1 April 2025

Update | Sector: Metals

Hindalco

BSE SENSEX	S&P CNX
76,025	23,166

Stock Info

Bloomberg	HNDL IN
Equity Shares (m)	2247
M.Cap.(INRb)/(USDb)	1491.6 / 17.5
52-Week Range (INR)	773 / 558
1, 6, 12 Rel. Per (%)	0/-3/14
12M Avg Val (INR M)	4585
Free float (%)	65.4

Financials Snapshot (INR b)

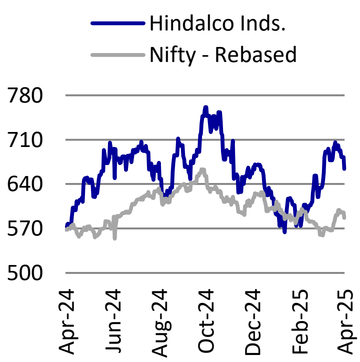
Y/E MARCH	2025E	2026E	2027E
Sales	2,324	2,488	2,649
EBITDA	307	310	323
Adj. PAT	155	146	157
EBITDA Margin (%)	13	12	12
Cons. Adj. EPS (INR)	70	66	71
EPS Gr. (%)	53	-6	8
BV/Sh. (INR)	422	480	544
Ratios			
Net D:E	0.4	0.3	0.2
RoE (%)	17.8	14.6	13.8
RoCE (%)	14.7	13.1	13.0
Payout (%)	8.6	10.6	9.9
Valuations			
P/E (x)	8.7	9.2	8.6
P/BV (x)	1.4	1.3	1.1
EV/EBITDA(x)	5.5	5.3	5.0
Div. Yield (%)	1.0	1.2	1.2
FCF Yield (%)	3.9	4.5	5.1

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	34.6	34.6	34.6
DII	24.9	24.6	25.5
FII	32.2	32.8	32.1
Others	8.3	8.0	7.9

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR664 TP:INR770 (+16%) Buy

Capacity expansion to drive next leg of growth; HNDL well-placed to capitalize

We attended Hindalco's (HNDL) Investor Day held on April 01, 2025. Below are the key highlights from the meeting:

- HNDL and its subsidiary, Novelis, are investing ~USD10b in growth projects to significantly boost capacities. In India, HNDL is expanding its aluminum upstream (Aditya smelter 180 KT, alumina refinery 850 KT), downstream (FRP-170 KT, battery enclosures etc), and copper capacities (smelter 300 KT and recycling 50KT), with a total of USD5.2b currently under execution. Novelis is adding ~800KT globally, including USD4.1b in the Bay Minette facility (600 KT) and debottlenecking (175 KT), targeting completion by FY27 to meet rising demand in beverage packaging and automotive sectors. The company is also aggressively expanding its VAP portfolios to capitalize on emerging trends.
- Novelis is targeting adj. EBITDA of USD600/t in the long run, largely driven by operating leverage and an increase in recycled content to 75%. Margin expansions are expected to begin once the Bay Minette capacity ramps up. HNDL's Indian business aims to enhance EBITDA through scale, efficiency, and recycling. Following the ramp-up, India's EBITDA is expected to increase by USD200/t for aluminum upstream, USD100/t for downstream, USD120/t for copper, and USD50/t for specialty alumina over FY24, primarily driven by resource security and premiumization. Additionally, HNDL targets an energy mix of 70% captive coal and 30% RE by FY33.
- Industry demand is expected to remain strong, with India's aluminum consumption expected to double to 11,373 KT by FY35 (8% CAGR) and copper demand to grow 2.5x to 2,540 KT, driven by high adoption in EVs, construction, and energy sectors. Globally, demand for Flat Rolled Products (FRP) is projected to post a 4% CAGR, reaching 37.7 MT by 2029, led by beverage packaging and automotive applications. Prices are expected to remain resilient, supported by robust demand (electrification, Paris Agreement), China's 45 MTPA supply cap, and escalating costs, ensuring favorable LME price strength for HNDL's operations.

Valuation and view: Reiterate BUY

- HNDL's Indian operations are net debt-free, and the consolidated net debt/EBITDA stood at 1.33x as of Dec'24 vs. 1.43x in Dec'23. The announced/ongoing expansion is set to position HNDL as the global leader. Novelis has already secured long-term contracts from marquee customers for Bay Minette, ensuring future revenue visibility. With a larger scale and operational efficiency, margins are expected to expand over the medium to long term. **We reiterate our BUY rating on HNDL with SOTP-based valuation, arriving at a TP of INR770.**
- **Key risks:** 1) Delays in capex to put pressure on cash flow; 2) Rise in scrap prices impacting margins; 3) US tariffs lead to demand and supply disruptions.

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Investor Day - Key highlights

Aggressive capacity expansion driving long-term growth

Indian business expansion strategy

HNDL India's capex plan involves INR450b investments to expand aluminum and copper capacities, with key projects like the Aditya Alumina Refinery, copper recycling plant, and smelter expansions set to drive growth. The company is strategically aligning these investments with resource security enhancements through coal mine acquisitions, while prioritizing value-added products and sustainability. By FY28-29, these expansions will position HNDL as a leader in India's aluminum and copper markets, capitalizing on strong domestic demand and operational efficiencies.

