

Hindalco Industries

Bloomberg: HNDL IN Equity

Recommendation: BUY

Reuters: HALC.BO

No Change



EVENT UPDATE

Alert: Rains Affect Operations

Production loss of 20,000T of Aluminium at Hirakud

- Hirakud Smelter operations have been impacted by heavy rains and lightning. Output is likely impacted to the extent of 20,000T in Q2 and FY11E.
- The event will negatively affect our sales volume and financial estimates for FY11E. Domestic aluminium volume estimates will be lowered by 4%. FY11E estimated consolidated revenues and EBITDA will be negatively impacted by 1% and 4% respectively.
- The company has an insurance policy which covers property damage and business interruptions. This is likely to come as other income/exceptionals. So reported net profits may not be impacted.
- As a remedy, electrolytic cells taken out of circuit will be restarted in a phased manner and the exercise is expected to be completed by end-August 2010. As such, this will not affect business viability in FY12.

Recommendation

Given that the event is one-off, it does not affect the outlook on recurring business fundamentals. We maintain our BUY recommendation on the stock. In our view, any correction in stock price should be used as an entry point. At the current price, the stock is trading at 6.6x EV/EBITDA and 11.2x P/E, both on FY12E estimates.

Exhibit 1: Key financials

Y/E Mar	FY 08	FY 09	FY 10	FY 11E	FY 12E
Net sales (Rs mn)	600,128	656,252	607,221	701,028	753,625
EBITDA (Rs mn)	66,351	53,580	70,094	77,685	86,871
Adj Net profit (Rs mn)	16,452	27,169	10,861	20,857	26,197
EBITDA margin %	11.1	8.2	11.5	11.1	11.5
Adjusted EPS FD (Rs)	12.7	18.0	6.1	10.9	13.7
P/E Adj (x)	12.0	8.5	25.0	14.0	11.2
EV/EBITDA (x)	7.7	10.0	7.5	7.0	6.6
Dividend yield (%)	1.2	0.9	0.9	1.1	1.3

Source: Company, Ambit Capital research

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Recommendation

CMP:	Rs153
Target Price (Period):	Rs185
Previous TP:	Rx185
Upside (%)	21
EPS (FY11):	Rs13.7

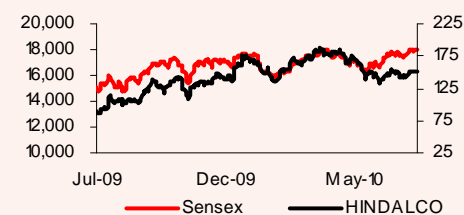
Stock Information

Mkt cap:	Rs292,382mn/US\$6,204mn
52-wk H/L:	193/84
3M Avg. daily vol. (mn):	24
Beta (x):	1.4
BSE Sensex:	17878
Nifty:	5368

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	5.1	-15.9	71.7	-5.0
Rel. to Sensex	3.3	-17.9	45.9	-7.2

Performance (%)



Source: Bloomberg, Ambit Capital research

Explanation of Investment Rating

Investment Rating	Expected return (over 12-month period from date of initial rating)
Buy	> 15%
Hold	5% to 15%
Sell	< 5%

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