PL Capital
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# Hindalco Industries (HNDL IN)

## Rating: BUY | CMP: Rs652 | TP: Rs741

November 13, 2024

## Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

| | Current | | Previous | |
|---|---|---|---|---|
| | FY26E | FY27E | FY26E | FY27E |
| **Rating** | **BUY** | | **BUY** | |
| **Target Price** | **741** | | **534** | |
| Sales (Rs bn) | 2,539 | 2,686 | 2,531 | 2,693 |
| *% Chng.* | *0.3* | *(0.3)* | | |
| EBITDA (Rs bn) | 326 | 343 | 341 | 358 |
| *% Chng.* | *(4.4)* | *(4.1)* | | |
| EPS (Rs.) | 71.7 | 75.8 | 76.7 | 80.6 |
| *% Chng.* | *(6.5)* | *(5.9)* | | |

### Key Financials - Consolidated

| Y/e Mar | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Sales (Rs. bn) | 2,160 | 2,351 | 2,539 | 2,686 |
| EBITDA (Rs. bn) | 242 | 298 | 326 | 343 |
| *Margin (%)* | *11.2* | *12.7* | *12.8* | *12.8* |
| PAT (Rs. bn) | 101 | 144 | 159 | 168 |
| EPS (Rs.) | 45.7 | 65.0 | 71.7 | 75.8 |
| *Gr. (%)* | *0.5* | *42.2* | *10.4* | *5.7* |
| DPS (Rs.) | 3.5 | 4.2 | 5.0 | 6.0 |
| *Yield (%)* | *0.5* | *0.6* | *0.8* | *0.9* |
| *RoE (%)* | *10.1* | *12.8* | *12.5* | *11.8* |
| *RoCE (%)* | *11.4* | *14.1* | *14.5* | *14.5* |
| EV/Sales (x) | 0.8 | 0.8 | 0.7 | 0.6 |
| EV/EBITDA (x) | 7.5 | 6.0 | 5.5 | 4.8 |
| PE (x) | 14.3 | 10.0 | 9.1 | 8.6 |
| P/BV (x) | 1.4 | 1.2 | 1.1 | 1.0 |

### Key Data — HALC.BO | HNDL IN

| | |
|---|---|
| 52-W High / Low | Rs.773 / Rs.481 |
| Sensex / Nifty | 78,675 / 23,883 |
| Market Cap | Rs.1,464bn/ $ 17,352m |
| Shares Outstanding | 2,247m |
| 3M Avg. Daily Value | Rs.4511.8m |

### Shareholding Pattern (%)

| | |
|---|---|
| Promoter's | 34.64 |
| Foreign | 32.26 |
| Domestic Institution | 24.32 |
| Public & Others | 8.78 |
| Promoter Pledge (Rs bn) | - |

### Stock Performance (%)

| | 1M | 6M | 12M |
|---|---|---|---|
| Absolute | (12.8) | 4.2 | 35.1 |
| Relative | (9.8) | (3.8) | 12.0 |

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## *Strong India but lower spreads to impact Novelis*

**Quick Pointers:**

- HNDL announced brownfield expansion of AL and CU smelters, to increase capacity by 180kt/300kt to 1.52mtpa/800ktpa respectively at ~USD1bn capex each to be commissioned over next 3-3.5 years
- Novelis to face brunt of lower spot scrap spreads but higher alumina prices in India business to balance the same in the near term

***Hindalco Industries (HNDL) Q2FY25 delivered strong cons operating performance on strong India upstream AL business and stable Novelis. Indian business volumes were muted, but better pricing and lower operating cost benefited. Mgmt. guided for tad higher coal costs at Mahan and Renukoot operations on higher spot premiums, but impact of higher alumina prices will aid earnings. As scrap prices have increased over last few quarters led by higher scrap imports from China to maintain coal fired smelter capacity at 45mtpa, Novelis EBITDA/t can see negative impact in near term. Global economic headwinds can also limit volume growth as guided by competition. We expect Novelis contribution to remain soft in the next two quarters due to seasonality and lower spot scrap spreads and cut FY25/26E EBITDA/t assumptions to USD486/490 from USD525 earlier. We expect Novelis to deliver ~3.5% volume CAGR over the next 2 years as beverage can segment which is 58-60% of volumes remain strong.***

***We factor in higher AL prices of USD2,474/USD2,578 for FY25E/26E from earlier assumption of USD2,413/USD2,454, higher standalone capex and cut cons. EBITDA by ~4% each. At CMP, the stock is trading at EV of 5.5x/4.8x FY26E/FY27E EBITDA. Retain 'Buy' rating with revised TP of Rs741 (earlier Rs847), valuing Novelis at 6.5x & standalone ops at 5x EV of Sep'26E EBITDA.***

**Strong performance from Hindalco India aided by better pricing:** Standalone AL revenue grew 16% YoY while copper revenue grew 5% YoY. AL business EBITDA grew 72% YoY to Rs38.7bn on lower operating cost and better pricing. Copper EBITDA grew 27% YoY to Rs8.3bn. AL sales volumes declined 3% YoY to 328kt, downstream sales volumes grew 10% YoY to 103kt. Copper volumes declined 13% YoY to 117kt. Blended realization for AL improved 8% QoQ to R305k/t while copper business realization was flat QoQ to Rs1,120k/t.

