

February 13, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	597		534	
Sales (Rs. bn)	2,308	2,462	2,398	2,556
% Chng.	(3.8)	(3.7)		
EBITDA (Rs. bn)	262	282	264	281
% Chng.	(0.7)	0.3		
EPS (Rs.)	51.4	55.7	51.8	56.7
% Chng.	(0.7)	(1.7)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	2,232	2,180	2,308	2,462
EBITDA (Rs. bn)	229	236	262	282
Margin (%)	10.3	10.8	11.4	11.4
PAT (Rs. bn)	101	99	114	124
EPS (Rs.)	45.5	44.7	51.4	55.7
Gr. (%)	(26.5)	(1.6)	14.9	8.4
DPS (Rs.)	3.0	3.6	4.3	5.2
Yield (%)	0.6	0.7	0.8	1.0
RoE (%)	11.7	10.0	10.4	10.3
RoCE (%)	11.4	11.4	12.2	12.7
EV/Sales (x)	0.7	0.7	0.6	0.6
EV/EBITDA (x)	6.6	6.3	5.6	5.2
PE (x)	11.2	11.4	9.9	9.2
P/BV (x)	1.2	1.1	1.0	0.9

Key Data

HALC.BO | HNDL IN

52-W High / Low	Rs.621 / Rs.381
Sensex / Nifty	71,555 / 21,743
Market Cap	Rs.1,146bn/ \$ 13,809m
Shares Outstanding	2,247m
3M Avg. Daily Value	Rs.3261.85m

Shareholding Pattern (%)

Promoter's	34.64
Foreign	31.59
Domestic Institution	25.22
Public & Others	8.55
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(12.4)	10.3	19.3
Relative	(11.1)	0.7	0.7

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Novelis stuns with higher project cost

Quick Pointers:

- India AL business benefits from lower coal and CP coke costs; flattish volumes QoQ to 423kt; strong show in copper continues.
- Novelis stuns with 46% increase in Bay Minette project cost and delay of few quarters; strong 3Q adj. EBITDA/t at USD 499/t despite weak volumes (910kt).

Hindalco Industries (HNDL) 3QFY24 consolidated revenue remained flat YoY at Rs 528bn (PLe Rs 538bn) despite weak Novelis volumes aided by strong copper realization. Novelis' Flat Rolled Products (FRP) volumes declined 2% QoQ to 910kt (flat YoY; PLe 926kt) in a seasonally weak quarter. Mgmt. indicated improving demand scenario for beverage can volumes as S. America is seeing strong start to summer. Auto and Aerospace demand remains strong across regions. However, Novelis announced ~46% increase in total capex requirement for its ongoing Bay Minette greenfield project. Revised capex is USD4.1bn now with expected commissioning in 2HCY26. The capex overrun is on account of higher inflation in civil, structural and staff costs. All equipment have been ordered, so there is less chance of further revision in capex. Consolidated EBITDA increased 5% QoQ to Rs 58.6bn (PLe Rs51.4bn) on lower fuel costs in India and better Novelis performance.

Given delayed commissioning and cost overruns in US project, its profitability is expected to get impacted. Novelis guided higher EBITDA/t of USD600/t over long term on higher operating leverage. In the near term, Novelis will continue to perform well with improving demand across segments. We have revised our capex estimates leading to higher FY26 net debt and subsequently cut the TP. At CMP, stock is trading at EV of 5.6x/5.2x FY25E/FY26E EBITDA respectively. Retain 'Buy' rating with revised TP of Rs597 (earlier Rs673) valuing Novelis at 6.5x EV of Mar'26E EBITDA.

Strong EBITDA/t from Novelis despite seasonally weak quarter: Shipments declined 7% QoQ in N. America to 362kt; declined 10% QoQ to 230kt in Europe; increased 1% QoQ to 176kt in Asia and grew sharp 22% QoQ to 176kt in S. America due to good start to summer season. Q3 faced weakness in specialties market on muted macros in Europe & N. America. Auto demand remained strong in Europe and Asia due to EV theme. Demand for Aerospace remains strong on multi-year order book. Beverage can de-stocking is over and demand is improving gradually. Novelis revised FY24 capex guidance downwards to new range of USD 1.4-1.6bn. The US project timeline has been revised to 2HCY26 from FY26, post which ramp up would take 18-24 months.

