

Estimate change 

TP change 

Rating change 



Bloomberg	HNDL IN
Equity Shares (m)	2247
M.Cap.(INRb)/(USDb)	1019.6 / 12.3
52-Week Range (INR)	504 / 359
1, 6, 12 Rel. Per (%)	6/-10/-2
12M Avg Val (INR M)	3276
Free float (%)	65.4

Financials & Valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	2,232	2,029	2,090
EBITDA	227	232	221
Adj. PAT	101	99	95
EBITDA Margin (%)	10	11	11
Cons. Adj. EPS (INR)	45	45	43
EPS Gr. (%)	-26	-2	-3
BV/Sh. (INR)	311	352	392

Ratios

Net D:E	0.5	0.3	0.2
RoE (%)	16.3	13.4	11.6
RoCE (%)	11.0	10.3	9.2
Payout (%)	7.7	7.9	8.2

Valuations

P/E (x)	10.0	10.2	10.6
P/BV (x)	1.5	1.3	1.2
EV/EBITDA(x)	6.1	5.4	5.3
Div. Yield (%)	0.7	0.7	0.7
FCF Yield (%)	9.3	15.9	12.2

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	34.6	34.6	34.6
DII	26.3	26.5	21.5
FII	30.3	30.3	25.1
Others	8.7	8.6	18.8

FII Includes depository receipts

CMP: INR454

TP: INR550 (+21%)

Buy

Revenue above estimate; EBITDA in line

Near-term EBITDA/t guidance raised to USD450-500; 4QFY24 EBITDA/t guidance intact at USD525

- Novelis (HNDL)'s 1QFY24 revenue was down 20% YoY to USD4.1b. However, revenue was 10% above our estimate of USD3.7b due to improved product mix, higher product pricing and improved automotive shipments, partially offset by lower beverage can shipments and lower LME.
- Adjusted EBITDA was down 25% YoY at USD421m (in line with our estimate of USD410m) while EBITDA/t stood at USD479 (USD34/t above our estimate of USD445/t). The improvement in EBITDA/t was due to higher price/mix improvement and forex gains.
- APAT dipped 41% YoY to USD166m, which was 11% above our estimate of USD149m in 1QFY24.
- Shipments stood at 879kt (down 9% YoY), in line with our estimate of 921kt.
- The shipments across North America (NA) and Europe (EU) were higher by 2% and 1% QoQ, respectively. However, shipments across NA/EU/Asia/ South America (SA) were down 4%/8%/5%/20% YoY at 370kt/250kt/176kt/ 119kt during the quarter.
- Channel destocking in beverage industry, lower demand from specialty vertical, slowdown in China and lower packaging demand from SA hit the shipments.
- Net debt for 1QFY24 increased to USD4.5b (vs. USD4.1b in Mar'23) and net leverage ratio stood at 2.7x (vs. 2.3x in Mar'23).

EBITDA/t guidance maintained at USD525 in 4QFY24

- HNDL's EBITDA was hit in FY23 due to lower beverage can shipments, softer demand for specialty products, less favorable metal benefit, higher energy cost, weaker macroeconomic scenario, etc.
- However, channel destocking from the beverage can segment is almost completed and energy prices have remained range bound.
- Management expects the demand from beverage can segment to pick-up in 2HFY24 and believes robust demand to continue from automobile sector.
- In line with the robust demand across different geographies, management has raised its EBITDA/t guidance for the next few quarters from USD425-450 to USD450-500 and expects to touch USD525 by 4QFY24.

Valuation and view

- Management has guided for an improvement in volumes from 2QFY24 onwards and expects the main building foundation work at Bay Minette to be completed by end-FY24.

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- We believe that HNDL reflects strongly on long-term opportunities and we remain confident on the company's ability considering its leadership in both beverages can and automotive markets.
- We have slightly increased our FY24E Revenue/EBITDA/APAT by 2%/2%/7% and FY25E EBITDA/APAT by 1%/5%.
- **We reiterate our BUY rating on HNDL with an SoTP-based TP of INR550. The stock is trading at 5.3x FY25E EV/EBITDA and 1.2x FY25E P/B.**

