

Hindalco (Novelis)

Earnings intact; higher WC restricts deleveraging

Novelis (Hindalco's 100% subsidiary) reported marginally better-than expected adjusted EBITDA of USD508mn (CentrumE: USD481mn), flat QoQ, and EBITDA/t of USD522 (CentrumE: USD500/t), up 1.6% QoQ. Net debt was flat at USD4.99bn QoQ due to higher working capital. Management reiterated its sustainable EBITDA/t guidance of USD500/t+. We revise Novelis' FY22E EBITDA/t to USD520 (earlier USD500) and FY23E EBITDA/t to USD528 (earlier USD520). Besides, we factor in higher LME aluminum prices (USD2,300/t in each of FY22E and FY23E v/s USD2,200/t earlier) in India operations. We raise our consolidated FY22E/FY23E EBITDA by 5%/4%, leading to an increase in our target price to Rs558 (earlier Rs533), valuing Novelis at 7x FY23E EV/EBITDA and Indian operations at 5.5x FY23E EV/EBITDA. Reiterate BUY.

EBITDA flat QoQ, double YoY on low base

Novelis recorded one-time income of USD47mn due to favorable decision in Brazilian tax litigation regarding inclusion of VAT for tax calculation on a social security tax. Adjusted for that, Novelis reported EBITDA of USD508mn, flat QoQ and EBITDA/t of USD522, up 1.6% QoQ. Novelis has attained ~USD100mn run rate cost synergies with Aleris acquisition (~USD79mn yearly run rate synergy benefits in Q4FY21; target of ~USD120mn). The weakness in auto volume amid semi-conductor shortage has been offset by higher demand in beverage cans and specialities segments, thereby recording volume of 973kt, down 1% QoQ. The scrap spread continues to be favorable.

Next phase of expansion in China announced; synergy benefits of >USD100mn

The automotive finishing line of 200ktpa in US and ~100ktpa in China has been ready for commercial shipments. The rolling mill expansion of 100ktpa at Brazil has begun commissioning in Q2FY22 (earlier expected by FY22-end). The next phase of expansion (backward integration by setting up cold rolling mill at China at capex of USD375mn) will start now, which will help in realizing synergy benefits of >USD100mn/year (earlier guidance was USD65mn/year), once completed in H2FY25.

Higher working capital restricts further deleveraging

Net debt was flat at USD4.99bn (FY21: USD4.96bn) on a QoQ basis due to higher working capital requirement of ~USD425mn amid higher aluminum prices and higher inventory to tackle any supply disruption. This along with capex of USD101mn led Novelis to record free cash outflow of USD30mn in Q1FY22. On an average, every USD100/t change in aluminum prices impacts working capital by USD60-65mn. Management refinanced USD1.5bn debt, which will help in lowering annual interest cost by ~USD35mn.

Novelis growth intact; higher aluminum prices to improve India earnings

While earnings momentum of Novelis continues, the higher working capital requirement and capex on China expansion will restrict any major deleveraging in FY22 (net debt of USD4.59bn in FY22E v/s USD4.96bn in FY21). With increase in earnings on account of higher profitability at Novelis and higher aluminum prices, we increase our target price to Rs558 (earlier Rs533), valuing Novelis at 7x FY23E EV/EBITDA and Indian operations at 5.5x FY23E EV/EBITDA. Reiterate BUY.

Financial summary

USD mn	1QFY22	1QFY21	YoY (%)	4QFY21	QoQ (%)	FY21A	FY22E	FY23E
Net Sales	3,855	2,426	58.9	3,631	6.2	12,276	14,984	15,851
Adj EBITDA	508	253	100.8	505	0.6	1,714	2,017	2,084
Margins (%)	13.2	10.4		13.9		14.0	13.5	13.1
Interest	59	70	-15.7	61	-3.3	267	210	200
Depreciation	134	118	13.6	147	-8.8	543	588	606
PBT	315	65	385	297	6.1	851	1,266	1,278
Adj. PAT	207	76	172.4	174	19.0	236	865	920

