



Pick of the week

Hindalco Industries (HNDL)

Recommendation: **BUY**

Date: **16th August 2022**

Current Price: ₹**436**

Time Period: **12 Months**

Potential Upside: **26.2%**

Target Price: ₹**550**

Why Invest

- HNDL's 1QFY23 India EBITDA was ahead of our estimate led by stronger aluminum margins mainly due to inventory gains.
- At Novelis, management has increased its EBITDA/ton guidance by 5% amid a tight end-use market despite cost inflation.
- Copper EBITDA hit record highs at Rs560 cr (+117% yoy, +46% qoq) on higher volumes (+26% yoy, -3.8% qoq), pick-up in domestic demand and higher byproduct credits.
- We expect margins at Novelis to remain on an uptrend with improving product mix, reset of long-term contracts and volume growth.
- India business, too, should benefit from increasing downstream volumes and backward integration with captive coal over FY24-26E.
- Resilient earnings at Novelis would help cushion the contraction in Indian aluminum spreads.

Note: The above is a brief note on the company, based on the inputs of KIE research report dated 10th August 2022, which is available on our website at: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>.

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