INDIA

BUY

Hindalco

CENTRUM

Metals

Result Update 02 November 2018

Keeps getting better & stands class apart, maintain Buy

We maintain buy on Hindalco (HNDL) with a TP of Rs340. HNDL's domestic aluminium business beat expectations again despite cost pressures (blended EBITDA/t at US$597 on Utkal inclusive basis) led by industry leading cost positioning and optimum utilisations. Novelis' performance was best ever (EBITDA/t at US$440) and guidance was strong. We like HNDL on account of i) strong earnings visibility from low cost domestic aluminium asset base, ii) increasing proportion of value added downstream conversion business EBITDA share in consolidated entity with acquisition of Aleris and increasing automotive share at Novelis, iii) high FCF generation and reducing net debt/EBITDA with carefully calibrated capex and iv) attractive valuations with FCF/EV yield of 9% and EV/EBITDA of 5.2x on FY20E basis.

- **Decent show in aluminium despite cost pressures, copper improves:** EBITDA (including Utkal) stood at Rs17.5bn, up 5% YoY and down 6% QoQ and stood 8% higher than our estimates. The aluminium division (incl. Utkal) reported EBITDA of Rs13.6bn, up 13% YoY and blended EBITDA/t stood at ~US$600/t despite cost pressures of coal and furnace oil which increased the CoP QoQ. Copper division performed better QoQ led by higher value added product & DAP sales.
- **Novelis' operations register new record performance and guidance remains strong:** Operational performance achieved a new record EBITDA/t aided by operational efficiency, better product mix and favorable market conditions. Adjusted EBITDA/t stood at US$440/t (up 17% YoY) and was highest ever. Guidance remained strong with sustainable EBITDA/t guided to be at ~US$400/t and capex spend of about US$450mn for maintenance and set-up of new automotive finishing lines. FCF generation for H1FY19 stood at US$108mn and Net-debt/EBITDA reduced to 2.8x.
- **Outlook – solid cost positioning to keep operational performance superlative:** HNDL's overall aluminium portfolio CoP is likely to remain flat going forward and has high stability led by captive bauxite feed and favorable coal supplies tied through captive/linkage routes domestically. *Global aluminium pricing has been weak but the outlook remains strong led by better demand-supply situation resulting in a deficit market, a rising global cost curve led by higher carbon & alumina costs and controlled production in China*. Management's focus on driving further cost savings and deleveraging the balance sheet remains intense. We tweak our estimates marginally factoring in higher costs due to coal/fuel inflation, lower rupee and higher margins at Novelis. Our EBITDA estimates are revised higher by ~5% for FY19E/20E.
- **Valuation and risks – maintain Buy:** Despite progressively improving performance, stock has remained sideways on account of concerns around impact of global trade war, lower aluminium prices and higher coal costs. However, we believe that HNDL remains on its guided strategy with deleveraging underway and overall operations getting stronger by each passing period. We maintain our EV/EBITDA multiple at 6.5x for domestic operations and reduce multiple for Novelis and Aleris to 6.5x (vs 7x earlier) to account for global uncertainty to arrive at our TP of Rs340. Maintain Buy and retain HNDL as our top large cap pick in Metals. Key downside risks are lower LME prices and lower volumes.

Standalone (Rs mn)	Q2FY19	Q2FY18	YoY%	Q1FY19	QoQ%	Q2FY19E	Var %
Net sales	**1,08,330**	**1,03,135**	***5.0***	**1,05,932**	***2.3***	**1,01,616**	***6.6***
EBITDA	**10,907**	**13,950**	***(21.8)***	**13,253**	***(17.7)***	**10,641**	***2.5***
EBITDA margin (%)	***10.1***	***13.5***		***12.5***		***10.5***	
Depreciation	4,001	3,856	*3.8*	4,043	*(1.0)*	4,150	*(3.6)*
Interest	4,242	4,836	*(12.3)*	4,108	*3.3*	4,100	*3.5*
Other income	2,013	1,872	*7.5*	1,055	*90.9*	1,500	*34.2*
PBT	**4,677**	**6,075**	***(23.0)***	**6,157**	***(24.0)***	**3,891**	***20.2***
Provision for tax	1,591	2,146		2,022		1,284	
PAT	**3,086**	**3,929**	***(21.4)***	**4,135**	***(25.4)***	**2,607**	***18.4***