Lower CoP at AL business and strong copper drives India EBITDA: India upstream aluminum business shipments remained flat QoQ at 333kt, while downstream volumes declined 4% QoQ due to subdued domestic demand. Upstream AL EBITDA/t grew 17% QoQ at USD880 in 3Q. Downstream AL EBITDA/t declined 38% QoQ to USD137 on unfavorable product mix and lower realization. Copper business reported 11% QoQ decline in shipments at 119kt, but EBITDA remained flat QoQ improving realizations and margins significantly.

Concall Highlights: (1) HNDL has achieved >50% of its 2025 target of renewable energy and completed 152MW of renewable energy till date. (2) 50MW of solar and wind projects are expected to be commissioned by 1QFY25. (3) For India AL business, HNDL hedged 22% at the price of USD2,636/t for 4QFY24 and 5% of the commodity for FY25 at zero collar at a bottom of USD 2,220/t and a ceiling of USD 2,500/t (4) HNDL prepaid long term debt of Rs 43.7bn in 3Q in India. (5) HNDL can do capex of Rs 60-70bn each year as it has excess treasury. (6) 3Q cost of production in the AL business was down 3.3% QoQ on account lower coal and CP Coke prices. 4Q costs are expected to remain flat. (7) Alumina sales in 3Q stood at 167kt. (8) In 4Q, alumina sales are expected to be 180-190kt. (9) Linkage coal stands at ~60% while e-auction coal stands at ~36%. (10) Chakla coal mine is expected to commission operations by Dec'24. (11) Chakla coal mine output can be 1-1.5mt in the first year. (12) Meenakshi West is expected to commission in 2.5-3 years with an EC of 5mtpa. It will take 2 years for HNDL to be self-sufficient in coal. (13) HNDL has returned Gare Palma IV/5 and Dumri coal mines to the Government being cost inefficient and rest two mines (GP IV/4 & Kathautia) are also expected to be returned. (14) FY24 capex for Novelis is expected to be at the lower end of the revised capex guidance of USD 1.4-1.6bn from USD 1.5-1.8bn earlier. (15) For the revised USD 4.1bn capex for Bay Minette, ~65% is allocated to civil and structure, 25% to equipment. (16) Automotive forms ~22% of 9M Novelis shipments, Cans at 56%, Specialities at 19% and Aerospace at 3%. (17) Novelis EBITDA/t for 4QFY24 is expected to be USD 525/t.

Exhibit 1: Q3FY24 Result Overview - Consolidated (Rs bn)

Y/e March	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Net Sales	528.1	531.5	-0.6	541.7	-2.5	1599.7	1673.5	-4.4
Raw material	322.3	343.6	-6.2	340.0	-5.2	994.8	1048.7	-5.1
<i>% of Net Sales</i>	<i>61.0</i>	<i>64.6</i>		<i>62.8</i>		<i>62.2</i>	<i>62.7</i>	
Staff Cost	38.5	32.6	18.0	36.5	5.4	110.2	95.0	16.0
<i>% of Net Sales</i>	<i>7.3</i>	<i>6.1</i>		<i>6.7</i>		<i>6.9</i>	<i>5.7</i>	
Other expenses	108.6	119.8	-9.3	109.1	-0.4	322.8	356.3	-9.4
<i>% of Net Sales</i>	<i>20.6</i>	<i>22.5</i>		<i>20.1</i>		<i>20.2</i>	<i>21.3</i>	
Total expenditure	469.4	496.0	-5.4	485.6	-3.3	1427.8	1500.1	-4.8
EBITDA	58.7	35.5	65.3	56.1	4.5	171.9	173.4	-0.9
<i>Margin (%)</i>	<i>11.1</i>	<i>6.7</i>		<i>10.4</i>		<i>10.7</i>	<i>10.4</i>	
Depreciation	18.7	17.7	6.0	18.4	1.7	55.0	52.3	5.2
EBIT	39.9	17.8	124.2	37.7	5.9	116.9	121.1	-3.5
Other income	2.8	3.7	-23.5	4.6	-39.5	11.3	9.1	25.3
Interest	9.4	9.3	1.1	10.3	-8.7	29.7	26.6	11.7
PBT	33.3	12.1	174.5	32.0	4.0	98.5	103.5	-4.8
Extraordinary income/(expense)	0.0	0.0		0.3		0.0	0.0	
PBT (after EO)	33.3	12.1	174.5	32.3	3.0	98.5	103.5	-4.8
Tax	10.0	-1.5	NA	10.4	-3.7	29.0	27.2	6.6
Reported PAT	23.3	13.6	71.3	22.0	6.1	69.6	76.4	-8.9
Minority interest	-	0.0		0.0		0.0	0.0	
Share of profit/(losses) in Associates	0.0	0.0	-50.0	0.0		0.0	0.1	-57.1
Net Profit attributable to shareholders	23.3	13.6	71.1	22.0	6.1	69.6	76.5	-9.0
Adjusted PAT	23.3	13.6	71.2	21.6	7.8	69.6	86.6	-19.7

