,563**	**10.7**	**7,313**	**(15.8)**
Provision for tax	2,022	1,431		1,794		2,413	
PAT	**4,135**	**2,896**	**42.8**	**3,770**	**9.7**	**4,900**	**(15.6)**

Source: Company, Centrum Research Estimates

Target Price	Rs340	Key Data	
CMP*	Rs223	Bloomberg Code	HNDL IN
Upside	*52.7%*	Curr Shares O/S (mn)	2,245.3
Previous Target	Rs350	Diluted Shares O/S(mn)	2,245.3
Previous Rating	Buy	Mkt Cap (Rsbn/USDbn)	500/7.3
		52 Wk H / L (Rs)	284/192.4
		5 Year H / L (Rs)	284/58.8
		Daily Vol. (3M NSE Avg.)	11204770

Price Performance (%)*

	1M	6M	1Yr
HNDL IN	*(2.8)*	*(8.5)*	*(6.4)*
NIFTY	*4.4*	*9.3*	*16.4*

**as on 10 August 2018; Source: Bloomberg, Centrum Research*

Shareholding pattern (%)*

	Jun-18	Mar-18	Dec-17	Sep-17
Promoter	*34.7*	*34.7*	*34.7*	*34.7*
FIIs	*26.9*	*28.1*	*29.7*	*28.4*
Dom. Inst.	*20.0*	*19.1*	*16.6*	*17.8*
Public & Others	*18.5*	*18.1*	*19.0*	*19.2*

Source: BSE, as on 10 August 2018

Operating metrics

Y/E Mar (Rsmn)	Q1FY19	Q1FY18	YoY%	Q4FY18	QoQ%
Aluminium (incl utkal)					
Prod (MT)	3,23,000	3,21,000	*0.6*	3,20,000	*0.9*
Sales (MT)	3,00,000	2,99,000	*0.3*	3,21,000	*(6.5)*
EBITDA (Rsmn)	15,310	11,320	*35.2*	12,650	*21.0*
Blended EBITDA/t (US$)	762	588	*29.6*	613	*24.3*
Copper					
Prod (MT)	81,000	1,09,000	*(25.7)*	1,05,000	*(22.9)*
Sales (MT)	82,000	1,05,000	*(21.9)*	1,08,000	*(24.1)*
EBITDA (Rsmn)	3,352	3,223	*4.0*	3,291	*1.8*

Source: Company, Centrum Research

Earnings Revision (Consolidated) - Unchanged

Particulars (Rs bn)	FY19E			FY20E		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	1,246.7	1246.7	-	1,288.2	1288.2	-
EBITDA	152.7	156.8	*(2.6)*	156.7	158.8	*(1.3)*
EBITDA Margin (%)	*12.2*	*12.6*		*12.2*	*12.3*	
PAT-adj.	56.1	60.5	*(7.3)*	59.8	64.3	*(7.0)*

Source: Centrum Research Estimates

Centrum vs. Bloomberg Consensus*

Particulars (Rs bn)	FY19E			FY20E		
	Centrum	BBG	Chg (%)	Centrum	BBG	Chg (%)
Net Sales	1246.7	1,289.4	*(3.3)*	1,288.2	1,313.0	*(1.9)*
EBITDA	152.7	155.2	*(1.6)*	156.7	159.5	*(1.7)*
PAT-adj.	56.1	56.9	*(1.3)*	59.8	60.5	*(1.1)*

Bloomberg Consensus*				Centrum Target Price (Rs)	*Variance (%)*
BUY	SELL	HOLD	Target Price (Rs)		
26	2	1	299	340	*13.6*

**as on 10 August 2018; Source: Bloomberg, Centrum Research Estimates*

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Y/E Mar (Rs bn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	Adj. EPS (Rs)	RoE (%)	RoCE (%)	PE (x)	EV/EBITDA (x)
FY16	1,000.5	*(4.1)*	87.2	*8.7*	5.9	*(78.9)*	2.9	*1.5*	*(2.2)*	33.0	8.2
FY17	1,001.8	*0.1*	124.4	*12.4*	18.9	*220.1*	8.4	*4.6*	*4.7*	16.2	6.4
FY18P	1,151.7	*15.0*	139.2	*12.1*	44.1	*133.4*	19.7	*13.4*	*7.6*	11.7	6.7
FY19E	1,246.7	*8.2*	152.7	*12.2*	56.1	*27.3*	25.0	*10.8*	*7.7*	8.9	5.8
FY20E	1,288.2	*3.3*	156.7	*12.2*	59.8	*6.4*	26.7	*10.5*	*7.8*	8.4	5.3

