

Estimate changes	
TP change	
Rating change	

CMP: INR220 **TP: INR240 (+9%)** **Neutral**

Motilal Oswal values your support in the EXTEL POLL 2024 for India Research, Sales, Corporate Access and Trading team. We request your ballot.



Broad-based beat fueled by favorable pricing

- Nalco (NACL)'s 2QFY25 revenue stood at INR40b (YoY/QoQ: +31%/+40%) vs. our est. of INR32b, driven by favorable pricing.
- Consol. EBITDA stood at INR15.5b (YoY/QoQ: +291%/+66%) vs. our est. of INR9.1b during the quarter.
- EBITDA margin stood at 38.7% vs. 32.7% in 1QFY25 and 13% in 2QFY24.
- APAT for the quarter stood at INR10.5b (YoY/QoQ: +458%/+78%) vs. our est. of INR5.8b.
- The Board declared an interim dividend of INR4 per share for FY25.
- In 1HFY25, NACL reported a revenue of INR68.6b (+10% YoY) and EBITDA of INR24.8b (+151% YoY), while it posted an APAT of INR16.3b (+214% YoY).

Bloomberg	NACL IN
Equity Shares (m)	1837
M.Cap.(INRb)/(USD)	403.5 / 4.8
52-Week Range (INR)	248 / 90
1, 6, 12 Rel. Per (%)	4/18/117
12M Avg Val (INR M)	4212

Aluminum business

- Revenue from the aluminum business came in at INR27b, up 17% YoY and 8% QoQ vs. our estimate of INR22.5b.
- EBIT came in at INR8.6b (+325% YoY and 6% QoQ) against our estimate of INR6.1b during the quarter.
- Domestic metal sales for 1HFY25 stood at 0.22mt.

Financials & Valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	150	166	175
EBITDA	48	41	47
Adj. PAT	31	26	30
EBITDA Margin (%)	32	25	27
Cons. Adj. EPS (INR)	17.0	13.9	16.2
EPS Gr. (%)	87	-18	16
BV/Sh. (INR)	92	102	115

Ratios

Net D:E	-0.3	-0.3	-0.4
RoE (%)	20	14	15
RoCE (%)	26	19	20
Payout (%)	23	29	25

Valuations

P/E (x)	12.9	15.8	13.6
P/BV (x)	2.4	2.2	1.9
EV/EBITDA(x)	7.4	8.4	6.9
Div. Yield (%)	1.8	1.8	1.8
FCF Yield (%)	6.6	5.3	6.8

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	51.3	51.3	51.3
DII	19.3	19.1	17.5
FII	12.1	10.4	13.7
Others	17.4	19.2	17.6

FII Includes depository receipts

Chemical business

- Revenue from the chemicals business stood in line with our estimate at INR17b, up 37% YoY; revenue doubled on a QoQ basis.
- EBIT for the vertical stood at INR6b vs. our estimate of INR2.3b.

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 its robust performance in 1HFY25, we raise our revenue/EBITDA/APAT estimates by ~9/27%/32% for FY25, while broadly maintaining our FY26/FY27 estimates.
- We foresee 2HFY25 revenue/EBITDA and APAT to grow 17/24/30% YoY on account of favorable pricing, especially of alumina.
- At CMP, NACL trades at 6.9x on EV/EBITDA and 1.8x on P/B and appears to be largely priced in at current levels. **We reiterate our NEUTRAL rating on the stock with a revised TP of INR240, valuing it at 7.5x Sep'26 EV/EBITDA.**

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

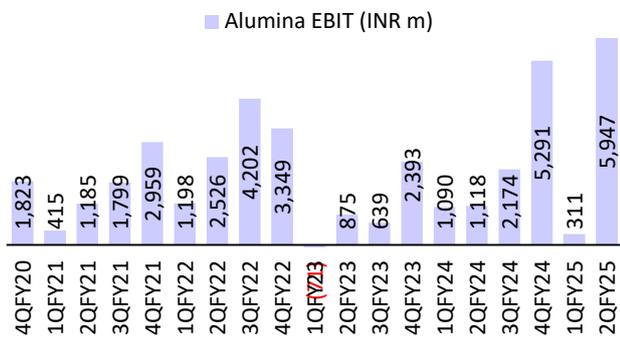
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly performance

