

Estimate changes 

TP change 

Rating change 

CMP: INR183

TP: INR200 (+9%)

Neutral

Bloomberg	NACL IN
Equity Shares (m)	1837
M.Cap.(INRb)/(USD\$b)	336.7 / 3.9
52-Week Range (INR)	263 / 130
1, 6, 12 Rel. Per (%)	-8/9/10
12M Avg Val (INR M)	4035

Financials & Valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	159	166	175
EBITDA	68	42	49
Adj. PAT	45	26	30
EBITDA Margin (%)	43	25	28
Cons. Adj. EPS (INR)	24.4	14.0	16.5
EPS Gr. (%)	168	-43	18
BV/Sh. (INR)	99	110	122

Ratios

Net D:E	-0.3	-0.3	-0.3
RoE (%)	27	13	14
RoCE (%)	36	18	19
Payout (%)	16	29	24

Valuations

P/E (x)	7.5	13.0	11.1
P/BV (x)	1.8	1.7	1.5
EV/EBITDA(x)	4.2	6.6	5.4
Div. Yield (%)	2.2	2.2	2.2
FCF Yield (%)	8.7	4.4	5.9

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	51.3	51.3	51.3
DII	18.0	19.3	18.8
FII	14.1	12.1	11.6
Others	16.6	17.4	18.4

FII includes depository receipts

Broad-based beat due to favorable pricing

- Revenue stood at INR46.6b (YoY/QoQ: +39%/+17%) against our est. of INR40.3b, driven by favorable pricing.
- Consolidated EBITDA stood at INR23.3b (YoY/QoQ: +201% /+50%) against our estimate of INR14.3b.
- EBITDA margin stood at 49.9% vs. 38.7% in 2QFY25 and 23.1% in 3QFY24.
- APAT for the quarter stood at INR15.6b (YoY / QoQ: +233% /+50%) against our estimate of INR9.4b. Depreciation was higher due to a charge of INR1.06b related to the impairment of two windmills.
- Alumina sales stood at 375kt, up 9% YoY and 32% QoQ, while metal sales declined 7% YoY and 12% QoQ to 106kt during the quarter.
- The company has declared a second interim dividend of INR4 per share for FY24.

Aluminum business: Strong performance

- Revenue from the aluminum business stood at INR26b, up 13% YoY (-5% QoQ), in line with our estimate of INR25.5b.
- EBIT stood at INR9.5b (+99% YoY and 11% QoQ), in line with our estimate of INR9.6b.

Chemical business: Strong performance

- Revenue from the chemicals business stood in line with our estimate at INR25b, up 48% YoY and 78% QoQ.
- EBIT for the business stood at INR13b, up 492% YoY and 116% QoQ, against our INR4.2b.

Key highlights from the management commentary

- NALCO's 3QFY25 average NSR stood at USD641/t (9M avg. at USD562/t) and management expects an average NSR of ~USD600/t for 4QFY25.
- Alumina prices are expected to trend between USD450-500/t in the coming months. Additionally, any potential shutdown of aluminum smelters (due to lower LME aluminum prices) could further reduce alumina demand and pricing.
- Management targets strengthening its coal security with 50% captive coal use, leading to cost reduction.
- Management's capex guidance for FY25 is INR20b, which will be primarily used for the 5th Stream Alumina refinery expansion of INR17b, with the remainder allocated for maintenance, coal block ramp-up, and auxiliary projects.
- ~70% of the physical progress has been completed for the 1mtpa 5th stream alumina refinery expansion, with a target to commission by Dec'25 and an expected output of 700-800kt in FY27E.
- The Pottangi Bauxite Mines Expansion will produce 3.5mtpa of bauxite to feed the refinery expansion. The mines have reserves of 120mt, with an expected lifespan of 15-20 years. Tendering for the MDO is in progress, and production is expected to start from 3QFY26.

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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.

