India

Neutral *(no change)*

Highlighted Companies

Hindalco Industries

ADD, TP Rs785, Rs659 close

With the rise in downstream production in India and a stable cost structure at Novelis, Hindalco Industries is no longer a pure long-aluminium play. Going ahead, investment in the scrap supply chain will start yielding results, and Novelis' EBITDA should sustain above US$500/t. We reiterate our ADD rating on the stock and increase our target price to Rs785. At our new target price, the stock will trade at 7x FY26F EV/EBITDA.

Summary Valuation Metrics

P/E (x)	Mar24-A	Mar25-F	Mar26-F
Hindalco Industries	14.4	11.01	9.51

P/BV (x)	Mar24-A	Mar25-F	Mar26-F
Hindalco Industries	1.38	1.23	1.1

Dividend Yield	Mar24-A	Mar25-F	Mar26-F
Hindalco Industries	0.61%	0.61%	0.61%

Non Ferrous

Aluminium is back to where it belongs

- Until five years ago, primary aluminium (Al) used to drive Al prices. However, the increased usage of scrap has changed this dynamic.
- In the foreseeable future, primary aluminium will remain in oversupply, with scrap playing a key role in determining prices. Chinese exports won't reduce.
- The companies having their own scrap collection and processing network will enjoy a significant cost advantage and hence, we like Hindalco Industries.

Primary metal is no more the price driver of aluminium

Approximately 44% of global aluminium production is powered by coal energy, while around 19.3% is powered by hydropower. Scrap constitutes 30% of overall aluminium production, with the rest coming from gas and renewable sources. As more scrap collection centres are established by key players, the cost of primary aluminium production is expected to lose its relevance. Recent BP data suggests that there has been an excess production of coal for the last three years. In fact, during 2023, the excess production of thermal coal was the highest in the last three decades, while incremental consumption in Europe is declining rapidly. Japan is also restarting its nuclear power plants, which is negative for coal as well as LNG consumption. Consequently, coal demand is expected to decrease, and we anticipate that in the next 12 months, RB1 coal prices could fall to US$70-75/t. This decline in coal prices will likely reduce the cost of aluminium production.

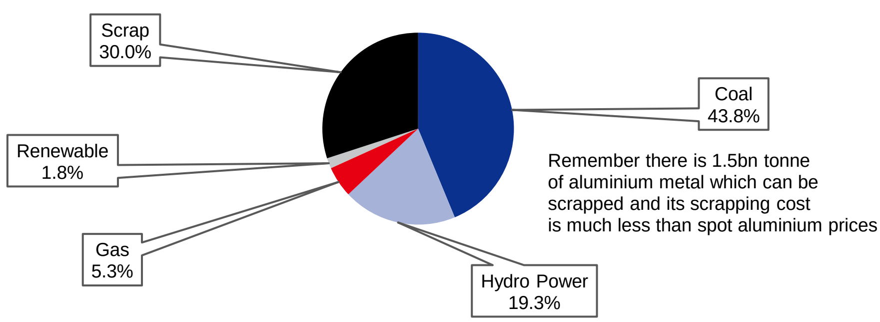
Scrap as a % of Al usage to rise to ~40% by CY30F (currently 30%)

Hydro forecasts that by CY30F, overall aluminium demand will touch approximately 124mt (up from the current ~104mt), with scrap consumption rising to around 48mt. This implies that primary aluminium consumption will remain at around 76mt, which is just a 6% increase from primary demand currently. Consequently, primary capacity utilization is expected to drop below 85%, leading to diminished pricing power over time. China is projected to become one of the largest sources of aluminium scrap and, as a result, low-priced exports from China are likely to continue posing challenges in the global market for an extended period.

We raise our target price for Hindalco to Rs785; maintain ADD rating

Hindalco Industries (Hindalco) has a conversion business through Novelis and a traditional primary aluminium business in India. The company is diversifying its operations in India and will soon have a 600kt rolled products business, which is expected to generate more than US$200/t in standalone EBITDA. As Hindalco continues to invest in its scrap collection and processing network, Novelis's gross profit/t is likely to rise to around US$800, with EBITDA potentially exceeding US$525/t. Hindalco's Indian balance sheet is debt-free, allowing it to fund incremental capital expenditure with its own cash flow. This will reduce its leverage soon. **Downside risks:** Supply chain disruption could lead to higher aluminium prices which, in turn, will lead to lower demand, increase in working capital requirement and induce earnings volatility in Novelis (hedging losses and gains).

Figure 1: Aluminium prices are not dependent on coal cost anymore; scrap collection cost will determine its future prices



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Research Analyst(s)

Satish KUMAR
T (91) 22 4161 1562
E satish.kumar@incredresearch.com

Abbas PUNJANI
T (91) 22 4161 1598
E abbas.punjani@incredresearch.com

Aluminium is back to where it belongs

Global aluminium prices have returned to their expected range of around US$ 2,200-2,300/t. There have been multiple theories on pricing, particularly suggesting that the lower capacity of primary aluminium production will drive an aluminium rally. However, as we have been highlighting, these theories often overlook one crucial factor: scrap aluminium. At the same time, the Middle East is emerging as a new production hub for primary aluminium, with significant capacity expansions expected in the near future.

Primary aluminium - big expansions will happen in GCC

The GCC (Gulf Cooperation Council) is becoming one of the major centres for aluminium production. While the GCC region is steadily increasing capacities by adding new potlines to existing smelters, these expansions often go unnoticed and don't grab the limelight.

There are four big producers of aluminium in the Middle East

Several new aluminium smelter projects have been announced or are in development in the Middle East, reflecting the region's increasing role in the global aluminium industry. Here are some key developments:

Emirates Global Aluminium (EGA)

EGA, one of the world's largest aluminum producers, continues to expand its operations. The company has been investing in upgrading its existing facilities and exploring new smelter projects in the UAE and other parts of the Middle East.

The Al Taweelah smelter in Abu Dhabi, one of the largest in the world, has seen continuous investment in capacity and technology improvement.

Ma'aden (Saudi Arabia)

Saudi Arabian Mining Company (Ma'aden), in partnership with Alcoa, operates one of the world's largest integrated aluminum complexes, including a smelter, in Ras Al Khair. This facility is a part of Saudi Arabia's strategy to diversify its economy.

There are ongoing discussions about expanding capacity and adding new smelters as a part of Saudi Vision 2030.

Aluminium Bahrain (Alba)

Aluminium Bahrain (Alba) is one of the leading smelters in the region. The company recently completed its Line-6 expansion project, which significantly increased its production capacity.

Alba is also looking at further expansions and new projects to maintain its competitive edge in the global market.

Qatalum (Qatar)

Qatalum, a joint venture between Qatar Petroleum and Hydro Aluminium of Norway, operates a large smelter in Qatar. The company has been exploring options to expand its capacity and improve operational efficiency.

The Middle East's strategic location, access to low-cost energy, and government support for industrial diversification makes it an attractive region for the development of new aluminium smelters. These projects are also aligned with the broader goals of economic diversification in countries like the UAE and Saudi Arabia.

Emirates Global Aluminium (EGA) produced 2.75mt of aluminium in 2023

Emirates Global Aluminium (EGA) is one of the world's largest producers of aluminium and a key player in the global aluminum industry. Established in 2013, EGA is a merger between Dubai Aluminium (DUBAL) and Emirates Aluminium (EMAL). The company operates two primary smelters that are located in the UAE:

Jebel Ali Smelter (Dubai):

This smelter, originally known as DUBAL, is one of the oldest in the region, with operations dating back to the late 1970s. Over the years, it has been expanded and modernized, becoming one of the most efficient and largest smelters in the world.

Al Taweelah Smelter (Abu Dhabi):

Known initially as EMAL, this smelter is located in the Khalifa Industrial Zone Abu Dhabi (KIZAD). Al Taweelah is one of the world's largest single-site aluminum smelters and has been a critical part of EGA's operations since it began production in 2010.

EGA is using solar energy to produce aluminium which is cheaper than fossil fuel-based aluminium

In 2023, Emirates Global Aluminium (EGA) achieved a record production of 2.75mt of aluminum, surpassing its previous year's production of 2.72mt. This increase in production occurred despite challenging market conditions, including lower global aluminum prices compared to the previous year.

