

Estimate changes



TP change



Rating change



Bloomberg	NACL IN
Equity Shares (m)	1837
M.Cap.(INRb)/(USDb)	320 / 3.8
52-Week Range (INR)	210 / 86
1, 6, 12 Rel. Per (%)	-11/9/59
12M Avg Val (INR M)	3331

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	131	138	166
EBITDA	29	34	41
Adj. PAT	17	21	26
EBITDA Margin (%)	22	24	25
Cons. Adj. EPS (INR)	9.1	11.2	13.9
EPS Gr. (%)	16	23	25
BV/Sh. (INR)	78	86	96

Ratios

Net D:E	-0.2	-0.3	-0.3
RoE (%)	12	14	15
RoCE (%)	16	18	20
Payout (%)	44	36	29

Valuations

P/E (x)	19.2	15.6	12.5
P/BV (x)	2.2	2.0	1.8
EV/EBITDA(x)	10.1	8.3	6.6
Div. Yield (%)	2.3	2.3	2.3
FCF Yield (%)	3.7	5.8	5.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	51.3	51.3	51.3
DII	19.1	18.8	15.4
FII	10.4	9.0	15.0
Others	19.2	20.9	18.4

FII Includes depository receipts

CMP: INR174

TP: INR185 (+6%)

Neutral

Weakness in the chemical business hits performance

- Nalco (NACL)'s revenue stood at INR29b in 1QFY25 (-10% YoY/-20% QoQ vs. our est. of INR39b). The miss was mainly due to the weak operational performance in the chemical business.
- Consolidated EBITDA stood at INR9.0b (YoY/QoQ: +57% /-16%) against our est. of INR11.3b during the quarter.
- EBITDA margin stood at 32.7% (our est. 26%) vs. 18.7% in 1QFY24 and 30.9% in 4QFY24, supported by healthy operating margin from the aluminum segment.
- APAT for the quarter stood at INR5.9b (YoY/QoQ: +76% /-13%) vs. our est. of INR7.4b.
- The Board declared a final dividend of INR2 per share for FY24.

Aluminum business: Strong performance

- Revenue came in line at INR25.3b, up 4% YoY and 3% QoQ, driven by favorable pricing during the quarter.
- EBIT came in at INR8b, up +113% YoY and 72% QoQ.

Chemical business: Weak Performance

- Revenue for the vertical declined 27% YoY and 46% QoQ to INR8.5b during the quarter primarily due to lower shipments.
- EBIT stood at INR311m, and reported a significant decline of 71% YoY and 94% QoQ during the quarter.

Valuation and view

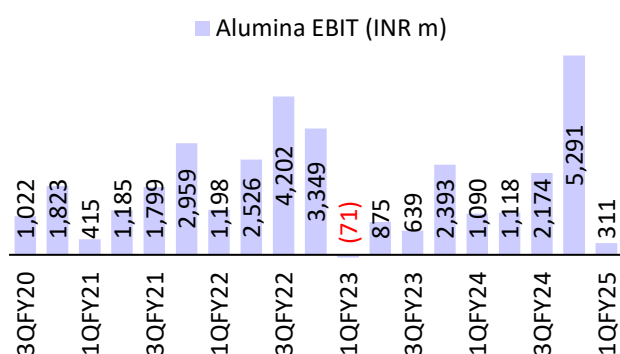
- The recent exploration and lithium mining agreement with Argentina's CAMYEN SE, will help NACL establish its presence, diversify product offerings, and enhance the supply chain for critical and strategic minerals.
- Until the fifth stream of alumina comes on stream, we expect NACL to operate at full capacity, leaving little room for capacity expansion over the next two years. The next phase of growth is anticipated once the additional 1mt capacity of the alumina refinery comes on stream by May'25.
- The Utkal D coal block will fulfill ~25-28% of the coal requirements for the Angul smelter. This will enhance raw material security and boost the margins until the augmented capacity comes on stream.
- Owing to the weak performance in 1QFY25, we trim our revenue/EBITDA/APAT estimates by ~6/6%/9% for FY25. We broadly maintain our FY26E.
- At CMP, NACL trades at 6.6x on EV/EBITDA and 1.8x on P/B and appears to be largely priced at current levels. **We reiterate our NEUTRAL rating on the stock with a TP of INR185, valuing it at 7x FY26E EV/EBITDA.**

