

Estimate Change	↑
TP change	↑
Rating change	↔

Bloomberg	HNDL IN
Equity Shares (m)	2,247
M.Cap.(INRb)/(USDb)	988.9 / 12.4
52-Week Range (INR)	636 / 309
1, 6, 12 Rel. Per (%)	15/-19/-5
12M Avg Val (INR M)	5584
Free float (%)	65.4

Financials & Valuations (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	1,951	2,043	1,975
EBITDA	283	254	263
EBITDA Margin	15	12	13
Adj. PAT	136	110	120
Cons. Adj. EPS	61	50	54
EPS Gr. (%)	149	-19	8
BV/Sh. (INR)	244	285	330

Ratios

Net D:E	0.7	0.5	0.4
RoE (%)	28.0	18.8	17.5
RoCE (%)	16.1	12.8	12.9
Payout (%)	7.6	12.9	12.0

Valuations

P/E (x)	6.9	8.5	7.9
P/BV (x)	1.7	1.5	1.3
EV/EBITDA(x)	4.7	5.0	4.7
Div. Yield (%)	0.9	1.3	1.3
FCF Yield (%)	12.1	12.3	6.0

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	34.6	34.6	34.6
DII	21.5	19.2	20.6
FII	25.1	29.2	25.2
Others	18.8	17.0	19.6

FII Includes depository receipts

CMP: INR440 TP: INR525(+19%) Buy

Strong beat on India numbers, costs to peak out in 2Q

- HNDL reported a strong set of 1QFY23 earnings, driven by all round beat on EBITDA. Consolidated revenue grew 40% YoY and 4% QoQ to INR580b during the quarter, 9% ahead of our estimate.
- Consolidated EBITDA rose 37% YoY and 15% QoQ to INR84b. EBITDA was 35% higher than our estimate, driven by beat in the aluminum and copper business. Adjusted EBITDA for Novelis grew 10% YoY and 30% QoQ to USD561m, a 12% beat to our estimate.
- APAT grew 41% YoY (flat QoQ) to INR41b, significantly ahead of our estimate, driven by a sharp beat on EBITDA and aided by higher than estimated other income.
- The management, however, guided at a sharp uptick in costs as higher cost coal procured in May-Jun'22 will be due for consumption in 2QFY23.
- It recently raised its FY23 EBITDA/t guidance for Novelis due to its strong performance in 1Q.
- We raise our consolidated EBITDA by 6%/5% for FY23/FY24 as the management focuses on the downstream aluminum business in India, which will drive margin higher. At the same time, the low-cost alumina from Utkal will continue to drive down costs. Novelis is renewing its existing contracts as and when they are due at a better margin. We raised our SoTP driven TP to INR525 (from INR490 earlier).

Costs likely to peak in 2QFY23

- The management expects the production cost of aluminum to rise in 'mid-teens' on a QoQ basis, driven by higher coal costs, due to non-availability as well as higher prices. We note that the e-auction price for COAL has been conducted at a premium of over 200%, while coal availability for the non-regulatory sector has been slashed to 50% from 75%. Actual delivery has been even lower, as most of the coal has been diverted to power plants.
- The calculated CoP for the aluminum business (including the downstream business) has reduced by 9% QoQ as against the management's guidance of a hike of ~15%. The management said low-cost inventory in the system has helped offset part of the cost push. This will imply a sharp QoQ jump in total CoP for the India aluminum business in 2QFY23.
- We believe that costs will likely peak out in 2Q, with an improvement in the FSA linkage situation from 3QFY23 onwards, as demand for power peaks out after Diwali. This should result in a reduction in cost for HNDL. We feel captive coal blocks are an option from FY24 onwards in the best case scenario.



Valuation and view

- The full-year EBITDA/t guidance for Novelis, after its 1Q result, implies an EBITDA of USD505/t for 9MFY23, in line with our estimate. Novelis' management continues to highlight the strong demand for beverage cans as the mainstay for secondary aluminum demand, in addition to rising demand from the Automotive business as semiconductor shortages ease out.
- Novelis' greenfield capex of USD2.5b, at the management guided 'mid-teen RoCE', implies a substantial boost to its EBITDA trajectory over the next three-to-four years.
- The management is focused on the downstream business in India, with the upstream aluminum business at least two years away from an investment decision.
- This implies that most of the capex in India will either be for: a) downstream value addition, or b) investment in renewable energy to continue to reduce its carbon footprint.
- HNDL recently repaid its high-cost bonds of INR60b, priced at 9.6%, which will further reduce its finance cost as this was the most expensive loan on its books.
- We maintain our Buy rating with a SoTP-based revised TP of INR525 (from INR490 earlier). A slowdown in China remains the key risk to our call.

Highlights from the management commentary

- The macro environment remains challenging with slowdown in China, high energy costs in Europe and high inflation in US, all pointing towards lower commodities consumption.
- However, beverage cans and automobile related demand for aluminum shall remain robust as beverage cans is a highly recession resistant market while easing chip shortage in west could pump up demand for automobiles.
- Company is investing in the renewables energy to reduce its carbon footprint. The investment shall be a mix of battery dependent and battery independent sourcing of energy
- Pump hydro project shall be installed in Dec'22 at Aditya smelter and thereafter the same will be evaluated for a year before committing any potline expansion.
- Capex guidance remains unchanged with the capex for Novelis/India stands at USD1.3-1.6b/INR80b in FY23.
- The entire capex will be funded through internal accruals, with a net debt-to-EBITDA ceiling ratio of 2.5x (from 1.4x at present). The management has the option to curtail uncommitted capex in case of the 2.5x ceiling breach.
- The net debt-to-EBITDA ratio has reduced sharply to 1.4x from 2.6x as of 31st Mar'21. The company has recently paid off INR 60b bonds which were priced in the range of 9.5-9.6% which will eventually bring down the finance cost for the company.

