Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	79,925	-0.5	10.6
Nifty-50	24,324	-0.4	11.9
Nifty-M 100	56,921	-0.3	23.3
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,634	1.0	18.1
Nasdaq	18,647	1.2	24.2
FTSE 100	8,194	0.7	6.0
DAX	18,407	0.9	9.9
Hang Seng	6,251	-0.4	8.4
Nikkei 225	41,832	0.6	25.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	87	1.2	12.1
Gold ($/OZ)	2,371	0.3	14.9
Cu (US$/MT)	9,744	0.3	15.1
Almn (US$/MT)	2,420	-0.7	3.2
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.5	0.0	0.4
USD/EUR	1.1	0.2	-1.9
USD/JPY	161.7	0.2	14.6
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.0	-0.01	-0.2
10 Yrs AAA Corp	7.5	-0.01	-0.3
Flows (USD b)	**10-Jul**	**MTD**	**CYTD**
FIIs	0.1	3.18	1.7
DIIs	0.13	3.56	29.1
Volumes (INRb)	**10-Jul**	**MTD***	**YTD***
Cash	1,595	1500	1272
F&O	5,42,621	3,62,711	3,77,675

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Hindalco: Capacity expansion to drive next leg of growth; Novelis to witness further margin gains

- Hindalco (HNDL) is undertaking a capex of ~USD6.9b (USD4.9b for Novelis and USD2b for HNDL) to expand capacities for several products across multiple locations over the next three to five years. This capex plan will augment its capacity across USA (FRP and recycling mill), Utkal (alumina debottlenecking), Aditya (can recycling and battery foil mill) and Silvassa (extrusion), among others.
- We believe the upcoming 600kt facility at Bay Minette (Alabama, USA) will act as a proxy for the growing demand for beverage cans and auto-grade aluminum sheets in North America. The company has fully contracted its beverage packing facility at Bay Minette. Novelis has witnessed margin improvement in the last few quarters, which is likely to continue in FY25.
- HNDL has robust integrated operations and with rising base metal prices, we believe the long-term outlook remains positive. The capacity expansions would position HNDL well to capitalize on growth opportunities. We reiterate our BUY rating with our SOTP-based TP of INR790.

Research covered

Cos/Sector	Key Highlights
Hindalco	Capacity expansion to drive next leg of growth; Novelis to witness further margin gains
Capital Market Monthly	Overall ADTO and NSE active clients rise sequentially

Chart of the Day: Hindalco (Capacity expansion to drive next leg of growth)

Novelis EBITDA (USD/t) likely to reach 554/t

Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

In the news today

Kindly click on textbox for the detailed news link

1

SCI, NMDC Steel at advanced stages of strategic sale, await nod from PMO

However, according to a senior official, strategic stake sales in government companies are not as easy now, given strong opposition and the compulsions of coalition politics

2

Aavas Financiers: EQT, CVC Capital & Bain in the fray as promoters Kedaara, Partners Group explore full exit

In February 2016, a Kedaara-Partners JV acquired Aavas Financiers Ltd. Incidentally, both the promoters, Kedaara Capital and Partners Group, have diluted part stake earlier in the year via the block deal route.

3

Powell stresses message that US job market is cooling, a possible signal of coming rate cut

"We're not just an inflation-targeting central bank," Powell told the House Financial Services Committee on the second of two days of semi-annual testimony to Congress.

4

Seafood exporters in troubled waters as shipping freight rates see 5x surge

India's seafood export industry, valued at $7.26 billion, is facing significant challenges due to a sharp rise in shipping freight rates.

5

Scotch, premium foreign whiskies see fall in sales growth as Indians go for local whisky

To be sure, within imported whiskey, premium and super-premium brands have still performed well but value or entry level brands, which mostly compete with Indian malts, took a hit.