Quarterly Performance (Novelis)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E vs Est	USD m
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales (kt)	962	984	908	936	879	941	941	941	3,790	3,703	921	-4.6
Change (YoY %)	-1.1	1.7	-2.4	-5.2	-8.6	-4.4	3.7	0.6	-1.8	-2.3		
Change (QoQ %)	-2.5	2.3	-7.7	3.1	-6.1	7.1	0.0	0.0	0.0	0.0		
Net Sales	5,089	4,799	4,201	4,397	4,091	3,905	3,987	4,023	18,486	16,006	3,732	9.6
Change (YoY %)	32.0	16.5	-2.9	-9.3	-19.6	-18.6	-5.1	-8.5	7.8	-13.4		
Change (QoQ %)	4.9	-5.7	-12.5	4.7	-7.0	-4.5	2.1	0.9	0.0	0.0		
EBITDA (adjusted)	561	502	341	403	421	428	448	467	1,807	1,764	410	2.8
Change (YoY %)	10.4	-9.2	-32.6	-6.3	-25.0	-14.7	31.3	15.8	-9.5	-2.4		
Change (QoQ %)	30.5	-10.5	-32.1	18.2	4.5	1.7	4.6	4.3	0.0	0.0		
EBITDA per ton (USD)	583	510	376	431	479	455	476	496	477	476	445	7.7
Interest	58	65	69	70	70	70	75	76	262	290		
Depreciation	138	134	133	135	131	131	131	131	540	524		
PBT (before EO item)	365	303	139	198	220	227	242	260	1,005	949	199	
Extra-ordinary Income	28	-55	-133	-41	-10	-	-	-	-201	-10		
PBT (after EO item)	393	248	6	157	210	227	242	260	804	939	199	
Total Tax	87	65	-6	1	54	57	61	65	147	238		
Reported PAT	307	183	12	156	156	170	181	195	658	702	149	
Change (YoY %)	28	-23	-95	-28	-49	-7	1,410	25	-31	7		
Adjusted PAT	279	238	145	197	166	170	181	195	859	712	149	11.2
Change (YoY %)	32.9	-15.3	-35.8	-13.2	-40.5	-28.7	25.0	-1.2	-9.0	-17.1		
Change (QoQ %)	22.9	-14.7	-39.1	35.9	-15.7	2.3	6.7	7.4		0.0		

Volumes -Rolled products (in kt)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
North America	375	358	376	386	386	380	363	370
Europe	251	248	274	272	268	242	248	250
Asia	196	167	203	185	208	141	187	176
South America	146	157	156	148	162	162	144	119
Elimination	0	-10	-22	-29	-40	-17	-6	-36
Total Third Party Shipments	968	920	987	962	984	908	936	879
Adj. EBITDA (USD m)								
North America	172	181	105	227	191	124	131	166
Europe	102	71	73	85	73	38	91	88
Asia	88	76	96	94	113	60	72	87
South America	193	178	156	156	127	124	115	84
Adj. EBITDA per ton (USD)								
North America	459	506	279	588	495	326	361	449
Europe	406	286	266	313	272	157	367	352
Asia	449	455	473	508	543	426	385	494
South America	1,322	1,134	1,000	1,054	784	765	799	706

Source: MOFSL, Company



Conference call takeaways

Guidance:

- HNDL posted EBITDA/t of USD479, higher than our estimate in 1QFY24
- IT has revised its next few quarter EBITDA/t guidance upwards from USD425-450 to USD450-500
- EBITDA/t is expected to touch USD525 by 4QFY24.
- As Channel destocking from the beverage can segment is almost completed, management expects the volumes to pick up in coming quarters.

Long-term partnership with Coca-Cola (Coke)

- HNDL has signed long-term partnership with Coke for supply of aluminum cans
- This is in line with Coke's commitment to be plastic free and the contract is for a tenure of around 10 years.

Demand

- **Beverage Can:** The channel destocking from the beverage can segment is almost completed and the negative impact for the same has been factored in 1QFY24. Channel inventory is now at normalized levels and the demand for beverage cans has started improving from Jun'23-end. The volumes from beverage can segment is expected to improve going forward and likely to touch historical level in coming quarters. The demand for beverage can is expected to pick up in North and South America as the FMCG companies have started their campaigns, which will drive the volumes in 2HFY24. HNDL has kept its growth guidance unchanged for the sector and expects it to report a CAGR of 3% over the next few years.
- **Automobiles:** HNDL made record dispatches to auto sector and the share improved to 24% in 1QFY24 from 18-19% in previous quarters. The share of auto sector is expected to come down to its historical average in coming quarters. HNDL has kept its growth guidance unchanged for the sector and expects it to report a CAGR of 11% over the next few years. Management expects robust demand in auto sector driven by higher demand from EV, increase in per capita vehicle sales, requirement of light weight vehicles to meet emission norms and requirement of high performance vehicles.
- **Speciality and Aerospace:** Management expects headwinds in speciality segment driven by weakness in construction sector across key geographies. However the demand from Aero segment is expected to grow in coming years due to high demand from OEM's and multi-year backlog in aircraft deliveries.