Source: Company, Centrum Research Estimates

Target Price	Rs340	Key Data	
CMP*	Rs240.5	Bloomberg Code	HNDL IN
Upside	*45.6%*	Curr Shares O/S (mn)	2,245.3
Previous Target	Rs340	Diluted Shares O/S(mn)	2,245.3
Previous Rating	Buy	Mkt Cap (Rsbn/USDbn)	539.9/7.5
Price Performance (%)*		52 Wk H / L (Rs)	284/192.4
	1M 6M 1Yr	5 Year H / L (Rs)	284/58.8
HNDL IN	*(1.0) 5.4 (11.2)*	Daily Vol. (3M NSE Avg.)	11383490
NIFTY	*(4.1) (1.5) 1.2*		

**as on 2 November 2018; Source: Bloomberg, Centrum Research*

Shareholding pattern *(%)**

	Sep-18	Jun-18	Mar-18	Dec-17
Promoter	*34.7*	*34.7*	*34.7*	*34.7*
FIIs	*26.2*	*26.9*	*28.1*	*29.7*
Dom. Inst.	*20.8*	*20.0*	*19.1*	*16.6*
Public & Others	*18.4*	*18.5*	*18.1*	*19.0*

Source: BSE, as on 2 November 2018

Operating metrics

Y/E Mar (Rsmn)	Q2FY19	Q2FY18	YoY%	Q1FY19	QoQ%
Aluminium (incl utkal)					
Prod (MT)	3,26,000	3,26,000	*0.0*	3,23,000	*0.9*
Sales (MT)	3,26,000	3,29,000	*(0.9)*	3,00,000	*8.7*
EBITDA (Rsmn)	13,640	12,050	*13.2*	15,310	*(10.9)*
Blended EBITDA/t (US$)	597	570	*4.8*	762	*(21.6)*
Copper					
Prod (MT)	72,000	96,000	*(25.0)*	81,000	*(11.1)*
Sales (MT)	79,000	93,000	*(15.1)*	82,000	*(3.7)*
EBITDA (Rsmn)	3,879	4,666	*(16.9)*	3,352	*15.7*

Source: Company, Centrum Research

Earnings Revision (Consolidated)

Particulars (Rs bn)	FY19E			FY20E		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	1,336.4	1,246.7	*7.2*	1,366.6	1,288.2	*6.1*
EBITDA	160.4	152.7	*5.1*	164.0	156.7	*4.7*
EBITDA Margin (%)	*12.0*	*12.2*		*12.0*	*12.2*	
PAT-adj.	62.3	56.1	*10.9*	64.5	59.8	*8.0*

Source: Centrum Research Estimates

Centrum vs. Bloomberg Consensus*

Particulars (Rs bn)	FY19E			FY20E		
	Centrum	BBG	Chg (%)	Centrum	BBG	Chg (%)
Net Sales	1,336.4	1,306.4	*2.3*	1,366.6	1,345.1	*1.6*
EBITDA	160.4	160.7	*(0.2)*	164.0	166.1	*(1.2)*
PAT-adj.	62.3	59.5	*4.8*	64.5	63.8	*1.1*

Bloomberg Consensus*				Centrum Target Price (Rs)	Variance (%)
BUY	SELL	HOLD	Target Price (Rs)		
27	3	1	302	340	*12.7*

**as on 2 November 2018; Source: Bloomberg, Centrum Research Estimates*

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Y/E Mar (Rs bn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	Adj. EPS (Rs)	RoE (%)	RoCE (%)	PE (x)	EV/EBITDA (x)
FY16	1,000.5	*(4.1)*	87.2	*8.7*	5.9	*-78.9*	2.9	*1.5*	*(2.2)*	33.0	8.2
FY17	1,001.8	*0.1*	124.5	*12.4*	19.1	*223.1*	8.6	*4.5*	*4.6*	16.1	6.2
FY18	1,151.7	*15.0*	139.2	*12.1*	43.1	*125.9*	19.3	*12.1*	*7.1*	12.0	6.6
FY19E	1,336.4	*16.0*	160.4	*12.0*	62.3	*44.5*	27.9	*10.8*	*7.9*	8.6	5.7
FY20E	1,366.6	*2.3*	164.0	*12.0*	64.5	*3.7*	29.0	*10.2*	*7.9*	8.3	5.2