Exhibit 1: HNDL India's key expansion timeline

Projects	Plant / Region	Capacity (KT)	Estimated Investments ($ million)	Expected Year of Commissioning
Aluminium Upstream			**2,030**	
Aditya Alumina Greenfield Project	Rayagada	850	840	FY28
Aluminium Smelter Expansion	Aditya	180	1,120	FY28
Green Energy Projects (RTC) and 400 KV Lines: (Equity Investment Under Group Captive)	Aditya / Mahan	200 MW	70	FY26 / FY27
Aluminium Downstream			**710**	
FRP Casting and Cold Rolling	Aditya / Hirakud	170	450	Q1 FY26
Coasted AC Fins (Under PLI Schemes)	Taloja	26	50	Q1 FY26
Extrusions: Die Manufacturing	Silvassa	5,000 Nos	25	Commissioned
Aluminium Bicycle Parts	Chakan, Pune	26	50	FY26
Battery Foil Mill	Aditya	24	100	FY26
Battery Enclosures	Pune	6.5	35	Commissioned
Copper Upstream			**1,635**	
Copper Smelter	Gujarat	300	1,130	FY29
Copper and E-Waste Recycling	Gujarat	50	290	FY26
Copper Continuous Cast Rods (CCR)	Gujarat	300	60	FY26
Copper Infra Projects: Jetty + RTC 400 KV Lines	Dahej	NA	155	FY29
Copper Downstream			**305**	
Inner Grove Tubes (PLI Schemes) and Alloy Rods	Vadodara	22.5	65	Commissioned
Copper Batter Foil	Gujarat	11.5	240	FY28
Specialty Alumina			**65**	
Precipitate Hydrate	Belagavi	20	35	Q1 FY26
White Fused Alumina	Aditya	60	30	FY27

Source: MOFSL, Company

- **Aditya Alumina Refinery (Odisha):** The 850KT expansion of Aditya Alumina Refinery in Odisha is under construction and can expand to 3mtpa in future. Another 850KT expansion plan is currently under evaluation and will be planned based on future demand outlook.
- **Aditya Aluminum Smelter Expansion:** The company has planned a 180KT aluminum smelter expansion at Aditya, with capex spread across FY26-28 and volumes expected to reflect from FY29 onwards. For the next phase, the company is currently evaluating another 180KT of smelter expansion.

- **Brownfield Smelter Expansions**: An additional 360KT of Brownfield Smelter expansion is under evaluation at Mahan, further scaling upstream operations.
- **Downstream Aluminum Capacity Expansion:** This expansion targets high-growth sectors like packaging and consumer durables, where FRP demand in India is expected to grow rapidly. Management is assessing an additional 170KT of FRP and 30KT of extrusion and other expansions in Phase-II.
- **Copper Smelter Expansion (Dahej):** The company has planned a 300KT copper smelter expansion with capex spread across FY26-28 and commissioning expected by FY29. This expansion aims to significantly increase copper smelting capacity and cater to rising demand in India. In order to further strengthen its domestic market share, HNDL is considering adding another 300KT in Phase-II.
- **Copper Recycling Plant/Downstream Expansion (Gujarat):** For the copper business, the company has also planned downstream capacity expansion: 1) 25kt Greenfield inner grooved tubes, which are expected to be commissioned by 4QFY25 and 2) 50kt of e-waste and copper scrap recycling plant. This plant will enhance the value-added mix, catering to specialized segments like HVAC and industrial applications. Additionally, copper recycling capabilities will help reduce its reliance on primary copper inputs. In Phase-II, the company foresees adding another 25KT of inner grove tubes and 150KT of recycling capacity.

Exhibit 2: HNDL India's potential phase-II expansion

Business Segments	Current Capacity / Shipments	Key Projects Under Execution	Key Projects Under Evaluation	Total Capacity (KTPA)
Aluminium Upstream	1,340 KT	Aditya Smelter Expansion: **180 KT**	Aditya Smelter Expansion: **180 KT** Mahan Expansion: **360 KT**	>2,000
Alumina	3,740 KT (1)	Aditya Refinery: 850 KT	Aditya Refinery: 850 KT	>5,500
Aluminium Downstream	430 KT	Aditya FRP Phase 2A: **170 KT**	FRP Expansion: **170 KT** Extrusion and Others: **30 KT**	>800
Copper	506 KT (2)	Copper Smelter: **300 KT** Inner Grove Tubes: **25 KT** Recycling: **50 KT**	Copper Smelter: **300 KT** Inner Grove Tubes: **25 KT** Recycling: **150 KT**	>1,200
Specialty Alumina	414 KT (3)	Precipitate Hydrate: **20 KT** White Fused Alumina: **60 KT** Various value-added products	Various Value-added products (White Fused, Precipitate Hydrate, Tabular and Others)	>1,000

Source: MOFSL, Company

Novelis' expansion strategy

Novelis' expansion plan involves a mix of Greenfield and Brownfield investments totaling over USD6b, adding significant capacity across regions. Novelis anticipates an average annual capex of USD2b over FY25-27. This includes investments in strategic projects, such as Bay Minette (~USD4.1b) and annual maintenance capex of ~USD300-350m (totaling ~USD1b), and other initiatives like debottlenecking/expansion projects.

Bay Minette:

- Novelis' ongoing Bay Minette expansion will add ~600ktpa of FRP, primarily catering to the beverage packaging market (420kt) while maintaining flexibility to serve automotive and specialty products (180kt).
- The facility is currently under construction (85% engineering work completed) and is expected to be operational by 2HFY26, while full ramp-up will take 18-24 months.
- The project cost has escalated by ~65% to USD4.1b, primarily due to tech advancements and carbon reduction initiatives. As of Q3FY25, the company has already spent ~USD1.5b towards the Bay Minette expansion, while the remaining USD2.8b will be incurred over FY25-26.
- The company intends to maintain a net leverage ratio of ~3.5x during the ongoing strategic capital investment cycle.