Source: Company, Centrum Broking

Result Update
India I Metals & Mining
04 August, 2021
BUY
Price: Rs443
Target Price: Rs558
Forecast return: 26%

Market Data

Bloomberg:	HNDL IN
52 week H/L:	474/154
Market cap:	Rs994.7bn
Shares Outstanding:	2246.9mn
Free float:	65.4%
Avg. daily vol. 3mth:	1,63,15,150
Source: Bloomberg	

Changes in the report

Rating:	No change
Target price:	Increase by 5%
EPS:	Increase FY22E by 12.6% and FY23E by 5.7%

Source: Centrum Broking

Shareholding pattern

	Jun-21	Mar-21	Dec-20	Sep-20
Promoter	34.6	34.6	34.7	34.7
FII	25.0	25.0	22.8	19.6
DII	20.6	20.8	22.1	25.1
Public/other	19.8	19.6	20.5	20.7

Source: BSE

Centrum estimates vs Actual results

YE Mar (USD mn)	Actual Q1FY22	Centrum Q1FY22	Variance (%)
Revenue	3,855	3,850	0.1
EBITDA	508	481	5.6
EBITDA/t (USD)	522	500	4.4
PBT	315	275	14.4
Adj. PAT	207	201	3.0

Source: Bloomberg, Centrum Broking



Ashish Kejriwal

Senior Vice President, Metals & Mining
+91-22-4215 9855
ashish.kejriwal@centrum.co.in



Kunal Kothari

Associate, Metals & Mining
+91-22-4215 9375
kuunal.kothari@centrum.co.in

Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY22E		FY23E		FY23E % chg	
	New	Old	New	Old		
Revenue	16,43,342	16,06,940	2.3	17,90,670	17,53,286	2.1
EBITDA	2,38,503	2,26,499	5.3	2,52,950	2,43,920	3.7
EBITDA margin	14.5	14.1		14.1	13.9	
Adj. PAT	1,05,536	93,705	12.6	1,12,681	1,06,652	5.7

Source: Centrum Broking

Hindalco versus NIFTY 50

	1m	6m	1 year
HNDL IN	13.6	68.9	151.9
NIFTY 50	2.7	8.9	46.5

Source: Bloomberg, NSE

Key assumptions

Y/E Mar	FY20	FY21	FY22E	FY23E
Rs/USD	70.9	74.3	74.5	75.0
LME aluminium incl hedging	1,751	1,807	2,172	2,310
Premium	90	100	150	150
Aluminium volume-India ('000 t)	1,290	1,250	1,277	1,297
Aluminium volume- Novelis ('000 t)	3,273	3,613	3,880	3,950
Novelis- EBITDA/t (USD)	450	474	520	528
Net debt/EBITDA (x)	2.7	2.7	1.8	1.3

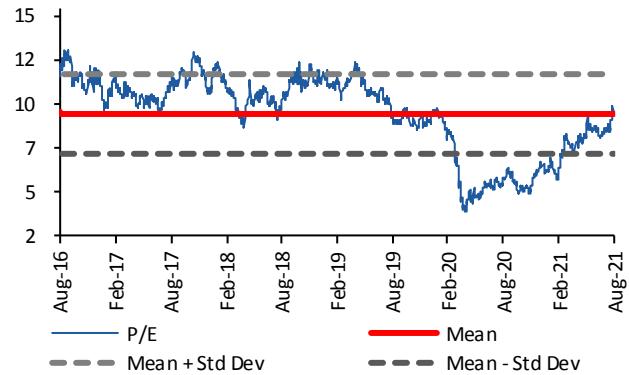
Source: Centrum Broking

Valuations

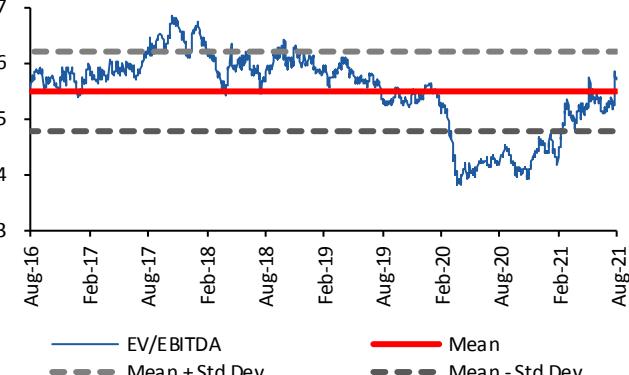
We increase our target price to Rs558 (earlier Rs533), valuing Novelis at 7x FY23E EV/EBITDA and Indian operations at 5.5x FY23E EV/EBITDA. Reiterate BUY.

