

August 13, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	749		534	
Sales (Rs. bn)	2,326	2,498	2,390	2,590
% Chng.	(2.7)	(3.5)		
EBITDA (Rs. bn)	302	331	315	349
% Chng.	(4.0)	(5.2)		
EPS (Rs.)	66.4	73.4	70.4	79.1
% Chng.	(5.7)	(7.2)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	2,232	2,160	2,326	2,498
EBITDA (Rs. bn)	229	242	302	331
Margin (%)	10.3	11.2	13.0	13.2
PAT (Rs. bn)	101	101	147	163
EPS (Rs.)	45.5	45.7	66.4	73.4
Gr. (%)	(26.5)	0.5	45.3	10.5
DPS (Rs.)	3.0	3.5	4.2	5.0
Yield (%)	0.5	0.6	0.7	0.8
RoE (%)	11.7	10.1	13.0	12.7
RoCE (%)	11.4	11.4	14.3	14.8
EV/Sales (x)	0.8	0.8	0.7	0.7
EV/EBITDA (x)	7.7	7.2	5.6	5.0
PE (x)	13.7	13.6	9.4	8.5
P/BV (x)	1.5	1.3	1.1	1.0

Key Data

HALC.BO | HNDL IN

52-W High / Low	Rs.715 / Rs.438
Sensex / Nifty	78,956 / 24,139
Market Cap	Rs.1,396bn/ \$ 16,630m
Shares Outstanding	2,247m
3M Avg. Daily Value	Rs.5435.29m

Shareholding Pattern (%)

Promoter's	34.64
Foreign	30.86
Domestic Institution	25.57
Public & Others	8.93
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.2)	21.8	34.4
Relative	(8.4)	10.4	11.2

Tushar Chaudhari

tusharchaudhari@plindia.com | 91-22-663222391

Weak volumes and LME hedging impacts Q1

Quick Pointers:

- India AL business continues to benefit from lower coal and raw material costs; per ton costs declined further 5% QoQ
- With strong balance sheet, upstream capacity expansions for 2mtpa alumina, 180ktpa AL and 300ktpa copper smelter are being considered

We factor in lower AL prices of USD2,413/USD2,454 for FY25E/26E from earlier assumption of USD2,469/USD2,537 and cut cons. EBITDA by 4%/5%. Hindalco Industries (HNDL) 1QFY25 delivered weak operating performance due to weak standalone AL business and muted volumes. Volumes were muted, with -1%/1% YoY growth for AL/CU businesses. India AL business (ex-Utkal) performance was lower than PLe due to lower blended realization impacted by hedging. Mgmt. guided for lower operating costs at Indian ops aided by lower fuel & input prices in the near term. We expect Novelis volume growth to remain soft in the next two quarters due to external disruptions and seasonality. Mgmt. indicated improving demand scenario for Beverage Can volumes and stable demand from Auto and Aerospace segment. Specialty volumes are likely to remain muted in Europe in the near term. We expect Novelis to deliver ~4% volume growth over the next 2 years and EBITDA margins to remain in the range of 525-550/t. At CMP, the stock is trading at EV of 5.6x/5x FY25E/FY26E EBITDA. Retain 'Buy' rating with revised TP of Rs749 (earlier Rs796), valuing Novelis at 6.5x & standalone ops at 5x EV of Mar'26E EBITDA.

Cons revenue impacted by weak volumes and std. hedging: Cons. revenue grew 8% YoY to Rs570bn (2% QoQ; PLe Rs591bn) on muted volume growth in Indian business, stable Novelis and LME hedging. Std. revenue grew 11% YoY to Rs222bn (flat QoQ; PLe Rs224bn), despite muted volume growth, as LME pricing improved. AL division revenue grew 8% YoY to Rs95bn, while CU revenue grew 16% YoY to Rs133bn. AL sales volumes de-grew 1% YoY to 334kt, while CU volumes grew 1% YoY to 119kt. India upstream AL shipments declined 4% YoY to 329kt, while downstream volumes grew 19% YoY. Blended AL realization grew 9% YoY to Rs283k/t affected mostly by LME hedging, while CU business realization improved 15% YoY to Rs1,116k/t.

