

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

| | |
|-----------------------|-------------|
| Bloomberg | HNDL IN |
| Equity Shares (m) | 2247 |
| M.Cap.(INRb)/(USD\$) | 1499 / 17.1 |
| 52-Week Range (INR) | 773 / 546 |
| 1, 6, 12 Rel. Per (%) | 2/5/5 |
| 12M Avg Val (INR M) | 3781 |
| Free float (%) | 65.4 |

Financials & Valuations (INR b)

| Y/E MARCH | 2025 | 2026E | 2027E |
|----------------------|-------|-------|-------|
| Sales | 2,385 | 2,550 | 2,633 |
| EBITDA | 318 | 312 | 329 |
| Adj. PAT | 166 | 155 | 161 |
| EBITDA Margin (%) | 13 | 12 | 12 |
| Cons. Adj. EPS (INR) | 75 | 70 | 73 |
| EPS Gr. (%) | 64 | -7 | 4 |
| BV/Sh. (INR) | 437 | 500 | 566 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | 0.4 | 0.3 | 0.2 |
| RoE (%) | 18.8 | 14.9 | 13.6 |
| RoCE (%) | 14.7 | 12.6 | 12.5 |
| Payout (%) | 6.7 | 10.0 | 9.6 |

Valuations

| | | | |
|----------------|-----|-----|-----|
| P/E (x) | 8.9 | 9.5 | 9.2 |
| P/BV (x) | 1.5 | 1.3 | 1.2 |
| EV/EBITDA(x) | 5.9 | 5.8 | 5.3 |
| Div. Yield (%) | 0.8 | 1.1 | 1.1 |
| FCF Yield (%) | 2.5 | 6.8 | 5.7 |

Shareholding Pattern (%)

| As On | Jun-25 | Mar-25 | Jun-24 |
|----------|--------|--------|--------|
| Promoter | 34.6 | 34.6 | 34.6 |
| DII | 25.3 | 24.9 | 25.8 |
| FII | 31.9 | 32.4 | 31.3 |
| Others | 8.2 | 8.0 | 8.3 |

FII includes depository receipts

CMP: INR667 TP: INR790 (+18%) Buy

Strong Indian business drives overall earnings; Novelis EBITDA to rebound in 2H

Consolidated performance

- Consolidated net sales stood at INR642.3b (+13% YoY and -1% QoQ), against our est. of INR607.6b, driven by strong performance in Indian operations and favorable pricing.
- Consolidated EBITDA stood at INR79.1b (+5% YoY and -11% QoQ) against our estimate of INR72.5b. The QoQ decline was driven by muted Novelis profitability, led by higher aluminum scrap prices, unfavorable product mix, and a net negative tariff impact.
- APAT came in at INR40b (+21% YoY and -24% QoQ) against our estimate of INR34.3b. This beat was primarily driven by better-than-expected EBITDA for the domestic business.
- Consol. net debt/EBITDA stood at 1.02x as of 1QFY26 vs 1.06x in 4QFY25.

Aluminum business

- Upstream revenue stood at INR93.3b in 1QFY26 (+6% YoY), led by higher average aluminum prices. Aluminum upstream EBITDA stood at INR40.8b (+17% YoY; USD1,467/t), driven by lower input costs with favorable pricing.
- Downstream revenue stood at INR33.5b (+17% YoY) due to higher shipments and favorable pricing. Downstream EBITDA stood at INR2.3b (+108% YoY), led by a better product mix. This translated to EBITDA/t of USD264 (+92% YoY) in 1QFY26, compared to USD138 in 1QFY25.
- Upstream aluminum sales stood at 325kt (-1% YoY) and downstream aluminum sales stood at 101KT (+6% YoY) in 1QFY26.

Copper business

- Copper business revenue stood at INR148.9b (+12% YoY), driven by higher average copper prices.
- EBITDA declined 16% YoY to INR6.7b in 1QFY26, led by a sharp decline in TC/RCs, offset by higher NSR from sulphuric acid.
- Copper metal sales stood at 124KT (+4% YoY) in 1QFY26, and CCR sales were 104KT (+4% YoY) during the quarter.

Novelis' 1QFY26 performance

- Shipments volume stood at 963kt (vs. our estimate of 975kt), up 1% YoY and flat QoQ, primarily led by higher beverage packaging shipments, partially offset by lower automotive and specialty shipments.
- Revenue stood at USD4.7b (+13% YoY and +3% QoQ), against our estimate of USD4.4b. This was led by a healthy ASP, which stood at USD4,898/t (+11% YoY and +2% QoQ), mainly driven by favorable aluminum prices.
- Adjusted EBITDA stood at USD416m (vs. our est. of USD434m), declining 17% YoY and 12% QoQ, driven by higher aluminum scrap prices, an unfavorable product mix, and a net negative tariff impact.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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- Adj. EBITDA/t for the quarter stood at USD432 (against our est. USD445), declining 18% YoY and 13% QoQ.
- APAT stood at USD156m in 1QFY26 (-34% YoY and -38% QoQ), in line with our estimate. The decline was mainly attributed to soft operating performance.
- Capex for 1QFY26 stood at USD386m, primarily attributed to the new Greenfield rolling and recycling plant in Bay Minette, Alabama.
- Net debt/EBITDA as of Jun'25 stood at 3.2x vs 2.9x in Mar'25. The company issued USD400m of tax-exempt bonds with a mandatory tender for purchase in 2032 and maturation in 2055, which will be used to finance the Bay Minette expansion.

Highlights from the management commentary

- The cost of production (CoP) for upstream aluminum declined 3% QoQ in 1QFY26, driven by a higher mix of linkage coal (63%). Management has guided CoP to increase ~3% QoQ in 2QFY26 due to the monsoon impact and higher coal prices.
- Aluminum hedging: The company hedged ~20% of 2QFY26 volumes at USD2,666/t and currency hedged ~18% at INR87/USD.
- Alumina sales stood at 170kt and are expected to clock ~190-200kt in 2Q.
- Downstream EBITDA/t is expected to reach USD250-300 in FY26.
- Management reiterated its copper EBITDA guidance of INR6b every quarter.
- Aditya Alumina Refinery expansion: HNDL has placed all orders, received EC, and construction has begun, with commissioning targeted for FY28.
- 180KT aluminum smelter expansion at Aditya will proceed alongside the alumina refinery and is expected to be operational by FY28, whereas the 300KT copper smelter expansion will be commissioned by FY29.
- Two captive coal mines (Chakla and Bandha) will start the initial work in FY26, with commercial coal output from Chakla expected by Feb-Apr'27.

