HINDALCO

nuvama institutional equities

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	673
12 month price target (INR)	776
52 Week High/Low	773/546
Market cap (INR bn/USD bn)	1,512/17.2
Free float (%)	65.3
Avg. daily value traded (INR mn)	3,260.5

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	34.64%	34.64%	34.64%
FII	31.39%	31.8%	28.0%
DII	25.06%	24.8%	24.6%
Pledge	8.91%	8.8%	12.80%

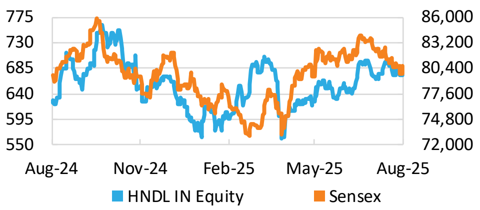
FINANCIALS (INR bn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	2,159.6	2,385.0	2,492.9	2,524.6
EBITDA	242.6	328.2	336.2	339.7
Adjusted profit	101.1	177.6	168.4	168.7
Diluted EPS (INR)	45.6	80.0	75.8	76.0
EPS growth (%)	1.0	75.6	(5.2)	0.2
RoAE (%)	10.1	14.7	12.7	11.4
P/E (x)	14.8	8.4	8.9	8.9
EV/EBITDA (x)	7.5	5.6	5.5	5.5
Dividend yield (%)	0.5	0.7	0.7	0.7

CHANGE IN ESTIMATES

(INR bn)	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	2,493	2,525	0.0	0.0
EBITDA	336	340	0.0	0.0
Adjusted profit	168	169	0.0	0.0
Diluted EPS (INR)	75.8	76.0	0.0	0.0

PRICE PERFORMANCE



Earnings bottom out; recovery by Q4

Novelis (Hindalco's 100% subsidiary) posted lower-than-expected adjusted EBITDA of USD416mn (our estimate: USD439mn), down 12% QoQ and EBITDA/t of USD432, down 13% QoQ during Q1FY26 on the back of US tariff, lower scrap spread and an unfavourable product mix. Net tariff impact was USD28mn in Q1FY26.

Management guides for net tariff impact of ~USD60mn/quarter (assuming 50% tariff on aluminium imports in the US). Despite that, with likely improvement in scrap spread and reducing production cost, management guided for EBITDA to have bottomed out in Q1FY26. We shall adjust our numbers with Hindalco's Q1 earnings. Retain 'BUY' with an unchanged TP of INR776 based on 6.2x FY27E EV/EBITDA.

EBITDA/t falls to USD432 led by tariff and higher scrap prices

FRP shipments inched up 0.6% QoQ/1.3% YoY to 963kt. A YoY pickup was supported by higher beverage cans partially offset by lower automotive and speciality shipment as buyers are sitting on sidelines awaiting stability after US tariff impact (imposed 50% on aluminium imports). The net impact of US tariff was USD28mn in Q1FY26 and we reckon USD60mn/quarter Q2FY26 onwards. Novelis shall initiate cost take-outs (USD100mn run-rate by FY26-end and USD300mn by FY28) to mitigate tariff impact. Overall, adverse product mix, higher scrap prices and tariff impact partly offset by higher beverage cans contract pricing and cost cutting measures led to 17% YoY/12% QoQ fall in adjusted EBITDA to USD416mn and an 18% YoY/12.6% QoQ fall in EBITDA/t to USD432 in Q1FY26.

Net debt likely to remain elevated due to Bay Minette capex

Novelis's net debt rose ~USD395mn QoQ to USD5.57bn. Q1FY26 capex was USD386mn (Q4: USD514mn). Management guides for FY26E capex of USD1.9–2.2bn. Ongoing capex on 0.6mtpa Bay Minette expansion can breach net debt/EBITDA cap of 3.5x at peak (Q1FY26: 3.2x).

Earnings bottom out; revival likely Q4FY26 onwards

Amid 50% tariff on imported aluminium in the US, management is working to mitigate tariff impact by working on cutting CoP (guides USD100mn/year cost saving run rate by FY26-end). Benefits of any major pickup in scrap spread will take time to kick in P&L (contract price> spot scrap price). Firm demand for beverage cans (~60% of FY25 volume) would offset part of lower demand of auto and specialities. However, high aluminium prices in the US pose downside risk to overall demand if aluminium imports tariff continue in US. Though management guides adjusted EBITDA bottoming out in Q1FY26, any major recovery is not visible until Q3FY26.