Notably, a significant portion of EGA's production—76%—was value-added or 'premium' aluminum products, which are designed for higher-end applications in industries such as automotive and aerospace. This focus on premium products is a part of EGA's strategy to enhance profitability and maintain a competitive edge in the market.

Additionally, EGA continued to make strides in its sustainability efforts by increasing the production of its 'CelestiAL' solar aluminum, which is produced using solar energy.

Qatalum has a production capacity of 0.7MT

Qatalum, a major player in Qatar's aluminum industry, has a nameplate production capacity of 636,000MT (metric tonne) of primary aluminum annually. The company also operates a cast house with a capacity of 664,000MT. This fully integrated site includes a smelter, a carbon plant, and a dedicated gas-fired power plant, making it one of the key contributors to Qatar's industrial landscape.

In recent years, Qatalum has focused on maintaining its production levels and advancing its sustainability initiatives, positioning itself as a leading aluminum producer in the region

Ma'aden Aluminum, based in Saudi Arabia, has a large production base and is also increasing its capacity

Ma'aden, the Saudi Arabian Mining Company, is a key player in the aluminium industry in Saudi Arabia and the broader Gulf region. Ma'aden's aluminium operations are a part of the Ma'aden Aluminum joint venture, which includes significant partnerships with companies like Alcoa.

Production base:

Ras Al Khair Industrial City: Ma'aden's aluminium smelting operations are located in Ras Al Khair, where it operates one of the world's largest fully integrated aluminium complexes. This complex includes a bauxite mine, an alumina refinery, an aluminium smelter, and a rolling mill. The smelter alone has a production capacity of around 740,000t per year, making it a significant contributor to global aluminium supply.

Expansion plan:

Capacity expansion: Ma'aden is actively increasing its aluminium production capacity to meet rising global demand, particularly from the sectors like automotive, packaging, and construction. The company is focusing on both expanding its existing facilities and improving operational efficiency to boost output.

Value-added products: In addition to expanding raw aluminium production, Ma'aden is also looking to increase its output of value-added products. This includes the production of aluminium sheets, foils, and other specialized products that are in high demand globally.

Aluminium Bahrain is another big producer of aluminium in the GCC region ➤

Aluminium Bahrain (Alba) achieved a record-breaking production of **1,620,665MT** of aluminium in 2023, reflecting a 1.3% increase from the previous year. This continued success underscores Alba's status as one of the largest aluminium producers in the world outside China.

Expansion plans:

Line-6 expansion project: Alba has completed its Line-6 expansion project, which significantly increased its production capacity. This project was one of the largest brownfield expansions in the region, bringing the total production capacity to over **1.62MMT (million metric tonnes) per annum**. The Line-6 expansion was crucial in solidifying Alba's position as the world's largest aluminium smelter outside China.

Sustainability initiatives: Alba is also focusing on enhancing its sustainability efforts. This includes investing in renewable energy sources and reducing its carbon footprint, in line with global environmental standards.

Future developments: Alba is looking at further expansions and technological upgrades to maintain its competitive edge and continue increasing its production capacity. The company remains committed to growing its output while also enhancing its value-added product offerings.

These expansion efforts are a part of Alba's broader strategy to capitalize on rising global demand for aluminium, especially in the sectors like automotive, construction, and packaging.

Chinese capacity expansion is also not slowing down—production capacity is expected to touch ~45-47mt in 2024F ➤

China's overall aluminium production capacity is substantial, making it the world's largest producer by a significant margin. As of the latest available data:

Total aluminium production capacity:

- **Estimated capacity**: China's aluminum smelting capacity is estimated to be over **45MMT** per year. This figure includes both primary aluminum production (from bauxite) and secondary (recycled) aluminum production.
- **Primary aluminum**: Most of this capacity is focused on primary aluminum production, with China accounting for more than half of the world's total primary aluminum output.
- **Secondary aluminum**: China's secondary or recycled aluminum production is also significant and growing, driven by rising environmental regulations and the push for a circular economy.

New Capacity Addition:

2023-24F addition: China is expected to add approximately **2-3MMT** of new primary aluminium capacity by 2023-24F. This includes both new greenfield projects and expansions at existing smelters.

Key Drivers of New Capacity:

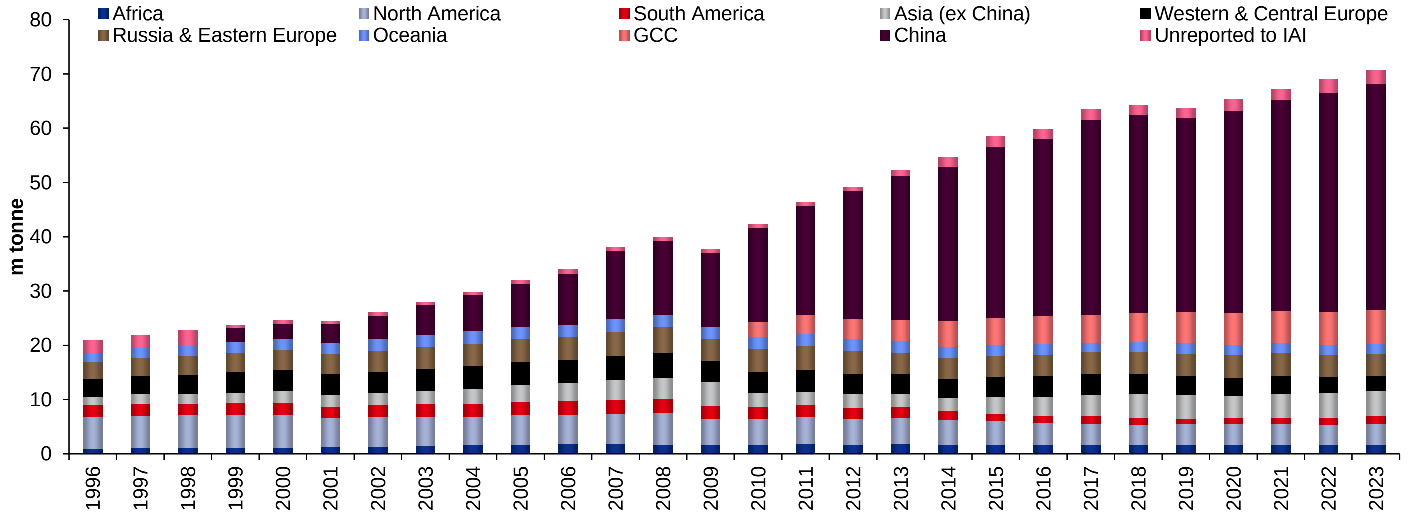
- **Regional shifts**: Most of this new capacity is being developed in regions like Yunnan, which benefits from abundant hydropower, and inner Mongolia, known for its coal resources.
- **Technological upgrades**: The new capacity also reflects China's ongoing efforts to replace older, less efficient capacity with modern, energy-efficient smelters.
- **Environmental focus**: New projects are increasingly aligned with China's environmental goals, using cleaner energy sources and advanced technologies to minimize emissions.

Total Estimated Capacity:

- By factoring in these new additions, China's total aluminium production capacity could surpass **45-47MMT** per year, solidifying its position as the largest aluminium producer globally.