Particulars	FY23E (EBITDA in Rs m)	Multiple (EBITDA)	EV	Avg net debt	Arrived Market- Cap	Per share
Indian operation	95,571	5.5	5,25,638	89,594	4,36,045	196
Novelis	1,56,321	7.0	10,94,248	2,91,813	8,02,435	361
Target Price						558

P/E mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rs mn)	CAGR (FY21-23E)			P/E (x)			EV/EBITDA (x)			FY22E		
		Sales	EBITDA	EPS	FY21	FY22E	FY23E	FY21	FY22E	FY23E	RoE (%)	ROCE (%)	Div. Yield
Hindalco	9,82,794	16.5	19.7	40.9	17.3	9.3	8.7	7.3	6.0	5.2	14.9	9.6	0.7
Hindustan Zinc	13,50,617	9.9	15.3	11.0	16.9	13.5	13.7	10.2	7.7	7.6	30.2	25.5	6.3
Vedanta	11,56,920	12.4	25.5	25.6	9.1	6.3	5.8	5.3	3.4	3.0	27.3	17.7	9.6

Source: Company, Centrum Broking

Key Concall Highlights

- Management is buoyant on demand outlook across products. Beverage cans (58% of Q1FY22 revenue; expect growth of 3-6% YoY in CY21), automotive (17% of Q1FY22 revenue; expect 20-25% YoY demand growth in CY21), speciality (23% of Q1FY22 revenue; expect 5-10% YoY demand growth in CY21) and aerospace (2% of Q1FY22 revenue; expect 5-10% YoY demand growth in CY21).
- Management guides that the impact on auto volume due to OEMs' hit on account of semiconductor shortages is gradually improving. As a result, auto volumes are expected to pick up in coming quarters.
- Management maintains sustainable mid-term EBITDA/t guidance of USD500+, primarily due to high metal demand. The scrap spread is high in North America due to rise in LME aluminum prices, which will support EBITDA.
- During Q1FY22, Novelis recorded sales volume of 973kt, up 25.7% YoY/flat QoQ. Higher automotive demand, pickup in speciality business favored by infrastructure push by US and Europe governments, and strong beverage can shipment due to high at-home consumption supported higher sales on a YoY basis.
- Overall, volumes in North America increased by 32% YoY/flat QoQ to 358kt; while in Europe, volumes were up by 32% YoY/marginally up 2.6% QoQ to 279kt. Volumes in South America increased by 39% YoY/2.3% QoQ to 160kt. The significant demand shift towards beverage cans for beer packaging bodes well, as part of it will remain even in post-Covid era. Asia recorded volume of 200kt, up 8.7% YoY/8.7% QoQ, primarily due to sharp demand recovery in China.
- While Aleris integration is completed, management increased guidance to unfold significant synergy benefit of USD220mn (includes ~USD100mn synergy benefits post integration of China facility). It reported USD100mn yearly run rate of synergy benefits in Q1FY22 vs USD79mn in Q4FY21.
- During Q1FY22, Novelis generated free cash flow of USD73mn from continuing operations before capex compared to negative USD34mn in Q1FY21, largely supported by higher EBITDA offsetting increase in working capital. Working capital requirement jumped significantly during the quarter to USD425mn vs USD138mn in Q1FY21 due to higher aluminum price and stocking up of scrap inventory.
- The expansion of ~200ktpa in US and ~100ktpa in China automotive finishing line is ready for commercial shipment. Management expects full ramp-up in China by FY23-end and in US by mid-FY24. Further, taking steps towards full integration in China, management announced setting up of cold-rolled mill, recycling capability, hot mill upgrade, etc, at an estimated capex of USD375mn in the next three years. This will help in realizing synergy benefit of ~US100mn/year. Post project completion, it would unlock UAL capacity, which can be utilized to cater to growing speciality and beverage can market. The Brazil ~100ktpa recycling and rolling capacity expansion is in process of commissioning in Q2FY22. This would boost beverage can volumes in coming quarters.
- During Q1FY22, Novelis did capex of USD101mn. Management guides capex of USD600-700mn for FY22. During the next five years, it plans to spend ~USD1.5bn on overall organic expansion.
- Net debt increased marginally by USD26mn QoQ to USD4.98bn due to higher working capital. In July, Novelis refinanced USD1.5bn 5.875% unsecured notes due in CY26 into two of USD750mn each, 3.25% due in CY26 and 3.875% due in CY31. It would save USD35mn of interest cost annually.
- Novelis has written off EUR45mn (out of EUR100mn pending), trying to settle litigation off-court with Liberty group on its sale of Duffel plant.