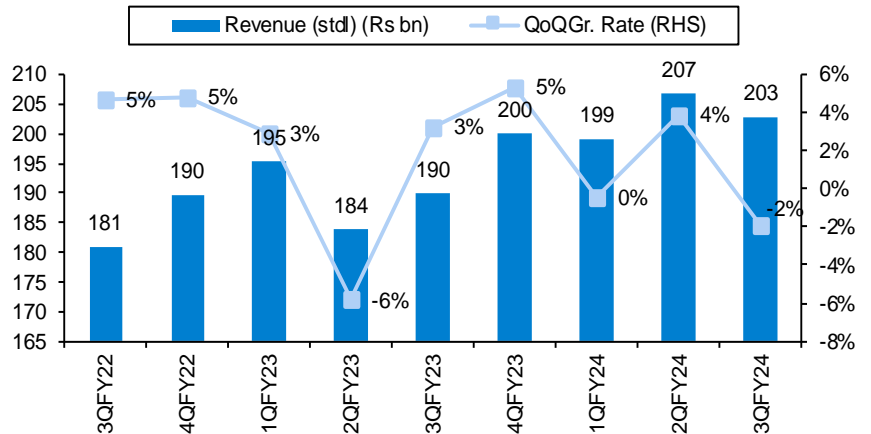
Source: Company, PL

Exhibit 2: Standalone Operating Matrix

(in Rs bn)	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	9MFY24	9MY23	YoY gr. (%)
Aluminium								
Revenue	88.1	91.2	-3.4	86.6	1.7	262.0	276.3	-5.2
EBIT	25.0	18.5	35.2	22.4	11.4	68.2	72.0	-5.3
Volume (kt)	423	427	-0.9	428	-1.2	1,273	1,274	-0.1
Copper								
Revenue	119.5	103.1	16.0	124.4	-3.9	359.0	305.0	17.7
EBIT	6.6	5.5	20.1	6.5	0.5	18.4	16.6	11.2
Volume (kt)	119	109	9.2	134	-11.2	371	322	15.2

