ANANDRATHI

India I Equities

Metals

Company Update

Change in Estimates ☐ Target ☐ Reco ☐

02 April 2025

Hindalco Industries

Aluminium and copper: Metals of the future; retaining a Buy

Rating: **Buy**
Target Price (12-mth): Rs.800
Share Price: Rs.661

We recently attended Hindalco's Investor Day 2025 where management unveiled ~$10bn expansion plan for Novelis and India, along with multiple strategic initiatives, which would help strengthen its market leadership. Novelis laid down a detailed plan under '3X30' vision, which will help the company to focus on higher circularity (increasing the share of recycled products from 63% to 75%), reduce emissions and ensure industry-leading RoICs. Similarly, the domestic business targets to double its upstream presence and quadruple downstream business by FY30. The company has shifted its focus from being a metals producer to an engineering solutions provider, with innovation and a customer-centric approach at its core. Novelis reiterated its long-term EBITDA/tonne guidance of >$600, driven by operating leverage from scale, pricing and the product mix, coupled with operational efficiencies, cost optimization and enhanced usage of recycled input content. The 600k-tonne strategic expansion at Bay Minette is on track and is expected to be completed in H2 CY26. The company further plans to enhance its India aluminium smelting capacity by 180k tonnes to 1.52m tonnes by FY28. Considering all the capex progressing per timelines, the strong capital allocation policy, the market-defining product portfolio mix, surging domestic demand, enhanced presence across downstream and the VAP portfolio, integrated domestic operations, etc., augur well for the company. We retain our Buy rating and a sum-of-parts TP of Rs800/share.

Reiterated $600 EBITDA/tonne guidance. Scalability, pricing, the product mix, operating efficiencies, cost optimization, higher recycled content and supply integration would act as levers, which would drive future performance. Novelis has reiterated its near-term EBITDA guidance of $520-540/tonne and $600/tonne for the long term once Bay Minette facility comes on stream. Bay Minette is expected to generate ~$1,000/tonne EBITDA (at full capacity); considering ~$300m cost-savings, along with additional capacity addition via debottlenecking, the company could generate $600/tonne on a blended basis.

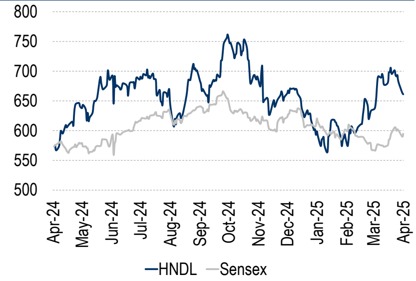
$5.2bn domestic capex. The company's roadmap would enhance domestic alumina, upstream and downstream aluminium and copper capacities, along with raw material securitization, which would further drive margins. Primary aluminium capacity is expected to increase to 1.52m tonnes, downstream to 0.6m tonnes, copper to 0.856m tonnes and specialty alumina to 1m tonne.

Outlook, Valuation. The company laid down a multi-pronged growth strategy with focus on sustainability, recycling and capital allocation, which would drive the next phase of expansion. We retain a Buy rating with a TP of Rs800/share.

Key data	HNDL IN / HALC.BO
52-week high / low	Rs773 / 558
Sensex / Nifty	76617 / 23332
3-m average volume	$45.2m
Market cap	Rs.1486bn / $17377.3m
Shares outstanding	2247m

Shareholding pattern (%)	Dec'24	Sep'24	Jun'24
Promoters	34.6	34.6	34.6
- *of which, Pledged*	0.0	0.0	0.0
Free float	65.4	65.4	65.4
- Foreign institutions	31.7	32.3	30.9
- Domestic institutions	24.6	24.3	25.6
- Public	9.1	8.8	8.9

Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs bn)	2,232	2,160	2,395	2,533	2,647
EBITDA (Rs bn)	227	239	339	360	374
APAT (Rs bn)	101	101	161	164	165
EPS (Rs)	45.3	45.6	72.5	73.8	74.2
P/E (x)	14.6	14.5	9.1	9.0	8.9
EV/EBITDA (x)	7.9	7.6	5.5	5.2	5.0
Net debt/EBITDA (x)	1.4	1.4	1.1	1.1	1.1

Source: Company, Anand Rathi Research

Parthiv Jhonsa
Research Analyst

Prakhar Khajanchi
Research Analyst

Quick Glance – Financials and Valuations (consol.)

Fig 1 – Income statement (Rs bn)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenue	2,232	2,160	2,395	2,533	2,647
Revenue growth (%)	*14.4*	*-3.2*	*10.9*	*5.8*	*4.5*
Total Expenses	2,005	1,921	2,056	2,173	2,273
EBITDA	**227**	**239**	**339**	**360**	**374**
EBITDA growth (%)	*-20.0*	*5.3*	*41.9*	*6.3*	*3.8*
EBITDA margins (%)	*10.2*	*11.1*	*14.1*	*14.2*	*14.1*
Depreciation	71	75	81	91	98
Other income	13	15	24	24	24
Interest Exp	36	39	41	49	54
PBT before exc. item	132	140	240	244	246
Exceptional item	0	0	0	0	0
PBT after exceptional item	132	140	240	244	246
Effective tax	31	39	79	81	81
PAT (before Ass./(Mino.))	101	102	161	164	165
+ Associates/(Minorities)	0	0	0	0	0
Reported PAT	101	102	161	164	165
APAT	101	101	161	164	165
APAT growth(%)	*-26.2*	*0.8*	*58.9*	*1.7*	*0.6*

