

BSE SENSEX
66,009

S&P CNX
19,674



Stock Info

Bloomberg	NACL IN
Equity Shares (m)	1837
M.Cap.(INRb)/(USDb)	171.7 / 2.1
52-Week Range (INR)	106 / 67
1, 6, 12 Rel. Per (%)	4/5/13
12M Avg Val (INR M)	931
Free float (%)	48.7

Financials Snapshot (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	142	136	141
EBITDA	24	28	33
Adj. PAT	15	17	21
EBITDA Margin (%)	17	20	23
Cons. Adj. EPS (INR)	8.3	9.2	11.3
EPS Gr. (%)	-48	10	23
BV/Sh. (INR)	71	77	84

Ratios

Net D:E	-0.2	-0.3	-0.3
RoE (%)	12	12	14
RoCE (%)	14	15	17
Payout (%)	54	42	37

Valuations

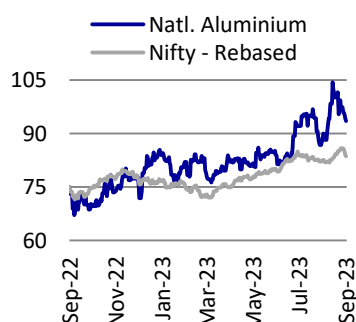
P/E (x)	11.2	10.2	8.3
P/BV (x)	1.3	1.2	1.1
EV/EBITDA(x)	6.1	4.9	3.8
Div. Yield (%)	4.8	4.1	4.5
FCF Yield (%)	-2.3	10.9	10.1

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	51.3	51.3	51.3
DII	15.4	13.3	10.1
FII	15.0	16.0	16.7
Others	18.4	19.5	21.9

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR94

TP: INR95 (+2%)

Neutral

Increase in alumina refinery capacity and raw material securitization to drive performance

- NACL had successfully acquired Utkal D and E coal blocks, with a combined R&R of 175mt, aimed at improving NACL's raw material security.
- Despite encountering multiple delays, NACL is all set to operationalize Utkal D coal mine by the end of CY23. This development is poised to provide NACL with an annual raw material security of approximately 2mt.
- NACL is in the process of establishing a fifth stream for its alumina refinery, which will enhance the capacity by an additional 1mt to 3.1mt by May'25. The full incremental benefits of this expansion are expected to materialize from FY26E onwards.
- NACL is operating at full capacity across 960 electrolytic potcells, which will help the company clock 460kt of metal production in FY24E.
- NACL is also setting up a 0.27mt caustic soda facility (in JV with GALK) at Dahej, Gujarat, which will further enhance its raw material integration.
- We believe that despite NACL currently operating at full capacity, the synergies arising from enhanced raw material security will propel EBITDA/APAT to exhibit a CAGR of 16% each until FY25E.
- NACL currently trades at 3.8x FY25E EV/EBITDA and appears to be fully priced in. We reiterate our Neutral rating on the stock with a TP of INR95.

Next leg of capex to drive growth

- In FY23, NACL reached full capacity utilization, leaving little room for expansion within its existing production capacity. Consequently, NACL has initiated the construction of a fifth stream for its alumina refinery, aimed at increasing its current installed capacity of 2.1mt by an additional 1mt (total capacity post expansion 3.1mt).
- The expansion project has encountered multiple delays, and the projected timeline for completion has been revised to May'25. As on Jul'23, ~57.8% of the project work has been successfully completed.
- In order to feed the new alumina refinery, NACL is also setting up Pottangi bauxite mine (reserves of ~75mt) and the same is expected to be operational by 1QFY26.
- However, given that the complete ramp-up of bauxite availability from the Pottangi mine is expected to occur after the commissioning of the fifth stream, NACL has initiated plans to secure additional sources of raw materials from the Panchpatmali south block. The project has already engaged an EPCM consultant and significant machinery and infrastructure packages have been finalized.
- As the capex plans have already experienced delays, any further extension of the project timeline will impact the growth outlook for NACL.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Strengthening backward integration

Caustic soda facility

- NACL is setting up 0.27mt caustic soda facility (in JV with GALK) at Dahej, Gujarat along with 130mw of CPP.
- 99% of the project has been completed and all eight electrolyser units of the plant are operational.
- Given that caustic soda is a key raw material in the manufacturing process, the establishment of this facility will further enhance NACL's raw material integration capabilities.

