

April 3, 2025

Analyst Meet Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	773		804	
Sales (Rs. m)	2,552	2,697	2,543	2,688
% Chng.	0.4	0.3		
EBITDA (Rs. m)	314	337	316	340
% Chng.	(0.8)	(0.8)		
EPS (Rs.)	68.3	74.8	69.0	75.5
% Chng.	(1.0)	(1.0)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	2,160	2,380	2,552	2,697
EBITDA (Rs. bn)	242	310	314	337
Margin (%)	11.2	13.0	12.3	12.5
PAT (Rs. bn)	101	154	152	166
EPS (Rs.)	45.7	69.4	68.3	74.8
Gr. (%)	0.5	52.0	(1.7)	9.5
DPS (Rs.)	3.5	4.0	4.0	4.5
Yield (%)	0.5	0.6	0.6	0.7
RoE (%)	10.1	13.6	11.8	11.6
RoCE (%)	11.4	14.7	13.8	14.1
EV/Sales (x)	0.9	0.8	0.7	0.7
EV/EBITDA (x)	7.6	5.9	5.8	5.2
PE (x)	14.5	9.5	9.7	8.8
P/BV (x)	1.4	1.2	1.1	1.0

Key Data

HALC.BO | HNDL IN

52-W High / Low	Rs.773 / Rs.558
Sensex / Nifty	76,617 / 23,332
Market Cap	Rs.1,486bn/ \$ 17,377m
Shares Outstanding	2,247m
3M Avg. Daily Value	Rs.3863.68m

Shareholding Pattern (%)

Promoter's	34.64
Foreign	31.72
Domestic Institution	24.64
Public & Others	9.00
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.2	(13.2)	15.8
Relative	(0.4)	(4.5)	11.7

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Driving growth through efficiency & expansion

Quick Pointers:

- Novelis targets USD300mn cost savings by FY28E through operational & footprint efficiencies (~USD 200mn) and SG&A initiatives.
- India aluminum consumption is expected to double to 11.37mt, while copper consumption is likely to grow 2.5x to 2.54mt over the next decade.

Hindalco Industries (HNDL), at its annual investors' day, outlined its long-term strategy for both India business and Novelis. Out of already announced USD5bn India capex, HNDL is investing ~USD2bn and USD1.6bn in upstream businesses of aluminum and copper, respectively, while the rest would be spent on various downstream projects and coal mining. With captive coal mines getting ramped up by FY29E, HNDL would invest further USD2.2bn for 360ktpa smelter expansion at Mahan. With strong LME, ramping up of ongoing high margin downstream projects and improving RM security, Indian operations are expected to drive EBITDA growth over next few years. Novelis is focused on completion of USD4.1bn Bay Minnette capex by H2CY26 and targeting to ramp up over FY28-29 to replace existing ~500kt imports in the US markets. Further expansion can be planned in the next phase at a much lower capex of USD1,500/t once this 600ktpa project is commissioned. Although Novelis is working on mitigating higher scrap pricing concern by strengthening supply chain, consuming dirtier scrap and improving recycling rates, we maintain our EBITDA/t assumption of USD440/480 for FY26/27E. Near term delivery would be better on account of: a) higher volumes and better product mix, b) new higher priced can contracts, activated from CY25, and c) higher recycled content.

