

● RATING: ADD

# Hindalco to expand downstream capacities

The company aims to lower emissions with renewable energy

**WE VISITED** both the Hirakud FRP (flat rolled product) plant and the Aditya smelter, offering valuable insights into Hindalco Industries (HNDL). Notably, HNDL's expansion plans in FRP at the Aditya facility hold the promise of improving margins and mitigating earnings volatility. HNDL's valuable expertise gained from Novelis in the downstream business positions them favourably to excel. Moreover, HNDL's commitment to reducing carbon emissions through the expansion of renewable power sources is commendable. This move aligns with sustainability goals and augments the company's long-

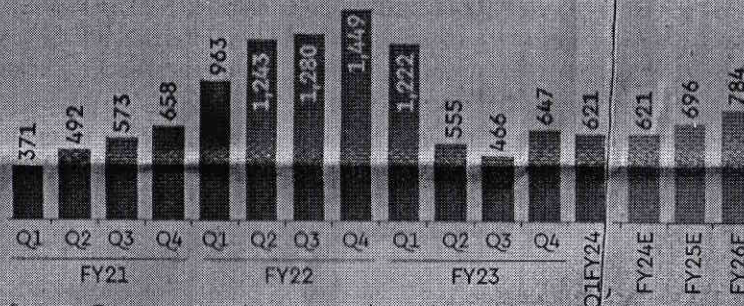
term viability. We believe that HNDL is making prudent investments in expanding downstream capacities, which are poised to bolster margins and reduce earnings fluctuations.

The Hirakud FRP plant is the result of collaborative efforts between HNDL and Novelis teams. It leverages Novelis' Rogerstone plant assets and integrates new cold mill and balancing equipment. In the existing product mix, the estimated hot-rolled coil (HRC) capacity stands at 700 ktpa, capable of supplying around 585 ktpa of downstream cold-rolled coil (CRC) capacities. HNDL has strategic plans to enhance CRC capacity by adding 1.70 ktpa of CRC capacity at the Aditya facility, which is scheduled for commercial production in FY2026.

The Aditya smelter complex, with a capacity of 360 ktpa, is spread over 300+ acres of land and sources alu-

## India aluminum Ebitda/tonne (incl. Utkal)

March fiscal year-ends, (\$/tonne)



Source: Company, Kotak Institutional Equities estimates

mina primarily from Utkal (a 100% subsidiary). Mgmt believes that there is ample land not only for the announced CRC expansion, but further downstream additions based on demand, as well as additional potlines/smelter capacity expansion.

Hindalco's commitment to achieving higher metal purity and reducing iron and silicon content has allowed the company to manufacture higher-grade aluminum alloys. These advanced alloys find applications in defence, railways,

and automotive sectors, offering the potential for incremental margin improvement. Their increased utilisation in various areas such as railway rakes, battery foil, defence, EVs, and solar modules bodes well for robust demand growth. Presently, HNDL boasts a primary aluminum capacity of 1.3 million mtpa, while its existing downstream capacities, including extrusions, amount to 470 ktpa. We believe that the expansion of downstream capacities, driven by the growing demand from diverse end-use sectors, surging domestic demand, and the opportunity to substitute high-grade imported alloys, will provide a substantial growth runway for margins throughout the period spanning FY2024 to FY2026.

KOTAK INSTITUTIONAL EQUITIES