Utkal coal blocks

- NACL had successfully acquired the Utkal D and E coal mines, with a combined R&R of 175mt, aimed at improving the company's raw material security.
- After multiple delays, NACL is all set to operationalize Utkal D coal mine by the end of CY23 having a total R&R of 101.7mt. Once operational, this mine will help NACL achieve coal security of ~2mt p.a.
- The current 0.46mt smelter plant at Angul houses 1,200mw of CPP, which requires ~6.8mt of coal. As on date, NACL has FSA of 4.7mt, 0.9mt of bridge linkage, and the remaining ~1.2mt is sourced from COAL auctions.
- Post commencement of Utkal D coal block, NACL will reduce its reliance on procuring coal from auctions, thereby improving the margins for the company.
- Close proximity of coal mines to CPP at Angul will help curb logistics costs, and thereby improve the margins of the company.

Bauxite mines

- As on date, NACL has North & Central and South bauxite blocks at Panchpatmali with an EC of ~10mt (R&R of ~310mt). Both of these mines are operational and with lease validity up to Nov '32 and Jul'29, respectively.
- However, to support the fifth stream for alumina refinery, NACL is also setting up Pottangi bauxite mine (reserves of ~75mt) and the same is expected to be operational by 1QFY26.

Valuation and view

- NACL has already reached its full capacity and the next phase of growth is expected to commence once the additional alumina capacity becomes operational on stream, which is expected to occur around May'25.
- We believe that despite NACL currently operating at full capacity, the synergies arising from enhanced raw material security will propel EBITDA/APAT to exhibit a CAGR of 16% each until FY25E.
- NACL is a cash-rich company and follows a prudent investor-friendly dividend payout policy (~54% payout in FY23).
- NACL is well placed and the stock trades at 3.8x FY25E EV/EBITDA and appears to be fully priced in. We reiterate our Neutral rating on the stock with a TP of INR95.

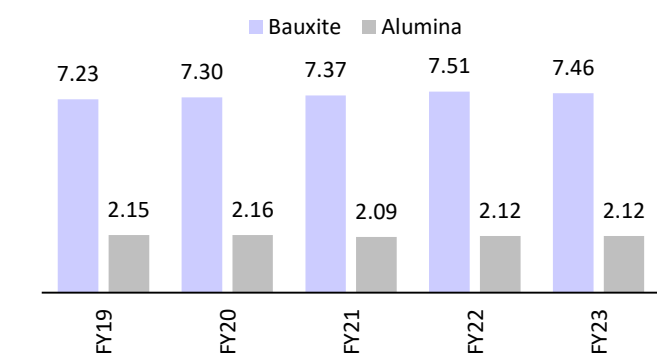
Key downside risks: 1) NACL relies on FSA and e-auction routes for its coal requirements, and any constraint in the availability or increase in prices could adversely affect margins, 2) any adverse movements in LME prices might hurt margins, and 3) any further delay in project execution will adversely impact the performance of the company in the near term.