Std. EBITDA affected by AL business: Cons. EBITDA grew 31% YoY to Rs75bn (up 12% YoY; lower than PLe Rs81bn) as std. performance was affected by AL business. India AL business EBIT grew 18% QoQ to Rs33.7bn, while CU EBIT grew 4% QoQ to Rs8.1bn. Upstream AL EBITDA/t grew 32% QoQ to USD1,273. Downstream AL EBITDA/t declined 17% QoQ to USD138 on poor product mix.

In-line performance by Novelis: Novelis revenue grew 2% YoY to USD4.2bn (+3% QoQ), despite strong volume growth. Shipments of flat rolled products (FRP) grew 8% YoY to 951kt (flat QoQ) on higher Beverage Can and stable Auto volumes. Cans segment showed robust double-digit growth led by strong demand in North America (N.A.) and low base of South America (S.A.). Auto segment growth was

stable, although some softness was reported in EV demand in Asia amidst the challenging macro situation of China. Favorable vehicle mix using higher share of AL is seen doing well across the US and Europe. Specialties segment improved in the US, but there is still no uptick in demand in Europe; Aerospace demand remains strong. Average realization declined 5% YoY to USD4,403/t (+3% QoQ vs PLe USD4,558/t) on lower premium over LME and higher share of beverage cans in volumes. Novelis adjusted EBITDA/t improved 10% YoY to USD525 (-3% QoQ; PLe of USD520) on better volumes and forex gains of USD22mn, although continued tightness of the scrap market remains a concern.

Exhibit 1: Q1FY25 Result Overview - Consolidated (Rs bn)

Y/e March	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY24	FY25E	YoY gr. (%)
Net Sales	570.1	529.9	7.6	559.9	1.8	2159.6	2325.6	7.7
Raw material	341.0	332.4	2.6	343.8	-0.8	1338.6	1682.1	25.7
<i>% of Net Sales</i>	<i>59.8%</i>	<i>62.7%</i>		<i>61.4%</i>		<i>62.0%</i>	<i>72.3%</i>	
Staff Cost	38.8	35.3	9.9	37.6	3.2	147.8	140.0	-5.2
<i>% of Net Sales</i>	<i>6.8%</i>	<i>6.7%</i>		<i>6.7%</i>		<i>6.8%</i>	<i>6.0%</i>	
Other expenses	115.4	105.1	9.8	111.8	3.2	434.6	201.0	-53.8
<i>% of Net Sales</i>	<i>20.2%</i>	<i>19.8%</i>		<i>20.0%</i>		<i>20.1%</i>	<i>8.6%</i>	
Total expenditure	495.1	472.8	4.7	493.1	0.4	1920.9	2023.1	5.3
EBITDA	75.0	57.1	31.3	66.8	12.3	238.7	302.5	26.7
<i>Margin (%)</i>	<i>13.2%</i>	<i>10.8%</i>		<i>11.9%</i>		<i>11.1%</i>	<i>13.0%</i>	
Depreciation	18.9	17.9	5.9	20.2	-6.2	75.2	83.2	10.7
EBIT	56.1	39.3	42.8	46.6	20.3	163.5	219.3	34.1
Other income	4.2	3.9	8.4	3.6	17.1	15.0	17.5	16.9
Interest	8.6	9.9	-13.4	8.9	-3.3	38.6	34.6	-10.3
PBT	51.8	33.3	55.6	41.4	25.1	139.9	202.2	44.5
Extraordinary income/(expense)	-3.3	-0.1		0.0		0.2	0.0	
PBT (after EO)	48.5	33.1	46.2	41.4	17.1	140.1	202.2	44.3
Tax	17.7	8.6	NA	9.6	84.4	38.6	54.9	42.3
Reported PAT	30.7	24.5	25.3	31.8	-3.2	101.5	147.3	45.0
Minority interest	-	0.0		0.0		0.0	0.0	
Share of profit/(losses) in Associates	0.0	0.0	-	0.0		0.0	0.1	350.0
Net Profit attributable to shareholders	30.7	24.5	25.3	31.7	-3.2	101.6	147.4	45.1
Adjusted PAT	36.3	37.3	-2.9	28.0	29.7	107.4	133.0	23.9

