

NATIONAL ALUMINIUM CO. (NACL) – BUY

Result Update

Current Market Price (CMP)

Rs.90.8

Target Price

Rs.100

We see 10.2% upside to the stock at our fair value of Rs.100.

Rationale:

- NACL to benefit from strong aluminum prices given the multi-year deficit.
- NACL – pure play on aluminum-alumina commodity.
- Strong operating earnings would fund growth capex.
- Positive FCF despite growth capex would help NACL sustain ~5% dividend yield.
- Upgrade to BUY and value at 4.5x Sep'23E EV/EBITDA. (Enterprise Value/ Earnings Before Interest, Tax, Depreciation and Amortization).

Company update:

Positives:

- Spot alumina prices are 7% higher than 1QFY22 average prices.
- Increase NACL's EBITDA by 15%/37% for FY2022/23E as we factor higher commodity prices.
- Alumina prices are expected to increase with the ongoing cost pressures.

Negatives:

- NACL undertaken 10 lakh tonnes alumina refinery project, we see it as return dilutive.

[Click here](#)

For detailed report dated 27th August 2021. Note: CMP & valuation may differ due to difference in dates.



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