Hindalco Industries | BUY

Oswego fire disruption continues; de-leveraging pushed out

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Novelis reported 4QFY26 Adj EBITDA of USD459mn, higher than JMFe of USD356mn, however the beat is largely optical as ~USD577mn of fire-related losses were booked below the EBITDA line, resulting in a reported net loss of USD84mn. Underlying operations remained impacted by Oswego disruptions and weaker specialty demand, with EBITDA/t at USD544/t vs USD430/t in 3Q. Key takeaways from the call are - 1) adverse FCF impact from Oswego revised upward to USD1.7bn (vs USD1.3-1.6bn earlier), with 70-75% expected to be recovered through insurance; 2) Oswego hot mill restart now expected within the next few weeks, ahead of prior end-June guidance; 3) FY27 capex guided at USD2.1-2.4bn including ~USD350mn maintenance with Bay Minette full commissioning on track for 2HCY26; 4) cost savings target upgraded to USD350-400mn by end-FY28 (vs USD300mn+ earlier); and 5) net leverage at 4.1x could touch high 4s near term though FCF recovery expected by end-FY27. The parent company infused ~USD950mn in FY26 with no more infusion expected. However, company might go for some short-term borrowing to the tune of ~USD500mn to manage Oswego related disruptions with no plans for any long-term borrowings. We await Hindalco consolidated numbers - to be published shortly. Maintain BUY.

- **Higher realisations offset by Oswego-impacted shipments:** Revenues came in at USD4.8bn (+4.4% YoY) on higher LME (+21.1% YoY to USD3,184/t) and premiums (+15.0% YoY to USD2,488/t), offset by lower shipments (-11.8% YoY to 844kt), of which ~73kt is attributable to Oswego. Adj. EBITDA of USD459mn (-3.0% YoY) beat JMfe though the beat is optical given fire losses sit below the line; EBITDA/t increased to USD544/t (+10% YoY) on favourable scrap and cost efficiencies. The quarter absorbed USD53mn Oswego EBITDA impact and USD27mn tariff headwind, partially offset by USD41mn Sierre insurance recoveries. Segmentally, North America declined 51% YoY on Oswego disruption, Europe surged +44% YoY on rerouted volumes, South America grew +27% YoY on scrap tailwinds, while Asia declined 20% YoY on unfavourable mix despite volume growth.

- **Oswego recovery ahead of schedule; impact revised to USD1.7bn pre-insurance:** Oswego Hot mill restart expected within weeks, ahead of prior end-June guidance. Total pre-insurance adverse FCF impact has been revised to ~USD1.7bn (vs USD1.3-1.6bn earlier), with 70-75% expected to be recovered through insurance largely in future periods. Total FY26 Oswego charge stood at USD925mn (including USD577mn in 4QFY26) primarily consisting of costs of repairs, restorations, expedited freights etc. Net debt increased to USD6.7bn and FY26 FCF was USD(2.4)bn; net leverage at 4.1x which is expected to touch high 4s in the near term. Parent company infused ~USD950mn equity in FY26. Company may do ~USD500mn short-term borrowing for Oswego working capital, with no long-term borrowings planned.

- **Bay Minette on track; FCF recovery by end-FY27:** FY27 capex guidance of USD2.1-2.4bn includes ~USD350mn maintenance and ~USD1.7bn for Bay Minette, with total project cost for Bay Minette unchanged at ~USD5bn (USD3.2bn spent through FY26). Cold mill commissioning commenced Mar'26 with full commissioning expected by 2HCY26; company guides FCF-positive by end-FY27 as Oswego normalises and capex moderates. Cost savings run-rate exited FY26 at USD200mn+, with the total target upgraded to USD350-400mn by end-FY28 vs prior USD300mn+.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,210
Upside/(Downside)	15.5%
Previous Price Target	1,175
Change	3.0%

Key Data – HNDL IN EQUITY	
Current Market Price	INR1,048
Market cap (bn)	INR2,355.8/US$24.4
Free Float (%)	64.2
Shares in issue (mn)	2,247.2
Diluted share (mn)	2,247.2
3-mon avg daily val (mn)	INR6,284.4/US$65.2
52-week range	INR1,105/618
Sensex/Nifty	75,201/23,618
INR/US$	96.5