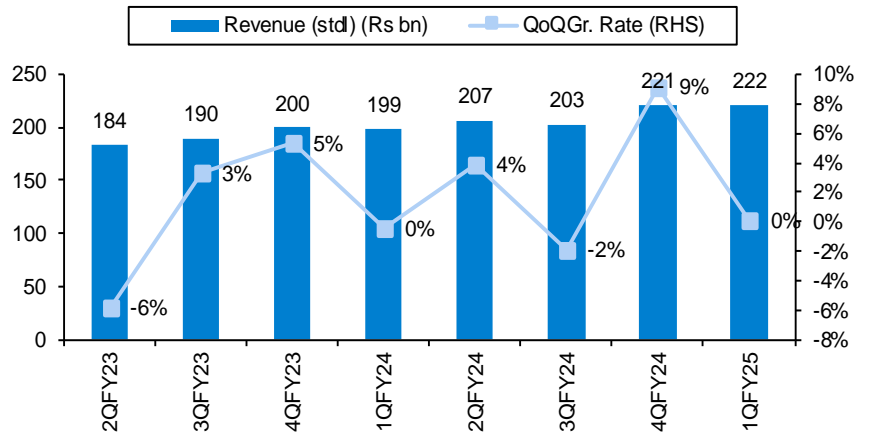
Source: Company, PL

Exhibit 2: Standalone Operating Matrix

(in Rs bn)	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY24	FY25E	YoY gr. (%)
Aluminum								
Revenue	94.6	87.3	8.4	95.0	-0.5	357.1	369.3	3.4
EBIT	33.7	20.7	62.8	28.6	18.0	96.7	99.7	3.1
Volume (kt)	334	336	-0.6	353	-5.4	1,371	1,362	-0.6
Copper								
Revenue	132.9	115.0	15.6	134.2	-1.0	493.2	545.7	10.6
EBIT	8.1	5.3	51.6	7.8	3.7	26.2	27.3	4.3
Volume (kt)	119	118	0.8	135	-11.9	506	504	-0.4

