# Stock Idea Note - Hindalco Industries Ltd.

## Company Overview

Hindalco Industries Limited, the flagship metals company of the Aditya Birla Group, is a global metals powerhouse with a market capitalization of over USD 30 billion and one of the world's most diversified aluminum and copper businesses. The company operates through a unique dual-engine business model that combines the stability of value-added downstream operations with the profitability of low-cost upstream metal production. Its wholly owned subsidiary, Novelis Inc., is the world's largest producer of flat-rolled aluminium products (FRP) and the global leader in aluminium recycling, supplying premium aluminium solutions to leading automotive manufacturers, beverage can makers, aerospace companies, and industrial customers across North America, Europe, South America, and Asia. Novelis has built long-term relationships with global OEMs through its advanced recycling capabilities and technology-driven product portfolio. In India, Hindalco operates one of the most integrated aluminium value chains in the country, spanning bauxite mining, alumina refining through Utkal Alumina, captive coal mines, thermal and renewable power generation, primary aluminium smelting, and downstream value-added products such as extrusions, rolled products, foils, wheels, and battery materials. This integrated structure provides significant cost advantages while ensuring raw material security and operational flexibility. Complementing its aluminium operations, Hindalco's copper business operates one of the world's largest single-location custom copper smelters at Dahej, Gujarat, equipped with a captive jetty, precious metal recovery facilities, sulfuric acid plants, phosphoric acid production, and continuous cast rod (CCR) manufacturing. With 52 manufacturing facilities spread across 10 countries and a strong global distribution network, Hindalco caters to high-growth sectors including automotive, electric vehicles (EVs), renewable energy, beverage packaging, construction, electrical infrastructure, consumer durables, aerospace, and industrial engineering, positioning the company as a critical supplier in the global energy transition.

## Investment Rationale

### Global Leadership in Value-Added Flat-Rolled Products and Circular Recycling through Novelis

Novelis remains the cornerstone of Hindalco's global business model, contributing a significant share of consolidated revenues while providing stability across commodity cycles. Unlike traditional aluminum producers that are heavily exposed to fluctuations in London Metal Exchange (LME) prices, Novelis operates on a conversion-margin model where profitability is primarily driven by processing spreads rather than outright metal prices. This business model significantly reduces earnings volatility and generates predictable cash flows. The company enjoys leadership positions across premium aluminium applications, including beverage can sheets, automotive body sheets, aerospace products, and speciality industrial rolled products. As global automakers increasingly shift toward lightweight aluminium-intensive vehicles to improve fuel efficiency and extend EV driving ranges, Novelis stands to benefit from sustained structural demand growth. Simultaneously, aluminum beverage cans continue to gain market share over plastic packaging due to their superior recyclability and lower environmental footprint. A major competitive advantage lies in Novelis' world-leading recycling platform. Recycled aluminium requires nearly 95% less energy compared to primary aluminium production, substantially lowering both production costs and carbon emissions. Through its closed-loop recycling partnerships with major automotive OEMs, Novelis recovers production scrap and reprocesses it into new aluminium products, creating long-term customer stickiness while supporting customers' ESG objectives. Furthermore, the upcoming Bay Minette greenfield rolling and recycling facility in North America is expected to significantly enhance production capacity, strengthen Novelis' leadership in beverage packaging, and support long-term earnings growth once commercialized.

### Copper Business Well Positioned to Capitalize on India's Electrification and Infrastructure Boom

Hindalco's copper business represents a key growth engine, supported by India's accelerating infrastructure development, electrification, and rising industrial demand. The company operates one of the world's largest single-location custom copper smelters at Dahej, enabling efficient processing of imported copper concentrates into refined copper, Continuous Cast Rods (CCR), precious metals, sulfuric acid, and phosphoric acid. With India's per capita copper consumption at just 0.6 kg, significantly below the global average of 3 kg, the domestic market offers a substantial long-term growth opportunity driven by investments in renewable energy, electric vehicles, charging infrastructure, power transmission, data centers, industrial automation, and urban infrastructure. Hindalco is further strengthening its downstream portfolio through the 25 KTPA Inner Grooved Tube (IGT) facility at Vadodara, currently undergoing trial runs and customer qualifications, while also setting up India's

**Stock Rating**

| BUY | HOLD | SELL |
|---|---|---|
| | | |
| > 15% | -5% to 15% | < -5% |

**Sector Outlook** Positive

**Stock**

| | |
|---|---|
| CMP (INR) | 943 |
| Target Price (INR) | 1,102 |
| NSE Symbol | HINDALCO |
| BSE Code | 500440 |
| Bloomberg | HNDL IN |
| Reuters | HALC.BO |

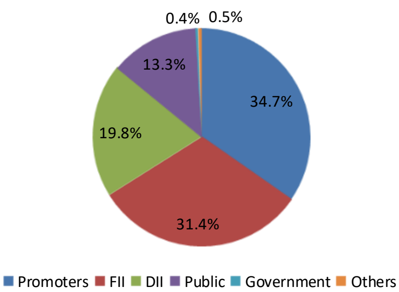
**Key Data**

| | |
|---|---|
| Nifty | 23,767 |
| 52WeekH/L(Rs.) | 1,176/656 |
| O/s Shares (Cr.) | 225 |
| Market Cap (Rs, Cr.) | 2,11,869 |
| Face Value (Rs.) | 1 |