Price Performance

%	1M	6M	12M
Absolute	0.9	32.5	59.2
Relative*	5.3	50.9	71.9

*To the NSE Nifty 50

Financial Summary (INR mn)

Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,159,620	2,384,960	2,673,952	3,189,077	3,372,419
Sales Growth (%)	-3.2	10.4	12.1	19.3	5.7
EBITDA	242,570	328,240	373,484	408,919	449,734
EBITDA Margin (%)	11.2	13.8	14.0	12.8	13.3
Adjusted Net Profit	105,190	179,000	203,955	204,463	222,579
Diluted EPS (INR)	47.4	80.6	91.9	92.1	100.3
Diluted EPS Growth (%)	2.4	70.2	13.9	0.2	8.9
ROIC (%)	9.5	12.9	13.5	11.4	11.3
ROE (%)	10.5	15.6	15.2	13.2	12.7
P/E (x)	22.9	14.5	11.4	11.4	10.5
P/B (x)	2.2	1.9	1.6	1.4	1.2
EV/EBITDA (x)	11.4	8.8	7.9	7.6	6.6
Dividend Yield (x)	0.4	0.4	0.2	0.2	0.2

Source: Company data, JM Financial. Note: Valuations as of May 19, 2026

Key conference call takeaways:

- Oswego fire:
  - Company expects a negative FCF impact of USD1.7bn as compared to USD1.3-1.6bn earlier from the Oswego fire incident mainly led by a) ~USD100-150mn impact in EBITDA, b) items going to net income which are non-recurring and non-operating in nature and c) other repair and additional capex.
  - Company expects to recover 70-75% of the cash flow and Adj. EBITDA impact with net impact post insurance recovery to be less than USD500mn. More than half of the recoverable amount to be recovered by the end of this year.
  - Volumes impact due to Oswego fire for 4QFY26 stood at 73kt with total shipment impact expected to be 150-200kt.
  - Consequently, company believes Net Debt to EBITDA might go up to high 4's in the next few quarters.
  - The USD925mn impact due to Oswego fire in FY26 (US577mn in 4QFY26) primarily consists of the costs of repairs, restorations, expedited freights etc. This is a part of the expected USD1.7bn impact.
- Tariff impact: Novelis witnessed a net negative tariff impact to the tune of ~USD27mn in 4QFY26 as compared to USD34mn in 3QFY26. Company expects this to go down going ahead driven by the ongoing mitigation efforts.
- Capex: Guidance for FY27 stands at USD2.1-2.4bn including USD350mn of maintenance capex. Out of this, ~USD1.7bn to be incurred towards Bay Minette. Total capex guidance for Bay Minette unchanged at USD5bn – incurred USD3.2bn as of 4QFY26.
- Commissioning for Cold Mill at Bay Minette has started in Mar'26 – project remains on track for full commissioning in 2HCY26 post which the capex is expected to decline and company expects to become FCF positive by 4QFY27.
- Company has exited FY26 with a cost savings run-rate of USD200mn from global cost efficiency program - to be ~USD350-400mn by the end of FY28.
- The parent company infused ~USD950mn in FY26 with no more infusion expected. However, company might go for some short-term borrowing to the tune of ~USD500mn to manage Oswego related disruptions. Company has no plans for any long-term borrowings.