Quarterly performance (standalone + Utkal) (INR b)

Y/E March	FY22				FY23E				FY22	FY23E	FY23	vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Aluminium sales vol (kt)	303	338	325	336	333	325	325	325	1,302	1,308	325	2
Copper sales vol (kt)	80	110	110	105	101	97	98	102	405	398	101	0
Exchange USD/INR	73.8	74.1	74.8	75.3	77.1	77.5	78.0	78.0	74.6	77.7	77.1	0.0
Avg LME Aluminium (USD/t)	2,395	2,648	2,759	3,254	2,882	2,476	2,480	2,486	2,764	2,581	2,882	0
Net Sales	133	174	185	196	192	163	164	167	689	686	181	6
Change (YoY %)	78.8	81.8	61.8	35.6	44.0	-6.3	-11.5	-14.8	60.4	0	35.5	
Change (QoQ %)	-7.8	30.3	6.3	6.2	-2.0	-15.3	0.4	2.1			-7.9	
EBITDA	24	35	36	42	37	17	15	19	137	89	25	46
Change (YoY %)	172.3	173.6	136.0	124.5	52.4	-49.9	-57.6	-55.0	146.5	-35	4.3	
Change (QoQ %)	29.4	43.3	3.2	17.2	-12.1	-52.9	-12.5	24.3			-39.9	
Aluminium EBITDA (INRb)	24	32	34	41	33	16	14	18	130	82	23	43
Aluminum EBITDA/t (USD/t)	1,052	1,296	1,389	1,601	1,304	650	556	693	1,341	802	936	39
Copper EBITDA (INR b)	3	4	4	4	6	3	3	4	14	16	3	67
Copper EBITDA/t (USD/t)	442	432	453	489	726	444	447	461	460	520	436	67
Interest	4	4	4	4	4	4	4	4	16	16	4	2
Depreciation	5	6	5	6	6	6	6	6	22	23	6	0
Other Income	1	2	0	0	0	1	1	1	3	3	1	-100
PBT (before EO item)	16	27	26	33	28	9	6	10	102	53	17	63
EO item	0	0	0	-1	0	0	0	0	-1	0	0	0
PBT (after EO item)	16	27	26	32	28	9	6	10	101	54	17	66
Total Tax	6	9	9	11	10	3	2	3	35	19	6	83
% Tax	36	34	34	36	36	33	33	33	35	35	33	0
Reported PAT	10	18	17	20	18	6	4	7	66	35	11	57
Adjusted PAT	10	18	17	21	18	6	4	7	67	35	11	55
Change (YoY %)	846.2	374.1	222.0	224.5	69.7	-65.8	-76.1	-67.3	299	-48	9.4	0.0
Change (QoQ %)	62.4	75.0	-4.5	19.5	-15.1	-64.8	-33.3	63.9			-45.3	0.0

Source: MOFSL, Company

Exhibit 1: Quarterly performance for Novelis (USD m)

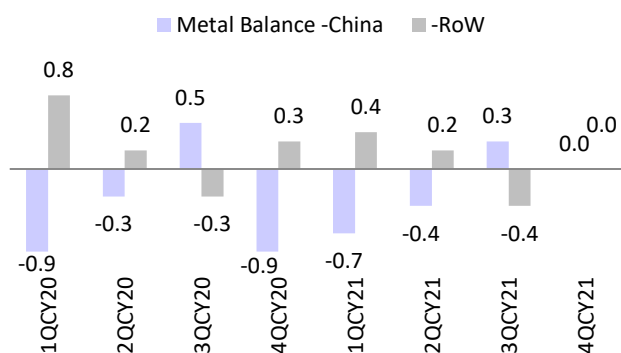
Y/E March	FY22				FY23E				FY22	FY23E	FY23	vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales (kt)	973	968	930	987	962	1,000	1,000	1,000	3,858	3,962	1,000	-4
Change (YoY %)	24.6	4.9	-0.3	0.4	-1.1	3.3	7.5	1.3	6.6	2.7	2.8	
Change (QoQ %)	-1.0	-0.5	-3.9	6.1	-2.5	4.0	0.0	0.0			1.3	
Net Sales	3,855	4,119	4,326	4,849	5,089	4,178	4,198	4,227	17,149	17,692	4,577	11
Change (YoY %)	58.9	38.3	33.5	33.5	32.0	1.4	-3.0	-12.8	39.7	3.2	18.7	
Change (QoQ %)	6.2	6.8	5.0	12.1	4.9	-17.9	0.5	0.7			-5.6	
EBITDA (adjusted)	508	553	506	430	561	510	519	528	1,997	2,119	501	12
Change (YoY %)	100.8	21.5	6.3	-14.9	10.4	-7.7	2.6	22.7	18.2	6.1	-1.4	
Change (QoQ %)	0.6	8.9	-8.5	-15.0	30.5	-9.0	1.7	1.6			16.5	
EBITDA/t (USD/t)	522	571	544	436	583	510	519	528	518	535	501	16
Interest	56	59	54	54	58	48	48	48	223	202	48	21
Depreciation	134	134	137	145	138	138	141	149	550	566	138	0
PBT (before EO item)	318	360	315	231	365	324	330	330	1,224	1,350	315	16
Extra-ordinary Income	30	(44)	36	(10)	28	(30)	(30)	(30)	12	(62)	(30)	NA
PBT (after EO item)	348	316	351	221	393	294	300	300	1,236	1,288	285	38
Total Tax	108	79	89	5	87	88	90	90	281	355	85	2
% Tax	31.0	25.0	25.4	2.3	22.1	30.0	30.0	30.0	22.7	27.6	30.0	
Reported PAT	240	237	262	217	307	206	210	210	955	932	199	54
Change (YoY %)	-404	-741	47	23	28	-13	-20	-3	303	-2	-17	
Adjusted PAT	210	281	226	227	279	236	240	240	944	995	229	22
Change (YoY %)	116.5	58.8	14.7	26.1	32.9	-16.0	6.2	5.8	45.0	5.4	9.2	
Change (QoQ %)	16.7	33.8	-19.6	0.4	22.9	-15.4	1.7	0.0			1.1	