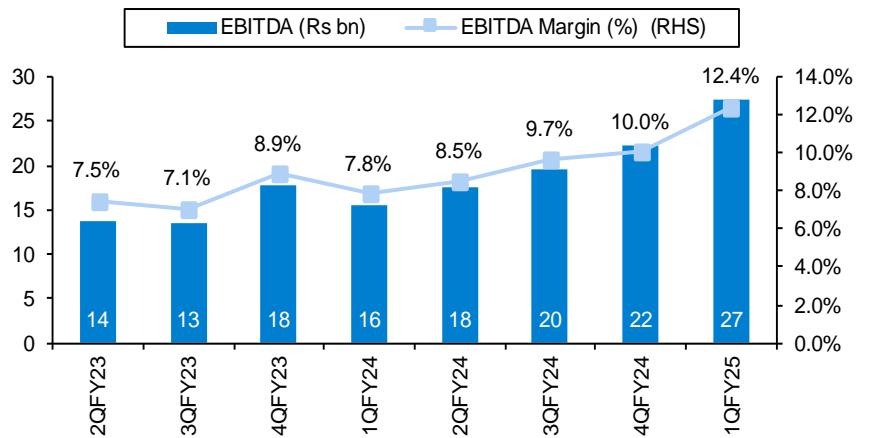
Source: Company, PL

Exhibit 3: Standalone revenue grew 11% YoY on higher pricing



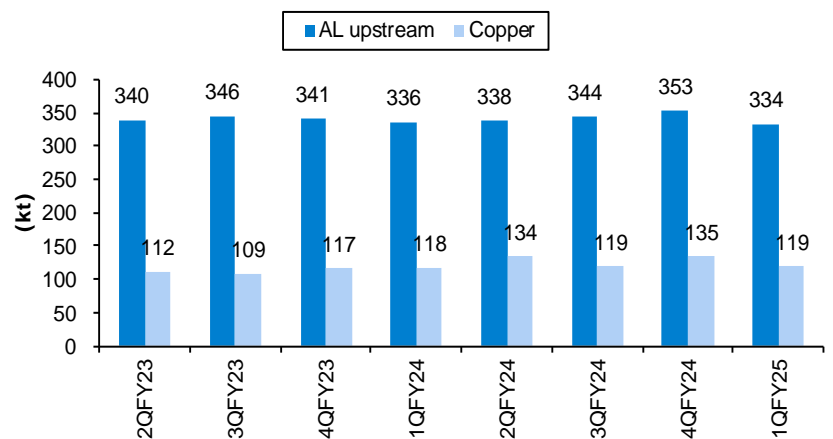
Source: Company, PL

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



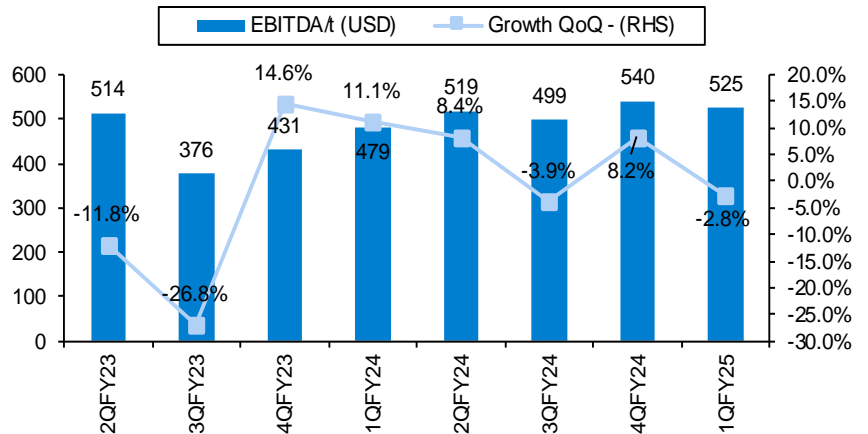
Source: Company, PL

Exhibit 5: Domestic AL volumes de-grew 1% YoY; CU grew 1% YoY



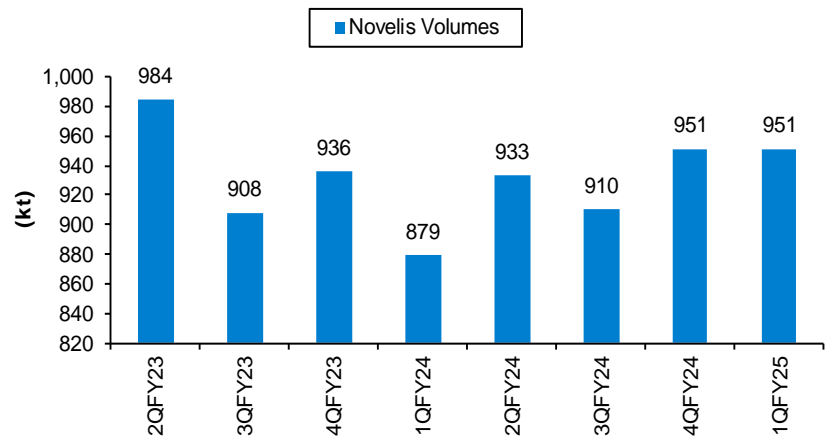
Source: Company, PL

Exhibit 6: Novelis adj. EBITDA/t improving gradually



Source: Company, PL

Exhibit 7: Novelis volumes grew 8% YoY to 951kt



Source: Company, PL

Exhibit 8: Target Price Calculation

(In Rs bn)	Mar'26 PLe	EV/EBITDA (x)	EV
Novelis EBITDA	206	6.5	1,336
HNDL Standalone EBITDA	125	5	626
Net debt			299
Equity value			1,663
Per share equity value			749

