Hindalco Industries Limited (Revised)

October 10,2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	9,304.39	CARE AA+; Stable	Reaffirmed
Long-term / Short-term bank facilities	31,166.00	CARE AA+; Stable / CARE A1+	Reaffirmed
Non-convertible debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Hindalco Industries Limited (HIL) factors in its well-established position in the aluminium industry, as one of the lowest cost primary aluminium producer (through its domestic operations) and one of the largest recycled aluminium producer in the world (through its overseas operations led by its subsidiary Novelis). The cost-efficient manufacturing facilities of its domestic operations are strongly supported by its access to 100% captive raw material availability for its bauxite and alumina requirements. The company continues to focus towards further strengthening its thermal coal requirements over the short to medium term period, while also being committed towards their renewable energy targets. With the acquisition of Meenakshi and Chakla mines, CARE Ratings Limited (CARE Ratings) expects that in next two years the commissioning of these mines will significantly reduce the company's dependence on external sources, partially insulating the company from volatile energy prices. On the renewable energy front, the company has already commissioned around 173 Mega Watt (MW) of the targeted 300 MW of renewable power, which will in future reduce the company's dependence on thermal energy requirements. CARE Ratings also understands that a significant part of the company's capex activity in domestic operations will be towards mine development and securing raw material while investing in downstream operations simultaneously.

During FY24, for its domestic operations, although the company recorded higher y-o-y sales volumes, the global LME (London Metal Exchange) aluminium and copper prices continued to remain low, resulting in a decline in sales revenue for the company. Going ahead, CARE Ratings expect normalisation of global LME prices, this paired with a strong domestic demand, would likely result in stabilization of revenue and profitability at the current levels.

Novelis Inc (a wholly owned subsidiary of HIL) is one of the world's largest 'Aluminium Can' recycler while maintaining its presence in automotive and aerospace products as well. During FY24, revenues at Novelis Inc., declined by ~12% to US$ 16.2 billion due to lower aluminium prices. However, a marginal dip of ~3% is observed in terms of shipments on account of customer inventory reduction and lower demand for specialty products amid muted global demand. In FY24 on account of higher product pricing, including some cost pass-through to customers, lower energy and freight costs, and favourable foreign exchange the PBILDT (Profit before interest, lease, depreciation and tax) per tonne increased from US$ 478 in FY23 to US$ 510 in FY24. In Q1FY25, Novelis Inc. recorded sales of US$ 4.2 bn with higher shipment compared to same period last year (Q-o-Q the shipments increased by 10% to 951 Kt in Q1FY25). Going forward, CARE Ratings expect that the sales volume for Novelis should normalize in the next two quarters. The management is currently in the process of setting up a greenfield rolling and recycling facility in Bay Minette, US, with a capital outlay of US$ 4.1 billion.

Historically, the company at a consolidated level has maintained a cash and cash equivalents of more than ₹18,000 crore demonstrating strong liquidity position, which is further supported by its meagre working capital limits utilisation. In FY24, the company has prepaid some of its debt and has also refinanced its near-term debt with a lower interest rate, resulting in a reduction in overall finance cost. Going ahead, even after considering the capex of around US$ 6 billion, CARE Ratings expects stabilization in the debt coverage metrics of the company, largely on account of significant cash flow generation from operating activities, which will be largely utilized towards capex expansions and accretion of profits to the company's net worth.

The ratings, however, remains constrained on account of susceptibility of profitability margins due to volatile raw material prices as well as the risk associated with volatility in base LME price movement. Cyclical nature of demand pattern from the end users of industry, geopolitical factors and rate hikes by major central banks is expected to impact the envisaged performance of the company.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

The rating of NCD (ISIN: INE038A08124) has been withdrawn based on No dues certificate from trustee.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- ✓ Sustained improvement in the operating profit with PBILDT margin above 16% on a consistent basis.
- ✓ Net debt to PBILDT below unity.
- ✓ Ability of the company to complete the proposed capex and achieve COD while maintaining healthy debt metrics with debt equity ratio below 0.75x