As a result, we don't expect any slowdown primary aluminium production

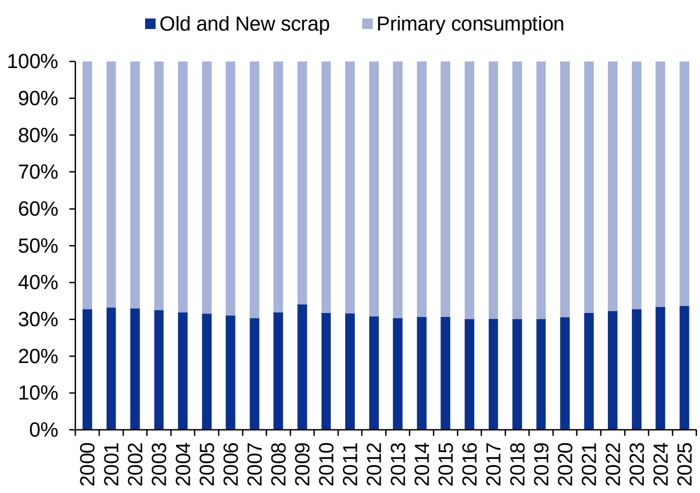
Figure 2: Unabated Chinese production capacity increase and incremental production increase in the GCC region will lead to primary aluminium production topping 72mt in CY24F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

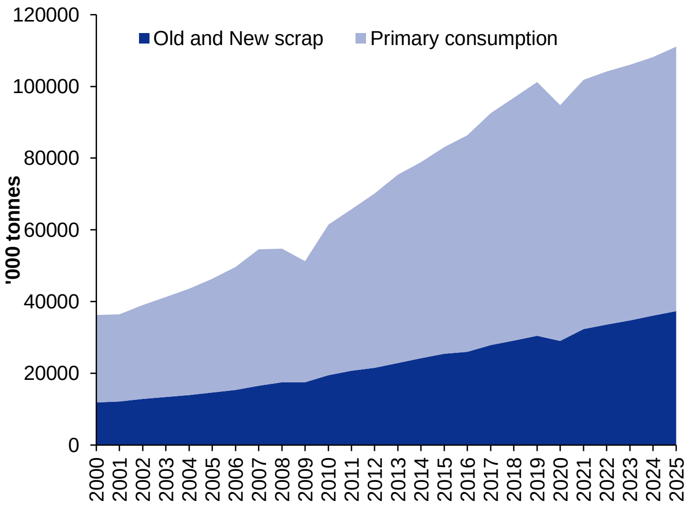
At the same time, global aluminium recycling is rising

Figure 3: Scrap consumption, as a % of the overall consumption, is rising



SOURCE: INCRED RESEARCH, COMPANY REPORTS

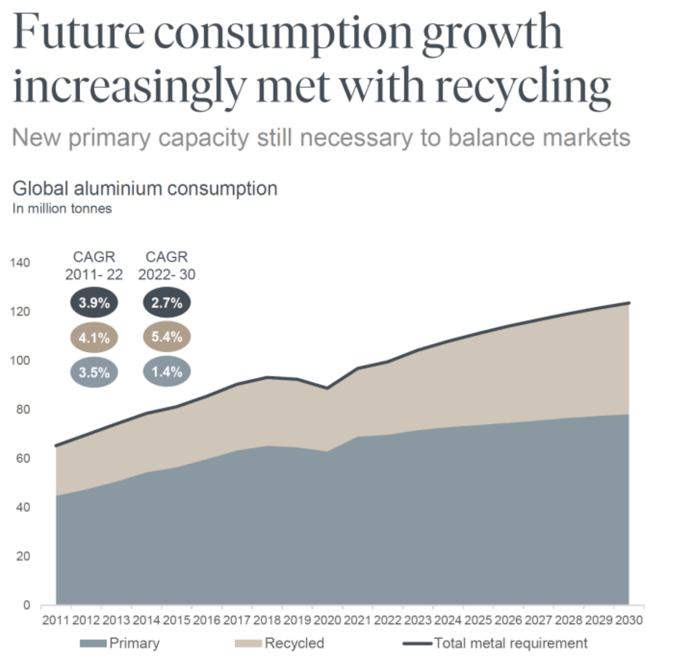
Figure 4: The likely consumption of primary metal in CY24F will be ~72mt



SOURCE: INCRED RESEARCH, COMPANY REPORTS

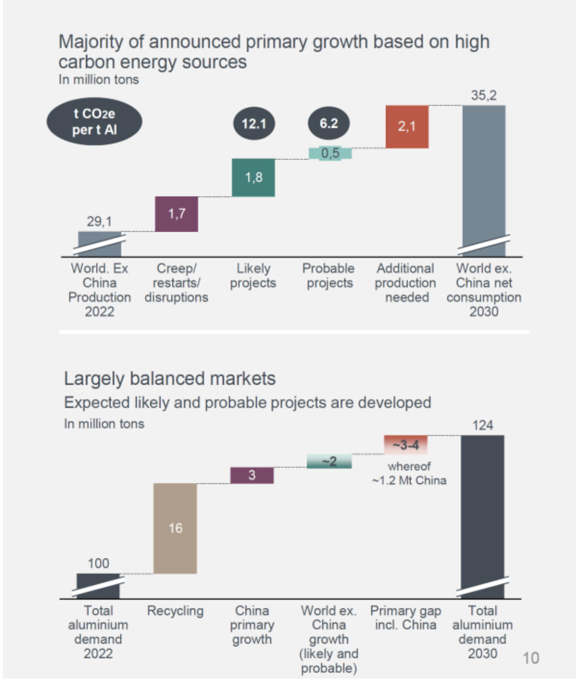
This should result in a balanced market, with market prices decided by incremental production of scrap metals ➤

Figure 5: Hydro concurs with our assertion that future growth will come from scrap consumption



SOURCE: INCRED RESEARCH, HYDRO ANNUAL CAPITAL MARKET DAY PRESENTATION FOR 2022

Figure 6: Incremental primary capacity addition is coming in the Middle East and China