**EBITDA growth led by lower cost and strong Utkal performance:** Std. EBITDA grew 57% YoY to Rs27.5bn (flat QoQ; PLe of Rs26.9bn) on strong performance from upstream business aided by pricing. Copper business performance is largely in-line however there was one time impact on derivative accounting which mgmt. didn't quantify. Cons. EBITDA grew 40% YoY at Rs78.8bn on strong standalone and Utkal performance. Std. other income includes one-time gain of Rs5.71bn recognized as discounted value of the transaction of Kalwa land. Cons. PAT includes Rs5.14bn on account of flooding at Novelis Swiss facility.

**Near term EBITDA/t guidance at risk for Novelis:** Novelis's revenue grew 5% YoY to USD 4.3bn (+3% QoQ) on higher premium over LME. Average realization grew 3% QoQ to USD 4,545/t (+3% YoY) on higher premium over LME. Shipments of flat rolled products (FRP) grew 1% YoY to 945kt (-1% QoQ) on strong double-digit Beverage Can volume growth offset by weak Specialties and Auto segment. Novelis's adjusted EBITDA per ton declined 3% YoY to USD489/t (adjusting for flood impact of USD25m & 26kt volumes it works out USD502/t) on better volumes. Mgmt emphasized continued tightness of scrap market remains a big concern and near term EBITDA/t guidance is difficult to predict. Accordingly, we have cut FY26/27E EBITDA/t to USD490/500 from earlier USD525/550.

**Novelis segment wise demand:** Cans segment showed robust double-digit growth aided by strong demand in Asia and South America (S.A.). Auto shipments were lower in Europe and N. A. but supported by Asia. Specialties segment continue to witness pressure across regions. FRP Shipments grew 2% QoQ in N.A. to 396kt (on strong cans offsetting weak specialties and auto); down 11% QoQ to 233kt in Europe due to floods; grew 2% QoQ to 198kt in Asia (on higher exports to N.A. and Europe) and grew 5% QoQ to 162kt in S.A. (on stronger cans). EBITDA/t declined 1% QoQ in N. A. to USD 467/t; declined 21% QoQ to USD 270/t in Europe; down 3% QoQ to USD 460/t in Asia and de-grew 12% QoQ to USD 753/t in S.A..

**New India capex to increase upstream capacity by end FY28:** HNDL announced brownfield expansion of AL and CU smelters, to increase capacity by 180kt/300kt to 1.52mtpa/800ktpa respectively at ~USD1bn capex each to be commissioned over next 3-3.5 years. This 180ktpa aluminium upstream facility powered by renewable energy will aid boosting sale of low carbon aluminium by H2FY28. In the near term, 25ktpa Greenfield Inner Grooved Tubes project would get commissioned by Q4FY25 substituting the imports used in the air conditioners. Aditya FRP project is expected to get commissioned in FY26, increasing total downstream capacity to 600ktpa.

Novelis is planning to spend lower end of range of announced capex of USD1.8-2.1bn for FY25E; spent USD369m in2Q. The USD 4.1 capex for Bay Minnette is on track to begin commissioning in 2HCY26.