6

Textile industry on recovery path as domestic demand improves

As per official data on Niryat Portal, the export of readymade garments, cotton yarn and fabrics for the period between October 2023 to May 2024 stood at $17.9 billion compared to $ 17.5 billion for the same period in the previous year, bucking a declining trend

7

Govt plans PLI scheme for underground mining equipment

Currently, Coal India imports high-capacity equipment such as electric rope shovels, hydraulic shovels, dumpers, crawler dozers, drills, motor graders, and front-end loaders wheel dozers to conduct its mining operations.

10 July 2024

Update | Sector: Metals

Hindalco

BSE SENSEX	S&P CNX
79,925	24,324

CMP: INR693 TP:INR800 (+15%) Buy

Capacity expansion to drive next leg of growth; Novelis to witness further margin gains

- Hindalco (HNDL) is undertaking a capex of ~USD6.9b (USD4.9b for Novelis and USD2b for HNDL) to expand capacities for several products across multiple locations over the next three to five years. This capex plan will augment its capacity across USA (FRP and recycling mill), Utkal (alumina debottlenecking), Aditya (can recycling and battery foil mill) and Silvassa (extrusion), among others.
- For FY25, the management expects to incur a capex of ~INR60b in India for: 1) mines expansion; 2) alumina refinery; 3) FRP-II expansion (battery and copper foil, copper tube, copper e-waste recycling foil); 4) smelter expansion; and 5) aluminum power work.
- We believe the upcoming 600kt facility at Bay Minette (Alabama, USA) will act as a proxy for the growing demand for beverage cans and auto-grade aluminum sheets in North America. The company has fully contracted its beverage packing facility at Bay Minette. Novelis has witnessed margin improvement in the last few quarters, which is likely to continue in FY25.
- In India, we believe HNDL is adding downstream capacities at the right time to capture growth opportunities in the domestic market. HNDL's increased focus on VAP for niche segments in aluminum and copper will help the company improve its domestic EBITDA margins to +10% by FY26E.
- HNDL has robust integrated operations and with rising base metal prices, we believe the long-term outlook remains positive. The capacity expansions would position HNDL well to capitalize on growth opportunities. We reiterate our BUY rating with our SOTP-based TP of INR790. **Key Risk:** Any further extension in the capex timeline, along with an increase in capex, will add pressure on the cash flow.

HNDL on track to enhance its capacities

- HNDL has undertaken a ~USD6.9b (revised upward from USD4.6b) multi locational-multi product capex over the next three to five years. Around 70% (USD4.9b) of the total capex is earmarked for Novelis and the rest for enhancing the domestic aluminum and copper capacities.
- This capex will help HNDL shift its focus from being a core metal manufacturer to a metal-solution provider.
- The management aims to upscale the share of low-carbon sources to 30% for aluminum production by 2030.

Bay Minette facility

- Novelis's capex of ~USD4.1b to set up its Bay Minette facility for augmenting 600kt of FRP capacity is progressing well. This facility will cater to North America's beverage can and auto-grade aluminum sheet demand.
- The expansion plan has been delayed by a year and the facility is now likely to be commissioned in 2HCY26, and would take 18-24months to fully ramp up. Therefore, we believe any significant incremental volumes will start in FY27-28.

Stock Info

Bloomberg	HNDL IN
Equity Shares (m)	2247
M.Cap.(INRb)/(USDb)	1558 / 18.7
52-Week Range (INR)	715 / 422
1, 6, 12 Rel. Per (%)	-2/7/36
12M Avg Val (INR M)	4050
Free float (%)	65.4

Financials Snapshot (INR b)

