

HINDALCO INDUSTRIES LIMITED

NSE: HINDALCO | Aditya Birla Group | Metals & Mining

COMPREHENSIVE INSTITUTIONAL RESEARCH DOSSIER — MARCH 2026

CMP (Feb 2026)	Market Cap	52-Wk Range	P/E Ratio
₹925–₹935	₹2,07,000 Cr	₹546 – ₹1,030	~12x TTM

D/E Ratio	EBITDA Margin	Div. Yield	Beta
0.51x	~13.7%	~0.54%	1.06–1.12

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MODULE 1 — EQUITY SCREENING FRAMEWORK (Goldman Sachs Style)

Company Overview

Hindalco Industries Limited, founded in 1958 and headquartered in Mumbai, is the metals flagship of the Aditya Birla Group. It is India's largest integrated aluminium producer and one of Asia's largest primary aluminium makers (excluding China). Through its wholly-owned subsidiary Novelis Inc., Hindalco is also the world's largest aluminium recycler and a leading producer of flat-rolled aluminium products, with operations spanning 10 countries across 50 manufacturing facilities.

The company operates four core segments: Novelis (global flat-rolled products), Aluminium Upstream (India smelting & refining), Aluminium Downstream (India rolled products, extrusions, foil), and Copper (India's largest single-location custom copper smelter at Dahej).

1.1 Valuation — P/E Analysis vs. Sector Peers

Company	P/E (TTM)	P/B Ratio	Market Cap (₹Cr)	1-Yr Return
Hindalco Industries	~12x	1.55x	2,07,000	+59%
Vedanta Ltd	~17x	6.30x	2,52,900	+48%
NALCO	~11x	3.31x	65,600	+82%
Alcoa (USA)	~14x	N/A	Global	—

Key insight: Hindalco trades at a ~35% discount to its peer median P/E of ~17x, and a ~27% discount on P/B. This relative undervaluation may reflect Novelis-related headwinds (fire at Oswego plant) rather than fundamental weakness.

1.2 Revenue Growth — 5-Year Trend

FY2020	FY2021	FY2022	FY2023	FY2024	FY2025 (est.)
~₹1,01,000 Cr	~₹1,13,000 Cr	~₹1,95,000 Cr	~₹2,23,000 Cr	~₹2,16,000 Cr	~₹2,38,000 Cr

Revenue CAGR (FY20–FY25): ~18–19%. Growth was driven by commodity cycle upcycles in FY22, Novelis volume recovery, and expansion of value-added products. Revenue dipped slightly in FY24 due to aluminium price correction before recovering in FY25. Geojit analysts forecast a 6% revenue CAGR over FY26–27.

1.3 Debt-to-Equity Health Check

Standalone D/E (India operations): ~0.19x — very conservative.

Consolidated D/E (including Novelis): ~0.51x as of Mar 2025 — manageable for a capital-intensive metals business.

Net Debt-to-EBITDA (consolidated): ~1.73x — within management's self-imposed ceiling of 2.0x during the capex cycle.

Novelis carries the bulk of group debt (~\$5–6B USD), largely tied to the Bay Minette greenfield expansion and the Oswego fire-related costs. Insurance recovery is expected to cover 70–80% of the \$1.3–1.6B FCF impact. Total debt (India): ~₹56,356 Cr.

1.4 Dividend Yield & Sustainability Score

Current dividend yield: ~0.54% (₹5 per share). Forward annual dividend: ₹5 per share. Payout ratio: ~8–17% of profits — deliberately low as the company prioritises capex reinvestment. Three-year average payout ratio: ~7% of profits. While the nominal yield is low, the payout is highly sustainable given coverage ratios. Score: 7/10 (sustainable, but not income-focused).

1.5 Competitive Moat Rating

Rating: STRONG

- Vertical integration from bauxite mining → alumina refining → smelting → downstream rolling
- Novelis: world's largest aluminium recycler — structurally cost-advantaged via scrap-based production (lower energy intensity)
- India's only large-scale integrated aluminium + copper producer — natural domestic oligopoly
- Captive power plants reduce dependency on grid power (power = ~40-42% of aluminium cost)
- \$6B capex plan (FY26-30) for upstream expansion — locks in long-term cost leadership
- Aditya Birla Group backing — access to capital, brand, governance

1.6 Bull & Bear Case Price Targets (12-Month)

Scenario	Price Target	Upside from ~₹930	Key Assumption
Bull Case	₹1,200–₹1,240	+29–33%	Novelis normalises, LME Al >\$2,800/t, Bay Minette on time
Base Case	₹1,000–₹1,050	+8–13%	Domestic growth solid, Novelis partial recovery
Bear Case	₹750–₹800	-14 to -19%	LME Al <\$2,100/t, Novelis Oswego delays, China dumping

HSBC analyst target: ₹1,240 (Buy). Consensus analyst coverage: 67 analysts, 28 with active estimates. The stock hit an all-time high of ₹1,029.80 on 29 January 2026.