## Q2FY25 Conference Call Highlights:

- Coal mix for Q2FY25: linkage coal - 50%, E-auction coal - ~47%, own 2-3%. Mix not expected to differ materially till the time Chakala mines come online by H2CY25 which is at FC-1 stage.
- Coal costs on a consumption basis are expected to increase marginally by ~1.5% qoq in 3QFY25.
- Post ramp-up/completion of Silvassa/FRP projects, HNDL expects volumes of 600 kt at margins of USD200/t in the aluminum downstream segment.
- HNDL has hedged 30%/14% of volumes at USD2,579/ USD2,700/t for FY25/26. HNDL has also hedged by taking a collar for 15% of volumes between floor/capped price of USD2,262/2,547/ton.
- Around 15% of the currency is hedged at an exchange rate of USD88.
- External alumina sales during Q2FY25 stood at 197kt (162 kt in Q1FY25).
- Inventory clearance of gold post duty cut, higher pricing of sulphuric acid in Q2FY25 and certain derivative gains led to record EBITDA of Rs8.29bn during Q2FY25. Mgmt maintains ~Rs6-6.5 bn quarterly run-rate from the copper division on a normalized basis.
- Total installed solar and wind capacity as of Q2FY25 is 183 MW (+10MW qoq). Targets to reach 300MW by H1CY25.
- Capex guidance for India operations is Rs60bn for FY25E and ~Rs80bn for FY26E.
- The company is nearing completion of downstream capex, post which downstream capacity willbe ~600 kt. Next capex phase announced is on the upstream side. Brownfield expansion in the AL upstream capacity of 180ktpa will increase the total upstream capacity to 1.52mtpa. HNDL is expected to add USD1-1.5bn debt over next 2-3 years for the newly announced USD4-5bn capex.
- The new upstream projects are long gestation projects, aluminium smelter in Aditya and the refinery will be operational from 3QFY28 (Oct'27) and the Copper smelter in Dahej will be operational from 2029.
- In Novelis, 600kt Greenfield Bay Minette project is on track, with steel installation and equipment foundation work rapidly progressing. This is expected to be commissioned in H2CY26, with ~400kt capacity targeted for beverage packaging and fully contracted.
- Consolidated net debt increased qoq to Rs360 bn in 1QFY25 (Rs355 bn in Q1FY25). Total debt for Novelis stood at ~Rs392bn (Rs382 bn in Q1FY25). Debt levels would be within limits with net debt/EBITDA at lower than 1.5x.

**Exhibit 1: Q2FY25 Result Overview - Consolidated (Rs bn)**

| Y/e March | 2QFY25 | 1QFY24 | YoY gr. (%) | 2QFY25E | % Var. | 1QFY25 | QoQ gr. (%) | H1FY25 | H1FY24 | YoY gr. (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net Sales** | **582.0** | **529.9** | ***9.8*** | **572.4** | ***1.7*** | **570.1** | ***2.1*** | **1152.2** | **1071.6** | ***7.5*** |
| Raw material | 357.9 | 332.4 | *7.7* | 343.5 | *4.2* | 341.0 | *5.0* | 698.8 | 672.4 | *3.9* |
| *% of Net Sales* | *61.5* | *62.7* | | *60.0* | | *59.8* | | *60.7* | *62.7* | |
| Staff Cost | 38.0 | 35.3 | *7.7* | 40.7 | *-6.7* | 38.8 | *-2.0* | 76.8 | 71.8 | *7.0* |
| *% of Net Sales* | *6.5* | *6.7* | | *7.1* | | *6.8* | | *6.7* | *6.7* | |
| Other expenses | 107.3 | 105.1 | *2.2* | 121.2 | *-11.4* | 115.4 | *-7.0* | 222.7 | 214.2 | *4.0* |
| *% of Net Sales* | *18.4* | *19.8* | | *21.2* | | *20.2* | | *19.3* | *20.0* | |
| Total expenditure | 503.2 | 472.8 | *6.4* | 505.4 | *-0.4* | 495.1 | *1.6* | 998.3 | 958.3 | *4.2* |
| **EBITDA** | **78.8** | **57.1** | ***38.0*** | **67.0** | ***17.7*** | **75.0** | ***5.1*** | **153.9** | **113.3** | ***35.8*** |
| *Margin (%)* | *13.5* | *10.8* | | *11.7* | | *13.2* | | *13.4* | *10.6* | |
| Depreciation | 19.3 | 17.9 | *8.2* | 19.1 | *0.9* | 18.9 | *2.1* | 38.2 | 36.3 | *5.4* |
| **EBIT** | **59.5** | **39.3** | ***51.5*** | **47.8** | ***24.4*** | **56.1** | ***6.1*** | **115.6** | **77.0** | ***50.2*** |
| Other income | 10.8 | 3.9 | *174.9* | 4.8 | *124.7* | 4.2 | *153.5* | 15.0 | 8.5 | *75.5* |
| Interest | 8.7 | 9.9 | *-12.4* | 8.7 | *0.2* | 8.6 | *1.2* | 17.3 | 20.3 | *-14.7* |
| **PBT** | **61.6** | **33.3** | ***85.1*** | **43.9** | ***40.2*** | **51.8** | ***19.0*** | **113.3** | **65.3** | ***73.7*** |
| Extraordinary income/(expense) | -5.1 | -0.1 | | 0.0 | | -3.3 | *55.8* | -8.4 | 0.2 | |
| PBT (afer EO) | 56.4 | 33.1 | *70.2* | 43.9 | *28.5* | 48.5 | *16.4* | 104.9 | 65.5 | *60.2* |
| Tax | 17.3 | 8.6 | *NA* | 10.5 | *65.6* | 17.7 | *-2.3* | 35.1 | 19.0 | *NA* |
| **Reported PAT** | **39.1** | **24.5** | ***59.4*** | **33.5** | ***16.8*** | **30.7** | ***27.2*** | **69.8** | **46.5** | ***50.2*** |
| Minority interest | - | 0.0 | | - | | 0.0 | | 0.0 | 0.0 | |
| Share of profit/(losses) in Associates | 0.0 | 0.0 | *-100.0* | 0.0 | | 0.0 | | 0.0 | 0.0 | - |
| **Net Profit attributable to shareholders** | **39.1** | **24.5** | ***59.3*** | **33.5** | ***16.8*** | **30.7** | ***27.2*** | **69.8** | **46.5** | ***50.2*** |
| **Adjusted PAT** | **43.1** | **37.3** | ***15.5*** | **43.9** | ***-1.8*** | **35.0** | ***23.1*** | **87.0** | **42.9** | ***102.7*** |