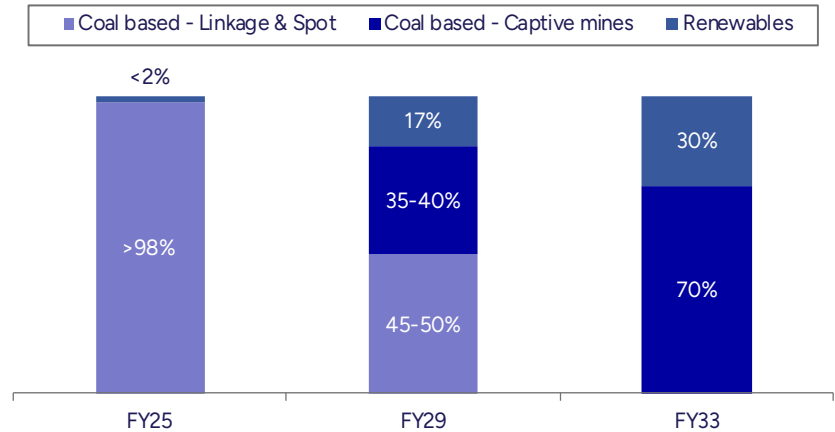
With expectation of strong domestic demand outlook for aluminium /copper businesses, rising resource backing and increasing capex, EBITDA contribution from India business should remain firm over the next few years. We tweak our FY26/27E EBITDA estimates to factor in AL prices of USD2,583/USD2,621 for FY26E/27E from USD2,593/USD2,632 earlier. At CMP, the stock is trading at EV of 5.8x/5.2x of FY26/27E EBITDA. Retain 'Buy' rating with revised TP of Rs773 (earlier Rs804), valuing Novelis at 6.5x & standalone ops at 5.5x EV of Mar'27E EBITDA (increased from 5x on higher capex and steady contribution).

Hindalco India: Stepping up expansion in phases

Stable LME outlook: HNDL expects stable LME aluminum outlook aided by: a) robust demand led by electrification (last decade 3% CAGR), b) China's supply cap at 45mtpa, c) escalating costs (USD700/t increase in 50th percentile over a decade), and d) resiliency in pricing despite trade barriers. Global higher cost curve has prompted HNDL to consider investments in the upstream business with base case project pricing assumption at USD2,300-2,500/t. HNDL aluminium upstream operations remain in the first quartile, and margins are expected to improve by USD200/t once captive coal mines become fully operational by FY29E.

Robust domestic growth to continue over next decade: India’s aluminum consumption is expected to double to 11.37mt over the next decade aided by building & construction, transport/automotive, packaging, consumer durables and renewables, with each sector expected to clock 7-8% CAGR.

Exhibit 1: Change in energy mix (%)



Source: Company, PL

HNDL expects to meet 100% coal requirement through captive mines by FY33 with renewables reaching ~30% of total energy mix.

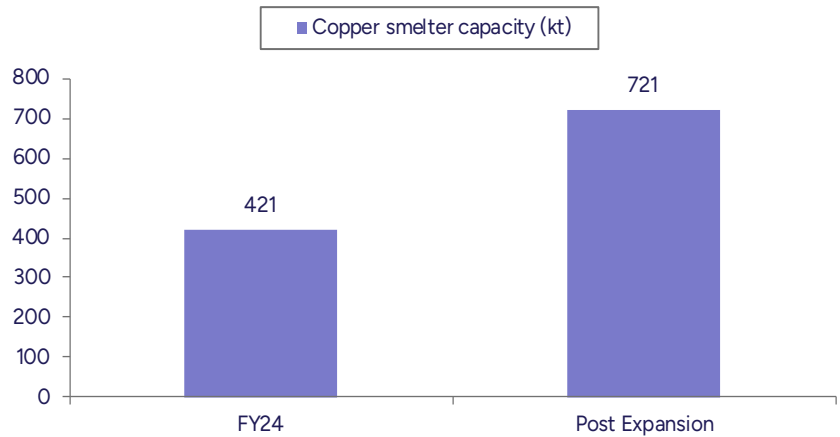
Copper Business

India’s copper consumption is expected to grow 2.5x to 2.5mt over the next decade aided by transport/auto, urbanization & smart cities, consumer durables, renewables, etc.

Growing demand across key sectors such as transport, reliable clean energy infrastructure, new-age lifestyle, IoT-enabled industry, urbanization & smart cities, and household applications, is set to drive a significant increase in copper consumption in India, with each of these sectors clocking 8% to 9% CAGR. Expanding use of copper in EVs, renewable energy systems, smart infrastructure, industrial automation, and consumer appliances will be key growth drivers.

Expansion of copper smelting capacity: Brownfield expansion of 300ktpa to existing 421ktpa capacity, will make this the largest smelting complex outside China.