Fig 2 – Balance sheet (Rs bn)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	2	2	2	2	2
Net worth	948	1,061	1,209	1,359	1,509
Total debt	583	545	590	575	602
Minority interest	0	0	0	0	0
DTL/(Asset)	73	82	82	82	82
Others	95	97	97	97	97
Capital employed	**1,699**	**1,785**	**1,977**	**2,112**	**2,289**
Net tangible assets	758	772	883	1,005	1,130
Net Intangible assets	324	323	317	311	303
CWIP	73	146	170	196	222
Investments	82	121	121	121	121
Other non-current assets	104	122	125	127	130
Inventory	430	408	453	479	500
Account Receivables	162	164	182	192	201
Cash (incl bank balance)	212	177	206	177	191
Other current assets	89	74	82	87	91
Current Liabilities	536	522	560	582	600
Capital deployed	**1,699**	**1,785**	**1,977**	**2,112**	**2,289**

Fig 3 – Cash-flow statement (Rs bn)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
EBITDA	227	239	339	360	374
+ other Adj.	-3	9	0	0	0
- Incr./(decr.) in WC	-5	19	-33	-19	-16
Others incl. taxes	-27	-27	-79	-81	-81
CF from Op. Activity	**192**	**241**	**227**	**260**	**277**
- Capex (tang. + Intang.)	-97	-157	-212	-235	-245
Free cash-flow	95	84	15	26	32
Others	16	14	24	24	24
CF from Inv. Activity	**-81**	**-143**	**-188**	**-211**	**-221**
- Div. (incl. buyback & taxes)	-9	-7	-13	-14	-14
+ Debt raised	-82	-44	45	-15	27
Others	-13	-58	-41	-49	-54
CF from Fin. Activity	**-103**	**-108**	**-10**	**-78**	**-42**
Closing cash balance	128	118	147	118	132
Closing balance (incl. bank bal.)	212	177	206	177	191

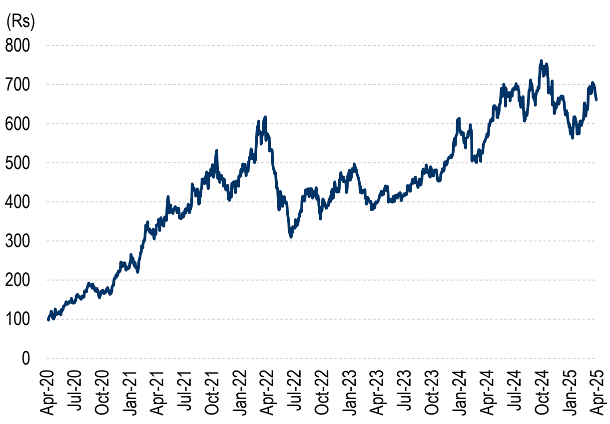
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
EPS	45.3	45.6	72.5	73.8	74.2
P/E (x)	14.6	14.5	9.1	9.0	8.9
P/BV (x)	1.5	1.4	1.2	1.1	1.0
EV/EBITDA (x)	7.9	7.6	5.5	5.2	5.0
EV/sales (x)	0.8	0.8	0.8	0.7	0.7
RoE (%)	11.6	10.1	14.2	12.8	11.5
RoCE (%)	10.3	10.2	15.0	14.3	13.6
DPS (Rs per share)	3.0	3.5	6.0	6.5	6.5
Dividend payout (%)	6.6	7.7	8.3	8.8	8.8
Net debt/EBITDA (x)	1.4	1.4	1.1	1.1	1.1
Inventory (Days)	70	69	69	69	69
Debtors (Days)	27	28	28	28	28
Payable (Days)	59	58	58	58	58
EBITDA Margins (%)	10.2	11.1	14.1	14.2	14.1
Net Profit Margins (%)	4.5	4.7	6.7	6.5	6.2

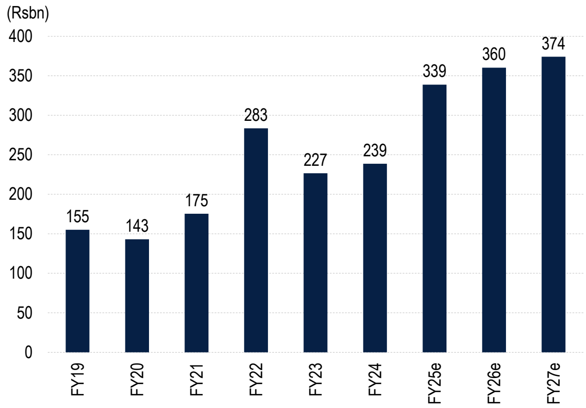
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Consolidated EBITDA expected to surpass ~ Rs370bn



Source: Company, Anand Rathi Research

Investor Day 2025 KTAs

The event was attended by Mr Kumar Mangalam Birla (virtually), Mr Satish Pai, Mr Devinder Ahuja, Mr Steve Fisher and Mr Bharat Goenka, along with KMP from Hindalco and Novelis.