Valuation and view

- NALCO reported strong performance in 3QFY25, supported by strong metal prices and increased captive coal usage. With limited production headroom, alumina prices will play a vital role in the near-term operating performance.
- Management has shared a cautious view on both alumina and aluminum prices, which are expected to soften amid improving global supply, while US tariffs on aluminum imports may create market uncertainties.
- In the long run, NALCO's aggressive expansion plans with a total capex of INR300b could significantly enhance production capacity. However, the completion timeline by FY30, execution risks, and cost escalations remain key concerns.
- Despite strong fundamentals, zero debt, and a robust demand outlook for aluminum in India, the near-term upside is capped by potential price corrections in alumina, limited production headroom, on-time execution challenges, and regulatory risks.
- **At CMP, NACL trades at 5.4x on EV/EBITDA and 1.5x on P/B, and the stock is largely priced in at current levels. We reiterate our NEUTRAL rating on the stock with a revised TP of INR200, valuing it at 6x FY27 EV/EBITDA.**

Quarterly performance

Y/E March	FY24				FY25				FY24	FY25E	FY25 vs Est 3QE	INR m (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	31,784	30,434	33,469	35,791	28,561	40,015	46,622	43,649	1,31,477	1,58,847	40,351	15.5
Change (YoY %)	-16.0	-12.8	1.7	-2.5	-10.1	31.5	39.3	22.0	-7.6	20.8		
Change (QoQ %)	-13.4	-4.2	10.0	6.9	-20.2	40.1	16.5	-6.4				
Total Expenditure	25,840	26,469	25,738	24,715	19,219	24,525	23,347	24,514	1,02,762	91,605		
EBITDA	5,943	3,965	7,731	11,075	9,342	15,490	23,275	19,135	28,715	67,243	14,252	63.3
Change (YoY %)	-31.6	18.6	68.2	44.5	57.2	290.7	201.1	72.8	18.2	134.2		
Change (QoQ %)	-22.5	-33.3	95.0	43.3	-15.6	65.8	50.3	-17.8				
Interest	23	40	21	89	34	44	191	113	172	382		
Depreciation	1,697	1,862	1,538	2,400	1,743	1,798	2,857	2,080	7,497	8,477		
Other Income	485	686	510	840	605	718	991	736	2,521	3,050		
PBT (before EO)	4,709	2,750	6,682	9,427	8,170	14,366	21,219	17,679	23,568	61,433	12,994	63.3
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	21,219	17,679	27,836	61,433		
Total Tax	1,215	687	1,797	3,537	2,158	3,744	5,390	4,743	7,236	16,034		
% Tax	25.8	25.0	26.9	25.8	26.4	26.1	25.4	26.8	30.7	26.1		
PAT before MI and Asso.	3,494	2,063	4,885	10,158	6,012	10,622	15,829	12,936	20,600	45,399		
Sh. of Associate	-156	-189	-179	-191	-128	-162	-166	-179	-715	-635		
Reported PAT after MI and Asso.	3,338	1,874	4,706	9,967	5,884	10,460	15,663	12,757	19,885	44,764		
Adjusted PAT	3,338	1,874	4,706	6,766	5,884	10,460	15,663	12,757	16,684	44,764	9,418	66.3
Change (YoY %)	-40.2	49.4	83.6	36.7	76.3	458.3	232.8	88.5	16.3	125.1		
Change (QoQ %)	-32.6	-43.9	151.2	43.8	-13.0	77.8	49.7	-18.6				

Source: MOFSL, Company



Highlights from Management Commentary

Capacity update and timeline

- Management's capex guidance for FY25 is INR20b, of which INR17b will be used for the 1mtpa 5th Stream Alumina refinery expansion (capex outlay INR57b), with the remainder for maintenance, coal block ramp-up, and auxiliary projects.
- ~70% of the physical progress has been completed for the 5th stream alumina refinery expansion, which will be commissioned by Dec'25, with an expected output of 700-800kt in FY27E.
- The Pottangi Bauxite Mines Expansion (capex outlay of INR20b) will produce 3.5mtpa of bauxite to feed the refinery expansion. The mines have a reserve of 120mt, with an expected lifespan of 15-20 years. Tendering for the MDO is in progress and production is expected to start from 3QFY26.
- The company has planned for a new aluminum smelter capacity of 0.5mtpa, with a capital outlay of INR170b, which is expected to be commissioned by FY30. NALCO has partnered with Rio Tinto (RTEK) as a technology partner and the DPR has been approved. Management expects the initial spending to start from FY27, with full-scale capex during FY28-FY30.
- To support incremental operations, the company plans to add a new 1,200MW captive power plant with a capex outlay of INR130b by FY30. This will be a JV with NTPC, and discussions are yet to be finalized. The CPP will include 25-30% renewable power according to the government's new advisory.
- NALCO currently has zero debt but will need to leverage debt to fund such a large capex. The projected debt-equity ratio is expected to be ~70:30.