Exhibit 2: Addition of 300ktpa at Dahej smelter to increase capacity to 721ktpa



Source: Company, PL

Other downstream projects to drive margins:

- **India's first advanced copper and e-waste recycling facility** will recover high-value metals and capable of recycling 3 million cell phones' worth of printed circuit boards annually. Planned capacity is for 50ktpa of copper and multimetals by FY27, which will be increased to 200ktpa in phases.
- **Foraying into downstream products** with a backward-integrated inner grooved copper tube facility and a battery-grade copper foil manufacturing facility, with planned Phase 1 capacity of 25ktpa and 11.5ktpa, respectively. Grooved copper tubes are designed for air conditioning and refrigeration applications, while battery-grade copper foil caters to EVs, BESS, and industrial applications.

Growing usage of Specialty Alumina

Specialty alumina is used in diverse industries due to its key properties such as high-temperature resistance, superior wear resistance, chemical stability, high mechanical strength, corrosion resistance, superior thermal conductivity, and electrical insulation. It is also used in manufacturing refractories, which are used to enhance performance, efficiency and durability in high-temperature applications. Additionally, the waste material is utilized in the production of cement and other products.

HNDL has ~460kt high-margin specialty alumina capacity at Belagavi, Karnataka, and Muri, Jharkhand, and plans to reach 550ktpa in FY26 and ~1mtpa over the next few years.

Total capex for Hindalco India

Total ongoing capex for Indian ops projects is over USD5bn; of this, ~USD1bn has already been spent, and the rest will be spent over the next 4 years.

FY26 capex is expected to be ~Rs80bn, while FY27 will see a peak capex of Rs150-160bn.

Exhibit 3: Total capex estimated at USD4bn over next 4 years

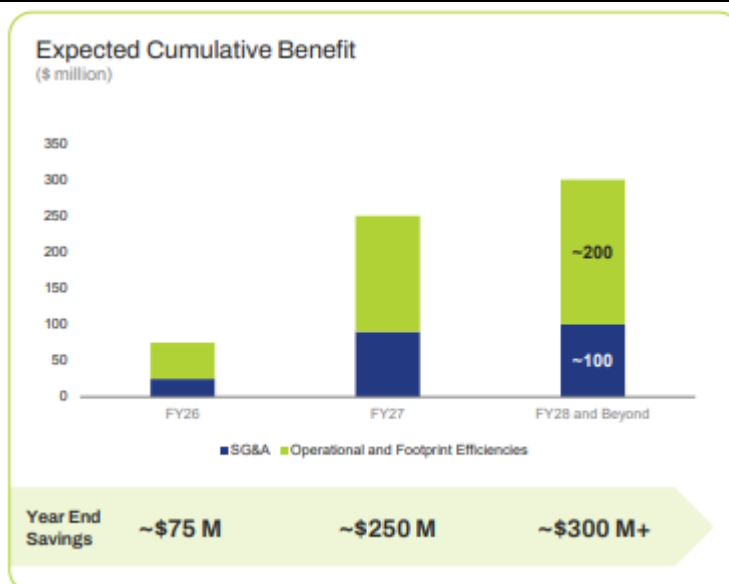
Business Segments	Current Capacity / Shipments	Key Projects Under Execution	Key Projects Under Evaluation	Total Capacity (ktpa)
Aluminium Upstream	1340kt	Aditya Smelter Expansion: 180kt	Aditya Smelter Expansion: 180kt Mahan Expansion: 360kt	>2,000
Alumina	3740kt	Aditya Refinery: 850kt	Aditya Refinery: 850kt	>5,500
Aluminium Downstream	430kt	Aditya FRP Phase 2A: 170kt	FRP Expansion: 170kt Extrusion and Others: 30kt	>800
Copper	506kt	Copper Smelter: 300kt Inner Grove Tubes: 25kt Recycling: 50kt	Copper Smelter: 300kt Inner Grove Tubes: 25kt Recycling: 150kt	>1,200
Specialty Alumina	414kt	Precipitate Hydrate: 20kt White Fused Alumina: 60kt Various value-added products	Various Value-added products (White Fused, Precipitate Hydrate, Tabular, etc.)	>1,000

Source: Company, PL

Novelis: Strong outlook despite near-term headwinds

Long term USD600+/t EBITDA guidance maintained: Novelis is confident of achieving USD600+/t EBITDA in the long term on the back of scale, better pricing and operational efficiencies. Novelis has planned USD300mn cost savings by FY28E via: **a)** operational & footprint efficiencies (~USD200mn improving operational efficiencies on higher volumes from Bay Minnette, shutting down 2 specialty finishing plants in North America, full utilization of 1 automotive finishing line in China and right sizing operations) and **b)** SG&A initiatives (leaner organizational structure and leveraging technology).