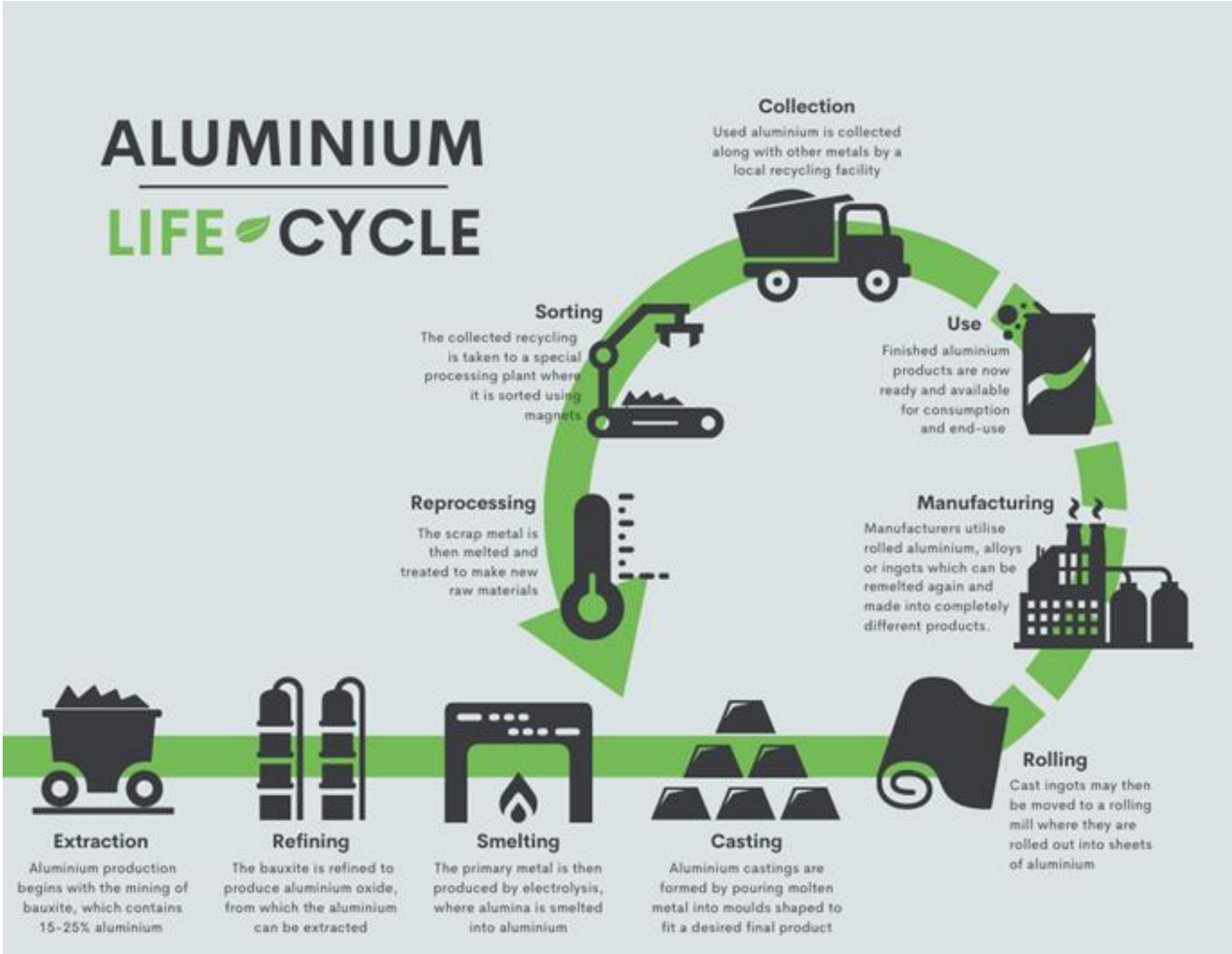
SOURCE: INCRED RESEARCH, HYDRO ANNUAL CAPITAL MARKET DAY PRESENTATION FOR 2022

Aluminium scrap will keep aluminium prices under check

A lot of arguments have been made recently on the lack of global smelting capacity and thus the belief that aluminium prices will rise, but all these arguments have missed a critical component - the impact of scrap on metal demand. We believe scrap is likely to become the primary source of incremental metal supply and hence, energy price inflation is not likely to propel aluminium prices upwards. We feel aluminium users and producers, who have invested in making the aluminium scrap available, can make outsized returns on their capital employed and they can last for a long time.

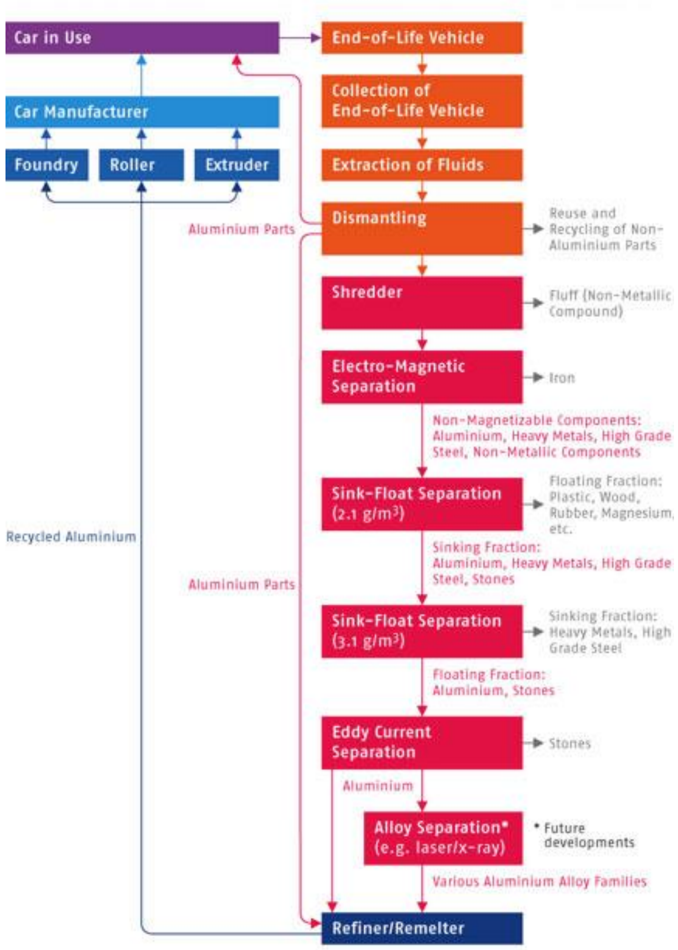
Aluminium scrap supply chain

Figure 7: The aluminium recycling process is shown in the picture below; until a few years ago, this industry was dominated by small companies



SOURCE: INCRED RESEARCH, ALUMINIUM RECYCLING: AN AGEING INNOVATION DRIVING THE CIRCULAR ECONOMY - ANTHONY TROPEANO, PRESIDENT OF TT CONSULTING INC. AND AN ADVISORY BOARD MEMBER OF ALCIRCLE | ALCIRCLE E-MAGAZINE ON INNOVATORS AND TRENDSETTERS OF THE ALUMINIUM INDUSTRY

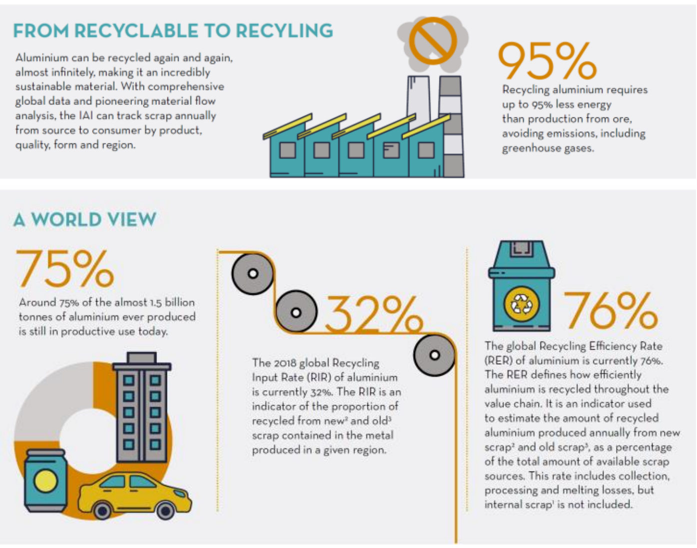
Figure 8: The vehicle recycling process illustrates the above scenario in a much better manner



SOURCE: INCRED RESEARCH, HTTPS://RECYCLING.WORLD-ALUMINIUM.ORG/REVIEW/QUALITY-VALUE/

Why scrap usage is in vogue?

Figure 9: Aluminium scrap is more easily available and much less energy-intensive to produce the pure metal



SOURCE: INCRED RESEARCH, COMPANY REPORTS

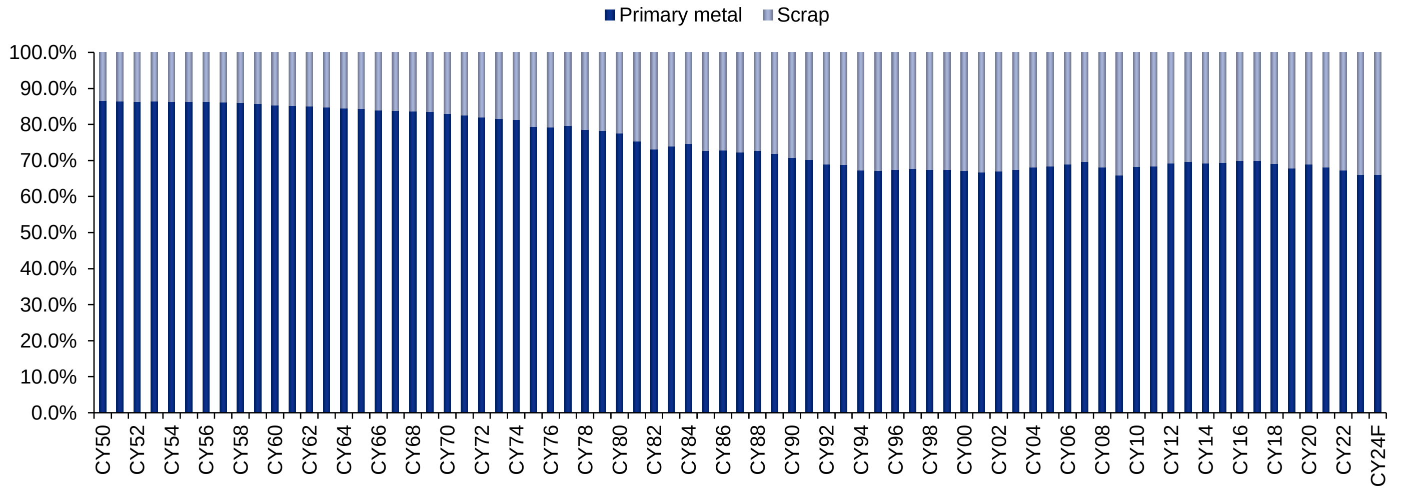
Figure 10: China is the leader in using scrap aluminium