Exhibit 1: Novelis financials

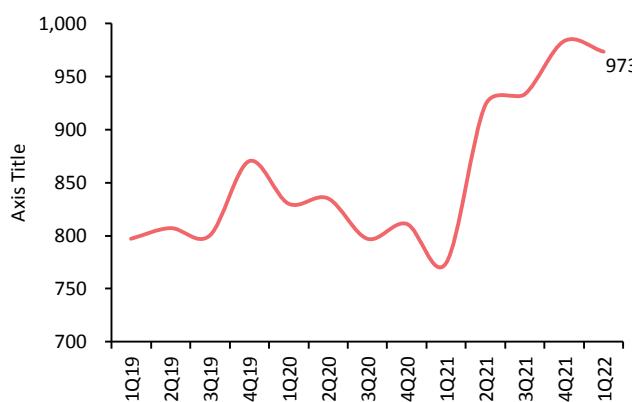
USD mn	1Q21	2Q21	3Q21	4Q21	1Q22
Rolled product sales volume ('000 t)	774	923	933	983	973
YoY (%)	(6.7)	10.5	17.1	21.2	25.7
QoQ (%)	(4.6)	19.3	1.1	5.4	(1.0)
Net sales	2,426	2,978	3,241	3,631	3,855
YoY (%)	(17.1)	4.5	19.4	33.2	58.9
QoQ (%)	(11.0)	22.8	8.8	12.0	6.2
Adj EBITDA	253	455	501	505	508
YoY (%)	(32.0)	21.7	46.1	31.9	100.8
QoQ (%)	(33.9)	79.8	10.1	0.8	0.6
EBITDA/t (USD)	327	493	537	514	522
YoY (%)	(27.1)	10.1	24.8	8.8	59.7
QoQ (%)	(30.8)	50.8	8.9	(4.3)	1.6
Depreciation	118	141	137	147	134
Interest	70	70	66	61	59
PBT	65	244	298	297	315
Tax	(29)	68	80	119	108
Adj PAT before Minority shares	94	176	218	178	207
Discontinued operation	-18	-181	-18	-4	-63
Adj PAT after Minority shares	76	-5	200	174	144

