

Hindalco Industries Limited

Sector: Metals & Mining

18th March, 2025

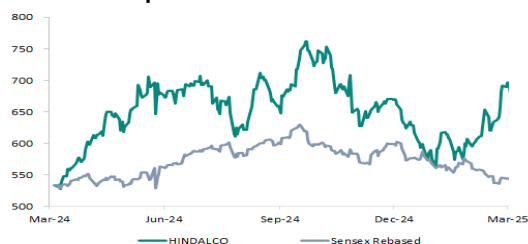
HOLD

Key Changes		Target	Rating	Earnings		Target	Rs. 741
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 681
Large Cap	HNDL:IN	74,170	HINDALCO	500440	12 Months	Return	+9%

Data as of: 17-03-2025

Company Data			
Market Cap (Rs.cr)	Rs. 152,991		
52 Week High — Low (Rs.)	772 - 517		
Enterprise Value (Rs. cr)	Rs. 192,592		
Outstanding Shares (cr)	224.7		
Free Float (%)	64.5		
Dividend Yield (%)	0.5		
6m average volume (cr)	0.6		
Beta	1.0		
Face value (Rs.)	1.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	34.6	34.6	34.6
FII's	30.9	32.3	31.7
MFs/Institutions	25.6	24.3	24.6
Public	5.8	5.8	6.0
Others	3.1	3.0	3.0
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	6.6%	-0.2%	27.7%
Absolute Sensex	-8.1%	-10.7%	2.1%
Relative Return	14.7%	10.5%	25.6%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	231,255	240,689	246,702
Growth (%)	7.1	4.1	2.5
EBITDA	29,365	31,062	33,051
EBITDA Margin (%)	12.7	12.9	13.4
Adj. PAT	14,914	15,588	16,319
Growth (%)	47.2	4.5	4.7
Adj. EPS	66.4	69.4	72.6
Growth (%)	47.2	4.5	4.7
P/E	10.3	9.8	9.4
P/B	1.3	1.1	1.0
EV/EBITDA	6.6	6.1	5.7
ROE (%)	11.8	11.6	10.9
D/E	0.5	0.4	0.3

Revenue and profitability rise; cautious outlook

Hindalco Industries Ltd, Aditya Birla Group's metals flagship company, manufactures aluminium products and copper. Its operations include bauxite and coal mining, aluminium rolling and electricity generation through captive power plants.

- Total consolidated revenue from operations increased 10.6% YoY to Rs. 58,390cr, aided by strong performance in aluminium and copper as well as at its subsidiary Novelis.
- Revenue from aluminium upstream business rose 25% YoY to Rs. 9,993cr, supported by higher average aluminium prices. Aluminium downstream revenue grew 25% YoY to Rs. 3,195cr, due to higher volume.
- In Q3FY25, Copper segment was up 15% YoY to Rs. 13,732cr, due to higher average copper prices.
- Revenue of Novelis was Rs. 34,461cr, up 5.2% YoY, as average aluminium price rose.
- EBITDA rose 28.6% YoY to Rs. 7,543cr, aided by lower input costs and favorable product mix. Thus, EBITDA margin expanded 180bps YoY to 12.9%.
- Reported profit after tax grew 60.2% YoY to Rs. 3,735cr, driven by strong performance across the segment.

Outlook & Valuation

In Q3FY25, Hindalco reported strong revenue, margin and profitability growth. The company has secured the allocation of Meenakshi coal mine, with an annual capacity of 12 million tonne, enhancing its resource securitisation and enabling the company to become self-sufficient in meeting its coal requirement, which is expected to aid its overall long-term performance. However, its key wholly-owned subsidiary, Novelis, saw a decline in profitability during the quarter due to higher aluminum scrap prices and an unfavourable product mix. Hence, **we cautiously downgrade our rating on the stock to 'HOLD', with a rolled-forward target price of Rs. 741 based on SOTP valuation.**

Quarterly Financials Consol.

