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Hindalco Ltd— BUY—142—INR

Sector — Aluminium
Regd.Off.— Century Bhavan 3rd Floor Dr. A.B. Road, Mumbai- 400025
Listed — NSE, BSE.

Company overview—

Company was incorporated on 15th December 1958 at Mumbai to manufacture alumina, aluminium and aluminium-fabricated items. Company was formed by the Birla in collaboration with the Kaiser Organization of U.S.A. Properzi mill plant was set up for the production of redraw rods. An extrusion press and rolling mill for the production of aluminium extrusions and rolled sheets was installed. Company got certification for ISO 9000 and for introduction of TQM in 1992. Company installed vertical ingot casting facility and vertical billet casting facility to use the Air Slip Technology of Wagstaff Engineering Inc., U.S.A. With a view to capitalizing its inherent strength, the Company signed a MoU with the Orissa Mining Corporation (OMC) for setting up of a mega integrated aluminium complex in the state, at an estimated cost of Rs.10,000 crore in 1997. It acquired 12.8 pc stakes in Indian Rayon & Industries. In 2004, Birla Copper acquired two mines in Australia. Company also has an agreement with UAE based Foodco.

Products & Services—

It is a leading domestic player in two non-ferrous metals business segments - aluminium and copper. It manufactures alumina chemicals, primary aluminium, aluminium extrusions, aluminium rolled products, aluminium foils, aluminium alloy wheels, copper, DAP/NPK complexes, precious metals etc. It has a domestic market share of 42 per cent in primary aluminium, 63 per cent in rolled products, 20 percent in extrusions, 44 per cent in foils and 31 per cent in wheels.

In Aluminium, Company has a market share of 48% and it is 1 of the lowest-cost Aluminium producers in the world. It has fully integrated aluminium plant at renukoot (UP), Aluminium wheels plant at Silvassa (Dadra & Nagar Haveli), Foil plants at Silvassa and Kalwa, Foil unit of indal at Kollur. Plants having alumina refining capacity of over 1,145,000 ton par annum and Aluminium metal producing capacity of 424,000 ton par annum. Plants have ISO 9001:2000 and ISO 14001 certification.

In Copper, company has India's largest smelting and refining plant at Dahej, Gujrat with two copper mines in Australia. It has market share of around 45 percent in copper. It has ISO 9001, 14001 and OSHAS 18001 certified. It is registered on London metal exchange as Grade A Copper Brand. The copper plant produces world-class copper cathodes, continuous cast copper rods and precious metals. Sulphuric acid, phosphoric acid, di-ammonium phosphate, other phosphatic fertilisers and phospho-gypsum are also produced at this plant.

For expanding the market for value added products and services, it has launched several brands in last few years, which include Aura for alloy wheels, Fresh wrap for kitchen foil and "Everlast" for roofing sheets. The "Aluminium Gallery" promotes Hindalco products to its customers. It is a platform for the company to showcase quality products to a quality audience in

an appropriate ambience. It includes products like windows, doors, furniture, ladder, roofing sheets and ceiling and cladding panels.

The company's alumina chemical business is a leader in manufacturing and marketing of specialty alumina and alumina hydrate products in the country. It has a market share of 90 per cent in the country. These specialty products find wide usage in diversified industries including water treatment chemicals, refractories, ceramics, cryolite, glass, fillers and plastics, conveyor belts and cables etc. The company also exports these alumina chemicals to over 30 countries covering North America, Western Europe and the Asian region.

Power sector accounts for around 45% of domestic aluminium consumption. Ongoing power sector reforms, focused on transmission and distribution and State Electricity Board restructuring plus increasing usage of captive power plants by industries would further drive higher aluminium consumption in the country. Government's plan on the development of infrastructure will support aluminium consumption. Housing and construction sectors are also witnessing strong growth.

Financials—

Half yearly results for apr-sep 2009

Description	Amount(Rs. in lakhs)
Net Sales/Income from Operations	876346.00
Other Operating Income	5314.00
Increase/Decrease in Stock in trade and work in progress	-108683.00
Consumption of Raw Materials	766809.00
Purchase of traded goods	7193.00
Employees Cost	43522.00
Depreciation	33119.00
Other Expenditure	36123.00
Total Expenditure	778083.00
Profit before Other Income, Interest & Exceptional Items	103577.00
Other Income	13261.00
Profit before Interest & Exceptional Items	116838.00
Interest	13452.00
Profit from Ordinary Activities before tax	103386.00
Tax Expense	20925.00
Net Profit from Ordinary Activities after tax	82461.00
Face Value (in Rs.)	1.00
Paid-up Equity Share Capital	17005.00
Basic EPS after Extraordinary items (in Rs.)	4.85
Diluted EPS after Extraordinary items (in Rs.)	4.85
Public Shareholding (%)	54.16

Valuation—

Company has continuous dividend payout record from 12 years. At current market price, stock is trading at about 7.80 P/E multiple of its FY2011 Estimated EPS. We recommend investors to buy “Hindalco Industries limited” with medium to long-term investment prospective.

We invite Readers to send Valuable feedback, stock and subscription queries at E-mail investment_guru1@yahoo.com

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