

Estimate changes

TP change

Rating change



CMP: INR81

TP: INR90 (+12%)

Neutral

Strong beat on all fronts

- Revenue declined 15% YoY to INR36.7b, 18% above our estimates. The improved performance was driven by better realizations from the aluminum and chemical segment.
- EBITDA declined 53% YoY to INR7.7b, against our estimate of INR4.4b, driven by lower employee cost and power expense.
- APAT declined 48% YoY to INR5.3b, against our estimate of INR2.4b, driven by strong operating performance.
- Revenue for the chemicals business stood at INR16b (up 9% YoY), above our estimate of INR13.7b. Revenue from the aluminum vertical stood at INR25.4b (down 22% YoY), in line with our estimate of INR24.5b.
- For FY23, NACL posted a revenue of INR142b (YoY: flat), EBITDA of INR24.3b (down 46% YoY), and APAT of INR153b (down 48% YoY).
- The Chemical segment operated at a capacity utilization rate of 101.1% and produced 2.1mt of material. The smelter, on the other hand, achieved full capacity production across 960 POTs and produced over 100% at 464kt.
- The company declared a final dividend of INR1.5, taking the total dividend to INR5 for FY23.

Next leg of capex to drive growth

- NACL has achieved over 100% capacity utilization in FY23, with little room to expand production with its existing capacity.
- NACL is setting up the fifth stream alumina refinery, which will add 1mt to its existing installed capacity of 2.2mt (total capacity post expansion stood at 3.2mt).
- In order to feed the new alumina refinery, NACL is also setting up Pottangi bauxite mine (reserves of ~75mt) and Utkal D and E coal blocks with an annual capacity of ~4mt (175mt proven reserves).
- Once operational, these mines would ensure raw material security, and thereby, reduce external risks and drive long-term value creation for the stakeholders.

Valuation and view

- Demand from India is expected to be strong, on the back of higher spending by the government on infrastructure.
- In line with the recent performance, we have increased our FY24E EBITDA/APAT by 10%/9%. We have kept our aluminum LME estimates unchanged for FY24E.
- NACL trades at 3.6x FY24E EV/EBITDA and 1x FY24E P/B. We note that the current valuations are reflective of global macro headwinds. However, there remains the potential for an upside in case of an improved demand from India.
- We reiterate our Neutral rating on the stock with a revised TP of INR90, valuing the stock at 4x FY24E EV/EBITDA.

Bloomberg	NACL IN
Equity Shares (m)	1837
M.Cap.(INRb)/(USDb)	148.1 / 1.8
52-Week Range (INR)	98 / 67
1, 6, 12 Rel. Per (%)	-5/9/-29
12M Avg Val (INR M)	1076

Financials & Valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	142	135	145
EBITDA	24	32	41
Adj. PAT	15	21	28
EBITDA Margin (%)	17	24	28
Cons. Adj. EPS (INR)	8.3	11.4	15.1
EPS Gr. (%)	-48	37	32
BV/Sh. (INR)	71	78	89

Ratios

Net D:E	-0.2	-0.2	-0.3
RoE (%)	12	15	18
RoCE (%)	14	19	22
Payout (%)	64	44	30

Valuations

P/E (x)	9.7	7.1	5.3
P/BV (x)	1.1	1.0	0.9
EV/EBITDA(x)	5.1	3.6	2.5
Div. Yield (%)	6.2	6.2	5.6
FCF Yield (%)	-2.6	12.7	12.1

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	51.3	51.3	51.3
DII	13.3	12.5	8.8
FII	16.0	15.1	18.0
Others	19.5	21.2	21.9

FII Includes depository receipts

Quarterly performance

(INR m)