Y/E March									INR m			FY25 vs Est (%)
	FY24				FY25				FY24	FY25E	FY25 2QE	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Sales	31,784	30,434	33,469	35,791	28,561	40,015	40,351	40,798	1,31,477	1,49,725	31,887	25.5
Change (YoY %)	-16.0	-12.8	1.7	-2.5	-10.1	31.5	20.6	14.0	-7.6	13.9		
Change (QoQ %)	-13.4	-4.2	10.0	6.9	-20.2	40.1	0.8	1.1				
Total Expenditure	25,840	26,469	25,738	24,715	19,219	24,525	27,722	30,182	1,02,762	1,01,648		
EBITDA	5,943	3,965	7,731	11,075	9,342	15,490	12,629	10,617	28,715	48,078	9,162	69.1
Change (YoY %)	-31.6	18.6	68.2	44.5	57.2	290.7	63.3	-4.1	18.2	67.4		
Change (QoQ %)	-22.5	-33.3	95.0	43.3	-15.6	65.8	-18.5	-15.9				
Interest	23	40	21	89	34	44	24	25	172	127		
Depreciation	1,697	1,862	1,538	2,400	1,743	1,798	1,950	2,486	7,497	7,977		
Other Income	485	686	510	840	605	718	730	747	2,521	2,800		
PBT (before EO)	4,709	2,750	6,682	9,427	8,170	14,366	11,385	8,853	23,568	42,773	7,961	80.5
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	14,366	11,385	8,853	27,836	42,773		
Total Tax	1,215	687	1,797	3,537	2,158	3,744	2,860	1,983	7,236	10,745		
% Tax	25.8	25.0	26.9	25.8	26.4	26.1	25.1	22.4	30.7	25.1		
PAT before MI and Asso.	3,494	2,063	4,885	10,158	6,012	10,622	8,525	6,870	20,600	32,029		
Minority interest	0	0	0	0	0	0	0	0	0	0		
Sh. of Associate	-156	-189	-179	-191	-128	-162	-190	-269	-715	-749		
Reported PAT after MI and Asso.	3,338	1,874	4,706	9,967	5,884	10,460	8,335	6,601	19,885	31,280		
Adjusted PAT	3,338	1,874	4,706	6,766	5,884	10,460	8,335	6,601	16,684	31,280	5,781	80.9
Change (YoY %)	-40.2	49.4	83.6	36.7	76.3	458.3	77.1	-2.4	16.3	57.3		
Change (QoQ %)	-32.6	-43.9	151.2	43.8	-13.0	77.8	-20.3	-20.8				

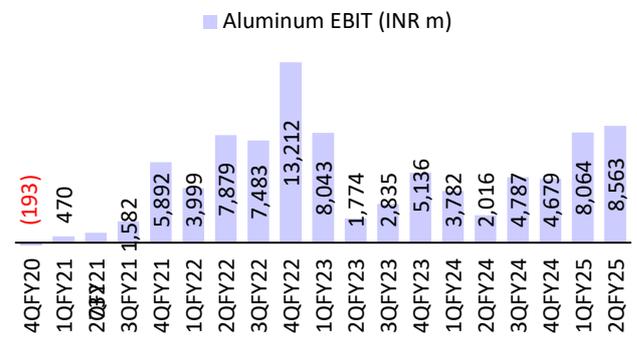
Source: MOFSL, Company

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



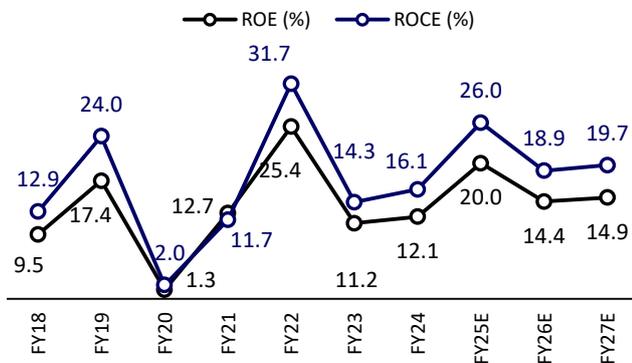
Source: MOFSL, Company

Exhibit 2: Aluminum EBIT (INR m) stood flat QoQ



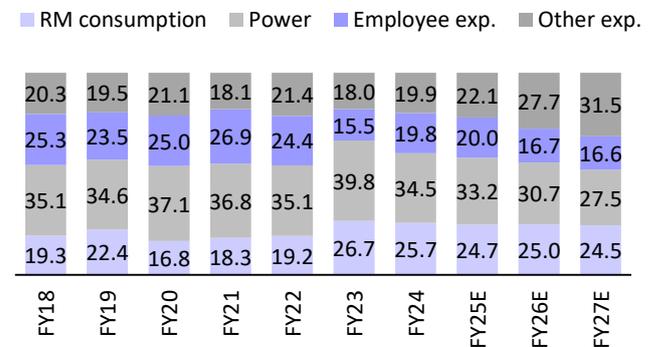
Source: MOFSL, Company

Exhibit 3: ROE and ROCE likely to remain buoyant



Source: MOFSL, Company

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



Source: MOFSL, Company

Exhibit 5: Valuation and TP

TP calculations	UoM	Sep'26E
NACL EBITDA	INR m	43,664
EV/EBITDA (x)	x	8
Target EV	INR m	3,49,309
add: cash surplus	INR m	72,038
Equity Value	INR m	4,21,348
No of Shares o/s	m	1,837
Target Price	INR/sh	240