Financials (Novelis)

Year to March (USD mn)	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	4717	4187	12.7	4587	2.8
EBITDA	416	500	-16.8	473	-12.1
EBITDA/t	432	526	17.8	494	-12.6
PAT	151	228	33.8	247	-38.9

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Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	21,59,620	23,84,960	24,92,884	25,24,631
Raw Material Cost	13,38,550	14,49,490	15,23,118	15,41,037
Employee costs	1,47,780	1,54,060	1,66,707	1,72,932
Other expenses	2,85,960	3,09,210	3,18,412	3,20,853
EBITDA	2,42,570	3,28,240	3,36,205	3,39,718
Depreciation	79,060	89,000	87,069	89,790
Less: Interest expense	38,580	34,190	37,371	36,924
Add: Other income	14,960	27,080	25,790	23,790
Profit before tax	1,39,910	2,32,160	2,37,586	2,36,823
Prov for tax	38,570	63,350	69,212	68,095
Less: Other adj	0	0	0	0
Reported profit	1,01,340	1,68,800	1,68,364	1,68,719
Less: Excp.item (net)	(210)	8,790	0	0
Adjusted profit	1,01,130	1,77,590	1,68,364	1,68,719
Diluted shares o/s	2,220	2,220	2,220	2,220
Adjusted diluted EPS	45.6	80.0	75.8	76.0
DPS (INR)	3.5	5.0	5.0	5.0
Tax rate (%)	27.6	27.3	29.1	28.8

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	2,220	2,220	2,220	2,220
Reserves	10,59,240	12,34,870	14,03,102	15,63,129
Shareholders funds	10,61,460	12,37,090	14,05,322	15,65,349
Minority interest	110	120	139	139
Borrowings	5,45,010	6,19,310	6,74,190	7,26,490
Trade payables	3,44,440	4,06,320	4,03,897	4,14,398
Other liabs & prov	2,71,450	2,96,410	3,33,374	3,35,254
Total liabilities	23,19,070	26,59,910	29,19,137	31,43,844
Net block	7,96,980	8,42,370	9,86,295	13,93,700
Intangible assets	3,22,900	3,26,480	3,29,488	3,29,488
Capital WIP	1,46,430	2,70,230	2,90,020	1,15,593
Total fixed assets	12,66,310	14,39,080	16,05,803	18,38,780
Non current inv	68,060	82,800	84,533	84,533
Cash/cash equivalent	2,29,650	2,66,000	3,16,694	3,41,648
Sundry debtors	1,64,040	1,98,340	2,17,338	1,86,317
Loans & advances	320	70	70	70
Other assets	4,93,820	6,24,310	6,40,003	6,36,938
Total assets	23,19,070	26,59,910	29,19,137	31,43,844

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
EBITDA margin (%)	11.2	13.8	13.5	13.5
Net profit margin (%)	4.7	7.4	6.8	6.7
Revenue growth (% YoY)	(3.2)	10.4	4.5	1.3
EBITDA growth (% YoY)	6.0	35.3	2.4	1.0
Adj. profit growth (%)	1.0	75.6	(5.2)	0.2

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
PBT	1,40,120	2,23,370	2,37,556	2,36,793
Add: Depreciation	38,580	34,190	87,069	80,023
Interest (net of tax)	0	0	0	0
Others	69,170	64,420	0	0
Less: Changes in WC	19,440	(23,210)	80,500	59,811
Operating cash flow	2,40,560	2,44,100	3,35,913	3,08,532
Less: Capex	(1,56,780)	(2,04,040)	(2,52,894)	(3,13,000)
Free cash flow	83,780	40,060	83,019	(4,468)

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	6.0	6.2	6.2
Repo rate (%)	6.5	6.0	5.0	5.0
USD/INR (average)	82.8	84.6	86.5	86.5
LME aluminium incl hedging (USD/t)	2,268	2,534	2,529	2,500
Aluminium vol.-India ('000 t)	1,372	1,352	1,354	1,354
Aluminium vol.- Novelis ('000 t)	3,673	3,757	3,870	4,020
Novelis- EBITDA/t (USD)	510	480	501	525