Exhibit 3: Novelis' expansion strategy (FY24-28E)

Identified Projects	Location	Primary Product Markets Supported	Rolling Capacity (KT)	Estimated Investments (US$)	Status / Estimated Commissioning
North America					
Hot mill debottlenecking and automotive upgrades	Oswego, US	Specialties, Auto	65	$130 million	Phase 1 complete in FY24; Phase 2 est. FY26
State-of-the art Automotive Recycling and Casting Centre	Guthrie, US	Auto		$365 million	Commissioned FY25
Integrated Greenfield Rolling and Recycling Mill	Bay Minette, US	Can, Auto	600	$4100 million	FY27
Rolling debottlenecking	Logan, US	Can, Auto	80	$150 million	FY26
Asia					
Recycling and Casting Centre at UAL	UAL, South Korea	All		$50 million	Commissioned FY25
Rolling debottlenecking	Yeongju, South Korea	Can	50	$20 million	Commissioned FY24
South America					
Rolling Debottlenecking	Pinda, Brazil	Can	30	$50 million	Phase 1 complete in FY24; Phase 2 est. FY26
Europe					
UBC Recycling expansion	Latchford, UK	Can		$90 million	FY27
Total projects under execution				~$5 billion	

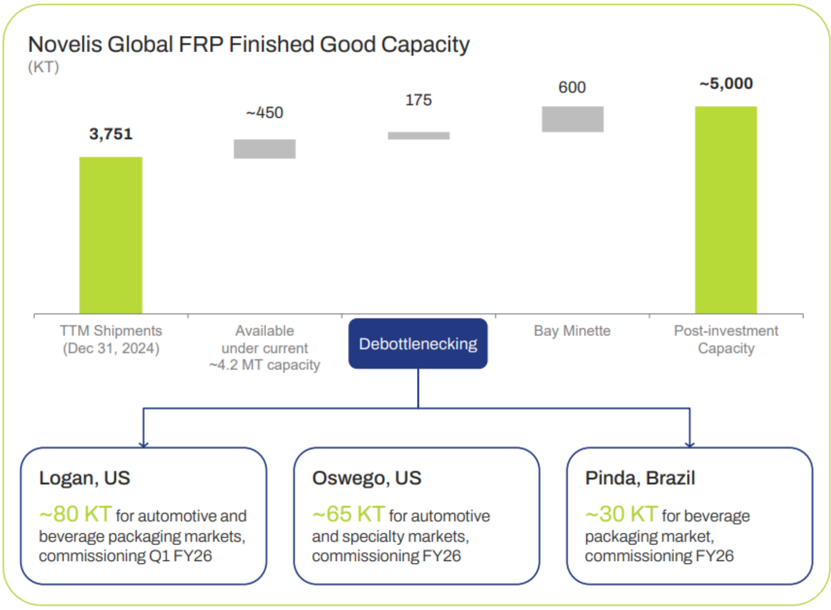
Source: MOFSL, Company

Other debottlenecking and expansion projects:

1) **Guthrie Automotive Recycling Center (Kentucky, US):** Recycling center continues to ramp up automotive sheet ingot casting
2) **Ulsan Recycling Center (South Korea):** Investment of ~USD65m in 100kt recycling sheet ingot casting expansion, which was operationalized in Jan'25

3) **Latchford, UK:** Investment plan of ~USD90m for UBC recycling & casting expansion in Latchford, UK
4) **Other debottlenecking Projects:** Debottlenecking strategy to unlock nearly 200kt of rolling capacity, with a capex outlay of **~**USD330m at its existing plant in Oswego and Logan (US) as well as at Pindamonhangaba in Brazil; 80kt debottlenecking of hot metal rolling capacity at Logan US with capex of USD150m to be commissioned by 1QFY26

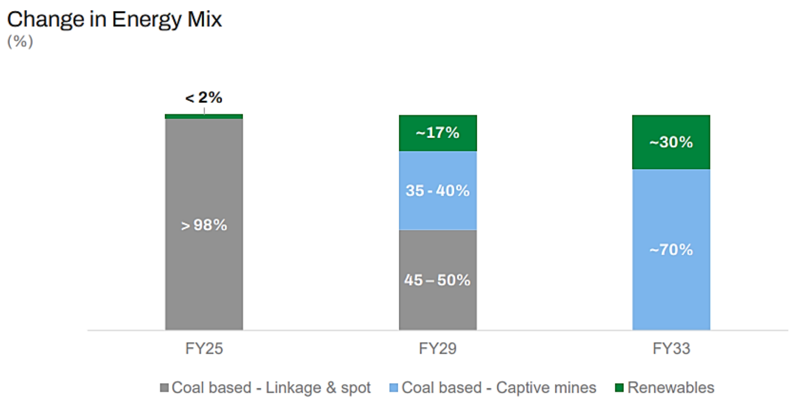
Exhibit 4: Novelis' capacity timeline



Source: MOFSL, Company

Cost optimization & backward integration expanding margins

Exhibit 5: Cost position to further improve with captive coal



Source: MOFSL, Company

- HNDL heavily relies on coal from external sources (~60% linkage coal and the rest via e-auctions, imports, or captive mines) to power its energy-intensive operations. The company is now aiming to reduce dependency on external coal sources and lower energy costs.

- HNDL is developing the Chakla and Meenakshi mines as part of its captive mining strategy, which will lead to self-sufficiency by FY33 (100% of the coal requirement to be met through captive mines).