Valuation and view

- HNDL posted a decent consolidated performance in 1QFY26. The earnings growth was primarily driven by favorable pricing. Going forward, while near-term costs could increase in the Indian business with higher coal prices and lower captive linkage, the medium to long-term outlook remains robust. Capex plans are progressing well, and no slippages are expected in terms of the commissioning timeline.
- Novelis' earnings outlook is expected to remain soft in 2Q, led by the tariff implications, but is guided to rebound in 2H, driven by its mitigation plans. Additionally, we anticipate that strong domestic earnings will manage to offset the muted Novelis profitability for FY26. The ongoing capex in Novelis will establish HNDL as the global leader in the beverage can and automotive FRP segments. Moreover, the commissioning of Bay Minette will reduce the import dependency and free up other US capacities for high-margin products.
- **At CMP, the stock trades at 5.3x EV/EBITDA and 1.2x P/B on FY27E. We largely retain our estimates and reiterate our BUY rating on HNDL with an SoTP-based TP of INR790.**

Consolidated quarterly performance
(INR b)

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26E | FY26 | vs Est (%) |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|--------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | 1QE | |
| Net Sales | 570.1 | 582.0 | 583.9 | 648.9 | 642.3 | 620.1 | 638.4 | 649.5 | 2,385.0 | 2,550.3 | 607.6 | 5.7 |
| Change (YoY %) | 7.6 | 7.4 | 10.6 | 15.9 | 12.7 | 6.5 | 9.3 | 0.1 | 10.4 | 6.9 | | |
| Change (QoQ %) | 1.8 | 2.1 | 0.3 | 11.1 | (1.0) | (3.5) | 2.9 | 1.7 | - | - | | |
| Total Expenditure | 495.1 | 503.2 | 508.1 | 560.5 | 563.3 | 549.8 | 559.9 | 565.0 | 2,066.9 | 2,237.9 | | |
| EBITDA | 75.0 | 78.8 | 75.8 | 88.4 | 79.1 | 70.4 | 78.5 | 84.5 | 318.1 | 312.4 | 72.5 | 9.0 |
| Change (YoY %) | 31.3 | 40.5 | 29.3 | 32.3 | 5.4 | (10.7) | 3.5 | (4.4) | 33.2 | (1.8) | | |
| Change (QoQ %) | 12.3 | 5.1 | (3.8) | 16.5 | (10.5) | (11.0) | 11.6 | 7.6 | - | - | | |
| As % of Net Sales | 13.2 | 13.5 | 13.0 | 13.6 | 12.3 | 11.3 | 12.3 | 13.0 | 13.3 | 12.2 | | |
| Interest | 8.6 | 8.7 | 8.2 | 8.7 | 7.5 | 7.8 | 7.8 | 8.0 | 34.2 | 31.0 | | |
| Depreciation | 18.9 | 19.3 | 19.4 | 21.2 | 20.8 | 20.3 | 20.3 | 21.9 | 78.8 | 83.4 | | |
| Other Income | 4.2 | 10.8 | 5.1 | 7.0 | 6.0 | 6.1 | 6.1 | 6.2 | 27.1 | 24.5 | | |
| PBT (before EO item) | 51.8 | 61.6 | 53.4 | 65.4 | 56.7 | 48.4 | 56.5 | 60.8 | 232.1 | 222.5 | | |
| Extra-ordinary Income | (3.3) | (5.1) | (0.4) | 0.1 | - | - | - | - | (8.8) | - | | |
| PBT (after EO item) | 48.5 | 56.4 | 53.0 | 65.5 | 56.7 | 48.4 | 56.5 | 60.8 | 223.3 | 222.5 | | |
| Total Tax | 17.7 | 17.3 | 15.6 | 12.7 | 16.7 | 14.7 | 17.3 | 18.5 | 63.4 | 67.3 | | |
| % Tax | 36.6 | 30.7 | 29.5 | 19.3 | 29.5 | 30.4 | 30.7 | 30.4 | 28.4 | 30.2 | | |
| PAT before MI and Associate | 30.7 | 39.1 | 37.3 | 52.8 | 40.0 | 33.7 | 39.2 | 42.3 | 160.0 | 155.2 | | |
| Adjusted PAT | 33.1 | 42.7 | 37.6 | 52.8 | 40.0 | 33.7 | 39.2 | 42.3 | 166.2 | 155.2 | 34.3 | 16.8 |
| Change (YoY %) | 34.0 | 97.3 | 61.5 | 66.3 | 21.1 | (21.1) | 4.2 | (19.8) | 63.9 | (6.6) | | |
| Change (QoQ %) | 4.1 | 29.2 | (11.8) | 40.2 | (24.1) | (15.9) | 16.4 | 8.0 | | | | |