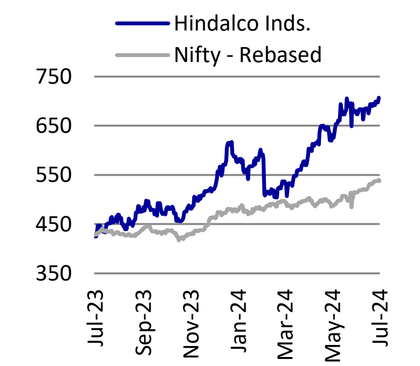
Y/E MARCH	2024	2025E	2026E
Sales	2,160	2,369	2,456
EBITDA	239	276	286
Adj. PAT	101	136	141
EBITDA Margin (%)	11	12	12
Cons. Adj. EPS (INR)	46	61	64
EPS Gr. (%)	1	34	4
BV/Sh. (INR)	361	416	473
Ratios			
Net D:E	0.5	0.4	0.3
RoE (%)	13.6	15.8	14.3
RoCE (%)	10.8	12.3	12.0
Payout (%)	0.0	9.8	9.4
Valuations			
P/E (x)	15.2	11.3	10.9
P/BV (x)	1.9	1.7	1.5
EV/EBITDA(x)	8.0	6.9	6.5
Div. Yield (%)	0.0	0.9	0.9
FCF Yield (%)	5.4	2.8	4.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	34.6	34.6	34.6
DII	26.0	25.5	26.5
FII	31.0	32.1	30.3
Others	8.4	7.9	8.6

FII Includes depository receipts

Stock Performance (1-year)



- Novelis has fully contracted its entire beverage packing facility to marquee customers. In the near term, we believe Novelis is on track to see margin improvement, aided by portfolio optimization, higher recycling capacities and favorable market dynamics.

Indian operations

- HNDL has earmarked ~USD2b for domestic capex with a strong focus on downstream projects for improving VAP share.
- It is also setting up a 25kt battery foil facility in Odisha with a capex of ~INR8b to cater to the growing demand from the domestic EV segment.
- The company has also identified several projects for future expansion across upstream, downstream, copper vertical, specialty chemicals and energy with an outlay of USD2.3b by FY28E.

Other international geographies

- HNDL is investing USD365m in Guthrie, US, to set up a state-of-the-art automotive recycling and casting facility. This is the second-largest capex undertaken by Novelis and the project is progressing well. The facility is on schedule to be commissioned by 1QFY25 and will focus on the recycling of pre- and post-consumer auto scrap.
- The higher recycling content as a part of production will help Novelis improve margins going forward, along with a reduction in carbon emissions.
- Novelis is also undertaking multiple debottlenecking projects across geographies, which will yield high returns through either additional capacity or cost reduction initiatives.
- Novelis has a current rolling capacity of ~4.2mt, which will increase to 4.5mt after the completion of all the debottlenecking projects, and to over 5.1mt after the completion of the Bay Minette facility.
- The management expects a capex of ~USD1.4-2.1b (60-65% for Bay Minette) for FY25 (overall ~USD3.4b capex outflow expected over FY25-26E).

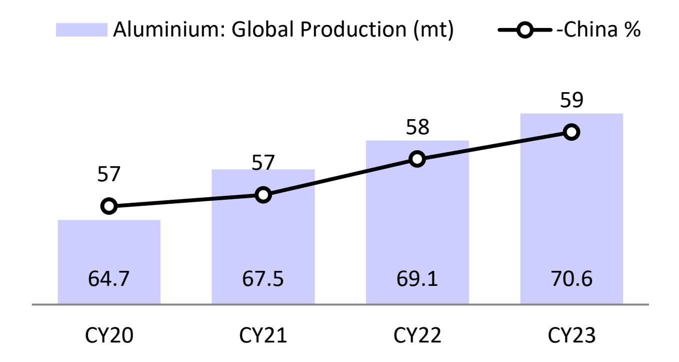
Coal linkages to drive cost synergies

- HNDL's total coal requirement is ~16.2mt, which is currently fulfilled either by its linkages (~60%), e-auctions (~36%) or own mines/imports.
- Chakla mine, which has PRC of ~4.5mt, is expected to come on stream by 3QCY25 (earlier Dec'24). It was delayed due to a delay in forest clearance.
- Chakla mine is expected to start its production in FY25E and would exit FY25 with a production of ~1mt. The mine will reduce the company's dependency on procurement of coal from external sources.
- HNDL is still awaiting allotment amid land acquisition issues for 10mt Meenakshi mine and as a back-up plan, HNDL acquired Meenakshi West mine at a ~33% premium, which has PRC of 6-7mt.
- The management aims to increase the share of low-carbon sources to 30% for aluminum production by 2030.