Quarterly performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25	vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	31,784	30,434	33,469	35,791	28,561	32,728	36,942	39,474	1,31,477	1,37,705	38,821	-26
Change (YoY %)	-16.0	-12.8	1.7	-2.5	-10.1	7.5	10.4	10.3	-7.6	4.7		
Change (QoQ %)	-13.4	-4.2	10.0	6.9	-20.2	14.6	12.9	6.9				
Total Expenditure	25,840	26,469	25,738	24,715	19,219	25,143	29,110	30,606	1,02,762	1,04,078	27,443	
EBITDA	5,943	3,965	7,731	11,075	9,342	7,585	7,832	8,868	28,715	33,627	11,378	-18
Change (YoY %)	-31.6	18.6	68.2	44.5	57.2	91.3	1.3	-19.9	18.2	17.1		
Change (QoQ %)	-22.5	-33.3	95.0	43.3	-15.6	-18.8	3.3	13.2				
Interest	23	40	21	89	34	21	24	23	172	102		
Depreciation	1,697	1,862	1,538	2,400	1,743	1,900	2,000	2,334	7,497	7,977		
Other Income	485	686	510	840	605	720	730	745	2,521	2,800		
PBT (before EO)	4,709	2,750	6,682	9,427	8,170	6,384	6,538	7,256	23,568	28,347	10,146	-19
EO (income) /exp	0	0	0	4,268	0	0	0	0	4,268	0		
PBT (after EO)	4,709	2,750	6,682	13,695	8,170	6,384	6,538	7,256	27,836	28,347		
Total Tax	1,215	687	1,797	3,537	2,158	1,604	1,642	1,717	7,236	7,121		
% Tax	25.8	25.0	26.9	25.8	26.4	25.1	25.1	23.7	30.7	25.1		
PAT before MI and Asso.	3,494	2,063	4,885	10,158	6,012	4,780	4,895	5,539	20,600	21,227		
Minority interest	0	0	0	0	0	0	0	0	0	0		
Sh. of Associate	-156	-189	-179	-191	-128	-180	-190	-191	-715	-689		
Reported PAT after MI and Asso.	3,338	1,874	4,706	9,967	5,884	4,600	4,705	5,348	19,885	20,538		
Adjusted PAT	3,338	1,874	4,706	6,766	5,884	4,600	4,705	5,348	16,684	20,538	7,414	-21
Change (YoY %)	-40.2	49.4	83.6	36.7	76.3	145.5	0.0	-21.0	16.3	3.3		
Change (QoQ %)	-32.6	-43.9	151.2	43.8	-13.0	-21.8	2.3	13.7				

