

Hindalco Industries | BUY

Plant visit: automation, alloy capability and FRP integration deepen the moat

We recently visited the Hindalco's battery-enclosure facility at Chakan and the FRP plant at Taloja. The battery-enclosure line showcases a tightly engineered production flow - from sawing and laser marking to high-speed machining, flow-drill fastening, multi-stage welding and robotic dimensional inspection - resulting in consistent daily output of ~230-240 enclosures (each enclosure weighing ~60kgs). Three themes stood out: a) automation has materially lifted productivity, particularly the Technologica machining system that compresses cycle time from ~30 minutes to ~100 seconds, strengthening cost competitiveness; b) customer stickiness remains inherently high as Hindalco is the sole supplier for Mahindra, supported by long qualification cycles, quarterly LME-linked pricing (LME average plus conversion premium) and mid-teens IRR threshold for onboarding any new OEM; and c) growth visibility is underpinned by ongoing capacity expansion from ~80k to 100k units by December and Phase-II readiness by Mar'27, alongside OEM interest in shifting 14-15 additional components from stainless steel to aluminium. At Taloja, downstream integration is reinforced through a remelt-and-recycling loop that converts ~7.5k tonnes of rolling ingots into ~5k tonnes of FRP output, with ~2.5k tonnes of internal scrap feeding remelt and ~150 tonnes/day cast through recycling and remelt streams. The plant's capability to roll down to 70-micron gauges, operate a 26 ktpa AC Fin capacity and move toward ~70% renewable energy by FY27 further strengthens Hindalco's positioning in packaging, automotive, HVAC fin-stock and industrial value chains. **Maintain BUY.**

- **Automation-led efficiency and strong OEM stickiness:** The battery-enclosure facility synthesises extrusion, machining, welding and precision inspection into a tightly linked manufacturing chain that is difficult to replicate. Each enclosure requires five Alloy 6061 extrusions that pass through sawing, laser marking, accelerated machining, bracket flow-drill operations, multi-axis welding (top and bottom frames), frame machining and robotic dimension checks before final inspection. Three operational elements stand out: a) capability advantages rooted in automation, particularly the Technologica machining line that compresses cycle time to ~100 seconds, enabling meaningful throughput gains; b) long-cycle customer qualification, which creates sticky OEM relationships-Hindalco is currently the sole supplier to Mahindra-and raises entry barriers as new setups require up to 12 months to stabilise; and c) commercial discipline, with pricing tied to quarterly LME averages plus conversion premium and new-customer capex allowed only where mid-teens IRR thresholds are met. Working-capital norms include ~54 days receivable cycles and three days of OEM inventory held at the plant. Taken together, the facility positions Hindalco strongly for EV-related aluminium structural components and emerging substitution opportunities in 14-15 additional vehicle parts.
- **Integrated casting-to-coating strength with sustainability tailwinds:** The Taloja FRP plant integrates remelt, recycling and rolling into a continuous flow designed to maximise both metal recovery and product diversity. The metal balance requires ~7.5k tonnes of rolling ingots for ~5k tonnes of FRP output, with ~2.5k tonnes of internal scrap routed back into remelt. Three aspects define the plant's competitiveness: a) casting scale and stability, with ~150 tonnes/day produced through a mix of recycled (80 t/day) and remelted (70 t/day) inputs and alloy-change resets requiring ~12 hours to rebuild the 60-ton furnace charge; b) downstream constraints and capabilities; hot-rolling output of ~200-250 t/day contrasts with cold-rolling capacity of ~5-5.5kt per month, making CRC the bottleneck and c) sustainability and cost positioning, aided by regenerative burner systems, twin-chamber recycling furnaces, and the move toward ~70% renewable energy by FY27 through the proposed 10 MW wind addition.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	955
Upside/(Downside)	15.9%
Previous Price Target	915
Change	4.3%

Key Data – HNDL IN

Current Market Price	INR824
Market cap (bn)	INR1,832.5/US\$20.3
Free Float	64.3%
Shares in issue (mn)	2,223.9
Diluted share (mn)	2,223.9
3-mon avg daily val (mn)	INR4,424.6/US\$48.9
52-week range	864/546
Sensex/Nifty	85,268/26,047
INR/US\$	90.4