Negative factors

- × Major time/cost overrun to the proposed capex leading to overall gearing above 1.50x
- × Net Debt to PBILDT above 2.5x.
- × Any change in the government regulation with regards to export duty leading to a decline in the scale of operations with TOI below ₹1,20,000 crore

Analytical approach: Consolidated

There are more than 70 subsidiaries within the company, having significant operational and financial linkages with the parent (HIL). All the entities are either operating in a similar line of business or business related to non-ferrous metals sector. These subsidiaries significantly rely on the parent entity and significant business inter-linkages exists between the parent and its subsidiaries. The list of subsidiaries and their extent of consolidation is mentioned in Annexure 6. CARE Ratings has adopted a consolidated approach considering strong operational and financial linkages along with dependencies.

Outlook: Stable

A stable outlook reflects that the rated entity is likely to maintain its strong market share, which coupled with healthy demand would enable in sustained operational and financial performance over the medium to long term period. Absence of any significant debt funded capex, marginal repayment obligations and sufficient headroom in working capital utilisations support the strong liquidity position of the entity. The stable outlook also refers to the dominant cash generation capacity of the entity within Aditya Birla group with being the flagship company for the group in its metal portfolio.

Detailed description of key rating drivers:

Key strengths

Reputed and resourceful promoter group; professionally qualified management

HIL is the flagship metals company of the Aditya Birla Group. The company is led by professional and experienced management with Mr. Kumar Mangalam Birla as the Chairman and Mr. Satish Pai as the Managing Director. The ratings continue to derive support from the resourceful promoter group and its professionally qualified & experienced, which has built a successful track record in the industry.

Captive raw material production ensures low-cost aluminium with strong market position.

Over the past few years, HIL has ramped up its capacities with no cost or time overrun and become one of the largest producers of aluminium in India. With the acquisition of Novelis in 2007 and Aleris in 2020, HIL has become one of the world's largest aluminium rolling company. HIL is one of the most cost-efficient producers of aluminium in the world owing to its significant backward integration i.e., access to captive power using its own mined coal and producing alumina using bauxite from its captive mines. Further, its subsidiary, Utkal Alumina is also one of the cost-efficient producers of alumina in the world. The company is completely self-sufficient for its bauxite requirement while for coal about ~70% of its requirement is sourced from its captive mines itself while the balance met through its linkage with Coal India Limited. CARE Ratings expects that post acquisition of Chakola and Meenakshi mines, the energy costs for the Indian operations will be softened, which will further add up to stability profit margins for the company.

Strong operational performance

For FY24, revenue contribution from aluminium business declined by 2.5% (From ₹44,019 crores to ₹42,914 crore) while for copper increased it by 18.2% (From ₹41,702 crores to 49,321 crore) primarily on account, of incremental domestic operations and improved treatment of copper concentrate. Profit Before Interest, Lease rentals, Depreciation, and Tax (PBILDT) during FY24 for aluminium upstream division has recorded an increase due to the lower input costs. However, the aluminium downstream business has recorded a downfall due to lower realisation and lower demand in the second half of fiscal year. Also, the copper business has achieved an all-time high PBILDT. The contribution of Novelis has also improved marginally with a PBILDT of US$ 1.87 billion (US$ 1.81 billion in FY23) which accounts for around 56% of the consolidated PBILDT. Shipments fell by ~3% from 3790 Kt in FY23 to 3673 Kt in FY24 primarily on account of lower beverage can movement which was further driven by customer inventory reductions in the second half of the fiscal year. Also due to the weak macro-economic environment the demand for specialties products was low.

Healthy capital structure
Capital structure of the entity is healthy marked by overall gearing (Total debt / Tangible Net worth; debt includes supplier's credit) improved to 0.82x as on March 31, 2024 (PY: 1.05x) amidst improved net worth base and repayment of term loans during the period. However, coverage metrics like PBILDT interest coverage ratio, Net Debt/GCA improved marginally owing to improvement in profitability in FY24 as against FY23. During the year, the company has also prepaid a rupee term loan worth Rs.4,495 crore and repaid a NCD worth Rs.700 crores. Going forward, CARE ratings expect incremental debt on account of capacity expansion plans, however, the magnitude of debt in comparison to the envisaged debt, remains a key monitorable.