Source: Company, Centrum Research Estimates, NM= Not Meaningful

Concall highlights

Demand-Supply outlook & Aluminium price outlook

- Global aluminium demand in CY18 is expected to grow by 4-5%.
- Global aluminium production is expected to grow by 1-2% and deficit is likely in CY18
- China is expected to implement winter cuts again in CY18 though in a different manner vs CY17
- China is also clamping down on illegal and polluting coal plants leading to lower power supply for aluminium smelters
- Domestic demand for Aluminium grew by 10% YoY in Q1FY19 to 924kt and market remained oversupplied with imports of fake semis and wire rods.
- Copper demand growth in India was strong at 12% YoY in Q1FY19
- Aluminium fundamentals remain favorable for the LME to have an upward bias as demand is strong, china supply is expected to remain restricted in winters and global cost curve has gone up with higher alumina & coal prices
- Global copper market is expected to grow by 3% and marginal deficit is expected in CY18.
- Aluminium imports have risen 20% QoQ in India due to tariff wars situation globally

Aluminium division

- Volume performance remained at full utilisations and value added product volumes remained stable YoY
- Alumina production was lower due to maintenance shutdown
- Integrated metal cost for aluminium was flattish qoq despite higher coal & carbon costs led by lower fixed costs. Q2 CoP on integrated basis would be higher by 3-4%
- Q2 aluminium sales should be 320kt+ and full year sales likely to be closer to production. Q1 sales were lower than production due to delay in shipments as some quantity got stuck on port
- Premiums realised on aluminium went up by US$15/t QoQ
- Input Costs
    - Higher Alumina price as per transfer pricing from Utkal based on index based formula (One quarter lag Metal Bulletin alumina price – this qtr it was US$527 vs US$445/t QoQ).
    - Coal costs –
        - Average coal cost in Q1FY19 was up 2% QoQ.
        - Current sourcing is 20% from captive mines, 60% from linkages and rest 20% is from e-auctions.
        - Krishnashila linkage is now expired and should be put for re-auction in Sep'18 but the supply continues till re-auction is completed
    - Furnace oil costs were up 2% QoQ
- FY19 hedging – Q4 hedging loss was Rs2bn and stood at Rs1.8bn in Q1. Strategy is not to do more than 40% of all volumes. Starting to look at FY20E hedges based on price movements. For remaining 9 months of FY19, total 27% of volumes are hedged at Rs140000/t (LME+USD/INR hedged) and another 11% hedged at only LME level of US$2274/t but rupee is open.
- Expect 10-12% increase in downstream aluminium volumes every year from hereon. Value added product market size in India is 1.3 MT and Hindalco has 30% market share as of now.

Copper Division performance –

- Higher by-product realisations supported EBITDA in Q1. Q2 the same trend is continuing led by strong international prices of DAP.
- DAP plant is operational and ramping up well as past operational issues have been resolved.
- Copper rod plant (CCR-3) has been commissioned in Q4FY18. This would add 200 ktpa of copper rods on full utilisation and it contributed 24kt production in Q1FY19. This capacity is expected to add US$200/t additional EBITDA for the copper business. Hindalco expects to sell 270kt of copper rods and sell less of copper cathodes.
- Copper production is expected to remain at 80kt. Expect to do 400kt+ sales in copper division for FY19.

Interest, depreciation & Capex –

- Cons Net Debt is ~Rs420bn. Gross debt is Rs540bn and treasury of Rs120bn.
- Net Debt/EBITDA at India operations stood at 2.57x (down from 2.68x at Mar'18)
- Consolidated Net debt at Hindalco level (incl. Utkal) is Rs170bn. Gross debt is Rs230bn and cash is Rs60bn
- Standalone capex of Rs15bn expected (incl maintenance capex of Rs9bn) for FY19.
- Post Aleris acquisition, Net Debt/EBITDA at consolidated level is expected to be 3.3x and within two years this should come down to below 3x.