Source: Company, Centrum Research Estimates, NM= Not Meaningful

In the interest of timeliness, this document is not edited

Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

Q2FY19 Concall highlights

Hindalco concall takeaways

Demand-Supply outlook & Aluminium price outlook

- Global aluminium demand in CY18 is expected to grow by 4%. Global aluminium production is expected to grow by 1% and thus global deficit of 1.8 MT is likely in CY18 in aluminium market
- Chinese aluminium demand to be supported by various measures by their govt.
- China is expected to implement winter cuts again in CY18 though in a different manner vs CY17. Shandong and Xinxang have reported cut in production. Chinese aluminium production is hovering in the range of 3 MT/month
- China is also clamping down on illegal and polluting coal plants leading to lower power supply for aluminium smelters keeping production in check.
- Aluminium fundamentals remain favourable for the LME to have an upward bias as demand is strong, china supply is expected to remain restricted in winters and global cost curve has gone up with higher alumina & coal prices
- Domestic demand for Aluminium grew by 16% YoY in Q2FY19 and 14% in H1FY19. Imports including scrap grew by 26%YoY in Q2FY19. Market remained oversupplied with imports of fake semis and wire rods. Imports accounted for 936kt of total demand of 1593kt in India in H1FY19. Imports from China grew by 53%.
- Aluminium producers have made the case to GoI against imports and industry expects import duties on downstream products to go up.
- CoP in India for aluminium is increasing led by higher coal, furnace oil and carbon costs.
- Copper demand growth in India was strong at 8% YoY in H1FY19. Share of imports remain high at 40%.
- Global copper market is expected to grow by 2.8% to 23.6 MT in CY18 and market is expected to be in balance in CY18.

Aluminium division

- Volume performance remained at full utilisations with volumes of 326kt and value added product volumes remained marginally higher YoY at 123kt
- Alumina production was lower due to operational issues at Utkal led by heavy rains
- Aluminium EBITDA (incl. Utkal) stood at Rs13.6bn (vs Rs12bn YoY) with margins at 22%.
- Integrated metal cost for aluminium was higher qoq led by higher coal & fuel costs. Q3 aluminium CoP on integrated basis is expected to be flat QoQ.
- Input Costs

  Coal costs –

  1. Average coal cost in Q2FY19 was up 12% QoQ on Rs/mnKcal.
  2. Q2 coal supply mix on 4.1 MT – captive was 1.2 MT, linkage was 1.6 MT and e-auction was 1.3 MT.
  3. Q3-Q4 coal cost is likely to be similar to Q2 or marginally lower due to higher coal availability generally in H2.
  4. Krishnashila linkage of 3.1 MT won back in re-auction in Sep'18 for the next five years at the same auction premium which the company was paying before.
  5. Hindalco has been getting 75% of allocated linkage quantities from CIL and spot market rates are high

- FY19 hedging – Q2 hedging gain was marginally positive vs loss of Rs1.8bn in Q1. Strategy is not to do more than 40% of all volumes. For remaining 6 months of FY19, total 27% of volumes are hedged at Rs141800/t (LME+USD/INR hedged) and another 11% hedged at only LME level of US$2277/t but rupee is open.
- FY20E hedging – Hindalco is not looking to hedge aluminium below US$2300/t as company believes that US$2000/t LME price is bottom – lowest inventory, deficit market and flattish Chinese production.