Exhibit 6: HNDL's cost optimization strategy

Chakla	Jharkhand	4.5 MTPA	225	FY26
Meenakshi	Odisha	10-12 MTPA	220	FY29
Green Energy Projects (RTC) and 400 KV Lines: (Equity Investment Under Group Captive)	Aditya / Mahan	200 MW	70	FY26 / FY27

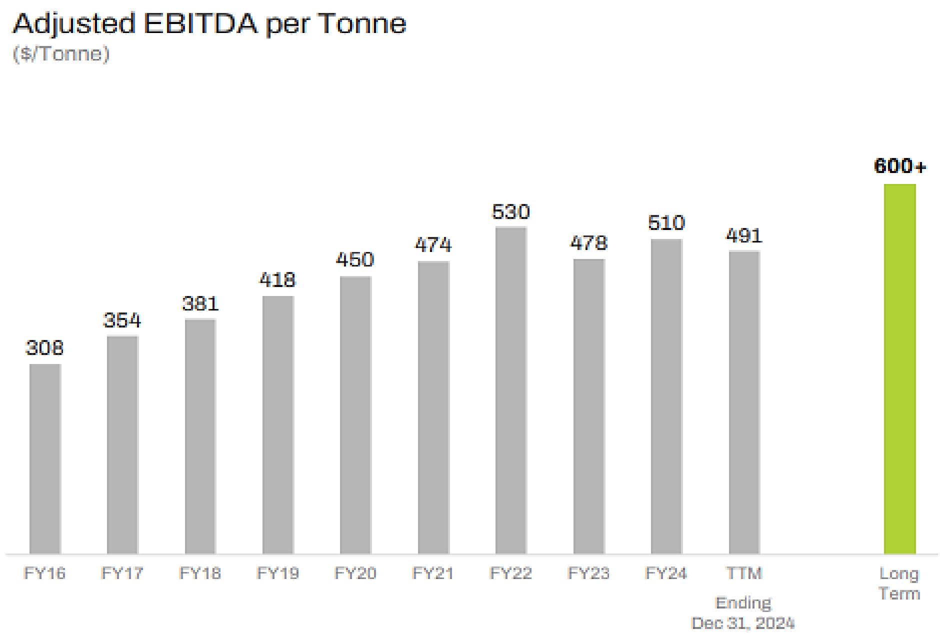
Source: MOFSL, Company

- HNDL is actively scaling its RE portfolio to decarbonize operations and align with global sustainability trends, focusing on solar, wind, and hybrid projects.
- As of Feb'25, its RE capacity reached 189MW, with plans to reach ~300 MW by Jun'25. ~100MW hybrid capacity (with storage) will be commissioned in H1CY25. ~9MW of solar capacity is underway, and an additional ~20MW of hybrid capacity (Solar + Wind) is expected to be operational by H2FY26.
- HNDL and Ayana Renewable Power have formed a partnership to develop 330MW of RE capacity. This includes 100MW of Round-the-Clock (RTC) power for HNDL smelter plants in Odisha. The project will help the company run its smelters without relying on grid electricity.
- HNDL has guided for the RE share to reach ~30% of its total energy mix by FY33 (rest via coal) and net carbon neutrality by 2050.

EBITDA improvement guidance

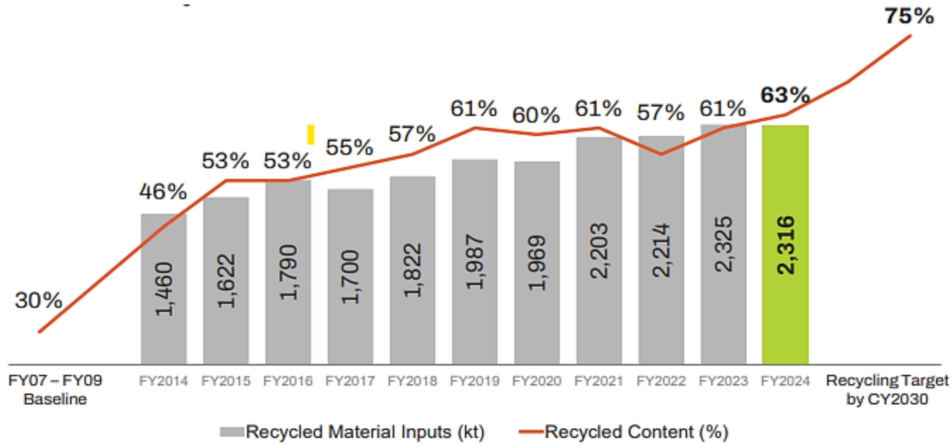
- Post the ramp-up of projects under execution, HNDL foresees a potential EBITDA expansion of ~USD470/t over FY24 (base year). ~USD200/t is expected to come from the primary aluminum segment, driven by resource security through captive mines. Aluminum and copper downstream are expected to see increases of USD120/t and USD100/t due to higher VAP. Additionally, the new VAP development in the Specialty Alumina segment is expected to bring an additional USD50/t.
- For Novelis, the company has guided for long-term adjusted EBITDA to reach USD600/t, with key drivers including operating leverage from scale, pricing, and better product mix. Additionally, Novelis has set a goal to increase scrap content to 75% by 2030 (vs 63% in FY24), which will support the adj. EBITDA target.

Exhibit 7: Novelis' EBITDA/t targeted to exceed USD600 over the long term



Source: MOFSL, Company

Exhibit 8: Novelis' recycled content has more than doubled over the last 15 years



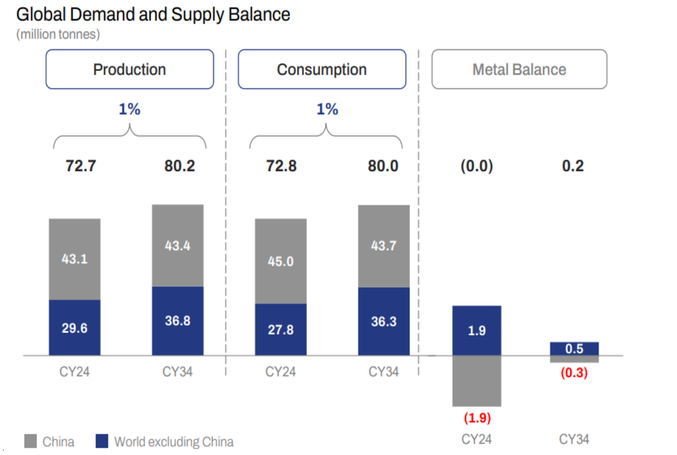
Source: MOFSL, Company

Favorable industry tailwinds leading to bright outlook; near-term volatility

Demand outlook:

