

Hindalco-owned aluminium company Novelis to launch US IPO

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MUMBAI: Commodities tycoon Kumar Mangalam Birla plans to launch an IPO of his aluminium company, Novelis, in the US market, making the Aditya Birla Group the first Indian conglomerate to sell common shares to the public there. Novelis, however, will be the second company from the Aditya Birla stable to go for an overseas listing after Birla Carbon (Thailand). Birla Carbon, listed on the Stock Exchange of Thailand on August 24, 1990, has a market cap of \$485 million.

While the \$65-billion conglomerate didn't reveal the size of the Novelis IPO, it said India-listed parent company Hindalco will be the sole selling shareholder. In other words, Novelis will not receive any money from the IPO.

Novelis became a part of the Birla conglomerate after it was acquired by Hindalco for \$6 billion in 2007, which was one of the largest cross-border transactions at that time. Novelis was listed on the NYSE and the Toronto Stock Exchange before Hindalco checked into it. "Novelis has a sizable contribution to Hindalco's financials, accounting for 60% of its revenues and operating profit. An IPO of Novelis would enable Hindalco to raise capital to fund various projects and strategic expansions without diluting equity at its level," said Ripplewave Equity Advisors' partner Mehul Savla.

The Birla conglomerate expects to conclude the Novelis IPO after the US securities regulator completes its review process of the IPO document, which was filed on Tuesday.

Listing of Novelis is distinct from the listing of depository receipts (DRs). In DRs, the issuing entity is an Indian

company and they essentially track the domestic share prices. Tata Group's automobile unit Tata Motors has its ADRs listed on the NYSE, while Tata Steel's GDRs are on London Stock Exchange (LSE). Reliance Industries' GDRs trade on the Luxembourg Stock Exchange and LSE.

In the past, Indian companies were allowed to list directly in international markets without a listing in India, said stock market analysts. For example, the listing of Rediff and Sify on the US exchanges during the dotcom boom. Subsequently, the government disallowed "orphan listings". It directed Indian companies to first list in India and then abroad, the analysts said. In November 2023, government announced direct listing of Indian businesses on international exchanges in GIFT IFSC.

Novelis has come a long way ever since it came under the ownership of Birla. The company made an operating profit of \$1.8 billion on a revenue of \$ 19 billion in fiscal 2023.