Source: PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	2,232	2,160	2,326	2,498
YoY gr. (%)	14.4	(3.2)	7.7	7.4
Cost of Goods Sold	1,408	1,339	1,682	1,816
Gross Profit	824	821	644	682
Margin (%)	36.9	38.0	27.7	27.3
Employee Cost	131	148	140	151
Other Expenses	465	431	201	201
EBITDA	229	242	302	331
YoY gr. (%)	(20.1)	5.9	24.8	9.3
Margin (%)	10.3	11.2	13.0	13.2
Depreciation and Amortization	73	79	83	90
EBIT	156	163	219	240
Margin (%)	7.0	7.6	9.4	9.6
Net Interest	36	39	35	34
Other Income	13	15	17	18
Profit Before Tax	132	140	202	224
Margin (%)	5.9	6.5	8.7	9.0
Total Tax	31	39	55	61
Effective tax rate (%)	23.8	27.6	27.2	27.3
Profit after tax	101	101	147	163
Minority interest	-	-	-	-
Share Profit from Associate	0	0	0	0
Adjusted PAT	101	101	147	163
YoY gr. (%)	(26.5)	0.5	45.3	10.5
Margin (%)	4.5	4.7	6.3	6.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	101	101	147	163
YoY gr. (%)	(26.5)	0.5	45.3	10.5
Margin (%)	4.5	4.7	6.3	6.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	101	101	147	163
Equity Shares O/s (bn)	2	2	2	2
EPS (Rs)	45.5	45.7	66.4	73.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	1,567	1,655	1,749	1,834
Tangibles	1,410	1,501	1,595	1,680
Intangibles	157	154	154	154
Acc: Dep / Amortization	718	797	881	971
Tangibles	624	703	787	877
Intangibles	94	94	94	94
Net fixed assets	849	857	869	863
Tangibles	786	797	809	803
Intangibles	63	60	60	60
Capital Work In Progress	77	149	243	328
Goodwill	257	261	261	261
Non-Current Investments	116	160	160	160
Net Deferred tax assets	(73)	(82)	(82)	(82)
Other Non-Current Assets	42	57	57	57
Current Assets				
Investments	59	33	33	33
Inventories	430	408	414	445
Trade receivables	162	164	191	205
Cash & Bank Balance	151	144	135	146
Other Current Assets	57	48	48	48
Total Assets	2,248	2,319	2,449	2,584
Equity				
Equity Share Capital	2	2	2	2
Other Equity	946	1,059	1,199	1,352
Total Networkth	948	1,061	1,201	1,355
Non-Current Liabilities				
Long Term borrowings	514	474	424	374
Provisions	6	6	6	6
Other non current liabilities	71	73	73	73
Current Liabilities				
ST Debt / Current of LT Debt	69	71	71	71
Trade payables	359	344	382	411
Other current liabilities	177	178	180	183
Total Equity & Liabilities	2,248	2,319	2,449	2,584

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	132	140	202	224
Add. Depreciation	71	75	83	90
Add. Interest	36	39	35	34
Less Financial Other Income	13	15	17	18
Add. Other	(16)	(6)	(17)	(18)
Op. profit before WC changes	224	248	303	331
Net Changes-WC	(5)	19	7	(14)
Direct tax	(27)	(27)	(55)	(61)
Net cash from Op. activities	192	241	255	256
Capital expenditures	(96)	(157)	(189)	(169)
Interest / Dividend Income	5	6	17	18
Others	11	8	-	-
Net Cash from Inv. activities	(80)	(143)	(172)	(151)
Issue of share cap. / premium	-	-	-	-
Debt changes	(82)	(44)	(50)	(50)
Dividend paid	(9)	(7)	(8)	(9)
Interest paid	(40)	(39)	(35)	(34)
Others	30	(18)	-	-
Net cash from Fin. activities	(100)	(108)	(92)	(94)
Net change in cash	12	(10)	(9)	11
Free Cash Flow	95	83	66	87

