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Quarterly Result Update

HINDALCO INDUSTRIES

May 20, 2019

Current Price: ₹ 191.90

STOCK DATA

BSE Code	500440
NSE Symbol	HINDALCO
Reuters	HALC.BO
Bloomberg	HNDL IN

VALUE PARAMETERS

52 W H/L(Rs)	259.70/182.55
Mkt. Cap.(Rs Cr)	43092.79
Latest Equity(Subscribed)	224.56
Latest Reserve (cons.)	47968.06
Latest EPS (cons.) -Unit Curr.	5.37
Latest P/E Ratio -cons	35.74
Latest Bookvalue (cons.) -Unit Curr.	214.61
Latest P/BV - cons	0.89
Dividend Yield -%	0.62
Face Value	1

SHARE HOLDING PATTERN (%)

Description as on	% of Holding (AS ON 31 Mar 2019)
Foreign	29.84
Institutions	22.24
Govt Holding	0.12
Non Promoter Corp. Hold.	0
Promoters	34.66
Public & Others	13.13

Consolidated Financial Results

In Cr.

	Qtr Ending Mar.2019	Qtr Ending Mar. 2018	Var. (%)
Net Sales	12372.66	11687.14	6
OPM (%)	7.3	10.8	
OP	902.4	1257.61	-28
Other Income	360.57	204.92	76
PBDIT	1262.97	1462.53	-14
Interest	414.32	446.37	-7
PBDT	848.65	1016.16	-16
Depreciation	459.7	459.82	0
PBT	388.95	556.34	-30
Tax	153.13	179.37	-15
PAT	235.82	376.97	-37
EPS (Rs)	1.06	1.69	

Hindalco Industries Ltd Q4FY19 Operating Profit declines but beats analyst estimates

Hindalco's consolidated revenue for FY19 stood at Rs.1,30,542 crore compared to Rs.1,15,820 in FY18. The company delivered its highest ever consolidated EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) at Rs.16,627 crore, up 11 per cent in FY19 compared to the prior year. This buoyant performance was driven by stable operations, supporting macros and improved efficiencies. Consolidated Profit before Tax (and Before Exceptional Items) for FY19 rose to Rs.8,083 crore, up 24 per cent compared to FY18. Profit After Tax soared to Rs.5,495 crore (Rs.4,518* in FY18), an increase of 22 percent.

India businesses (Hindalco Standalone Plus Utkal Alumina)

Revenue from operations touched Rs.45,908 crore for FY19. EBITDA was at a record high of Rs.7,532 crore, a 5 per cent increase over the previous year. This spirited performance, despite a sharp rise in input costs, was on the back of stable operations, supporting macros and improved operational efficiencies. Depreciation was higher by 4 per cent due to progressive capitalisation of assets. Interest expense declined 15 per cent YoY primarily due to prepayment of a term loan of Rs.1,575 crore and the re-pricing of long-term project loans. Profit after Tax (PAT) for FY19 leaped to Rs.2,678 crore vs. Rs.2,197* crore in FY18, registering a 22 per cent YoY growth.

In Q4 FY19, revenue from operations stood at Rs.12,455 crore (Rs.11,687 crore in Q4 FY18), up 7 per cent. EBITDA for the quarter was at Rs.1,733 crore (Rs.1,807 crore in Q4 FY18). PAT for Q4 FY19 stood at Rs.506 crore (Rs.616 crore in Q4 FY18), primarily due to weaker macros and higher input costs in the last quarter.

Standalone quarterly performance

Hindalco net sales rose 6% to Rs 12372.66 crore in Q4FY'19 compared to corresponding

previous year period while net profit of the company fell 37% to Rs 235.82 crore.

Operating margins of the company fell 350 bps to 7.3% leading to 28% decrease in operating profits to Rs 902.4 crore. Cost of material consumed as a percentage of net sales (net of stock adjustment) fell 60 bps to 58.1% while employee benefit expenses remained flat at 4.3%. Power and fuel expenses were up 200 bps to 15.7% and other expenses decreased 10 bps to 12%.

Other income rose 76% to Rs 360.57 crore. PBDIT decreased 14% to Rs 1262.97 crore.

Interest cost fell 7% to Rs 414.32 crore in current quarters compared to Rs 446.37 core in the corresponding previous year quarter.

Depreciation remained flat at Rs 459.7 crore. PBT before EO a result fell 30% to Rs 388.95 crore.

Effective tax rate rose to 39.4% from 32.2% leading 37% decrease in net profit to Rs 235.82 crore.

Standalone Year ended performance

For year ended March 2019 Hindalco net sales rose 7% to Rs 45749.16 crore compared to corresponding previous year while net profit of the company was down 16% to Rs 1205.43 crore.

