

June 15, 2020



**Current Price:** ₹ 146.10

## STOCK DATA

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

## VALUE PARAMETERS

52 W H/L(Rs)	221.20/85.05
Mkt. Cap.(Rs Cr)	32818.22
Latest Equity(Subscribed)	224.63
Latest Reserve (cons.)	56519
Latest EPS (cons.) -Unit Curr.	19.87
Latest P/E Ratio -cons	7.35
Latest Bookvalue (cons.) -Unit Curr.	252.61
Latest P/BV - cons	0.58
Dividend Yield -%	0.68
Face Value	1

## SHARE HOLDING PATTERN (%)

Description as on	% of Holding 31/03/2020
Foreign	24.71
Institutions	26.27
Govt Holding	0.41
Non Promoter Corp. Hold.	0
Promoters	34.65
Public & Others	13.97

## Consolidated Results

In Cr.

	Qtr Ended Mar. 20	Qtr Ended Mar. 19	Var. (%)
Net Sales	29318.00	33745.00	-13
OPM (%)	13.10	10.20	
OP	3840.00	3440.00	12
Other Income	306.00	510.00	-40
PBDIT	4146.00	3950.00	5
Interest	1429.00	975.00	47
PBDT	2717.00	2975.00	-9
Depreciation	1322.00	1248.00	6
PBT	1395.00	1727.00	-19
Tax	727.00	547.00	33
PAT	668.00	1180.00	-43
Share of profit/loss of Associate	0.00	-2.00	
Minority Interest	-1.00	0.00	
Net Profit	669.00	1178.00	-43
EPS (Rs)	3.01	5.30	

Hindalco consolidated net sales fell 13% to Rs 29318 crore in Q4FY'20 compared to corresponding previous year period. Operating margins of the company rose 290 bps to 13.1% leading to 12% increase in operating profits to Rs 3840 crore.

Other income fell 40% to Rs 306 crore. PBDIT increased 5% to Rs 4146 crore. Interest cost rose 47% to Rs 1429 crore in current quarters compared to Rs 975 core in the corresponding previous year quarter. Depreciation rose 6% to Rs 1322 crore. PBT fell 19% to Rs 1395 crore.

Effective tax rate rose to 52.1% from 31.7% leading 43% decrease in PAT to Rs 668 crore. Further considering profit or loss from JV and associates with minority interest net profit fell 43% to Rs 669 crore.

The company reported strong quarterly results driven by a record performance by Novelis, supported by lower input costs and stable operations in the Indian businesses. Despite rising uncertainty on account of COVID-19, Novelis recorded its best-ever EBITDA, while the Indian Aluminium business delivered EBITDA margins for the quarter and full-year, that outperformed the industry.

## Business highlights – Q4FY20

Novelis: Novelis delivered yet another record quarterly performance for Q4FY20, driven by portfolio optimization efforts and better cost efficiencies coupled with favourable demand for lightweight, sustainable aluminium solutions across end-markets. Novelis recorded its highest-ever quarterly adjusted EBITDA of US\$383 million, a growth of 7% over the prior year. Q4FY20 Adjusted EBITDA per ton touched a record high of US\$472, up 15% year-on-year. Novelis reported a Net Income (excluding tax-effected special items) of US\$153 million in Q4FY20, an increase of 18% over Q4FY19. Revenue was down 12% year-on-year at US\$2.7 billion in Q4FY20, mainly driven by lower average global aluminium prices and local market premiums. Total shipments of flat rolled products (FRPs) were at 811 Kt, in Q4FY20, lower by 7% year-on-year.

## Segment Results

In Cr.