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	10.1	14.7	12.7	11.4
RoCE (%)	11.4	15.4	14.0	12.5
Inventory days	71	69	73	73
Receivable days	28	28	30	29
Payable days	59	57	59	59
Working cap (% sales)	5.7	8.7	8.3	6.4
Gross debt/equity (x)	0.5	0.5	0.5	0.5
Net debt/equity (x)	0.3	0.3	0.3	0.2
Interest coverage (x)	4.2	7.0	6.7	6.8

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	14.8	8.4	8.9	8.9
Price/BV (x)	1.4	1.2	1.1	1.0
EV/EBITDA (x)	7.5	5.6	5.5	5.5
Dividend yield (%)	0.5	0.7	0.7	0.7

Source: Company and Nuvama estimates

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	1.0	75.6	(5.2)	0.2
RoE (%)	10.1	14.7	12.7	11.4
EBITDA growth (%)	6.0	35.3	2.4	1.0
Payout ratio (%)	7.7	6.6	6.6	6.6

Q1FY26 conference call: Key takeaways

Demand outlook: Long-term demand stays firm; tariff brings near term challenges

- Management indicates that beverage cans demand remains strong and expect a 4% demand CAGR over FY25–30. Near-term automotive demand (19% of FY25 volume) is weak in Europe and the US amid tariff implications in North America (US imposed 50% tariff on aluminium imports) and slower growth in China.

- Total FRP shipments inched up 1.3% YoY to 963kt supported by higher beverage cans partially offset by lower automotive and specialities shipment as buyers are sitting on the sidelines waiting for stability after US tariff impact.

- The net impact of US tariff (offset by higher mid-west premium) stood at USD28mn in Q1FY26 (versus earlier guided: USD40mn). Due to a further rise in US import tariff from 25% to 50%, the net impact is assessed at USD60mn/quarter, affecting earnings Q2FY26 onwards. Its US operation hits from tariffs on two parts. i) due to shortage of beverage cans in the US, Novelis ships beverage sheet from its Korean facility which attracts duty; and ii) imports primary aluminium from Canada

- Scrap prices remained higher YoY. However, prices are now trending lower to benefit up to certain extent in upcoming quarters. As Novelis has contracted large quantity of scraps, fall in scrap prices will benefit to smaller extent in next 1-2 quarter. The company is working on diversifying the scrap sourcing and will use different types of scrap (besides UBCs, will increase usage of auto end of life scrap, scrap generated in building & construction, etc) in order to mitigate the structurally higher scrap prices.

- Overall, adverse product mix, higher scrap prices and tariff impact partially offset by higher beverage packaging contract pricing and cost cutting measures led to 17% YoY/12% QoQ decline in EBITDA to USD416mn and 18% YoY/12.6% QoQ decline in EBITDA/t at USD432 in Q1FY26. Adjusted EBITDA does not include restructuring and impairment charges of USD83mn (including USD65mn non-cash charges) related to 2025 efficiency plan.

Guidance

- Management maintained long-term EBITDA/t guidance of USD600 after ramp-up of the Bay Minette facility, but refrained from providing EBITDA/t guidance for FY26.

- The company has initiated operational efficiencies aimed to drive cost savings through higher labour productivity and enhancing throughput. Furthermore, it is targeting footprint efficiencies. The company is focusing on idling one of two automotive finishing lines in China. It is also working on optimising specialities portfolio in North America by closing two finishing plants at Richmond and Fairmont in the US. This will not lead to any loss of volume as it will be compensated with increased utilisation at other sites. Overall, the company guided for cost savings (year-end saving run rate of USD100mn (earlier: USD75mn)/USD250mn/USD300mn in FY26/FY27/FY28 and beyond.

Debt, capex and project update

- Capex spent in Q1FY26 was USD386mn (Q4FY25: USD514mn). With this, it has incurred USD2.7bn out of the announced capex of USD5bn. FY26 capex is expected at USD1.9bn-USD2.2bn including USD300mn for maintenance capex.

- Net debt increased by USD333mn QoQ to USD5.5bn. The net debt/TTM adjusted EBITDA increased to 3.2x as on Q1FY26 end (versus 2.9x in Q4FY25). Management believes in near term due to uncertain and challenging business environment, the leverage ratio can cross cap target of 3.5x slightly; however the endeavour is to not breach the target line.
- Projected capex for the fully integrated US rolling & recycling facility of 600ktpa in Bay Minette stands unchanged at USD4.1bn, of which USD1.8bn was spent until Q1FY26. Expansion is on track and the facility is likely to be commissioned in H2CY26 as guided earlier (will take 18 months to reach optimum capacity utilisation). It has fully contracted ~420kt of beverage cans. 180kt capacity targeted primarily for automotive, but flexible for other FRP end markets as well.
- Recently, it commissioned two recycling projects of 240ktpa at Guthrie, US and 100ktpa in Ulsan, South Korea is ramping up. Besides. Debottlenecking project of 80ktpa hot mill expansion has begun to be commissioned in Q1FY26. At full utilisation level, all the recycling capacity can drive higher production via scrap route at 75% (versus 63% in Q1FY26/FY25).