Guidance

- NALCO's 3QFY25 average NSR stood at USD641/t (9M avg. at USD562/t) and management expects an average NSR of ~USD600/t for 4QFY25.
- Alumina prices surged USD800/t in mid-24 due to supply constraints in Australia and bauxite supply issues from New Guinea. The situation has stabilized and spot prices have corrected to USD530/t.
- Both alumina and aluminum prices are expected to decline further due to increasing supply and the reopening of previously closed smelter/refinery units.
- Alumina prices are expected to trend between USD450-500/t over the coming months. Additionally, any potential shutdown of aluminum smelters (due to lower LME aluminum prices) could further reduce alumina demand and pricing.
- Management targets to strengthen its coal security with 50% captive coal use, leading to cost reduction.

Coal outlook

- NALCO currently requires ~7mt of coal annually for its captive power plant, which sourced 47% from captive coal mines (Utkal D & E), 49% from linkage coal, and 4% from e-auction.
- To reduce costs and reliance on e-auction coal, NALCO is ramping up captive coal production, targeting 3mtpa in FY25 and 4mtpa by FY26.
- As both Utkal D & E mines reach full capacity of 4mtpa, the regulatory provisions allow NALCO an additional +20% automatic expansion. This will increase the captive output to 4.8mtpa by FY27.
- Management guided that the shift towards captive coal will provide cost savings of INR400/t compared to linkage coal.

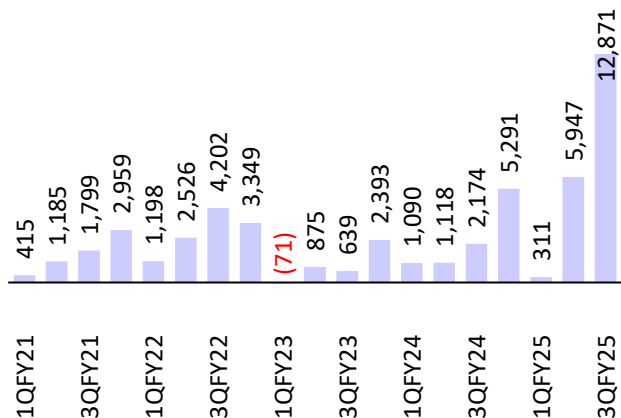
- In the long term, NALCO is actively exploring new coal block acquisitions to support its planned 0.5mtpa aluminum smelter expansion by FY'30.

Industry outlook

- India's aluminum consumption is expected to grow from 4.9mt FY24 to 8.3mt by FY30. Domestic demand has remained strong, driven by infrastructure, transportation, and electrical sectors.
- NALCO has prioritized domestic sales over exports as domestic realizations are currently more attractive.
- The US is expected to impose a 25% tariff on aluminum imports, which could disrupt global supply chains and impact aluminum prices.
- The excess aluminum supply in other markets will put downward pressure on global prices and force some smelters to shut down, which will negatively impact alumina demand.