Novelis

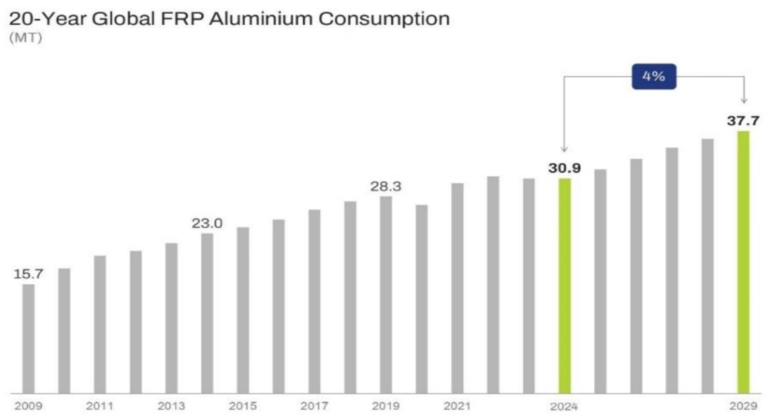
- Aluminium will continue to remain the metal of choice.
- Novelis has laid down the foundation for '3X30' by focusing on higher circularity (increasing the share of recycled products from 63% to 75%), reducing emissions from 4tonnes Co2/tonne to 3tonnes Co2/tonne of FRP and ensuring industry-leading RoIC.

Fig 7 – Vision '3X30'

Source: Company

- The global FRP market rose 2x to 30.9m tonnes in the last 15 years and is expected to increase to 37.7m tonnes by 2029. Over the last 15 years, FRP increased every year except 2020 and 2023, which saw Covid-related demand slowdown and beverage can destocking, respectively.

Fig 8 – Global FRP demand (m tonnes)



Source: Company

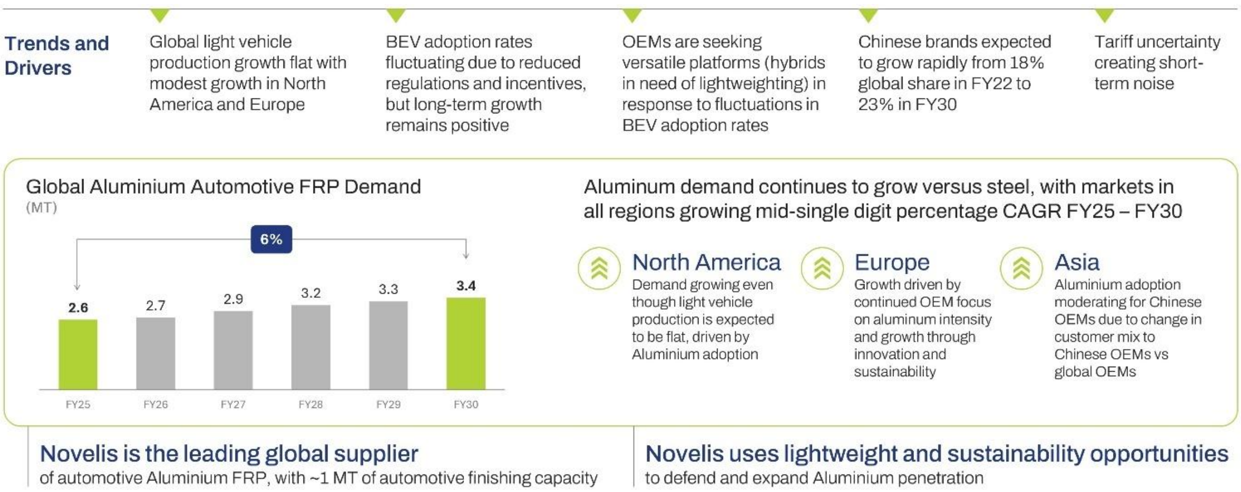
- Novelis is the world's largest supplier of beverage packaging sheet, with a leading global market share (excl. China); the share is expected to increase further post commissioning of Bay Minette facility. Global aluminium beverage packaging sheet demand is expected to grow from 6m tonnes in 2024 to 7.5m tonnes by 2030.

Fig 9 – Global beverage packaging demand (m tonnes)

Source: Company

- Global automotive FRP demand is expected to grow from 2.5m tonnes in FY25 to 3.4m tonnes in FY30. Globally, light vehicle production growth is expected to remain flat; however, FRP demand is expected to remain strong from larger vehicles in the segment. Globally, on average, ~400 pounds of aluminium is used in vehicles, which is expected to increase to ~500 pounds ahead. Demand for aluminium is higher in cars with massive body-built such as F-150 and RAM. Similarly, to make cars lighter, demand for aluminium is higher in EVs. Novelis is the leading global supplier of aluminium FRP, with ~1m tonne of automotive finishing capacity.

Fig 10 – Global aluminium automotive FRP demand (m tonnes)