Copper Division performance

- Cathode production remained subdued at 72kt led by maintenance shutdown of 33 days
- Higher by-product realisations supported EBITDA QoQ in Q2 but YoY fall was due to lower volumes and lower realisations.
- DAP production stood at 88kt as past operational issues have been resolved. DAP pricing is Rs30000/t and is healthy (vs Rs24000/t YoY).
- Copper premiums in Q2 were marginally lower in YoY but better QoQ. Premiums are expected to be better QoQ in Q3.
- Copper VAP (Rod) production was higher by 24% in Q2 FY19 at 49kt vs. 39kt in Q2 FY18; Share of VAP (Rods) in total sales volume reached 70% in Q2 FY19 vs. 43% in Q2 FY18
- Copper rod plant (CCR-3) capacity is ramping up well and expected to add US$200/t additional EBITDA for the copper business. Hindalco expects to sell 270kt of copper rods and sell less of copper cathodes.
- Expect to do 100kt+ sales in copper division from Q3FY19.

Interest, depreciation & Capex

- Paid back Rs15.8bn long term loans at Hindalco in Oct'18
- Interest payment was lower 16% YoY led by repayments and re-pricing of long term loans.
- Net Debt/EBITDA at India operations stood at 2.47x as on Sep'18 (down from 2.67x at Mar'18). Consolidated Net Debt/EBITDA stood at 2.84x as at Sep'18.
- Standalone capex of Rs15bn expected (incl maintenance capex of Rs9bn) for FY19.
- Dividend policy – Policy is to steadily increase dividends but sharp move is unlikely. Focus would be on aggressive deleveraging to cut down on finance cost.

Expansion & others

- Expansion of Utkal facility from 1.5 MT to 2 MT is on schedule. Capex of Rs13bn and project completion is expected to commission in FY21.
- Upstream capacity addition unlikely till clarity on coal supply is clear.
- Continue to focus on downstream investments going forward which would be less capital intensive before going for new brownfield expansion. In five years, want the downstream portfolio to be 50-55% of the overall portfolio of 1.3 MT aluminium capacity. ROCE being targeted from this project could be 11-12%.

Novelis concall takeaways

Market, Operations and Financials

- Adj. EBITDA stood at US$355mn with EBITDA/t at US$440
- Sharp uptick in EBITDA improvement driven by higher shipments, operating efficiencies, metal benefits from higher recycling benefits aided by better market conditions, asset optimization and better product mix. Forex impact was negative US$1mn in Q2FY19. The total positive impact was US$47mn from recycling and operational efficiency.
- Majority of scrap benefits were realized in South America market and North America market. Recycling utilization has gone up in Europe and would be at full capacity very soon (this is sustainable).
- Recycling benefits could remain strong in Q3FY19 and then begin to taper off led by reduction in spreads between metal and scrap. The current high premiums have helped the recycling & scrap benefits.
- Asian operations EBITDA/t decrease QoQ was led by lower volumes as the plant was coming out of maintenance shutdown. Expect product mix improvement drive to continue in Asia and lead to EBITDA improvements.
- Recycled (scrap) content is 58% currently. Novelis would look at increasing the same steadily but don't have any fixed target for the same right now and could remain at high 50s for FY19 as company doesn't have any material capacity left.
- Can pricing is bottomed out across world and there could be opportunity for Novelis to improve its product mix (by giving up some specialty product volumes) and also get better pricing in the quarters to come in the long term contracts.
- New projects are underway – 200kt automotive line at Kentucky, US and 100kt automotive line at China
- Announced set-up of global network of customer solution centers. This initiative is not capital intensive but people intensive. Would start with three centers and then build upon it.
- Funding for Aleris has been tied up and right mix would be decided closer to the final closing of the transaction.