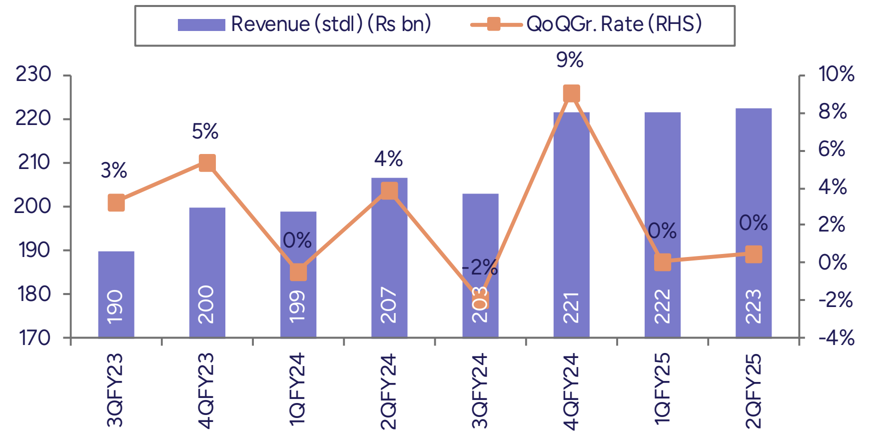
*Source: Company, PL*

**Exhibit 2: Standalone Operating Matrix**

| (in Rs bn) | 2QFY25 | 1QFY24 | YoY gr. (%) | 2QFY25E | % Var. | 1QFY25 | QoQ gr. (%) | H1FY25 | H1FY24 | YoY gr. (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Aluminium** | | | | | | | | | | |
| Revenue | 100.2 | 86.6 | *15.7* | 89.5 | *12.0* | 94.6 | *6.0* | 194.8 | 173.9 | *-10.7* |
| EBIT | 38.7 | 22.4 | *72.3* | 26.2 | *47.6* | 33.7 | *14.6* | 72.4 | 43.2 | *-40.4* |
| Volume (kt) | 328 | 338 | *-3.0* | 335 | *-2.0* | 334 | *-1.8* | 662 | 674 | *1.8* |
| | | | | | | | | | | |
| **Copper** | | | | | | | | | | |
| Revenue | 131.1 | 124.4 | *5.4* | 134.4 | *-2.4* | 132.9 | *-1.3* | 264.1 | 239.4 | *-9.3* |
| EBIT | 8.3 | 6.5 | *27.0* | 8.2 | *1.2* | 8.1 | *3.0* | 16.3 | 11.8 | *-27.5* |
| Volume (kt) | 117 | 134 | *-12.7* | 127 | *-8.1* | 119 | *-1.7* | 236 | 252 | *6.8* |