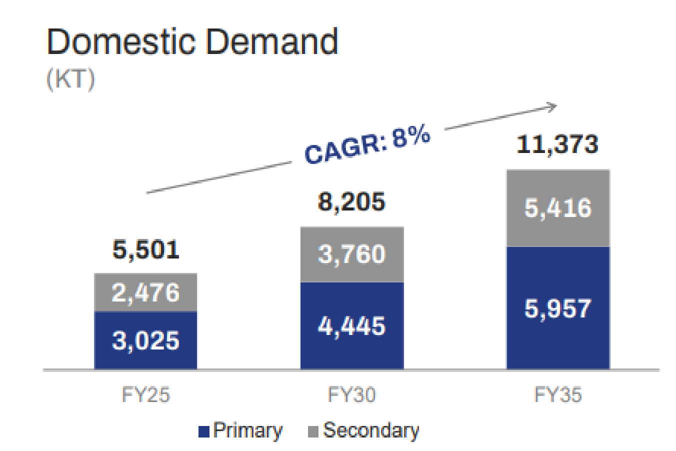
- Aluminum and copper constitute ~60% of India's industrial GDP (27% of India's total GDP). As India's GDP is expected to double by 2030 and increase 9x by 2047, the sector is well-positioned to benefit from India's growth story.
- Aluminum and copper demand are expected to surge, driven by key sectors like Auto, Energy, and Construction. Additionally, policy tailwinds like EV adoption, sustainable packaging, recycling, and the PLI scheme will further contribute to this growth.

Exhibit 9: Global primary aluminum



Source: MOFSL, Company

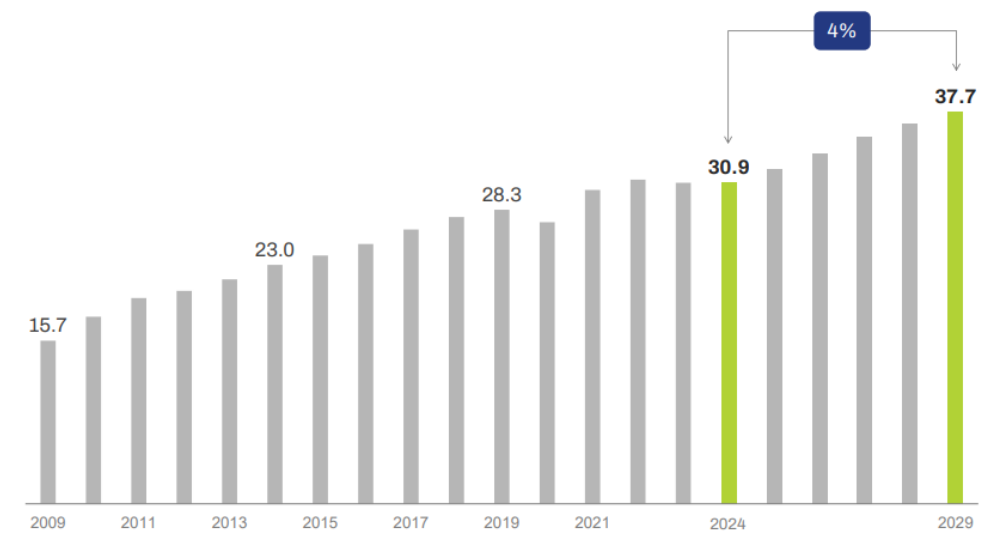
Exhibit 10: Domestic aluminum demand



Source: MOFSL, Company

- Over the last 10 years, the world excluding China posted a 3% CAGR, and management expects a similar growth momentum to continue over the next decade. Meanwhile, the global FRP market has nearly doubled in the last 15 years, reaching ~31 MT in 2024. In the long run, management projects demand to post 4% CAGR over CY24-29.
- Domestic demand is expected to double to 11,373KT by FY35 (8% CAGR), driven by the construction, automotive, and packaging sectors.

Exhibit 11: 20-year global FRP aluminum consumption (MT)



Source: MOFSL, Company

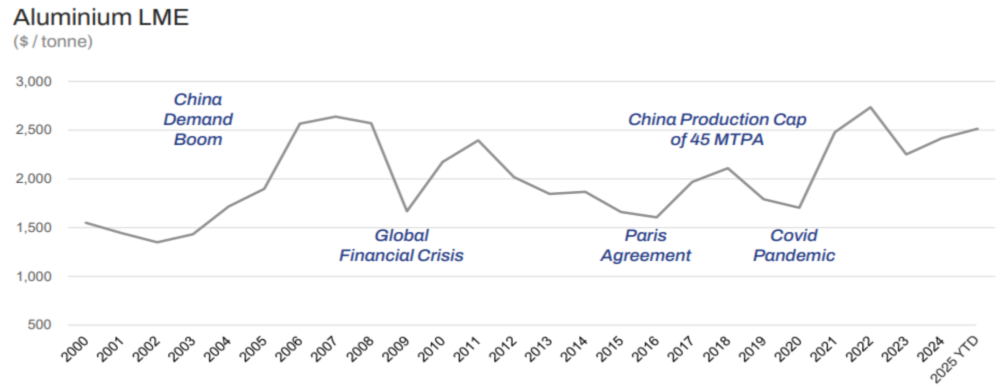
- **Beverage Can:** Global demand is expected to remain healthy across all regions, with a projected 4% CAGR till FY30, primarily driven by heavy destocking in 2023 and increased demand from packaging mix and new product launches.
- **Automotive:** Despite modest growth in the automotive industry, higher aluminum penetration is driving global automotive FRP demand. In Europe, growth will be driven by continued OEM focus on aluminum intensity and expansion through innovation and sustainability.