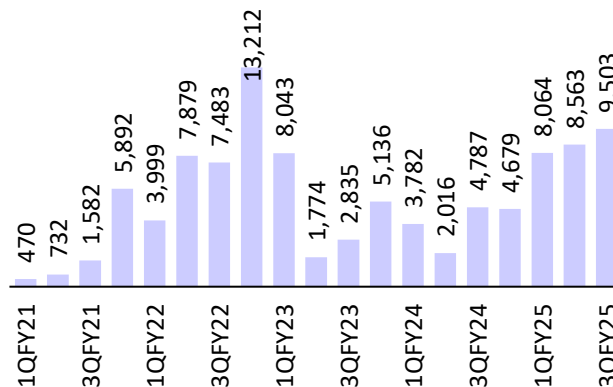
Story in charts

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



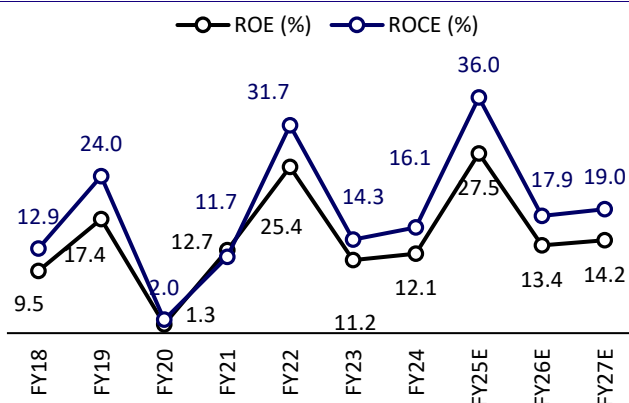
Source: MOFSL, Company

Exhibit 2: Aluminum EBIT (INR m) raised QoQ



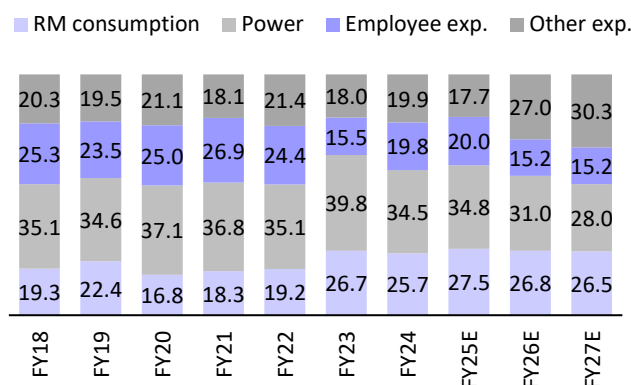
Source: MOFSL, Company

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: Key expansion projects & timeline

Project	CapEx (INR b)	Capacity Expansion	Expected Completion
5th Stream Alumina Refinery	56.77	+1MTPA Alumina	FY 2025-26 (Dec '25 target)
Pottangi Bauxite Mines	19.61	+3.5MTPA Bauxite	FY 2025-26 (Dec '25 target)
New Aluminum Smelter	171.63	+0.5MTPA Aluminium	FY 2029-30
New Captive Power Plant (CPP)	130.00	+1,200MW	FY 2029-30
Existing Refinery Modifications	N/A	+5-10% output	FY 2025-26
Coal Block Development (Utkal D & E)	N/A	+4MTPA coal	FY 2024-25
Renewable Energy Projects	N/A	+7MW solar & wind	FY 2025-27
Value-Added Product Expansion	TBD	Extrusions & rolled products	FY 2026-27

Source: MOFSL, Company

Exhibit 6: Valuation and TP

TP calculations	UoM	FY27E
NACL EBITDA	INR m	49,039
EV/EBITDA (x)	x	6.0
Target EV	INR m	2,94,232
add: cash surplus	INR m	68,951
Equity Value	INR m	3,63,184
No of Shares o/s	m	1,837
Target Price	INR/sh	200

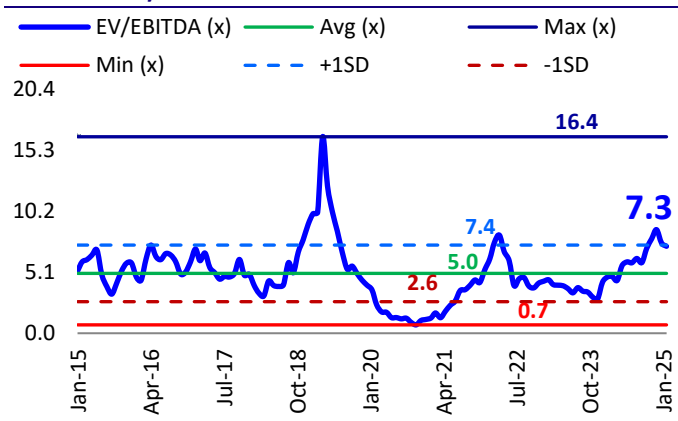
Source: MOFSL

Exhibit 7: Summary of the key changes to our estimates

	UoM	FY25E			FY26E			FY27E		
		New	Old	% change	New	Old	% change	New	Old	% change
Revenue	INRb	159	150	6.1%	166	166	0.0%	175	175	0.0%
EBITDA	"	68	52	29.7%	42	41	3.4%	49	47	5.0%
PAT	"	45	34	31.1%	26	26	0.5%	30	30	1.5%