Expansion & others –

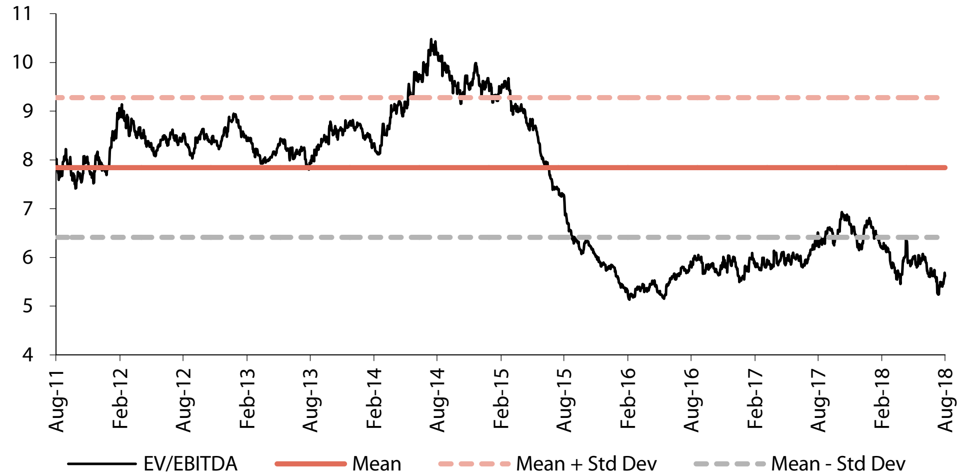
- Expansion of Utkal facility from 1.5 MT to 2 MT is on schedule. Capex of Rs13bn and project completion is expected to commission in FY21.
- Continue to focus on downstream investments going forward which would be less capital intensive before going for new brownfield expansion. In five years, want the downstream portfolio to be 50-55% of the overall portfolio of 1.3 MT aluminium capacity. ROCE being targeted from this project could be 11-12%.
- Other income was lower due to lower treasury and lower yields. Treasury of ~Rs50bn exists and income could be 7% on this.

Exhibit 1: Sensitivity Analysis (FY19E)

Sensitivity to key variables	*% change*	*% impact on EBITDA*	*% impact on EPS*
Sales volume	*1*	*1.3*	*2.0*
Realisation	*1*	*1.7*	*2.6*

Source: Company, Centrum Research Estimates

Exhibit 2: Rolling forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 3: Comparative Valuations

Company	Mkt Cap (US $ mn)	*CAGR FY18-FY20E (%)*			*EBITDA Margin (%)*			PE (x)			EV/EBITDA (x)			*RoE (%)*			*Div Yield (%)*		
		Rev.	*EBITDA*	*PAT*	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Hindalco*	7,260	***5.8***	***6.1***	***16.4***	***12.1***	***12.2***	***12.2***	**11.7**	**8.9**	**8.4**	**6.7**	**5.8**	**5.3**	***13.4***	***10.8***	***10.5***	***0.5***	***0.9***	***0.9***
NALCO	1,963	6.4	21.8	24.9	16.3	21.7	21.4	13.0	9.1	9.4	7.0	4.1	4.5	9.6	12.8	12.4	5.2	6.1	5.4
Alcoa Inc#	8,016	5.7	16.3	85.3	16.8	22.1	20.3	35.5	10.5	10.9	4.0	2.8	4.1	4.3	13.7	12.4	0.0	0.1	0.3

*Source: Bloomberg consensus, *Centrum Research Estimates, # FY18 = CY17 and so on for Alcoa and UC Rusal, NM=Not Meaningful*

Exhibit 4: Valuation

Mar'20E	EBITDA (Rs mn)	Multiple (x)	EV (Rs mn)
Domestic business	71,630	6.5	4,65,594
Novelis	85,101	7.0	5,95,709
Aleris (US$350mn)	22,750	7.0	1,59,250
Total EV			12,20,552
Net debt (incl Aleris US$2.6bn)			5,00,275
Market cap			7,20,278
No of shares (mn)			2,242
Per share value			323
Value of Investments (at 20% disc.)			17
Fair value (Rs/ share)			**340**