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	45.5	45.7	66.4	73.4
CEPS	78.4	81.3	103.9	114.0
BVPS	427.1	478.1	541.0	610.2
FCF	42.7	37.5	29.6	39.2
DPS	3.0	3.5	4.2	5.0
Return Ratio(%)				
RoCE	11.4	11.4	14.3	14.8
ROIC	9.4	8.5	10.8	11.1
RoE	11.7	10.1	13.0	12.7
Balance Sheet				
Net Debt : Equity (x)	0.4	0.3	0.3	0.2
Net Working Capital (Days)	38	38	35	35
Valuation(x)				
PER	13.7	13.6	9.4	8.5
P/B	1.5	1.3	1.1	1.0
P/CEPS	7.9	7.6	6.0	5.4
EV/EBITDA	7.7	7.2	5.6	5.0
EV/Sales	0.8	0.8	0.7	0.7
Dividend Yield (%)	0.5	0.6	0.7	0.8

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

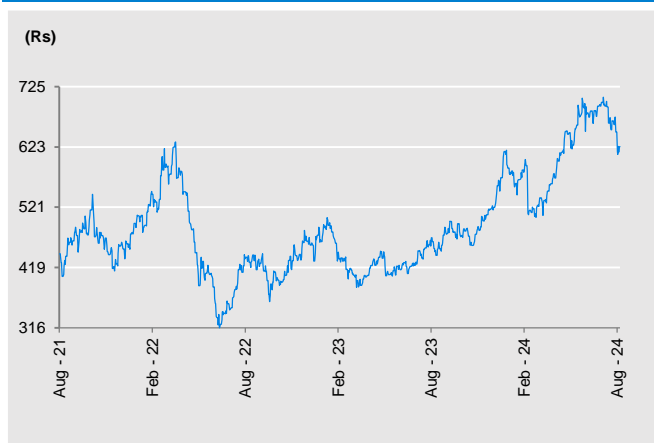
Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	542	528	560	570
YoY gr. (%)	(3.6)	(0.6)	0.2	7.6
Raw Material Expenses	340	322	344	341
Gross Profit	202	206	216	229
Margin (%)	37.2	39.0	38.6	40.2
EBITDA	56	59	67	75
YoY gr. (%)	4.7	65.3	25.4	31.3
Margin (%)	10.4	11.1	11.9	13.2
Depreciation / Depletion	18	19	20	19
EBIT	38	40	47	56
Margin (%)	7.0	7.6	8.3	9.8
Net Interest	10	9	9	9
Other Income	5	3	4	4
Profit before Tax	32	33	41	55
Margin (%)	5.8	6.3	7.4	9.7
Total Tax	10	10	10	18
Effective tax rate (%)	32.7	30.0	23.3	32.2
Profit after Tax	21	23	32	37
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	21	23	32	37
YoY gr. (%)	(3.3)	71.3	31.8	50.7
Margin (%)	3.9	4.4	5.7	6.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	21	23	32	37
YoY gr. (%)	(3.3)	71.3	31.8	50.7
Margin (%)	3.9	4.4	5.7	6.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	21	23	32	37
Avg. Shares O/s (bn)	2	2	2	2
EPS (Rs)	9.6	10.5	14.3	16.8

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Novelis volumes (mt)	3.8	3.7	3.8	4.0
Novelis EBITDA/t	453	460	525	550
Aluminium Price (USD/t)	2,491	2,204	2,413	2,454

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-24	BUY	796	698
2	25-May-24	BUY	779	673
3	12-Apr-24	BUY	658	603
4	13-Feb-24	BUY	597	510
5	05-Jan-24	BUY	673	591
6	13-Nov-23	BUY	583	482
7	10-Oct-23	BUY	557	469
8	07-Oct-23	BUY	557	473
9	28-Aug-23	BUY	557	450

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,707	2,591
2	Ambuja Cement	Accumulate	701	664
3	Dalmia Bharat	Accumulate	2,067	1,817
4	Hindalco Industries	BUY	796	698
5	Jindal Stainless	Accumulate	836	736
6	Jindal Steel & Power	Hold	978	972
7	JSW Steel	Accumulate	1,022	890
8	National Aluminium Co.	Sell	142	199
9	NMDC	Accumulate	276	252
10	Nuvoco Vistas Corporation	Accumulate	374	338
11	Shree Cement	Accumulate	27,524	24,143
12	Steel Authority of India	Sell	112	129
13	Tata Steel	Accumulate	175	163
14	Ultratech Cement	Accumulate	11,848	11,275

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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