Source: Centrum Broking, Company Data

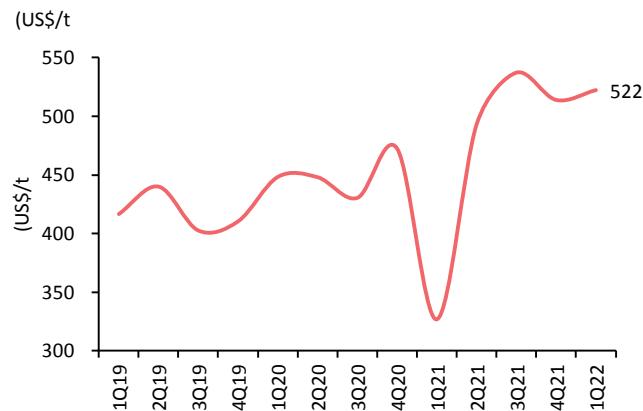
Exhibit 2: Regional performance

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	YoY (%)	QoQ (%)
North America							
Rolled products (000 t)	272	367	347	362	358	31.6	-1.1
Adj EBITDA (USD mn)	78	205	206	174	172	120.5	-1.1
Adj EBITDA/t (USD)	287	559	594	481	480	67.5	0.0
Europe							
Rolled products (000 t)	212	240	253	272	279	31.6	2.6
Adj EBITDA (USD mn)	20	63	98	104	102	410.0	-1.9
Adj EBITDA/t (USD)	94	263	387	382	366	287.5	-4.4
Asia							
Rolled products (000 t)	184	178	184	200	192	4.3	-4.0
Adj EBITDA (USD mn)	75	74	78	78	88	17.3	12.8
Adj EBITDA/t (USD)	408	416	424	390	458	12.4	17.5
South America							
Rolled products (000 t)	113	148	158	160	157	38.9	-1.9
Adj EBITDA (USD mn)	76	112	129	132	193	153.9	46.2
Adj EBITDA/t (USD)	673	757	816	825	1229	82.8	49.0

Source: Centrum Broking, Company Data

Exhibit 3: Volume up 26% YoY

Source: Company Data, Centrum Broking

Exhibit 4: EBITDA/t sustaining at >USD500/t

Source: Company Data, Centrum Broking

Exhibit 5: Change in Estimate

Rs m	Old		New		Change (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Standalone incl Utkal Alumina						
Exchange rate	74.5	75.0	74.5	75.0	0.0	0.0
LME aluminium (USD/t)*	2,105	2,215	2,172	2,310	3.2	4.3
Premium (USD/t)	150	150	150	150	0.0	0.0
Aluminium realisation (Rs/t)	1,67,995	1,77,375	1,72,986	1,84,500	3.0	4.0
Sales volume('000 t)	1,290	1,310	1,290	1,310	0.0	0.0
Revenue	5,64,114	6,35,374	5,69,799	6,44,614	1.0	1.5
EBITDA	81,875	88,815	87,180	95,571	6.5	7.6
Adj PAT	34,858	39,905	38,271	44,296	9.8	11.0
Novelis						
Sales volume('000 t)	3,850	3,950	3,880	3,950	0.8	0.0
EBITDA (USD mn)	1,927	2,054	2,017	2,084	4.7	1.5
EBITDA/t (USD)	501	520	520	528	3.9	1.5
Consolidated						
Revenue	160,6940	175,3286	16,43,342	17,90,670	2.3	2.1
EBITDA	226,499	243,920	2,38,503	2,52,950	5.3	3.7
PAT	93,705	106,652	1,05,536	1,12,681	12.6	5.7
EPS (Rs/share)	42.2	48.0	47.5	50.8	12.6	5.7
TP (Rs/share)		533		558		4.6