Source: MOFSL, Company

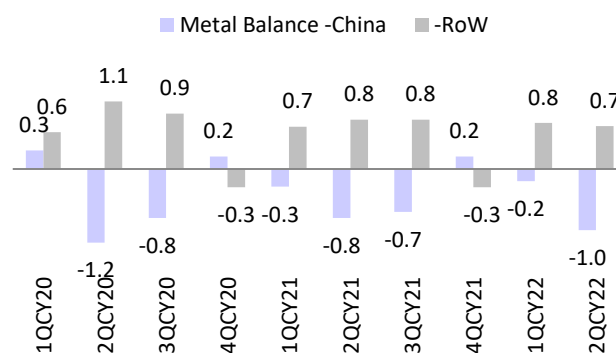
Exhibit 2: Consolidated quarterly performance (INR b)

Y/E March	FY22				FY23E				FY22	FY23E	FY23	vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	414	477	503	558	580	483	487	493	1,951	2,043	530	9
Change (YoY %)	63.6	52.6	43.8	37.7	40.2	1.3	-3.1	-11.6	48.0	4.8	28.1	0.0
Change (QoQ %)	2.1	15.2	5.5	10.9	4.0	-16.8	0.8	1.3			-5.0	0.0
Total Expenditure	352	401	429	485	496	427	432	434	1,667	1,789	467	0
EBITDA	61	75	74	73	84	56	55	59	283	254	62	35
Change (YoY %)	218.8	55.9	41.8	29.4	37.5	-25.6	-25.8	-19.4	63.4	-10.4	1.8	0.0
Change (QoQ %)	8.6	22.9	-2.2	-0.9	15.4	-33.5	-2.4	7.6			-14.5	0.0
As % of Net Sales	14.8	15.8	14.7	13.1	14.5	11.6	11.2	11.9	14.5	12.4	11.8	0.0
Interest	8	13	9	8	9	8	8	8	38	32	7	14
Depreciation	16	16	17	18	17	16	17	17	67	68	16	8
Other Income	3	4	2	3	2	1	1	1	11	5	1	134
PBT (before EO item)	39	51	50	50	60	33	31	35	190	159	40	52
Extra-ordinary Income	6	0	2	-3	0	-2	-2	-2	6	-7	-2	0
PBT (after EO item)	45	51	52	48	61	31	29	32	196	153	37	63
Current Tax	7	11	10	10	11	8	7	8	38	34	10	0
Deferred Tax	6	5	5	-1	9	2	2	2	16	15	2	0
Total Tax	13	16	15	9	20	10	9	10	54	49	12	62
% Tax	33.1	31.9	31.0	18.3	32.6	29.6	29.4	30.0	27.5	32.1	30.7	
Reported PAT	32	35	37	39	41	21	19	22	142	104	25	64
Adjusted PAT	26	35	34	41	41	24	22	24	136	110	27	48
Change (YoY %)	-1,852.7	78.7	55.5	115.1	55.1	-31.8	-36.3	-41.1	174.2	-26.9	4.5	
Change (QoQ %)	37.6	31.2	-0.8	20.1	-0.8	-42.3	-7.4	11.1			-33.1	

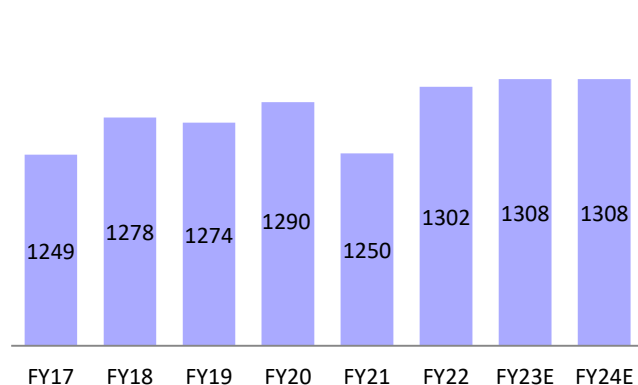
Source: MOFSL, Company

Exhibit 3: Aluminum market balance: Surplus/(deficit) (mt)

