

## Hindalco Industries (HNDL) - SELL

### Company Update

Current Market Price (CMP) <b>Rs.937</b>	Fair Value (FV) <b>Rs.850</b>
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### Rationale:

- Scrap spreads in the US are continuing to expand, with scrap prices now at ~47% of Midwest P1020 versus 70% last year and an average of 58% in CY25.
- Higher LME aluminum prices due to the ongoing conflict in the Middle East and lower scrap demand, mainly by Novelis, have led to higher scrap spreads.
- While peers are gaining, Novelis is likely to witness limited benefit due to plant outages and the diversion of can sheet lines toward auto.
- Its margins have bottomed in Q3FY26, but we expect production normalization only from 2HFY27E.
- The India business is well-placed to benefit from the commodity price tailwinds. Maintain SELL on rich valuations.

(CAGR - Compound Annual Growth Rate, EBITDA - Earnings Before Interest, Taxes, Depreciation, and Amortization)

#### **Positives:**

- Packaging demand robust; auto mixed across regions.
- HNDL's domestic aluminum business is well-placed to benefit from higher aluminum prices due to the ongoing conflict in the Middle East.
- Scrap spreads remain elevated.
- We expect margins to ramp up to US\$500/ton levels gradually.

#### **Negatives:**

- Novelis' margins have failed to replicate benefits of elevated scrap spreads.



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
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- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

## FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

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**Shrikant Chouhan**  
Head of Research  
shrikant.chouhan@kotak.com  
+91 22 6218 5408

**Arun Agarwal**  
Auto/Auto Ancillary, Building Material  
Cement, Consumer Durable  
arun.agarwal@kotak.com  
+91 22 6218 6443

**Amit Agarwal, CFA**  
Transportation, Paints, FMCG  
agarwal.amit@kotak.com  
+91 22 6218 6439

**Rini Mehta**  
Research Associate  
rini.mehta@kotak.com  
+91 22 6218 6433

**Sumit Pokharna**  
Oil and Gas, Information Tech  
sumit.pokharna@kotak.com  
+91 22 6218 6438

**Pankaj Kumar**  
Construction, Capital Goods & Midcaps  
pankajr.kumar@kotak.com  
+91 22 6218 6434

**Amarjeet Maurya**  
Internet Software & Services  
amarjeet.maurya@kotak.com  
+91 22 6218 6427

**Veer Trivedi**  
BFSI  
veer.trivedi@kotak.com  
+91 22 6218 6432

## TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

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**Shrikant Chouhan**  
shrikant.chouhan@kotak.com  
+91 22 6218 5408

**Amol Athawale**  
amol.athawale@kotak.com  
+91 20 6620 3350

**Sayed Haider**  
sayed.haider@kotak.com  
+91 22 62185458

## DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

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**Sahaj Agrawal**  
sahaj.agrawal@kotak.com  
+91 79 66041701

**Prasenjit Biswas, CMT, CFTe**  
prasenjit.biswas@kotak.com  
+91 33 6638 8331

**Karan Kulkarni**  
karan.kulkarni@kotak.com  
+91 20 66203350

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