Valuation and view: reiterate BUY

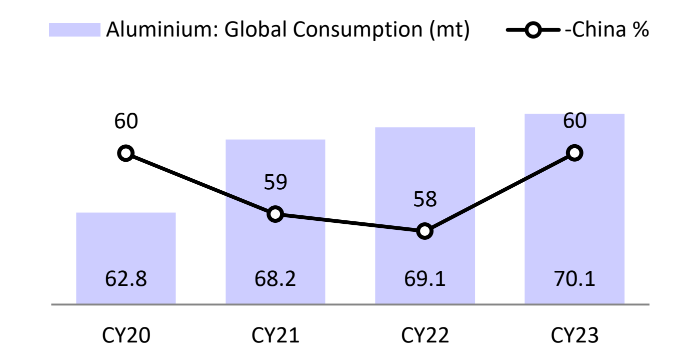
- The company's Indian operation is net debt free and HNDL's consolidated ND/EBITDA ratio improved to 1.21x as on Mar'24 vs. 1.43x in Dec'23.
- Though the ongoing capex at Novelis would position HNDL as the global leader in beverage cans and automotive FRP segments, any further extension in the capex timeline, along with an increase in capex outlay, will put pressure on the cash flow of the company. Its capex would be a key monitorable for any further cost revisions or delays.
- Volume growth across geographies is expected to remain stable going forward and HNDL has already secured long-term contracts from marquee customers for its Bay Minette facility, which provides future revenue visibility. Therefore, with favorable pricing and muted costs, Novelis will see its EBITDA/t improve further in the mid-to-long term.
- **We reiterate our BUY rating on HNDL with our SOTP-based TP of INR800. The stock is trading at 6.5x FY26E EV/EBITDA and 1.5x FY26E P/B.**