1.7 Risk Rating

Risk Score: 6 / 10 (Moderate-High)

- Commodity price risk: Aluminium and copper are cyclical; LME volatility directly affects margins
- Novelis execution risk: Oswego plant fire impact (\$1.3–1.6B FCF hit, restart expected late Q2 CY2026) is the single biggest near-term risk
- Currency risk: Novelis earns in USD; INR/USD swings affect consolidated earnings
- Capex overrun risk: \$6B India + \$6B Novelis capex programme over FY26-28 is aggressive
- Regulatory / CFIUS risk: AluChem (USA) acquisition review paused due to US government shutdown
- China oversupply: Chinese aluminium and copper dumping risk on global prices
- Energy cost: Power = ~40% of aluminium cost; coal price spikes directly pressure margins

1.8 Entry Zones & Stop-Loss (Technical Guidance — not a recommendation)

Based on available technical data and analyst commentary:

- Aggressive Entry Zone: ₹880–₹920 (recent consolidation support)
- Conservative Entry Zone: ₹840–₹860 (near 200-DMA cushion)
- Stop-Loss Level: ₹807 (key support; breakdown would indicate trend reversal)
- Profit Target 1: ₹1,000 (round-number resistance)

- Profit Target 2: ₹1,050–₹1,100 (analyst base case)
- Risk-to-Reward (from ~₹930): ~1:2 at base case, ~1:3+ at bull case

MODULE 2 — DCF VALUATION (Morgan Stanley Style)

5-Year Revenue Projections & Free Cash Flow

Assumptions: Revenue CAGR ~6-8% driven by domestic aluminium volume growth, copper expansion, and Novelis recovery. Operating margin assumed to improve from ~6.5% (FY26E, depressed by Novelis) to ~8-9% (FY28+) as Bay Minette ramps and Oswego normalises. WACC estimated at 10.5–11.5% for consolidated (blended India+global). Terminal growth rate: 4% (India infrastructure tailwind).

	FY26E	FY27E	FY28E	FY29E	FY30E
Revenue (₹Cr)	2,46,000	2,60,000	2,78,000	2,95,000	3,13,000
EBIT Margin %	5.5%	6.8%	7.8%	8.5%	9.0%
EBIT (₹Cr)	13,530	17,680	21,684	25,075	28,170
FCF (est. ₹Cr)	3,500	7,200	12,500	16,800	20,000

Note: FCF is depressed in FY26 due to peak capex cycle (India ₹8,000 Cr + Novelis \$2B/year). FCF inflection expected from FY28 as Bay Minette comes on stream and capex moderates.

WACC Estimate

- Cost of Equity: ~13-14% (India equity risk premium + beta ~1.1)
- Cost of Debt: ~6-7% (blended India + USD debt)
- Target Capital Structure: ~33% debt / ~67% equity
- Blended WACC: ~10.5–11.5%

Terminal Value & Sensitivity

Using perpetuity growth ($g=4%$, $WACC=11%$): Terminal Value ~₹3,50,000–₹4,00,000 Cr. Using exit EV/EBITDA multiple of 7x (peer median) on FY30 EBITDA (~₹35,000 Cr): Terminal Value ~₹2,45,000 Cr. DCF fair value range: ₹950–₹1,100 per share (base case). Verdict: FAIRLY VALUED TO MODESTLY UNDERVALUED at current price of ~₹930, with upside catalysts tied to Novelis normalisation and Bay Minette commissioning.

Sensitivity Table — DCF Fair Value (₹/share)

WACC \ Terminal g	3%	4%	5%	6%
10.0%	₹1,050	₹1,150	₹1,300	₹1,500
11.0%	₹920	₹1,000	₹1,100	₹1,250
12.0%	₹800	₹860	₹940	₹1,050
13.0%	₹700	₹750	₹810	₹900

Key model risks: Commodity price assumptions; Novelis Oswego recovery timeline; USD/INR; Bay Minette capex overruns; CFIUS outcome on AluChem.