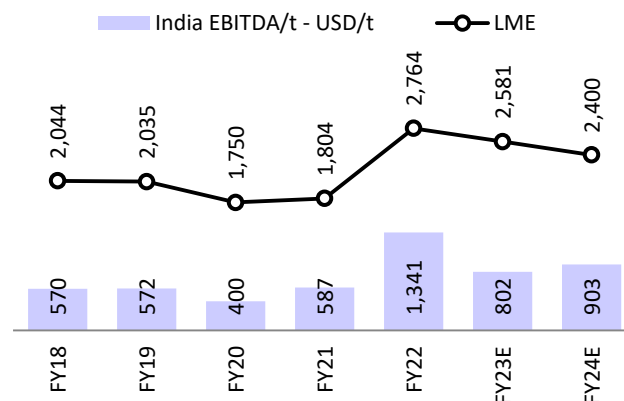
Source: MOFSL, Company

Exhibit 4: Copper market balance: Surplus/(deficit) (mt)

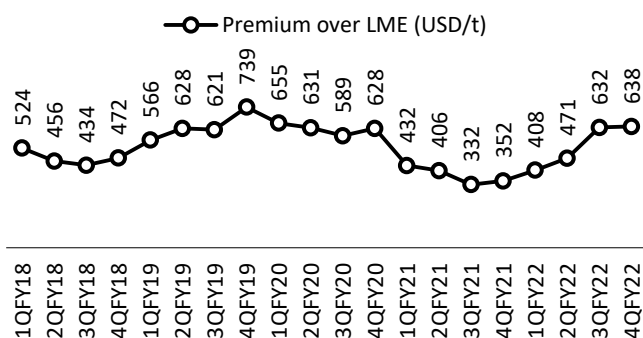
Source: MOFSL, Company

Exhibit 5: Al upstream production (kt) - no more growth

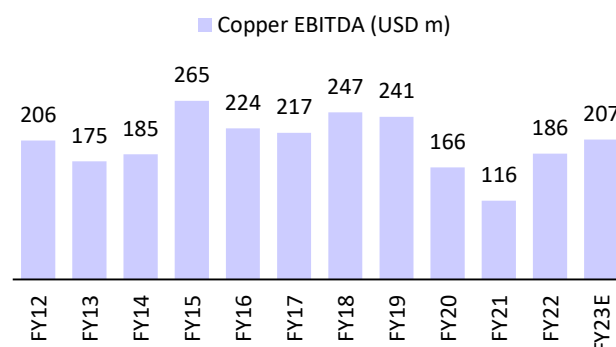
Source: MOFSL, Company

Exhibit 6: Lower LME to bring down India EBITDA (USD/t)

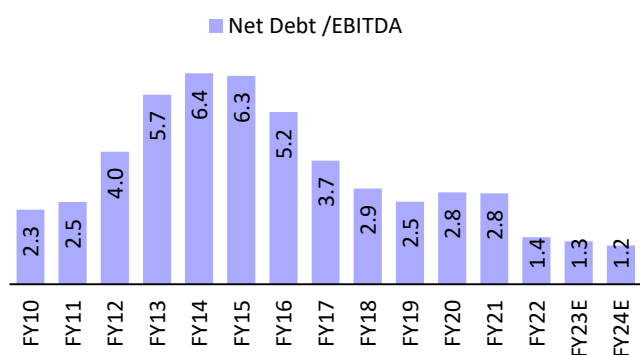
Source: MOFSL, Company

Exhibit 7: Premiums strong despite weak MJP, due to better volume mix

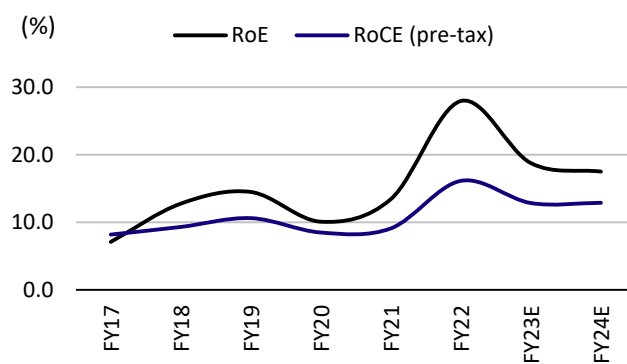
Source: MOFSL, Company

Exhibit 8: Copper business EBITDA to be driven by higher CC rod sales and by-product realization

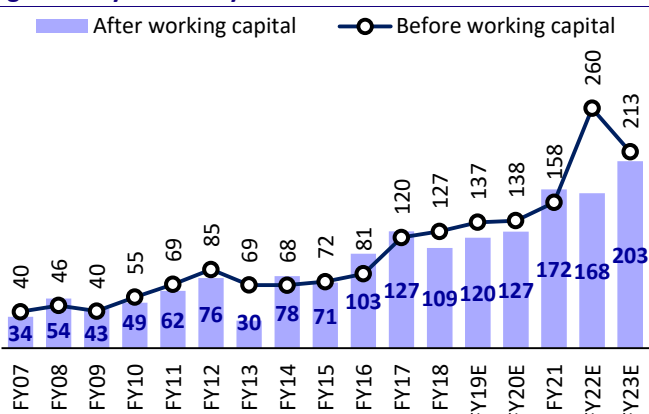
Source: MOFSL, Company

Exhibit 9: Leverage to remain at record low level

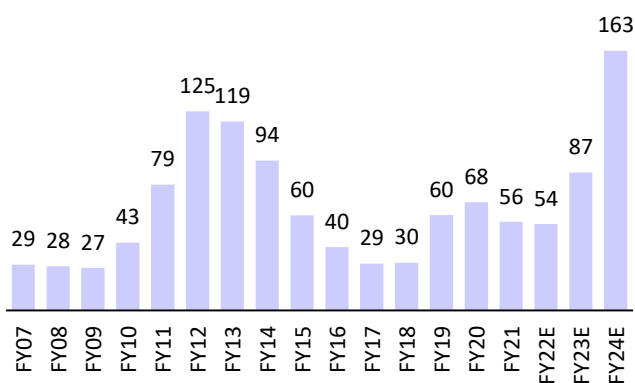
Source: MOFSL, Company

Exhibit 10: While returns be better than previous cycles

Source: MOFSL, Company

Exhibit 11: Operating cash flows (INR b) have improved significantly over the years ...