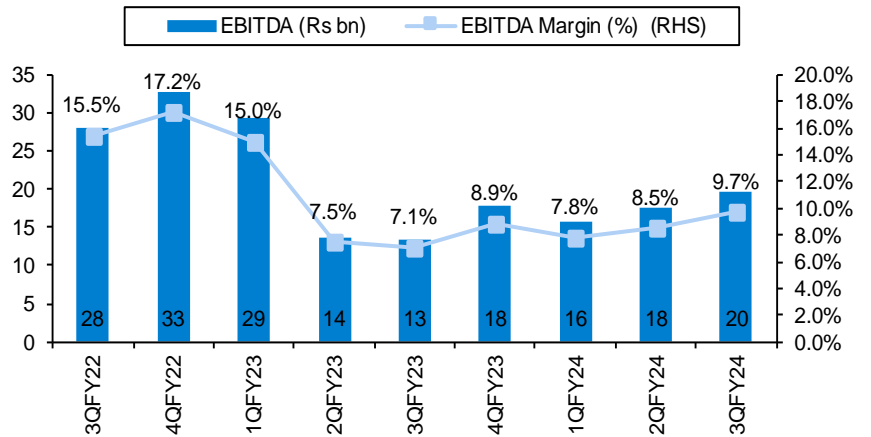
Source: Company, PL

Exhibit 3: Standalone revenue declined 2% QoQ on lower volumes



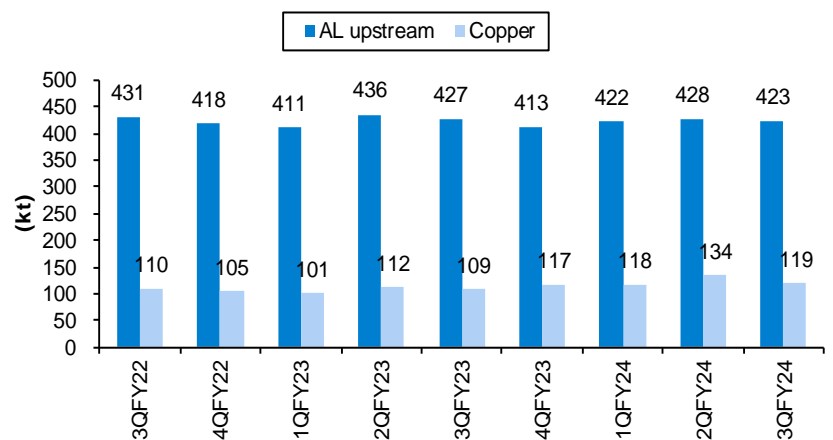
Source: Company, PL

Exhibit 4: Standalone EBITDA margins improved on lower fuel costs



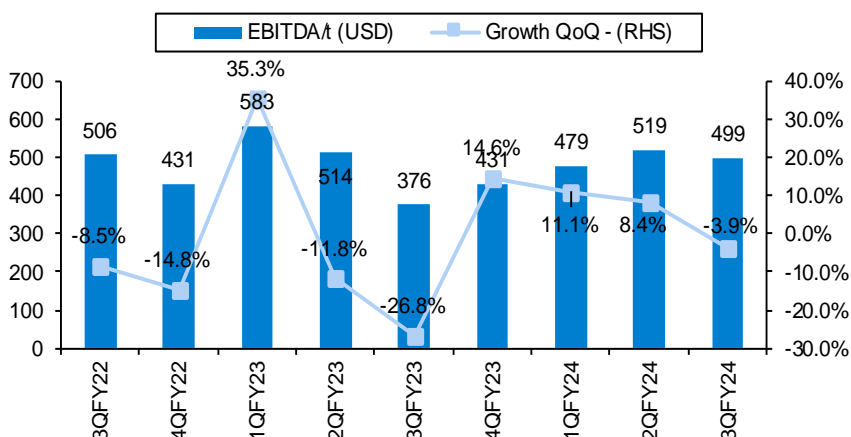
Source: Company, PL

Exhibit 5: Domestic AL volumes down -1% QoQ; Copper declined 11% QoQ



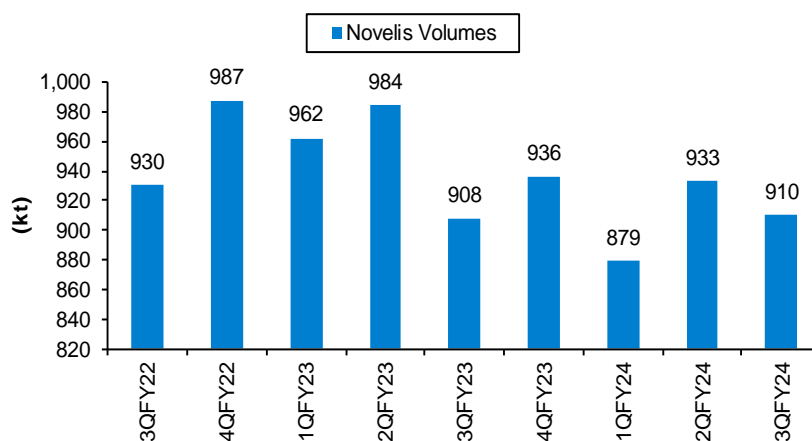
Source: Company, PL

Exhibit 6: Novelis adj. EBITDA/t improving gradually



Source: Company, PL

Exhibit 7: Novelis volumes declined 2% QoQ to 910kt



Source: Company, PL

Exhibit 8: Target Price Calculation

(In Rs bn)	Mar'26 PLe	EV/EBITDA (x)	EV
Novelis EBITDA	197	6.5	1,282
HNDL Standalone EBITDA	85	5	423
Net debt			379
Equity value			1,327
Per share equity value			597