Exhibit 1: NACL production and mining facilities

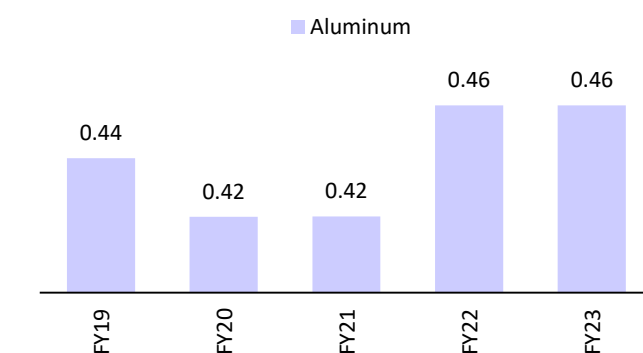
Facilities	Location	Capacity	Remarks
Bauxite mines	North & Central Block, Panchpatmali, Odisha	6.8mt	R&R ~310mt
Bauxite mines	South Block, Panchpatmali, Odisha	3.2mt	
Bauxite mines	Pottangi, Odisha	3.5mt EC	R&R ~75mt
Utkal D and E coal mines	Angul district, Odisha	2mt EC	Permission to commence production at Utkal D
Alumina refinery	Damanjodi, Odisha	2.1mt	Capex addition of 1mt
Smelter plant	Angul, Odisha	0.46mt	Proposal to expand by another 0.5mt
CPP	Angul, Odisha	1,200mw	120mw x 10
Caustic soda	Dahej, Gujarat	0.27mt	JV with GALK
Port	Visakhapatnam, Andhra Pradesh	1.4mt	Alumina export and caustic soda lye import
Wind power	Gandikotta, Andhra Pradesh	50.4mw	
Wind power	Ludarva, Jaisalmer, Rajasthan	47.6mw	
Wind power	Devikot, Jaisalmer, Rajasthan	50mw	
Wind power	Sangli, Maharashtra	50.4mw	
Wind power	Kayathar, Tamil Nadu	25.5mw	On hold (65% of work completed)

Source: MOFSL, Company, environmentclearance.nic.in, cspm.gov.in,

- NACL has one of the largest integrated bauxite-alumina-aluminum-CPP complexes in India.
- NACL has strong presence in Odisha with a bauxite mining complex at Panchpatmali with proven reserves of ~310mt, a 2.1mt alumina refinery at Damanjodi, and a 460kt 960-pots aluminum smelter at Angul.
- NACL also possesses a downstream rolling facility, Visakhapatnam port, in addition to a caustic soda plant, a 1,200mw thermal CPP and a portfolio of 198.4mw wind power plants.
- NACL offers a wide gamut of products across calcined alumina, alumina hydrate, specialty hydrates, ingots, sow ingots, wire rods, FRP, etc.

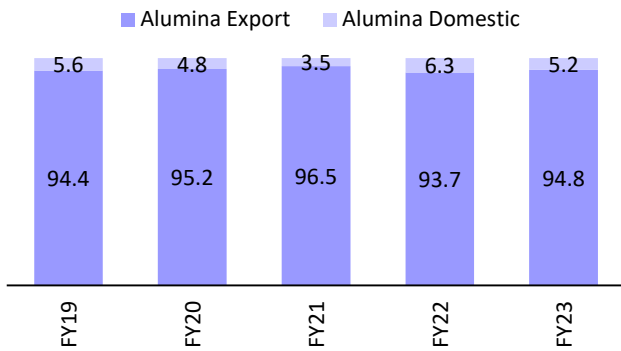
Exhibit 2: Bauxite and alumina production (mt)

Source: MOFSL, Company

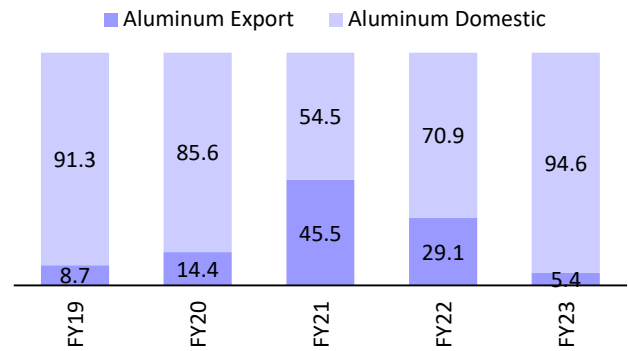
Exhibit 3: Aluminum production (mt)

Source: MOFSL, Company

- NACL has a total alumina refinery capacity of 2.1mt and the company achieved full capacity utilization for the second consecutive year in FY23.
- NACL aluminum smelter is also operating at full capacity and the company achieved full utilization across all its 960 pots.
- NACL is expected to operate at full capacity and the company is expected to clock aluminum production of 460kt in FY24E and FY25E.
- NACL has reached its full capacity and the next leg of growth will commence once additional alumina capacity comes on stream around May'25.

