



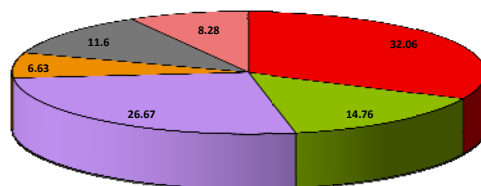
**BUY**

BSE code	500440
NSE code	HINDALCO
Bloomberg code	HNDL IN
Current price	125
Target Price	140
MCap Rs bn	235.48
MCap US\$ mn	4339.11
52 WK H/L	164 / 100
Face value	1
2 WAv vol ('000)	5758.12

**Financial Snapshot**

Rs Mn	FY 10	FY 11	FY 12
Sales	193938.3	238592.1	265967.8
% Ch	7.43	23.02	11.47
OPM	18945.2	21409.8	22341.2
PAT			
% Ch	-12.24	13.01	4.35
EPS	18.56	19.11	11.28
PER	145.83	155.12	164.46
BV	1.25	1.35	0.79
P/BV	14.60	15.60	12.91
EV /			

**Share Holding pattern**



PROMOTERS	DII	FII
BODIES CORPORAT	RETAIL	CUSTODIANS

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**Technical indicators showing Strong upside**

The biggest underperformance in the Indian markets has been the metal space be it steel, aluminum, zinc or copper. The reason for the underperformance has been the weak pricing environment due to the global weakness in the demand. However the trend seems to be changing for the metal space as metal prices too have recovered from the lows it made in November (chart enclosed below). Given liquidity is to remain buoyant over the next couple years we believe the prices of commodities to will start moving up over time.

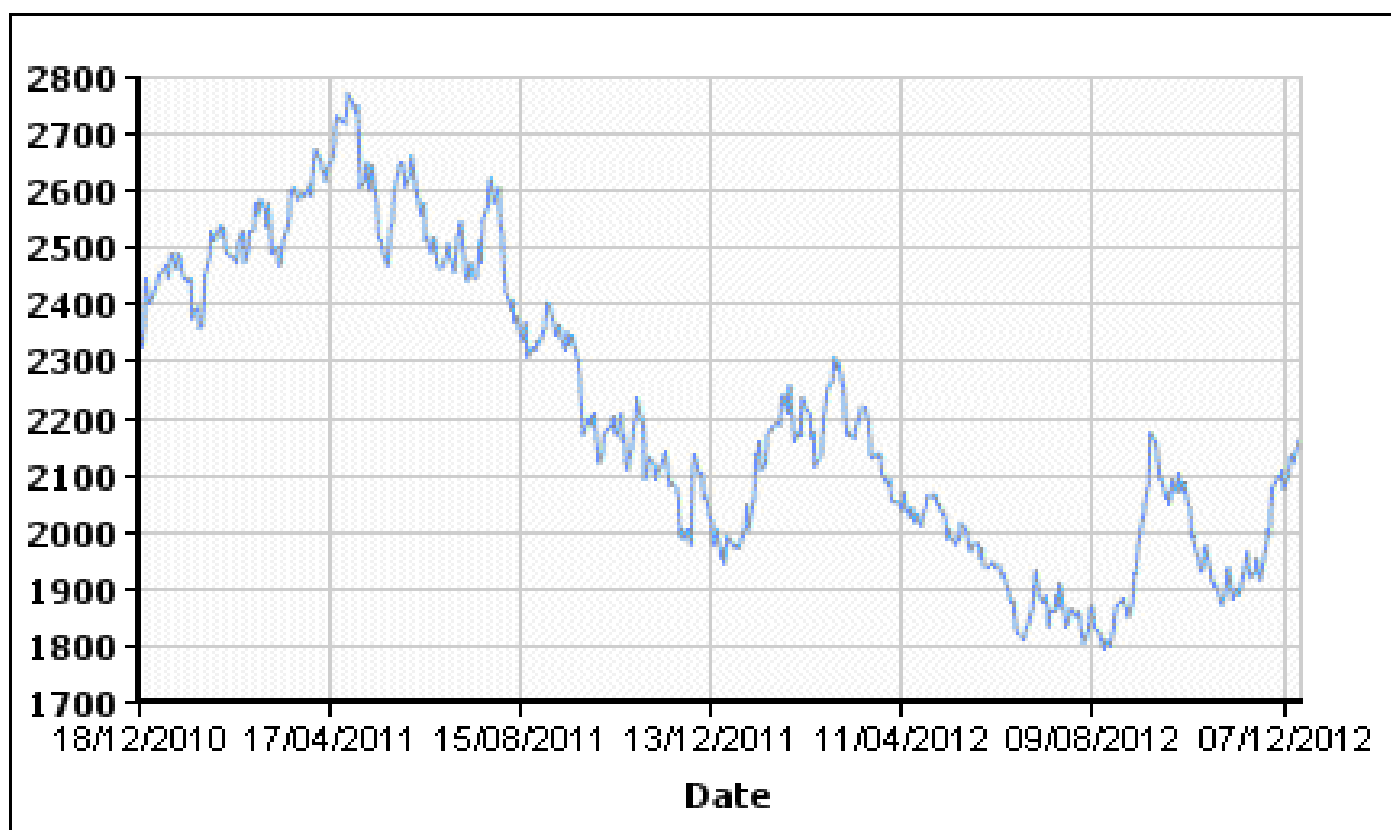
In India too we have seen the prices of aluminum rise over the past few weeks and in line with that we have also seen the stock of Hindalco moving up. We believe this is only the beginning of the move up for Hindalco. As can be seen from the chart the stock is trading at its near bottom levels and at very attractive levels. With its new plants going to go on stream soon we expect profitability to increase going forward.

