

## Hindalco Industries (HNDL) – BUY

### Result Update

Current Market Price (CMP) <b>Rs.394</b>	Target Price <b>Rs.500</b>
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**Our fair value of Rs500 offers upside of 26.9% from current market price.**

### Rationale:

- 4QFY21 India EBITDA was ahead of estimate led by lower costs at aluminum division.
- In FY22E, India aluminum division should benefit from strong aluminum prices.
- Novelis should benefit from higher scrap spreads & ramp-up in auto segment volume.
- Attractive risk-reward with deleveraging & structural growth tailwinds, maintain BUY.
- We value HNDL domestic business at 5x and Novelis at 7x Mar'23E EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation).

### Q4FY21 Earnings update:

#### 👍 Positives:

- India aluminum EBITDA/ton of US\$658/ton was led by 7% qoq higher LME prices.
- Novelis, earlier, reported yet another quarter with +US\$500/ton margin in 4QFY21.
- Copper EBITDA recovered to Rs270cr led by higher volumes & by-product credits.

#### 👎 Negatives:

- Aluminum cost of production increased by 1%qoq in 4QFY21.
- HNDL expects ~4%qoq increase in aluminum cost of production in 1QFY22.

[Click here](#)

For detailed report dated 22<sup>nd</sup> May 2021. Note: CMP & valuation may differ due to difference in dates.



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