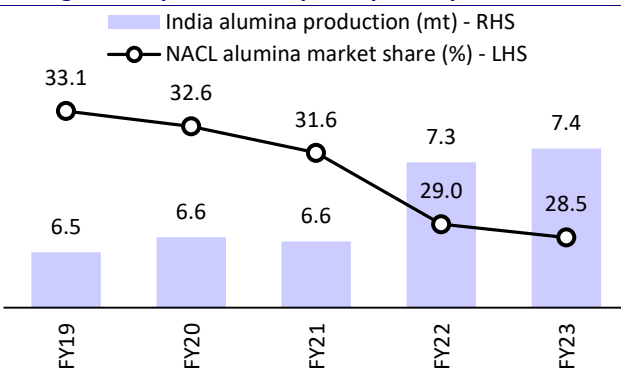
Exhibit 4: Alumina Sales (%)

Source: MOFSL, Company

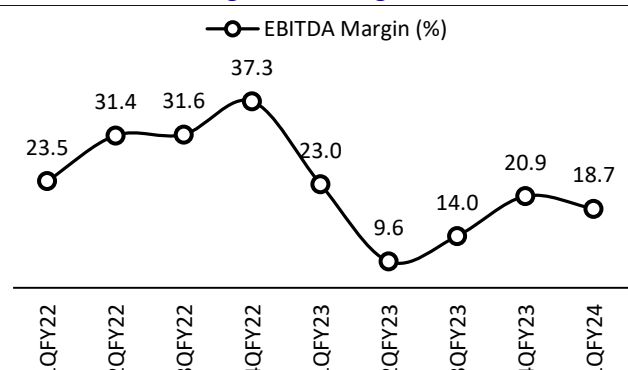
Exhibit 5: Aluminum Sales (%)

Source: MOFSL, Company

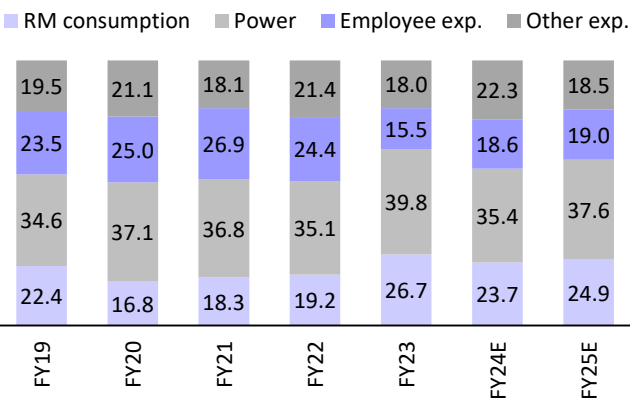
- NACL achieved record aluminum sales of 464kt in FY23 (up 1.6% YoY) and sales for alumina has been steadily improving over the last three fiscals at 1.25mt (up 1.1% YoY).
- Export contributes ~30% of the total revenues and the company has consistently been exporting ~95% of its alumina products.
- The share of aluminum export has been steadily decreasing over the last three fiscals and the company is now concentrating more on the domestic market.

Exhibit 6: NACL's alumina market share in India has been reducing YoY; expected to improve post capex on stream

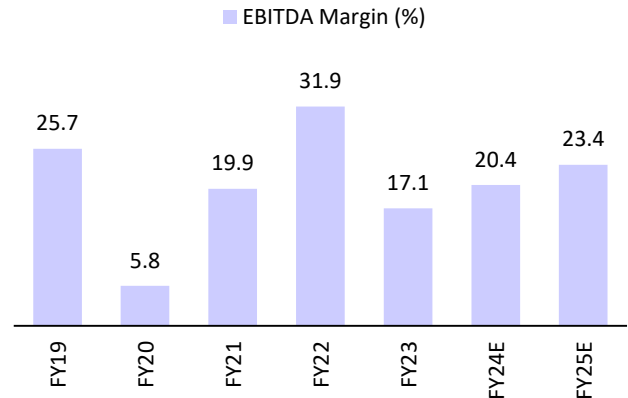
Source: MOFSL, Company

Exhibit 7: EBITDA margins stabilizing

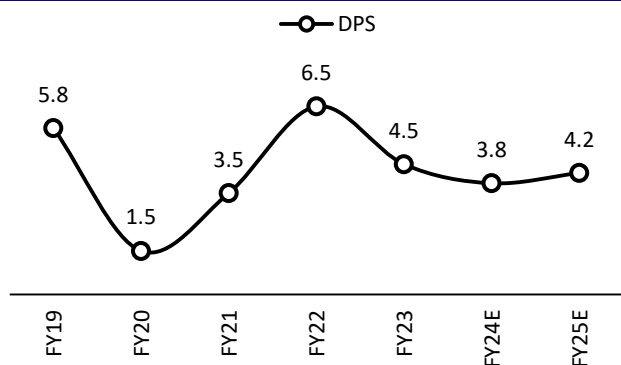
Source: MOFSL, Company

Exhibit 8: Cost breakup (%)