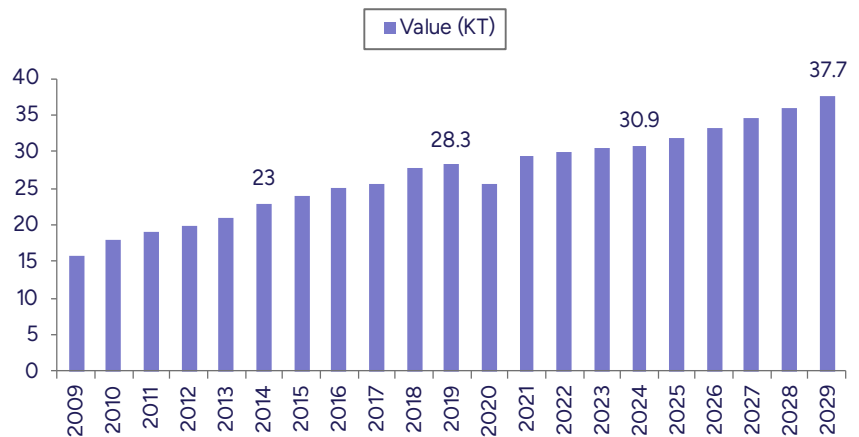
Exhibit 4: Initiatives to structurally lower costs by USD300mn by FY28E



Source: Company, PL

Growing global FRP consumption: 1) Global FRP market nearly doubled in the last 15 years to ~31mt in 2024. **2)** Demand is expected to grow at 4% CAGR from 2024 to 2029. **3)** Robust growth is expected in beverage packaging, automotive, specialty, and aerospace markets. **4)** Novelis, being a market leader with ~c.13% share, is likely to gain from this growing market along with ongoing capacity addition to cater to this demand.

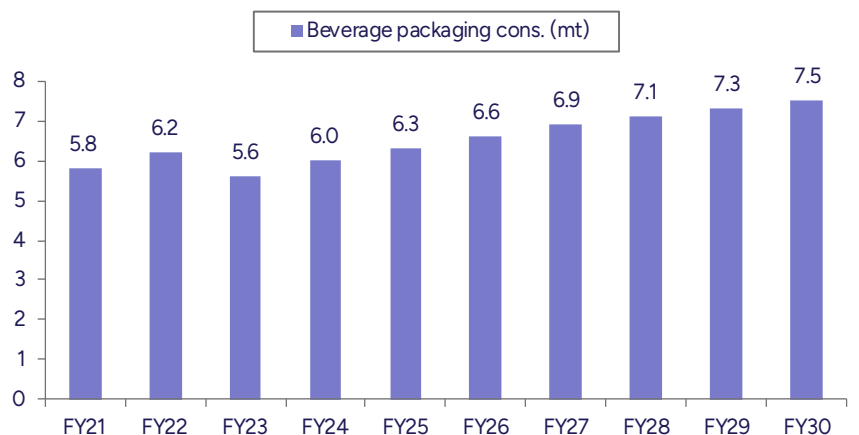
Exhibit 5: 20-year global FRP aluminum consumption (mt)



Source: Company, PL

Novelis, as the largest supplier of beverage packaging sheets, is well-positioned to expand its market share, particularly in North America with Bay Minette. Healthy demand is expected, driven by packaging mix evolution, and new product launches.