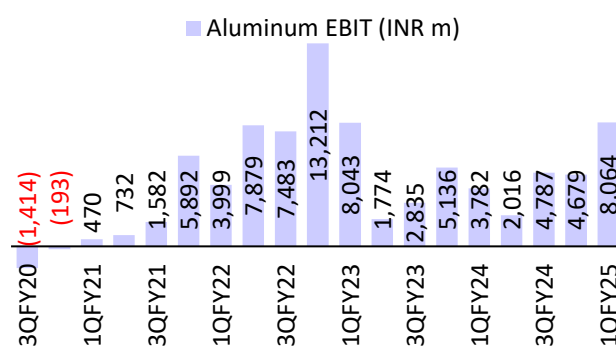
Source: MOFSL, Company

Exhibit 1: Alumina EBIT (INR m) declined significantly QoQ



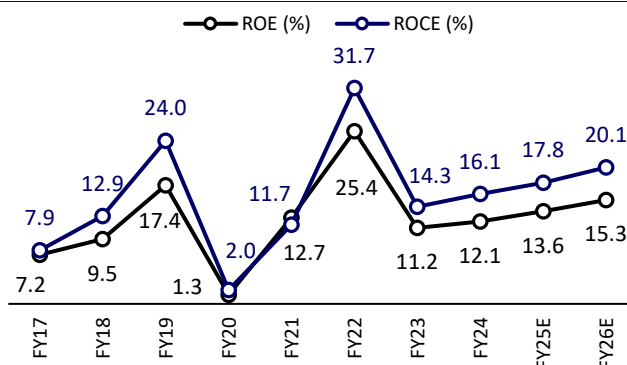
Source: MOFSL, Company

Exhibit 2: Aluminum EBIT (INR m) increased QoQ



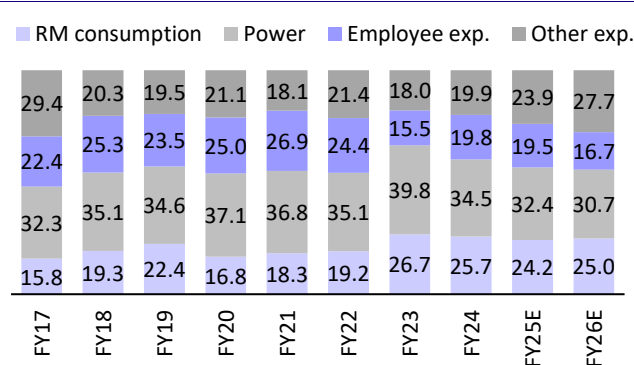
Source: MOFSL, Company

Exhibit 3: ROE and ROCE likely to improve going forward



Source: MOFSL, Company

Exhibit 4: Power as a % of total expenses expected to reduce



Source: MOFSL, Company

Exhibit 5: Valuation and TP

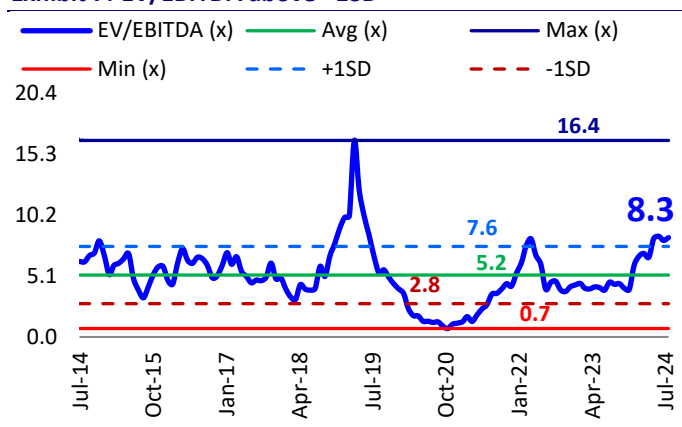
TP calculations	UoM	2026E
NACL EBITDA	INR m	40,644
EV/EBITDA (x)	x	7.0
Target EV	INR m	2,84,505
add: cash surplus	INR m	51,200
Equity Value	INR m	3,35,705
No of Shares o/s	m	1,837
Target Price	INR/sh	185