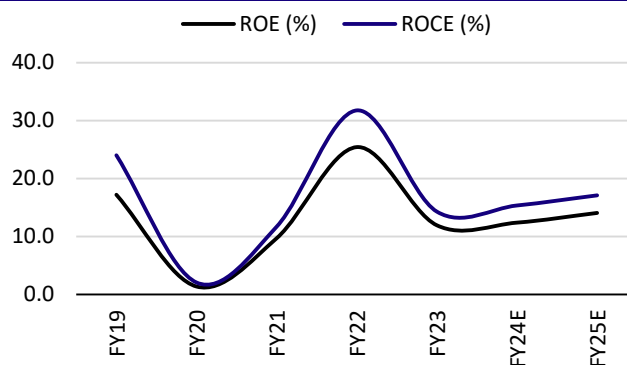
Source: MOFSL, Company

Exhibit 9: We expect EBITDA (INR m) to improve in FY24E

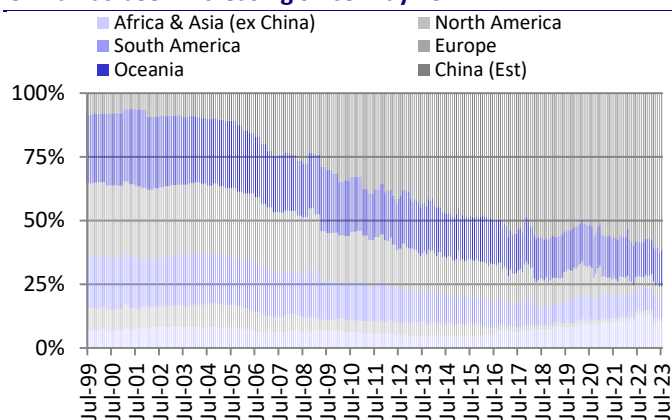
Source: MOFSL, Company

Exhibit 10: NACL follows dividend payout in line with DIPAM guidelines

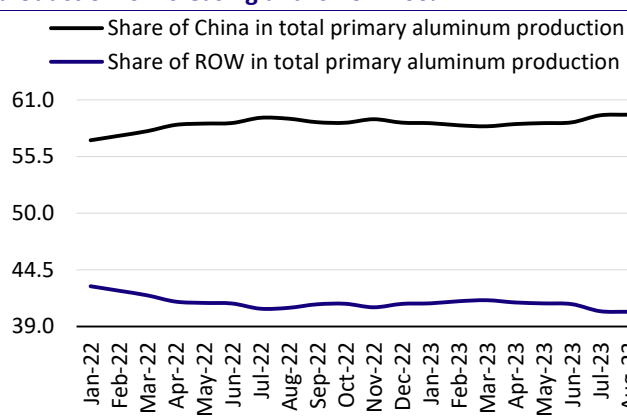
Source: MOFSL, Company

Exhibit 11: ROE and ROCE to improve from FY24E

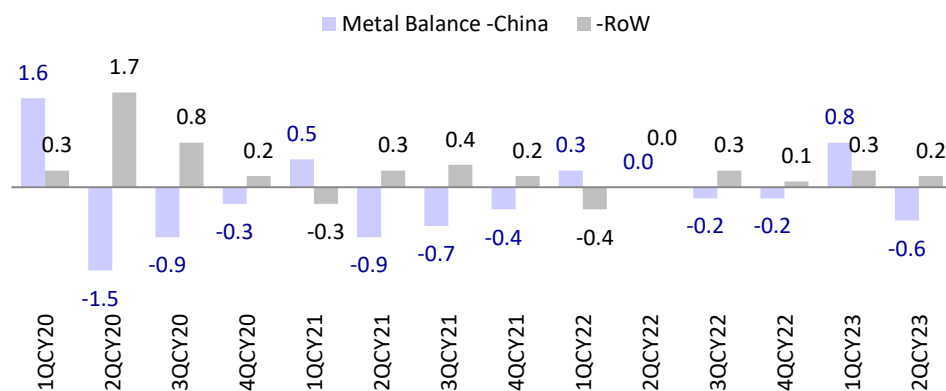
Source: MOFSL, Company

Exhibit 12: World alumina production; global share from China has been increasing since May'23

Source: MOFSL, international-aluminium.org

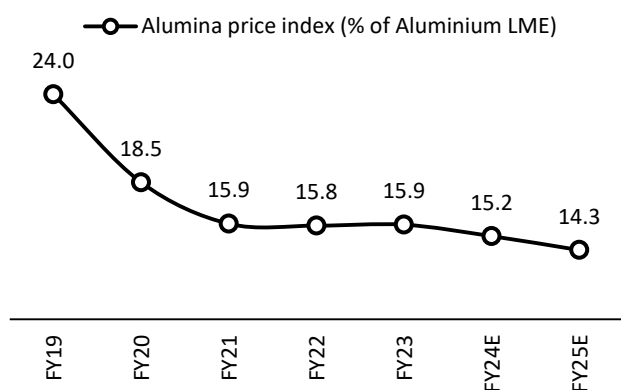
Exhibit 13: Share of China in total primary aluminum production is increasing and is now ~60%