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Scrap is important for aluminium demand-supply analysis

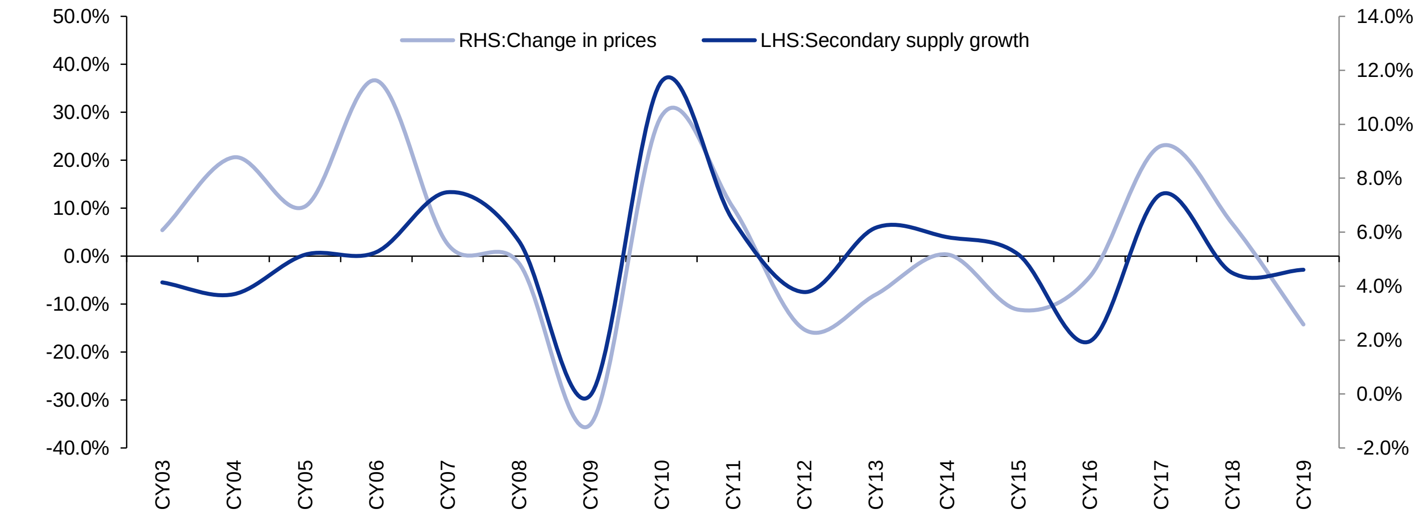
We all have neglected scrap in the overall demand-supply analysis of aluminium, as getting the exact supply of aluminium scrap is impossible. It will always be a statistical model-based production estimate where aluminium prices become an important input. In a sense, a classic 'circular error' kind of excel sheet scenario where the input is dependent on output and vice versa.

Figure 11: Scrap metal formed only 14% of overall metal supply, but increased to more than 30% of supply by the end of CY20



SOURCE: INCRED RESEARCH, COMPANY REPORTS

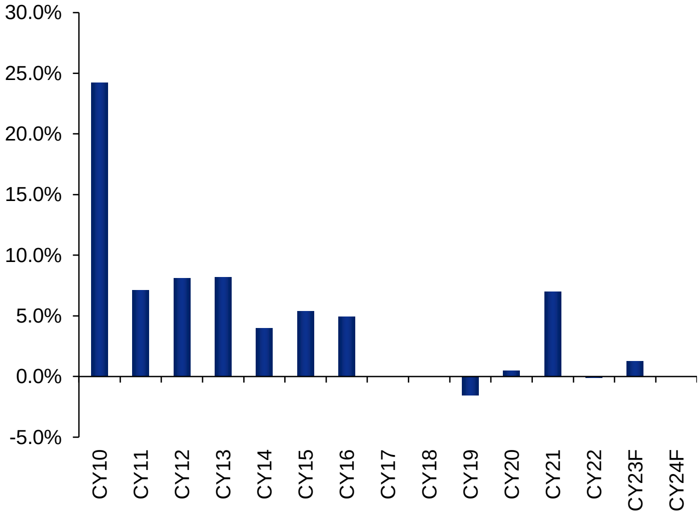
Figure 12: Secondary aluminium (scrap aluminium) supply growth is primarily dependent on the price; as scrap now has become a significant part of the overall metal supply, its prices control the metal price as well



SOURCE: INCRED RESEARCH, COMPANY REPORTS

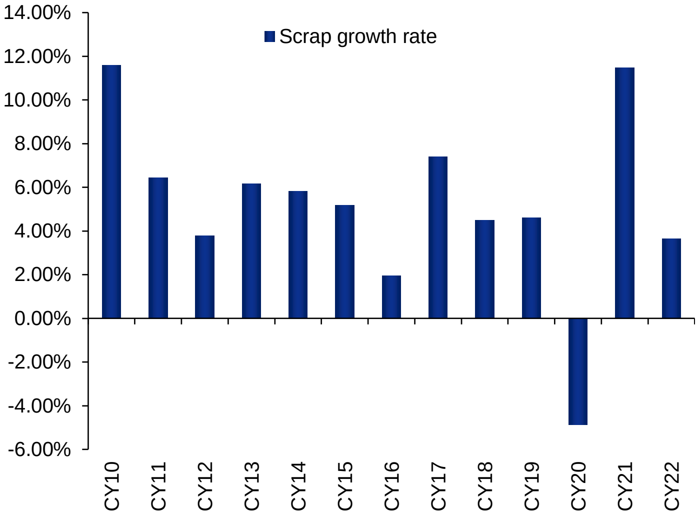
Primary metal and scrap consumption growth rates have been divergent over the last few years

Figure 13: Primary metal production growth rate has been anaemic over the last few years



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: The consumption growth rate of aluminium scrap has been much stronger

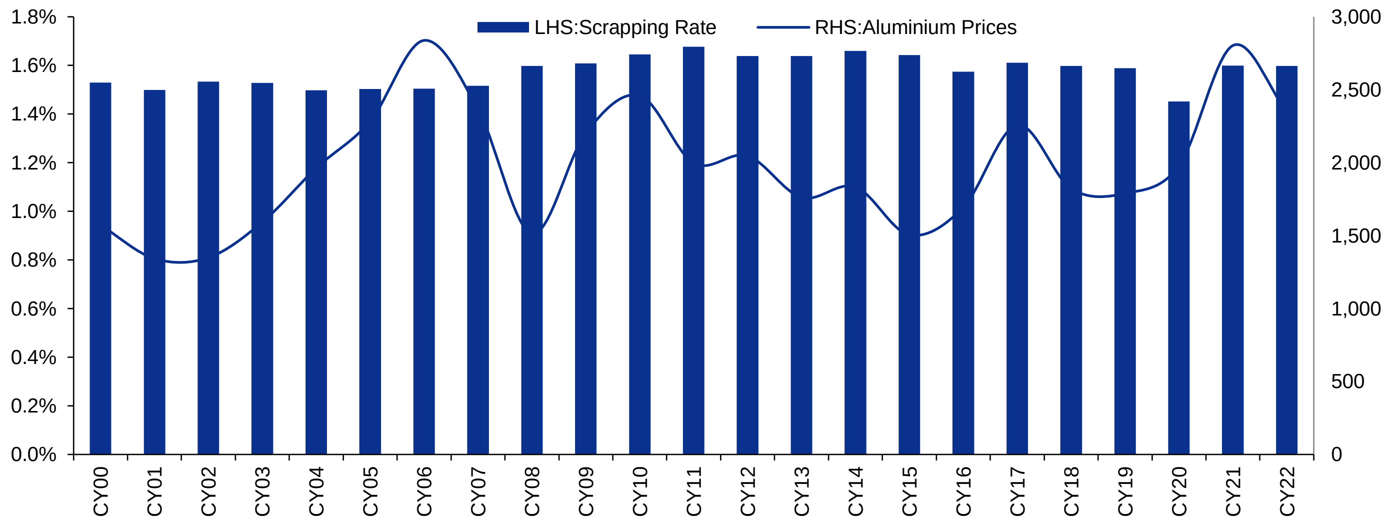


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Scrap has two sources: 1) used metal pool, and 2) process scrap

Aluminium doesn't degrade even after years of usage and hence, the used metal pool (aluminium that has been used to make various products) becomes an easy source of raw material. The scrapping rate of the used metal pool varies between 1.5-7% and is normally driven by near-term price changes.