Source: MOFSL

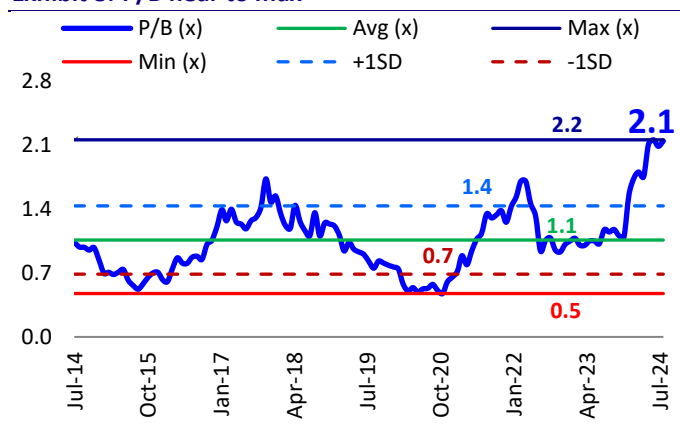
Exhibit 6: Summary of the key changes to our estimates

		FY25E			FY26E		
	UoM	New	Old	% change	New	Old	% change
Revenue	INR b	138	147	-6.0%	166	166	-0.4%
EBITDA	"	34	36	-6.6%	41	41	-0.3%
PAT	"	21	23	-8.9%	26	26	-1.4%

Source: MOFSL, Company

Exhibit 7: EV/EBITDA above +1SD

Source: MOFSL, Company Data

Exhibit 8: P/B near to max

Source: MOFSL, Company Data

Financials and valuations

Income Statement										INR m
Y/E March	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
Net Sales	75,430	95,094	1,14,993	84,718	89,558	1,41,808	1,42,337	1,31,477	1,37,705	1,65,544
Change (%)	10.7	26.1	20.9	-26.3	5.7	58.3	0.4	-7.6	4.7	20.2
Total Expenses	64,634	78,311	85,432	79,826	71,730	96,637	1,18,044	1,02,762	1,04,078	1,24,901
EBITDA	10,797	16,783	29,561	4,892	17,828	45,172	24,293	28,715	33,627	40,644
% of Net Sales	14.3	17.6	25.7	5.8	19.9	31.9	17.1	21.8	24.4	24.6
Depn. & Amortization	4,804	4,804	4,761	5,298	6,058	8,366	7,158	7,497	7,977	8,323
EBIT	5,993	11,979	24,800	-406	11,770	36,806	17,135	21,218	25,650	32,321
Net Interest	27	20	24	57	71	231	129	172	102	67
Other income	4,075	3,008	3,259	2,726	1,466	2,974	2,544	2,521	2,800	3,000
PBT before EO	10,041	14,968	28,035	2,262	13,165	39,549	19,550	23,568	28,347	35,254
EO income	410	5,423	-649	0	0	0	0	4,268	0	0
PBT after EO	10,450	20,391	27,386	2,262	13,165	39,549	19,550	27,836	28,347	35,254
Current tax	2,195	6,964	10,075	880	170	10,029	4,105	7,236	7,121	8,856
Deferred tax	767	0	0	0	0	0	0	0	0	0
Tax	2,962	6,964	10,075	880	170	10,029	4,105	7,236	7,121	8,856
Rate (%)	28.3	34.2	36.8	38.9	1.3	25.4	21.0	26.0	25.1	25.1
PAT before MI and sh. of Asso.	7,488	13,426	17,311	1,382	12,995	29,520	15,445	20,600	21,227	26,398
MI	0	0	0	0	0	0	0	0	0	0
Sh. of Associates	-8.1	-2.2	12.9	-2.0	-1.2	1.0	-1,098.3	-714.9	-688.5	-827.7
Reported PAT after MI and sh. of Asso.	7,480	13,424	17,324	1,380	12,994	29,521	14,347	19,885	20,538	25,570
Adjusted PAT	7,195	9,855	17,973	1,380	12,994	29,521	14,347	16,684	20,538	25,570
Change (%)	0.8	37.0	82.4	-92.3	841.4	127.2	-51.4	16.3	23.1	24.5