Source: MOFSL, international-aluminium.org

Exhibit 14: Aluminum market balance (mt): China has a deficit of 0.6mt and ex-China, the surplus is at 0.2mt

Source: MOSL, HNDL, Company

Exhibit 15: Alumina price index is expected to be ~15%



Source: MOFSL, Bloomberg

Exhibit 16: Aluminum LME (USD/t)



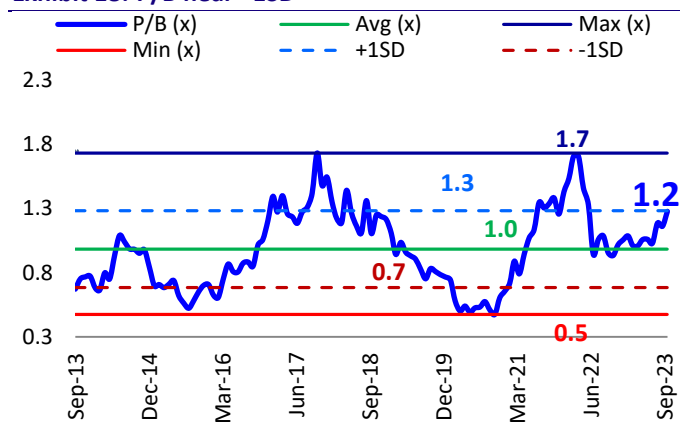
Source: MOFSL, Bloomberg

Exhibit 17: TP Calculation

Target Price Calculations		UoM	2025E
NACL EBITDA		INR m	32,875
EV/EBITDA (x)		x	4.0
Target EV		INR m	1,31,500
add: cash surplus		INR m	43,242
Equity Value		INR m	1,74,743
No of Shares o/s		m	1,837
Target Price		INR/sh	95