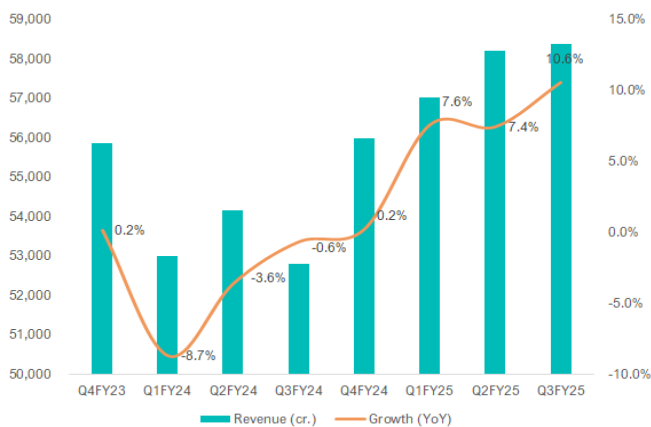
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	58,390	52,808	10.6	58,203	0.3	173,606	159,968	8.5
EBITDA	7,543	5,866	28.6	7,369	2.4	22,087	17,215	28.3
Margin (%)	12.9	11.1	180bps	12.7	20bps	12.7	10.8	190bps
EBIT	5,604	3,992	40.4	5,437	3.1	16,324	11,712	39.4
PBT	5,296	3,328	59.1	5,643	-6.1	15,787	9,876	59.9
Rep. PAT	3,735	2,331	60.2	3,909	-4.5	10,718	6,981	53.5
Adj PAT	3,776	2,331	62.0	4,423	-14.6	11,603	6,960	66.7
Adj. EPS (Rs)	16.8	10.4	62.0	19.7	-14.6	51.6	31.0	66.7



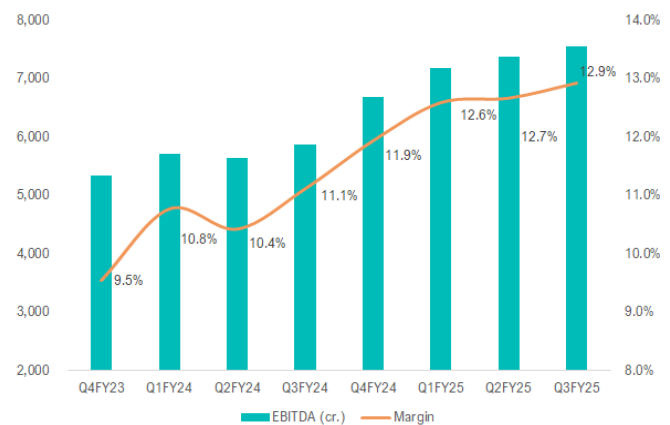
Key concall highlights

- In Q3FY25, domestic Refined Copper market demand increased about 4% YoY to 206 kt compared with 198 kt in Q3FY24. Meanwhile, the share of domestic suppliers increased to 76% from 67% in the same period a year ago.
- The company is developing an additional 20-megawatt of hybrid capacity of solar and wind energy, which is expected to be operational in the second half of FY26.
- Novelis anticipates an annual expenditure of approximately USD 1.4 billion in both FY26 and FY27 for the expansion of its Bay Minette facility.
- Novelis reported a quarterly EBITDA of USD 367 million, representing a 19% YoY decline, primarily attributed to elevated aluminum scrap prices and an unfavorable product mix.
- As of December 2024, its Indian operations had a net cash position of Rs. 1,952cr, whereas Novelis' net debt stood at Rs. 44,716cr.
- In January 2025, Novelis successfully issued USD 750 million in senior unsecured notes, which are due to mature in 2030. This issuance is expected to further enhance its financial flexibility and provide support for long-term growth initiatives.

Revenue



EBITDA



Sum of the parts (SOTP) valuation

Particulars	Basis	Multiple	Year	Value (Rs. Cr)	Value/share (Rs.)
Aluminium	EV/EBITDA	5.5x	FY27E	72,678	323
Copper	EV/EBITDA	5.1x	FY27E	18,164	81
Novelis	EV/EBITDA	5.0x	FY27E	105,559	470
Net Debt				42,275	188
Quoted Investments @ 20% discount				12,390	55
Target SOTP				166,516	741

Change in Estimates

	Old estimates		New estimates			Change (%)	
Year / Rs cr	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	230,421	246,319	231,255	240,689	246,702	0.4	-2.3
EBITDA	29,535	32,153	29,365	31,062	33,051	-0.6	-3.4
Margins (%)	12.8	13.1	12.7	12.9	13.4	-10bps	-20bps
Adj. PAT	12,859	14,324	14,914	15,588	16,319	16.0	8.8
EPS	57.2	63.7	66.4	69.4	72.6	16.0	8.8



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	223,202	215,962	231,255	240,689	246,702
% change	14.4	-3.2	7.1	4.1	2.5
EBITDA	22,727	23,920	29,365	31,062	33,051
% change	-19.9	5.2	22.9	5.8	6.4
Depreciation	-7,086	-7,521	-7,793	-8,506	-9,599
EBIT	15,630	16,374	21,572	22,556	23,452
Interest	3,646	3,858	3,636	3,603	3,566
Other Income	1,257	1,496	770	1,830	1,874
PBT	13,241	14,012	18,706	20,783	21,759
% change	-32.4	5.8	33.5	11.1	4.7
Tax	3,144	3,857	4,676	5,196	5,440
Tax Rate (%)	23.7	27.5	25.0	25.0	25.0
Reported PAT	10,097	10,155	14,029	15,588	16,319
PAT att. to common shareholders	10,097	10,155	14,029	15,588	16,319
Adj.*	-41	-21	885	-	-
Adj. PAT	10,056	10,134	14,914	15,588	16,319
% change	-26.2	0.8	47.2	4.5	4.7
No. of shares (cr)	224.7	224.7	224.7	224.7	224.7
Adj EPS (Rs.)	44.7	45.1	66.4	69.4	72.6
% change	-26.8	0.8	47.2	4.5	4.7
DPS (Rs.)	3.0	3.5	4.1	4.5	4.7