Guidance for FY19

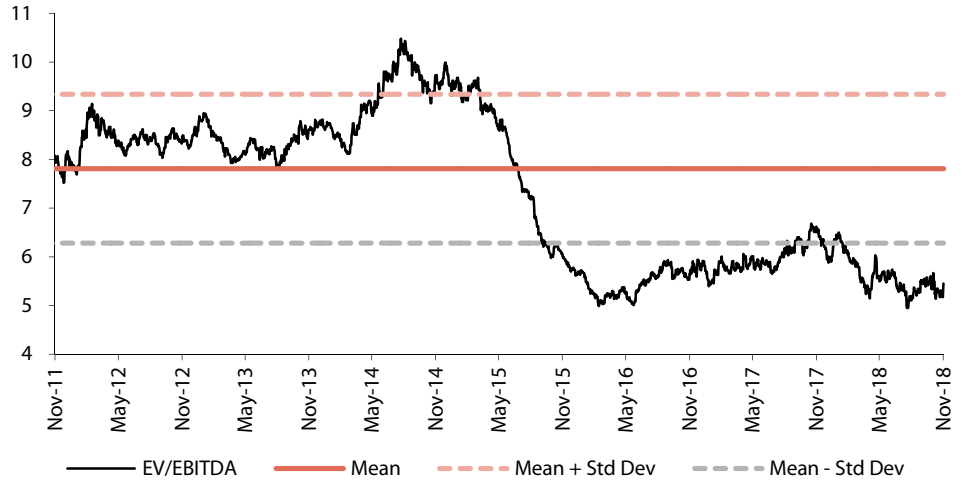
- Volumes expected to be slightly higher in FY19E. Focus on operational efficiencies, debottlenecking and higher auto shipments to drive better product mix and growth.
- Geopolitical uncertainty can impact the demand.
- Scrap metal markets were favorably impacted in US led by trade barriers but has started reversing.
- EBITDA/t of ~US$400/t is sustainable in nature and some other tailwinds could make it little higher. US specialty market has been witnessing better pricing conditions which could last longer and help profitability.
- Capex guidance at ~US$450mn. Maintenance capex of US$200mn. Capex would be towards new auto finishing lines
- Expect Net debt/EBITDA to reduce further by year end from current levels of 2.8x.
- New auto lines which were announced earlier to be commissioned in CY20.

Exhibit 1: Sensitivity Analysis (FY19E)

Sensitivity to key variables	% change	% impact on EBITDA	% impact on EPS
Sales volume	*1*	*1.3*	*2.0*
Realisation	*1*	*1.7*	*2.6*

Source: Company, Centrum Research Estimates

Exhibit 2: Rolling forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 3: Comparative Valuations

Company	Mkt Cap (US $ mn)	CAGR FY18-FY20E (%)			EBITDA Margin (%)			PE (x)			EV/EBITDA (x)			RoE (%)			Div Yield (%)		
		Rev.	EBITDA	PAT	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Hindalco*	**7,453**	***8.9***	***8.6***	***22.4***	***12.1***	***12.0***	***12.0***	**12.0**	**8.6**	**8.3**	**6.6**	**5.7**	**5.2**	***12.1***	***10.8***	***10.2***	***0.5***	***0.8***	***0.8***
NALCO	1,849	*9.1*	*30.3*	*31.9*	*16.3*	*25.3*	*23.2*	13.0	7.6	8.7	7.0	3.7	3.9	*9.6*	*16.0*	*13.5*	*5.2*	*7.1*	*7.2*
Alcoa Inc#	6,859	*8.1*	*22.2*	*85.1*	*16.8*	*23.3*	*21.4*	35.5	9.1	9.1	4.0	2.2	3.3	*4.3*	*11.2*	*12.8*	*0.0*	*0.1*	*0.3*

*Source: Bloomberg consensus, *Centrum Research Estimates, # FY18 = CY17 and so on for Alcoa and UC Rusal, NM=Not Meaningful*

Exhibit 4: Valuation

Mar'20E	EBITDA (Rs mn)	Multiple (x)	EV (Rs mn)
Domestic business	70,180	6.5	4,56,167
Novelis	93,870	6.5	6,10,155
Aleris (US$350mn)	24,500	6.5	1,59,250
Total EV			12,25,572
Net debt (incl Aleris US$2.6bn)			5,05,421
Market cap			7,20,151
No of shares (mn)			2,229
Per share value			323
Value of Investments (at 20% disc.)			17
Fair value (Rs/ share)			**340**

