

Introduction

Hindalco Industries Ltd., a part of Aditya Birla Group is one of the world's largest producer of [value added aluminium products](#). The company operates its business through 3 divisions i.e. *Novelis Inc.* (61% of revenues) – an international wholly owned subsidiary of the company engaged in the business of [recycled value added aluminium products](#), *India Aluminium Business* (17% of Revenues) – a vertically integrated aluminium manufacturing business ([upstream & downstream](#)) and *India Copper Business* (22% of Revenues) – processing of copper & copper products.

Q1 FY25 Financial Performance

Hindalco reported a strong Q1FY25 result with revenues growing 8% YoY to reach 57013 crores while the EBITDA came in at 7992 crores, an increase of 31% over the previous year, and the PAT came in at 3074 crores, an increase of 25% over the previous year. The strong performance by the company was driven by a) strong performance by its international subsidiary Novelis, which reported a 19% rise in EBITDA to \$500 million driven by higher shipments (up 9% YoY to 951kt) on account of demand recovery in the beverage cans market, and a 10% rise in the EBITDA/Ton to \$525 driven by higher mix of recycled content in the input materials, b) strong performance by the India Upstream Business with the revenues rising 10% to Rs. 8839 crores and EBITDA rising 81% to Rs. 3493 crores driven by better realizations and lower costs (coal & carbon costs), c) better performance of copper business with revenues rising 16% to Rs. 13292 crores and the EBITDA rising 52% to Rs. 805 crores (management believes Rs. 600-650 crore is a sustainable EBITDA run rate going forward) on account of better realizations and a gain on account of derivative contracts. The strong performance was dragged down by India Downstream Business which reported a revenue growth of 18% to come in at Rs. 2668 crores while the EBITDA stood at 110 crores, down 19% on account of mix change towards low margin products (which the company would have typically done through outsourcing).

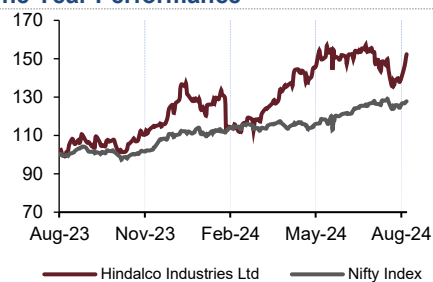
Rating	TP (Rs)	Up/Dn (%)
BUY	855	25

Market data

Current price	Rs	686
Market Cap (Rs.Bn)	(Rs Bn)	1,541
Market Cap (US\$ Mn)	(US\$ Mn)	18,387
Face Value	Rs	1
52 Weeks High/Low	Rs	715.25 / 439.9
Average Daily Volume	('000)	10,433
BSE Code		500440
Bloomberg		HNDL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	34.64	34.64
Public	64.92	64.92
Total	100.00	100.00

Source: Bloomberg

Jash Gandhi

jash.gandhi@dalal-broacha.com

Novelis: The Crown Jewel

Novelis Inc. which came into existence in 2004 through a [spin - off](#) from Alcan Inc. (the then world's second largest aluminum producer, now merged with Rio Tinto) was [acquired](#) by Hindalco in 2007 for a sum of \$6 Billion (Rs. 26400 Crores). This acquisition was further bolstered by Novelis [acquiring](#) Aleris Corporation in 2020 for a sum of \$2.8 Billion (Rs. 21295 crores) thus, cementing its position as one of the world's leading producers of value-added aluminum products. In FY24 Novelis contributed 61% to Hindalco's topline and 53% to consolidated business segment EBITDA with a very stable earnings profile owing to its long term [PPI](#) linked contracts with its customers. The product portfolio of the company includes beverage packaging products (54% of FY24 shipments), automotive products (21% of FY24 shipments), specialty products (19% of FY24 shipments) and aerospace (3% of FY24 shipments). Novelis in FY24 [filed](#) for an IPO in the US, but [postponed](#) the proposal eventually citing unfavorable valuation & market conditions.

The Bay Minette Project

Novelis in 2022 announced a fully integrated 600KT greenfield project for manufacturing of low carbon recycled rolled products in Bay Minette, USA for an estimated capex of \$2.5 Billion. The company plans to manufacture beverage packaging products and automotive products in the facility on a long-term contracted basis (majority of the capacity has been tied up on a long-term contract basis). The company recently announced that the project will be facing a cost overrun of close to \$1.6 billion (on account of increased civil & construction work) and the revised estimated capex for the project to \$4.1 Billion with the return's expectations moderated to low double digits as against mid-teens targeted earlier. The company remains firm on the project despite the cost overruns, as the company believes that the next phase of expansion from 600kt to 1200kt can be achieved at a cost of \$1500 to \$2500 per ton, and the fact that the company has been able to negotiate better prices for its products (including products from existing plants) which will help it drive its EBITDA/ton beyond \$600. The project is expected to come on board in H2 CY2026.

Other Growth Projects

Hindalco is currently investing to build a 170kt flat rolled product facility in the Aditya plant for which it plans to enter into long term offtake contracts with customers. Beyond this the company plans to undertake 3 projects, each with an estimated capex of 8000 crores, this includes a 2 MTPA alumina refinery in Odisha, 180 pot aluminum smelter at its Aditya facility & a 280 kt copper smelter at Dahej. In addition to this the company will also be incurring capex for its captive coal mines of Chakla, Meenakshi & Meenakshi West which are expected to bring cost efficiencies for the company.

Valuation & Outlook

Based on our estimated FY26 EPS of Rs. 57 we value the company at 15x forward P/E given the underlying strength of the Novelis business and the growth projects announced by the company for its India business and assign a **target price of 855 per share based on our March '25 projections. The target price implies an upside potential of 28% from the closing price as on 20/08/2024.**

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any

copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com