Exhibit 1: Novelis - Key financials

(USD mn)	1QFY26	4QFY25	QoQ	1QFY25	YoY	FY25	FY26E	FY27E
Volume(kt)	963	957	0.6	951	1.3	3,757	3,870	4,020
Revenue	4,717	4,587	2.8	4,187	12.7	17,149	17,914	18,491
Realisation	4,898	4,793	2.2	4,403	11.3	4,565	4,629	4,600
EBITDA	**416**	**473**	**-12.1**	**500**	**(16.8)**	**1,802**	**1,937**	**2,108**
EBITDA/t (USD)	**432**	**494**	**-12.6**	**526**	**(17.8)**	**480**	**500**	**525**
Depreciation	148	152	-2.6	140	5.7	575	593	611
Other income								
EBIT	268	321	-16.5	360	(25.6)	1,227	1,344	1,497
Interest	67	65	3.1	72	(6.9)	275	300	300
PBT	201	256	-21.5	288	(30.2)	952	1,044	1,197
Tax	50	9	455.6	60	(16.7)	159	240	275
PAT	151	247	-38.9	228	(33.8)	850	804	922

Source: Company, Nuvama Research

Exhibit 2: Higher US tariff, lower scrap spread and adverse product mix lead to decrease in EBITDA and EBITDA/t

USD mn	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Rolled product sales volume ('000 t)	951	945	904	957	963
YoY (%)	8.2	1.3	(0.7)	0.6	1.3
QoQ (%)	0.0	(0.6)	(4.3)	5.9	0.6
Adj EBITDA	**500**	**462**	**367**	**473**	**416**
YoY (%)	18.8	(4.5)	(19.2)	(8.0)	(16.8)
QoQ (%)	(2.7)	(7.6)	(20.6)	28.9	(12.1)
EBITDA/t (USD)	**526**	**489**	**406**	**494**	**432**
YoY (%)	9.8	(5.8)	(18.6)	(8.6)	(17.8)
QoQ (%)	(2.7)	(7.0)	(17.0)	21.7	(12.6)
Depreciation	140	141	142	152	148
Interest	72	72	66	65	67
PBT	288	249	159	256	201
Tax	60	51	39	9	50
Adj PAT before Minority shares	228	198	120	247	151
Discontinued operation					
Adj PAT after Minority shares	228	198	120	247	151

Source: Company, Nuvama Research

Exhibit 3: Regional operating performance

Particulars	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
North America							
Rolled products (000 t)	388	396	360	375	389	0.3	3.7
Adj EBITDA (USD mn)	183	185	122	150	133	-27.3	-11.3
Adj EBITDA/t (USD)	472	467	339	400	342	-27.5	-14.5
Europe							
Rolled products (000 t)	263	233	226	265	262	-0.4	-1.1
Adj EBITDA (USD mn)	90	63	49	104	70	-22.2	-32.7
Adj EBITDA/t (USD)	342	270	217	392	267	-21.9	-31.9
Asia							
Rolled products (000 t)	194	198	186	201	215	10.8	7.0
Adj EBITDA (USD mn)	92	91	75	89	93	1.1	4.5
Adj EBITDA/t (USD)	474	460	403	443	433	-8.8	-2.3
South America							
Rolled products (000 t)	154	162	166	164	156	1.3	-4.9
Adj EBITDA (USD mn)	132	122	121	129	119	-9.8	-7.8
Adj EBITDA/t (USD)	857	753	729	787	763	-11.0	-3.0

Source: Company, Nuvama Research

Exhibit 4: Cash flow trend; lower operating profit and higher working capital drags FCF

(USD mn)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Adjusted EBITDA	500	462	367	473	416
Interest paid	-49	-84	-52	-62	-37
Taxes paid	-69	-68	-62	-51	-37
Capital expenditures	**-348**	**-369**	**-458**	**-514**	**-386**
Metal price lag	-7	21	0	55	69
Working capital & other	-307	-27	-365	277	-320
Free cash flow from continuing operations	**-280**	**-65**	**-570**	**178**	**-295**