Exhibit 1: Novelis quarterly performance

Y/E March	4QFY26	4QFY26E	% Var	4QFY25	YoY %	3QFY26	QoQ %	FY26	FY25	YoY %
Net sales	**4,787**	**4,524**	**5.8**	**4,587**	**4.4**	**4,186**	**14.4**	**18,434**	**17,149**	**7%**
Shipments ('000 tons)	844	825	2.3	957	(11.8)	809	4.3	3,557	3,757	-5%
Realisations (USD/ton)	5,672	5,484	3.4	4,793	18.3	5,174	9.6	5,182	4,565	14%
LME (USD/t)	3,184	3,184	-	2,630	21.1	2,828	12.6	11,084	10,231	8%
Premium (USD/t)	2,488	2,300	8.2	2,163	15.0	2,346	6.0	(5,902)	(5,666)	4%
Total cost										
COGS (USD mn)	3,970	3,995	(0.6)	3,862	2.8	3,513	13.0	15,587	14,469	8%
COGS as % of sales	*82.9*	*88.3*		*84.2*		*83.9*		*84.6*	*84.4*	
Adjusted EBITDA	**459**	**356**	**28.8**	**473**	**(3.0)**	**348**	**31.9**	**1,645**	**1,802**	**-9%**
EBITDA margins (%)	9.6	7.9		10.3		8.3		8.9	10.5	
EBITDA/ton (USD/ton)	544	432	25.9	494	10.0	430	26.4	462	480	-4%
Other income	191	5		55		126		515	69	
Depreciation	161	152		152	5.9	155	3.9	616	575	7%
Interest	58	63		60	(3.3)	62	(6.5)	245	257	-5%
EO income/(expense)	(630)	-		(13)		(412)		(1,283)	(197)	
PBT	**(199)**	**146**		**303**		**(155)**		**16**	**842**	
Tax	(114)	38		9	NA	4	(2,950.0)	1	159	-99%
Reported PAT	(84)	112	(174.9)	294		(160)		15	683	
Adjusted PAT	**546**	**112**	387.1	**307**	**77.9**	**252**	**116.7**	**1,298**	**880**	**48%**
Key monitorables										
Net Debt (USD bn)	**6.7**	**-**		**5.1**		**6.1**		**6.7**	**5.1**	
Capex	**766**	**-**		**514**		**664**		**2,343**	**1,689**	
FCF (from continuing ops.)	**(736)**	**-**		**178**		**(1,142)**		**(2,377)**	**(737)**	

Source: Company, JM Financial

Exhibit 2: Novelis segmental performance

Y/E March	4QFY26E	4QFY25	YoY %	3QFY26	QoQ %	FY26	FY25	YoY %
North America								
Total Shipments ('000 tons)	302	375	-19.5	283	6.7	1343	1519	-12%
EBITDA (USD)	74	150	-50.7	94	-21.3	435	640	-32%
EBITDA/ton (USD/ton)	245	400	-38.7	332	-26.2	324	421	-23%
Europe								
Total Shipments ('000 tons)	284	265	7.2	262	8.4	1068	985	8%
EBITDA (USD)	150	104	44.2	78	92.3	379	306	24%
EBITDA/ton (USD/ton)	528	392	34.6	298	77.4	355	311	14%
Asia								
Total Shipments ('000 tons)	230	201	14.4	189	21.7	753	744	1%
EBITDA (USD)	71	89	-20.2	48	47.9	311	347	-10%
EBITDA/ton (USD/ton)	309	443	-30.3	254	21.5	413	466	-11%
South America								
Total Shipments ('000 tons)	177	164	7.9	170	4.1	637	635	0%
EBITDA (USD)	164	129	27.1	130	26.2	521	504	3%
EBITDA/ton (USD/ton)	927	787	17.8	765	21.2	818	794	3%

Source: Company, JM Financial

Exhibit 3: Hindalco - SOTP valuation

	FY28 EBITDA (INR bn)	Multiple	Value (INR bn)
India Aluminium	236.48	7.0	1,655.39
India Copper	33.09	5.5	182.00
Novelis	180.16	7.0	1,261.11
Total EV			3,098.50
Net Debt			546.26
Implied Mcap			2,552.24
No. of shares (bn)			2,220
Value (INR/share)			1150
Investments			59
Target price			**1,210**

Source: JM Financial

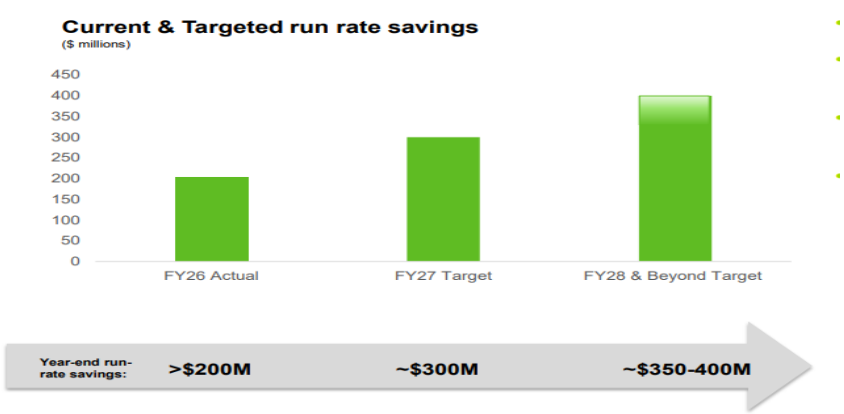
Exhibit 4: Long-term and near-term demand outlook