Source: Company, Centrum Research Estimates

Exhibit 5: Quarterly Financials

Particulars (Rs mn) - Standalone	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Net Sales/Income From Operations	**90,123**	**93,136**	**1,10,261**	**97,700**	**1,03,082**	**1,10,281**	**1,16,811**	**1,05,932**
(Increase) / decrease in stocks in trade	(1,739)	(6,851)	1,677	(2,404)	(1,715)	(4,530)	4,457	(5,605)
Trade purchases	151.5	-	1.9	-	30.1	19.1	-	55.5
Raw Materials	49,660	58,413	62,378	58,273	60,761	68,847	66,196	65,657
Power & Fuel	14,823	14,295	15,020	14,852	15,083	14,733	15,333	15,058
Emp. Expenses including separation compensation	4,815	4,445	4,185	4,384	4,784	4,964	4,815	4,691
Other Expenses	10,848	10,982	13,527	11,118	10,242	13,062	13,433	12,823
Operating Profit (Core EBITDA)	**11,564**	**11,852**	**13,472**	**11,477**	**13,899**	**13,186**	**12,576**	**13,253**
Depreciation	3,516	3,580	3,802	3,792	3,804	3,875	4,598	4,043
EBIT	**8048**	**8273**	**9670**	**7686**	**10095**	**9311**	**7978**	**9210**
Interest	5,943	5,879	5,411	4,878	4,836	4,828	4,464	4,108
Other Revenue/Income	3,364	2,200	2,226	2,563	1,872	2,994	2,049	1,055
Other Exceptional Items	-	-	-	1,044	1,055	1,153	-	-
Profit Before Tax	**6,318**	**4,593**	**6,485**	**4,327**	**6,076**	**6,323**	**5,563**	**6,157**
Tax	1,929	1,390	1,457	1,431	2,146	2,552	1,794	2,022
Tax rate (%)	*30.5*	*30.2*	*22.5*	*33.1*	*35.3*	*40.4*	*32.2*	*32.8*
Profit After Tax	**4,389**	**3,204**	**5,028**	**2,896**	**3,930**	**3,771**	**3,770**	**4,135**
Growth (%)								
Net Sales	*1.1*	*14.3*	*27.4*	*28.8*	*14.4*	*18.4*	*5.9*	*8.4*
EBITDA	*88.2*	*76.5*	*14.4*	*2.0*	*20.2*	*11.3*	*(6.7)*	*15.5*
Adj. PAT	*254.8*	*691.9*	*25.3*	*(1.6)*	*(10.5)*	*17.7*	*(25.0)*	*42.8*
Margin (%)								
EBITDA	*12.8*	*12.7*	*12.2*	*11.7*	*13.5*	*12.0*	*10.8*	*12.5*
EBIT	*8.9*	*8.9*	*8.8*	*7.9*	*9.8*	*8.4*	*6.8*	*8.7*
PAT	*4.9*	*3.4*	*4.6*	*3.0*	*3.8*	*3.4*	*3.2*	*3.9*
Key Drivers								
Alumina Production (Tonne)	7,26,000	7,44,000	7,08,000	7,24,000	7,12,000	7,34,000	7,10,000	6,95,000
Aluminium Production (Tonne)	3,21,000	3,20,000	3,17,000	3,21,000	3,26,000	3,23,000	3,20,000	3,23,000
Copper Cathodes Production (Tonne)	1,06,000	94,000	1,11,000	1,09,000	96,000	1,01,000	1,05,000	81,000

Source: Company, Centrum Research

Exhibit 6: Key Performance Indicators

Assumptions	FY16	FY17	FY18P	FY19E	FY20E
Volumes (Tonne)					
Alumina	4,18,000	4,30,400	4,30,000	4,74,400	5,04,400
Aluminium Metal	8,64,100	9,46,250	9,69,000	9,19,105	9,19,105
Downstream aluminium	2,83,500	3,01,800	3,05,000	3,37,150	3,37,150
Copper	3,94,200	3,75,079	4,08,000	3,75,000	3,75,000
Novelis - Aluminium (kt)	3,326	3,176	3,335	3,370	3,410
Realizations (US$/tonne)					
LME Aluminium	1,593	1,680	2,045	2,150	2,250
LME Copper	5,226	5,150	6,449	6,500	6,700