Source: Company Data, Centrum Broking

P&L					
YE Mar (Rs mn)	FY19A	FY20A	FY21A	FY22E	FY23E
Revenues	13,05,423	11,81,440	13,19,850	16,43,342	17,90,670
Operating Expense	8,83,075	7,79,660	8,52,280	11,01,119	12,16,105
Employee cost	90,431	88,320	1,07,820	1,21,122	1,30,599
Others	1,76,919	1,69,400	1,83,270	1,82,598	1,91,016
EBITDA	1,54,998	1,44,060	1,76,480	2,38,503	2,52,950
Depreciation & Amortisation	47,662	51,910	67,400	71,223	73,965
EBIT	1,07,335	92,150	1,09,080	1,67,281	1,78,985
Interest expenses	37,780	41,970	37,380	33,963	32,657
Other income	11,271	11,900	12,220	18,703	16,201
PBT	80,826	62,080	83,920	1,52,021	1,62,529
Taxes	25,881	21,570	27,230	46,534	49,899
Effective tax rate (%)	32.0	34.7	32.4	30.6	30.7
PAT	54,945	40,510	56,690	1,05,486	1,12,631
Minority/Associates	5	40	50	50	50
Recurring PAT	54,950	40,550	56,740	1,05,536	1,12,681
Extraordinary items	0	2,840	4,920	0	0
Reported PAT	54,950	43,390	61,660	1,05,536	1,12,681
Ratios					
YE Mar	FY19A	FY20A	FY21A	FY22E	FY23E
Growth (%)					
Revenue	13.3	(9.5)	11.7	24.5	9.0
EBITDA	11.3	(7.1)	22.5	35.1	6.1
Adj. EPS	28.0	(26.2)	39.9	86.0	6.8
Margins (%)					
Gross	39.7	42.2	42.0	39.5	38.5
EBITDA	11.9	12.2	13.4	14.5	14.1
EBIT	8.2	7.8	8.3	10.2	10.0
Adjusted PAT	4.2	3.4	4.3	6.4	6.3
Returns (%)					
ROE	9.8	7.0	9.1	14.9	14.0
ROCE	7.4	5.8	6.3	9.6	9.8
ROIC	6.7	5.4	6.1	8.6	9.3
Turnover (days)					
Gross block turnover ratio (x)	1.3	1.1	1.1	1.3	1.3
Debtors	30	32	31	31	30
Inventory	61	69	73	72	70
Creditors	58	60	64	63	61
Net working capital	68	117	72	64	66
Solvency (x)					
Net debt-equity	0.7	0.7	0.7	0.6	0.4
Interest coverage ratio	4.1	3.4	4.7	7.0	7.7
Net debt/EBITDA	2.5	2.7	2.7	1.8	1.3
Per share (Rs)					
Adjusted EPS	24.8	18.3	25.6	47.5	50.8
BVPS	259.0	262.7	299.7	339.5	383.9
CEPS	46.2	41.6	55.9	79.6	84.1
DPS	1.2	1.0	3.0	3.0	3.0
Dividend payout (%)	4.8	5.1	10.8	6.3	5.9
Valuation (x)					
P/E	17.9	24.2	17.3	9.3	8.7
P/BV	1.7	1.7	1.5	1.3	1.2
EV/EBITDA	5.5	4.2	7.3	6.0	5.2
Dividend yield (%)	0.3	0.2	0.7	0.7	0.7