Source: Company, Centrum Research Estimates

Exhibit 5: Quarterly Financials

Particulars (Rs mn) - Standalone	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Net Sales/Income From Operations	**93,136**	**1,10,261**	**97,700**	**1,03,135**	**1,10,281**	**1,16,811**	**1,05,932**	**1,08,330**
(Increase) / decrease in stocks in trade	(6,851)	1,677	(2,404)	(1,715)	(4,530)	4,457	(5,605)	(1,574)
Trade purchases	-	1.9	-	30.1	19.1	-	55.5	-
Raw Materials	58,413	62,378	58,273	60,761	68,847	66,196	65,657	63,673
Power & Fuel	14,295	15,020	14,852	15,083	14,733	15,333	15,058	17,058
Emp. Expenses including separation compensation	4,445	4,185	4,384	4,784	4,964	4,815	4,691	5,110
Other Expenses	10,982	13,527	11,118	10,243	13,062	13,433	12,823	13,155
Operating Profit (Core EBITDA)	**11,852**	**13,472**	**11,477**	**13,950**	**13,186**	**12,576**	**13,253**	**10,907**
Depreciation	3,580	3,802	3,792	3,856	3,875	4,598	4,043	4,001
EBIT	**8273**	**9670**	**7686**	**10094**	**9311**	**7978**	**9210**	**6906**
Interest	5,879	5,411	4,878	4,836	4,828	4,464	4,108	4,242
Other Revenue/Income	2,200	2,226	2,563	1,872	2,994	2,049	1,055	2,013
Other Exceptional Items	-	-	1,044	1,055	1,153	-	-	-
Profit Before Tax	**4,593**	**6,485**	**4,327**	**6,075**	**6,323**	**5,563**	**6,157**	**4,677**
Tax	1,390	1,457	1,431	2,146	2,552	1,794	2,022	1,591
Tax rate (%)	*30.2*	*22.5*	*33.1*	*35.3*	*40.4*	*32.2*	*32.8*	*34.0*
Profit After Tax	**3,204**	**5,028**	**2,896**	**3,929**	**3,771**	**3,770**	**4,135**	**3,086**
Growth (%)								
Net Sales	*14.3*	*27.4*	*28.8*	*14.4*	*18.4*	*5.9*	*8.4*	*5.0*
EBITDA	*76.5*	*14.4*	*2.0*	*20.6*	*11.3*	*(6.7)*	*15.5*	*(21.8)*
Adj. PAT	*691.9*	*25.3*	*(1.6)*	*(10.5)*	*17.7*	*(25.0)*	*42.8*	*(21.4)*
Margin (%)								
EBITDA	*12.7*	*12.2*	*11.7*	*13.5*	*12.0*	*10.8*	*12.5*	*10.1*
EBIT	*8.9*	*8.8*	*7.9*	*9.8*	*8.4*	*6.8*	*8.7*	*6.4*
PAT	*3.4*	*4.6*	*3.0*	*3.8*	*3.4*	*3.2*	*3.9*	*2.8*
Key Drivers								
Alumina Production (Tonne)	7,44,000	7,08,000	7,24,000	7,12,000	7,34,000	7,10,000	6,95,000	7,01,000
Aluminium Production (Tonne)	3,20,000	3,17,000	3,21,000	3,26,000	3,23,000	3,20,000	3,23,000	3,26,000
Copper Cathodes Production (Tonne)	94,000	1,11,000	1,09,000	96,000	1,01,000	1,05,000	81,000	72,000

Source: Company, Centrum Research

Exhibit 6: Key Performance Indicators

Assumptions	FY16	FY17	FY18	FY19E	FY20E
Volumes (Tonne)					
Alumina	4,18,000	4,30,400	4,30,000	4,74,400	5,04,400
Aluminium Metal	8,64,100	9,46,250	9,69,000	9,19,105	9,19,105
Downstream aluminium	2,83,500	3,01,800	3,05,000	3,37,150	3,37,150
Copper	3,94,200	3,75,079	4,08,000	3,75,000	3,75,000
Novelis - Aluminium (kt)	3,326	3,176	3,335	3,350	3,405
Realizations (US$/tonne)					
LME Aluminium	1,593	1,680	2,045	2,100	2,200
LME Copper	5,226	5,150	6,449	6,500	6,700

Source: Company, Centrum Research Estimates

Financials (Cons)