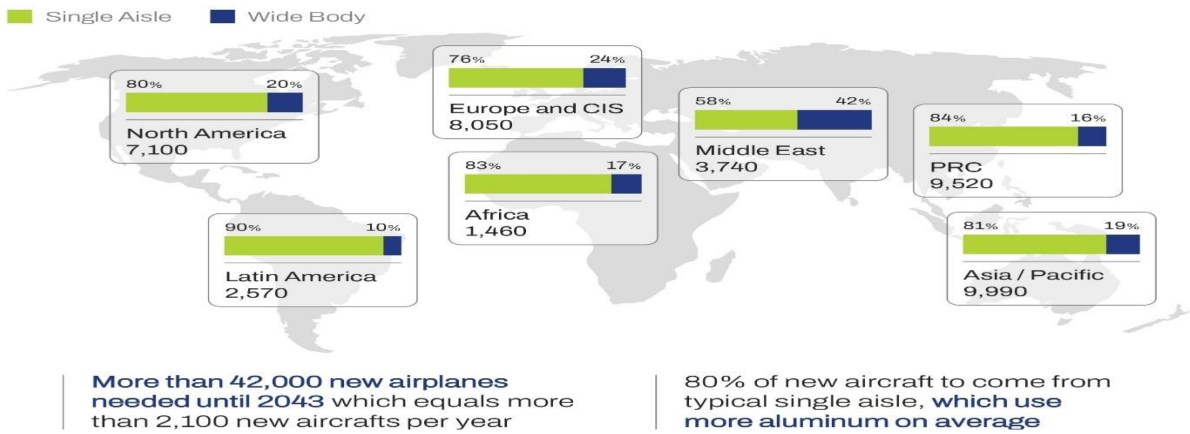


Source: Company

- As interest rates settle, the US' housing market (especially single-family housing market) is expected to improve. The shift will be from re-modelling the existing units to newer ones.

- Aerospace aluminium FRP demand is estimated to grow at a 4% CAGR over 2024-30. A single-aisle aircraft, which contributes ~80% of upcoming orders in the aviation industry, utilizes more aluminium compared to other wide-body commercial aircrafts. Globally, barring the Middle East, single-aisle aircraft is expected to command a lion's share. More than 42,000 new airplanes are needed till 2043; this equals more than 2,100 new aircrafts p.a. Larger Defence budgets would also drive demand in the aviation sector. Aerospace contributes ~3% of volumes and ~5% of revenue for Novelis. The company's plate mill facility in the EU and China are well placed to capture the sector as the supply chain eases ahead.

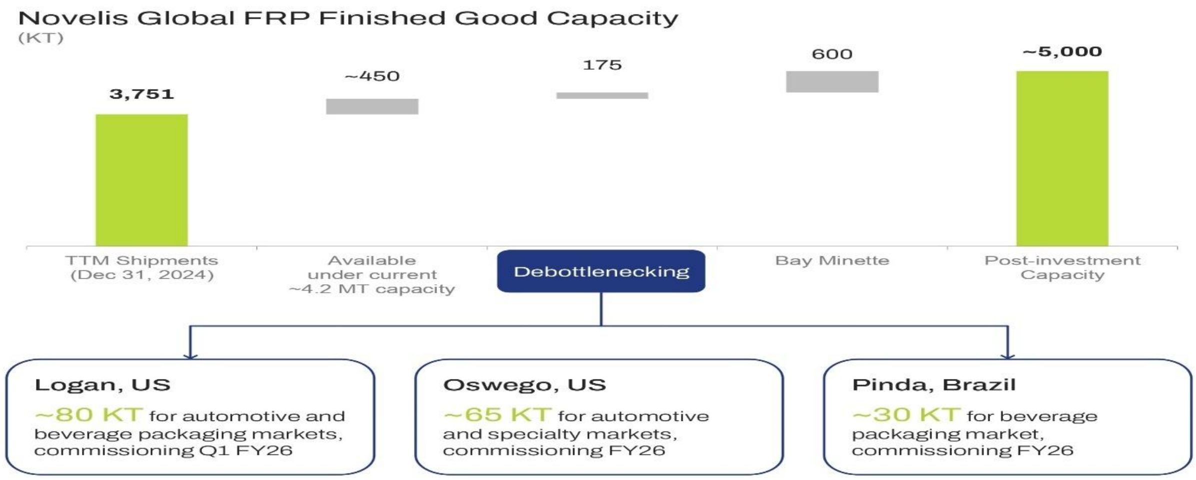
Fig 11 – Aerospace aluminium FRP demand



Source: Company

- Novelis' global FRP finished capacity is on track to reach ~5m tonnes. The company currently has 4.2m tonnes of installed capacity and along with multiple debottlenecking projects in Logan, Oswego and Pinda, it is expected to add 175k tonnes of capacity. Similarly, once Bay Minette's 600k-tonne facility comes on stream, it is expected to take cumulative capacity to ~5m tonnes. Debottlenecking has been done at a fraction of cost compared to greenfield capex. For instance, the 100k-tonne capex concluded in Brussels a few quarters back worked out at a cost of ~$1,650/tonne. Similarly, Oswego and Logan debottlenecking projects in the US (enhancing 65k and 80k tonnes, respectively) were at capex of ~$1,900-2,000/tonne. The debottlenecking projects drive attractive paybacks.