Cashflow

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	17,183	17,676	21,822	24,094	25,919
Non-cash adj.	-38	5,729	2,243	691	737
Other adjustments					
Changes in W.C	2,063	651	3,297	2,758	2,112
C.F. Operation	19,208	24,056	27,363	27,542	28,768
Capital exp.	-9,637	-15,678	-20,813	-21,662	-22,203
Change in inv.	-264	1,826	-1,533	-1,687	-1,657
Other invest.CF	1,885	-424	-1,420	-1,131	-1,128
C.F - Investment	-8,016	-14,276	-23,766	-24,480	-24,989
Issue of equity	-125	-99	-	-	-
Issue/repay debt	-8,187	-4,393	-1,750	-1,750	-1,750
Dividends paid	-890	-667	-912	-1,013	-1,061
Other finance.CF	-1,248	-5,658	-		
C.F - Finance	-10,450	-10,817	-2,662	-2,763	-2,811
Chg. in cash	742	-1,037	935	299	968
Closing Cash	15,368	14,437	15,372	15,671	16,639

Balance Sheet

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	15,368	14,437	15,372	15,671	16,639
Accts. Receivable	16,214	16,404	17,575	19,014	18,996
Inventories	42,958	40,812	44,893	47,496	46,534
Other Cur. Assets	14,771	10,690	11,618	13,119	13,762
Investments	8,279	12,218	13,424	14,751	16,211
Gross Fixed Assets	140,942	156,620	177,433	199,095	221,298
Net Fixed Assets	78,530	79,698	91,254	102,799	113,631
CWIP	7,340	14,643	16,107	17,718	19,490
Intangible Assets	32,436	32,290	32,889	33,548	34,273
Def. Tax -Net	1,328	1,184	1,436	1,595	1,670
Other Assets	7,593	9,531	10,100	10,413	10,741
Total Assets	224,817	231,907	254,668	276,123	291,946
Current Liabilities	53,092	51,821	60,618	67,691	69,126
Provisions	5,891	6,235	6,484	6,744	7,014
Debt Funds	60,554	56,712	54,962	53,212	51,462
Other Liabilities	10,463	10,982	13,329	14,628	15,237
Equity Capital	222	222	222	222	222
Res. & Surplus	94,584	105,924	119,041	133,616	148,874
Shareholder Funds	94,806	106,146	119,263	133,838	149,096
Minority Interest	11	11	11	11	11
Total Liabilities	224,817	231,907	254,668	276,123	291,946
BVPS	422	472	531	596	663

Ratio

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	10.2	11.1	12.7	12.9	13.4
EBIT margin (%)	7.0	7.6	9.3	9.4	9.5
Net profit mgn.(%)	4.5	4.7	6.1	6.5	6.6
ROE (%)	10.7	9.6	11.8	11.6	10.9
ROCE (%)	10.1	10.1	12.4	12.1	11.7
W.C & Liquidity					
Receivables (days)	26.5	27.7	27.7	28.8	28.1
Inventory (days)	99.2	100.4	104.0	105.9	102.2
Payables (days)	95.8	95.8	110.0	120.9	121.7
Current ratio (x)	1.5	1.4	1.3	1.3	1.3
Quick ratio (x)	0.6	0.6	0.5	0.5	0.5
Turnover & Leverage					
Gross asset T.O (x)	1.6	1.5	1.4	1.3	1.2
Total asset T.O (x)	1.0	0.9	1.0	0.9	0.9
Int. covge. ratio (x)	4.3	4.2	5.9	6.3	6.6
Adj. debt/equity (x)	0.6	0.5	0.5	0.4	0.3
Valuation					
EV/Sales (x)	0.6	0.8	0.8	0.8	0.8
EV/EBITDA (x)	6.0	7.0	6.6	6.1	5.7
P/E (x)	9.1	12.4	10.3	9.8	9.4
P/B (x)	1.0	1.2	1.3	1.1	1.0



Recommendation Summary - (last 3 years)



Dates	Rating	Target
22-Feb-22	BUY	608
02-Jun-22	BUY	466
30-Aug-22	HOLD	465
01-Jun-23	HOLD	440
14-Sep-23	BUY	557
07-Mar-24	HOLD	571
24-Jun-24	BUY	791
18-Mar-25	HOLD	741

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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