Source: MOSL, Company

Exhibit 12: ... And can fund capex (INRb) without resorting to external borrowings

Source: MOSL, Company



Highlights from the management commentary

Guidance

- 1QFY23 should see a high-teen increase in cost inflation over 1QFY22 levels.
- Net working capital release likely from 2QFY23 onwards given the level of LME.
- No change in the capex guidance for FY23 pegged at USD1.3-1.6b for Novelis and INR30b for India
- LME Aluminum Hedges: 30% at \$2500/t has been hedged and 14% of INR is hedged at 81.4/USD. There is no change in the hedge position since 4QFY22.
- Mid-west premiums have faltered with rising inflation. MJP remains weak on weak Chinese economy while Europe is strong as high energy cost has led to shutdown in local mills, driving up physical market premium.
- Spot copper TC/RC is 20¢/lb. with the mining disruption in the LatAM countries, there is a shortage of concentrate and hence premiums are trending down.
- Novelis EBITDA guidance raised to USD525/t with a potential of higher EBITDA/t growth with every new capacity and new contracts being signed.
- Pump Hydro project: will be set up in Dec'22 and will be monitored for at least one year for operational efficiency, stability and thereafter project for smelter will be considered at that time evaluating the aluminum market, demand situation and attractiveness of other projects.

Economic updates

- Global economic growth expected to moderate further to 3.2% in CY22 (v/s previous expectation of 3.6% in CY22) after a post pandemic rebound to 6.1% in CY21.
- Global economies continue to gyrate in turmoil with slowdown in China, inflation in US and high energy cost driven potential recession in EU. Amidst this, the India economy stands on a strong footing.

Aluminum Market balance

- 2QCY22: Both China and RoW markets were in balance as supplied caught up with demand. Consumption in China was marginally lower at 10mt (v/s production of 10.1mt) in the quarter, while RoW production/consumption remained balanced at 7.3mt in the quarter. On QoQ basis, global production was up 2% and consumption was down 2%. Chinese production was up 4% while consumption was down 7% YoY while RoW production was up 1% and consumption was up 4% YoY during the quarter.
- Domestic demand for 1QFY23 is estimated at 1,006kt (Domestic/Scrap/Imports: 416/419/171kt). FRP demand likely to improve going forward with demand in packaging, Consumer durables. B&C demand is likely to be tepid with rising interest scenario.
- Chip shortages continue to ease driving up demand for automotive aluminum.
- Global FRP demand growth: Beverage cans at ~5%, Automotive at ~10%, Specialties at ~4% and Aerospace at ~30%.

Copper

- 2QCY22: China market was in deficit of 0.1mt, while RoW was in surplus of 0.7mt.
- Domestic demand for 1QFY23 is estimated at 173kt (Domestic/Imports: 140/33kt) which was stable v/s 1QCY22

Coal

- Coal situation remains tight currently, though it is likely to ease from Aug/Sep'22 as temperatures cool. In the interim, linkages continue to fall short of the target and coal is being procured from E-auction as well as from linkage.
- Linkage coal as a share of overall mix is 50% while e-auction is 31%, balance being imports/captive, both of which remain the most expensive source of power.
- Chakala captive coal mines will start by the end of next year, Meenakshi captive coal mines will start in around 36 months from today. Post these mines coming on steam, company will be ~95% self-sufficient in terms of coal requirements.
- Copper facility will continue to buy coal from external sources given its distance from the captive mines

Capacity addition in near term

- The company will go ahead with installation of additional pots which should increase the output by 50kt. 180kt smelter expansion will wait until the power supply situation is comfortable.
- The new pots will be charged with pump hydro and it will be measured for stability of power for the next one year. If it is successful, then the next smelter capex will be committed.

Capital allocation policy/Debt

- Net debt as on 30th Jun'22 increased to INR 42 b (up from INR 391b on 31st Mar'22)
- Novelis debt reduction is broadly over. India will see a debt reduction of INR80b this year, which includes repayment of INR60b bonds which has been executed by the company in three tranches – INR 30b in Apr'22, INR 15b in Jun'22 and INR 15b in Aug'22.
- The company will not fund its capex through debt and will rather defer the uncommitted capex if there is a possibility of breach of its net debt to EBITDA ceiling of 2.5x which currently stands at 1.4x

Capex – no change since 4QFY22 – management reiterated the same

- FY23 capex for Novelis is around USD1.3-1.6b and in India is about INR30b (including maintenance)
- Sustenance capex: Novelis USD300m, India – INR10b
- Growth capex for FY23: Novelis USD1.3b, India INR20b
- Committed capex already : USD2.5b in Novelis already in progress and INR30b in India
- Current priority in India is a downstream project for the next two years
- Pump hydro power will be received by Dec'22 and will be operational for at least one year to test the stability of the power from this source, thereafter the smelter expansion will be decided
- Potline expansion is in the lowest priority list