Y/E March	FY22				FY23				FY22	FY23	FY23	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Aluminum Sales (kt)	91	126	114	126	116	115	115	118	457	464	113	4.6
Alumina Sales (kt)	286	318	356	272	223	400	400	382	1,232	1,405	214	79.0
Net Sales	24,746	35,922	37,733	43,408	37,833	34,896	32,900	36,709	1,41,808	1,42,337	31,062	18.2
Change (YoY %)	79.2	51.3	58.6	53.8	52.9	-2.9	-12.8	-15.4	58.3	0.4	-28.4	
Change (QoQ %)	-12.3	45.2	5.0	15.0	-12.8	-7.8	-5.7	11.6			-5.6	
Total Expenditure	18,938	24,649	25,827	27,222	29,147	31,552	28,302	29,043	96,637	1,18,044	26,652	
EBITDA	5,808	11,273	11,905	16,186	8,687	3,344	4,598	7,665	45,172	24,293	4,410	73.8
Change (YoY %)	350.0	308.6	174.4	71.5	49.6	-70.3	-61.4	-52.6	153.4	-46.2	-73	
Change (QoQ %)	-38.5	94.1	5.6	36.0	-46.3	-61.5	37.5	66.7			-4	
Interest	18	18	19	176	39	41	42	7	231	129	42	
Depreciation	1,491	1,518	1,515	3,842	1,497	1,537	1,571	2,554	8,366	7,158	1,649	
Other Income	317	424	720	1,513	629	693	663	559	2,974	2,544	450	
PBT (before EO Item)	4,616	10,161	11,091	13,681	7,781	2,459	3,648	5,663	39,549	19,550	3,169	78.7
Extra-ordinary Income	0	1	0	0	-207	-447	-175	-269	1	-1,098	0	
PBT (after EO Item)	4,616	10,162	11,091	13,681	7,573	2,012	3,473	5,394	39,550	18,452	3,169	70.2
Total Tax	1,139	2,684	2,783	3,424	1,994	758	910	444	10,029	4,105	790	
% Tax	24.7	26.4	25.1	25.0	26.3	37.7	26.2	8.2	25.4	22.2	24.9	
Reported PAT	3,477	7,478	8,309	10,257	5,579	1,254	2,563	4,950	29,521	14,347	2,379	
Adjusted PAT	3,477	7,477	8,309	10,257	5,732	1,533	2,693	5,345	29,520	15,302	2,379	124.7
Change (YoY %)	1,991.0	595.9	246.5	63.2	64.8	-79.5	-67.6	-47.9	197.4	-48.2	-77	
Change (QoQ %)	-44.7	115.0	11.1	23.4	-44.1	-73.3	75.7	98.5			-12	

Note: Consequent to revised policy for recognition of revenue from scrap on its disposal, profitability had an impact of INR148m which is adjusted in 4QFY23 APAT.

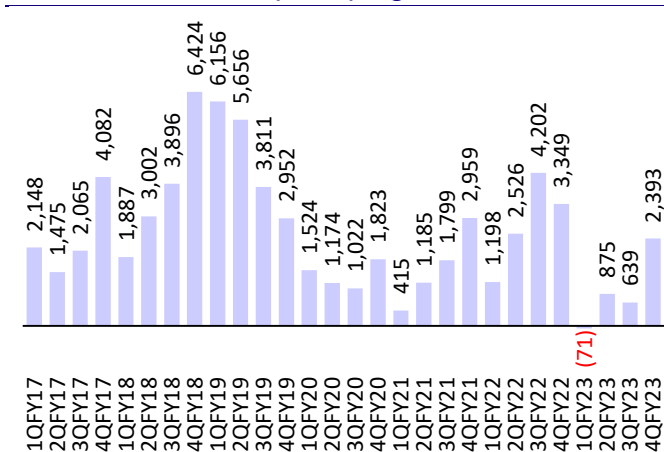
Source: Company, MOFSL

Exhibit 1: Segmental quarterly performance (INR m)

	FY22				FY23				FY22	FY23	FY23	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Chemicals revenue	10,680	12,760	15,651	14,683	11,993	15,074	12,647	16,073	53,775	55,788	13,657	
Aluminum revenue	17,379	26,349	25,153	32,692	29,801	23,079	24,155	25,408	1,01,573	1,02,443	24,353	
Inter-segment Revenue	-3,314	-3,187	-3,071	-3,967	-3,961	-3,258	-3,902	-4,773	-13,540	-15,894	-6,948	
Net Sales	24,746	35,922	37,733	43,408	37,833	34,896	32,900	36,709	1,41,808	1,42,337	31,062	18.2
Chemicals EBIT	1,198	2,526	4,202	3,349	-71	875	639	2,393	11,274	3,836	2,891	-17.2
Chemicals EBIT margin %	11	20	27	23	-1	6	5	15	21	7	21	
Aluminum EBIT	3,999	7,879	7,483	13,212	8,043	1,774	2,835	5,136	32,572	17,787	2,869	79.0
Aluminum EBIT margin %	23	30	30	40	27	8	12	20	32	17	12	