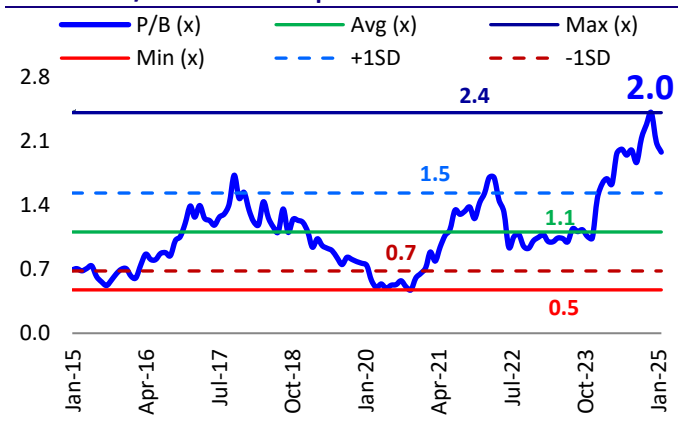
Source: MOFSL, Company

Exhibit 8: EV/EBITDA near +1SD



Source: MOFSL, Company Data

Exhibit 9: P/B reverse from peak



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	1,58,847	1,65,544	1,75,445
Change (%)	26.1	20.9	-26.3	5.7	58.3	0.4	-7.6	20.8	4.2	6.0
Total Expenses	78,311	85,432	79,826	71,730	96,637	1,18,044	1,02,762	91,328	1,23,511	1,26,406
EBITDA	16,783	29,561	4,892	17,828	45,172	24,293	28,715	67,520	42,034	49,039
% of Net Sales	17.6	25.7	5.8	19.9	31.9	17.1	21.8	42.5	25.4	28.0
Depn. & Amortization	4,804	4,761	5,298	6,058	8,366	7,158	7,497	8,754	9,133	10,213
EBIT	11,979	24,800	-406	11,770	36,806	17,135	21,218	58,766	32,901	38,826
Net Interest	20	24	57	71	231	129	172	382	467	492
Other income	3,008	3,259	2,726	1,466	2,974	2,544	2,521	3,050	3,000	3,200
PBT before EO	14,968	28,035	2,262	13,165	39,549	19,550	23,568	61,433	35,434	41,534
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	61,433	35,434	41,534
Current tax	6,964	10,075	880	170	10,029	4,105	7,236	16,034	8,901	10,433
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	16,034	8,901	10,433
Rate (%)	34.2	36.8	38.9	1.3	25.4	21.0	26.0	26.1	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	45,399	26,533	31,101
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	-635.4	-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	44,764	25,705	30,223
Adjusted PAT	9,855	17,973	1,380	12,994	29,521	14,347	16,684	44,764	25,705	30,223
Change (%)	37.0	82.4	-92.3	841.4	127.2	-51.4	16.3	168.3	-42.6	17.6

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	1,72,750	1,91,937	2,15,691
Net Worth	1,05,048	1,04,845	99,881	1,06,807	1,25,524	1,31,264	1,43,881	1,81,934	2,01,120	2,24,874
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	1,90,540	2,09,726	2,33,480
Gross Block	85,022	91,154	98,160	1,05,504	1,10,486	1,16,918	1,25,213	1,43,213	1,61,213	1,79,213
Less: Accum. Deprn.	13,627	18,297	23,312	28,900	37,054	43,889	51,386	60,140	69,273	79,485
Net Fixed Assets	71,395	72,857	74,848	76,605	73,432	73,028	73,827	83,073	91,940	99,728
Capital WIP	9,152	8,827	14,267	15,755	22,348	32,689	45,731	47,731	49,731	51,731
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	1,00,865	1,09,956	1,25,063
Inventories	11,941	12,100	16,969	14,763	16,462	18,402	18,297	22,106	23,038	24,416
Account Receivables	2,581	2,406	1,401	1,474	753	913	1,535	1,306	1,361	1,442
Cash and Bank Balance	33,619	35,772	20,355	19,982	37,701	22,631	27,481	48,708	55,599	67,456
Others	16,274	17,750	14,884	15,396	18,950	26,471	23,793	28,746	29,957	31,749
Curr. Liability & Prov.	29,126	34,650	34,886	30,900	38,343	34,947	39,664	42,816	43,588	44,728
Account Payables	9,774	13,069	7,956	9,772	14,807	12,743	15,146	18,299	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	58,049	66,368	80,335
Appl. of Funds	1,17,013	1,16,820	1,10,610	1,16,206	1,34,412	1,41,319	1,52,687	1,90,540	2,09,726	2,33,480