Takeaways from the Novelis' conference call

Outlook

- The company has raised the FY23 EBITDA/t guidance to USD525/t despite rising costs. this was mainly on account of a strong 1QFY23 performance. The implied EBITDA/t for 9MFY23 works to USD505/t. We have built in EBITDA/t of USD519/t as we believe the EBITDA guidance is conservative given strong performance of the automotive segment in US.
- Strong 1QFY23 profitability was driven by high metal spreads in the quarter, which has now started coming off, hence a slightly conservative guidance by the management.
- The revised guidance is also driven by the fact that the company has hedged about 80% of its power requirements in Europe for FY23 and about 50% for FY24. Hence, it has a higher visibility on costs. it is also reducing on eliminating the supply chain issues faced in 4QFY22 after the launch of Russia-Ukraine war.
- While the company had previously highlighted that a large part of its contracts will get reset from FY24 onwards, we note that it has started re-pricing some of its contracts already in this quarter.
- The company does not expect a very tight scrap market in the US, though it is experiencing little tightening there. It remains comfortably placed in the Asia and EU markets on scrap availability.

End-market outlook: market demand growth in CY22 maintained

- The company highlighted that it remains confident of its demand growth and expects a strong traction in the aerospace business with pent up demand in travel.
- Demand for Beverage cans remain resilient at 5% boosted by improvement in demand for sustainable packaging. We believe the intense summer in Europe, driven by climate change, will lead to a strong beverage can consumption for the company.
- The automotive growth forecast remains stable at 10% with high level of pent up demand and low dealer inventory.
- Strong B&C market will continue to drive the specialty business

Future growth/capex plans

- FY23E capex is pegged at USD1.3-1.6b, including ~USD300m for maintenance capex. The company is now planning the capex more at the lower end of the guidance.
- Novelis is on track for its USD4.5b transformational organic growth journey and there is no change in the plans. This USD4.5b comprises of USD3.4b growth capex and balance maintenance over the next four years.

Others

- Shipments in South Korea were marginally impacted by truckers strike leading to about 6kt lower sales. This is likely to be made up in the next three quarters
- Shipments in EU were marginally impacted as the company had lower heat exchanged shipments.

Costs

- Costs remain a concern though the company has hedged its energy costs in Europe.

Capital allocation/cash flow

- Novelis expects a strong release of cash (net working capital) in 2QFY23E if the prices stay at current levels.
- The company also mentioned that it remains committed to its plans to return 10% of the profits to the parent as part of its capital allocation plan.

Exhibit 13: Change in key assumptions and our estimates

		FY23E			FY24E		
		New	Old	% change	New	Old	% change
INR/USD	INR/USD	77.7	77.7	0.0	77.0	77.0	0.0
LME Al.	USD/t	2,581	2,581	0.0	2,400	2,400	0.0
Volumes							
Aluminium	kt	1,308	1,300	0.6	1,308	1,300	0.6
Copper	kt	398	398	0.0	396	396	0.0
Novelis	kt	3,962	3,962	0.0	4,160	4,160	0.0
EBITDA/t							
Aluminium (incl Utkal)	USD/t	802	723	10.9	903	765	18.1
Copper	"	520	431	20.8	451	429	5.1
Novelis	"	535	535	0.0	538	538	0.0
Consolidated Results							
Revenue	INR b	2,043	2,031	0.6	1,975	1,973	0.1
EBITDA	"	254	240	5.8	263	251	4.8
- India	"	89	75	18.6	91	79	15.3
- Novelis	"	165	165	0.0	172	172	0.0
Consolidated PAT	"	110	103	7.0	120	112	7.1
EPS	"	50	46	7.0	54	50	7.1