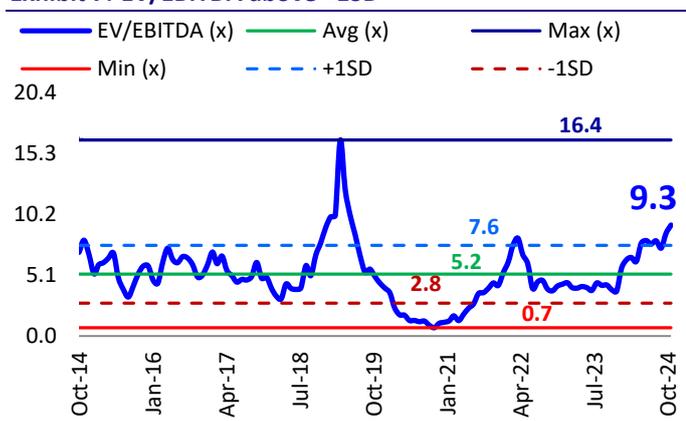
Source: MOFSL

Exhibit 6: Summary of the key changes to our estimates

	UoM	FY25E			FY26E			FY27E		
		New	Old	% change	New	Old	% change	New	Old	% change
Revenue	INRb	150	138	8.7%	166	166	0.0%	175	175	0.0%
EBITDA	"	48	38	26.9%	41	41	0.0%	47	47	0.0%
PAT	"	31	24	31.9%	26	26	0.0%	30	30	0.0%

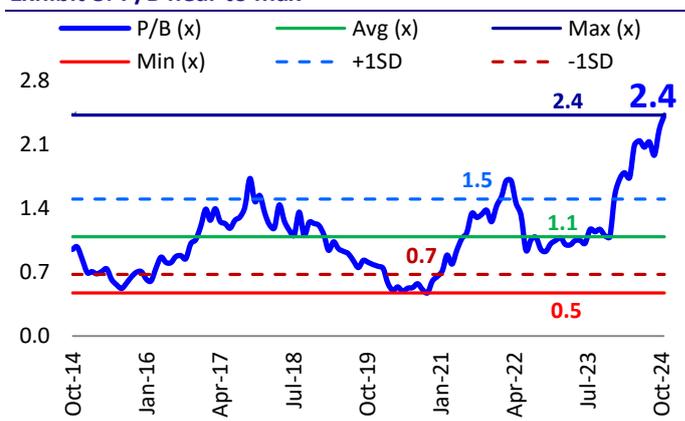
Source: MOFSL, Company

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	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Net Sales	95,094	1,14,993	84,718	89,558	1,41,808	1,42,337	1,31,477	1,49,725	1,65,544	1,75,445
Change (%)	26.1	20.9	-26.3	5.7	58.3	0.4	-7.6	13.9	10.6	6.0
Total Expenses	78,311	85,432	79,826	71,730	96,637	1,18,044	1,02,762	1,01,648	1,24,901	1,28,761
EBITDA	16,783	29,561	4,892	17,828	45,172	24,293	28,715	48,078	40,644	46,684
% of Net Sales	17.6	25.7	5.8	19.9	31.9	17.1	21.8	32.1	24.6	26.6
Deprn. & Amortization	4,804	4,761	5,298	6,058	8,366	7,158	7,497	7,977	8,323	8,863
EBIT	11,979	24,800	-406	11,770	36,806	17,135	21,218	40,100	32,321	37,821
Net Interest	20	24	57	71	231	129	172	127	67	67
Other income	3,008	3,259	2,726	1,466	2,974	2,544	2,521	2,800	3,000	3,200
PBT before EO	14,968	28,035	2,262	13,165	39,549	19,550	23,568	42,773	35,254	40,954
EO income	5,423	-649	0	0	0	0	4,268	0	0	0
PBT after EO	20,391	27,386	2,262	13,165	39,549	19,550	27,836	42,773	35,254	40,954
Current tax	6,964	10,075	880	170	10,029	4,105	7,236	10,745	8,856	10,288
Deferred tax	0	0	0	0	0	0	0	0	0	0
Tax	6,964	10,075	880	170	10,029	4,105	7,236	10,745	8,856	10,288
Rate (%)	34.2	36.8	38.9	1.3	25.4	21.0	26.0	25.1	25.1	25.1
PAT before MI and sh. of Asso.	13,426	17,311	1,382	12,995	29,520	15,445	20,600	32,029	26,398	30,666
MI	0	0	0	0	0	0	0	0	0	0
Sh. of Associates	-2.2	12.9	-2.0	-1.2	1.0	-1,098.3	-714.9	-748.6	-827.7	-877.2
Reported PAT post MI/sh. of Asso.	13,424	17,324	1,380	12,994	29,521	14,347	19,885	31,280	25,570	29,789
Adjusted PAT	9,855	17,973	1,380	12,994	29,521	14,347	16,684	31,280	25,570	29,789
Change (%)	37.0	82.4	-92.3	841.4	127.2	-51.4	16.3	87.5	-18.3	16.5