Source: Company, Centrum Research Estimates

Financials (Cons)

Exhibit 7: Income Statement

Y/E March (Rs mn)	FY16	FY17	FY18P	FY19E	FY20E
Revenues	**10,00,537**	**10,01,838**	**11,51,717**	**12,46,708**	**12,88,180**
Materials cost	5,98,935	5,56,614	6,88,789	7,28,726	7,51,436
% of revenues	*59.9*	*55.6*	*59.8*	*58.5*	*58.3*
Employee cost	81,381	85,460	86,448	97,243	1,03,054
% of revenues	*8.1*	*8.5*	*7.5*	*7.8*	*8.0*
Others	2,32,982	2,35,406	2,37,268	2,68,042	2,76,959
% of revenues	*23.3*	*23.5*	*20.6*	*21.5*	*21.5*
EBITDA	**87,239**	**1,24,359**	**1,39,212**	**1,52,697**	**1,56,731**
EBITDA margin (%)	*8.7*	*12.4*	*12.1*	*12.2*	*12.2*
Depreciation & Amortisation	41,961	44,572	45,062	48,469	50,198
EBIT	**45,278**	**79,786**	**94,149**	**1,04,228**	**1,06,533**
Interest expenses	50,467	57,424	39,107	33,966	30,116
PBT from operations	**(5,189)**	**22,362**	**55,042**	**70,262**	**76,417**
Other income	12,113	10,859	11,046	9,941	8,947
Exceptional items	3,271	76	(17,742)	-	-
PBT	**3,653**	**33,144**	**83,829**	**80,203**	**85,364**
Taxes	5,148	14,326	20,742	24,061	25,609
Effective tax rate (%)	141%	43%	25%	30%	30%
PAT	**(1,495)**	**18,818**	**63,088**	**56,142**	**59,755**
Minority/Associates	(4,127)	-	1,251	-	-
Reported PAT	**2,632**	**18,818**	**61,837**	**56,142**	**59,755**
Adjusted PAT	**5,903**	**18,894**	**44,095**	**56,142**	**59,755**

Source: Company, Centrum Research Estimates

Exhibit 8: Key Ratios

Y/E March	FY16	FY17	FY18P	FY19E	FY20E
Growth Ratio (%)					
Revenue	*(4.1)*	*0.1*	*15.0*	*8.2*	*3.3*
EBITDA	*(2.5)*	*42.5*	*11.9*	*9.7*	*2.6*
Adjusted PAT	*(78.9)*	*220.1*	*133.4*	*27.3*	*6.4*
Margin Ratios (%)					
EBITDA	*8.7*	*12.4*	*12.1*	*12.2*	*12.2*
PBT from operations	*(0.5)*	*2.2*	*4.8*	*5.6*	*5.9*
Adjusted PAT	*0.6*	*1.9*	*3.8*	*4.5*	*4.6*
Return Ratios (%)					
ROE	*1.5*	*4.6*	*13.4*	*10.8*	*10.5*
ROCE	*(2.2)*	*4.7*	*7.6*	*7.7*	*7.8*
ROIC	*(2.0)*	*4.8*	*7.6*	*7.6*	*7.8*
Turnover Ratios (days)					
Gross block turnover ratio (x)	0.9	0.8	0.9	1.0	1.0
Debtors	29	30	32	30	30
Inventory	61	67	69	70	70
Creditors	52	65	65	60	60
Cash conversion cycle	38	32	35	40	40
Solvency Ratio (x)					
Net debt-equity	1.3	1.1	0.8	0.7	0.6
Debt-equity	1.8	1.5	1.0	0.8	0.7
Interest coverage ratio	1.1	0.7	0.4	0.3	0.3
Gross debt/EBITDA	7.7	5.1	3.7	3.0	2.6
Current Ratio	1.2	1.3	1.4	1.4	1.4
Per share Ratios (Rs)					
Adjusted EPS	2.9	8.4	19.7	25.0	26.7
BVPS	186.1	193.4	219.6	242.3	266.6
CEPS	21.6	28.3	47.7	46.7	49.0
DPS	1.0	1.1	1.2	2.0	2.0
Dividend payout %	*78.4*	*13.1*	*4.4*	*8.0*	*7.5*
Valuation (x)(Avg Mkt Cap)					
P/E (adjusted)	33.0	16.2	11.7	8.9	8.4
P/BV	0.5	0.7	1.1	0.9	0.8
EV/EBITDA	8.2	6.4	6.7	5.8	5.3
Dividend yield %	*1.1*	*0.8*	*0.5*	*0.9*	*0.9*
5 Yr Avg AOCF/EV yield %	*5.7*	*5.4*	*6.2*	*6.9*	*8.9*

