

## HINDALCO INDUSTRIES (HNDL) – BUY

### Result Update

Current Market Price (CMP)

**Rs.476**

Target Price

**Rs.580**

**Our fair value of Rs580 offers upside of 21.8% from current market price.**

### Rationale:

- 2QFY22 India EBITDA was ahead of estimate with stronger margins & higher volumes.
- Novelis, earlier reported yet another record quarter with a +US\$570/ton margin.
- We expect business tailwinds from strong commodity prices & demand in FRP division.
- We expect deleveraging to continue with 7%/11% FCF yield in FY22/23E.
- We value HNDL domestic business at 4.5x and Novelis at 6.9x Sep'23E EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation).

### Q2FY22 Earnings update:

#### **Positives:**

- India aluminum EBITDA/ton of US\$1,243/ton led by 11% qoq higher LME prices.
- Copper EBITDA increased to Rs350cr (+69%yoy,+35% qoq) led by higher volumes.
- Aluminum EBITDA/ton is expected to increase on higher aluminum prices.
- We expect HNDL's leverage ratio to be comfortable despite Aleris acquisition.

#### **Negatives:**

- Management guided for ~8% qoq increase in aluminum CoP in 3QFY22E.

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To read the detailed report



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