Balance Sheet										INR m
Y/E March	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
Share Capital	9,665	9,665	9,328	9,328	9,183	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	1,34,698	1,48,578	1,67,629
Net Worth	1,02,052	1,05,048	1,04,845	99,881	1,06,807	1,25,524	1,31,264	1,43,881	1,57,761	1,76,812
Total Loans	511	450	668	123	461	207	478	392	192	192
Deferred Tax Liability	12,456	11,515	11,307	10,606	8,937	8,682	9,578	8,414	8,414	8,414
Capital Employed	1,15,018	1,17,013	1,16,820	1,10,610	1,16,205	1,34,412	1,41,319	1,52,687	1,66,367	1,85,418
Gross Block	80,489	85,022	91,154	98,160	1,05,504	1,10,486	1,16,918	1,25,213	1,34,213	1,43,213
Less: Accum. Deprn.	9,044	13,627	18,297	23,312	28,900	37,054	43,889	51,386	59,363	67,686
Net Fixed Assets	71,444	71,395	72,857	74,848	76,605	73,432	73,028	73,827	74,850	75,527
Capital WIP	5,660	9,152	8,827	14,267	15,755	22,348	32,689	45,731	46,731	47,731
Investments	389	1,176	1,758	2,773	3,133	3,110	2,132	1,687	1,687	1,687
Curr. Assets	67,517	64,415	68,028	53,609	51,614	73,865	68,417	71,105	83,480	1,04,061
Inventories	11,559	11,941	12,100	16,969	14,763	16,462	18,402	18,297	19,164	23,038
Account Receivables	1,843	2,581	2,406	1,401	1,474	753	913	1,535	1,132	1,361
Cash and Bank Balance	35,084	33,619	35,772	20,355	19,982	37,701	22,631	27,481	38,265	49,705
Others	19,031	16,274	17,750	14,884	15,396	18,950	26,471	23,793	24,920	29,957
Curr. Liability & Prov.	29,992	29,126	34,650	34,886	30,900	38,343	34,947	39,664	40,381	43,588
Account Payables	8,641	9,774	13,069	7,956	9,772	14,807	12,743	15,146	15,863	19,070
Provisions & Others	21,351	19,352	21,581	26,930	21,128	23,536	22,204	24,518	24,518	24,518
Net Curr. Assets	37,525	35,290	33,378	18,723	20,714	35,522	33,470	31,442	43,099	60,473
Appl. of Funds	1,15,018	1,17,013	1,16,820	1,10,610	1,16,206	1,34,412	1,41,319	1,52,687	1,66,367	1,85,418

Financials and valuations

Ratios

Y/E March	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
Basic (INR)										
EPS	3.7	5.1	9.6	0.7	7.1	16.1	7.8	9.1	11.2	13.9
Cash EPS	6.4	9.4	11.8	3.6	10.4	20.6	11.7	14.9	15.5	18.5
BV/Share	52.8	54.3	56.2	53.5	58.2	68.3	71.5	78.3	85.9	96.3
DPS	2.8	5.7	5.8	1.5	3.5	6.5	4.5	4.0	4.0	4.0
Payout (%)	75.2	111.8	59.7	202.7	49.5	40.4	57.6	44.0	35.8	28.7
Valuation (x)										
P/E	46.8	34.2	18.1	235.4	24.6	10.8	22.3	19.2	15.6	12.5
Cash P/E	27.4	18.5	14.7	48.7	16.8	8.4	14.9	11.7	11.2	9.4
P/BV	3.3	3.2	3.1	3.3	3.0	2.5	2.4	2.2	2.0	1.8
EV/Sales	4.0	3.2	2.5	3.6	3.3	2.0	2.1	2.2	2.0	1.6
EV/EBITDA	27.9	18.0	9.7	61.7	16.7	6.2	12.2	10.1	8.3	6.6
Dividend Yield (%)	1.6	3.3	3.3	0.9	2.0	3.7	2.6	2.3	2.3	2.3
Return Ratios (%)										
EBITDA Margins (%)	14.3	17.6	25.7	5.8	19.9	31.9	17.1	21.8	24.4	24.6
Net Profit Margins (%)	9.5	10.4	15.6	1.6	14.5	20.8	10.1	12.7	14.9	15.4
RoE	7.2	9.5	17.4	1.3	12.7	25.4	11.2	12.1	13.6	15.3
RoCE (pre-tax)	7.9	12.9	24.0	2.0	11.7	31.7	14.3	16.1	17.8	20.1
RoIC (pre-tax)	8.0	16.3	34.6	-0.6	15.6	49.5	22.1	26.3	32.6	38.9
Working Capital Ratios										
Fixed Asset Turnover (x)	0.9	1.1	1.3	0.9	0.8	1.3	1.2	1.1	1.0	1.2
Asset Turnover (x)	0.7	0.8	1.0	0.8	0.8	1.1	1.0	0.9	0.8	0.9
Debtor (Days)	9	10	8	6	6	2	2	4	3	3
Inventory (Days)	56	46	38	73	60	42	47	51	51	51
Payable (Days)	42	38	41	34	40	38	33	42	42	42
Leverage Ratio (x)										
Current Ratio	2.3	2.2	2.0	1.5	1.7	1.9	2.0	1.8	2.1	2.4