Fig 12 – Novelis' global FRP capacity



Source: Company

- The $600/tonne EBITDA remains on track, with multiple building blocks in place. It will be achieved on a) scalability (as the company has massive fixed cost, scalability is of utmost importance), b) pricing, c) the product mix (over the years ventured into the automotive segment, which has enabled the company to garner higher margins; similarly, exiting low-value products also enhances the overall product mix), d) operating efficiencies and cost optimization, e) higher recycled content, and f) supply integration. All the building blocks are expected to continuously evolve and improve ahead, thus driving margins.
- Over FY16-9M FY25, the company improved its EBITDA/tonne from $308 to sub-$500/tonne and all the above levers would help to achieve $600/tonne. Excluding Bay Minette, the EBITDA/tonne is expected at $540-550.
- The $4.1bn Bay Minette (Alabama) greenfield capex continues to remain on track. 85% of engineering is completed, and the facility is expected to be commissioned by H2 CY26.
- The company spent $1.5bn towards Bay Minette and is considering a small portion towards UAL capex and $1bn of maintenance capex; the total yearly capex works out to ~$2bn over the next two years. Post FY27, capex is expected to dip, and the company is expected to enter a deleveraging cycle.
- Bay Minette facility is designed for usage of higher recycled material, having one of the lowest carbon footprints.
- ~400k-tonne contracts for production of beverage packaging sheet have already been finalized and the company has kept ~200k-tonne volumes open. The contracts for the remaining portion are kept open to cater to regional dynamics; this gives the company flexibility to manufacture products across beverage cans, auto and specialty products as demand arises. Beverage can contracts, which have already been locked in, are of much higher value.
- The company under Phase II at Bay Minette is expected to enhance capacity by an additional 600k tonnes at a fraction of capex (~$1,500/tonne vs. the current ~$6,800/tonne).
- The highly automated Bay Minette facility requires ~30% less labour/workforce.

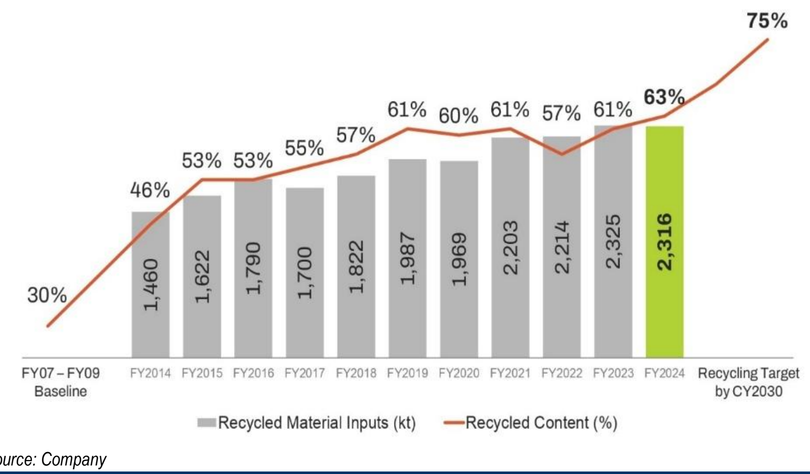
Fig 13 – Novelis' capex timeline (FY24-28)

Identified Projects	Location	Primary Product Markets Supported	Rolling Capacity (KT)	Estimated Investments (US$)	Status / Estimated Commissioning
North America					
Hot mill debottlenecking and automotive upgrades	Oswego, US	Specialties, Auto	65	$130 million	Phase 1 complete in FY24; Phase 2 est. FY26
State-of-the art Automotive Recycling and Casting Centre	Guthrie, US	Auto		$365 million	Commissioned FY25
Integrated Greenfield Rolling and Recycling Mill	Bay Minette, US	Can, Auto	600	$4100 million	FY27
Rolling debottlenecking	Logan, US	Can, Auto	80	$150 million	FY26
Asia					
Recycling and Casting Centre at UAL	UAL, South Korea	All		$50 million	Commissioned FY25
Rolling debottlenecking	Yeongju, South Korea	Can	50	$20 million	Commissioned FY24
South America					
Rolling Debottlenecking	Pinda, Brazil	Can	30	$50 million	Phase 1 complete in FY24; Phase 2 est. FY26
Europe					
UBC Recycling expansion	Latchford, UK	Can		$90 million	FY27
Total projects under execution				**~$5 billion**	

Source: Company

- Novelis is also undertaking cost optimization, which is expected to save ~$300m by FY28 and beyond (the company would opt for a multi-pronged strategy, which is expected to save ~$100m from SG&A initiatives and ~$200m from operational and footprint efficiencies).
- Under its geographical footprint optimization, the company is expected to shut down two sub-scale facilities: the 30k-tonne CR plant in Richmond, Virginia (USA) and Fairmont, West Virginia. The company would shift its light-gauge products to Terre Haute, Indiana (USA) facility under this strategy.
- UAL South Korea's recycling facility commenced operations recently and UBC recycling expansion in Latchford (UK) is expected to commence operations within 15-18 months. Novelis recycled ~2.316m tonnes in FY24 (~63% recycled content) and the same is expected to increase to 75% by CY30.

Fig 14 – Recycling components to reach 75%



Source: Company

Hindalco aluminium (India)

- Over the last few years, the base price of LME moved up and hence, the company has worked its capex assuming baseline price of $2,200-2,300/tonne. 58% of global smelters would not find it feasible to function below $2,053/tonne of LME.
- Domestic aluminium demand is expected to grow 2x over 10 years (from 5.5m tonnes to 11.3m tonnes), driven by primary aluminium, which is expected to grow from 3m tonnes in FY25 to 5.957m tonnes over the same period. Growth will be driven by building and construction (expected to grow from 460k tonnes to 994k tonnes), transportation/automotive (from 1.83m tonnes to 3.75m tonnes) and packaging (420k tonnes to 806k tonnes) during the same period.