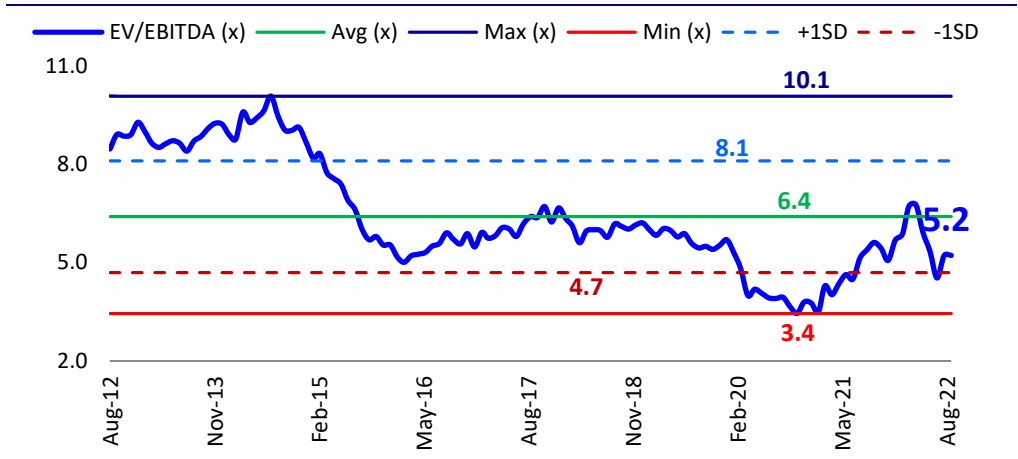
Source: MOFSL

Exhibit 14: Valuation

Y/E March	UoM	FY23E
Hindalco - India		
Aluminum		
- Volumes	kt	1,308
- EBITDA	INR/t	62,311
EBITDA	INR m	79,556
Copper		
- Volume	kt	398
- EBITDA	INR/t	40,387
EBITDA	INR m	16,074
Others	INR m	2,749
EBITDA Hindalco - India	INR m	98,379
EV/EBTIDA (x)	x	5.0
Target EV	INR m	4,91,894
Novelis		
- Volumes	kt	3,962
- EBITDA	USD/t	506
- USD:INR	x	77.7
EBITDA	INR m	1,55,586
EV/EBTIDA (x)	x	6.0
Target EV	INR m	9,33,514
Target EV – Consolidated	INR m	14,25,408
Net Debt	INR m	3,28,514
Equity Value	INR m	10,96,894
Equity Value	INR/share	494
Investments (quoted)	INR m	81,060
Investments value per share (post 10% holdco discount)	INR/share	33
Target price (rounded off)	INR/share	525

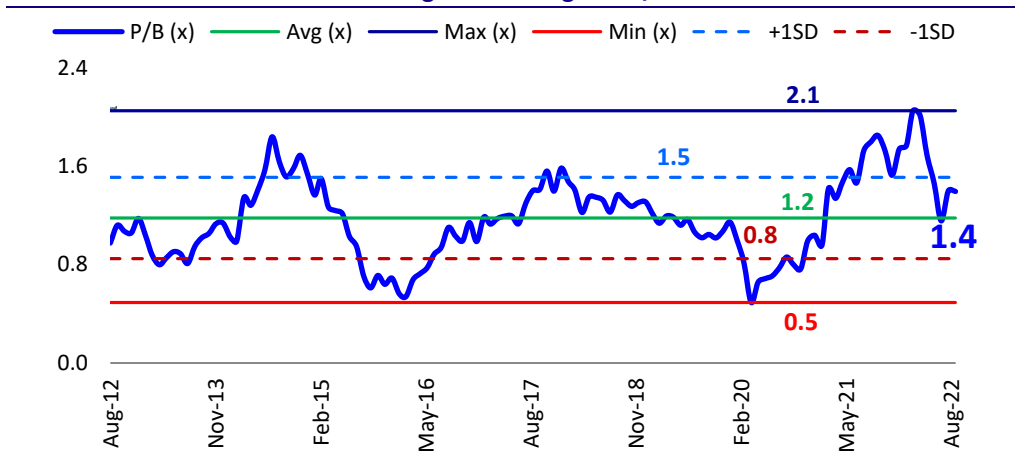
Source: MOFSL

Exhibit 15: Stock remains comfortable on EV/EBITDA valuation



Source: Company, MOFSL

Exhibit 16: ... but remains around long term average on P/B basis



Source: Company, MOFSL

Exhibit 17: Global comparable valuation

Company	M-cap USD m	P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (%)		
		CY21/ FY22	CY22/ FY23	CY23/ FY24	CY21/ FY22	CY22/ FY23	CY23/ FY24	CY21/ FY22	CY22/ FY23	CY23/ FY24	CY21/ FY22	CY22/ FY23	CY23/ FY24
Hindalco*	11,803	12,486	7.2	9.8	8.7	4.9	5.6	5.2	1.8	1.6	1.4	28.0	17.1
Nalco*	2,201	1,848	5.0	9.8	5.5	2.4	4.9	3.2	1.2	1.1	1.0	25.4	11.6
Alcoa	11,587	9,065	6.8	6.8	6.1	3.7	3.4	2.7	1.6	1.3	1.1	21.2	15.7
Norsk Hydro	15,781	14,002	6.0	7.8	7.4	3.5	4.2	4.0	1.3	1.3	1.3	23.5	14.7
CHALCO	11,471	10,315	6.5	5.9	4.9	7.3	6.1	5.1	0.6	0.6	0.5	8.9	9.3
RUSAL	6,600	5,866	2.4	2.4	6.4	2.3	3.0	NA	0.5	0.4	0.4	25.3	20.3
Alumina	3,375	3,137	15.2	15.4	12.6	15.3	13.1	10.8	1.8	2.0	1.6	12.3	11.6

Source: MOFSL, Company, Bloomberg (*) denotes MOFSL estimates

Financials and valuations

Consolidated Income Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net sales	1,002	1,152	1,305	1,181	1,318	1,951	2,043	1,975
Change (%)	1.4	15.0	13.3	-9.5	11.6	48.0	4.8	-3.4
Total Expenses	877	1,014	1,150	1,039	1,144	1,667	1,789	1,711
EBITDA	124	138	155	142	174	283	254	263
As a percentage of Net Sales	12.4	12.0	11.9	12.0	13.2	14.5	12.4	13.3
Depn. and Amortization	45	45	48	51	65	67	68	68
EBIT	80	93	107	91	109	216	186	196
Net Interest	57	39	38	42	37	38	32	28
Other income	11	10	11	12	12	11	5	4
PBT before EO	33	64	81	61	83	190	159	171
EO income/(exp.)	0	18	0	-2	-4	6	-6.595	-9.24
PBT after EO	33	82	81	59	79	196	153	162
Current tax	13	16	19	15	19	38	34	42
Deferred tax (net)	1	5	7	6	8	16	15	10
Tax	14	21	26	22	27	54	49	52
Rate (%)	42.9	25.4	32.0	36.4	34.5	27.5	32.1	32.0
Reported PAT	19	61	55	38	52	142	104	110
Minority interests	0	0	0	0	0	0	0	0
Share of asso.	0	-1	0	0	0	0	0	0
Adjusted PAT	19	42	55	39	55	136	110	120
Change (%)	-22.9	120.7	30.6	-29.2	40.7	147.8	-19.0	8.3