	Long-term growth rates & trends [1]	Near-term market demand trends
BEVERAGE PACKAGING (62% of FY26 Shipments)	• FY2026-2031 CAGR ~4% (excluding China) • Sustainability preferences driving package mix shift favoring aluminum	• Global beverage packaging demand remains strong across regions
AUTOMOTIVE (18% of FY26 Shipments)	• FY2026-2031 CAGR ~3-5% • Lightweighting and innovation for vehicle performance • Favorable vehicle mix in N America • Slower BEV adoption ex-China; but lower aluminum adoption in China	• Pent-up demand given North American capacity constraints • Europe demand stable under constrained economic conditions
AEROSPACE (3% of FY26 Shipments)	• FY2026-2031 CAGR ~4% • Multi-year OEM order backlogs • Sustainability growing in importance	• Ongoing demand for new aircraft • Global aerospace parts supply chain constraints signaling some easing
SPECIALTY (17% of FY26 Shipments)	• Long-term market growth at GDP+ rates • Undersupplied US housing market • Lightweighting & sustainability trends	• Stable but suppressed Building & Construction demand • Economic & tariff uncertainty and slower EV roll-out muting demand in some segments including batteries, truck/trailer and light gauge markets

1. Source: management estimates

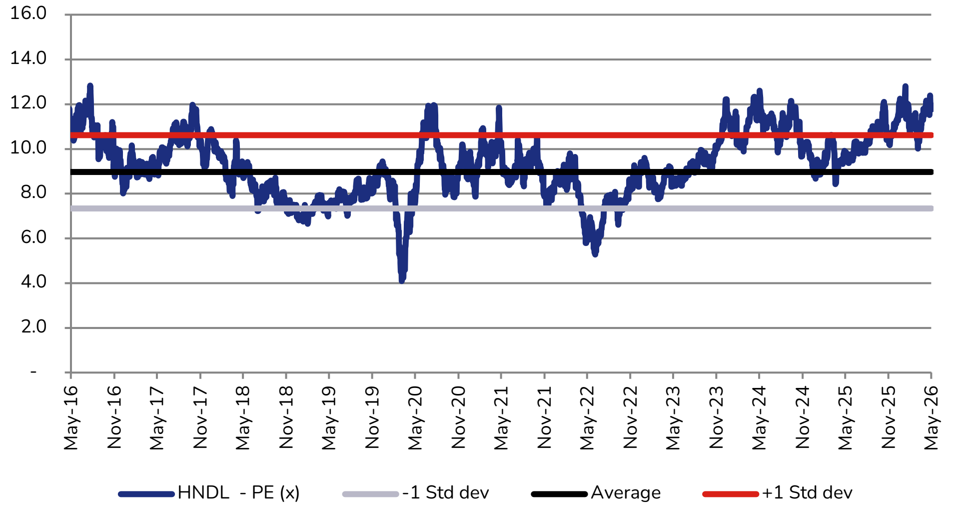
Source: Company, JM Financial

Exhibit 5: Targeted savings through cost efficiencies



Source: Company, JM Financial

Exhibit 6: HNDL: 1yr forward P/E valuation



Source: Bloomberg, JM Financial

Exhibit 7: HNDL: 1yr forward EV/EBITDA valuation

Source: Bloomberg, JM Financial

Exhibit 8: Change in estimates

		Old		New		% Change	
	Unit	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Net Sales	INR mn	3,138,170	3,296,195	31,89,077	33,72,419	1.6%	2.3%
EBITDA	INR mn	405,609	451,250	4,08,919	4,49,734	0.8%	-0.3%
PAT	INR mn	195,388	213,537	2,04,463	2,22,579	4.6%	4.2%
EPS		88.0	96.2	92.1	100.3	4.6%	4.2%
Target Price	**INR**		**1,175**		**1210**		**2.6%**
Rating			**BUY**		**BUY**		

Source: JM Financial

Financial Tables (Standalone)