Exhibit 6: Global aluminum beverage packaging demand (excl. China)

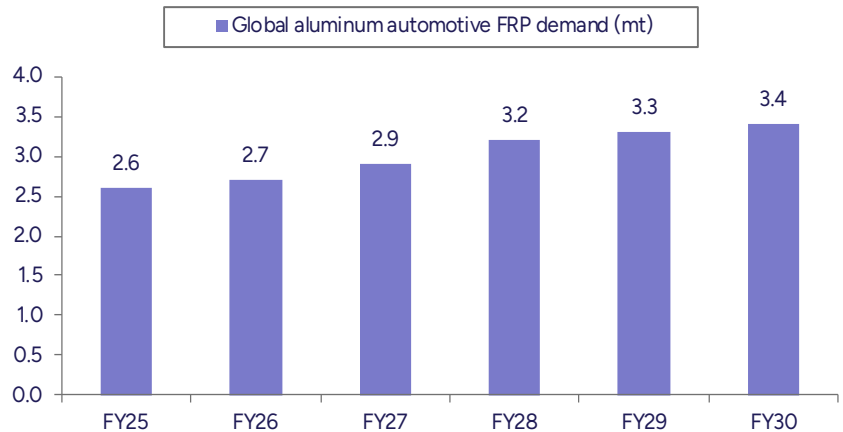


Source: Company, PL

Demand for aluminum automotive FRP is growing driven by increasing aluminum adoption in vehicles in North America, continued OEM focus on aluminum intensity, and aluminum adoption moderating for Chinese OEMs.

Novelis is the leading global supplier of automotive aluminum FRP with ~1mtpa of automotive finishing capacity.

Exhibit 7: Global aluminum automotive FRP to grow at 6% CAGR



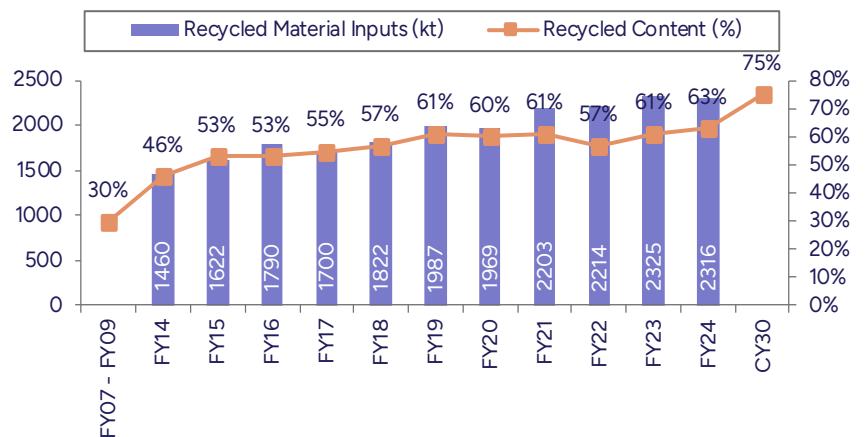
Source: Company, PL

Aerospace aluminum FRP demand is projected to grow at 4% CAGR from 2024 to 2030, driven by rising passenger traffic, fleet renewal, and increased defense budgets. Air travel growth in China, India, and Southeast Asia is expected to drive ~40% of new aircraft demand.

Efforts to negate higher scrap prices: Initiatives to mitigate higher scrap prices include: a) use of digital technologies & operational advancements to sort and consume dirtier scrap types, b) increased use of post-consumer automotive scrap, c) strengthening of supply chain, including valuable closed-loop relationships with customers, and d) on-going advocacy to increase recycling rates.

Novelis has set an ambitious goal to increase scrap content to 75% by 2030. Recycling content has increased consistently from ~30% in FY09 to 46% in FY14 to 63% in FY24.

Exhibit 8: Novelis' recycled content target to reach to 75% by CY30



Source: Company, PL

Growth projects on track: Focus is on completion of Bay Minnette facility by H2CY26 and ramping up over FY28-29 to replace existing 400-500kt imports in the US markets. The company expects double digit IRR from Bay Minnette. Further expansion can be planned in the next phase at a much lower capex of USD1,500/t. The South American FRP market is tight and can be explored for further expansion.