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY19A	FY20A	FY21A	FY22E	FY23E
Equity share capital	2,220	2,220	2,220	2,220	2,220
Reserves & surplus	5,72,795	5,80,950	6,63,111	7,51,509	8,50,082
Shareholders fund	5,75,015	5,83,170	6,65,331	7,53,729	8,52,302
Minority Interest	95	100	100	100	100
Total debt	5,24,153	6,72,570	6,59,780	6,07,784	5,55,788
Non Current Liabilities	87,535	1,09,340	1,11,850	1,11,850	1,11,850
Def tax liab. (net)	45,260	46,710	44,930	44,930	44,930
Total liabilities	12,32,057	14,11,890	14,81,991	15,18,394	15,64,970
Gross block	10,31,410	11,06,960	12,06,930	12,65,212	13,28,494
Less: acc. Depreciation	(3,89,560)	(4,46,290)	(4,98,440)	(5,63,178)	(6,30,352)
Net block	6,41,850	6,60,670	7,08,490	7,02,034	6,98,142
Capital WIP	39,750	76,100	1,00,130	1,17,130	1,32,130
Net fixed assets	8,99,782	9,69,570	11,05,170	11,15,714	11,26,822
Non Current Assets	28,240	22,880	29,970	28,290	30,770
Investments	51,357	30,910	76,700	76,700	76,700
Inventories	2,21,940	2,23,840	3,06,680	3,43,894	3,46,157
Sundry debtors	1,13,890	93,450	1,29,590	1,51,566	1,47,213
Cash & Cash Equivalents	1,36,423	2,78,480	1,82,260	1,68,560	2,32,199
Loans & advances	577	550	470	470	470
Other current assets	67,512	66,500	57,280	62,190	66,477
Trade payables	2,07,244	1,83,000	2,82,800	2,87,086	3,10,352
Other current liab.	16,340	10,770	16,880	27,844	32,368
Provisions	72,840	89,620	1,15,320	1,22,932	1,27,990
Net current assets	2,43,918	3,79,430	2,61,280	2,88,819	3,21,807
Total assets	12,32,057	14,11,890	14,81,990	15,18,393	15,64,969
Cashflow					
YE Mar (Rs mn)	FY19A	FY20A	FY21A	FY22E	FY23E
Profit Before Tax	80,831	59,240	79,050	1,52,021	1,62,529
Depreciation & Amortisation	47,770	50,910	66,280	64,738	67,174
Net Interest	32,350	41,970	37,380	0	0
Net Change – WC	(16,865)	(11,780)	14,040	(22,781)	59,769
Direct taxes	(18,883)	(1,020)	(12,560)	(46,534)	(49,899)
Net cash from operations	1,19,795	1,26,650	1,79,120	1,47,444	2,39,574
Capital expenditure	(59,719)	(67,070)	(55,170)	(75,282)	(78,282)
Acquisitions, net	0	0	(1,95,240)	0	0
Investments	(3,136)	(15,780)	(27,750)	0	0
Others	8,263	(160)	21,790	0	0
Net cash from investing	(54,592)	(83,010)	(2,56,370)	(75,282)	(78,282)
FCF	60,076	59,580	(71,290)	72,162	1,61,292
Issue of share capital	61	70	50	0	0
Increase/(decrease) in debt	(14,443)	1,12,800	56,920	(51,996)	(51,996)
Dividend paid	(3,229)	(3,200)	(2,220)	(6,660)	(6,660)
Interest paid	(35,766)	(40,160)	(36,780)	0	0
Others	(1,236)	(3,410)	(66,790)	0	0
Net cash from financing	(54,613)	66,100	(48,820)	(58,656)	(58,656)
Net change in Cash	10,590	1,09,740	(1,26,070)	13,506	1,02,636

Source: Company, Centrum Broking

Disclaimer

Centrum Broking Limited ("Centrum") is a full-service, Stock Broking Company and a member of The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE). Our holding company, Centrum Capital Ltd, is an investment banker and an underwriter of securities. As a group Centrum has Investment Banking, Advisory and other business relationships with a significant percentage of the companies covered by our Research Group. Our research professionals provide important inputs into the Group's Investment Banking and other business selection processes.

Recipients of this report should assume that our Group is seeking or may seek or will seek Investment Banking, advisory, project finance or other businesses and may receive commission, brokerage, fees or other compensation from the company or companies that are the subject of this material/report. Our Company and Group companies and their officers, directors and employees, including the analysts and others involved in the preparation or issuance of this material and their dependants, may on the date of this report or from, time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Centrum or its affiliates do not own 1% or more in the equity of this company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We and our Group may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of Centrum. Centrum or its affiliates do not make a market in the security of the company for which this report or any report was written. Further, Centrum or its affiliates did not make a market in the subject company's securities at the time that the research report was published.

This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients of Centrum. Though disseminated to clients simultaneously, not all clients may receive this report at the same time. Centrum will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. Any such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document.

The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by or on behalf of the Company, Centrum, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts.

The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Centrum does not provide tax advice to its clients, and all investors are strongly advised to consult regarding any potential investment. Centrum and its affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk. Certain transactions including those involving futures, options, and other derivatives as well as non-investment-grade securities give rise to substantial risk and are not suitable for all investors. Please ensure that you have read and understood the current risk disclosure documents before entering into any derivative transactions.

This report/document has been prepared by Centrum, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. Centrum has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change.

This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of Centrum. This report or any portion hereof may not be printed, sold or distributed without the written consent of Centrum.

The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Neither Centrum nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe any such restrictions. By accepting this report, you agree to be bound by the foregoing limitations. No representation is made that this report is accurate or complete.