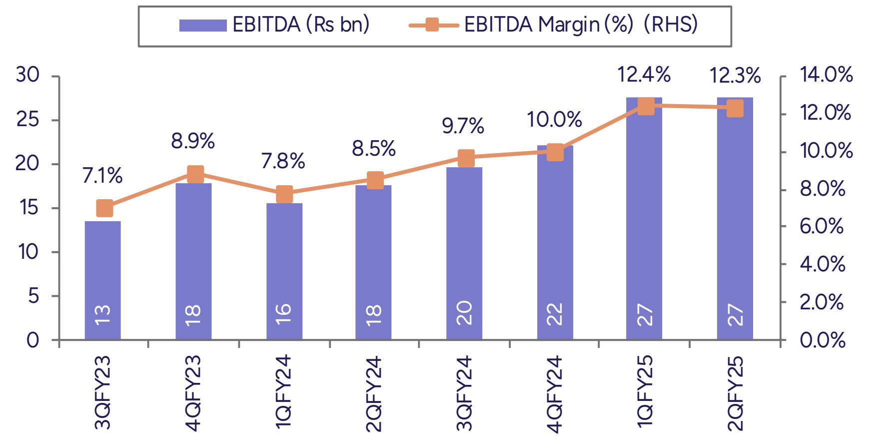
*Source: Company, PL*

**Exhibit 3: Standalone revenue grew 7.7% YoY on higher pricing**



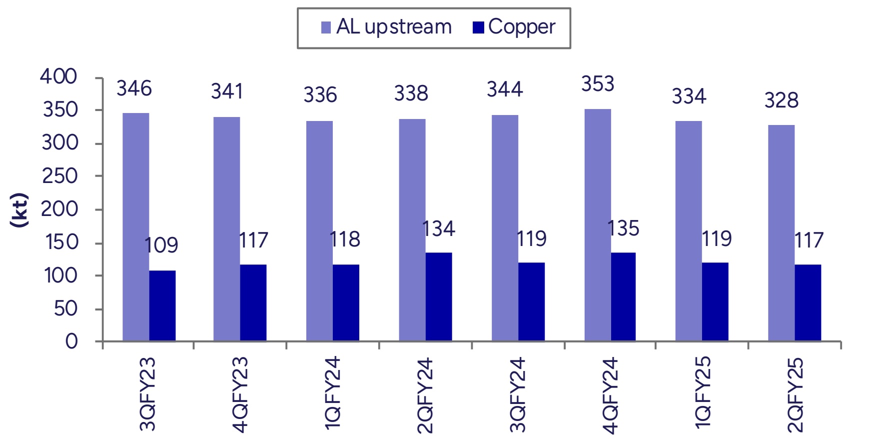

*Source: Company, PL*

**Exhibit 4: Std. EBITDA margins improved on low costs and better NSR**



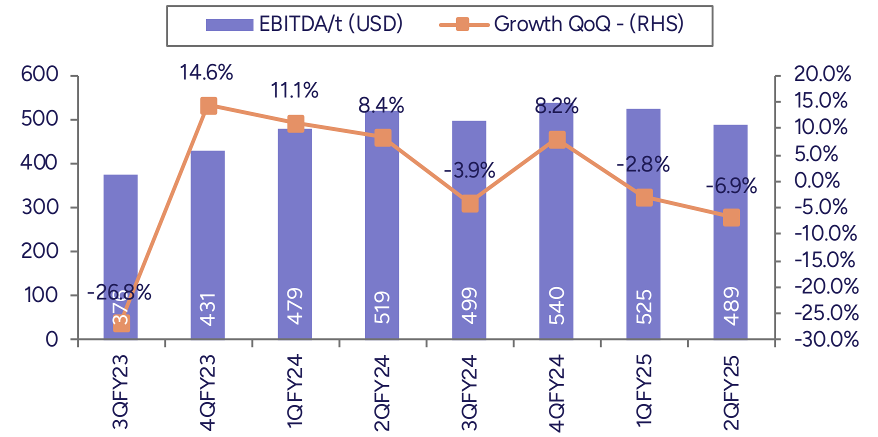

*Source: Company, PL*

**Exhibit 5: Domestic AL & CU volumes de-grew 3% and 13% YoY respectively**



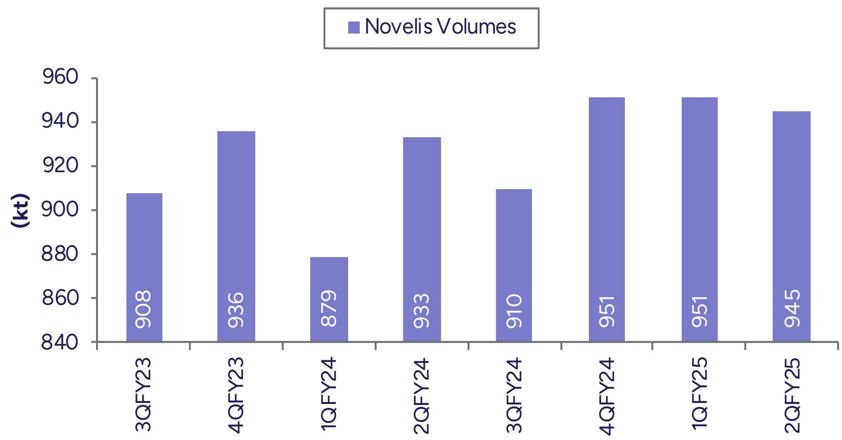

*Source: Company, PL*

**Exhibit 6: Novelis adj. EBITDA/t declined 6% YoY to USD489**




*Source: Company, PL*

**Exhibit 7: Novelis volumes grew 1.3% YoY to 945kt**




*Source: Company, PL*

**Exhibit 8: Target Price Calculation**

| (In Rs bn) | Sep'26 PLe | EV/EBITDA (x) | EV |
|---|---|---|---|
| Novelis EBITDA | 190 | 6.5 | 1,237 |
| HNDL Standalone EBITDA | 144 | 5 | 722 |
| Net debt | | | 313 |
| Equity value | | | 1,646 |
| **Per share equity value** | | | **741** |