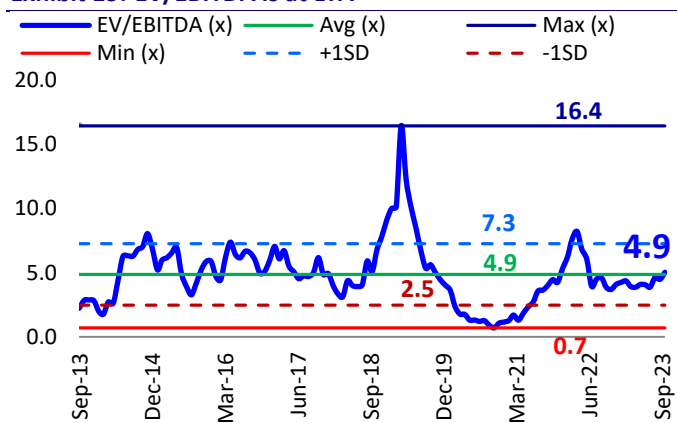
Source: MOFSL

Exhibit 18: P/B near +1SD



Source: MOFSL, Company Data

Exhibit 19: EV/EBITDA is at LTA



Source: MOFSL, Company Data

Exhibit 20: Global comparative valuations

Company	M-Cap USD mn	P/E (x)		EV/EBITDA (x)		P/B (x)		RoE (%)	
		CY22/FY23	CY23/FY24	CY22/FY23	CY23/FY24	CY22/FY23	CY23/FY24	CY22/FY23	CY23/FY24
Hindalco*	12,938	10.6	11.5	6.3	5.7	1.5	1.4	16.3	12.6
Nalco*	2,107	11.2	10.2	6.1	4.9	1.3	1.2	11.9	12.4
Alcoa	5,057	NA	14.6	12.0	5.4	1.1	1.1	-7.9	3.5
Norsk Hydro	11,852	10.6	9.2	5.0	4.7	1.1	1.1	11.1	12.0
CHALCO	14,213	12.8	10.6	6.4	5.4	1.2	1.1	10.6	11.6
RUSAL	5,244	3.8	2.7	NA	NA	0.4	0.3	10.6	14.1
Alumina	1,870	NA	19.0	1,030.1	11.0	1.2	1.2	-3.6	6.7

Source: MOFSL, Company. (*) denotes MOFSL estimates

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	1,35,628	1,40,604
Total Expenses	64,634	78,311	85,432	79,826	71,730	96,637	1,18,044	1,07,900	1,07,729
EBITDA	10,797	16,783	29,561	4,892	17,828	45,172	24,293	27,728	32,875
% of Net Sales	14.3	17.6	25.7	5.8	19.9	31.9	17.1	20.4	23.4
Depn. & Amortization	4,804	4,804	4,761	5,298	6,058	8,366	7,158	6,788	6,788
EBIT	5,993	11,979	24,800	-406	11,770	36,806	17,135	20,940	26,087
Net Interest	27	20	24	57	71	231	129	90	90
Other income	4,075	3,008	3,259	2,726	1,466	2,974	2,544	1,760	1,700
PBT before EO	10,041	14,968	28,035	2,262	13,165	39,549	19,550	22,610	27,697
EO income	402	5,421	-636	0	0	1	-1,098	-156	0
PBT after EO	10,442	20,388	27,399	2,262	13,165	39,550	18,452	22,454	27,697
Tax	2,962	6,964	10,075	880	170	10,029	4,105	5,712	6,958
Rate (%)	28.4	34.2	36.8	38.9	1.3	25.4	22.2	25.4	25.1
Reported PAT	7,480	13,424	17,324	1,382	12,995	29,521	14,347	16,742	20,740
Adjusted PAT	7,193	9,855	17,726	1,382	9,926	29,520	15,302	16,858	20,740
Change (%)	0.8	37.0	79.9	-92.2	618.0	197.4	-48.2	10.2	23.0

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	1,31,923	1,44,956
Net Worth	1,02,052	1,05,048	1,04,845	99,881	1,06,807	1,25,524	1,31,264	1,41,107	1,54,139
Minority Interest									
Total Loans	511	450	668	123	461	207	478	3,978	6,978
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	1,54,662	1,70,694
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	51,000	57,787
Net Fixed Assets	71,444	71,395	72,857	74,848	76,605	73,432	73,028	72,241	71,453
Capital WIP	5,660	9,152	8,827	14,267	15,755	22,348	32,689	31,689	35,689
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	83,810	97,107
Inventories	11,559	11,941	12,100	16,969	14,763	16,462	18,402	18,579	19,261
Account Receivables	1,843	2,581	2,406	1,401	1,474	753	913	1,115	1,156
Cash and Bank Balance	35,084	33,619	35,772	20,355	19,982	37,701	22,631	37,645	50,220
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	35,209	35,687
Account Payables	8,641	9,774	13,069	7,956	9,772	14,807	12,743	13,005	13,483
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	48,600	61,420
Appl. of Funds	1,15,018	1,17,013	1,16,820	1,10,610	1,16,206	1,34,412	1,41,319	1,54,662	1,70,694