The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of Centrum Broking and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection.

This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith.

Centrum and its affiliates have not managed or co-managed a public offering for the subject company in the preceding twelve months. Centrum and affiliates have not received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for service in respect of public offerings, corporate finance, debt restructuring, investment banking or other advisory services in a merger/acquisition or some other sort of specific transaction.

As per the declarations given by them, Mr. Ashish Kejriwal & Mr. Kunal Kothari, research analyst and and/or any of their family members do not serve as an officer, director or any way connected to the company/companies mentioned in this report. Further, as declared by them, they are not received any compensation from the above companies in the preceding twelve months. They do not hold any shares by them or through their relatives or in case if holds the shares then will not to do any transactions in the said scrip for 30 days from the date of release such report. Our entire research professionals are our employees and are paid a salary. They do not have any other material conflict of interest of the research analyst or member of which the research analyst knows of has reason to know at the time of publication of the research report or at the time of the public appearance.

While we would endeavour to update the information herein on a reasonable basis, Centrum, its associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Centrum from doing so.

Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Centrum policies, in circumstances where Centrum is acting in an advisory capacity to this company, or any certain other circumstances.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Centrum Broking Limited or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market.

Ratings definitions

Our ratings denote the following 12-month forecast returns:

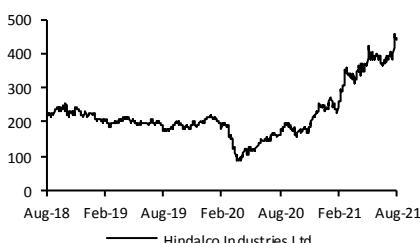
Buy – The stock is expected to return above 15%.

Add – The stock is expected to return 5-15%.

Reduce – The stock is expected to deliver -5-+5% returns.

Sell – The stock is expected to deliver <-5% returns.

Hindalco



Source: Bloomberg

Disclosure of Interest Statement

1 Business activities of Centrum Broking Limited (hereinafter referred to as "CBL") is a registered member of NSE (Cash, F&O and Currency Derivatives Segments), MCX-SX (Currency Derivatives Segment) and BSE (Cash segment), Depository Participant of CDSL and a SEBI registered Portfolio Manager.

2 Details of Disciplinary History of CBL CBL has not been debarred/ suspended by SEBI or any other regulatory authority from accessing /dealing in securities market.

3 Registration status of CBL: CBL is registered with SEBI as a Research Analyst (SEBI Registration No. INH000001469)

Hindalco

4 Whether Research analyst's or relatives' have any financial interest in the subject company and nature of such financial interest No

5 Whether Research analyst or relatives have actual / beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the document. No

6 Whether the research analyst or his relatives has any other material conflict of interest No

7 Whether research analyst has received any compensation from the subject company in the past 12 months and nature of products / services for which such compensation is received No

8 Whether the Research Analyst has received any compensation or any other benefits from the subject company or third party in connection with the research report No

9 Whether Research Analysts has served as an officer, director or employee of the subject company No

10 Whether the Research Analyst has been engaged in market making activity of the subject company. No

11 Whether it or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months; No

12 Whether it or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; No

13 Whether it or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; No

Member (NSE and BSE). Member MSEI (Inactive)

Single SEBI Regn No.: INZ000205331

Depository Participant (DP)

CDSL DP ID: 120 – 12200

SEBI REGD NO.: CDSL: IN-DP-CDSL-661-2012

PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

Research Analyst

SEBI Registration No. INH000001469

Mutual Fund Distributor

AMFI REGN No. ARN- 147569

Website: www.centrum.co.in

Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:

Ashok D Kadambi

(022) 4215 9937; Email ID: compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)**Registered Office Address**

Bombay Mutual Building,
2nd Floor, Dr. D. N. Road,
Fort, Mumbai - 400 001

Corporate Office & Correspondence Address

Centrum House
6th Floor, CST Road, Near Vidya Nagari Marg, Kalina, Santacruz (E), Mumbai
400 098.
Tel: (022) 4215 9000 Fax: +91 22 4215 9344