Global primary aluminum production



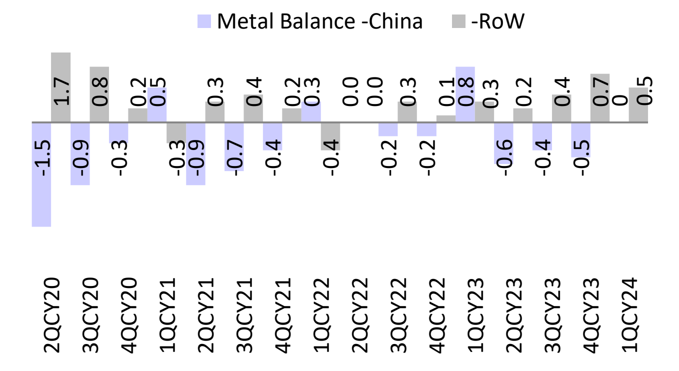
Source: MOFSL, Company

Global primary aluminum consumption



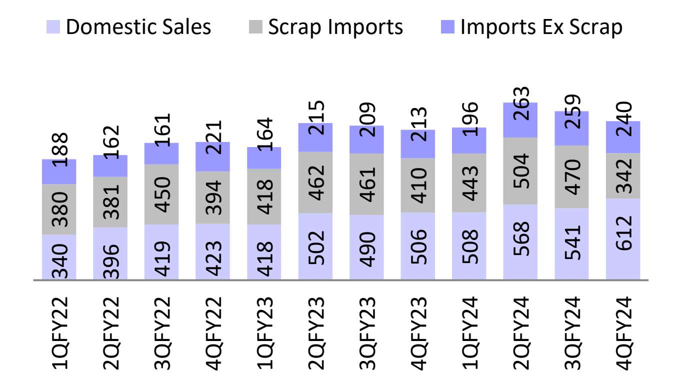
Source: MOFSL, Company

Quarterly metal balance - Aluminum



Source: MOFSL, Company

Domestic aluminum demand - Quarterly



Source: MOFSL, Company

Capital Market Monthly

Capital Market Tracker

Overall ADTO and NSE active clients rise sequentially

Demat additions surge MoM; CDSL's demat market share jumps QoQ

Overall ADTO increased ~15% MoM to INR499t, with F&O ADTO rising ~15% and Cash ADTO increasing ~37.5% MoM. Retail cash ADTO rose ~33% MoM to INR646b. Demat additions surged ~4.2m in Jun'24 (with average monthly additions of 3.4m so far in FY25). Further, the number of active users on NSE increased to ~44.2m in Jun'24 from ~30.9m in Jun'23.

Key statistics

Parameter	Jun' 24	YoY (%)	MoM (%)
Demat A/c (m)	162	35	3
NSE Active (m)	44	43	3
ADTO (INR t)			
Overall	499	92	15
- F&O	497	92	15
- Cash (INR b)	1,649	144	38
- Retail Cash (INR b)	646	141	33

Source: MOFSL, NSE, BSE, CDSL, NSDL

Demat additions surged 4.2m MoM

- The total number of demat accounts increased to 162m in Jun'24. The new account additions jumped 4.2m in Jun'24 (with average monthly additions of 3.4m so far in FY25).
- In Jun'24, CDSL continued to gain market share in terms of the total number of demat accounts. It raised its overall market share MoM. On a YoY basis, NSDL lost 420bp/620bp market share in total/incremental demat accounts.

NSE active clients increase sequentially

- The number of active clients on NSE increased 3.1% MoM to 44.2m in Jun'24. Currently, the top five discount brokers account for 64.4% of total NSE active clients vs. 58.2% in Jun'22.
- Performance of key discount brokers:
  - Zerodha reported a 2.1% MoM increase in its client count to 7.7m, with a 20bp decline in market share to 17.3%.
  - Groww reported a 5.4% MoM increase in its client count to 10.9m, with a 55bp rise in market share to 24.7%.
  - Angel One reported a 3.4% MoM increase in its client count to 6.7m, with a 5bp rise in market share to 15.2%.
  - Upstox clocked a 2.7% MoM increase in its client count to 2.7m, with a market share of 6%.
- Performance of key traditional brokers:
  - ICICI Sec reported a 0.8% MoM increase in its client count to 1.9m, with a 10bp drop in market share to 4.3%.
  - IIFL Sec reported a 0.6% MoM increase in its client count to 0.4m, with a 5bp dip in market share to 1%.

BSE's F&O ADTO increases MoM

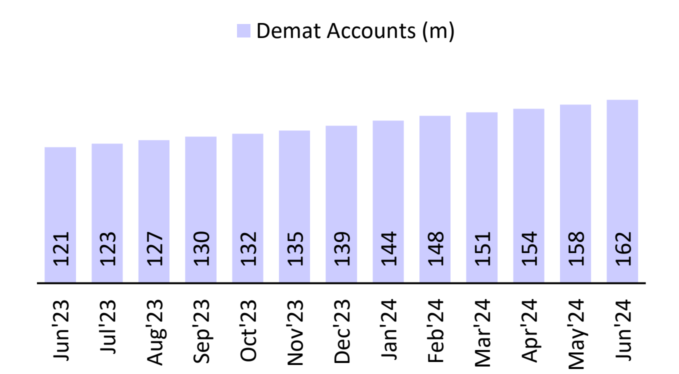
- The total ADTO increased 15% MoM (up 92% YoY) to INR499t, with F&O ADTO rising 15% and Cash ADTO increasing 37.5% MoM.
- The total ADTO for BSE increased 9% MoM (led by growth in F&O volumes), and for NSE it increased 17.1% MoM.
- On a MoM basis, the market share of BSE in the total cash T/O segment rose to ~7.2% in Jun'24 (vs. ~6.4% in May'24). BSE's market share in the options notional T/O segment declined to ~22% from ~23.2% in May'24 and for options premium T/O declined to ~8.7% from ~9.7% in May'24.