Source: PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	2,232	2,180	2,308	2,462
YoY gr. (%)	14.4	(2.3)	5.9	6.7
Cost of Goods Sold	1,408	1,614	1,714	1,837
Gross Profit	824	565	594	625
Margin (%)	36.9	25.9	25.7	25.4
Employee Cost	131	135	142	153
Other Expenses	465	195	189	191
EBITDA	229	236	262	282
YoY gr. (%)	(20.1)	3.2	11.1	7.4
Margin (%)	10.3	10.8	11.4	11.4
Depreciation and Amortization	73	76	82	87
EBIT	156	160	181	195
Margin (%)	7.0	7.4	7.8	7.9
Net Interest	36	41	42	43
Other Income	13	16	17	17
Profit Before Tax	132	136	156	169
Margin (%)	5.9	6.3	6.7	6.9
Total Tax	31	37	41	45
Effective tax rate (%)	23.8	27.3	26.7	26.8
Profit after tax	101	99	114	124
Minority interest	-	-	-	0
Share Profit from Associate	0	0	0	0
Adjusted PAT	101	99	114	124
YoY gr. (%)	(26.5)	(1.6)	14.9	8.4
Margin (%)	4.5	4.6	4.9	5.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	101	99	114	124
YoY gr. (%)	(26.5)	(1.6)	14.9	8.4
Margin (%)	4.5	4.6	4.9	5.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	101	99	114	124
Equity Shares O/s (m)	2	2	2	2
EPS (Rs)	45.5	44.7	51.4	55.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	1,567	1,645	1,740	2,416
Tangibles	1,410	1,488	1,582	2,259
Intangibles	157	157	157	157
Acc: Dep / Amortization	718	794	876	962
Tangibles	624	700	782	868
Intangibles	94	94	94	94
Net fixed assets	849	851	864	1,454
Tangibles	786	788	801	1,391
Intangibles	63	63	63	63
Capital Work In Progress	77	155	250	(258)
Goodwill	257	257	257	257
Non-Current Investments	116	116	116	116
Net Deferred tax assets	(73)	(73)	(73)	(73)
Other Non-Current Assets	43	43	43	43
Current Assets				
Investments	59	59	59	59
Inventories	430	418	411	438
Trade receivables	162	179	190	202
Cash & Bank Balance	154	127	95	65
Other Current Assets	57	57	57	57
Total Assets	2,248	2,307	2,387	2,479
Equity				
Equity Share Capital	2	2	2	2
Other Equity	946	1,038	1,145	1,259
Total Networkth	948	1,041	1,147	1,261
Non-Current Liabilities				
Long Term borrowings	514	474	424	374
Provisions	6	6	6	6
Other non current liabilities	71	71	71	71
Current Liabilities				
ST Debt / Current of LT Debt	69	69	69	69
Trade payables	359	358	379	405
Other current liabilities	177	184	186	188
Total Equity & Liabilities	2,248	2,307	2,387	2,479

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	132	136	156	169
Add. Depreciation	71	76	82	87
Add. Interest	36	41	42	43
Less Financial Other Income	13	16	17	17
Add. Other	(16)	(16)	(17)	(17)
Op. profit before WC changes	224	236	262	282
Net Changes-WC	(5)	1	20	(12)
Direct tax	(27)	(37)	(41)	(45)
Net cash from Op. activities	192	200	241	224
Capital expenditures	(97)	(156)	(189)	(169)
Interest / Dividend Income	5	16	17	17
Others	11	-	-	-
Net Cash from Inv. activities	(81)	(140)	(173)	(152)
Issue of share cap. / premium	-	-	-	-
Debt changes	(82)	(40)	(50)	(50)
Dividend paid	(9)	(7)	(8)	(10)
Interest paid	(38)	(41)	(42)	(43)
Others	30	-	-	-
Net cash from Fin. activities	(99)	(87)	(100)	(103)
Net change in cash	12	(27)	(32)	(31)
Free Cash Flow	94	44	52	55