Operating margins of the company fell 270 bps to 9.3% leading to 17% fall in operating profits to Rs 4246.61 crore. Other income fell 1% to Rs 940.03 crore. PBDIT decreased 15% to Rs 5186.64 crore.

Interest cost was down 11% to Rs 1683.04 crore compared to Rs 1900.54 crore in the corresponding previous year quarter.

Depreciation rose 5% to Rs 1693.16 crore. PBT before EO as a result was down 29% to Rs 1810.44 crore.

The company had nil net EO expense compared EO expense of Rs 325.21 crore in FY18. PBT after EO fell 19% to Rs 1810.44 crore.

Considering 210 bps decrease in effective tax rate to 33.4% net profit decreased 16% to Rs 1205.43 crore

Aluminium (Hindalco plus Utkal)

The Indian Aluminium business delivered a strong revenue growth at Rs.23,775 crore for FY19 compared to Rs.21,090 crore a year ago, on the back of stronger realisations and supportive macros. EBITDA at Rs.5,202 crore in FY19 grew 9 per cent compared to Rs.4,790 crore in FY18. This growth was driven by supporting macros, stable plant operations and improved efficiencies, offset by higher input costs in FY19. The company achieved record production of aluminium at 1,295 Kt, with alumina (including Utkal) at 2,893 Kt in FY19. Production of aluminium value added products (VAPs), excluding wire rods, grew 5 per cent to reach an all-time high of 321 Kt.

In Q4 FY19, the Indian aluminium business recorded an 8 per cent YoY growth in revenue at Rs.5,953 crore (Rs.5,513 crore in Q4 FY18). EBITDA for Q4 was at Rs.1,043 crore (Rs.1,265 crore in Q4 FY18), down 18 per cent due to lower LME and currency impact.

Copper

VAP (copper rod) production increased by 47 per cent to 245 Kt vs. 166 Kt in FY18, due to ramp up of the new Continuous Cast Rod-3 (CCR-3) facility. The CCR-3 plant achieved a production level of 117 Kt in FY19. DAP production jumped 48 per cent to 303 Kt in FY19 vs. 205 Kt last year. The overall production volumes (Copper Cathode) at 347 Kt in FY19 were lower by 15 per cent, due to reduced volumes on account of planned maintenance. Revenue from the Copper business stood at a steady Rs.22,155 crore in FY19 vs. Rs.22,382 crore in FY18. EBITDA was at Rs.1,469 crore vs. Rs.1,539 crore in FY18. Better by-product realisation for the year was offset by lower volumes due to planned maintenance and marginally lower Tc/Rc.

Revenue in Q4 FY19 was at Rs.6,503 crore (Rs.6,176 crore in Q4 FY18), up 5 per cent, aided by higher copper prices. EBITDA for the quarter was at Rs.315 crore (Rs.329 crore in Q4 FY18), lower by 4 per cent on account of lower Tc/Rc and volumes.

Novelis Inc:

Novelis delivered its best ever performance in FY19 with a significant year-over-year increase in net sales and adjusted EBITDA. Revenue grew 8 per cent to US$12.3 billion, driven by higher average aluminium prices, record shipments and an enriched product mix. Total shipments of flat rolled products (FRP) grew 3 per cent to 3,274 Kt in FY19, with a 7 per cent growth in beverage can shipments and a 2 per cent growth in automotive body sheet shipments YoY. Adjusted EBITDA grew 13 per cent to US$1.368 billion, compared to US$1.215 billion in FY18, driven by higher shipments, operational efficiencies and a favourable product mix. Adjusted EBITDA per tonne was higher by 10 per cent at US$418 in FY19 vs. US$381 for the prior year. Novelis leveraged its extensive recycling footprint and increased its recycled contents from 57 per cent to 61 per cent in FY19.

In Q4 FY19, adjusted EBITDA per tonne stood at US$411 (Vs $397 in Q4 FY18), up 3 per cent YoY. For the quarter, Profit after Tax (excluding special items1) was at US$ 468 million, up 11 per cent compared to US$420 million in the prior year.

Management Comment

Commenting on the results, Satish Pai, Managing Director, Hindalco Industries said, 'Our FY19 consolidated profits reached an all-time high inspite of a difficult business environment. This resilient performance reflects the strength of our integrated business model, excellent operational capabilities, stable operations and our enriched product portfolio. Novelis' innovative products and customer centric approach helped it deliver its best-ever performance. In India, our increased focus on downstream is already showing encouraging results with record aluminium value added product volumes this year. In copper too, the share of value added products (copper rods) has risen, helping the business maintain profitability despite lower volumes. Going forward, we expect the impetus provided by India's growth to boost demand for aluminium. Rising imports of aluminium and copper, however, pose a threat and we look forward to suitable steps to provide a level playing field.'

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