

ALUMINIUM CO CITES 'MARKET CONDITIONS' FOR POSTPONING IPO; TO EVALUATE OFFER TIMING 'IN THE FUTURE'

# Hindalco Defers Novelis' \$945m US Listing

## Our Bureau

**Mumbai:** Hindalco Industries, the metals flagship of the Aditya Birla Group, has postponed the proposed \$945-million listing of Novelis Inc on concerns that potentially below-premium valuations for the US subsidiary of the aluminium maker could weigh on the valuation of the consolidated Indian entity listed in Mumbai, said experts.

Novelis, on Wednesday, cited "market conditions" as the reason for postponing its initial public offering. "Novelis will continue to evaluate the timing of the offering in the future," it said in a statement.

Novelis was acquired by Hindalco just before the global financial crisis to expand beyond its home balliwick in a blockbuster M&A deal that sought to bolster its global business in metal cans and automotive components.

"The valuation range it was estima-

ting for the IPO was decent, at 7.5-8.2x FY26 EBITDA, at a significant premium to peers," Satyadeep Jain, research analyst at Ambit Capital, told ET. "However, it would seem to us that during roadshows, investors may not have been comfortable with the multiple it was seeking. There was likely no point going ahead and risking Hindalco valuation, hence the decision to postpone," he said.

### STRETCHED VALUATIONS?

Novelis, last week, announced that it is looking at a price band of \$18-\$21 per share for its public offering. This implied a market value of \$12.6 billion for the company at the upper end, and a valuation of over 8 times on an enterprise value to EBITDA basis.

Among the comparable peers for Novelis include Japan-based UACJ Corp, which is valued around 6.5 times its FY26 EBITDA and France-based Constellium, which is valued at less than 6 times its EV/EBIT-



DA, Jain said.

Kaiser Aluminium, also a peer, is valued at more than 8 times its EV/EBITDA, he said.

"We believe Novelis was likely testing waters with respect to price discovery of Novelis. In our view, there is already an inbuilt holding company discount for Novelis in current Hindalco valuation given tax leakage," Jain said. "However, IPO could have meant even higher discount - Novelis needed a premium valuation in order to offset hig-

her holding company discount," he said.

As its sole shareholder, Hindalco was looking at raising up to \$1.09 billion from the share sale of Novelis. The company was looking to offload up to 8.6% stake in Novelis, including a green shoe option.

### PEERS CHEAPER

"The price band indicated for Novelis offered little reason to cheer. At the higher end of the price band at \$21 per share, the company was

looking at a valuation of around 8.3 times its EV/EBITDA, which is high relative to its global peers," Ritesh Shah of Investec Capital said. Even assuming that the company got the upper end of the valuation, with a 20% holding company discount and the value of cash, the price for shares of Hindalco would have decreased to Rs 715 from Rs 750 earlier, he said.

Novelis, which is the world's largest recycler of aluminium sheets, has a major presence in beverage packaging, automobiles and aerospace. It was acquired by Hindalco in 2007 for \$6 billion, one of the largest purchases in the industry at the time.

The company had filed a registration statement on Form F-1 with the US regulator, Securities and Exchange Commission in May, nearly three months after it first submitted a draft registration statement for its proposed listing in the US.