Price Performance

%	1M	6M	12M
Absolute	7.3	30.9	27.4
Relative*	6.3	25.4	21.5

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,159,620	2,384,960	2,492,023	2,706,064	2,746,742
Sales Growth (%)	-3.2	10.4	4.5	8.6	1.5
EBITDA	242,570	328,240	355,224	386,921	392,546
EBITDA Margin (%)	11.2	13.8	14.3	14.3	14.3
Adjusted Net Profit	105,190	179,000	175,623	186,491	186,793
Diluted EPS (INR)	47.3	80.5	79.0	83.9	84.0
Diluted EPS Growth (%)	2.4	70.2	-1.9	6.2	0.2
ROIC (%)	9.5	12.9	11.6	11.0	9.8
ROE (%)	10.5	15.6	13.3	12.4	11.0
P/E (x)	17.4	10.2	10.4	9.8	9.8
P/B (x)	1.8	1.5	1.3	1.2	1.1
EV/EBITDA (x)	9.1	6.9	6.5	6.1	6.0
Dividend Yield (%)	0.5	0.5	0.2	0.2	0.2

Source: Company data, JM Financial. Note: Valuations as of 12/Dec/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Key assumption table

	FY24	FY25	FY26E	FY27E	FY28E
Aluminium (USD/ton)	2,300	2,600	2,750	2,750	2,750
USD/INR	82.0	84.0	87.5	89.0	89.0
India aluminium					
Volume ('000 tons)	1,327	1,327	1,327	1,337	1,357
EBITDA (INR mn)	75,711	139,377	183,428	183,940	185,271
EBITDAUS\$/t	713	1,313	1,728	1,719	1,706
India Copper					
Volume (mn tons)	0.4	0.5	0.5	0.5	0.5
EBITDA (INR mn)	17,542	31,823	30,507	35,672	37,951
EBITDA/t (INR)	46,058	69,630	65,441	69,564	72,557
Novelis ('000 tons)	3,673	3,757	3,750	4,050	4,100
Novelis - EBITDA (USD mn)	1,798	1,864	1,615	1,880	1,903
Novelis - EBITDA/ton (USD)	490	496	431	464	464

Source: Company, JM Financial

Exhibit 2. Hindalco- SOTP valuation

	FY28EBITDA (INR bn)	Multiple (x)	Value (INR bn)
Indian Aluminium (multiple changed from 6 to 6.5x)	185	6.5	1,204
India Copper	38	5.5	208
Novelis	169	6.5	1,100
Total EV			2,513
Net Debt			528
Implied Mcap			1,985
No. of shares (bn)			2.2
Value (INR/share)			894
Investments (INR/share)			59
Target price			955

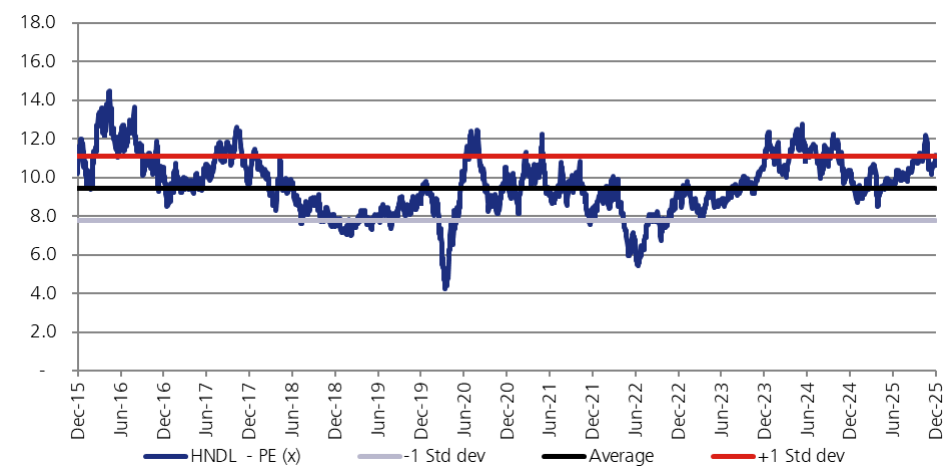
Source: JM Financial

Exhibit 3. HNDL: 1yr forward EV/EBIDTA valuation



Source: Bloomberg, JM Financial

Exhibit 4. HNDL: 1yr forward P/E valuation



Source: Bloomberg, JM Financial

Exhibit 5. Change in estimates

	Unit	OLD			NEW			% Change		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Sales	INR mn	2,492,023	2,706,064	2,746,742	2,492,023	2,706,064	2,746,742	0.0%	0.0%	0.0%
EBITDA	INR mn	355,224	386,921	392,546	355,224	386,921	392,546	0.0%	0.0%	0.0%
PAT	INR mn	175,623	186,491	186,793	175,623	186,491	186,793	0.0%	0.0%	0.0%
EPS		79.1	84.0	84.1	79.1	84.0	84.1	0.0%	0.0%	0.0%
Target Price	INR			915			955			4.3%
Rating				BUY			BUY			