Exhibit 7: Income Statement

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenues	**10,00,537**	**10,01,838**	**11,51,717**	**13,36,389**	**13,66,581**
Materials cost	5,98,935	5,56,614	6,88,795	7,84,378	7,99,390
% of revenues	*59.9*	*55.6*	*59.8*	*58.7*	*58.5*
Employee cost	81,381	85,460	86,448	1,04,238	1,09,326
% of revenues	*8.1*	*8.5*	*7.5*	*7.8*	*8.0*
Others	2,32,982	2,35,285	2,37,268	2,87,324	2,93,815
% of revenues	*23.3*	*23.5*	*20.6*	*21.5*	*21.5*
EBITDA	**87,239**	**1,24,479**	**1,39,206**	**1,60,449**	**1,64,050**
EBITDA margin (%)	*8.7*	*12.4*	*12.1*	*12.0*	*12.0*
Depreciation & Amortisation	41,961	44,688	46,065	45,985	47,983
EBIT	**45,278**	**79,791**	**93,141**	**1,14,464**	**1,16,066**
Interest expenses	50,467	57,424	39,107	35,471	32,824
PBT from operations	**(5,189)**	**22,367**	**54,034**	**78,993**	**83,242**
Other income	12,113	11,110	11,046	9,941	8,947
Exceptional items	3,271	76	(17,742)	-	-
PBT	**3,653**	**33,400**	**82,821**	**88,934**	**92,189**
Taxes	5,148	14,326	20,742	26,680	27,657
Effective tax rate (%)	*141*	*43*	*25*	*30*	*30*
PAT	**(1,495)**	**19,074**	**62,080**	**62,254**	**64,532**
Minority/Associates	(4,127)	77	1,250	-	-
Reported PAT	**2,632**	**18,997**	**60,829**	**62,254**	**64,532**
Adjusted PAT	**5,903**	**19,074**	**43,088**	**62,254**	**64,532**

Source: Company, Centrum Research Estimates

Exhibit 8: Key Ratios

Y/E March	FY16	FY17	FY18	FY19E	FY20E
Growth Ratio (%)					
Revenue	*(4.1)*	*0.13*	*15.0*	*16.0*	*2.3*
EBITDA	*(2.5)*	*42.7*	*11.8*	*15.3*	*2.2*
Adjusted PAT	*(78.9)*	*223.1*	*125.9*	*44.5*	*3.7*
Margin Ratios (%)					
EBITDA	*8.7*	*12.4*	*12.1*	*12.0*	*12.0*
PBT from operations	*(0.5)*	*2.2*	*4.7*	*5.9*	*6.1*
Adjusted PAT	*0.6*	*1.9*	*3.7*	*4.7*	*4.7*
Return Ratios (%)					
ROE	1.5	*4.5*	*12.1*	*10.8*	*10.2*
ROCE	*(2.2)*	*4.6*	*7.1*	*7.9*	*7.9*
ROIC	*(2.0)*	*4.8*	*7.1*	*7.9*	*8.0*
Turnover Ratios (days)					
Gross block turnover ratio (x)	0.9	0.9	1.1	1.2	1.2
Debtors	29	30	32	30	30
Inventory	61	67	69	70	70
Creditors	52	64	65	60	60
Cash conversion cycle	38	33	35	40	40
Solvency Ratio (x)					
Net debt-equity	1.3	1.0	0.7	0.6	0.5
Debt-equity	1.8	1.4	0.9	0.8	0.6
Interest coverage ratio	1.1	0.7	0.4	0.3	0.3
Gross debt/EBITDA	7.7	5.1	3.7	2.9	2.5
Current Ratio	1.2	1.3	1.5	1.5	1.5
Per share Ratios (Rs)					
Adjusted EPS	2.9	8.6	19.3	27.9	29.0
BVPS	186.1	206.8	246.1	271.7	298.3
CEPS	21.6	28.6	48.0	48.6	50.5
DPS	1.0	1.1	1.2	2.0	2.0
Dividend payout %	*78.4*	*12.9*	*4.4*	*7.2*	*6.9*
Valuation (x)(Avg Mkt Cap)					
P/E (adjusted)	33.0	16.1	12.0	8.6	8.3
P/BV	0.5	0.7	0.9	0.9	0.8
EV/EBITDA	8.2	6.2	6.6	5.7	5.2
Dividend yield %	*1.1*	*0.8*	*0.5*	*0.8*	*0.8*
5 Yr Avg AOCF/EV yield %	*5.7*	*5.5*	*6.0*	*6.2*	*8.3*