Bay Minette capex:

- It will be the first Greenfield fully-integrated recycling, rolling-finishing aluminium facility to have been set up in the US in over 40 years, which will cater to beverage can and auto segment with flexibility to supply to speciality segment as well.
- The capex guidance for the facility has been revised from USD2.5b to USD2.7-2.8b
- The Earthworks is completed and management expects the main building foundation work to be completed on schedule by end of FY24

- The 600kt facility is expected to commence operations in FY26 and is constructed on a total area of 2.7msq.ft.
- Long-term customer commitment for beverage can segment has already been secured.

Geographies

- **North America:** Though shipments from packaging and specialties segments were down these were partially offset by record automotive shipments. The shipments to automotive segments were driven by improved retail vehicle bookings. However, higher cost inflation and less favourable metal benefits due to lower LME impacted the EBITDA. Management expects higher demand from beverage cans as the promotional activity is expected to pick up pace which will drive volumes.
- **Europe:** Similar to North America, shipments from automotive segment was higher. EBITDA/t improved in Europe despite lower shipment due to higher product pricing and favourable metal benefits.
- **Asia:** Shipments in Asia were down 5% primarily due to slowdown in China; however, it was partially offset by favourable product mix.
- **South America:** EBITDA was down 46% primarily due to beverage can destocking impact and less favourable metal benefits.

Exhibit 1: Net debt (USD m) increased QoQ by USD353m

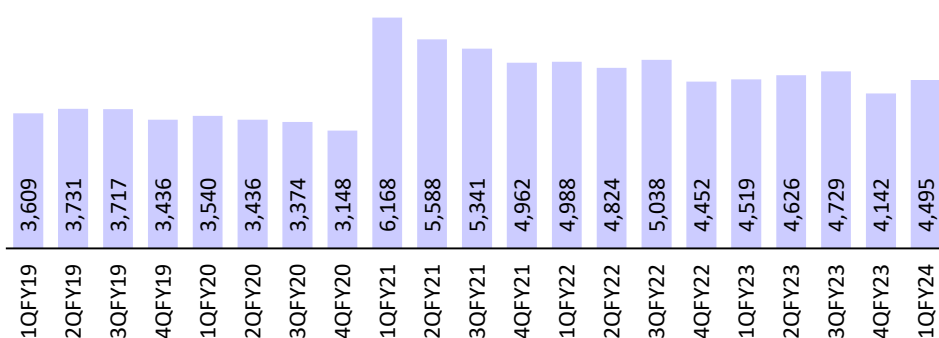


Exhibit 2: EBITDA (USD m) improved QoQ due to improved product mix, higher product pricing and improved automotive shipments

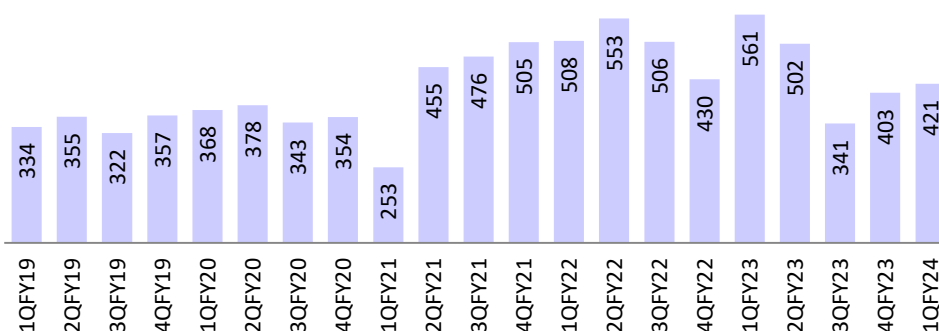
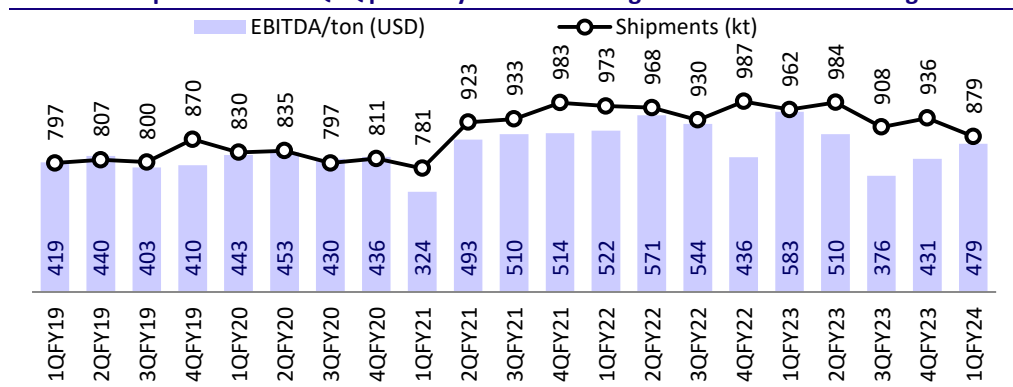