Fig 15 – Domestic aluminium demand (volumes in k tonnes)

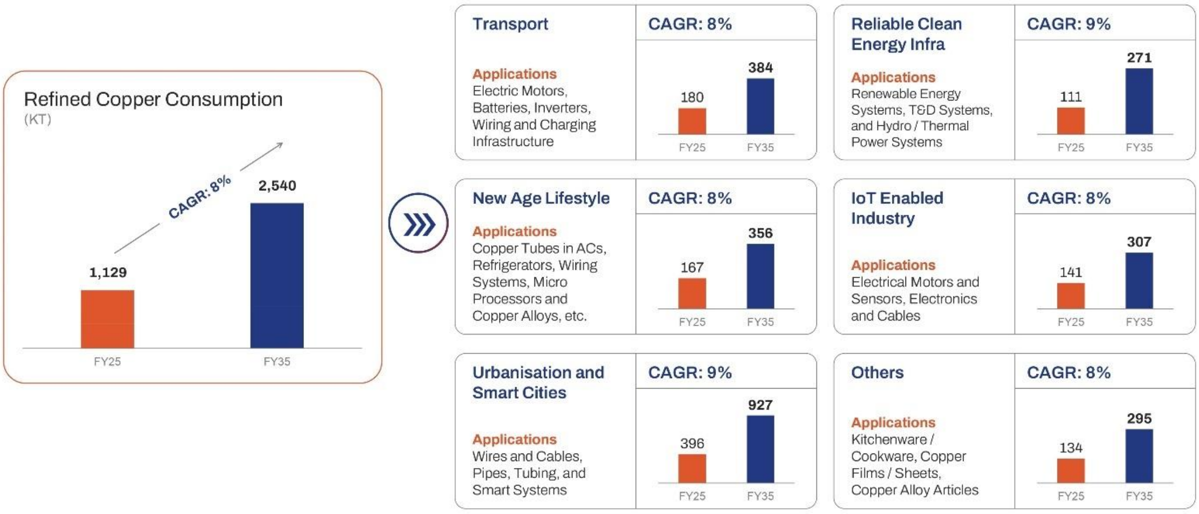
Source: Company

- Hindalco will continue to focus on primary aluminium and has completely integrated its ecosystem. The company currently has ~22 bauxite mines and 100% of coal requirement would be met via captive mines by FY33. As Meenakshi coal block ramps up completely by FY33, domestic coal requirement will entirely be met via captive mines. Currently, the company procures ~98% of coal via linkages and spot, which is expected to reduce to 45-50% by FY29 and be nil by FY33. The total share of RE in the energy mix is expected to increase from 2% (now) to 30% by FY33.
- The company is undertaking a 180k-tonne smelter expansion, with RE power at Aditya, and a 540k-tonne brownfield smelter expansion at Aditya and Mahan are under evaluation, taking the total capacity to over 2m tonnes (once all units operationalize). The capex cost for 360k tonnes at Mahan is similar to that of Aditya smelter.

Hindalco copper

- Copper is expected to grow faster than aluminium over the next 10 years. Domestic demand for copper is expected to increase from 1.129m tonnes to 2.540m tonnes, driven by new-age sectors, transportation, RE, IoT, urbanization, etc.

Fig 16 – Domestic copper demand (volumes in k tonnes)



Source: Company

- The company has one of the world's largest single-location copper smelting complexes and is the second largest rod producer globally (excl. China). The company is setting up a 300k-tonne copper smelter in Dahej, which is expected to take its total capacity to 721k tonnes.
- Further, the company is also setting up a 'first of a kind' copper and e-waste recycling facility. The 50k-tonne copper and multi-metal recycling facility has the potential to increase to 200k tonnes ahead. The facility, which has the capacity to recycle 3m cellphones/PCBs, can recover high-value metals like gold, silver, platinum, etc.
- The company is also working on an inner grooved copper tube manufacturing facility, which is a first of its kind in India. Phase I (25k tonnes) is expected to commence operations in Apr'25 and is already sold out.
- The company is also planning to set up an 11.5k-tonne battery-grade copper foil manufacturing facility under phase I, which will find applications across EVs, BESS, and industrials.