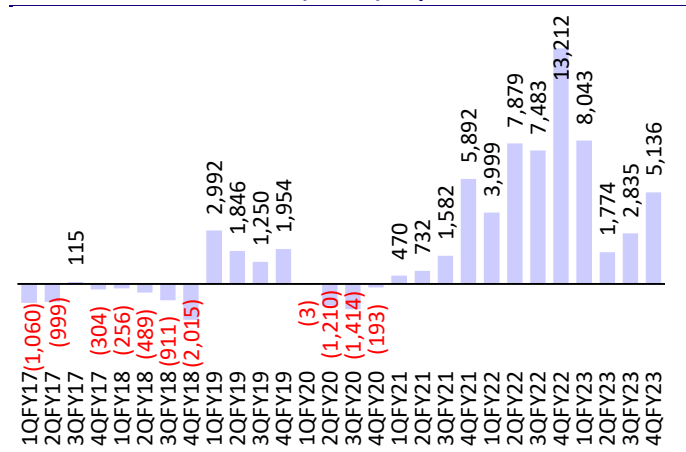
Source: Company, MOFSL

Exhibit 2: Alumina EBIT (INR m); highest in FY23



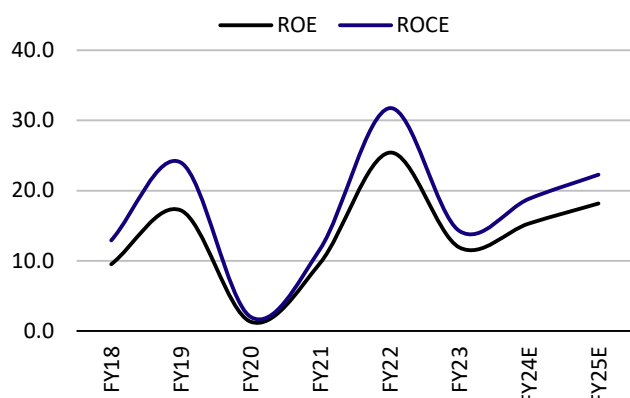
Source: Company, MOFSL

Exhibit 3: Aluminum EBIT (INR m) improves QoQ



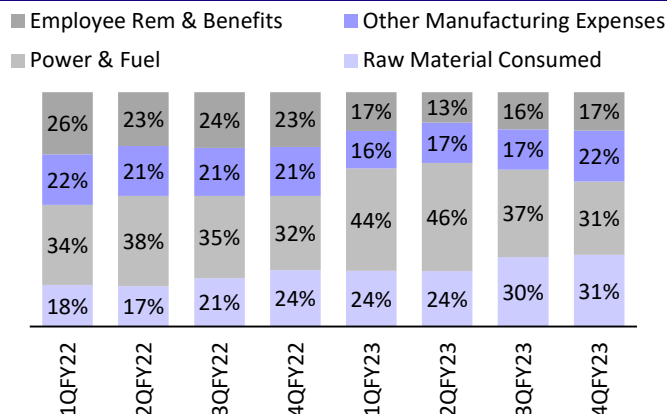
Source: Company, MOFSL

Exhibit 4: ROE and ROCE to bottom out in FY23



Source: Company, MOFSL

Exhibit 5: Power as % of total expenses was down QoQ



Source: Company, MOFSL

Exhibit 6: Valuation and target price

Target Price Calculations	UoM	2024E
Aluminum		
Shipments	kt	460
EBITDA	INR/t	56,400
EBITDA	USD/t	668
EBITDA	INR m	25,944
Alumina		
Shipments	kt	1,231
EBITDA	INR/t	4,982
EBITDA	INR m	6,131
Total EBITDA	INR m	32,076
EV/EBITDA (x)	x	4.0
Target EV	INR m	1,28,302
add: cash surplus	INR m	31,670
Equity Value	INR m	1,59,972
No of Shares o/s	m	1,837
Target Price	INR/sh	90

Source: MOFSL

Exhibit 7: Summary of assumptions and key changes to our estimates

	UoM	FY23			FY24E			FY25E		
		New	Old	% change	New	Old	% change	New	Old	% change
Alumina	kt	1,405	1,237	14%	1,231	1,139	8%	1,231	1220	1%
Aluminium	kt	464	457	2%	460	446	3%	460	446	3%
Revenue	INR b	142	137	4%	135	130	4%	145	143	1%
EBITDA	"	24	21	15%	32	29	10%	41	40	2%
PAT	"	15	12	24%	21	19	9%	28	28	1%