*Source: PL*

# Financials

**Income Statement (Rs bn)**

| Y/e Mar | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| **Net Revenues** | **2,160** | **2,351** | **2,539** | **2,686** |
| *YoY gr. (%)* | *(3.2)* | *8.8* | *8.0* | *5.8* |
| Cost of Goods Sold | 1,339 | 1,694 | 1,833 | 1,945 |
| Gross Profit | 821 | 656 | 706 | 742 |
| *Margin (%)* | *38.0* | *27.9* | *27.8* | *27.6* |
| Employee Cost | 148 | 142 | 153 | 163 |
| Other Expenses | 431 | 216 | 227 | 236 |
| | | | | |
| **EBITDA** | **242** | **298** | **326** | **343** |
| *YoY gr. (%)* | *5.9* | *23.1* | *9.3* | *5.2* |
| *Margin (%)* | *11.2* | *12.7* | *12.8* | *12.8* |
| | | | | |
| Depreciation and Amortization | 79 | 83 | 90 | 93 |
| | | | | |
| **EBIT** | **163** | **215** | **236** | **250** |
| *Margin (%)* | *7.6* | *9.2* | *9.3* | *9.3* |
| | | | | |
| Net Interest | 39 | 35 | 34 | 36 |
| Other Income | 15 | 17 | 18 | 18 |
| | | | | |
| **Profit Before Tax** | **140** | **198** | **219** | **232** |
| *Margin (%)* | *6.5* | *8.4* | *8.6* | *8.6* |
| | | | | |
| Total Tax | 39 | 54 | 60 | 64 |
| *Effective tax rate (%)* | *27.6* | *27.2* | *27.5* | *27.5* |
| | | | | |
| **Profit after tax** | **101** | **144** | **159** | **168** |
| Minority interest | - | - | - | 0 |
| Share Profit from Associate | 0 | 0 | 0 | 0 |
| | | | | |
| **Adjusted PAT** | **101** | **144** | **159** | **168** |
| *YoY gr. (%)* | *0.5* | *42.2* | *10.4* | *5.7* |
| *Margin (%)* | *4.7* | *6.1* | *6.3* | *6.3* |
| Extra Ord. Income / (Exp) | - | - | - | - |
| | | | | |
| **Reported PAT** | **101** | **144** | **159** | **168** |
| *YoY gr. (%)* | *0.5* | *42.2* | *10.4* | *5.7* |
| *Margin (%)* | *4.7* | *6.1* | *6.3* | *6.3* |
| | | | | |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 101 | 144 | 159 | 168 |
| **Equity Shares O/s (bn)** | **2** | **2** | **2** | **2** |
| **EPS (Rs)** | **45.7** | **65.0** | **71.7** | **75.8** |

*Source: Company Data, PL Research*

**Balance Sheet Abstract (Rs bn)**

| Y/e Mar | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| **Non-Current Assets** | | | | |
| | | | | |
| **Gross Block** | **1,655** | **1,759** | **1,869** | **2,088** |
| Tangibles | 1,501 | 1,605 | 1,715 | 1,934 |
| Intangibles | 154 | 154 | 154 | 154 |
| | | | | |
| **Acc: Dep / Amortization** | **797** | **881** | **971** | **1,064** |
| Tangibles | 703 | 787 | 877 | 970 |
| Intangibles | 94 | 94 | 94 | 94 |
| | | | | |
| **Net fixed assets** | **857** | **879** | **898** | **1,024** |
| Tangibles | 797 | 819 | 838 | 964 |
| Intangibles | 60 | 60 | 60 | 60 |
| | | | | |
| Capital Work In Progress | 149 | 253 | 363 | 250 |
| Goodwill | 261 | 261 | 261 | 261 |
| Non-Current Investments | 160 | 160 | 160 | 160 |
| Net Deferred tax assets | (82) | (82) | (82) | (82) |
| Other Non-Current Assets | 57 | 57 | 57 | 57 |
| | | | | |
| **Current Assets** | | | | |
| Investments | 33 | 33 | 33 | 33 |
| Inventories | 408 | 419 | 452 | 478 |
| Trade receivables | 164 | 193 | 209 | 221 |
| Cash & Bank Balance | 144 | 110 | 66 | 148 |
| Other Current Assets | 48 | 48 | 48 | 48 |
| **Total Assets** | **2,319** | **2,450** | **2,584** | **2,718** |
| | | | | |
| **Equity** | | | | |
| Equity Share Capital | 2 | 2 | 2 | 2 |
| Other Equity | 1,059 | 1,196 | 1,346 | 1,503 |
| **Total Networth** | **1,061** | **1,198** | **1,348** | **1,505** |
| | | | | |
| **Non-Current Liabilities** | | | | |
| Long Term borrowings | 474 | 424 | 374 | 324 |
| Provisions | 6 | 6 | 6 | 6 |
| Other non current liabilities | 73 | 73 | 73 | 73 |
| | | | | |
| **Current Liabilities** | | | | |
| ST Debt / Current of LT Debt | 71 | 71 | 71 | 71 |
| Trade payables | 344 | 386 | 417 | 442 |
| Other current liabilities | 178 | 181 | 184 | 186 |
| **Total Equity & Liabilities** | **2,319** | **2,450** | **2,584** | **2,718** |