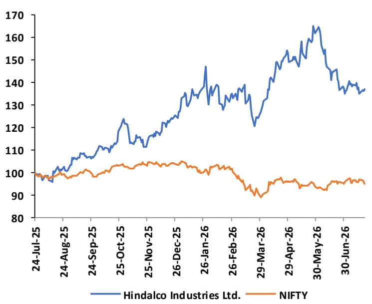
**Average volume**

| | |
|---|---|
| 3 months | 61,66,972 |
| 6 months | 67,81,641 |
| 1 year | 61,50,336 |

**Share Holding Pattern (%)**




**Relative Price Chart**



first integrated copper scrap and e-waste recycling facility at Pakhajan, expected to be commissioned in FY27, to enhance resource security and support the circular economy. The company's custom smelting business model, supported by derivative-based hedging strategies, minimizes exposure to LME copper price volatility by focusing on processing margins rather than metal price movements. Combined with value-added by-products such as gold, silver, sulfuric acid, and phosphoric acid, this integrated ecosystem generates stable cash flows, enhances profitability, and provides meaningful diversification to Hindalco's broader aluminium business.

## Valuation and Outlook

Hindalco is uniquely positioned as a diversified global metals company with a balanced portfolio comprising low-cost upstream aluminum operations in India, value-added downstream businesses through Novelis, and a fast-growing copper franchise. The company is well placed to benefit from long-term structural themes such as electric vehicle adoption, renewable energy expansion, sustainable aluminium packaging, and increasing global demand for copper driven by electrification and infrastructure development. Financially, Hindalco delivered a record performance in FY26, with consolidated revenue rising 11% YoY to Rs. 2,74,944 crores, while consolidated EBITDA reached an all-time high of Rs. 34,884 crores. The Indian aluminium business continued to demonstrate industry-leading profitability, supported by a 36% EBITDA margin in the upstream aluminium segment, while the copper business recorded its highest-ever annual revenue of Rs. 69,838 crores, highlighting the strength of its diversified earnings profile. The company also generated PAT of Rs. 13,391 crores, reflecting strong operating cash flows and resilient profitability. The balance sheet remains healthy, with a Net Debt-to-EBITDA ratio of 2.2x, providing ample financial flexibility to fund strategic growth projects, including Novelis Bay Minette greenfield facility, downstream aluminium expansions, battery foil capacity additions, and copper recycling initiatives. Despite its improving earnings quality and strong cash generation, Hindalco continues to trade at attractive valuation multiples relative to both domestic and global peers. **Considering its industry-leading cost position, diversified earnings profile, robust cash generation, and strong long-term growth drivers, we value Hindalco at 11x FY27E earnings, arriving at a target price of Rs. 1,102, implying an upside potential of 17% from the current market price over the next 12 months. Accordingly, we maintain our BUY rating on the stock.**

| Key Financials | | | | | |
|---|---|---|---|---|---|
| **YE March (INR. Crores.)** | **FY24** | **FY25** | **FY26** | **FY27E** | **FY28E** |
| **Revenue** | **2,15,962** | **2,48,356** | **2,74,944** | **3,25,980** | **3,39,573** |
| *Revenue Growth (Y-oY)* | *(3.2%)* | *15.0%* | *10.7%* | *18.6%* | *4.2%* |
| **EBITDA** | **23,874** | **31,805** | **34,884** | **43,655** | **45,552** |
| *EBITDA Growth (Y-o-Y)* | *(88.1%)* | *33.2%* | *9.7%* | *25.1%* | *4.3%* |
| **Net Profit** | **10,155** | **16,001** | **13,391** | **22,216** | **23,223** |
| *Net Profit Growth (Y-o-Y)* | *0.6%* | *57.6%* | *(16.3%)* | *65.9%* | *4.5%* |
| **Diluted EPS** | **45.7** | **71.9** | **60.2** | **100.2** | **104.5** |
| *Diluted EPS Growth (Y-o-Y)* | *1.6%* | *57.5%* | *(16.3%)* | *66.4%* | *4.3%* |
| **Key Ratios** | | | | | |
| **EBITDA margin (%)** | **11.1%** | **12.8%** | **12.7%** | **13.4%** | **13.4%** |
| NPM (%) | 4.7% | 6.4% | 4.9% | 6.8% | 6.8% |
| **RoE (%)** | **6.0%** | **9.5%** | **10.3%** | **15.3%** | **13.7%** |
| RoCE (%) | 4.4% | 6.4% | 4.4% | 8.1% | 7.2% |
| **Valuation Ratios** | | | | | |
| **P/E (x)** | **20.7x** | **13.1x** | **15.7x** | **9.4x** | **9.0x** |
| EV/EBITDA (x) | 9.5x | 8.0x | 8.3x | 6.2x | 5.7x |
| **P/BV (x)** | **2.0x** | **1.7x** | **1.6x** | **1.3x** | **1.2x** |
| Net Debt / EBITDA (x) | 1.8x | 1.4x | 2.2x | 1.8x | 1.5x |

*Source: Company Reports, BP Equities Research*

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## Disclaimer Appendix

**Analyst (s) holding in the Stock : Nil**

### Analyst (s) Certification:

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