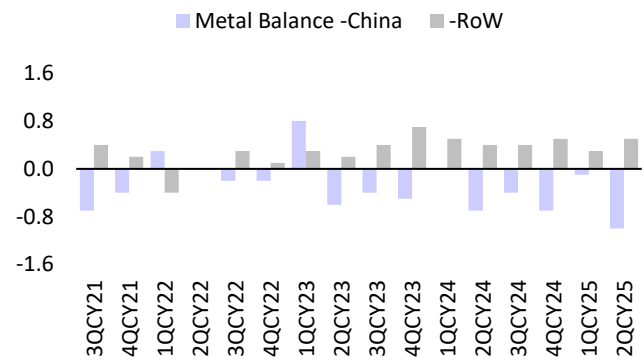
Source: MOFSL, Company

Quarterly performance for Novelis
(USD m)

| Y/E March | FY25 | | | | FY26 | | | | FY25 | FY26E | FY26 | vs Est (%) |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|--------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | 1QE | |
| Sales (000 tons) | 951 | 945 | 904 | 957 | 963 | 973 | 987 | 995 | 3,757 | 3,919 | 975 | (1.2) |
| Change (YoY %) | 8.2 | 1.3 | (0.7) | 0.6 | 1.3 | 3.0 | 9.2 | 4.0 | 2.3 | 4.3 | | |
| Change (QoQ %) | - | (0.6) | (4.3) | 5.9 | 0.6 | 1.1 | 1.4 | 0.8 | - | - | | |
| Net Sales | 4,187 | 4,295 | 4,080 | 4,587 | 4,717 | 4,331 | 4,506 | 4,707 | 17,149 | 18,262 | 4,386 | 7.5 |
| Change (YoY %) | 2.3 | 4.6 | 3.7 | 12.5 | 12.7 | 0.8 | 10.5 | 2.6 | 5.8 | 6.5 | | |
| Change (QoQ %) | 2.7 | 2.6 | (5.0) | 12.4 | 2.8 | (8.2) | 4.0 | 4.4 | - | - | | |
| EBITDA (adjusted) | 500.0 | 462.0 | 367.0 | 473.0 | 416.0 | 384.5 | 439.3 | 482.4 | 1,802.0 | 1,722.1 | 433.8 | (4.1) |
| Change (YoY %) | 18.8 | (4.5) | (19.2) | (8.0) | (16.8) | (16.8) | 19.7 | 2.0 | (3.8) | (4.4) | | |
| Change (QoQ %) | (2.7) | (7.6) | (20.6) | 28.9 | (12.1) | (7.6) | 14.3 | 9.8 | - | - | | |
| EBITDA per ton (USD) | 525.8 | 488.9 | 406.0 | 494.3 | 432.0 | 395.0 | 445.0 | 484.7 | 479.6 | 439.5 | 445.0 | (2.9) |
| Interest | 64.0 | 67.0 | 61.0 | 60.0 | 62.0 | 61.5 | 61.5 | 61.5 | 252.0 | 245.9 | | |
| Depreciation | 140.0 | 141.0 | 142.0 | 152.0 | 148.0 | 147.1 | 147.1 | 147.1 | 575.0 | 588.5 | | |
| PBT (before EO item) | 296.0 | 254.0 | 164.0 | 261.0 | 206.0 | 175.9 | 230.7 | 273.8 | 975.0 | 887.8 | | |
| Extra-ordinary Income | (86.0) | (74.0) | (15.0) | 42.0 | (60.0) | - | - | - | (133.0) | - | | |
| PBT (after EO item) | 210.0 | 180.0 | 149.0 | 303.0 | 146.0 | 175.9 | 230.7 | 273.8 | 842.0 | 887.8 | | |
| Total Tax | 60.0 | 51.0 | 39.0 | 9.0 | 50.0 | 58.0 | 76.1 | 91.0 | 159.0 | 275.2 | | |
| % Tax | 28.6 | 28.3 | 26.2 | 3.0 | 34.2 | 33.0 | 33.0 | 33.3 | 18.9 | 31.0 | | |
| Reported PAT (after MI) | 151.0 | 128.0 | 110.0 | 294.0 | 96.0 | 117.8 | 154.6 | 182.7 | 683.0 | 612.6 | | |
| Change (YoY %) | (3.2) | (18.5) | (9.1) | 77.1 | (36.4) | (7.9) | 40.5 | (37.8) | 13.8 | (10.3) | | |
| Adjusted PAT | 237.0 | 202.0 | 125.0 | 252.0 | 156.0 | 117.8 | 154.6 | 182.7 | 816.0 | 612.6 | 159.9 | (2.4) |
| Change (YoY %) | 42.8 | (9.4) | (35.6) | 3.7 | (34.2) | (41.7) | 23.7 | (27.5) | (1.2) | (24.9) | | |
| Change (QoQ %) | (2.5) | (14.8) | (38.1) | 101.6 | (38.1) | (24.5) | 31.2 | 18.2 | | | | |

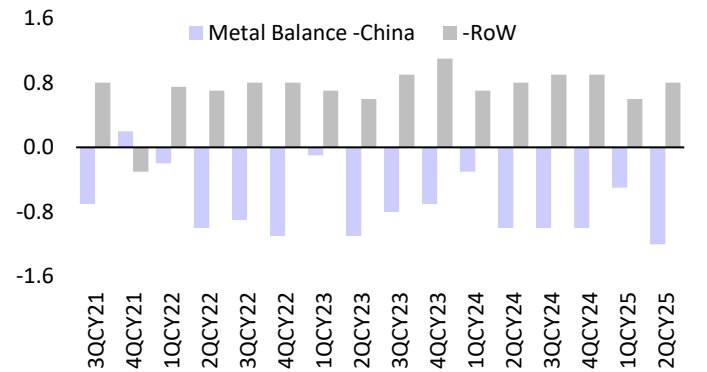
Source: MOFSL, Company

Exhibit 1: Aluminum market balance – Surplus/(deficit) (mt)



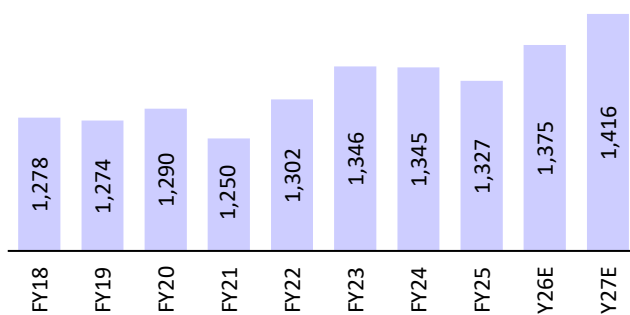
Source: MOFSL, Company

Exhibit 2: Copper market balance – Surplus/(deficit) (mt)