Source: Company, Centrum Research Estimates

Exhibit 9: Balance Sheet

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	2,065	2,227	2,229	2,229	2,229
Reserves & surplus	3,82,073	4,58,361	5,46,289	6,03,327	6,62,644
Shareholders' fund	3,84,138	4,60,588	5,48,518	6,05,556	6,64,873
Total Debt	6,74,508	6,37,515	5,20,155	4,65,155	4,10,155
Def tax liab. (net)	17,302	20,321	31,333	31,333	31,333
Minority interest	3,888	62	86	86	86
Total Liabilities	**10,79,836**	**11,18,487**	**11,00,096**	**11,02,133**	**11,06,451**
Gross Block	11,60,238	10,41,140	10,73,340	11,18,500	11,68,500
Less: Acc. Depreciation	3,52,200	3,64,891	3,99,951	4,45,936	4,93,919
Net Block	8,08,038	6,76,248	6,73,390	6,72,564	6,74,581
Capital WIP	40,576	17,409	19,830	23,620	28,620
Goodwill	1,75,349	1,71,350	1,78,294	1,78,294	1,78,294
Net Fixed Assets	8,48,614	8,65,007	8,71,514	8,74,479	8,81,495
Investments	1,43,239	1,51,575	1,07,816	1,02,816	97,816
Inventories	1,67,310	1,82,914	2,16,314	2,56,294	2,62,084
Sundry debtors	79,414	82,748	99,598	1,09,840	1,12,322
Cash	43,120	82,612	80,578	55,405	56,299
Loans & Advances	63,533	48,133	47,721	54,920	56,161
Other assets	40,391	48,456	46,600	62,243	63,649
Total Current Asset	3,93,767	4,44,863	4,90,811	5,38,702	5,50,515
Trade payables	1,41,224	1,74,638	2,04,392	2,19,921	2,24,884
Other current Liab.	72,350	84,539	74,632	84,103	86,170
Provisions	92,206	83,781	91,023	1,09,840	1,12,322
Net Current Assets	87,987	1,01,905	1,20,765	1,24,839	1,27,139
Total Assets	**10,79,836**	**11,18,487**	**11,00,096**	**11,02,133**	**11,06,451**

Source: Company, Centrum Research Estimates

Exhibit 10: Cash Flow

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Op profit before WC changes	85,707	1,30,777	1,40,821	1,60,449	1,64,050
Changes in working capital	21,960	3,894	(17,862)	(34,693)	(3,309)
Cash flow from operations	**1,02,710**	**1,26,875**	**1,08,877**	**99,076**	**1,33,084**
Adj. OCF (OCF - Interest)	52,243	69,450	69,770	63,605	1,00,260
Net Capex	40,455	30,057	30,458	48,950	55,000
Adj. FCF	11,788	39,394	39,312	14,655	45,260
Cash flow from investments	**(32,812)**	**(27,771)**	**50,302**	**(28,562)**	**(39,150)**
Cash flow from financing	**(72,594)**	**(55,523)**	**(1,64,124)**	**(95,687)**	**(93,040)**
Net change in cash	**(2,696)**	**43,581**	**(4,945)**	**(25,172)**	**894**

Source: Company, Centrum Research Estimates

Appendix A

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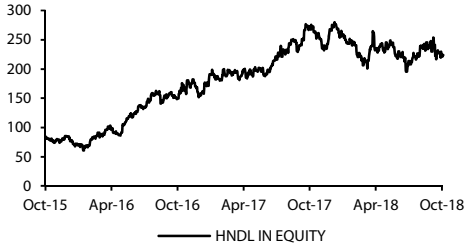
Hindalco price chart



Source: Bloomberg, Centrum Research

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