Income Statement					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,159,620	2,384,960	2,673,952	3,189,077	3,372,419
Sales Growth (%)	-3.2	10.4	12.1	19.3	5.7
Other Operating Income	-	-	-	-	-
Total Revenue	**2,159,620**	**2,384,960**	**2,673,952**	**3,189,077**	**3,372,419**
Cost of Goods Sold/Op. Exp	1,338,550	1,449,490	1,554,508	1,917,023	2,034,632
Personnel Cost	147,780	154,060	79,831	82,714	85,886
Other Expenses	430,720	453,170	666,129	780,421	802,168
EBITDA	**242,570**	**328,240**	**373,484**	**408,919**	**449,734**
EBITDA Margin (%)	11.2	13.8	14.0	12.8	13.3
EBITDA Growth (%)	6.0	35.3	13.8	9.5	10.0
Depn. & Amort.	75,210	78,810	92,206	105,213	112,375
EBIT	167,360	249,430	281,277	303,706	337,358
Other Income	14,960	27,080	10,346	8,566	11,204
Finance Cost	38,580	34,190	40,320	41,088	51,323
PBT before Excep. & Forex	143,740	242,320	251,303	271,185	297,239
Excep. & Forex Inc./Loss(-)	-	-	-	-	-
PBT	143,740	242,320	251,303	271,185	297,239
Taxes	38,570	63,350	47,378	66,752	74,690
Extraordinary Inc./Loss(-)	-3,640	-18,980	-	-	-
Assoc. Profit/Min. Int.(-)	20	30	30	30	30
Reported Net Profit	101,550	160,020	203,955	204,463	222,579
Adjusted Net Profit	**105,190**	**179,000**	**203,955**	**204,463**	**222,579**
Net Margin (%)	4.9	7.5	7.6	6.4	6.6
Diluted Share Cap. (mn)	2,220	2,220	2,220	2,220	2,220
Diluted EPS (INR)	**47.4**	**80.6**	**91.9**	**92.1**	**100.3**
Diluted EPS Growth (%)	2.4	70.2	13.9	0.2	8.9
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

Balance Sheet					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders Fund	1,061,570	1,237,210	1,441,514	1,646,016	1,868,596
Share Capital	2,220	2,220	2,220	2,220	2,220
Reserves & Surplus	1,059,240	1,234,870	1,438,825	1,643,288	1,865,867
Preference Share Capital	-	-	-	-	-
Minority Interest	110	120	469	509	509
Total Loans	563,560	639,290	822,902	885,514	877,514
Def. Tax Liab. / Assets (-)	93,440	104,710	104,710	104,710	104,710
Other non-current liabilities / Lease Liabilities	-	-	-	-	-
Total - Equity & Liab.	**1,718,570**	**1,981,210**	**2,369,126**	**2,636,241**	**2,850,820**
Net Fixed Assets	1,266,770	1,439,530	1,755,868	2,030,198	2,126,823
Gross Fixed Assets	1,630,725	1,750,915	2,312,391	2,691,451	2,900,451
Intangible Assets	260,750	266,830	266,830	266,830	266,830
Less: Depn. & Amort.	773,375	852,185	944,391	1,049,605	1,161,980
Capital WIP	148,670	273,970	121,038	121,522	121,522
Investments	154,440	241,580	197,000	207,000	207,000
Current Assets	897,860	978,800	1,174,788	1,298,702	1,466,888
Inventories	408,120	488,010	549,442	655,290	692,963
Sundry Debtors	164,040	198,340	190,473	262,116	277,185
Cash & Bank Balances	144,370	108,460	215,095	154,129	256,512
Loans & Advances	181,330	183,990	219,777	227,167	240,227
Other Current Assets	-	-	-	-	-
Current Liab. & Prov.	600,500	678,700	758,530	899,660	949,891
Current Liabilities	574,110	651,890	732,590	873,720	923,951
Provisions & Others	26,390	26,810	25,940	25,940	25,940
Net Current Assets	297,360	300,100	416,258	399,042	516,997
Other Non Current Assets/ROU Assets	-	-	-	-	-
Total - Assets	**1,718,570**	**1,981,210**	**2,369,126**	**2,636,241**	**2,850,820**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	101,530	159,990	203,925	204,433	222,549
Depn. & Amort.	75,210	78,810	92,206	105,213	112,375
Net Interest Exp. / Inc. (-)	-	-	-	-	-
Inc (-) / Dec in WCap.	6,490	-38,650	-9,523	-43,750	-15,572
Others	6,940	11,270	-	-	-
Taxes Paid	-	-	-	-	-
Operating Cash Flow	**190,170**	**211,420**	**286,609**	**265,896**	**319,353**
Capex	-157,280	-245,490	-340,000	-340,000	-250,000
Free Cash Flow	32,890	-34,070	-53,391	-74,104	69,353
Inc (-) / Dec in Investments	-13,280	-87,140	44,580	-10,000	-
Others	19,310	18,440	-64,074	-35,074	45,470
Investing Cash Flow	**-151,250**	**-314,190**	**-359,494**	**-385,074**	**-204,530**
Inc / Dec (-) in Capital	-	-	-	-	-
Dividend + Tax thereon	-8,880	-8,880	-4,440	-4,440	-4,440
Inc / Dec (-) in Loans	-39,350	75,730	183,612	62,612	-8,000
Others	-	10	349	40	-
Financing Cash Flow	**-48,230**	**66,860**	**179,521**	**58,212**	**-12,440**
Inc / Dec (-) in Cash	**-9,310**	**-35,910**	**106,635**	**-60,966**	**102,383**
Opening Cash Balance	153,680	144,370	108,460	215,095	154,129
Closing Cash Balance	144,370	108,460	215,095	154,129	256,512