Source: JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,159,620	2,384,960	2,492,023	2,706,064	2,746,742
Sales Growth	-3.2%	10.4%	4.5%	8.6%	1.5%
Other Operating Income	0	0	0	0	0
Total Revenue	2,159,620	2,384,960	2,492,023	2,706,064	2,746,742
Cost of Goods Sold/Op. Exp	1,338,550	1,449,490	1,448,755	1,588,565	1,617,105
Personnel Cost	147,780	154,060	79,831	82,714	85,886
Other Expenses	430,720	453,170	608,212	647,864	651,206
EBITDA	242,570	328,240	355,224	386,921	392,546
EBITDA Margin	11.2%	13.8%	14.3%	14.3%	14.3%
EBITDA Growth	6.0%	35.3%	8.2%	8.9%	1.5%
Depn. & Amort.	75,210	78,810	89,606	99,244	106,595
EBIT	167,360	249,430	265,619	287,678	285,950
Other Income	14,960	27,080	20,129	15,340	16,326
Finance Cost	38,580	34,190	40,956	43,412	42,009
PBT before Excep. & Forex	143,740	242,320	244,791	259,605	260,267
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	143,740	242,320	244,791	259,605	260,267
Taxes	38,570	63,350	69,198	73,144	73,504
Extraordinary Inc./Loss(-)	-3,640	-18,980	0	0	0
Assoc. Profit/Min. Int.(-)	20	30	30	30	30
Reported Net Profit	101,550	160,020	175,623	186,491	186,793
Adjusted Net Profit	105,190	179,000	175,623	186,491	186,793
Net Margin	4.9%	7.5%	7.0%	6.9%	6.8%
Diluted Share Cap. (mn)	2,223.9	2,223.9	2,223.9	2,223.9	2,223.9
Diluted EPS (INR)	47.3	80.5	79.0	83.9	84.0
Diluted EPS Growth	2.4%	70.2%	-1.9%	6.2%	0.2%
Total Dividend + Tax	10,402	10,402	5,201	5,201	5,201
Dividend Per Share (INR)	4.0	4.0	2.0	2.0	2.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	143,760	242,350	244,821	259,635	260,297
Depn. & Amort.	75,210	78,810	89,606	99,244	106,595
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	6,490	-38,650	-7,726	-4,524	-3,455
Others	3,280	-7,740	-30	-30	-30
Taxes Paid	-38,570	-63,350	-69,198	-73,144	-73,504
Operating Cash Flow	190,170	211,420	257,473	281,181	289,904
Capex	-157,280	-245,490	-320,151	-330,979	-280,800
Free Cash Flow	32,890	-34,070	-62,678	-49,798	9,104
Inc (-) / Dec in Investments	-13,280	-87,140	44,580	-10,000	0
Others	19,310	18,440	4,470	4,470	4,470
Investing Cash Flow	-151,250	-314,190	-271,101	-336,509	-276,330
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-8,880	-8,880	-4,440	-4,440	-4,440
Inc / Dec (-) in Loans	-39,350	75,730	100,286	44,480	24,500
Others	0	10	344	15	0
Financing Cash Flow	-48,230	66,860	96,189	40,055	20,060
Inc / Dec (-) in Cash	-9,310	-35,910	82,561	-15,273	33,634
Opening Cash Balance	153,680	144,370	108,460	191,021	175,747
Closing Cash Balance	144,370	108,460	191,021	175,747	209,381