Cashflow Statement

Y/E March	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
										INR m
Pre-tax profit	9,639	20,388	27,399	2,262	12,995	29,514	14,347	19,885	28,347	35,254
Depreciation	4,804	4,804	4,761	5,298	6,058	8,366	7,158	7,236	7,977	8,323
(Inc)/Dec in Wkg. Cap.	1,217	-178	3,274	-9,071	3,819	3,942	-4,169	1,781	-873	-5,934
Tax paid	-2,184	-4,825	-10,209	-1,005	-975	-7,555	-7,467	-6,348	-7,121	-8,856
Others (incl Fin. Cost)	884	-5,524	-1,137	-971	93	5,316	-786	4,639	102	67
CF from Op. Activity	14,359	14,666	24,089	-3,486	21,990	39,584	9,083	27,193	28,433	28,854
(Inc)/Dec in FA + CWIP	-7,781	-8,374	-7,680	-8,578	-12,188	-12,829	-12,962	-15,482	-10,000	-10,000
Free Cash Flow to firm	6,578	6,292	16,409	-12,064	9,802	26,755	-3,880	11,712	18,433	18,854
(Pur)/Sale of Investments	20,490	3,188	1,272	15,953	-2,511	-15,700	11,189	-5,579	0	0
Interest & div	2,795	1,522	1,089	1,353	662	2,336	-1,569	1,056	0	0
CF from Inv. Activity	15,503	-3,664	-5,319	8,727	-14,037	-26,192	-3,343	-20,005	-10,000	-10,000
Equity raised/(repaid)	-28,407	0	-5,074	0	-1,701	0	0	0	0	0
Int. Paid	-4	-1	0	-9	-33	-124	-15	-3	-102	-67
Debt raised/(repaid)	511	-61	218	-579	338	-254	-37	-37	-200	0
Dividend (incl. tax)	-8,259	-10,934	-12,451	-6,185	-4,606	-11,020	-9,183	-7,347	-7,347	-7,347
CF from Fin. Activity	-36,159	-10,997	-17,308	-6,773	-6,002	-11,398	-9,235	-7,387	-7,649	-7,414
(Inc)/Dec in Cash	-6,296	5	1,463	-1,531	1,951	1,993	-3,495	-198	10,784	11,440
Add: opening Balance	6,544	248	254	1,716	185	2,135	4,128	633	435	11,219
Closing cash balance	248	254	1,716	185	2,135	4,128	633	435	11,219	22,659
Bank Balance	34,835	33,366	34,056	20,171	17,846	33,573	21,998	27,046	27,046	27,046
Closing Balance (incl. bank balance)	35,084	33,619	35,772	20,355	19,982	37,701	22,631	27,481	38,265	49,705

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

NOTES

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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