Exhibit 9: Major growth projects (FY24–28)

Identified Projects	Location	Primary Product Markets Supported	Rolling Capacity	Estimated Investments (USD mn)	Status / Estimated Commissioning
North America					
Hot mill debottlenecking and automotive upgrades	Oswego, US	Specialties, Auto	65ktpa	130	Phase 1 completed in FY24; Phase 2 est. in FY26
Integrated Greenfield Rolling and Recycling Mill	Bay Minnette, US	Can, Auto	600ktpa	4100	FY27
Rolling debottlenecking	Logan, US	Can, Auto	80ktpa	150	FY26
South America					
Rolling Debottlenecking	Pinda, Brazil	Can	30ktpa	50	Phase 1 completed in FY24; Phase 2 est. in FY26
Europe					
UBC Recycling expansion	Latchford, UK	Can	-	90	FY27
Total projects under execution				~USD4.5bn	

Source: Company, PL

Exhibit 10: Target Price Calculation

(In Rs bn)	Mar'27 PLe	EV/EBITDA (x)	EV
Novelis EBITDA	190	6.5	1,237
HNDL Standalone EBITDA	147	5.5	807
Net debt			326
Equity value			1,718
Per share equity value			773

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	2,160	2,380	2,552	2,697
YoY gr. (%)	(3.2)	10.2	7.3	5.7
Cost of Goods Sold	1,339	1,706	1,840	1,951
Gross Profit	821	673	712	746
Margin (%)	38.0	28.3	27.9	27.7
Employee Cost	148	143	155	166
Other Expenses	431	220	244	244
EBITDA	242	310	314	337
YoY gr. (%)	5.9	27.7	1.3	7.5
Margin (%)	11.2	13.0	12.3	12.5
Depreciation and Amortization	79	83	91	93
EBIT	163	226	223	244
Margin (%)	7.6	9.5	8.7	9.0
Net Interest	39	35	34	36
Other Income	15	17	18	18
Profit Before Tax	140	209	206	225
Margin (%)	6.5	8.8	8.1	8.4
Total Tax	39	55	55	59
Effective tax rate (%)	27.6	26.3	26.5	26.3
Profit after tax	101	154	151	166
Minority interest	-	-	-	0
Share Profit from Associate	0	0	0	0
Adjusted PAT	101	154	152	166
YoY gr. (%)	0.5	52.0	(1.7)	9.5
Margin (%)	4.7	6.5	5.9	6.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	101	154	152	166
YoY gr. (%)	0.5	52.0	(1.7)	9.5
Margin (%)	4.7	6.5	5.9	6.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	101	154	152	166
Equity Shares O/s (m)	2	2	2	2
EPS (Rs)	45.7	69.4	68.3	74.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	1,655	1,761	1,879	2,188
Tangibles	1,501	1,607	1,725	2,035
Intangibles	154	154	154	154
Acc: Dep / Amortization	797	881	971	1,065
Tangibles	703	787	877	971
Intangibles	94	94	94	94
Net fixed assets	857	880	908	1,124
Tangibles	797	820	848	1,064
Intangibles	60	60	60	60
Capital Work In Progress	149	255	373	232
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	424	455	480
Trade receivables	164	196	210	222
Cash & Bank Balance	144	115	48	69
Other Current Assets	48	48	48	48
Total Assets	2,319	2,465	2,589	2,723
Equity				
Equity Share Capital	2	2	2	2
Other Equity	1,059	1,206	1,348	1,505
Total Networkth	1,061	1,208	1,351	1,508
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	391	420	443
Other current liabilities	178	181	184	186
Total Equity & Liabilities	2,319	2,465	2,589	2,723

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	140	209	206	225
Add. Depreciation	75	83	91	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	310	314	337
Net Changes-WC	19	3	(14)	(12)
Direct tax	(27)	(55)	(55)	(59)
Net cash from Op. activities	241	257	245	266
Capital expenditures	(157)	(212)	(236)	(168)
Interest / Dividend Income	6	17	18	18
Others	8	-	-	-
Net Cash from Inv. activities	(143)	(195)	(218)	(151)
Issue of share cap. / premium	-	-	-	-
Debt changes	(44)	(50)	(50)	(50)
Dividend paid	(7)	(8)	(9)	(9)
Interest paid	(39)	(35)	(34)	(36)
Others	(18)	-	-	-
Net cash from Fin. activities	(108)	(92)	(93)	(95)
Net change in cash	(10)	(30)	(66)	21
Free Cash Flow	83	45	9	98