Source: Company, Nuvama Research

Exhibit 5: Net debt/EBITDA trend; net leverage ratio rises to 3.2x (versus 2.9x in Q4FY25)

(USD mn)	1Q25	2Q25	3Q25	4Q25	1QFY26
Long-term debt, net of current portion	4859	4889	4997	5773	6230
Current portion of long-term debt	33	30	29	32	33
Short-term borrowings	669	912	1059	407	382
Cash and cash equivalents	-886	-1071	-791	-1036	-1074
Adjusted Net Debt	**4,675**	**4,760**	**5,294**	**5,176**	**5,571**
Increase/(Decrease) in Net Debt	**278**	**85**	**534**	**-118**	**395**

Source: Company, Nuvama Research

Exhibit 6: Key assumptions

Particulars	FY22	FY23	FY24	FY25	FY26E	FY27E
USD/INR	74.5	81.0	82.8	84.6	86.5	86.5
LME aluminium incl hedging (USD/t)	2,764	2,436	2,267	2,534	2,529	2,500
Premium (USD/t)	150	100	100	100	100	100
Aluminium volume-India ('000 t)	1,302	1,350	1,372	1,352	1,354	1,354
Aluminium volume- Novelis ('000 t)	3,858	3,790	3,673	3,757	3,870	4,020
Novelis- EBITDA/t (USD)	530	478	510	480	500	525
Net debt/EBITDA(x)	1.4	1.5	1.3	1.1	1.1	1.1

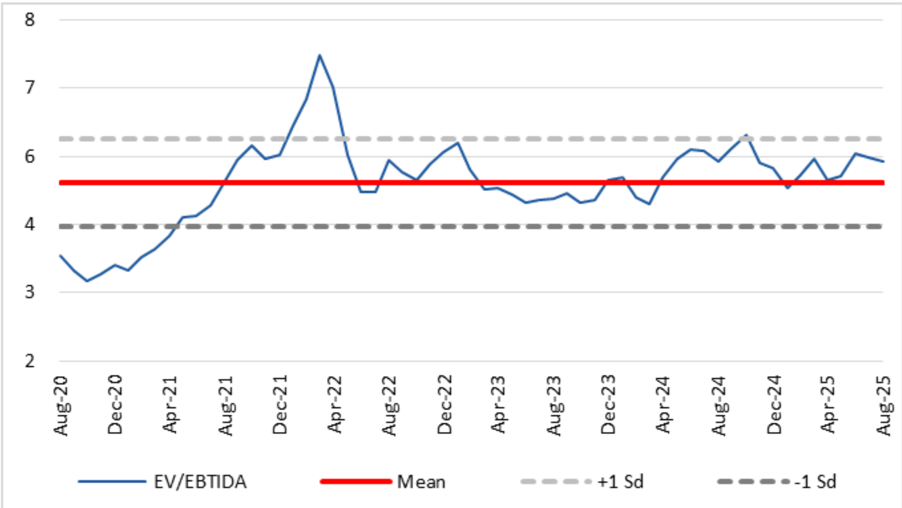
Source: Company, Nuvama Research

Exhibit 7: Valuation

INR mn	FY27E
EBITDA	3,39,718
Multiple (x)	6.2
Enterprise Value	20,93,511
Average Net debt	3,71,169
Market Cap	17,22,342
No of shares (mn)	2,220
Fair value (INR/share)	776

Source: Company, Nuvama Research

Exhibit 8: On 1Y forward EV/EBITDA, Hindalco trading above 5Y average



Source: Company, Nuvama Research

Company Description

Hindalco Industries Limited is engaged in the production of aluminium and aluminium products, along with copper and copper products. Globally, the company produces value added aluminium products via its 100% subsidiary, Novelis having 4.1mtpa of rolling capacity and 2.5mtpa of recycling capacity. In India, Hindalco is integrated with alumina, bauxite and produces aluminium with 1.3mtpa capacity and copper with 0.5mtpa capacity along with copper rods and by products like gold and silver products. Hindalco's products include aluminium ingots/rolled products, copper cathodes and Concast copper rods. The company's aluminium downstream offerings include extrusions, flat-rolled products, foils, wire rods and billets. Hindalco offers its services to various industries, such as automotive and transport, building and construction, industrial applications, pharmaceuticals and packaging, and white goods.