*Source: Company Data, PL Research*

### Cash Flow (Rs bn)

| Y/e Mar | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| PBT | 140 | 198 | 219 | 232 |
| Add. Depreciation | 75 | 83 | 90 | 93 |
| Add. Interest | 39 | 35 | 34 | 36 |
| Less Financial Other Income | 15 | 17 | 18 | 18 |
| Add. Other | (6) | (17) | (18) | (18) |
| Op. profit before WC changes | 248 | 299 | 326 | 343 |
| Net Changes-WC | 19 | 5 | (15) | (12) |
| Direct tax | (27) | (54) | (60) | (64) |
| **Net cash from Op. activities** | **241** | **250** | **251** | **268** |
| Capital expenditures | (157) | (209) | (219) | (107) |
| Interest / Dividend Income | 6 | 17 | 18 | 18 |
| Others | 8 | - | - | - |
| **Net Cash from Invt. activities** | **(143)** | **(192)** | **(201)** | **(89)** |
| Issue of share cap. / premium | - | - | - | - |
| Debt changes | (44) | (50) | (50) | (50) |
| Dividend paid | (7) | (8) | (9) | (11) |
| Interest paid | (39) | (35) | (34) | (36) |
| Others | (18) | - | - | - |
| **Net cash from Fin. activities** | **(108)** | **(92)** | **(94)** | **(97)** |
| **Net change in cash** | **(10)** | **(34)** | **(44)** | **82** |
| Free Cash Flow | 83 | 41 | 32 | 161 |

*Source: Company Data, PL Research*

### Key Financial Metrics

| Y/e Mar | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| **Per Share(Rs)** | | | | |
| EPS | 45.7 | 65.0 | 71.7 | 75.8 |
| CEPS | 81.3 | 102.5 | 112.4 | 117.7 |
| BVPS | 478.1 | 539.6 | 607.1 | 677.9 |
| FCF | 37.5 | 18.3 | 14.4 | 72.6 |
| DPS | 3.5 | 4.2 | 5.0 | 6.0 |
| **Return Ratio(%)** | | | | |
| RoCE | 11.4 | 14.1 | 14.5 | 14.5 |
| ROIC | 8.5 | 10.4 | 10.4 | 10.9 |
| RoE | 10.1 | 12.8 | 12.5 | 11.8 |
| **Balance Sheet** | | | | |
| Net Debt : Equity (x) | 0.3 | 0.3 | 0.3 | 0.1 |
| Net Working Capital (Days) | 38 | 35 | 35 | 35 |
| **Valuation(x)** | | | | |
| PER | 14.3 | 10.0 | 9.1 | 8.6 |
| P/B | 1.4 | 1.2 | 1.1 | 1.0 |
| P/CEPS | 8.0 | 6.4 | 5.8 | 5.5 |
| EV/EBITDA | 7.5 | 6.0 | 5.5 | 4.8 |
| EV/Sales | 0.8 | 0.8 | 0.7 | 0.6 |
| Dividend Yield (%) | 0.5 | 0.6 | 0.8 | 0.9 |