- **Building and Construction:** These sectors are expected to benefit from a structurally undersupplied U.S. single-family housing market, with the remodel market also continuing to grow.
- **Aerospace:** The demand for aerospace aluminum FRP is estimated to record a 4% CAGR over 2024-2030, as over 42,000 new airplanes are needed by 2043, which equates to more than 2,100 new aircraft per year. Of these, 80% will be typical single-aisle planes, which use more aluminum on average.

Price outlook

- Management foresees LME prices remaining resilient, driven by robust demand from the electrification trend, a supply cap by China at 45MTPA, which is creating supply pressures, and escalating costs of USD700/t (2015-2024).

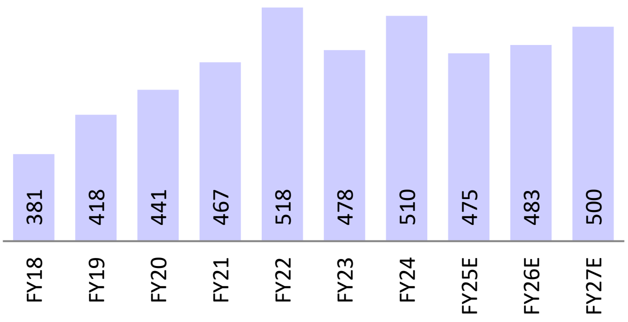
Exhibit 12: Management expects LME prices to remain resilient, led by robust demand and supply cap by China



Source: MOFSL, Company

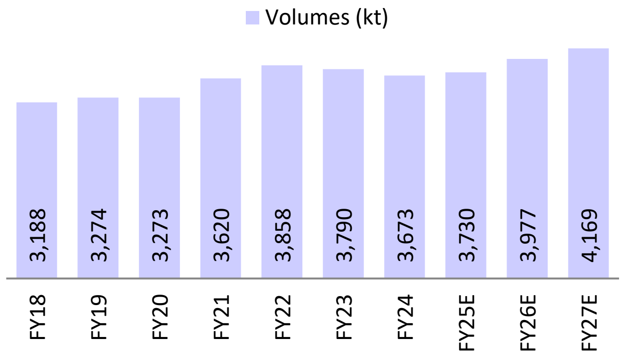
- HNDL is focusing on a higher value-added product mix, which is expected to lead to better pricing premiums. To support this, the company is venturing into batteries, crash components, and battery aluminum foils. Additionally, HNDL has launched a B2C Home Brand in India and is targeting the Aerospace and Defense (A&D) Materials segment.
- HNDL's foray into downstream copper products is expected to lead to a pricing premium. The company is also focusing on VAPs, such as high-precision copper grooved tubes, which are designed for air conditioning and refrigeration applications and are witnessing sharp growth in India. Moreover, India's Inner Grooved Tubes (IGT) demand is currently met through imports, which HNDL plans to cater to domestically.
- The Indian business is also planning to venture into aluminum recycling through a UBC recycling facility. It aims for a capacity of 30KTPA by FY26 and targets to scale to 200 KTPA by FY29 through a third-party tolling arrangement.

Exhibit 13: Novelis' EBITDA (USD/t) likely to sustain at 500/t



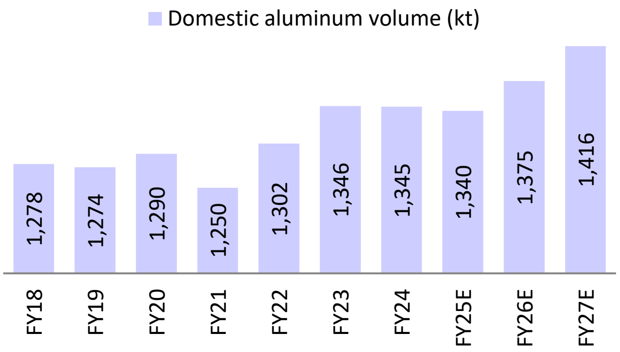
Source: MOFSL, Company

Exhibit 14: Novelis' increment volume (kt) from FY27 onward



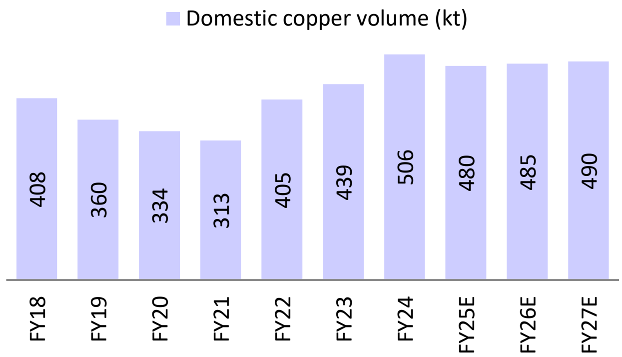
Source: MOFSL, Company

Exhibit 15: Aluminum upstream production (kt)



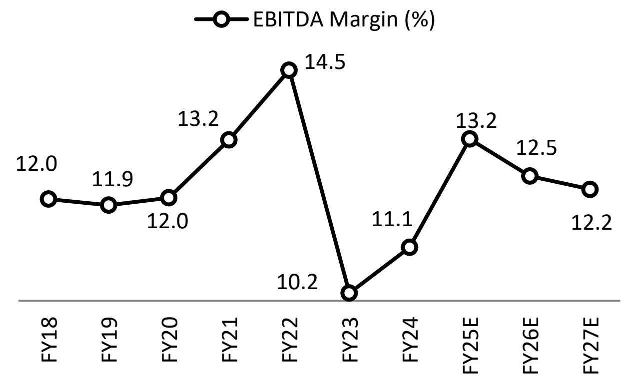
Source: MOFSL, Company

Exhibit 16: Domestic copper volume (kt)