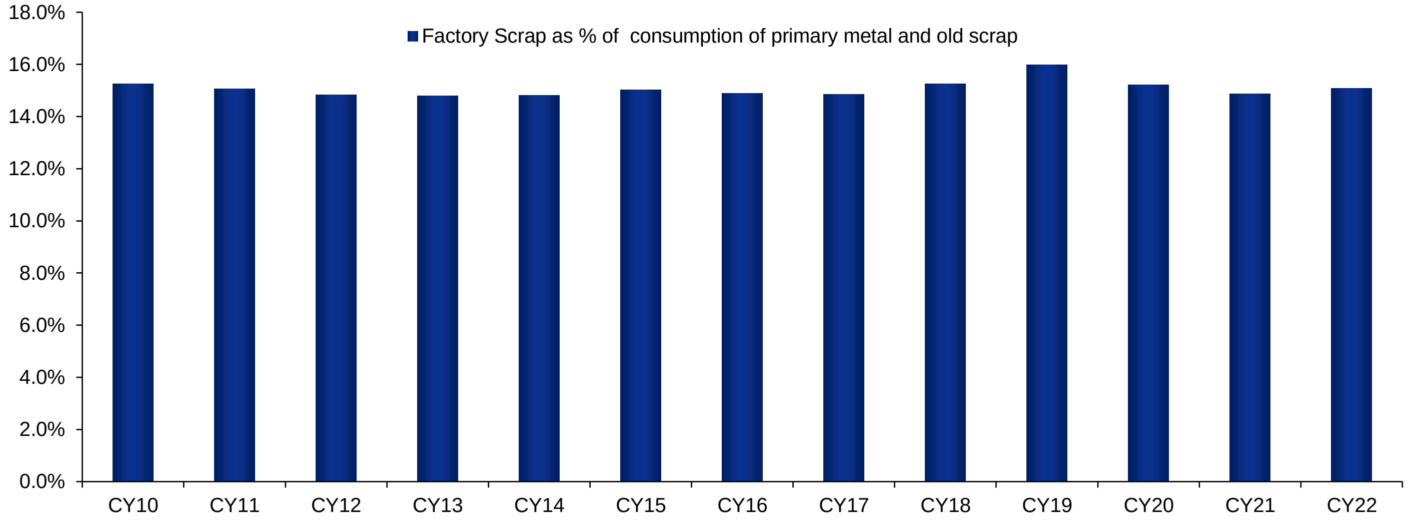
Figure 15: The used metal pool scrapping rate is normally determined by near-term price changes



SOURCE: INCRED RESEARCH, COMPANY REPORTS

However, process scrap generation is only a function of the overall metal usage and hence, its generation, as a percentage of the primary metal+ old metal scrap, remains constant around 15%.

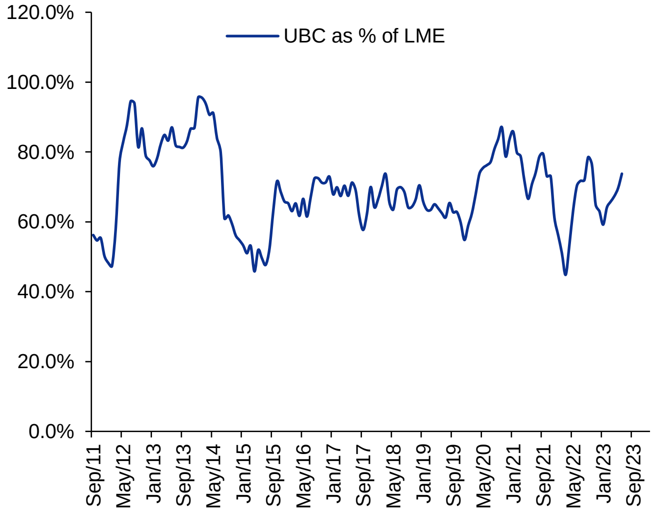
Figure 16: Factory scrap consumption, as a percentage of primary metal + old scrap usage, normally remains in the 15% range



SOURCE: INCRED RESEARCH, COMPANY REPORTS

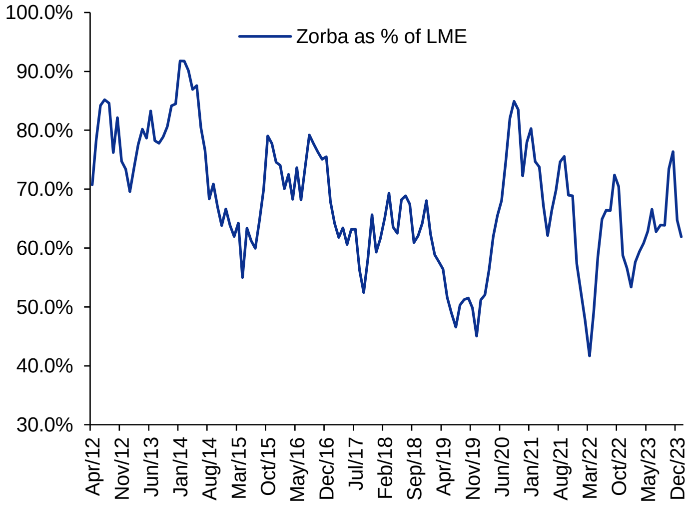
Traded metal scrap still offers an arbitrage opportunity over the primary metal price

Figure 17: UBC trades around 70% of the price of pure metal



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 18: Zorba scrap has been trading at around 60% of the price of pure metal



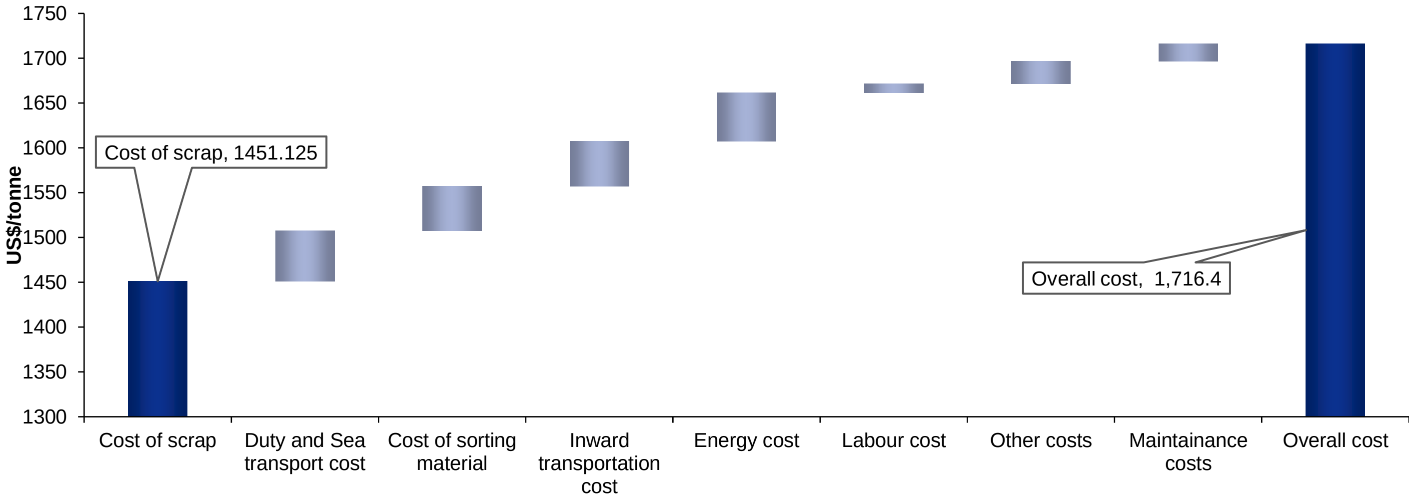
SOURCE: INCRED RESEARCH, COMPANY REPORTS

The cost of conversion of scrap to pure metal depends on the following:

1. Cost of sorting the material, as normally scrap has many unwanted materials.
2. Cost of transportation of the scrap to the plant.
3. Melting cost of the scrap.
4. Metal losses in the process of melting (in technical terms, it is called furnace loss).
5. Cost of casting and metal losses in the casting process.