MODULE 3 — PORTFOLIO RISK ASSESSMENT (Bridgewater Style)

Risk Heat Map

Risk Factor	Probability	Impact	Mitigation
Aluminium LME price decline	Medium	HIGH	Downstream/value-added mix reduces sensitivity; Novelis partially insulated via conversion-model
Novelis Oswego extended delay	Low-Medium	HIGH	Insurance covers 70-80% of impact; hot mill restart targeted late Q2 CY2026
INR appreciation vs USD	Medium	Medium	Natural hedge via USD-denominated debt; Novelis revenues in USD
CFIUS blocks AluChem deal (USA)	Low-Medium	Medium	Tolled due to US govt shutdown — no deal-breaker news yet; not core to earnings
China aluminium dumping	Medium	Medium	Domestic India demand structural; Novelis serves premium value-added end markets
Coal/energy cost spike	Low	Medium	Captive coal mines (Chakla mine), captive power plants; Meenakshi mine reduces cost 30% when operational
India recession / slowdown	Low	Medium	India aluminium demand growing at 8% CAGR driven by infra, EV, construction — relatively resilient
Copper TC/RC margin compression	High	Low-Medium	Copper EBITDA expected ~₹600 Cr/qtr (down from ₹700-800) — already in guidance

Recession Stress Test

In a global recession scenario (LME Al drops to \$1,800-1,900/t, global demand -10%):

- Estimated revenue decline: 20-25% from base
- EBITDA compression: 35-40% (leverage to commodity prices)
- Estimated peak drawdown: -35 to -45% from ATH (stock historically fell ~40-50% in 2015-16 downturn before recovering)
- Mitigants: Domestic India volumes more resilient; Novelis conversion model limits LME pass-through; Aditya Birla Group balance sheet support

Liquidity Risk Assessment

- Stock liquidity: EXCELLENT — Nifty 50 constituent, average daily volume ~53 lakh shares; institutional coverage by 67 analysts
- Company liquidity: Net cash in India operations ~₹1,944 Cr as of Q3 FY26; manageable
- Novelis liquidity: Under strain during capex cycle but investment-grade credit profile
- Hedge ratio: 35% of commodity exposure hedged at \$2,600/tonne

MODULE 4 — EARNINGS ANALYSIS (JPMorgan Style)

Recent Quarterly Performance

Quarter	Revenue (₹Cr)	Net Profit (₹Cr)	YoY Revenue	Notes
Q1 FY26	64,896	4,004	+11%	Solid domestic performance
Q2 FY26	66,058	4,741	+12.6%	Net profit +21% YoY; margins expand
Q3 FY26	66,521	2,049	+14% Rev	Net profit -45% YoY: Novelis Oswego fire; one-off hit

Q3 FY26 Key Metrics: Consolidated EBITDA ₹7,994 Cr (+5.4% YoY). EBITDA margin contracted to 12.02% from 12.99% YoY. India domestic aluminium operations: ALL-TIME HIGH profitability. Novelis: Net loss of \$160M in Q3 due to Oswego fire. Novelis revised FCF impact upward to \$1.3-1.6B.

Next Earnings — Key Things to Watch

Q4 FY26 results expected: May 21, 2026

- Novelis Oswego recovery update — hot mill restart targeted late Q2 CY2026 (April-June 2026)
- Insurance recovery accruals — 70-80% of \$1.3-1.6B expected over time
- Bay Minette capex progress — expected operational H2 FY2027; boosts rolled product capacity
- India upstream EBITDA momentum — track coal cost trends and aluminium realisations
- AluChem CFIUS review status
- Copper EBITDA — expect ~₹600 Cr/qtr given lower TC/RC
- Novelis Bay Minette ramp-up costs being front-loaded

Bull/Bear Earnings Scenarios

Bull case (Q4 FY26): Novelis Oswego restart confirmed, insurance proceeds begin flowing, India operations maintain record margins. Expected: +25-30% stock reaction.

Bear case (Q4 FY26): Oswego restart delayed to Q3 CY2026, insurance disputes arise, LME aluminium drops below \$2,200/t. Expected: -10 to -15% stock reaction.

MODULE 5 — COMPETITIVE LANDSCAPE (Bain & Company Style)

Sector Overview: Indian Aluminium & Copper

India is the 2nd-largest aluminium producer globally (~6% of world output, ~4.1 MT annual capacity). The domestic market is growing at 8-9% CAGR driven by infrastructure, automotive (EVs), construction, and packaging. Three players dominate: Hindalco, Vedanta Aluminium, and NALCO (government-owned).