Although the long term looks bullish at present we are giving a technical buy call on the stock. Hindalco has formed a symmetrical triangle pattern in the daily chart with a break out at Rs125. Today the stock has moved above that price and we believe this a great buying opportunity. The first resistance we see following this break up is Rs140 and we recommend BUYING the stock with a target price of Rs140 in the near term.

**Hindalco Daily chart**



Aluminum price chart



**Financials**

**Profit & Loss**

In Rs million	FY 10	FY 11	FY 12
Net sales	193938.3	238592.1	265967.8
YoY (%)	7.43	23.02	11.47
Total expenses	173232.7	210991.9	238993.3
EBIDTA	28258.1	31546.9	31047.6
YoY (%)	0.19	11.64	-1.58
EBIDTA (%)	14.57	13.22	11.67
Other income	3881.1	3474.9	6157.9
PBIDT	32139.2	35021.8	37205.5
Depreciation	6713.6	6874.8	6899.7
PBIT	25425.6	28147	30305.8
Interest	2780	2199.6	2936.3
PBT	22645.6	25947.4	27369.5
Tax	3489.3	4578.2	4997.5
Tax/ PBT	15.41	17.64	18.26
PAT	19156.3	21369.2	22372
Extra-ordinary	211.1	-40.6	30.8
Net Profit	18945.2	21409.8	22341.2
YoY (%)	-12.24	13.01	4.35

**Cash Flow**

In Rs million	FY 10	FY 11	FY 12
Net profit	22645.6	25947.4	27369.5
Depn and w/o	6713.6	6874.8	6899.7
Deferred tax			
Change in wrkg cap	-8089.6	-1913.4	-5774
Other income	-172.8	-970.9	-2579.7
Operating cash flow	17172.8	22573.7	21220.7
Other income	58380	74467.4	86553.6
Capex	-26192.3	-57424.4	-71569.6
Investments	-15014.9	5530.7	6236.7
Investing cash flow	-40745.9	-21640.3	-63669.6
Dividend	-2685.7	-3012.3	-3240.3
Equity	27502	90.9	5427.7
Debt	-1857.9	9013.9	55340
Financing cash flow	16539.7	-2.2	47335.6
Others			
Net change in cash	-7033.4	931.2	4886.7

**Balance Sheet**

In Rs million	FY 10	FY 11	FY 12
Equity capital	1913.7	1914.6	1914.8
Reserves	277200.4	295086.4	318409.9
Net worth	279114.1	297001	320324.7
Total borrowings	63569	90398.9	145734.4
Deferred tax	14642.6	13895.9	13380.1
Total liabilities	357325.7	401295.8	479439.2
Net block	77348.2	75843.8	71502
CWIP	37027.9	60304.1	162569.4
Investments	214808.3	182467.5	180871
Current assets	88642.9	107321.1	118960.4
Inventories	59214.1	76514	77428.6
Debtors	13118.7	12554.9	14274.5
Cash	1402.1	2333.9	7223
Loans and advances	14908	15918.3	20034.3
Current liabilities	54264.9	51348.6	56568.5
Provisions	7214.9	8154.3	9198.8
Net current assets	27163.1	47818.2	53193.1
Misc expenses	978.2	1021	1134.5
Total assets	357325.7	367454.6	469270

**Key Ratios**

In Rs million	FY 10	FY 11	FY 12
EPS (Rs)	9.79	10.92	11.48
CEPS (Rs)	13.29	14.51	15.09
Book value (Rs)	145.83	155.12	164.46
DPS (Rs)	1.35	1.5	1.55
Debt-equity (x)	0.28	0.27	0.38
ROCE	7.66	7.65	6.96
ROE	7.41	7.42	7.25

**Valuations**

PE (x)	18.56	19.11	11.28
Cash PE (x)	13.67	14.38	8.58
Price/book value (x)	1.25	1.35	0.79
Dividend yield			
Market cap/sales	1.7	1.58	0.88
EV/sales (x)	2.11	2.04	1.45
EV/EBDITA (x)	14.51	15.45	12.44

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