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin (%)	4.9	7.5	7.6	6.4	6.6
Asset Turnover (x)	1.3	1.3	1.2	1.3	1.2
Leverage Factor (x)	1.7	1.6	1.6	1.6	1.6
RoE (%)	10.5	15.6	15.2	13.2	12.7

Source: Company, JM Financial

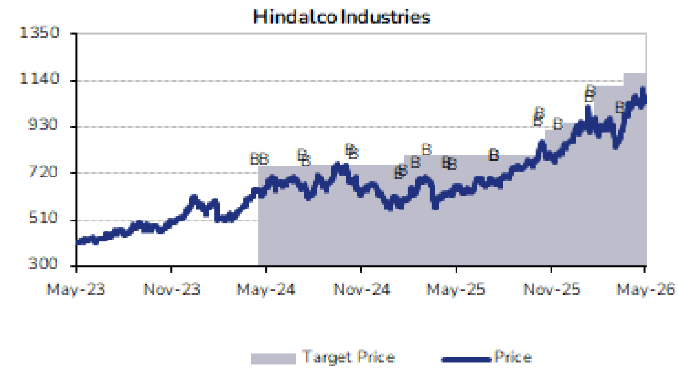
Key Ratios					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	478.1	557.2	649.1	741.2	841.5
ROIC (%)	9.5	12.9	13.5	11.4	11.3
ROE (%)	10.5	15.6	15.2	13.2	12.7
Net Debt/Equity (x)	0.4	0.4	0.4	0.4	0.3
P/E (x)	22.9	14.5	11.4	11.4	10.5
P/B (x)	2.2	1.9	1.6	1.4	1.2
EV/EBITDA (x)	11.4	8.8	7.9	7.6	6.6
EV/Sales (x)	1.3	1.2	1.1	1.0	0.9
Debtor days	28	30	26	30	30
Inventory days	69	75	75	75	75
Creditor days	109	116	116	115	115

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
9-Apr-26	Buy	1,175	4.9
12-Feb-26	Buy	1,120	0.0
11-Feb-26	Buy	1,120	17.3
13-Dec-25	Buy	955	4.4
7-Nov-25	Buy	915	14.3
4-Nov-25	Buy	800	0.0
12-Aug-25	Buy	800	0.0
11-Aug-25	Buy	800	0.1
20-May-25	Buy	800	-0.1
12-May-25	Buy	800	0.0
1-Apr-25	Buy	800	0.0
12-Mar-25	Buy	800	0.0
14-Feb-25	Buy	800	0.0
10-Feb-25	Buy	800	5.2
13-Nov-24	Buy	760	0.0
6-Nov-24	Buy	760	0.0
13-Aug-24	Buy	760	0.0
7-Aug-24	Buy	760	1.3
24-May-24	Buy	750	0.0
6-May-24	Buy	750	

Recommendation History Chart



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Research Analyst(s) Certification

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