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	560	570	582	584
YoY gr. (%)	0.2	7.6	7.4	10.6
Raw Material Expenses	344	341	358	355
Gross Profit	216	229	224	229
Margin (%)	38.6	40.2	38.5	39.3
EBITDA	67	75	79	76
YoY gr. (%)	25.4	31.3	40.5	29.3
Margin (%)	11.9	13.2	13.5	13.0
Depreciation / Depletion	20	19	19	19
EBIT	47	56	60	56
Margin (%)	8.3	9.8	10.2	9.7
Net Interest	9	9	9	8
Other Income	4	4	11	5
Profit before Tax	41	55	67	54
Margin (%)	7.4	9.7	11.5	9.2
Total Tax	10	18	17	16
Effective tax rate (%)	23.3	32.2	26.0	29.0
Profit after Tax	32	37	49	38
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	32	37	49	38
YoY gr. (%)	31.8	50.7	131.8	63.8
Margin (%)	5.7	6.5	8.5	6.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	32	37	49	38
YoY gr. (%)	31.8	50.7	131.8	63.8
Margin (%)	5.7	6.5	8.5	6.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	32	37	49	38
Avg. Shares O/s (m)	2	2	2	2
EPS (Rs)	14.3	16.8	22.2	17.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	45.7	69.4	68.3	74.8
CEPS	81.3	107.0	109.1	116.9
BVPS	478.1	544.1	608.4	679.1
FCF	37.5	20.3	4.1	44.1
DPS	3.5	4.0	4.0	4.5
Return Ratio(%)				
RoCE	11.4	14.7	13.8	14.1
ROIC	8.5	11.1	9.8	10.3
RoE	10.1	13.6	11.8	11.6
Balance Sheet				
Net Debt : Equity (x)	0.3	0.3	0.3	0.2
Net Working Capital (Days)	38	35	35	35
Valuation(x)				
PER	14.5	9.5	9.7	8.8
P/B	1.4	1.2	1.1	1.0
P/CEPS	8.1	6.2	6.1	5.7
EV/EBITDA	7.6	5.9	5.8	5.2
EV/Sales	0.9	0.8	0.7	0.7
Dividend Yield (%)	0.5	0.6	0.6	0.7

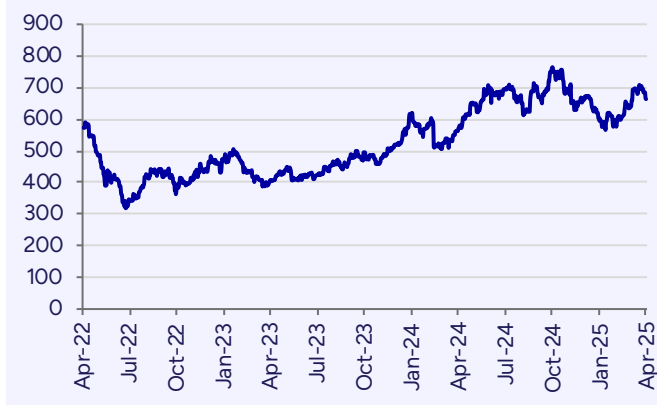
Source: Company Data, PL Research

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	480	440	480
Aluminium Price (USD/t)	2,204	2,522	2,583	2,621

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	25-Mar-25	BUY	804	702
2	17-Feb-25	BUY	696	604
3	09-Jan-25	BUY	682	589
4	13-Nov-24	BUY	741	652
5	07-Oct-24	BUY	847	748
6	13-Aug-24	BUY	749	621
7	07-Jul-24	BUY	796	698
8	25-May-24	BUY	779	673
9	12-Apr-24	BUY	658	603

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,878	2,001
2	Ambuja Cement	BUY	628	522
3	Dalmia Bharat	Accumulate	1,988	1,799
4	Hindalco Industries	BUY	804	702
5	Jindal Stainless	Accumulate	715	626
6	Jindal Steel & Power	Accumulate	847	792
7	JSW Steel	Hold	919	932
8	National Aluminium Co.	Accumulate	205	183
9	NMDC	Accumulate	70	64
10	Nuvoco Vistas Corporation	Hold	339	353
11	Shree Cement	Hold	26,190	27,796
12	Steel Authority of India	Hold	107	106
13	Tata Steel	Accumulate	145	129
14	Ultratech Cement	BUY	12,303	10,128

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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