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	45.5	44.7	51.4	55.7
CEPS	78.4	78.8	88.2	94.8
BVPS	427.1	468.8	516.6	568.0
FCF	42.2	19.8	23.2	24.9
DPS	3.0	3.6	4.3	5.2
Return Ratio(%)				
RoCE	11.4	11.4	12.2	12.7
ROIC	9.4	8.5	9.1	9.2
RoE	11.7	10.0	10.4	10.3
Balance Sheet				
Net Debt : Equity (x)	0.4	0.3	0.3	0.3
Net Working Capital (Days)	38	40	35	35
Valuation(x)				
PER	11.2	11.4	9.9	9.2
P/B	1.2	1.1	1.0	0.9
P/CEPS	6.5	6.5	5.8	5.4
EV/EBITDA	6.6	6.3	5.6	5.2
EV/Sales	0.7	0.7	0.6	0.6
Dividend Yield (%)	0.6	0.7	0.8	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

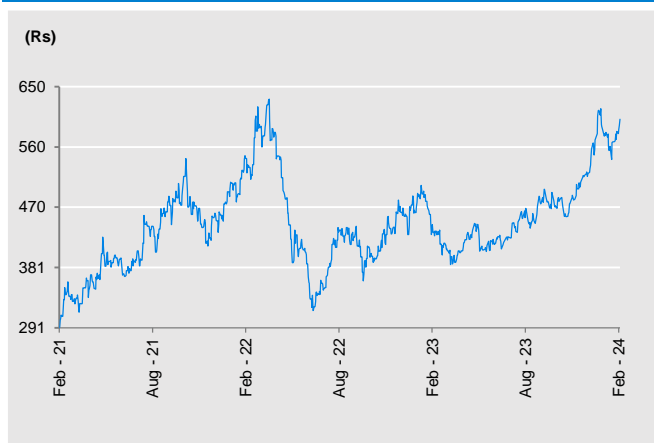
Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	559	530	542	528
YoY gr. (%)	0.2	(8.7)	(3.6)	(0.6)
Raw Material Expenses	359	332	340	322
Gross Profit	200	198	202	206
Margin (%)	35.7	37.3	37.2	39.0
EBITDA	53	57	56	59
YoY gr. (%)	(27.1)	(32.2)	4.7	65.3
Margin (%)	9.5	10.8	10.4	11.1
Depreciation / Depletion	19	18	18	19
EBIT	35	39	38	40
Margin (%)	6.2	7.4	7.0	7.6
Net Interest	10	10	10	9
Other Income	4	4	5	3
Profit before Tax	28	33	32	33
Margin (%)	5.1	6.3	5.8	6.3
Total Tax	4	9	10	10
Effective tax rate (%)	15.1	25.8	32.7	30.0
Profit after Tax	24	25	21	23
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	24	25	21	23
YoY gr. (%)	(44.8)	(38.6)	(3.3)	71.3
Margin (%)	4.3	4.7	3.9	4.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	24	25	21	23
YoY gr. (%)	(44.8)	(38.6)	(3.3)	71.3
Margin (%)	4.3	4.7	3.9	4.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	24	25	21	23
Avg. Shares O/s (m)	2	2	2	2
EPS (Rs)	10.8	11.1	9.6	10.5

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Novelis volumes (mt)	3.8	3.7	3.8	4.0
Novelis EBITDA/t	453	490	510	525
Aluminium Price (USD/t)	2,491	2,202	2,235	2,269
Standalone EBITDA (Rs bn)	74.2	69.6	81.9	84.6

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jan-24	BUY	673	591
2	13-Nov-23	BUY	583	482
3	10-Oct-23	BUY	557	469
4	07-Oct-23	BUY	557	473
5	28-Aug-23	BUY	557	450

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Hindalco Industries	BUY	673	591
2	Jindal Stainless	Accumulate	660	581
3	Jindal Steel & Power	BUY	842	755
4	JSW Steel	BUY	958	816
5	National Aluminium Co.	Accumulate	101	131
6	NMDC	BUY	261	224
7	Steel Authority of India	Accumulate	95	119
8	Tata Steel	Accumulate	137	134

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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