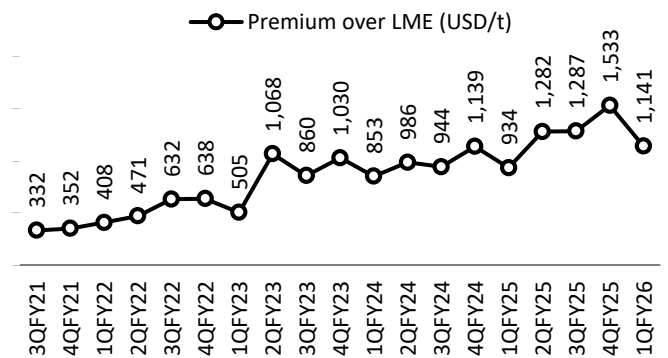
Source: MOFSL, Company

Exhibit 3: Al upstream production (kt) to hit 1.4mt



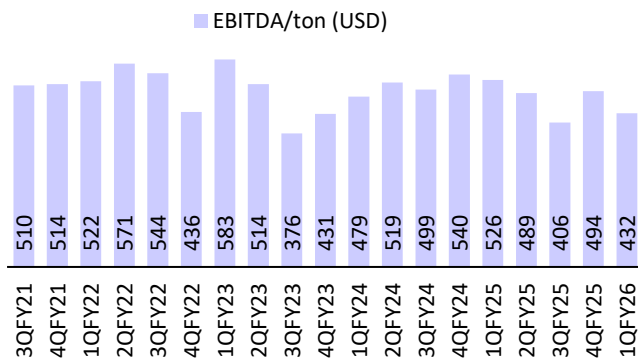
Source: MOFSL, Company

Exhibit 4: Al premium declined due to poor product mix



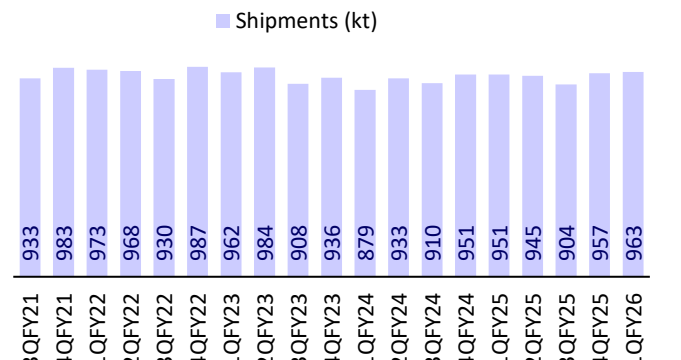
Source: MOFSL, Company

Exhibit 5: Novelis' EBITDA/t (USD) stood muted amid tariffs



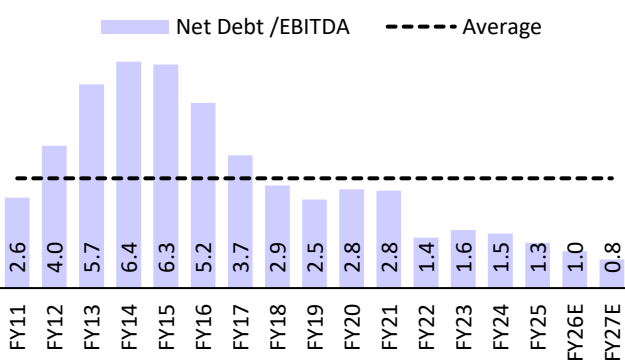
Source: MOFSL, Company

Exhibit 6: Novelis' shipments (kt) improved QoQ



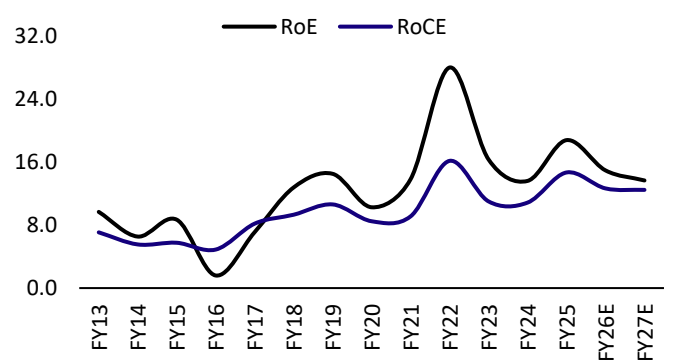
Source: MOFSL, Company

Exhibit 7: Leverage to remain below the current level



Source: MOFSL, Company

Exhibit 8: RoE and RoCE (%)



Source: MOFSL, Company



Highlights from the management commentary

Volume, Pricing, and Cost Guidance/Outlook:

- Coal mix for 1QFY26 - linkage accounted for 63% and others (e-auction and captive) accounted for the remaining. Any major changes in the coal mix will be seen after the commissioning of Chakla, Bandha, and Meenakshi mines.
- Cost of production (CoP) for upstream aluminum fell 3% QoQ in 1QFY26 due to a higher linkage coal mix (~63%). Management has guided CoP to increase ~3% QoQ in 2QFY26 due to the monsoon impact and higher coal prices.
- Downstream EBITDA/t is expected to be USD250-300 for FY26.
- Alumina sales volume stood at 170kt and is expected to clock ~190-200kt in 2Q.
- Management has reiterated its copper EBITDA guidance of INR6b every quarter.
- Aluminum hedging: The company hedged ~20% for 2QFY26 at USD2,666/t and currency hedged ~18% at INR87/USD.
- The fully operational captive coal mines (Chakla, Meenakshi, Banda) will produce ~20mtpa and reduce the coal cost by ~30% vs. current linkage prices.
- TCRCs are expected to remain subdued over the next couple of years.