Increased focus on downstream activities
Over the past three years, the company has been increasing its focus towards downstream activities by building an eco-system which is value added high margin business. Activities like supply of aluminium products for Vande Bharat, air conditioning manufacturing are being taken up by the company to have first mover advantage in the downstream segment. As the demand in this segment is mostly catered by large numbers of unorganized players, CARE Ratings expects that, with the technical expertise, financial prowess and brand recall, HIL is sufficiently equipped to be a dominant player in the downstream in the next 5 years.

Allocated capex to further consolidate its market position.
The company has envisaged a consolidated capex worth US$ 4.9 billion which is largely towards setting up a greenfield rolling and recycling facility of Novelis, Bay Minette, USA. The facility will be state of the art, which will help the company to increase its footprint in the can recycling space and increase its customer base in automobile and aerospace sector. CARE Ratings understands that there will be no difficulty for HIL in terms of customer acquisition for its incremental capacity as the industry is currently running at a deficit for recycling capacity. In addition, the strong corporate relationship of the company will benefit in fixing contracts for the company. For its Indian operations, the company plans to expand its capacity over the next three years by adding a new refinery with an 850 KT capacity. Additionally, the company is investing in a 100 MW renewable energy project to support the Aditya Refinery. In addition, the company also have other small-scale capex activities for its downstream segment to attract new customers.

Liquidity: Strong
HIL has a consolidated treasury balance of ₹18,489 crore as on June 30, 2024 (₹22,965 crore as on March 31, 2024) and surplus bank limits for working capital requirements. Over the last four years the company has been consistently maintaining liquidity of more than ₹18,000 crore. CARE Ratings expects liquidity levels of the company to remain stable around the same levels, further supported by its strong operational cash flows and financial controls within the entity.
HIL also enjoys the privilege of low-cost financing from financial institutions and refinancing of maturing debt because of it being a part of the Aditya Birla group.

Key weaknesses
Highly susceptible to volatility in metal prices and currency exchange rates
Aluminium and copper prices have shown significant volatility over the past couple of years. Commodity prices are susceptible to fluctuations due to geopolitical events and the global economic situation. The ongoing tension between the USA and China, along with interest rates cuts and increased fuel costs, continues to regulate the company's profitability margins. Additionally, domestic prices for both aluminium and copper are based on landed cost parity with international prices (LME prices). Therefore, substantial movements in currency exchange rates could further impact the revenues and profitability margins of the domestic business.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks
A board-level committee chaired by the managing director has been formed by HIL, which aims at meeting periodically to keep track of performance and lookout for avenues requiring improvement. HIL has been in the top 1% of S&P Global ESG Score in the aluminium industry in 2024.
• By 2050, the company aims to become carbon neutral.
• HIL aims at achieving water positivity across its mining sites by 2025 and across all its operations by 2050.
• HIL follows a 5R+1S approach (reduce, redesign, recover, rehabilitate, recycle, and store) to establish its target of becoming zero waste to landfill by 2050.
At Novelis, the company targets to reduce its waste to landfill intensity by 20% by 2026. Furthermore, it is the winner of the 'KPMG India ESG Conclave and Awards 2023' in the industrial manufacturing and automotive sector. More than 84% of the

waste generated is either recycled or reused. In FY24, Novelis recycled over 82 billion used beverage cans. Recycled material content in FY24 (2316 Kt) has declined marginally in comparison to FY23 (2325Kt).

Applicable criteria

Definition of Default
Consolidation
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Non Ferrous Metal
Financial Ratios – Non financial Sector
Withdrawal Policy
Short Term Instruments

About the company and industry

HIL, the flagship metals company of the Aditya Birla group, commenced operations in 1962. It has manufacturing facilities at Hirakud (Odisha), Renukoot (Uttar Pradesh), Aditya (Odisha), Mahan (Madhya Pradesh), Muri (Jharkhand) and Dahej (Gujarat). Over the years it has grown to become one of the largest integrated aluminium manufacturers in Asia with alumina capacity of 3.6 mtpa (million tons per annum, as the capacity of Utkal refinery is increased to 2.6 mtpa) and aluminium smelting capacity of 1.3 mtpa. Novelis Inc. (Novelis; subsidiary of HIL) has a 3.9 million tonnes aluminium value-added downstream capacity. The company is also a custom smelter of copper with a capacity of 0.4 mtpa at Dahej, captive power plant and jetty.