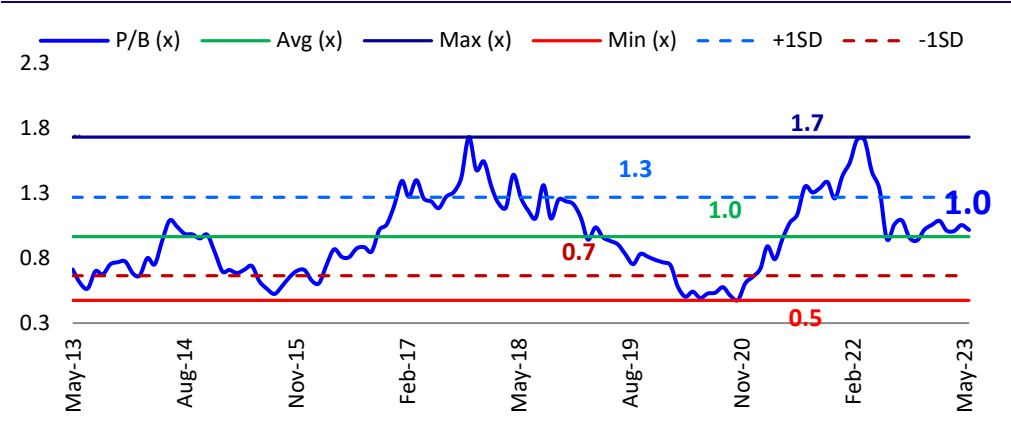
Source: MOFSL, Company

Exhibit 8: Global comparable valuation

Company	M-Cap USD m	P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (%)		
		CY21/ FY22	CY22/ FY23E	CY23/ FY24E	CY21/ FY22	CY22/ FY23E	CY23/ FY24E	CY21/ FY22	CY22/ FY23E	CY23/ FY24E	CY21/ FY22	CY22/ FY23E	CY23/ FY24E
Hindalco*	11,208	6.6	9.0	8.6	4.6	5.6	4.4	1.7	1.3	1.1	28.0	16.3	14.2
Nalco*	1,832	5.0	9.7	7.1	2.4	5.1	3.6	1.2	1.1	1.0	25.4	11.9	15.3
Alcoa	6,310	9.5	56.0	7.0	3.6	7.1	3.6	1.2	1.3	1.2	14.1	1.6	12.7
Norsk Hydro	13,444	6.0	10.6	9.0	3.6	5.3	4.6	1.3	1.3	1.3	26.4	12.4	14.2
CHALCO	13,015	10.8	11.5	8.9	7.8	6.4	5.2	1.0	1.0	0.9	9.1	9.2	11.2
RUSAL	6,454	2.7	2.7	3.5	3.1	NA	NA	0.5	0.4	0.4	25.3	17.5	11.5
Alumina	2,802	25.4	43.9	14.6	20.1	28.9	11.4	1.7	1.8	1.6	7.9	3.7	11.6

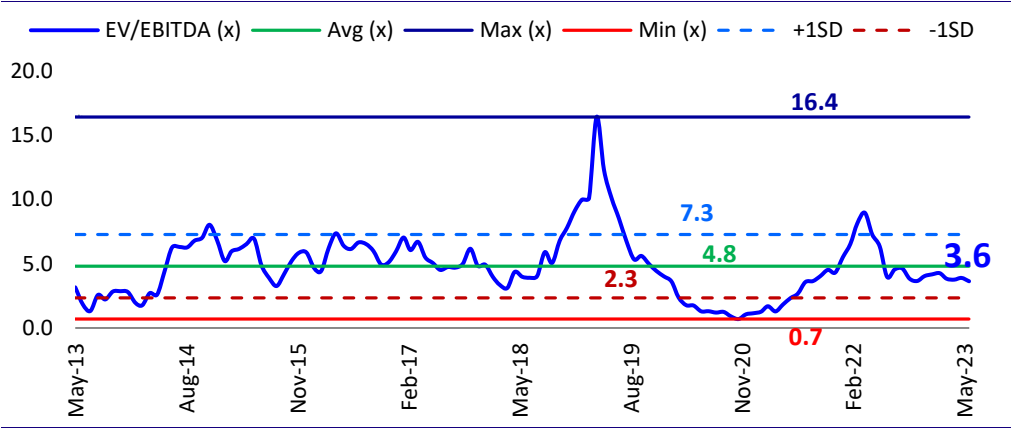
Source: MOFSL, Company, Bloomberg. (*) denotes MOFSL coverage