Capex and Capacity Update:

- Capex for FY26 is guided at INR75-80b, where INR12.7b was spent in 1QFY26.
- Management expects peak capex of INR150b in FY27, mainly due to the execution of large upstream and recycling projects.
- For the Aditya Alumina Refinery expansion, the company has placed all the orders, received EC, and commenced construction, with commissioning scheduled for FY28.
- The 180KT aluminum smelter expansion at Aditya will proceed alongside the alumina refinery and is expected to be operational by FY28, whereas the 300KT copper smelter expansion will be commissioned by FY29.
- Two captive coal mines (Chakla and Bandha) will start the initial work in FY26, with commercial coal output from Chakla expected by Feb-Apr'27. Chakla's output is expected to start from FY27 onwards (~0.5–1mt in the first year), whereas Bandha and Meenakshi are expected to begin production later in FY28.
- The copper scrap recycling facility is under execution, with the first 50kt module expected to come online by Dec'27 (future expansions will bring the capacity up to 200kt). The e-waste recycling project is also progressing on schedule and will be commissioned by FY27, with expected margins of 2-3x higher than conventional smelting.
- The ramping up of the Aditya Aluminum FRP (200KT; bringing the total downstream capacity to 600kt) and Silvassa plants is currently underway and expected to increase EBITDA/t in the USD250-300 range.
- The 100MW RTC renewable power project has been delayed to Oct-Nov'26 (earlier by Jun'26) due to slow grid connectivity approvals. Despite the delay, the company ensures that expansion projects will use thermal power.

Demand Outlook and Other Highlights:

- The global aluminum market in 2QCY25 had a marginal deficit, with China's deficit offset by a surplus in the rest of the world.
- In China, 2QCY25 production reached 11mt (+2% YoY in 1HCY25), while consumption rose 4% to 23mt, driven by strong solar installation demand and a 50% increase in new energy vehicle production.
- The Chinese construction sector remains weak, with declining investments.
- Overall, global aluminum consumption outside China is growing marginally (+1% in 1HCY25), supported by India and Brazil but offset by weaker Europe and North America demand.

Key takeaways from the Novelis conference call

Operating performance guidance and outlook

- Increase in scrap prices (especially for used beverage cans) will continue to keep margins under pressure; however, the positive metal price lag from Midwest Premium movements (increased from ~USD450/t to ~USD1,500/t in recent months) could partially offset the impact.
- The company expects the US tariff on aluminum imports (particularly from South Korea and Canada) to affect 2QFY26 EBITDA by USD60m QoQ, which may partially be offset by the US Midwest premium. Management expects adj. EBITDA/t to bottom out by the end of 1HFY26. H2FY26 is expected to see a rise in EBITDA levels.
- Management is pursuing multiple mitigation plans, such as partial pass-through to customers, supply chain optimization, Midwest Premium arbitrage, and long-term domestic capacity expansion.
- The mitigation plan is expected to offset a significant portion of the tariff cost from 2HFY26, with full impact anticipated by 4QFY26.
- Management expects some tariff cost recovery to be achieved via customer discussions, although the company is avoiding renegotiating contracts mid-term to protect relationships and volumes.
- The commissioning of Bay Minette will reduce the import dependency and free up other US capacities for high-margin (automotive and specialty) products.
- Management does not expect any volume loss due to tariff issues – the mitigation plan is designed to protect shipments and maintain customer relationships.

Capital allocation update

- The 600kt Bay Minette facility remains on schedule for commissioning in 2HCY26, with most equipment delivered and the steel structure nearing completion. The company has spent ~USD1.8b on the project to date.
- Management expects to spend ~USD1.9b-2.2b in FY26 and about USD300-350m for maintenance capex.
- The company has maintained its net leverage target of ~3.5x. Management expects fluctuations in the near term but no long-term deviation from the target.

Scrap market & recycling strategy

- Currently, US spot prices for UBCs are well below contracted prices, providing a temporary disadvantage.
- North America and Europe have high levels of contracted scrap volume, while Asia and South America are more exposed to volatile spot prices.
- The company is expanding the use of other scrap categories (mixed, automotive end-of-life, construction) to diversify input costs.
- The average recycling rate remains at ~63% (with a target to achieve 75% in the next 2-3 years), whereas the ramp-up of the Guthrie 240kt and Ulsan 100kt recycling plants will lead to a greater absorption of scrap, increasing scrap consumption.

Market outlook and others

- The positive metal price lag this quarter was led by a sharp increase in Midwest Premiums, not from LME aluminum prices, as LME is hedged.
- The near-term demand outlook for automotive and specialty markets remains soft, with a gradual recovery expected.
- Demand for beverage cans remains resilient, supported by consumer preference shifts and sustainability trends.
- Volumes of the specialty segment have declined, with major drops marked by construction, electronics, and certain industrial applications, reflecting macroeconomic softness and inventory adjustments.
- North America saw stable beverage can demand but weaker auto and specialty orders. Europe experienced mixed trends, with resilience exhibited by beverage cans but softness shown by industrial markets. Meanwhile, Asia and South America witnessed a slower recovery in non-beverage segments.

Exhibit 9: Changes to our estimates

| Consolidated | Unit | FY26E | | | FY27E | | |
|--------------|-------|-------|-------|----------|-------|-------|----------|
| | | New | Old | % change | New | Old | % change |
| Revenue | INR b | 2,550 | 2,461 | 3.6 | 2,633 | 2,628 | 0.2 |
| EBITDA | " | 312 | 318 | -1.6 | 329 | 329 | -0.1 |
| Consol PAT | " | 155 | 154 | 0.5 | 161 | 164 | -1.4 |
| EPS | " | 70 | 70 | 0.5 | 73 | 74 | -1.4 |