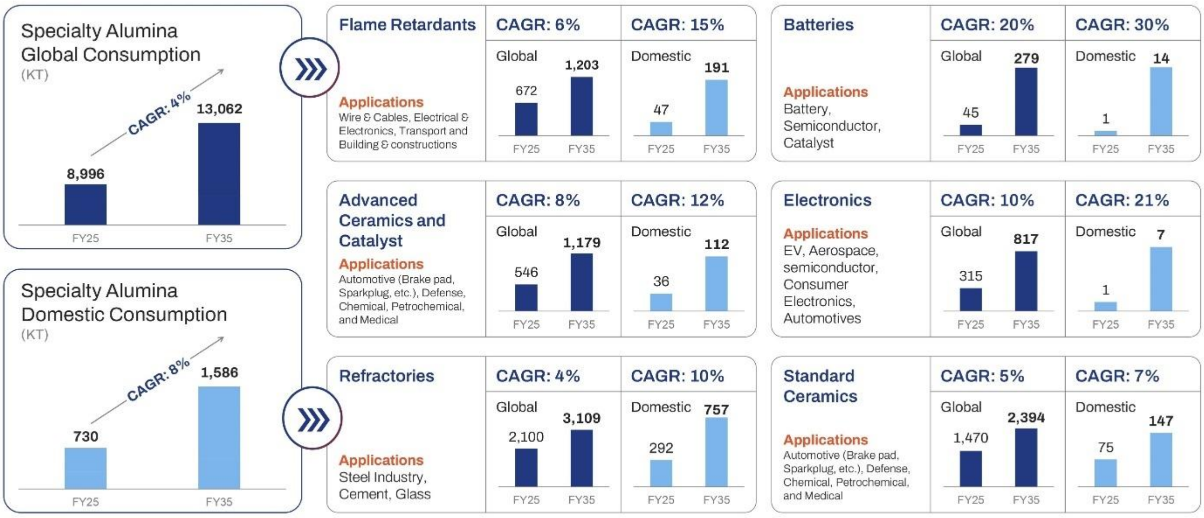
Aluminium downstream

- Downstream demand is expected to grow from 1.718m tonnes in FY25 to 3.9m tonnes in FY35. Extrusion is expected to outpace rolled downstream products. Extrusion is expected to grow from 763k tonnes to 2.049m tonnes over 10 years.
- The company is setting up 170k-tonne ULG foil stock, battery foil stock and can body stock at Aditya.
- The company has also developed battery enclosures for 4-wheeler EVs, which are both rolled and extruded products.
- The company has been awarded firm orders by a single auto manufacturer to supply products for 1,50,000 cars p.a.
- The aluminium foil manufacturing plant for lithium-ion batteries in Lapanga is expected to commence operations by end-CY25.

Specialty alumina

- Global demand is expected to increase from 8.9m tonnes in FY25 to 13m tonnes in FY35 and domestic demand is expected to grow at 2x the pace from 0.73m tonnes to 1.586m tonnes during the same period.

Fig 17 – Global and domestic specialty alumina demand (volumes in k tonnes)



Source: Company

- Muri's metal-grade alumina refinery is expected to gradually move towards specialty-grade alumina. With 450k tonnes in Muri completely converted, total capacity is expected to increase to ~800k tonnes. Further, 200k-tonne volumes would be added via organic and inorganic growth strategies, taking the total specialty alumina capacity to 1m tonnes over 3-4 years.
- The company has recently developed FUSALOX (applications: advanced refractories, precision abrasives) and Superfine Precipitated ATH (applications: wire & cables, polymer insulators, building & construction, electronics, etc.).

Potential EBITDA ($/t) increase over FY24 as a base year

- With 180k tonnes of Aditya smelter underway and through resource securitization, EBITDA is likely to improve ~$200/tonne.
- With 300k tonnes of copper smelter and 50k tonnes of recycling facility underway, EBITDA is expected to improve ~$100/tonne.
- With 170k tonnes of downstream facility underway at Aditya/Hirakud, EBITDA would improve ~$120/tonne.

Fig 18 – Domestic capex timeline (FY24-28)

Sr. No.	Projects	Plant / Region	Capacity (KT)	Estimated Investments ($ million)	Expected Year of Commissioning
I	Aluminium Upstream			2,030	
1	Aditya Alumina Greenfield Project	Rayagada	850	840	FY28
2	Aluminium Smelter Expansion	Aditya	180	1,120	FY28
3	Green Energy Projects (RTC) and 400 KV Lines: (Equity Investment Under Group Captive)	Aditya / Mahan	200 MW	70	FY26 / FY27
II	Coal Mines			445	
1	Chakla	Jharkhand	4.5 MTPA	225	FY26
2	Meenakshi	Odisha	10-12 MTPA	220	FY29
III	Aluminium Downstream			710	
1	FRP Casting and Cold Rolling	Aditya / Hirakud	170	450	Q1 FY26
2	Coasted AC Fins (Under PLI Schemes)	Taloja	26	50	Q1 FY26
3	Extrusions: Die Manufacturing	Silvassa	5,000 Nos	25	Commissioned
4	Aluminium Bicycle Parts	Chakan, Pune	26	50	FY26
5	Battery Foil Mill	Aditya	24	100	FY26
6	Battery Enclosures	Pune	6.5	35	Commissioned
IV	Copper Upstream			1,635	
1	Copper Smelter	Gujarat	300	1,130	FY29
2	Copper and E-Waste Recycling	Gujarat	50	290	FY26
3	Copper Continuous Cast Rods (CCR)	Gujarat	300	60	FY26
4	Copper Infra Projects: Jetty + RTC 400 KV Lines	Dahej	NA	155	FY29
V	Copper Downstream			305	
1	Inner Grove Tubes (PLI Schemes) and Alloy Rods	Vadodara	22.5	65	Commissioned
2	Copper Batter Foil	Gujarat	11.5	240	FY28
VI	Specialty Alumina			65	
1	Precipitate Hydrate	Belagavi	20	35	Q1 FY26
2	White Fused Alumina	Aditya	60	30	FY27
	Total India Business Investments			5,190	

Source: Company

Fig 19 – Domestic growth story (future roadmap) – (volumes in k tonnes)

Business Segments	Current Capacity / Shipments	Key Projects Under Execution	Key Projects Under Evaluation	Total Capacity (KTPA)
Aluminium Upstream	1,340 KT	Aditya Smelter Expansion: **180 KT**	Aditya Smelter Expansion: **180 KT** Mahan Expansion: **360 KT**	>2,000
Alumina	3,740 KT (1)	Aditya Refinery: 850 KT	Aditya Refinery: 850 KT	>5,500
Aluminium Downstream	430 KT	Aditya FRP Phase 2A: **170 KT**	FRP Expansion: **170 KT** Extrusion and Others: **30 KT**	>800
Copper	506 KT (2)	Copper Smelter: **300 KT** Inner Grove Tubes: **25 KT** Recycling: **50 KT**	Copper Smelter: **300 KT** Inner Grove Tubes: **25 KT** Recycling: **150 KT**	>1,200
Specialty Alumina	414 KT (3)	Precipitate Hydrate: **20 KT** White Fused Alumina: **60 KT** Various value-added products	Various Value-added products (White Fused, Precipitate Hydrate, Tabular and Others)	>1,000