Total volumes dip 10.7% on a MoM basis

- The total volumes on MCX declined 10.7% MoM to INR36.6t in Jun'24 (vs. INR41.0t in May'24); volumes in OPTFUT declined 9.7% MoM to INR31.4t.
- Overall ADTO increased 2.7% MoM to INR1.8t; Options ADTO increased 3.9% MoM, while Futures ADTO declined 3.8% MoM.
- Options ADTO increased due to a 3%/5%/258% increase in Crude Oil/Natural Gas/Silver ADTO. On the other hand, Gold ADTO declined 46% on a MoM basis.
- Futures ADTO declined 3.8% MoM, led by a decline in Gold ADTO (24% MoM). Silver ADTO/Natural Gas ADTO increased 12%/6% MoM.

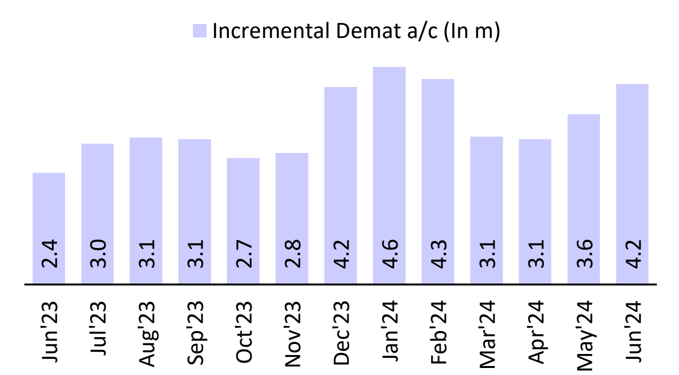
Primary market: In Jun'24, an amount of INR19.6b was raised via five IPOs.