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	22,610	27,697
Depreciation	4,804	4,804	4,761	5,298	6,058	8,366	7,158	6,788	6,788
(Inc)/Dec in Wkg. Cap.	1,217	-178	3,274	-9,071	3,819	3,942	-4,169	-116	-245
Tax paid	-2,184	-4,825	-10,209	-1,005	-975	-7,555	-7,467	-5,712	-6,958
Others	884	-5,524	-447	-971	93	5,316	-786	90	90
CF from Op. Activity	14,359	14,666	24,779	-3,486	21,990	39,584	9,083	23,660	27,372
(Inc)/Dec in FA + CWIP	-7,781	-8,374	-7,680	-8,578	-12,188	-12,829	-12,962	-5,000	-10,000
Free Cash Flow to firm	6,578	6,292	17,099	-12,064	9,802	26,755	-3,880	18,660	17,372
(Pur)/Sale of Investments	10,178	1,718	1,272	2,068	-4,835	26	-386		
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	-10,000
Equity raised/(repaid)	-28,407	0	-5,074	0	-1,701	0	0	0	0
Int. Paid	-4	-1	0	-9	-33	-124	-15	-90	-90
Debt raised/(repaid)	511	-61	218	-579	338	-254	-37	3,500	3,000
Dividend (incl. tax)	-8,259	-10,934	-12,451	-6,185	-4,606	-11,020	-9,183	-7,055	-7,707
CF from Fin. Activity	-36,159	-10,997	-17,308	-6,773	-6,002	-11,398	-9,235	-3,646	-4,797
(Inc)/Dec in Cash	-16,608	-1,465	2,153	-15,416	-374	17,719	-15,070	15,014	12,575
Add: opening Balance	51,692	35,084	33,619	35,772	20,355	19,982	37,701	22,631	37,645
Closing Balance	35,084	33,619	35,772	20,355	19,982	37,701	22,631	37,645	50,220

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	9.2	11.3
Cash EPS	6.4	9.4	11.8	3.6	10.4	20.6	11.7	12.8	15.0
BV/Share	52.8	54.3	56.2	53.5	58.2	68.3	71.5	76.8	83.9
DPS	2.8	5.7	5.8	1.5	3.5	6.5	4.5	3.8	4.2
Payout (%)	75.2	111.8	60.5	202.4	64.8	40.4	54.0	41.9	37.2
Valuation (x)									
P/E	25.1	18.4	9.8	126.3	17.3	5.8	11.2	10.2	8.3
Cash P/E	14.7	9.9	7.9	26.1	9.0	4.5	8.0	7.3	6.2
P/BV	1.8	1.7	1.7	1.7	1.6	1.4	1.3	1.2	1.1
EV/Sales	1.9	1.5	1.2	1.8	1.7	0.9	1.0	1.0	0.9
EV/EBITDA	13.5	8.7	4.7	31.0	8.4	2.9	6.1	4.9	3.8
Dividend Yield (%)	3.0	6.1	6.1	1.6	3.7	6.9	4.8	4.1	4.5
Return Ratios (%)									
EBITDA Margins (%)	14.3	17.6	25.7	5.8	19.9	31.9	17.1	20.4	23.4
Net Profit Margins (%)	9.5	10.4	15.4	1.6	11.1	20.8	10.8	12.4	14.8
RoE	7.2	9.5	17.2	1.4	9.7	25.4	11.9	12.4	14.0
RoCE (pre-tax)	7.9	12.9	24.0	2.0	11.7	31.7	14.3	15.3	17.1
RoIC (pre-tax)	8.0	16.3	34.6	-0.6	15.6	49.5	22.1	25.1	31.5
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	3	3
Inventory (Days)	56	46	38	73	60	42	47	50	50
Payable (Days)	42	38	41	34	40	38	33	35	35
Leverage Ratio (x)									
Current Ratio	2.3	2.2	2.0	1.5	1.7	1.9	2.0	2.4	2.7

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UNDER REVIEW	Rating may undergo a change
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