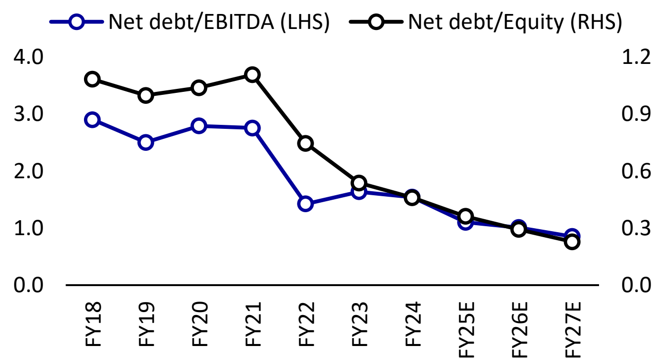
Source: MOFSL, Company

Exhibit 17: Consolidated EBITDA margin (%)



Source: MOFSL, Company

Exhibit 18: HNDL to continue its deleveraging



Source: MOFSL, Company

Exhibit 19: TP calculation

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	69,006
EBITDA	USD/t	795
EBITDA	INR m	33,813
Others	INR m	(36,000)
EBITDA Hindalco - India	INR m	1,42,068
EV/EBITDA (x)	x	5.5
Target EV	INR m	7,81,371
Novelis		
Volumes	kt	4,169
EBITDA	USD/t	500
USD/INR	x	87
EBITDA	**INR m**	**1,80,791**
EV/EBITDA (x)	x	6.0
Target EV	**INR m**	**10,84,745**
Target EV - Group	**INR m**	**18,66,116**
Net Debt	INR m	2,75,026
Equity Value	INR m	15,91,090
Equity Value	INR/sh	717
Investments (quoted)	INR m	1,39,605
Investments (quoted)	INR/sh	63
Discount factor	%	10%
Target Price	**INR/sh**	**770**

Source: MOFSL

Financials and valuations

Consolidated Income Statement (INR b)

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Net sales	**1,305**	**1,181**	**1,318**	**1,951**	**2,232**	**2,160**	**2,324**	**2,488**	**2,649**
Change (%)	13.3	-9.5	11.6	48.0	14.4	-3.2	7.6	7.0	6.5
Total Expenses	1,150	1,039	1,144	1,667	2,005	1,921	2,017	2,178	2,326
EBITDA	**155**	**142**	**174**	**283**	**227**	**239**	**307**	**310**	**323**
% of Net Sales	11.9	12.0	13.2	14.5	10.2	11.1	13.2	12.5	12.2
Depn. & Amortization	48	51	65	67	71	75	77	80	82
EBIT	**107**	**91**	**109**	**216**	**156**	**164**	**231**	**230**	**241**
Net Interest	38	42	37	38	36	39	34	35	33
Other income	11	12	12	11	13	15	26	15	17
PBT before EO	**81**	**61**	**83**	**190**	**132**	**140**	**222**	**210**	**225**
EO income (exp)	0	-2	-4	6	0	0	-9	0	0
PBT after EO	**81**	**59**	**79**	**196**	**132**	**140**	**214**	**210**	**225**
Current tax	19	15	19	38	29	30	65	64	68
Deferred tax (net)	7	6	8	16	3	9	0	0	0
Tax	26	22	27	54	31	39	65	64	68
Rate (%)	32.0	36.4	34.5	27.5	23.8	27.5	30.5	30.5	30.3
PAT (before MI and Sh. of Asso.)	**55**	**38**	**52**	**142**	**101**	**102**	**148**	**146**	**157**
MI and disc. Operations	0	0	17	5	0	0	0	0	0
Share of asso.	0	0	0	0	0	0	0	0	0
RPAT (after MI & Sh. of Asso.)	**55**	**38**	**35**	**137**	**101**	**102**	**149**	**146**	**157**
Adjusted PAT	**55**	**40**	**56**	**136**	**101**	**101**	**155**	**146**	**157**
Change (%)	30.6	-28.1	42.3	142.3	-26.2	0.8	52.7	-5.7	7.6

Balance Sheet (INR b)

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Share Capital	2	2	2	2	2	2	2	2	2
Reserves	573	581	663	780	946	1,059	1,194	1,325	1,466
Net Worth	**575**	**583**	**665**	**782**	**948**	**1,061**	**1,197**	**1,327**	**1,469**
Minority Interest	0	0	0	0	0	0	0	0	0
Total Loans	524	674	660	632	583	545	528	510	493
Deferred Tax Liability	37	38	36	44	73	82	82	82	82
Capital Employed	**1,136**	**1,295**	**1,361**	**1,459**	**1,605**	**1,688**	**1,806**	**1,919**	**2,043**
Gross Block	1,131	1,200	1,343	1,459	1,567	1,651	1,806	1,965	2,125
Less: Accum. Deprn.	458	509	574	630	718	793	870	950	1,032
Net Fixed Assets	**673**	**691**	**770**	**829**	**849**	**857**	**935**	**1,014**	**1,093**
Goodwill	186	201	233	240	257	261	261	261	261
Capital WIP	41	77	102	49	77	149	149	149	149
Investments	52	31	77	87	83	122	122	122	122
Working capital Assets	**567**	**685**	**706**	**1,014**	**969**	**919**	**990**	**1,052**	**1,127**
Inventory	222	224	307	445	430	408	441	470	501
Account Receivables	115	93	130	211	162	164	177	189	201
Cash and Bank Balance	136	278	182	228	212	177	189	198	217
Others (incl. LT)	94	90	88	130	165	169	183	195	208
Working capital liability	**383**	**391**	**527**	**760**	**630**	**619**	**650**	**679**	**708**
Account Payables	207	183	283	442	418	393	424	453	482
Others (incl. LT)	175	208	244	318	212	226	226	226	226
Net Working Capital	**184**	**294**	**180**	**254**	**339**	**300**	**339**	**373**	**419**
Appl. of Funds	**1,136**	**1,295**	**1,361**	**1,459**	**1,605**	**1,688**	**1,806**	**1,919**	**2,043**