Balance Sheet

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	2	2	2	2	2	2	2	2
Reserves	458	546	573	581	663	780	871	969
Net Worth	461	549	575	583	665	782	873	971
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	638	520	524	674	660	632	584	534
Deferred Tax Liability	20	31	37	38	36	44	59	69
Capital Employed	1,118	1,100	1,136	1,295	1,361	1,459	1,517	1,575
Gross Block	1,041	1,083	1,131	1,200	1,343	1,470	1,517	1,517
Less: Accum. Deprn.	365	410	458	509	574	641	709	777
Net Fixed Assets	676	673	673	691	770	829	809	741
Goodwill	171	178	186	201	233	240	240	240
Capital WIP	18	21	41	77	102	49	91	254
Investments	62	69	52	31	77	87	87	87
Working capital Assets	530	530	567	686	706	1,014	1,072	1,020
Inventory	183	216	222	224	307	445	466	450
Account Receivables	83	100	115	93	130	211	221	213
Cash and Bank Balance	172	120	136	278	182	228	256	226
Others (incl. LT)	92	94	94	90	88	130	130	130
Working capital liability	338	370	383	391	527	760	781	765
Account Payables	179	204	207	183	283	442	463	447
Others (incl. LT)	160	166	175	208	244	318	318	318
Net Working Capital	191	160	185	295	180	254	291	254
Appl. of Funds	1,118	1,100	1,136	1,295	1,361	1,459	1,517	1,575

Financials and valuations

Cash Flow Statement							(INR b)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
EBITDA	124	138	155	142	174	283	254	263
EO Exp./(income)	4	3	0	-3	-3	15	-7	-9
tax paid	-8	-14	-19	-1	-13	-38	-34	-42
Change in WC	7	-18	-17	-12	14	-92	-10	8
CF from Op. Activity	127	109	120	127	172	168	203	220
(Inc.)/Dec. in FA + CWIP	-29	-30	-60	-68	-56	-54	-87	-163
Free Cash Flow to firm	97	79	60	59	117	114	116	57
(Pur.)/Sale of Inv. and yield	6	25	7	7	9	0	5	4
Others and M&A	4	8	5	10	-173	0	0	0
CF from Inv. Activity	-20	3	-48	-51	-220	-55	-82	-160
Equity raised/(repaid)	33	0	-1	0	0	-1	0	0
Debt raised/(repaid)	-25	-123	-14	109	-10	-28	-50	-50
Interest	-61	-38	-36	-40	-37	-33	-32	-28
Dividend (incl. tax)	-2	-3	-3	-3	-2	-7	-12	-12
CF from Fin. Activity	-56	-164	-55	66	-49	-68	-94	-90
(Inc.)/Dec. in Cash	51	-53	17	142	-96	46	27	-29
Add: Opening Balance	121	172	120	136	278	182	228	256
Closing Balance	172	120	136	278	182	228	256	226

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	8.6	18.9	24.7	17.5	24.6	61.3	49.7	53.8
Cash EPS	28.6	47.6	46.2	39.8	52.5	94.3	77.3	80.2
BV/Share (adj.)	129.9	166.1	175.0	171.8	194.3	244.3	285.5	329.7
DPS	1.1	1.4	1.2	1.2	3.5	4.0	5.5	5.5
Payout (%)	15.0	8.7	5.7	8.0	16.7	7.6	12.9	12.0
Valuation (x)								
P/E	49.4	22.4	17.1	24.2	17.2	6.9	8.5	7.9
Cash P/E	14.8	8.9	9.2	10.6	8.1	4.5	5.5	5.3
P/BV	3.3	2.5	2.4	2.5	2.2	1.7	1.5	1.3
EV/Sales	1.4	1.2	1.0	1.1	1.1	0.7	0.6	0.6
EV/EBITDA	11.3	9.7	8.6	9.4	8.2	4.7	5.0	4.7
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.8	0.9	1.3	1.3
Return Ratios (%)								
EBITDA Margin (%)	12.4	12.0	11.9	12.0	13.2	14.5	12.4	13.3
Net Profit Margin (%)	1.9	3.7	4.2	3.3	4.1	7.0	5.4	6.1
RoE	7.1	12.8	14.5	10.1	13.4	28.0	18.8	17.5
RoCE (pre-tax)	8.2	9.3	10.6	8.5	9.1	16.1	12.8	12.9
RoIC (pre-tax)	9.1	10.8	11.9	10.3	11.5	21.6	17.1	18.7
Working Capital Ratios								
Fixed Asset Turnover (x)	1.0	1.1	1.2	1.0	1.0	1.3	1.3	1.3
Asset Turnover (x)	0.9	1.0	1.1	0.9	1.0	1.3	1.3	1.3
Debtor (Days)	30	32	32	29	36	39	39	39
Inventory (Days)	67	69	62	69	85	83	83	83
Payable (Days)	65	65	58	56	78	83	83	83
Leverage Ratio (x)								
Current Ratio	1.6	1.4	1.5	1.8	1.3	1.3	1.4	1.3
Interest Coverage Ratio	1.4	2.4	2.8	2.2	2.9	5.7	5.9	7.1
Debt/Equity ratio	1.6	1.1	1.0	1.0	1.1	0.7	0.5	0.4

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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