Exhibit 3: Shipments down QoQ primarily due to beverage can channel destocking



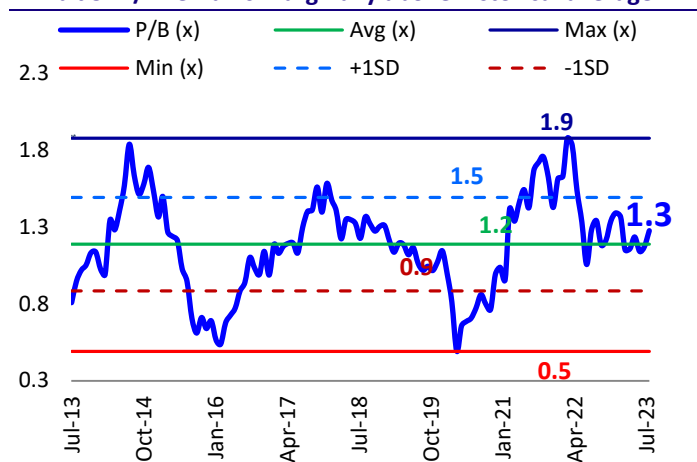
Source: MOFSL, Company

Exhibit 4: Key assumptions and changes to our estimates

	UoM	FY24E			FY25E		
		New	Old	% change	New	Old	% change
Volumes							
Aluminium	kt	1,344	1,344	0.0	1,344	1,344	0.0
Copper	kt	414	414	0.0	410	410	0.0
Novelis	kt	3,703	3,745	-1.1	3,794	3,794	0.0
EBITDA/t							
Aluminium (incl Utkal)	USD/t	629	629	0.0	470	470	0.0
Copper	"	545	545	0.0	564	564	0.0
Novelis	"	476	461	3.3	506	496	1.9
Consolidated Results							
Revenue	INR b	2,029	1,996	1.6	2,090	2,086	0.2
EBITDA	"	232	228	1.6	221	218	1.4
- India	"	85	85	0.0	61	61	0.0
- Novelis	"	147	144	2.2	160	157	1.9
Consol PAT	"	99	92	7.1	95	91	4.9
EPS	"	45	42	7.1	43	41	4.9

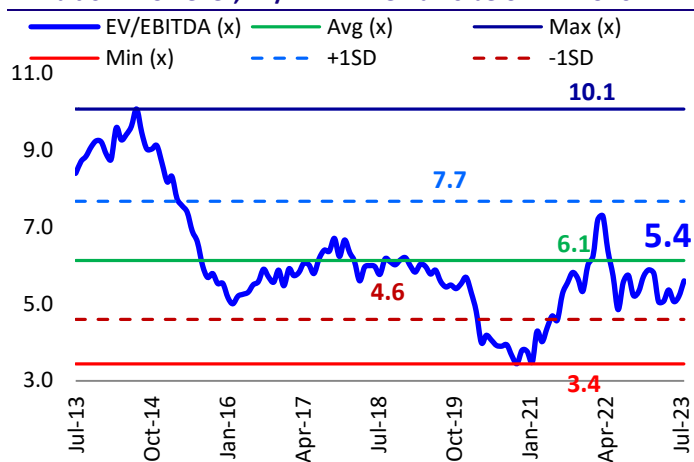
Source: MOFSL

Exhibit 5: P/B remains marginally above historical average...