(1) Including 460 KT of Specialty Alumina at Belagavi and Muri; (2) Copper Shipments in FY24, CCR expansion of 300 KT is also under execution; (3) Specialty Alumina Shipment in FY24

Source: Company

Other updates

- The company will shift its focus from being a metal producer to an engineering solutions provider, with innovation and a customer-centric approach at its core.
- It has developed newer high-performance products for automotive component manufacturers such as battery foils for EV (Aditya) and has set up a fabrication unit in Chakan.
- The company has also supplied high-performance hard-alloy specialty aluminium products to ISRO for numerous projects.
- ~750k tonnes of scrap currently find its way to landfill in North America; the same do not get recycled. The company is developing technologies and partnering with strategic institutions to increase the share of recycled content.
- TC/RC are expected to remain subdued over two years.
- As domestic business has negative net debt/EBITDA, the company is not keen to deleverage further and would invest the same for growth capex.
- Post Aleris' acquisition, there are fewer inorganic opportunities in aluminium sector globally.
- Most of the scrap is procured regionally/domestically; however, the company has a strong ecosystem in place, which enables it to move scrap internally between locations.
- Of the Rs450bn domestic capex, ~Rs70bn-80bn was spent in FY25; domestic capex is expected ~Rs80bn in FY26 and would peak in FY27 at ~Rs160bn.
- With Rs140bn-150bn in treasuries, the company is comfortable to fund its upcoming domestic capex.

Valuations

We believe that with moves toward greener alternatives globally, demand for aluminium and copper would be robust, driven by strong push from EVs, RE, packaging, consumer durables, energy, aerospace, infrastructure, construction, automobiles, etc.

The company, which is at the forefront of FRP and VAP capacity expansions, would be one of the biggest beneficiaries of the ongoing change in the non-ferrous landscape. Along with planned capex, the company is strengthening its presence in backward integration, primary metal and VAP.

Considering all the capex progressing per timelines, the strong capital allocation policy, the market-defining product portfolio mix, surging domestic demand, enhanced presence across downstream and VAP portfolio, integrated domestic operations, etc., augur well for the company. We retain a Buy rating and a sum-of-parts TP of Rs800/share.

Fig 20 – TP of Rs800/share

Particulars	UoM	FY27e
Aluminium – upstream		
Volumes	kt	1,350
EBITDA / tonne	$	1,296
EBITDA	Rs m	1,50,711
EV / EBTIDA (x)	x	5.0
Target EV	**Rs m**	7,53,556
Aluminium – downstream		
Volumes	Kt	555
EBITDA / tonne	$	207
EBITDA	Rs m	9,920
EV / EBTIDA (x)	x	5.5
Target EV	**Rs m**	54,557
Copper		
Volumes	kt	530
EBITDA	Rs m	26,840
EV / EBTIDA (x)	x	5.5
Target EV	**Rs m**	1,47,620
Novelis		
Volumes	kt	3,960
EBITDA / tonne	$	523
EBITDA (converted to Rs)	Rs m	1,78,360
EV / EBTIDA (x)	x	6.0
Target EV	**Rs m**	**10,70,162**
Other Adj.		
EBITDA	Rs m	8,252
EV / EBTIDA (x)	x	3.0

Target EV	**Rs m**	24,755
Target Group EV	**Rs m**	20,50,650
Less: Net debt	Rs m	4,10,810
Add: Adj. CWIP (@ 50%)	Rs m	1,11,244
Per share value	Rs	**789**
Add: Adj. per share value of investment (Adj. to holding co. discount)	Rs	15
Target price	**Rs / sh**	**800**

Rounded off to nearest 10s
Source: Anand Rathi Research

Appendix

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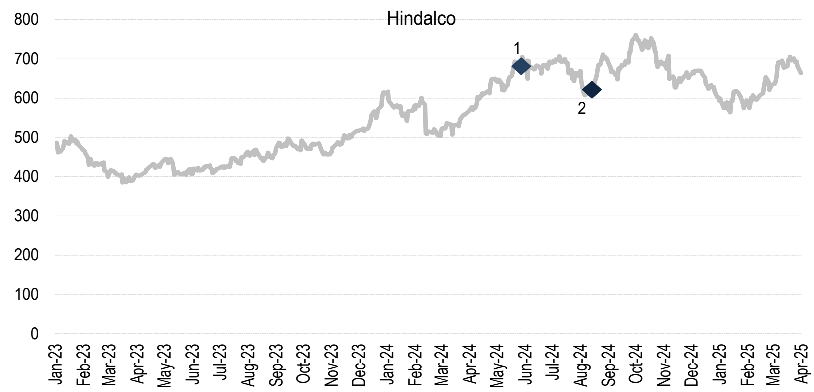

	Date	Rating	TP (Rs)	Share Price (Rs)
1	03-Jun-24	**Buy**	850	693
2	14-Aug-24	**Buy**	800	621

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