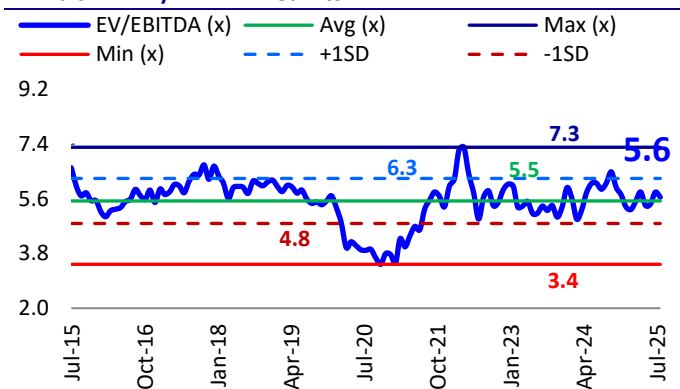
MOFSL estimates

Exhibit 10: TP calculation and valuation

| Y/E March | UoM | FY27E |
|--------------------------------|---------------|------------------|
| Hindalco - India | | |
| Aluminium | | |
| Volumes | Kt | 1,416 |
| EBITDA | INR/t | 1,01,857 |
| EBITDA | USD/t | 1,173 |
| EBITDA | INR m | 1,44,255 |
| Copper | | |
| Volumes | Kt | 490 |
| EBITDA | INR/t | 73,107 |
| EBITDA | USD/t | 842 |
| EBITDA | INR m | 35,823 |
| Others | INR m | (28,000) |
| EBITDA Hindalco - India | INR m | 1,52,077 |
| EV/EBITDA (x) | X | 5.5 |
| Target EV | INR m | 8,36,424 |
| Novelis | | |
| Volumes | Kt | 4,112 |
| EBITDA | USD/t | 495 |
| USD/INR | X | 87 |
| EBITDA | INR m | 1,76,511 |
| EV/EBITDA (x) | X | 6.0 |
| Target EV | INR m | 10,59,065 |
| Target EV - Group | INR m | 18,95,489 |
| Net Debt | INR m | 2,66,449 |
| Equity Value | INR m | 16,29,040 |
| Equity Value | INR/sh | 734 |
| Investments (quoted) | INR/sh | 63 |
| Discount factor | % | 10% |
| Target Price | INR/sh | 790 |

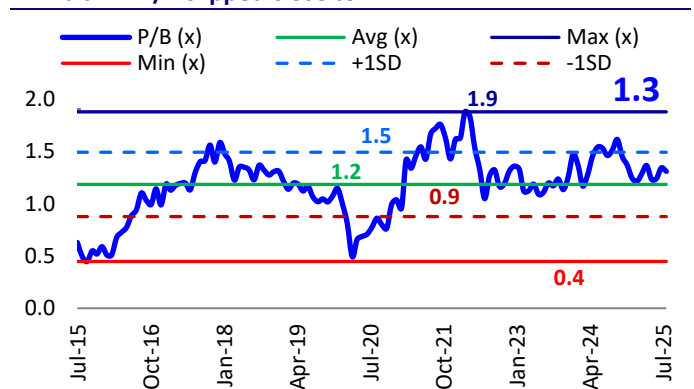
Source: MOFSL

Exhibit 11: EV/EBITDA near its LTA



Source: Company Data

Exhibit 12: P/B slipped close to LTA



Source: Company Data

Financials and valuations

Consolidated Income Statement

(INR b)

| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net sales | 1,151.7 | 1,305.4 | 1,181.4 | 1,318.0 | 1,950.6 | 2,232.0 | 2,159.6 | 2,385.0 | 2,550.3 | 2,633.3 |
| Change (%) | 15.0 | 13.3 | (9.5) | 11.6 | 48.0 | 14.4 | (3.2) | 10.4 | 6.9 | 3.3 |
| Total Expenses | 1,013.5 | 1,150.3 | 1,039.4 | 1,144.5 | 1,667.1 | 2,005.4 | 1,920.9 | 2,066.9 | 2,237.9 | 2,304.7 |
| EBITDA | 138.2 | 155.1 | 142.1 | 173.5 | 283.5 | 226.7 | 238.7 | 318.1 | 312.4 | 328.6 |
| % of Net Sales | 12.0 | 11.9 | 12.0 | 13.2 | 14.5 | 10.2 | 11.1 | 13.3 | 12.2 | 12.5 |
| Depn. & Amortization | 45.1 | 47.8 | 50.9 | 65.0 | 67.3 | 70.9 | 75.2 | 78.8 | 83.4 | 88.2 |
| EBIT | 93.1 | 107.3 | 91.2 | 108.5 | 216.2 | 155.8 | 163.5 | 239.2 | 229.0 | 240.4 |
| Net Interest | 39.1 | 37.8 | 42.0 | 37.4 | 37.7 | 36.5 | 38.6 | 34.2 | 31.0 | 32.5 |
| Other income | 10.0 | 11.3 | 11.9 | 12.2 | 11.4 | 12.6 | 15.0 | 27.1 | 24.5 | 25.0 |
| PBT before EO | 64.1 | 80.8 | 61.0 | 83.4 | 189.9 | 131.9 | 139.9 | 232.1 | 222.5 | 232.8 |
| EO income (exp) | 17.7 | - | (1.8) | (4.4) | 5.8 | 0.4 | 0.2 | (8.8) | - | - |
| PBT after EO | 81.8 | 80.8 | 59.2 | 79.0 | 195.7 | 132.3 | 140.1 | 223.3 | 222.5 | 232.8 |
| Current tax | 15.9 | 19.1 | 15.4 | 18.8 | 38.0 | 28.6 | 30.1 | 63.5 | 67.3 | 71.4 |
| Deferred tax (net) | 4.9 | 6.8 | 6.2 | 8.4 | 15.7 | 2.9 | 8.5 | (0.2) | - | - |
| Tax | 20.7 | 25.9 | 21.6 | 27.2 | 53.7 | 31.4 | 38.6 | 63.4 | 67.3 | 71.4 |
| Rate (%) | 25.4 | 32.0 | 36.4 | 34.5 | 27.5 | 23.8 | 27.5 | 28.4 | 30.2 | 30.7 |
| PAT (before MI and Sh. of Asso.) | 61.1 | 54.9 | 37.6 | 51.8 | 142.0 | 100.9 | 101.5 | 160.0 | 155.2 | 161.4 |
| Minority interests and disc. Operations | (0.0) | (0.0) | - | 17.0 | 4.7 | - | - | - | - | - |
| Share of asso. | (1.3) | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported PAT (after MI and Sh. of Asso.) | 59.8 | 55.0 | 37.7 | 34.8 | 137.3 | 101.0 | 101.6 | 160.0 | 155.2 | 161.4 |
| Adjusted PAT | 42.1 | 55.0 | 39.5 | 56.2 | 136.2 | 100.6 | 101.3 | 166.2 | 155.2 | 161.4 |
| Change (%) | 120.7 | 30.6 | (28.1) | 42.3 | 142.3 | (26.2) | 0.8 | 63.9 | (6.6) | 4.0 |