Particulars	Qtr Ending	Qtr Ending	(%) of	Var. (%)
	Mar. 20	Mar. 19	Total	
<b>Net Sales</b>				
Aluminium	5284	5953	18	-11
Copper	4717	6513	16	-28
Novelis	19772	21713	67	
Other Segment	101	121	0	
Less: Inter segment revenue	-556	-555	-2	0
Net Sales	29318	33745	100	-13
<b>PBIT</b>				
Aluminium	1039	1010	25	3
Copper	406	373	10	9
Novelis	2773	2517	66	10
Other Segment	-1	-34	0	-97
Total Segment Results	4217	3866	100	9

Aluminium (Hindalco including Utkal Alumina): EBITDA stood at Rs. 1,039 crore in Q4FY20, compared to Rs. 1,010 crore in Q4FY19, up 3% year-on-year. EBITDA margin of 20% in the fourth quarter set an industry benchmark amid a challenging macro environment. Reported revenue of Rs. 5,284 crore in Q4FY20 (vs. Rs. 5,953 crore in Q4 FY19) was down 11% due to low aluminium prices. Stable operations in the Indian Aluminium Business helped achieve Aluminium metal production of 327 Kt, up 2% year-on-year. Aluminium Metal sales were at 314 Kt in Q4FY20, down 3% year-on-year, due to the lockdown effect. Aluminium VAP (excluding wire rods) sales volumes in the fourth quarter were at 76 Kt vs. 83 Kt for the same quarter last year. Utkal Alumina refinery recorded its highest-ever quarterly production of 441 Kt in this quarter.

Copper: EBITDA in Q4FY20 was at Rs. 406 crore compared to Rs. 373 crore in Q4FY19, higher by 9% year-on-year. Revenue from the Copper Business was Rs. 4,717 crore in the fourth quarter compared to Rs. 6,513 crore in the same quarter last year, lower by 28% due to lower realisations and volumes. Total copper metal sales were lower by 14%, at 86 Kt in Q4FY20, vs. 100 Kt in the year-ago quarter, impacted by the lockdown effect in March'20. Copper Value Added Product (VAP) recorded the highest-ever quarterly production at 71 Kt, up 15% year-on-year. Copper VAP sales in Q4FY20 were up 4% at 73 Kt vs. 70 Kt in the year-ago quarter, despite tough market conditions. The share of VAP to total metal sales rose to 86% in this quarter.

### Consolidated year ended performance

For year ended Mar20 Hindalco net sales fell 9% to Rs 118144 crore compared to corresponding previous year while net profit of the company was down 31% to Rs 3767 crore.

Operating margins of the company rose 20 bps to 12.1% leading to 8% decrease in operating profits to Rs 14306 crore. Other income rose 5% to Rs 1186 crore. PBDIT decreased 7% to Rs 15492 crore.

Interest cost was up 11% to Rs 4197 crore compared to Rs 3778 crore in the corresponding previous year quarter. Depreciation rose 7% to Rs 5091 crore. PBT before EO as a result fell 23% to Rs 8083 crore.

The company had net EO expense of Rs 284 crore compared nil EO income/expense in FY18. PBT after EO fell 27% to Rs 5920 crore.

Considering 440 bps increase in effective tax rate to 36.4% PAT decreased 32% to Rs 3763 crore. Further considering profit or loss from JV and associates with minority interest net profit fell 31% to Rs 3767 crore.

### **Project Updates & Recognition**

- Novelis completed the acquisition of Aleris on April 14, 2020, and the integration process to drive synergies and unlock value, has begun. Divestment procedures for automotive assets in Lewisport in the US and Duffel in Europe are underway.
- Novelis remains committed to advancing all organic expansion projects in the U.S., China and Brazil
- Utkal Alumina's capacity expansion of 500 Kt is on track and is expected to be commissioned in Q4FY21.
- Muri Alumina refinery re-started operations in December 2019 and is ramping-up production

### **Management Comments**

**Commenting on the results, Mr. Satish Pai, Managing Director, Hindalco Industries Ltd., said,** "We attribute our strong fourth quarter results to our sustained focus on cost control and better efficiencies, as well as, our proactive and precautionary measures during the pandemic. Our EBITDA margins were the best in the industry despite significant market uncertainty. This shows the extent of Hindalco's resilience to perform in all market environments. Currently, around 80% of Hindalco's consolidated FY20 EBITDA is LME-delinked, a clear affirmation of our diversified, value-added portfolio. We are confident our business model and strategic critical investments will strengthen business for the long-term. Volatile environments will continue to test the industry but we believe our strategic focus on future proofing operations will continue to raise our performance above the sector."

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