E: MOFSL Estimates

Financials and valuations

Cash Flow Statement									(INR b)
Y/E March	**2019**	**2020**	**2021**	**2022**	**2023**	**2023**	**2025E**	**2026E**	**2027E**
EBITDA	155	142	174	283	227	239	307	310	323
Others	0	-2	-3	15	-3	9	-9	0	0
tax paid	-19	-1	-13	-38	-27	-27	-65	-64	-68
Change in WC	-17	-12	14	-92	-5	19	-27	-26	-26
CF from Op. Activity	**120**	**127**	**172**	**168**	**192**	**241**	**207**	**219**	**229**
(Inc)/Dec in FA + CWIP	-60	-68	-56	-54	-98	-157	-155	-159	-160
Free Cash Flow to firm	**60**	**60**	**117**	**114**	**94**	**83**	**52**	**60**	**68**
(Pur)/Sale of Inv. & yield	7	7	9	-59	20	-4	26	15	17
Others & M&A	-3	-23	-210	42	-3	18	0	0	0
CF from Inv. Activity	**-57**	**-84**	**-256**	**-71**	**-81**	**-143**	**-129**	**-144**	**-143**
Equity raised/(repaid)	-1	0	0	-1	-1	-1	0	0	0
Debt raised/(repaid)	-14	109	-10	-28	-55	-61	-18	-18	-18
Interest	-36	-40	-37	-33	-38	-39	-34	-35	-33
Dividend (incl. tax)	-3	-3	-2	-7	-9	-7	-13	-16	-16
CF from Fin. Activity	**-55**	**67**	**-49**	**-68**	**-103**	**-108**	**-65**	**-68**	**-66**
(Inc)/Dec in Cash	**9**	**110**	**-133**	**30**	**7**	**-10**	**13**	**8**	**20**
Add: Opening Balance	80	91	213	83	116	128	118	131	139
Changes in forex on CF	2	12	4	3	5	0	0	0	0
Closing cash Balance	91	213	83	116	128	118	131	139	159
Bank balance (inc. O/D adj.)	45	65	99	112	84	59	59	59	59
Closing Balance (incl. bank balance)	**136**	**278**	**182**	**228**	**212**	**177**	**190**	**198**	**217**

Ratios									
Y/E March	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Basic (INR)									
EPS	**24.7**	**17.8**	**25.3**	**61.3**	**45.3**	**45.7**	**69.7**	**65.8**	**70.7**
Cash EPS	46.2	39.8	52.5	94.3	77.4	79.6	101.5	101.8	107.6
BV/Share (adj.)	175.0	171.7	194.3	244.3	311.1	360.7	421.6	480.3	544.0
DPS	1.2	1.0	3.0	4.0	3.0	0.0	6.0	7.0	7.0
Payout (%)	4.9	5.6	11.9	6.5	6.6	0.0	8.6	10.6	9.9
Valuation (x)									
P/E	24.5	34.1	24.0	9.9	13.4	13.3	8.7	9.2	8.6
Cash P/E	13.1	15.2	11.5	6.4	7.8	7.6	6.0	5.9	5.6
P/BV	3.5	3.5	3.1	2.5	1.9	1.7	1.4	1.3	1.1
EV/Sales	1.3	1.5	1.4	0.9	0.8	0.8	0.7	0.7	0.6
EV/EBITDA	11.2	12.3	10.5	6.2	7.6	7.2	5.5	5.3	5.0
Dividend Yield (%)	0.2	0.2	0.5	0.7	0.5	0.0	1.0	1.2	1.2
Return Ratios (%)									
EBITDA Margins (%)	11.9	12.0	13.2	14.5	10.2	11.1	13.2	12.5	12.2
Net Profit Margins (%)	4.2	3.3	4.3	7.0	4.5	4.7	6.7	5.9	5.9
RoE	14.5	10.2	13.8	28.0	16.3	13.6	17.8	14.6	13.8
RoCE (pre-tax)	10.6	8.5	9.1	16.1	11.0	10.8	14.7	13.1	13.0
RoIC (pre-tax)	11.9	10.3	11.5	21.6	14.6	14.6	17.8	16.4	16.0
Working Capital Ratios									
Fixed Asset Turnover (x)	1.2	1.0	1.0	1.3	1.4	1.3	1.3	1.3	1.2
Asset Turnover (x)	1.1	0.9	1.0	1.3	1.4	1.3	1.3	1.3	1.3
Debtor (Days)	32	29	36	39	27	28	28	28	28
Inventory (Days)	62	69	85	83	70	69	69	69	69
Payable (Days)	58	56	78	83	68	66	66	66	66
Leverage Ratio (x)									
Current Ratio	1.5	1.8	1.3	1.3	1.5	1.5	1.5	1.6	1.6
Interest Cover Ratio	2.8	2.2	2.9	5.7	4.3	4.2	6.8	6.6	7.4
Debt/Equity	1.0	1.0	1.1	0.7	0.5	0.5	0.4	0.3	0.2

NOTES

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SELL	< - 10%
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