Balance Sheet										INR m
Y/E March	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Share Capital	9,665	9,328	9,328	9,183	9,183	9,183	9,183	9,183	9,183	9,183
Reserves	95,384	95,517	90,553	97,624	1,16,341	1,22,081	1,34,698	1,59,380	1,78,431	2,01,751
Net Worth	1,05,048	1,04,845	99,881	1,06,807	1,25,524	1,31,264	1,43,881	1,68,563	1,87,614	2,10,934
Total Loans	450	668	123	461	207	478	392	192	192	192
Deferred Tax Liability	11,515	11,307	10,606	8,937	8,682	9,578	8,414	8,414	8,414	8,414
Capital Employed	1,17,013	1,16,820	1,10,610	1,16,205	1,34,412	1,41,319	1,52,687	1,77,169	1,96,220	2,19,540
Gross Block	85,022	91,154	98,160	1,05,504	1,10,486	1,16,918	1,25,213	1,34,213	1,43,213	1,52,213
Less: Accum. Deprn.	13,627	18,297	23,312	28,900	37,054	43,889	51,386	59,363	67,686	76,549
Net Fixed Assets	71,395	72,857	74,848	76,605	73,432	73,028	73,827	74,850	75,527	75,664
Capital WIP	9,152	8,827	14,267	15,755	22,348	32,689	45,731	46,731	47,731	48,731
Investments	1,176	1,758	2,773	3,133	3,110	2,132	1,687	1,687	1,687	1,687
Curr. Assets	64,415	68,028	53,609	51,614	73,865	68,417	71,105	95,667	1,14,863	1,38,186
Inventories	11,941	12,100	16,969	14,763	16,462	18,402	18,297	20,837	23,038	24,416
Account Receivables	2,581	2,406	1,401	1,474	753	913	1,535	1,231	1,361	1,442
Cash and Bank Balance	33,619	35,772	20,355	19,982	37,701	22,631	27,481	46,505	60,507	80,579
Others	16,274	17,750	14,884	15,396	18,950	26,471	23,793	27,095	29,957	31,749
Curr. Liability & Prov.	29,126	34,650	34,886	30,900	38,343	34,947	39,664	41,766	43,588	44,728
Account Payables	9,774	13,069	7,956	9,772	14,807	12,743	15,146	17,248	19,070	20,210
Provisions & Others	19,352	21,581	26,930	21,128	23,536	22,204	24,518	24,518	24,518	24,518
Net Curr. Assets	35,290	33,378	18,723	20,714	35,522	33,470	31,442	53,901	71,276	93,458
Appl. of Funds	1,17,013	1,16,820	1,10,610	1,16,206	1,34,412	1,41,319	1,52,687	1,77,169	1,96,220	2,19,540