*Source: Company Data, PL Research*

### Quarterly Financials (Rs bn)

| Y/e Mar | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 |
|---|---|---|---|---|
| **Net Revenue** | **528** | **560** | **570** | **582** |
| *YoY gr. (%)* | *(0.6)* | *0.2* | *7.6* | *7.4* |
| Raw Material Expenses | 322 | 344 | 341 | 358 |
| Gross Profit | 206 | 216 | 229 | 224 |
| *Margin (%)* | *39.0* | *38.6* | *40.2* | *38.5* |
| **EBITDA** | **59** | **67** | **75** | **79** |
| *YoY gr. (%)* | *65.3* | *25.4* | *31.3* | *40.5* |
| *Margin (%)* | *11.1* | *11.9* | *13.2* | *13.5* |
| Depreciation / Depletion | 19 | 20 | 19 | 19 |
| **EBIT** | **40** | **47** | **56** | **60** |
| *Margin (%)* | *7.6* | *8.3* | *9.8* | *10.2* |
| Net Interest | 9 | 9 | 9 | 9 |
| Other Income | 3 | 4 | 4 | 11 |
| **Profit before Tax** | **33** | **41** | **55** | **67** |
| *Margin (%)* | *6.3* | *7.4* | *9.7* | *11.5* |
| Total Tax | 10 | 10 | 18 | 17 |
| *Effective tax rate (%)* | *30.0* | *23.3* | *32.2* | *26.0* |
| **Profit after Tax** | **23** | **32** | **37** | **49** |
| Minority interest | - | - | - | - |
| Share Profit from Associates | - | - | - | - |
| **Adjusted PAT** | **23** | **32** | **37** | **49** |
| *YoY gr. (%)* | *71.3* | *31.8* | *50.7* | *131.8* |
| *Margin (%)* | *4.4* | *5.7* | *6.5* | *8.5* |
| Extra Ord. Income / (Exp) | - | - | - | - |
| **Reported PAT** | **23** | **32** | **37** | **49** |
| *YoY gr. (%)* | *71.3* | *31.8* | *50.7* | *131.8* |
| *Margin (%)* | *4.4* | *5.7* | *6.5* | *8.5* |
| Other Comprehensive Income | - | - | - | - |
| **Total Comprehensive Income** | **23** | **32** | **37** | **49** |
| Avg. Shares O/s (bn) | 2 | 2 | 2 | 2 |
| **EPS (Rs)** | **10.5** | **14.3** | **16.8** | **22.2** |

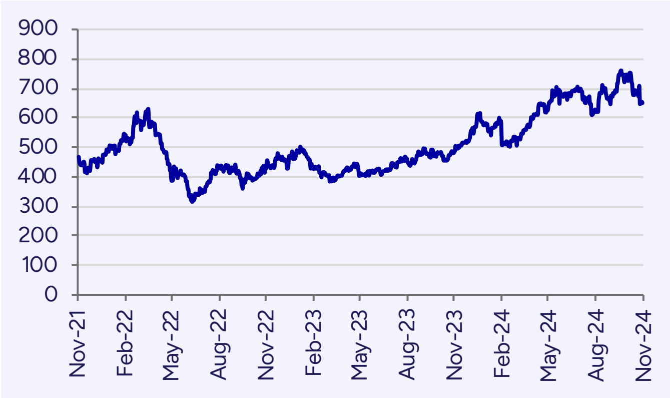
*Source: Company Data, PL Research*

### Key Operating Metrics

| Y/e Mar | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Novelis volumes (mt) | 3.7 | 3.8 | 3.9 | 4.1 |
| Novelis EBITDA/t | 460 | 486 | 490 | 500 |
| Aluminium Price (USD/t) | 2,204 | 2,474 | 2,578 | 2,617 |

*Source: Company Data, PL Research*

**Price Chart**




**Recommendation History**

| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|---|---|---|---|---|
| 1 | 07-Oct-24 | BUY | 847 | 748 |
| 2 | 13-Aug-24 | BUY | 749 | 621 |
| 3 | 07-Jul-24 | BUY | 796 | 698 |
| 4 | 25-May-24 | BUY | 779 | 673 |
| 5 | 12-Apr-24 | BUY | 658 | 603 |
| 6 | 13-Feb-24 | BUY | 597 | 510 |
| 7 | 05-Jan-24 | BUY | 673 | 591 |

**Analyst Coverage Universe**

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---|---|---|---|---|
| 1 | ACC | BUY | 3,262 | 2,238 |
| 2 | Ambuja Cement | BUY | 708 | 569 |
| 3 | Dalmia Bharat | Accumulate | 2,073 | 1,831 |
| 4 | Hindalco Industries | BUY | 847 | 748 |
| 5 | Jindal Stainless | Accumulate | 814 | 740 |
| 6 | Jindal Steel & Power | Accumulate | 1,017 | 948 |
| 7 | JSW Steel | Accumulate | 1,014 | 944 |
| 8 | National Aluminium Co. | Sell | 186 | 220 |
| 9 | NMDC | Accumulate | 266 | 237 |
| 10 | Nuvoco Vistas Corporation | Accumulate | 372 | 342 |
| 11 | Shree Cement | Accumulate | 27,481 | 26,034 |
| 12 | Steel Authority of India | Reduce | 104 | 118 |
| 13 | Tata Steel | Accumulate | 161 | 151 |
| 14 | Ultratech Cement | Accumulate | 12,401 | 10,869 |

**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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