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Non - Ferrous Metals	Aluminium

Consolidated

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	2,23,202	2,15,962	57,437
PBILDT	22,890	23,841	7,599
PAT	10,098	10,155	3,074
Overall gearing (times)	1.05	0.82	0.82
Interest coverage (times)	6.28	6.18	8.8

Standalone

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25(UA)
Total operating income	76,995.00	83,009.00	22310
PBILDT	7,983.00	7,303.00	2904
PAT	3,326.00	3,697.00	1471
Overall gearing (times)	0.32	0.20	0.20
Interest coverage (times)	6.14	5.80	6.02

A: Audited UA: Unaudited; Note: these are latest available financial results.
The above financials have been adjusted as per CARE Ratings' criteria.

Status of non-cooperation with previous CRA: NA

Any other information: NA
Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	Dec 31	7161.89	CARE AA+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	2142.50	CARE AA+; Stable
Non Convertible Debenture	INE038A08124	28-Oct-2022	7.6	18-Mar-2024	0.00	Withdrawn
Non-fund-based - LT/ ST-BG/LC		-	-	-	31166.00	CARE AA+; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (05-Oct-23)	1)CARE AA+; Stable (06-Oct-22) 2)CARE AA+; Stable (06-Jul-22)	1)CARE AA+; Stable (07-Jul-21)
2	Fund-based - LT-Term Loan	LT	7161.89	CARE AA+; Stable	-	1)CARE AA+; Stable (08-Feb-24)	1)CARE AA+; Stable (06-Oct-22)	1)CARE AA+; Stable (07-Jul-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
						2)CARE AA+; Stable (05-Oct-23)	2)CARE AA+; Stable (06-Jul-22)	
3	Fund-based - LT-Working Capital Limits	LT	2142.50	CARE AA+; Stable	-	1)CARE AA+; Stable (08-Feb-24) 2)CARE AA+; Stable (05-Oct-23)	1)CARE AA+; Stable (06-Oct-22) 2)CARE AA+; Stable (06-Jul-22)	1)CARE AA+; Stable (07-Jul-21)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST	31166.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (08-Feb-24) 2)CARE AA+; Stable / CARE A1+ (05-Oct-23)	1)CARE AA+; Stable / CARE A1+ (06-Oct-22) 2)CARE AA+; Stable / CARE A1+ (06-Jul-22)	1)CARE AA+; Stable / CARE A1+ (07-Jul-21)
5	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	1)Withdrawn (05-Oct-23)	1)CARE A1+ (06-Oct-22) 2)CARE A1+ (06-Jul-22)	1)CARE A1+ (07-Jul-21)
6	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE AA+; Stable (08-Feb-24) 2)CARE AA+; Stable (05-Oct-23)	1)CARE AA+; Stable (06-Oct-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Limits	Simple
4	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No.	Name of the entity	Extent of consolidation	Rationale for consolidation
Hindalco Industries Limited			
Subsidiaries			
1	Novelis Inc. (downstream entities of Novelis Inc. given below)	Full consolidation	Subsidiary, Operational & management linkages
2	Utkal Alumina International Limited		
3	AV Minerals (Netherlands) N.V.		
4	Minerals & Minerals Limited		
5	Suvas Holdings Limited		
6	Dahej Harbour & Infrastructure Limited		
7	Hindalco Almex Aerospace Limited		
8	East Coast Bauxite Mining Company		
9	Renuka Investments & Finance Limited		
10	Renukeshwar Investments & Finance Limited		
11	Lucknow Finance Company Limited		
12	Utkal Alumina Social Welfare Foundation		
13	Kosala Livelihood and Social Foundation		
14	Birla Copper Asoj Private Limited		
15	Hindalco Kabushiki Kaisha		
Joint Operations			
1	Tubed Coal Limited	Partial consolidation	Subsidiary, Operational & management linkages
2	Mahan Coal Limited		
Trusts			
1	Hindalco Jan Seva Trust	Full consolidation	Subsidiary, Operational & management linkages
2	Copper Jan Seva Trust		
3	Utkal Alumina Jan Seva Trust		
4	Utkal Alumina Social Welfare Foundation		