Exhibit 9: P/B near LTA



Source: Company data

Exhibit 10: ...however, EV/EBITDA below LTA



Source: Company data

Financials and valuations

Income Statement								INR m	
Y/E March	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Net Sales	75,430	95,094	1,14,993	84,718	89,558	1,41,808	1,42,337	1,34,831	1,44,549
Total Expenses	64,634	78,311	85,432	79,826	71,730	96,637	1,18,044	1,02,756	1,03,408
EBITDA	10,797	16,783	29,561	4,892	17,828	45,172	24,293	32,076	41,141
Depn. & Amortization	4,804	4,804	4,761	5,298	6,058	8,366	7,158	5,726	5,784
EBIT	5,993	11,979	24,800	-406	11,770	36,806	17,135	26,349	35,357
Net Interest	27	20	24	57	71	231	129	79	79
Other income	4,075	3,008	3,259	2,726	1,466	2,974	2,544	1,700	1,700
PBT before EO	10,041	14,968	28,035	2,262	13,165	39,549	19,550	27,970	36,978
EO income	402	5,421	-636	0	0	1	-1,098	0	0
PBT after EO	10,442	20,388	27,399	2,262	13,165	39,550	18,452	27,970	36,978
Tax	2,962	6,964	10,075	880	170	10,029	4,105	6,965	9,207
Reported PAT	7,480	13,424	17,324	1,382	12,995	29,521	14,347	21,005	27,770
Adjusted PAT	7,193	9,855	17,726	1,382	9,926	29,520	15,302	21,005	27,770
Change (%)	0.8	37.0	79.9	-92.2	618.0	197.4	-48.2	37.3	32.2

Balance Sheet								INR m	
Y/E March	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Share Capital	9,665	9,665	9,328	9,328	9,183	9,183	9,183	9,183	9,183
Reserves	92,387	95,384	95,517	90,553	97,624	1,16,341	1,22,081	1,33,903	1,53,408
Net Worth	1,02,052	1,05,048	1,04,845	99,881	1,06,807	1,25,524	1,31,264	1,43,086	1,62,591
Minority Interest									
Total Loans	511	450	668	123	461	207	478	3,978	3,978
Deferred Tax Liability	12,456	11,515	11,307	10,606	8,937	8,682	9,578	9,578	9,578
Capital Employed	1,15,018	1,17,013	1,16,820	1,10,610	1,16,205	1,34,412	1,41,319	1,56,641	1,76,147
Gross Block	80,489	85,022	91,154	98,160	1,05,504	1,10,486	1,17,240	1,23,240	1,29,240
Less: Accum. Deprn.	9,044	13,627	18,297	23,312	28,900	37,054	44,212	49,938	55,722
Net Fixed Assets	71,444	71,395	72,857	74,848	76,605	73,432	73,028	73,302	73,518
Capital WIP	5,660	9,152	8,827	14,267	15,755	22,348	32,689	31,689	40,689
Investments	389	1,176	1,758	2,773	3,133	3,110	2,132	2,132	2,132
Curr. Assets	67,517	64,415	68,028	53,609	51,614	73,865	68,417	86,498	97,853
Inventories	11,559	11,941	12,100	16,969	14,763	16,462	18,402	22,164	23,761
Account Receivables	1,843	2,581	2,406	1,401	1,474	753	913	2,216	2,376
Cash and Bank Balance	35,084	33,619	35,772	20,355	19,982	37,701	22,631	35,647	45,244
Others	19,031	16,274	17,750	14,884	15,396	18,950	26,471	26,471	26,471
Curr. Liability & Prov.	29,992	29,126	34,650	34,886	30,900	38,343	34,947	36,980	38,045
Account Payables	8,641	9,774	13,069	7,956	9,772	14,807	12,743	14,776	15,841
Provisions & Others	21,351	19,352	21,581	26,930	21,128	23,536	22,204	22,204	22,204
Net Curr. Assets	37,525	35,290	33,378	18,723	20,714	35,522	33,470	49,518	59,808
Appl. of Funds	1,15,018	1,17,013	1,16,820	1,10,610	1,16,206	1,34,412	1,41,319	1,56,641	1,76,147