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	1,061,460	1,237,090	1,412,713	1,599,204	1,785,998
Share Capital	2,220	2,220	2,220	2,220	2,220
Reserves & Surplus	1,059,240	1,234,870	1,410,493	1,596,984	1,783,778
Preference Share Capital	0	0	0	0	0
Minority Interest	110	120	464	479	479
Total Loans	563,560	639,290	739,576	784,055	808,555
Def. Tax Liab. / Assets (-)	93,440	104,710	104,710	104,710	104,710
Total - Equity & Liab.	1,718,570	1,981,210	2,257,462	2,488,448	2,699,741
Net Fixed Assets	1,266,770	1,439,530	1,670,075	1,901,810	2,076,015
Gross Fixed Assets	1,630,725	1,750,915	2,224,059	2,554,856	2,835,656
Intangible Assets	260,750	266,830	266,830	266,830	266,830
Less: Depn. & Amort.	773,375	852,185	941,791	1,041,035	1,147,630
Capital WIP	148,670	273,970	120,978	121,159	121,159
Investments	154,440	241,580	197,000	207,000	207,000
Current Assets	897,860	978,800	1,099,073	1,146,965	1,195,198
Inventories	408,120	488,010	512,059	556,041	564,399
Sundry Debtors	164,040	198,340	177,514	222,416	225,760
Cash & Bank Balances	144,370	108,460	191,021	175,747	209,381
Loans & Advances	181,330	183,990	218,479	192,761	195,658
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	600,500	678,700	708,686	767,327	778,472
Current Liabilities	574,110	651,890	682,746	741,387	752,532
Provisions & Others	26,390	26,810	25,940	25,940	25,940
Net Current Assets	297,360	300,100	390,387	379,637	416,726
Total - Assets	1,718,570	1,981,210	2,257,462	2,488,448	2,699,741

Source: Company, JM Financial

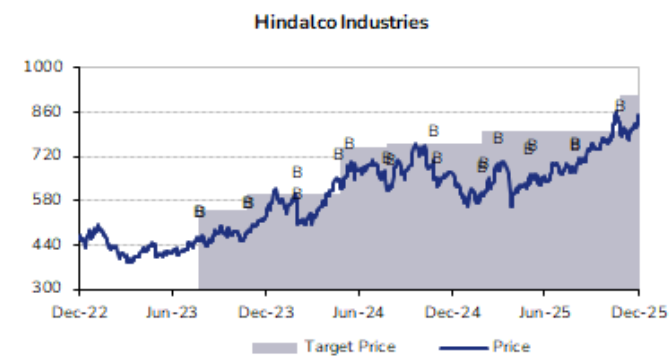
Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	4.9%	7.5%	7.0%	6.9%	6.8%
Asset Turnover (x)	1.3	1.3	1.2	1.1	1.1
Leverage Factor (x)	1.7	1.6	1.6	1.6	1.5
RoE	10.5%	15.6%	13.3%	12.4%	11.0%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	477.3	556.3	635.2	719.1	803.1
ROIC	9.5%	12.9%	11.6%	11.0%	9.8%
ROE	10.5%	15.6%	13.3%	12.4%	11.0%
Net Debt/Equity (x)	0.4	0.3	0.3	0.3	0.3
P/E (x)	17.4	10.2	10.4	9.8	9.8
P/B (x)	1.8	1.5	1.3	1.2	1.1
EV/EBITDA (x)	9.1	6.9	6.5	6.1	6.0
EV/Sales (x)	1.1	1.0	1.0	0.9	0.9
Debtor days	28	30	26	30	30
Inventory days	69	75	75	75	75
Creditor days	109	116	117	117	117

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
3-Aug-23	Buy	540	
8-Aug-23	Buy	550	1.9
7-Nov-23	Buy	600	9.1
10-Nov-23	Buy	600	0.0
12-Feb-24	Buy	610	1.7
13-Feb-24	Buy	600	-1.6
6-May-24	Buy	750	25.0
24-May-24	Buy	750	0.0
7-Aug-24	Buy	760	1.3
13-Aug-24	Buy	760	0.0
6-Nov-24	Buy	760	0.0
13-Nov-24	Buy	760	0.0
10-Feb-25	Buy	800	5.2
14-Feb-25	Buy	800	0.0
12-Mar-25	Buy	800	0.0
12-May-25	Buy	800	0.0
20-May-25	Buy	800	-0.1
11-Aug-25	Buy	800	0.1
12-Aug-25	Buy	800	0.0
7-Nov-25	Buy	915	14.3

Recommendation History



APPENDIX I

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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