Competitive Comparison Table

Company	Revenue	EBITDA Mgn	ROE	D/E	Moat
Hindalco Industries	₹2,38,000 Cr	~13.7%	~12%	0.51x	STRONG (global scale)
Vedanta Ltd (Al segment)	Large (diversified)	~20%+	High	High	MODERATE-STRONG
NALCO (Govt PSU)	~₹18,000 Cr	~49%	~23%	Zero debt	MODERATE (smaller, PSU)

NALCO trades at lower absolute valuations but has superior margins (fully integrated, low-cost bauxite access, 49.5% EBITDA margin). However, its scale is ~15x smaller than Hindalco. Vedanta is more diversified (zinc, silver, oil) and carries higher debt.

SWOT Analysis — Hindalco

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> World's largest Al recycler (Novelis) — cost advantage Full value-chain integration in India Diversified across Al + Cu + downstream Global footprint: 10 countries, 50 plants Aditya Birla Group balance sheet backing Strong ESG credentials (highest S&P CSA score, 3 years) 	<ul style="list-style-type: none"> Heavy capex cycle (FY26-28) pressures FCF Novelis fire disruption — near-term earnings drag Copper TC/RC margins structurally declining Low ROE (~12%) vs NALCO (~23%) Low dividend yield (~0.54%)
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> EV boom: Al for battery enclosures, body panels India infrastructure: NIP ₹111 lakh Cr over 5 years Green aluminium premium (4-7% higher pricing) Bay Minette capacity addition (H2 FY2027) \$6B India capex — capacity + cost leadership Copper demand from India electrification Al demand CAGR ~8-10% in India 	<ul style="list-style-type: none"> China overcapacity + dumping risk on LME US tariff/trade policy uncertainty (CFIUS) Plastics/composites substituting aluminium Coal / energy cost volatility Environmental regulatory burden on smelting Novelis Oswego: risk of further delays

MODULE 6 — TECHNICAL ANALYSIS (Citadel Quant Style)

Price Action Summary (as at early March 2026)

Current price: ~₹920–935. 52-week range: ₹546.45 – ₹1,029.80. All-time high: ₹1,029.80 (29 Jan 2026). The stock has rallied ~+70% from 52-week lows, is currently pulling back from ATH, consolidating in the ₹900–₹960 range.

Indicator	Value / Reading	Signal	Plain English
RSI (14-day)	~42 (NSE based)	Neutral / Sell	Neither overbought nor oversold; mild bearish lean near-term
MACD	Negative (-0.48)	Sell	Short-term momentum is bearish; below signal line
50-DMA	~₹850–₹870	BUY (price above)	Stock well above 50-DMA; medium trend intact
200-DMA	~₹700–₹720	STRONG BUY	Stock far above 200-DMA; long-term uptrend preserved
Bollinger Bands	Contracting bands	Neutral	Consolidation phase; breakout expected — direction TBD
Weekly / Monthly MA	Aligned bullish	STRONG BUY	Higher timeframes remain constructive

Support & Resistance Levels

Level Type	Price (₹)	Significance
Strong Resistance	₹1,029 (ATH)	All-time high — breakout would be very bullish
Resistance	₹960–₹985	Recent consolidation ceiling; needs volume to clear
Pivot Zone	₹920–₹940	Current trading range; trend bias flips here
Support 1	₹880–₹900	First key buy zone; prior breakout area
Support 2 (Key)	₹840–₹860	50-DMA region; significant demand zone
Stop-Loss Level	₹807	Breakdown below this turns bias bearish

Fibonacci Key Levels: ₹760 (prior breakout resistance, now support), ₹880 (38.2% retracement from ATH), ₹840 (50% retracement), ₹800 (61.8% retracement — deep support).

Overall Technical Rating: BUY (Weekly / Monthly). Short-term (Daily): Neutral-to-Sell — pullback from ATH is a normal consolidation. The long-term uptrend is intact.

MODULE 7 — DIVIDEND STRATEGY (Harvard Endowment Style)

Hindalco is NOT a high-income stock. It prioritises reinvestment and capital growth. Key dividend facts:

- Forward Annual Dividend: ₹5 per share
- Dividend Yield: ~0.54% at current price
- Payout Ratio: ~8–17% (very low; profits reinvested in capex)
- Ex-Dividend Date: August 8, 2025 (FY25)
- 3-Year Average Payout: 7.06% of profits
- Dividend Safety Score: 8/10 — highly secure, just very low yield
- Dividend Growth: Inconsistent; dividend was ₹3/share for years, raised to ₹5 in FY25

Verdict for income investors: Hindalco is not suitable for dividend income strategies. The primary investment thesis is capital appreciation tied to the aluminium/copper cycle + India infrastructure growth + Novelis global platform. For income from metals, NALCO (yield ~5-8%) or Vedanta would be more relevant.