Financials and valuations

Cashflow Statement

INR m

Y/E March	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Pre-tax profit	9,639	20,388	27,399	2,262	12,995	29,514	14,347	27,970	36,978
Depreciation	4,804	4,804	4,761	5,298	6,058	8,366	7,158	5,726	5,784
(Inc)/Dec in Wkg. Cap.	1,217	-178	3,274	-9,071	3,819	3,942	-4,169	-3,032	-692
Tax paid	-2,184	-4,825	-10,209	-1,005	-975	-7,555	-7,467	-6,965	-9,207
Others	884	-5,524	-447	-971	93	5,316	-786	79	79
CF from Op. Activity	14,359	14,666	24,779	-3,486	21,990	39,584	9,083	23,779	32,941
(Inc)/Dec in FA + CWIP	-7,781	-8,374	-7,680	-8,578	-12,188	-12,829	-12,962	-5,000	-15,000
Free Cash Flow to firm	6,578	6,292	17,099	-12,064	9,802	26,755	-3,880	18,779	17,941
(Pur)/Sale of Investments	10,178	1,718	1,272	2,068	-4,835	26	-386	0	0
Interest & div	2,795	1,522	1,089	1,353	662	2,336	-1,569		
CF from Inv. Activity	5,191	-5,134	-5,319	-5,158	-16,361	-10,466	-14,917	-5,000	-15,000
Equity raised/(repaid)	-28,407	0	-5,074	0	-1,701	0	0	0	0
Int. Paid	-4	-1	0	-9	-33	-124	-15	-79	-79
Debt raised/(repaid)	511	-61	218	-579	338	-254	-37	3,500	0
Dividend (incl. tax)	-8,259	-10,934	-12,451	-6,185	-4,606	-11,020	-9,183	-9,183	-8,265
CF from Fin. Activity	-36,159	-10,997	-17,308	-6,773	-6,002	-11,398	-9,235	-5,762	-8,344
(Inc)/Dec in Cash	-16,608	-1,465	2,153	-15,416	-374	17,719	-15,070	13,017	9,597
Add: opening Balance	51,692	35,084	33,619	35,772	20,355	19,982	37,701	22,631	35,647
Closing Balance	35,084	33,619	35,772	20,355	19,982	37,701	22,631	35,647	45,244

Ratios

Y/E March	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Basic (INR)									
EPS	3.7	5.1	9.5	0.7	5.4	16.1	8.3	11.4	15.1
Cash EPS	6.4	9.4	11.8	3.6	10.4	20.6	11.7	14.6	18.3
BV/Share	52.8	54.3	56.2	53.5	58.2	68.3	71.5	77.9	88.5
DPS	2.8	5.7	5.8	1.5	3.5	6.5	5.0	5.0	4.5
Payout (%)	110.4	81.5	100.9	240.9	49.5	40.4	64.0	43.7	29.8
Valuation (x)									
P/E	21.7	15.8	8.5	108.8	14.9	5.0	9.7	7.1	5.3
Cash P/E	12.7	8.6	6.8	22.5	7.8	3.9	6.9	5.5	4.4
P/BV	1.5	1.5	1.4	1.5	1.4	1.2	1.1	1.0	0.9
EV/Sales	1.6	1.3	1.0	1.5	1.4	0.8	0.9	0.8	0.7
EV/EBITDA	11.2	7.2	3.8	26.1	7.0	2.4	5.1	3.6	2.5
Dividend Yield (%)	3.5	7.1	7.1	1.9	4.3	8.1	6.2	6.2	5.6
Return Ratios (%)									
EBITDA Margins (%)	14.3	17.6	25.7	5.8	19.9	31.9	17.1	23.8	28.5
Net Profit Margins (%)	9.5	10.4	15.4	1.6	11.1	20.8	10.8	15.6	19.2
RoE	7.2	9.5	17.2	1.4	9.7	25.4	11.9	15.3	18.2
RoCE (pre-tax)	7.9	12.9	24.0	2.0	11.7	31.7	14.3	18.8	22.3
RoIC (pre-tax)	8.0	16.3	34.6	-0.6	15.6	49.5	22.1	30.8	40.3
Working Capital Ratios									
Fixed Asset Turnover (x)	0.9	1.1	1.3	0.9	0.8	1.3	1.2	1.1	1.1
Asset Turnover (x)	0.7	0.8	1.0	0.8	0.8	1.1	1.0	0.9	0.8
Debtor (Days)	9	10	8	6	6	2	2	6	6
Inventory (Days)	56	46	38	73	60	42	47	60	60
Payable (Days)	42	38	41	34	40	38	33	40	40
Leverage Ratio (x)									
Current Ratio	2.3	2.2	2.0	1.5	1.7	1.9	2.0	2.3	2.6

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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