Balance Sheet

(INR b)

| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Share Capital | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Reserves | 546.2 | 572.6 | 580.6 | 663.1 | 779.7 | 945.8 | 1,059.2 | 1,234.9 | 1,374.6 | 1,520.4 |
| Net Worth | 548.5 | 574.8 | 582.8 | 665.3 | 781.9 | 948.1 | 1,061.5 | 1,237.1 | 1,376.8 | 1,522.7 |
| Minority Interest | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Total Loans | 520.2 | 524.2 | 674.2 | 659.9 | 632.4 | 583.4 | 545.0 | 619.3 | 601.8 | 584.3 |
| Deferred Tax Liability | 31.3 | 36.5 | 37.6 | 36.1 | 44.2 | 73.2 | 81.6 | 87.8 | 87.8 | 87.8 |
| Capital Employed | 1,100.0 | 1,135.6 | 1,294.7 | 1,361.4 | 1,458.6 | 1,604.7 | 1,688.2 | 1,944.3 | 2,066.5 | 2,194.9 |
| Gross Block | 1,082.6 | 1,130.7 | 1,199.7 | 1,343.2 | 1,459.5 | 1,567.1 | 1,650.8 | 1,771.0 | 1,930.0 | 2,090.2 |
| Less: Accum. Depn. | 410.1 | 457.8 | 508.7 | 573.7 | 630.4 | 718.2 | 793.5 | 872.3 | 955.7 | 1,043.9 |
| Net Fixed Assets | 672.6 | 672.8 | 691.0 | 769.5 | 829.1 | 848.8 | 857.4 | 898.7 | 974.3 | 1,046.3 |
| Goodwill | 178.3 | 185.7 | 201.0 | 233.2 | 239.7 | 257.5 | 260.8 | 266.8 | 266.8 | 266.8 |
| Capital WIP | 20.6 | 41.0 | 77.2 | 102.0 | 49.5 | 77.0 | 148.7 | 274.0 | 274.0 | 274.0 |
| Investments | 68.8 | 51.6 | 31.3 | 77.2 | 86.7 | 82.6 | 121.7 | 136.3 | 136.3 | 136.3 |
| Working capital Assets | 529.8 | 567.0 | 685.4 | 706.3 | 1,013.7 | 969.0 | 918.7 | 1,067.2 | 1,150.7 | 1,222.2 |
| Inventory | 216.3 | 221.9 | 223.8 | 306.7 | 444.8 | 429.6 | 408.1 | 488.0 | 482.0 | 497.6 |
| Account Receivables | 99.6 | 114.6 | 93.5 | 129.6 | 210.8 | 162.1 | 164.0 | 198.3 | 193.7 | 200.0 |
| Cash and Bank Balance | 119.6 | 136.2 | 278.1 | 182.3 | 228.4 | 212.3 | 177.1 | 213.8 | 274.9 | 317.9 |
| Others (incl. LT) | 94.3 | 94.2 | 89.9 | 87.7 | 129.7 | 165.1 | 169.5 | 167.1 | 200.2 | 206.7 |
| Working capital liability | 370.0 | 382.5 | 391.1 | 526.7 | 759.9 | 630.2 | 619.1 | 698.7 | 735.6 | 750.7 |
| Account Payables | 204.4 | 207.2 | 182.8 | 282.8 | 442.0 | 418.4 | 392.9 | 427.0 | 463.9 | 479.0 |
| Others (incl. LT) | 165.7 | 175.3 | 208.3 | 243.9 | 317.9 | 211.8 | 226.2 | 271.7 | 271.7 | 271.7 |
| Net Working Capital | 159.8 | 184.4 | 294.3 | 179.6 | 253.8 | 338.9 | 299.7 | 368.5 | 415.1 | 471.5 |
| Appl. of Funds | 1,100.0 | 1,135.6 | 1,294.7 | 1,361.4 | 1,458.6 | 1,604.7 | 1,688.2 | 1,944.3 | 2,066.5 | 2,194.9 |