Financials and valuations

Ratios

Y/E March	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Basic (INR)										
EPS	5.1	9.6	0.7	7.1	16.1	7.8	9.1	17.0	13.9	16.2
Cash EPS	9.4	11.8	3.6	10.4	20.6	11.7	14.9	21.4	18.5	21.0
BV/Share	54.3	56.2	53.5	58.2	68.3	71.5	78.3	91.8	102.2	114.8
DPS	5.7	5.8	1.5	3.5	6.5	4.5	4.0	4.0	4.0	4.0
Payout (%)	111.8	59.7	202.7	49.5	40.4	57.6	44.0	23.5	28.7	24.7
Valuation (x)										
P/E	43.1	22.8	297.4	31.1	13.7	28.2	24.2	12.9	15.8	13.6
Cash P/E	23.3	18.6	61.5	21.2	10.7	18.8	14.8	10.3	11.9	10.5
P/BV	4.0	3.9	4.1	3.8	3.2	3.1	2.8	2.4	2.2	1.9
EV/Sales	4.1	3.2	4.6	4.3	2.6	2.7	2.9	2.4	2.1	1.8
EV/EBITDA	23.3	12.6	79.2	21.4	8.0	15.6	13.1	7.4	8.4	6.9
Dividend Yield (%)	2.6	2.6	0.7	1.6	3.0	2.0	1.8	1.8	1.8	1.8
Return Ratios (%)										
EBITDA Margins (%)	17.6	25.7	5.8	19.9	31.9	17.1	21.8	32.1	24.6	26.6
Net Profit Margins (%)	10.4	15.6	1.6	14.5	20.8	10.1	12.7	20.9	15.4	17.0
RoE	9.5	17.4	1.3	12.7	25.4	11.2	12.1	20.0	14.4	14.9
RoCE (pre-tax)	12.9	24.0	2.0	11.7	31.7	14.3	16.1	26.0	18.9	19.7
RolC (pre-tax)	16.3	34.6	-0.6	15.6	49.5	22.1	26.3	50.1	38.4	43.3
Working Capital Ratios										
Fixed Asset Turnover (x)	1.1	1.3	0.9	0.8	1.3	1.2	1.1	1.1	1.2	1.2
Asset Turnover (x)	0.8	1.0	0.8	0.8	1.1	1.0	0.9	0.8	0.8	0.8
Debtor (Days)	10	8	6	6	2	2	4	3	3	3
Inventory (Days)	46	38	73	60	42	47	51	51	51	51
Payable (Days)	38	41	34	40	38	33	42	42	42	42
Leverage Ratio (x)										
Current Ratio	2.2	2.0	1.5	1.7	1.9	2.0	1.8	2.3	2.6	3.1

Cashflow Statement

Y/E March	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Pre-tax profit	20,388	27,399	2,262	12,995	29,514	14,347	19,885	42,773	35,254	40,954
Depreciation	4,804	4,761	5,298	6,058	8,366	7,158	7,236	7,977	8,323	8,863
(Inc)/Dec in Wkg. Cap.	-178	3,274	-9,071	3,819	3,942	-4,169	1,781	-3,435	-3,372	-2,110
Tax paid	-4,825	-10,209	-1,005	-975	-7,555	-7,467	-6,348	-10,745	-8,856	-10,288
Others (incl Fin. Cost)	-5,524	-1,137	-971	93	5,316	-786	4,639	127	67	67
CF from Op. Activity	14,666	24,089	-3,486	21,990	39,584	9,083	27,193	36,698	31,416	37,486
(Inc)/Dec in FA + CWIP	-8,374	-7,680	-8,578	-12,188	-12,829	-12,962	-15,482	-10,000	-10,000	-10,000
Free Cash Flow to firm	6,292	16,409	-12,064	9,802	26,755	-3,880	11,712	26,698	21,416	27,486
(Pur)/Sale of Investments	3,188	1,272	15,953	-2,511	-15,700	11,189	-5,579			
Interest & div	1,522	1,089	1,353	662	2,336	-1,569	1,056			
CF from Inv. Activity	-3,664	-5,319	8,727	-14,037	-26,192	-3,343	-20,005	-10,000	-10,000	-10,000
Equity raised/(repaid)	0	-5,074	0	-1,701	0	0	0	0	0	0
Int. Paid	-1	0	-9	-33	-124	-15	-3	-127	-67	-67
Debt raised/(repaid)	-61	218	-579	338	-254	-37	-37	-200	0	0
Dividend (incl. tax)	-10,934	-12,451	-6,185	-4,606	-11,020	-9,183	-7,347	-7,347	-7,347	-7,347
CF from Fin. Activity	-10,997	-17,308	-6,773	-6,002	-11,398	-9,235	-7,387	-7,674	-7,414	-7,414
(Inc)/Dec in Cash	5	1,463	-1,531	1,951	1,993	-3,495	-198	19,024	14,002	20,072
Add: opening Balance	248	254	1,716	185	2,135	4,128	633	435	19,459	33,461
Closing cash balance	254	1,716	185	2,135	4,128	633	435	19,459	33,461	53,534
Bank Balance	33,366	34,056	20,171	17,846	33,573	21,998	27,046	27,046	27,046	27,046
Closing Balance (incl. bank balance)	33,619	35,772	20,355	19,982	37,701	22,631	27,481	46,505	60,507	80,579

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 within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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