Source: Company, Centrum Research Estimates

Exhibit 9: Balance Sheet

Y/E March (Rs mn)	FY16	FY17	FY18P	FY19E	FY20E
Equity Share Capital	2,065	2,242	2,242	2,242	2,242
Reserves & surplus	3,82,073	4,31,323	4,90,012	5,40,908	5,95,417
Shareholders' fund	3,84,138	4,33,565	4,92,254	5,43,150	5,97,659
Total Debt	6,74,508	6,37,515	5,12,724	4,57,724	4,02,724
Def tax liab. (net)	17,302	20,321	31,333	31,333	31,333
Minority interest	3,888	62	86	86	86
Total Liabilities	**10,79,836**	**10,91,464**	**10,36,398**	**10,32,294**	**10,31,803**
Gross Block	11,60,238	12,12,589	12,54,799	12,97,799	13,45,799
Less: Acc. Depreciation	3,52,200	3,96,772	4,41,835	4,90,304	5,40,502
Net Block	8,08,038	8,15,817	8,12,964	8,07,495	8,05,297
Capital WIP	40,576	17,409	19,830	23,080	27,580
Net Fixed Assets	8,48,614	8,33,226	8,32,794	8,30,575	8,32,877
Investments	1,43,239	1,51,575	1,07,813	1,02,813	97,813
Inventories	1,67,310	1,82,914	2,16,314	2,39,095	2,47,048
Sundry debtors	79,414	82,748	99,598	1,02,469	1,05,878
Cash	43,120	62,914	62,793	40,840	41,115
Loans & Advances	63,533	48,133	47,721	51,235	52,939
Other assets	40,391	59,209	46,600	58,066	59,997
Total Current Asset	3,93,767	4,35,918	4,73,027	4,91,704	5,06,977
Trade payables	1,41,224	1,78,581	2,04,151	2,04,938	2,11,756
Other current Liab.	72,350	70,837	82,062	85,391	88,232
Provisions	92,206	79,839	91,023	1,02,469	1,05,878
Net Current Assets	87,987	1,06,662	95,790	98,905	1,01,112
Total Assets	**10,79,836**	**10,91,464**	**10,36,398**	**10,32,294**	**10,31,803**

Source: Company, Centrum Research Estimates

Exhibit 10: Cash Flow

Y/E March (Rs mn)	FY16	FY17	FY18P	FY19E	FY20E
Op profit before WC changes	85,707	1,23,476	1,66,738	1,52,697	1,56,731
Changes in working capital	21,960	18,413	(24,680)	(24,865)	(4,545)
Cash flow from operations	**1,02,710**	**1,27,563**	**1,21,316**	**1,03,771**	**1,26,577**
Adj. OCF (OCF - Interest)	52,243	70,139	82,209	69,806	96,461
Net Capex	40,455	29,184	44,630	46,250	52,500
Adj. FCF	11,788	40,954	37,579	23,556	43,961
Cash flow from investments	**(32,812)**	**(43,961)**	**45,608**	**(31,513)**	**(35,940)**
Cash flow from financing	**(72,594)**	**(63,808)**	**(1,67,045)**	**(94,212)**	**(90,362)**
Net change in cash	**(2,696)**	**19,794**	**(121)**	**(21,953)**	**275**

Source: Company, Centrum Research Estimates

Appendix A

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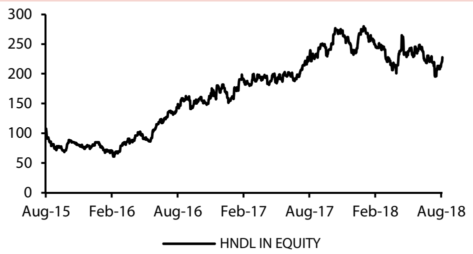
Hindalco price chart



Source: Bloomberg, Centrum Research

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