Source:

Exhibit 6: ...however, EV/EBITDA remains below LTA of 6.1x



Source:

Exhibit 7: SoTP valuation

Y/E March	UoM	FY25E
Hindalco - India		
Aluminum		
Volumes	kt	1,344
EBITDA	INR/t	39,142
EBITDA	USD/t	470
EBITDA	INR m	52,594
Copper		
Volumes	kt	410
EBITDA	INR/t	47,020
EBITDA	USD/t	564
EBITDA	INR m	19,278
Others	INR m	-11,197
EBITDA Hindalco - India	INR m	60,675
EV/EBITDA (x)	x	6
Target EV	INR m	3,61,016
Novelis		
Volumes	kt	3,794
EBITDA	USD/t	506
USD/INR	x	83
EBITDA	INR m	1,59,880
EV/EBITDA (x)	x	6
Target EV	INR m	9,51,286
Target EV - Group	INR m	13,12,302
Net Debt	INR m	1,63,808
Equity Value	INR m	11,48,494
Equity Value	INR/sh	517
Investments (quoted)	INR m	91,005
Investments (quoted)	INR/sh	41
Discount factor	%	20%
Target Price	INR/sh	550

Source: MOFSL

Financials and valuations

Consolidated Income Statement									(INR b)
Y/E March	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Net sales	1,002	1,152	1,305	1,181	1,318	1,951	2,232	2,029	2,090
Change (%)	1.4	15.0	13.3	-9.5	11.6	48.0	14.4	-9.1	3.0
Total Expenses	877	1,014	1,150	1,039	1,144	1,667	2,005	1,797	1,869
EBITDA	124	138	155	142	174	283	227	232	221
% of Net Sales	12.4	12.0	11.9	12.0	13.2	14.5	10.2	11.4	10.6
Deprn. & Amortization	45	45	48	51	65	67	71	66	53
EBIT	80	93	107	91	109	216	156	166	167
Net Interest	57	39	38	42	37	38	36	40	31
Other income	11	10	11	12	12	11	13	7	0
PBT before EO	33	64	81	61	83	190	132	134	136
EO income (exp)	0	18	0	-2	-4	6	0	-1	0
PBT after EO	33	82	81	59	79	196	132	133	136
Current tax	13	16	19	15	19	38	29	35	41
Deferred tax (net)	1	5	7	6	8	16	3	0	0
Tax	14	21	26	22	27	54	31	35	41
Rate (%)	42.9	25.4	32.0	36.4	34.5	27.5	23.8	26.1	30.0
Reported PAT	19	61	55	38	52	142	101	98	95
Minority interests	0	0	0	0	0	0	0	0	0
Share of asso.	0	-1	0	0	0	0	0	0	0
Adjusted PAT	19	42	55	39	55	136	101	99	95
Change (%)	-22.9	120.7	30.6	-29.2	40.7	149.0	-26.2	-1.7	-3.4

Balance Sheet									(INR b)
Y/E March	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Share Capital	2	2	2	2	2	2	2	2	2
Reserves	458	546	573	581	663	780	946	1,037	1,126
Net Worth	461	549	575	583	665	782	948	1,039	1,128
Minority Interest	0	0	0	0	0	0	0	0	0
Total Loans	638	520	524	674	660	632	583	633	683
Deferred Tax Liability	20	31	37	38	36	44	73	73	73
Capital Employed	1,118	1,100	1,136	1,295	1,361	1,459	1,605	1,746	1,885
Gross Block	1,041	1,083	1,131	1,200	1,343	1,470	1,561	1,561	1,561
Less: Accum. Deprn.	365	410	458	509	574	641	712	778	831
Net Fixed Assets	676	673	673	691	770	829	849	783	729
Goodwill	171	178	186	201	233	240	257	257	257
Capital WIP	18	21	41	77	102	49	77	129	180
Investments	62	69	52	31	77	87	83	83	83
Working capital Assets	530	530	567	686	706	1,014	969	1,087	1,239
Inventory	183	216	222	224	307	445	430	390	402
Account Receivables	83	100	115	93	130	211	162	147	152
Cash and Bank Balance	172	120	136	278	182	228	212	384	520
Others (incl. LT)	92	94	94	90	88	130	165	165	165
Working capital liability	338	370	383	391	527	760	630	592	603
Account Payables	179	204	207	183	283	442	418	380	392
Others (incl. LT)	160	166	175	208	244	318	212	212	212
Net Working Capital	191	160	185	295	180	254	339	495	635
Appl. of Funds	1,118	1,100	1,136	1,295	1,361	1,459	1,605	1,746	1,885