MODULE 8 — QUANTITATIVE PATTERN ANALYSIS (Renaissance Technologies Style)

Key Statistical Observations

- Beta: ~1.06–1.12 — slightly more volatile than Nifty 50; amplifies bull/bear moves
- Historical volatility: ~2.25-2.34% daily — medium-high for a large-cap
- Seasonal pattern: Metals stocks often rally post-Budget (February) and pre-earnings season; weak in June-August
- LME correlation: Strong positive correlation with global aluminium prices; tracking LME Al is a leading indicator
- Fed meetings / US tariff news: High sensitivity — US 232 tariff decisions directly affect Novelis margins; USD/INR moves matter
- Insider/Promoter activity: Promoter holding stable at 34.6%; no recent unusual selling
- Institutional ownership: ~34% FII + DII — well-owned by institutions; coverage by 67 analysts
- Short interest: No significant short squeeze signals in public data
- Options market: Active F&O participation in HINDALCO on NSE; PCR (put-call ratio) a useful sentiment gauge
- Pre-earnings pattern: Stock typically moves 3-5% around earnings; Q3 FY26 saw significant drop due to Novelis write-offs

Sector Rotation Signal

Metals/Commodities as a sector tend to outperform when: (1) Global PMIs recover; (2) China stimulus kicks in; (3) INR weakens (benefits export-linked Novelis); (4) Infrastructure spending accelerates. Current macro (March 2026): Indian economy growing ~7%, global uncertainty from US tariffs — metal stocks under modest pressure but India domestic story intact.

MODULE 9 — MACRO ECONOMIC IMPACT REPORT (McKinsey Style)**How Current Macro Conditions Affect Hindalco**

Macro Factor	Current Status	Impact on HINDALCO	Direction
LME Aluminium Price	~\$2,600–2,850/t (near highs)	Positive — upstream margins expand	POSITIVE ▲
US Tariffs / Trade Policy	Section 232 tariffs on Al; exemption sought by Novelis	Mixed — Novelis expects exemption; CFIUS delay on AluChem	MIXED ↔
India GDP Growth	~7% FY26 forecast	Positive — domestic Al/Cu demand robust	POSITIVE ▲
Interest Rates (RBI)	RBI cutting rates in FY26 cycle	Moderately positive — reduces borrowing cost on ₹56,000 Cr debt	POSITIVE ▲
USD Strength	USD relatively strong vs INR	Mixed — USD debt costlier, but Novelis USD revenues higher in INR	MIXED ↔
China Economy	Stimulus ongoing; mixed data	Watch: China oversupply could pressure LME prices; demand recovery good	NEUTRAL ↔
India Infra/EV Push	PLI schemes, NIP, EV mandate ongoing	Structural positive — Al demand for EVs, construction, packaging	STRONG POSITIVE ▲▲
Energy Transition	Global green Al demand rising; carbon border taxes (CBAM) in EU	Positive — Hindalco / Novelis investing in green Al; premium pricing potential	POSITIVE ▲

Executive Action Plan

- Near-term (0-6 months): Monitor Novelis Oswego restart (late Q2 CY2026 targeted). Insurance cash flow progression is the key near-term catalyst. Watch LME aluminium vs \$2,300/t support.
- Medium-term (6-18 months): Bay Minette commissioning (H2 FY2027) is the biggest value unlock for Novelis. Anticipate earnings re-rating as Novelis normalises.
- Long-term (2-5 years): \$6B India capex positions Hindalco to dominate domestic Al/Cu supply as India grows toward a \$5T economy. EV penetration and green aluminium are structural tailwinds.
- Key risk to monitor: Any sustained LME aluminium price below \$2,100/t or further Novelis operational failures would be red flags for the investment thesis.

EXECUTIVE SUMMARY & OVERALL VERDICT

Dimension	Assessment
Business Quality	HIGH — Global scale, vertical integration, world-class recycling (Novelis), diversified AI+Cu
Valuation	ATTRACTIVE — Trading at ~12x P/E vs ~17x peers; ~35% discount to peer median; DCF suggests fair value ₹950–₹1,100
Near-Term Catalyst	Novelis Oswego restart + insurance recovery; Q4 FY26 earnings (May 21, 2026)
Key Risk	Novelis Oswego further delays; LME Al price collapse; China dumping; US tariff escalation
Income Suitability	LOW — Yield only ~0.54%; not suitable for income investors
Growth Suitability	HIGH — Leveraged to India infra, EV, green Al, copper electrification megatrends
Overall Verdict	MODERATE BUY for long-term investors (3-5 year horizon). Near-term volatility likely as Novelis normalises. Accumulate on dips toward ₹880-900 range for best risk-reward. HSBC Buy target: ₹1,240.

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