Financials and valuations

Ratios

| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | | | | | |
| EPS | 18.9 | 24.7 | 17.8 | 25.3 | 61.3 | 45.3 | 45.7 | 74.8 | 69.9 | 72.7 |
| Cash EPS | 47.6 | 46.2 | 39.8 | 52.5 | 94.3 | 77.4 | 79.6 | 107.6 | 107.5 | 112.5 |
| BV/Share (adj.) | 166.1 | 175.0 | 171.7 | 194.3 | 244.3 | 311.1 | 360.7 | 437.1 | 500.0 | 565.7 |
| DPS | 1.2 | 1.2 | 1.0 | 3.0 | 4.0 | 3.0 | 3.0 | 5.0 | 7.0 | 7.0 |
| Payout (%) | 6.4 | 4.9 | 5.6 | 11.9 | 6.5 | 6.6 | 6.6 | 6.7 | 10.0 | 9.6 |
| Valuation (x) | | | | | | | | | | |
| P/E | 35.3 | 27.0 | 37.5 | 26.4 | 10.9 | 14.7 | 14.6 | 8.9 | 9.5 | 9.2 |
| Cash P/E | 14.0 | 14.4 | 16.7 | 12.7 | 7.1 | 8.6 | 8.4 | 6.2 | 6.2 | 5.9 |
| P/BV | 4.0 | 3.8 | 3.9 | 3.4 | 2.7 | 2.1 | 1.8 | 1.5 | 1.3 | 1.2 |
| EV/Sales | 1.6 | 1.4 | 1.6 | 1.5 | 1.0 | 0.8 | 0.9 | 0.8 | 0.7 | 0.7 |
| EV/EBITDA | 13.6 | 12.1 | 13.2 | 11.3 | 6.6 | 8.2 | 7.7 | 5.9 | 5.8 | 5.3 |
| Dividend Yield (%) | 0.2 | 0.2 | 0.2 | 0.5 | 0.6 | 0.5 | 0.5 | 0.8 | 1.1 | 1.1 |
| Return Ratios (%) | | | | | | | | | | |
| EBITDA Margins (%) | 12.0 | 11.9 | 12.0 | 13.2 | 14.5 | 10.2 | 11.1 | 13.3 | 12.2 | 12.5 |
| Net Profit Margins (%) | 3.7 | 4.2 | 3.3 | 4.3 | 7.0 | 4.5 | 4.7 | 7.0 | 6.1 | 6.1 |
| RoE | 12.8 | 14.5 | 10.2 | 13.8 | 28.0 | 16.3 | 13.6 | 18.8 | 14.9 | 13.6 |
| RoCE (pre-tax) | 9.3 | 10.6 | 8.5 | 9.1 | 16.1 | 11.0 | 10.8 | 14.7 | 12.6 | 12.5 |
| RoIC (pre-tax) | 10.8 | 11.9 | 10.3 | 11.5 | 21.6 | 14.6 | 14.6 | 18.7 | 17.0 | 16.9 |
| Working Capital Ratios | | | | | | | | | | |
| Fixed Asset Turnover (x) | 1.1 | 1.2 | 1.0 | 1.0 | 1.3 | 1.4 | 1.3 | 1.3 | 1.3 | 1.3 |
| Asset Turnover (x) | 1.0 | 1.1 | 0.9 | 1.0 | 1.3 | 1.4 | 1.3 | 1.2 | 1.2 | 1.2 |
| Debtor (Days) | 32 | 32 | 29 | 36 | 39 | 27 | 28 | 28 | 28 | 28 |
| Inventory (Days) | 69 | 62 | 69 | 85 | 83 | 70 | 69 | 69 | 69 | 69 |
| Payable (Days) | 65 | 58 | 56 | 78 | 83 | 68 | 66 | 66 | 66 | 66 |
| Leverage Ratio (x) | | | | | | | | | | |
| Current Ratio | 1.4 | 1.5 | 1.8 | 1.3 | 1.3 | 1.5 | 1.5 | 1.5 | 1.6 | 1.6 |
| Interest Cover Ratio | 2.4 | 2.8 | 2.2 | 2.9 | 5.7 | 4.3 | 4.2 | 7.0 | 7.4 | 7.4 |
| Debt/Equity | 1.1 | 1.0 | 1.0 | 1.1 | 0.7 | 0.5 | 0.5 | 0.4 | 0.3 | 0.2 |

Cash Flow Statement

(INR b)

| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E |
|---|----------------|---------------|---------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|
| EBITDA | 138.2 | 155.1 | 142.1 | 173.5 | 283.5 | 226.7 | 238.7 | 318.1 | 312.4 | 328.6 |
| Others | 2.6 | 0.4 | (1.8) | (2.7) | 14.7 | (2.7) | 9.2 | 3.9 | - | - |
| tax paid | (14.0) | (18.9) | (1.0) | (12.6) | (37.7) | (27.3) | (26.8) | (54.7) | (67.3) | (71.4) |
| Change in WC | (17.9) | (16.9) | (11.8) | 14.0 | (92.0) | (4.6) | 19.4 | (23.2) | 14.5 | (13.4) |
| CF from Op. Activity | 109.0 | 119.8 | 127.5 | 172.3 | 168.4 | 192.1 | 240.6 | 244.1 | 259.6 | 243.8 |
| (Inc)/Dec in FA + CWIP | (30.0) | (60.1) | (67.9) | (55.7) | (54.3) | (98.4) | (157.3) | (206.5) | (159.0) | (160.2) |
| Free Cash Flow to firm | 79.0 | 59.7 | 59.5 | 116.7 | 114.1 | 93.7 | 83.3 | 37.6 | 100.6 | 83.6 |
| (Pur)/Sale of Inv. & yield | 24.7 | 6.6 | 7.1 | 9.0 | (58.9) | 19.9 | (3.7) | 32.0 | 24.5 | 25.0 |
| Others & M&A | 55.6 | (3.1) | (23.5) | (209.7) | 42.4 | (2.6) | 18.3 | (72.9) | - | - |
| CF from Inv. Activity | 50.3 | (56.5) | (84.3) | (256.4) | (70.7) | (81.2) | (142.8) | (247.4) | (134.5) | (135.2) |
| Equity raised/(repaid) | 0.2 | (1.2) | - | 0.1 | (0.7) | (1.3) | (1.2) | (1.0) | - | - |
| Debt raised/(repaid) | (122.9) | (14.4) | 109.5 | (9.7) | (27.8) | (54.9) | (61.4) | 48.4 | (17.5) | (17.5) |
| Interest | (38.5) | (35.8) | (40.2) | (36.8) | (32.5) | (38.5) | (38.9) | (57.7) | (31.0) | (32.5) |
| Dividend (incl. tax) | (2.9) | (3.2) | (2.7) | (2.4) | (6.7) | (8.9) | (6.7) | (7.8) | (15.5) | (15.5) |
| CF from Fin. Activity | (164.1) | (54.6) | 66.6 | (48.8) | (67.7) | (103.5) | (108.2) | (18.2) | (64.1) | (65.6) |
| (Inc)/Dec in Cash | (4.9) | 8.7 | 109.7 | (132.9) | 30.0 | 7.4 | (10.4) | (21.5) | 61.1 | 43.0 |
| Add: Opening Balance | 82.2 | 80.4 | 91.0 | 212.7 | 83.4 | 116.4 | 128.4 | 118.2 | 98.1 | 159.2 |
| Changes in forex on CF | 3.1 | 1.9 | 12.0 | 3.6 | 3.0 | 4.6 | 0.2 | 1.4 | - | - |
| Closing cash Balance | 80.4 | 91.0 | 212.7 | 83.4 | 116.4 | 128.4 | 118.2 | 98.1 | 159.2 | 202.2 |
| Bank balance (inc. O/D adj.) | 39.2 | 45.2 | 65.5 | 98.9 | 112.1 | 83.9 | 58.9 | 115.7 | 115.7 | 115.7 |
| Closing Balance (incl. bank balance) | 119.6 | 136.2 | 278.1 | 182.3 | 228.4 | 212.3 | 177.1 | 213.8 | 274.9 | 317.9 |

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|----------------------------------|--|
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| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
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