The number of demat accounts rises to 162m



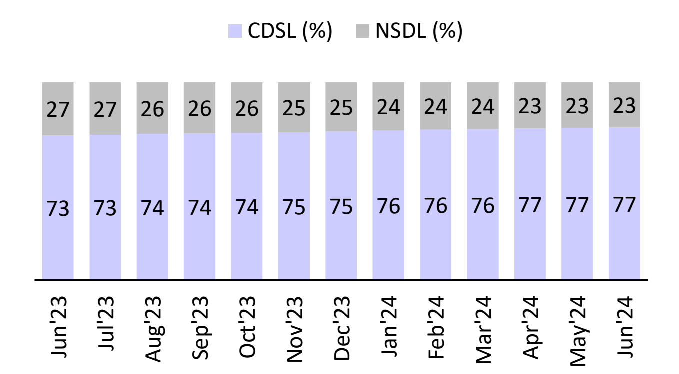
Source: MOFSL, CDSL, NSDL

Incremental demat accounts



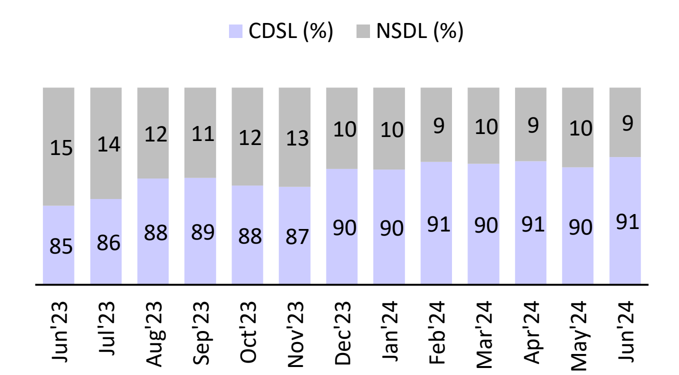
Source: MOFSL, CDSL, NSDL

Market share led by CDSL



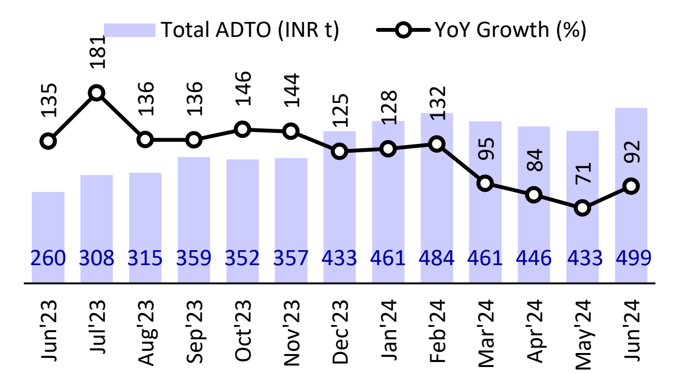
Source: MOFSL, CDSL, NSDL

Market share in incremental accounts led by CDSL



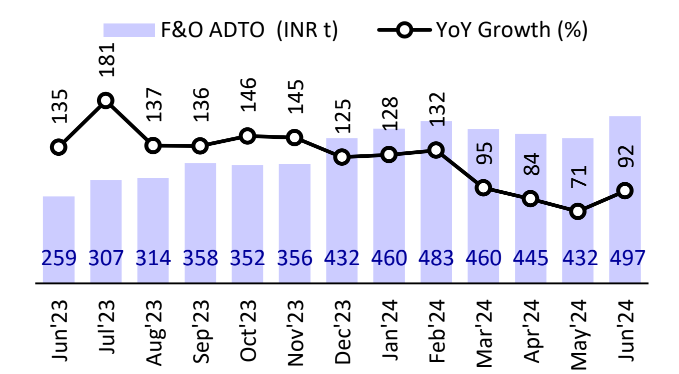
Source: MOFSL, CDSL, NSDL

Overall ADTO and growth



Source: MOFSL, NSE, BSE

F&O ADTO and growth



Source: MOFSL, NSE, BSE

Sayaji Hotels: Seeing good occupancy across the segments; Raoof Dhanani, MD

- Occupancy levels are improving continuously
- Occupancy levels improved by 8% on you basis
- Looking forward to 10% ARR improvement by year end
- Upcoming marriage season will be beneficial for us
- Focus on in-house training & development, not seeing any major impact ahead on employee cost

Read More

ICRA: Post covid have seen very good growth in PV segment; Srikumar Krishnamurthy, Senior VP

- Higher base are seeing the utility vehicles are becoming the preferred choice
- Expecting that things will be normalised in upcoming months
- There is softness in demand as of now, price cuts by companies to push the volumes

Read More

MGL: If prices go down further, then consumer could prefer CNG vehicles more; Ashu Singhal, MD

- If excise duty is cute prices could go down by Rs. 7-8/kg which will be passed on to the consumers
- Gas under GST can still be considered, even if govt/ reduced excise duty
- APM gas allocation had reduced which led to increase in gas cost; APM gas allocation has reduced to 68% from 82% last year
- Expect EBITDA margins to be in the range of Rs. 10-12/scm
- Expect gas volume growth to be more than 7% VS 5.5% last year

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Lloyds Metals and Energy: Fund raise proceeds will entirely be used for expansion of company’s pellet plant; Balasubramanian Prabhakaran, MD

- Iron ore capacity at 10 MnT, in process of receiving clearing for capacity up to 25 MnT
- Received Mine plan approval for capacity expansion, environmental clearance expected over next 9-12 months
- Iron ore demand expected to inch higher
- Logistics cost to come down, will lead to significant cost savings for the company
- Pellet making margins to inch higher on account of capacity expansion
- Energy costs to come down, pipeline transportation to reduce cost of transportation
- With the onset of monsoon, expect supply gap to lead to steady iron ore prices

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Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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