Financials and valuations

Cash Flow Statement

(INR b)

Y/E March	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
EBITDA	124	138	155	142	174	283	227	232	221
XO Exp. (income)	4	3	0	-3	-3	15	-3	-1	0
tax paid	-8	-14	-19	-1	-13	-38	-27	-35	-41
Change in WC	7	-18	-17	-12	14	-92	-5	16	-5
CF from Op. Activity	127	109	120	127	172	168	192	212	175
(Inc)/Dec in FA + CWIP	-29	-30	-60	-68	-56	-54	-98	-52	-52
Free Cash Flow to firm	97	79	60	59	117	114	94	161	123
(Pur)/Sale of Inv. & yield	6	25	7	7	9	-59	20	7	0
Others & M&A	4	8	5	10	-173	59	-26	0	0
CF from Inv. Activity	-20	3	-48	-51	-220	-55	-105	-44	-52
Equity raised/(repaid)	33	0	-1	0	0	-1	-1	0	0
Debt raised/(repaid)	-25	-123	-14	109	-10	-28	-55	50	50
Interest	-61	-38	-36	-40	-37	-33	-38	-40	-31
Dividend (incl. tax)	-2	-3	-3	-3	-2	-7	-9	-7	-7
CF from Fin. Activity	-56	-164	-55	66	-49	-68	-103	4	12
(Inc)/Dec in Cash	51	-53	17	142	-96	46	-16	172	136
Add: Opening Balance	121	172	120	136	278	182	228	212	384
Closing Balance	172	120	136	278	182	228	212	384	520

Ratios

Y/E March	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Basic (INR)									
EPS	8.6	18.9	24.7	17.5	24.6	61.3	45.3	44.5	43.0
Cash EPS	28.6	47.6	46.2	39.8	52.5	94.3	77.4	74.0	67.0
BV/Share (adj.)	129.9	166.1	175.0	171.8	194.3	244.3	311.1	352.2	392.3
DPS	1.1	1.4	1.2	1.2	3.5	4.0	3.0	3.0	3.0
Payout (%)	15.0	8.7	5.7	8.0	16.7	7.6	7.7	7.9	8.2
Valuation (x)									
P/E	53.0	24.0	18.4	26.0	18.5	7.4	10.0	10.2	10.6
Cash P/E	15.9	9.5	9.8	11.4	8.6	4.8	5.9	6.1	6.8
P/BV	3.5	2.7	2.6	2.6	2.3	1.9	1.5	1.3	1.2
EV/Sales	1.5	1.2	1.1	1.2	1.1	0.7	0.6	0.6	0.6
EV/EBITDA	11.9	10.2	9.0	9.9	8.6	5.0	6.1	5.4	5.3
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.8	0.9	0.7	0.7	0.7
Return Ratios (%)									
EBITDA Margins (%)	12.4	12.0	11.9	12.0	13.2	14.5	10.2	11.4	10.6
Net Profit Margins (%)	1.9	3.7	4.2	3.3	4.1	7.0	4.5	4.9	4.6
RoE	7.1	12.8	14.5	10.1	13.4	28.0	16.3	13.4	11.6
RoCE (pre-tax)	8.2	9.3	10.6	8.5	9.1	16.1	11.0	10.3	9.2
RoIC (pre-tax)	9.3	10.8	11.9	10.3	11.5	21.6	14.6	13.9	14.9
Working Capital Ratios									
Fixed Asset Turnover (x)	1.0	1.1	1.2	1.0	1.0	1.3	1.4	1.3	1.3
Asset Turnover (x)	0.9	1.0	1.1	0.9	1.0	1.3	1.4	1.2	1.1
Debtor (Days)	30	32	32	29	36	39	27	27	27
Inventory (Days)	67	69	62	69	85	83	70	70	70
Payable (Days)	65	65	58	56	78	83	68	68	68
Leverage Ratio (x)									
Current Ratio	1.6	1.4	1.5	1.8	1.3	1.3	1.5	1.8	2.1
Interest Cover Ratio	1.4	2.4	2.8	2.2	2.9	5.7	4.3	4.2	5.4
Debt/Equity	1.6	1.1	1.0	1.0	1.1	0.7	0.5	0.3	0.2

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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