

# Hindalco



**Current Price : 130 (as of 05/05/2014)**

**52 Week High/ Low: 163.65/83.10**

**Target Price : 210**

## Industry Overview

On the demand side, aluminum consumption is expected to improve on a global basis spurred by the automotive and packaging industries -- the key consumer market. The automobile market is also becoming increasingly aluminum-intensive, given the metal's recyclability and light-weight properties. The global push to improve fuel efficiency in vehicles is expected to more than double the demand for aluminum in the auto industry by 2025. The airline industry is also expected to boost demand for the metal. The GDP is expected to grow at the rate of 5.6% for this fiscal year; therefore, with the boost in aggregate with also have cascading effect on increase in consumption of aluminum by major industries like automobile, airline etc.

## Company Overview

Hindalco 4QFY14 adjusted EBITDA increased 4% Y-o-Y (+23% Q-o-Q) to USD250m on expected lines, aided by 8% volume growth. Volumes grew in all four regions. Asia and South America did record production and grew 12% each aided by recent expansion of FRP capacities. Barring Asia, EBITDA grew in other three regions. Net debt declined by USD153m Q-o-Q to USD4.66b, while capex declined by USD58m Y-o-Y to USD717m in FY14. Both capex and net debt have peaked. The capex guidance for FY15 is ~20% lower in the range of USD500-550m. A significantly lower capex, divestment of non-core foil assets in North America and Hydro assets in South America for ~USD120-125m and improving cash flow outlook have encouraged Novelis to return USD250m as capital to Hindalco in April 2014 -- during 1QFY15. The cash flow (or EBITDA) outlook for FY15 is improving driven by 10% volume growth (and total 20% by FY17), product mix improvement (helped by auto demand along with launch of Ford's F-150 in 2HFY15), easing of margin pressure in beverage can market of the US, and benefit of increased recycling. Volumes will increase 20%, share of auto segment in product mix will grow from 9% in FY14 to 20% of higher volumes in FY17. Can segment too will witness market tightness as capacity switches to auto.

## Key Ratio's

	<b>FY13</b>	<b>FY14</b>	<b>FY15(e)</b>
<b>EPS</b>	8.80	11.70	13.10
<b>P/E</b>	11.40	12.10	10.70
<b>ROE (%)</b>	10.4%	11.2%	11.6%
<b>ROA (%)</b>	5.1%	4.6%	6.5%
<b>P/BV</b>	0.87	1.30	1.20

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## Peer Comparison

Name	Market Cap (Rs. Cr.)	Sales Turnover	Net Profit	Total Assets	P/E	D/E	EPS	Market Cap/ Sales Turnover
Hindalco	31,392.83	26,056.93	1,699.20	58,117.16	162.00	126.09	7.98	1.20
Nalco	15,051.07	6,916.48	592.83	11,932.45	21.03	0.00	2.78	2.18
Century Extr	11.60	178.10	-0.02	74.48		4.77		0.06
Maan Aluminum	8.84	92.54	0.40	40.07	23.35	3.92	1.06	0.09

**Conclusion:** Buy With target price of Rs. 210

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