Sr No.	Name of the entity	Extent of consolidation	Rationale for consolidation
5	Kosala Livelihood and Social Foundation		
Joint Ventures		Partial consolidation	Operational & management linkages
1	MNH Shakti Limited		
2	Hydromine Global Minerals (GMBH) Limited		
Associate Companies		Equity method consolidation	Associate entity
1	Aditya Birla Science & Technology Company Private Limited		
2	Aditya Birla Renewables Subsidiary Limited		
3	Aditya Birla Renewables Utkal Limited		
4	Aditya Birla Renewables Solar Limited		
5	Ayana Renewable power four Private Limited		
Entities consolidated in Novelis Inc.			
Indirect Subsidiaries		Full consolidation	Indirect subsidiaries, Operational & management linkages
1	Novelis do Brasil Ltda		
2	Brecha Energetica Ltda		
3	4260848 Canada Inc.		
4	4260856 Canada Inc.		
5	8018227 Canada Inc.		
6	Novelis (China) Aluminum Products Co. Ltd.		
7	Novelis (Shanghai) Aluminum Trading Company Ltd		
8	Novelis PAE S.A.S.		
9	Novelis Deutschland GmbH		
10	Novelis Sheet Ingot GmbH		
11	Novelis Aluminum Holding Unlimited Company		
12	Novelis Italia SpA		
13	Novelis de Mexico S.A. de C.V.		
14	Novelis Korea Limited		
15	Novelis AG		
16	Novelis Switzerland S.A.		
17	Novelis MEA Limited		
18	Novelis Europe Holdings Limited		
19	Novelis UK Ltd.		
20	Novelis Services Limited		
21	Novelis Corporation		
22	Novelis South America Holdings LLC		
23	Novelis Holdings Inc.		
23	Novelis Services (North America) Inc.		
24	Novelis Global Employment Organization, Inc.		
25	Novelis Services (Europe) Inc.		
26	Novelis Vietnam Company Limited		
27	Aleris Asia Pacific International (Barbados) Ltd.		

Sr No.	Name of the entity	Extent of consolidation	Rationale for consolidation
28	Novelis Aluminum (Zhenjiang) Co., Ltd. (formerly known as Aleris Aluminum (Zhenjiang) Co., Ltd.)		
29	Aleris Asia Pacific Limited		
30	Aleris Aluminum Japan, Ltd.		
31	Novelis Casthouse Germany GmbH		
32	Novelis Deutschland Holding GmbH		
33	Novelis Koblenz GmbH		
34	Novelis Netherlands B.V.		
35	Aleris Switzerland GmbH		
36	Novelis ALR Aluminum Holdings Corporation		
37	Novelis ALR International, Inc.		
38	Novelis ALR Rolled Products, LLC		
39	Novelis ALR Rolled Products, Inc.		
40	Novelis ALR Aluminum, LLC		
41	Novelis ALR Rolled Products Sales Corporation		
42	Novelis ALR Recycling of Ohio, LLC		
43	Novelis ALR Aluminum-Alabama LLC		
44	Novelis ALR Asset Management Corporation		
45	Novelis Ventures LLC (Formed on May 20, 2022)		
46	White Rock USA Protected Cell 24 (Formed on March 09, 2022)		
Joint Operations		Partial consolidation	Operational & management linkages
1	Aluminum Norf Gmbh		
2	Ulsan Aluminum Limited		
3	Logan Aluminum Inc.		
4	Alulnfra Services SA		
Associate Companies		Equity method consolidation	Associate entity
1	France Aluminum Recyclage SPA		
2	Big Blue Technologies Inc.		

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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