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	24.4	14.0	16.5
Cash EPS	9.4	11.8	3.6	10.4	20.6	11.7	14.9	29.1	19.0	22.0
BV/Share	54.3	56.2	53.5	58.2	68.3	71.5	78.3	99.1	109.5	122.4
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	16.4	28.6	24.3
Valuation (x)										
P/E	35.7	18.9	246.0	25.7	11.3	23.3	20.0	7.5	13.0	11.1
Cash P/E	19.3	15.4	50.8	17.5	8.8	15.5	12.2	6.2	9.6	8.3
P/BV	3.3	3.2	3.4	3.1	2.7	2.5	2.3	1.8	1.7	1.5
EV/Sales	3.3	2.6	3.7	3.5	2.1	2.2	2.3	1.8	1.7	1.5
EV/EBITDA	18.9	10.2	64.7	17.5	6.5	12.8	10.6	4.2	6.6	5.4
Dividend Yield (%)	3.1	3.2	0.8	1.9	3.6	2.5	2.2	2.2	2.2	2.2
Return Ratios (%)										
EBITDA Margins (%)	17.6	25.7	5.8	19.9	31.9	17.1	21.8	42.5	25.4	28.0
Net Profit Margins (%)	10.4	15.6	1.6	14.5	20.8	10.1	12.7	28.2	15.5	17.2
RoE	9.5	17.4	1.3	12.7	25.4	11.2	12.1	27.5	13.4	14.2
RoCE (pre-tax)	12.9	24.0	2.0	11.7	31.7	14.3	16.1	36.0	17.9	19.0
RoIC (pre-tax)	16.3	34.6	-0.6	15.6	49.5	22.1	26.3	69.1	33.7	36.1
Working Capital Ratios										
Fixed Asset Turnover (x)	1.1	1.3	0.9	0.8	1.3	1.2	1.1	1.1	1.0	1.0
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	2.4	2.5	2.8

Cashflow Statement

Y/E March	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
INR m										
Pre-tax profit	20,388	27,399	2,262	12,995	29,514	14,347	19,885	61,433	35,434	41,534
Depreciation	4,804	4,761	5,298	6,058	8,366	7,158	7,236	8,754	9,133	10,213
(Inc)/Dec in Wkg. Cap.	-178	3,274	-9,071	3,819	3,942	-4,169	1,781	-5,380	-1,427	-2,110
Tax paid	-4,825	-10,209	-1,005	-975	-7,555	-7,467	-6,348	-16,034	-8,901	-10,433
Others (incl Fin. Cost)	-5,524	-1,137	-971	93	5,316	-786	4,639	382	467	492
CF from Op. Activity	14,666	24,089	-3,486	21,990	39,584	9,083	27,193	49,156	34,705	39,695
(Inc)/Dec in FA + CWIP	-8,374	-7,680	-8,578	-12,188	-12,829	-12,962	-15,482	-20,000	-20,000	-20,000
Free Cash Flow to firm	6,292	16,409	-12,064	9,802	26,755	-3,880	11,712	29,156	14,705	19,695
(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	-20,000	-20,000	-20,000
Equity raised/(repaid)	0	-5,074	0	-1,701	0	0	0	0	0	0
Int. Paid	-1	0	-9	-33	-124	-15	-3	-382	-467	-492
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	-7,929	-7,814	-7,839
(Inc)/Dec in Cash	5	1,463	-1,531	1,951	1,993	-3,495	-198	21,227	6,892	11,857
Add: opening Balance	248	254	1,716	185	2,135	4,128	633	435	21,662	28,554
Closing cash balance	254	1,716	185	2,135	4,128	633	435	21,662	28,554	40,410
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	48,708	55,599	67,456

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