Investment Theme

Management maintains its sustainable EBITDA/t guidance of USD600 in long term. It is expanding Novelis's capacity from 4mtpa to ~5mtpa by FY27E along with expansion of recycling capacity from 2.5mtpa to 3.9mtpa.

Hindalco India is in the first quartile of the world cost curve. Domestically, the company is expanding aluminium value added capacity from 350ktpa to 600ktpa, primary aluminium capacity by 230ktpa, alumina capacity by 1.5mtpa and other downstream projects.

Key Risk

- Sharp dip in aluminium LME prices with no increase in premiums.
- Input costs increasing higher than expected
- Lower-than-expected margin at Novelis due to lower scrap spread
- Any further increase in capex/time overrun in upcoming projects

Additional Data

Management

Chairman	Kumar Mangalam Birla
MD	Satish Pai
WTD, CFO and CEO (Copper)	Praveen Maheshwari
President & CEO (Novelis)	Steve Fischer
Auditor	PWC LLP

Holdings – Top 10*

	% Holding		% Holding
LIC of India	5.23	UTI NPS Trust	1.80
SBI Funds	4.42	ICICI Pru AMC	1.78
Vanguard	2.69	HDFC AMC	1.39
Blackrock	2.34	Aditya Birla AMC	1.27
Republic of Singapore	2.20	SBI Life	1.18

**Latest public data*

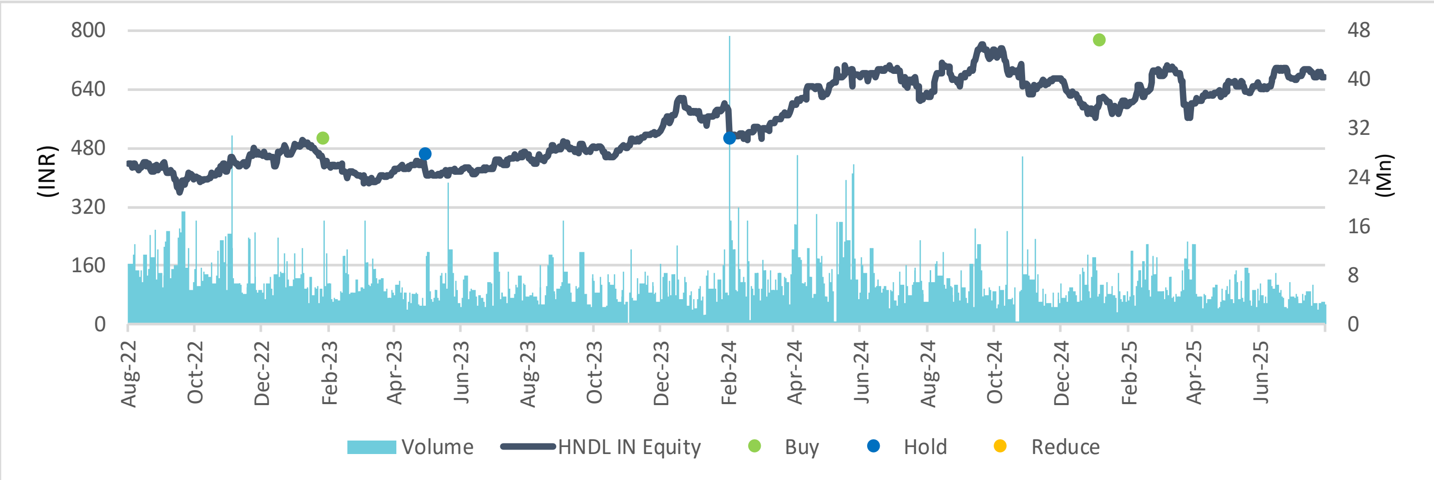
Recent Company Research

Date	Title	Price	Reco
20-May-25	Aluminium under control; awaiting US dea; *Result Update*	663	Buy
12-May-25	Tariff to dent near-term earnings ; *Result Update*	652	Buy
02-Apr-25	Earnings intact; in capex mode; *Company Update*	664	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
07-Aug-25	Jindal Stainless	Growth priced in until FY27; *Result Update*
01-Aug-25	Coal India	Volume dips; cautious on growth; *Result Update*
31-Jul-25	Tata Steel	Europe EBITDA positive again; India in c; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	198
Hold	<15% and >-5%	70
Reduce	<-5%	36

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