InCred Equities

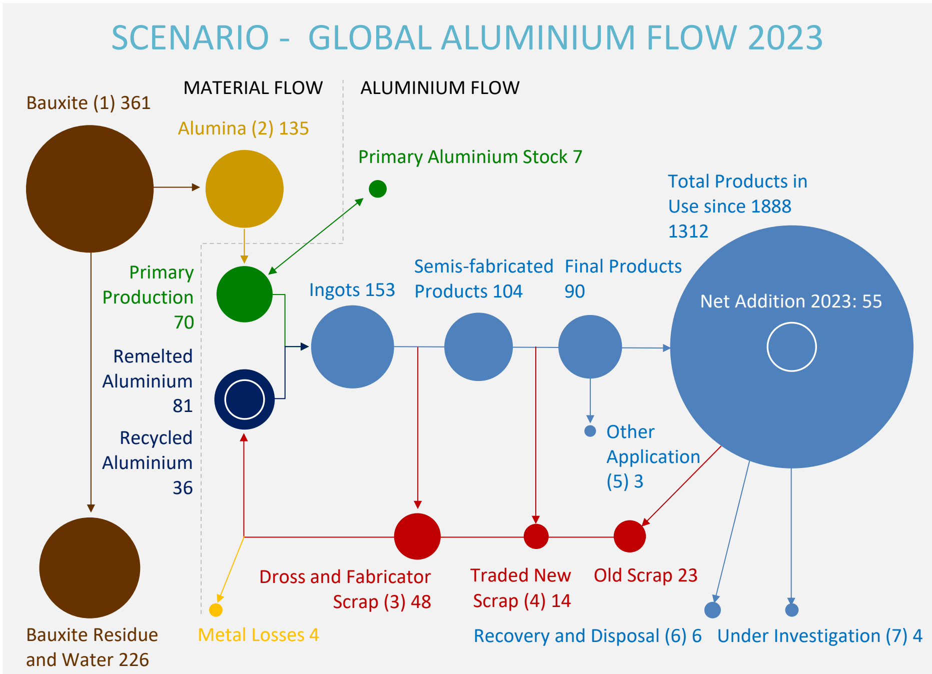
Figure 19: At current aluminium and scrap prices, it's quite beneficial to produce the metal from scrap as EBITDA/t on Zorba scrap is ~US$600



SOURCE: INCRED RESEARCH, COMPANY REPORTS

The scrap-used metal pool is continuously rising

Figure 20: Globally, the used metal pool of aluminium is around 1,312mt



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Higher scrap availability will keep aluminium prices under check

One keeps hearing arguments about aluminium cost curves and how they have become unviable now because of high energy prices. However, aluminium prices are likely to remain under pressure because of higher scrap availability. As aluminium prices come down, the high margins in scrap will also decline.

Given the current cost structure, if Zorba scrap prices rise to 80% of pure aluminium prices, then scrap will lose all arbitrage benefits

Figure 21: If the prices of scrap rise to more than 80% of aluminium prices, then it will be difficult for scrap converters to make money; the table below shows EBITDA/t on various aluminium prices and Zorba scrap prices as a % of aluminium prices

Zorba Scrap as % of Aluminium Prices	Aluminium prices (in US$/t)							
	1,900	1,950	2,000	2,050	2,100	2,150	2,200	2,250
60%	533	551	570	588	606	624	643	661
63%	477	494	511	528	545	562	578	595
66%	422	437	453	468	483	499	514	529
69%	366	380	394	408	422	436	450	464
72%	311	323	336	348	361	373	386	398
75%	255	266	277	288	299	310	321	332
78%	200	209	219	228	238	248	257	267
81%	144	152	161	169	177	185	193	201
84%	89	95	102	109	115	122	129	135

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Companies having their own scrap supply chain will have much greater leverage

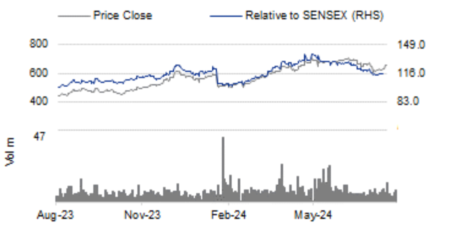
While we have done the analysis of aluminium scrap based on traded prices of scrap, please note that's it is a very fluid market. If any company has set up scrap collection centres and has an established supply chain of scrap, then its procurement cost will be lower and its arbitrage gains over the pure metal will be higher.

India

ADD *(no change)*

Consensus ratings*:	Buy 25 Hold 1 Sell 2
Current price:	Rs659
Target price: ▲	Rs785
Previous target:	Rs493
Up/downside:	19.1%
InCred Research / Consensus:	6.1%
Reuters:	
Bloomberg:	HNDL IN
Market cap:	US$20,389m
	Rs1,480,579m
Average daily turnover:	US$70.9m
	Rs5146.2m
Current shares o/s:	2,220.0m
Free float:	65.4%

Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(0.6)	(0.2)	49.9
Relative (%)	(0.4)	(8.2)	21.1

Major shareholders	% held
Promoter & Promoter Group	34.7
LICI	5.6
SBI MF	4.6

Hindalco Industries Ltd

No more a play on aluminium prices

- With the rise in downstream production in India and a stable cost structure at Novelis, Hindalco Industries is no longer a pure long-aluminium play.
- Going ahead, investment in the scrap supply chain will start yielding results, and Novelis' EBITDA should sustain above US$500/t.
- We reiterate our ADD rating on the stock and increase our target price to Rs 785. At our new target price, the stock will trade at 7x FY26F EV/EBITDA.

Hindalco is no more a simple long-aluminium play

With significant investment in the scrap supply chain at Novelis and approximately 600kt of downstream capacity in India, Hindalco Industries (Hindalco) is no longer just a simple long-aluminum play. In the near future, its power and fuel costs are expected to decrease as Coal India's e-auction prices as well as internal coal prices are likely to collapse (please see: IN: Coal India - E-auction prices to fall; retain REDUCE (REDUCE - Maintained)). The development of its own coal mine, which is still a few quarters away, will stabilize power and fuel costs for the company. While we are not bullish on aluminium, these developments bode well for Novelis and Indian rolled products, as the end products will remain affordable and balance sheet debt will not increase (remember, higher aluminium prices lead to higher working capital requirement for all rolling products). Reduced aluminium price volatility is also better for reported earnings, as the MTM (Mark-To-Market) losses or gains on metal contracts will become less material. The Indian balance sheet has become debt-free, allowing Hindalco to chart its path for the next phase of expansion in the country. Also, higher state taxes on bauxite mining, if any, will have a negligible impact on its P&L.

Investment in scrap supply chain to increase Novelis' EBITDA/t

Please note that there is approximately 1.5bnt (billion tonne) of aluminum sitting above the earth that can be scrapped. So much so, that some municipal waste from the Middle East contains up to 60% aluminum. However, simply purchasing scrap aluminum from the middlemen like Trafigura or various traders doesn't add much value. Investment in scrap collection, sorting, and storage supply chain is essential for sustainable lower costs and, consequently, long-term steady earnings. This is why we have never been negative on Novelis, despite some minor cost escalations at scrap processing centres. The investments in the supply chain are positive and will ensure that Novelis maintains US$500+ EBITDA/t, with gross profit/t potentially exceeding US$750 on a sustained basis.

Reiterate ADD rating on the stock with a higher target price of Rs785

We have factored in the higher-than-expected EBITDA/t for Novelis in our estimates. We also feel that the fall in e-auction prices will lead to lower power & fuel costs. Consequently, we expect an EPS CAGR of 15% over FY24-FY27F. While the company will embark on new capex in India, cash flow generation should be sufficient to cover it, and so we do not expect balance sheet debt to rise. We value the stock at 7x FY26F EV/EBITDA to arrive at our target price of Rs785 (Rs493 earlier). Downside risk: Potential delay in Novelis' capex.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	2,232,020	2,159,620	2,137,849	2,186,593	2,218,201
Operating EBITDA (Rsm)	226,660	238,720	275,297	303,516	303,427
Net Profit (Rsm)	100,970	101,550	132,870	153,846	153,648
Core EPS (Rs)	45.3	45.7	59.9	69.3	69.2
Core EPS Growth	(26.9%)	0.7%	31.0%	15.8%	(0.1%)
FD Core P/E (x)	14.49	14.40	11.01	9.51	9.52
DPS (Rs)	4.0	4.0	4.0	4.0	4.0
Dividend Yield	0.61%	0.61%	0.61%	0.61%	0.61%
EV/EBITDA (x)	7.81	7.22	6.10	5.24	4.94
P/FCFE (x)	26.48	41.29	17.68	11.65	11.78
Net Gearing	41.2%	36.0%	28.5%	18.7%	10.8%
P/BV (x)	1.54	1.38	1.23	1.10	0.99
ROE	11.6%	10.1%	11.8%	12.2%	11.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Research Analyst(s)

Satish KUMAR
T (91) 22 4161 1562
E satish.kumar@incredresearch.com
Abbas PUNJANI
T (91) 22 4161 1598
E abbas.punjani@incredresearch.com

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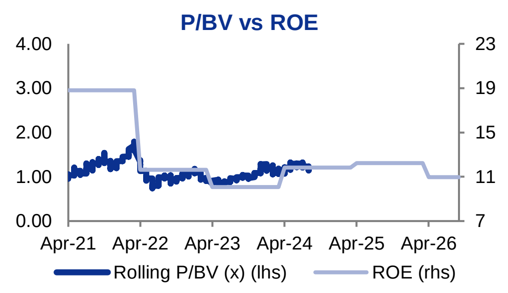

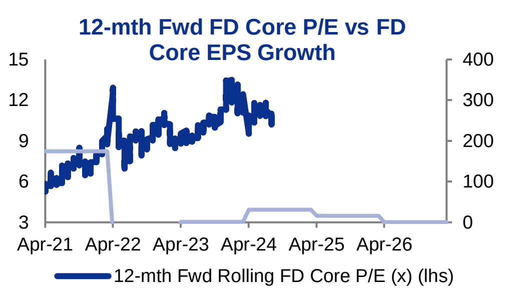

Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	**2,232,020**	**2,159,620**	**2,137,849**	**2,186,593**	**2,218,201**
Gross Profit	**824,320**	**821,070**	**854,468**	**874,908**	**878,461**
Operating EBITDA	**226,660**	**238,720**	**275,297**	**303,516**	**303,427**
Depreciation And Amortisation	(70,860)	(75,210)	(78,752)	(80,577)	(82,401)
Operating EBIT	**155,800**	**163,510**	**196,545**	**222,939**	**221,025**
Financial Income/(Expense)	(36,460)	(38,580)	(29,248)	(27,599)	(25,950)
Pretax Income/(Loss) from Assoc.	90	20			
Non-Operating Income/(Expense)	12,570	14,960	10,336	10,336	10,336
Profit Before Tax (pre-EI)	**132,000**	**139,910**	**177,633**	**205,676**	**205,412**
Exceptional Items	410	210			
Pre-tax Profit	**132,410**	**140,120**	**177,633**	**205,676**	**205,412**
Taxation	(31,440)	(38,570)	(44,764)	(51,830)	(51,764)
Exceptional Income - post-tax					
Profit After Tax	**100,970**	**101,550**	**132,870**	**153,846**	**153,648**
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**100,970**	**101,550**	**132,870**	**153,846**	**153,648**
Recurring Net Profit	100,657	101,398	132,870	153,846	153,648
Fully Diluted Recurring Net Profit	**100,657**	**101,398**	**132,870**	**153,846**	**153,648**

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	226,660	238,720	275,297	303,516	303,427
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(4,570)	19,440	7,351	(2,743)	(2,354)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(15,280)	(6,040)	(327)		
Other Operating Cashflow	49,530	53,770	39,584	37,935	36,287
Net Interest (Paid)/Received	(36,460)	(38,580)	(29,248)	(27,599)	(25,950)
Tax Paid	(27,330)	(26,750)	(44,764)	(51,830)	(51,764)
Cashflow From Operations	**192,550**	**240,560**	**247,894**	**259,279**	**259,646**
Capex	(98,420)	(157,280)	(165,169)	(133,683)	(135,489)
Disposals Of FAs/subsidiaries	1,000	500			
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	16,210	14,020			
Cash Flow From Investing	**(81,210)**	**(142,760)**	**(165,169)**	**(133,683)**	**(135,489)**
Debt Raised/(repaid)	(56,100)	(62,380)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(8,900)	(6,670)	(8,880)	(8,880)	(8,880)
Preferred Dividends					
Other Financing Cashflow	(38,450)	(39,120)	(29,248)	(27,599)	(25,950)
Cash Flow From Financing	**(103,450)**	**(108,170)**	**(38,128)**	**(36,479)**	**(34,830)**
Total Cash Generated	7,890	(10,370)	44,597	89,117	89,327
Free Cashflow To Equity	**55,240**	**35,420**	**82,725**	**125,596**	**124,157**
Free Cashflow To Firm	**147,800**	**136,380**	**111,973**	**153,196**	**150,107**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	212,250	177,090	221,687	310,804	400,131
Total Debtors	162,140	164,040	180,661	185,171	188,980
Inventories	429,580	408,120	356,892	361,529	365,466
Total Other Current Assets	88,630	74,180	74,180	74,180	74,180
Total Current Assets	**892,600**	**823,430**	**833,420**	**931,685**	**1,028,757**
Fixed Assets	895,400	978,310	1,064,727	1,117,833	1,170,921
Total Investments	82,590	121,720	121,720	121,720	121,720
Intangible Assets	257,450	260,750	261,396	261,396	261,396
Total Other Non-Current Assets	149,500	134,860	134,887	134,887	134,887
Total Non-current Assets	**1,384,940**	**1,495,640**	**1,582,730**	**1,635,835**	**1,688,923**
Short-term Debt	73,660	71,060	71,060	71,060	71,060
Current Portion of Long-Term Debt					
Total Creditors	358,600	344,440	316,727	323,131	328,523
Other Current Liabilities	201,680	178,010	178,468	178,468	178,468
Total Current Liabilities	**633,940**	**593,510**	**566,255**	**572,659**	**578,051**
Total Long-term Debt	529,250	488,260	488,260	488,260	488,260
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	20,770	19,940	20,113	20,113	20,113
Total Non-current Liabilities	**550,020**	**508,200**	**508,373**	**508,373**	**508,373**
Total Provisions	145,410	155,790	155,963	155,963	155,963
Total Liabilities	**1,329,370**	**1,257,500**	**1,230,590**	**1,236,994**	**1,242,387**
Shareholders Equity	948,060	1,061,460	1,185,450	1,330,416	1,475,183
Minority Interests	110	110	110	110	110
Total Equity	**948,170**	**1,061,570**	**1,185,560**	**1,330,526**	**1,475,293**

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	14.4%	(3.2%)	(1.0%)	2.3%	1.4%
Operating EBITDA Growth	(20.0%)	5.3%	15.3%	10.3%	
Operating EBITDA Margin	10.2%	11.1%	12.9%	13.9%	13.7%
Net Cash Per Share (Rs)	(175.97)	(172.18)	(152.09)	(111.94)	(71.71)
BVPS (Rs)	427.05	478.14	533.99	599.29	664.50
Gross Interest Cover	4.27	4.24	6.72	8.08	8.52
Effective Tax Rate	23.7%	27.5%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	8.8%	8.8%	6.7%	5.8%	5.8%
Accounts Receivables Days	30.49	27.56	29.43	30.53	30.78
Inventory Days	113.36	114.21	108.79	99.96	99.03
Accounts Payables Days	100.14	95.85	94.02	89.03	88.77
ROIC (%)	9.4%	8.3%	9.8%	10.6%	10.1%
ROCE (%)	10.0%	9.8%	11.1%	11.7%	10.8%
Return On Average Assets	5.7%	5.6%	6.5%	7.0%	6.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
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