

November 02, 2012

**NATIONAL ALUMINIUM CO.LTD.**

BSE Code: 532234 NSE Code: NATIONALUM Reuters Code: NALU.NS Bloomberg Code: NACL:IN

National Aluminium Company Limited (NALCO), a 'Navratna' company, is India's third largest aluminium producer. The Company is an integrated aluminium complex, encompassing bauxite mining, alumina refining, aluminium smelting and casting, power generation, rail and port operations. NALCO operates in three segments which includes chemicals, aluminium and electricity and products include aluminium metal, such as ingots, sows, billets, alloy wire rods, cast strips; Alumina & Hydrate, which include calcined alumina and alumina hydrate, and zeolite-A.

### Investor's Rationale

**Bottom-line declined by 96.5% YoY on higher operating cost and lower sales volume of alumina**

NALCO, reported a decline in net profit during Q2FY'13 by 96.5% YoY at ₹0.05bn, mainly on account of higher operating expenses (10.2% YoY at ₹16.10bn). Operating expenses grew mainly due to higher prices of key inputs such as coal, caustic soda, CP coke, aluminium fluoride etc. Further, lower sales volume of alumina by ₹1.01bn arising out of lower production also dragged the bottom-line.

**Total sales declined by 7.7% QoQ on lower production volumes**

The company's total sales declined by 7.7% QoQ at ₹15.86bn mainly due to lower production volume where, Power generation reported slightly less at 1,444mn units as against 1,466 mn units and aluminium production declined by 1.0% QoQ (3.0% YoY) to 1.02 lakh tonnes as against 1.05 lakh tonnes achieved. while, alumina production declined by 17.0% QoQ (grew 3.0% YoY). However, aluminium realization grew marginally by 1.0% QoQ to ₹123,483/ton while alumina realization declined 4.0% QoQ to ₹17,828/ton.

**EBITDA declined on higher power and fuel cost**

NALCO reported a decline in EBITDA at (₹0.02bn) mainly due to increase in power and fuel cost (as a % of sale) by 718bps YoY at 47.5%. This increase in power and fuel cost was mainly due to supply disruption and poor quality of coal during the rainy season, which forced the company to use more costly imported coal, purchased power from State Grid which is even more expensive and also use HFO in more quantity. Further, employee cost also grew by 390bps YoY at 18.6%.

**Segmental performance**

During the quarter, total sales of chemical and aluminium segment grew by 4.4% and 2.4% to ₹6.48bn and ₹12.47bn respectively while electricity segments sales declined by 11.3% at ₹4.64bn. Further, on EBIT front aluminium segment posted a loss of ₹0.53bn. While, chemical and electricity segment registered a decline in EBIT by 67.2% and 214.0% at ₹0.4bn and ₹0.57bn respectively.

### Market Data

CMP (₹)	46.8
Target Price	38
Stop Loss	51
Duration	Medium-term
52-week High-Low (₹)	68.5/44.6
Rise from 52WL (%)	5.1
Correction from 52WH (%)	(31.6)
Beta	0.8
1 year Average Volume (mn)	0.3
Stock Return (%)	3M- (13.0) 6M- (22.1) 9M- (21.2)
Market Cap (₹bn)	120.7
Enterprise Value (₹bn)	78.9

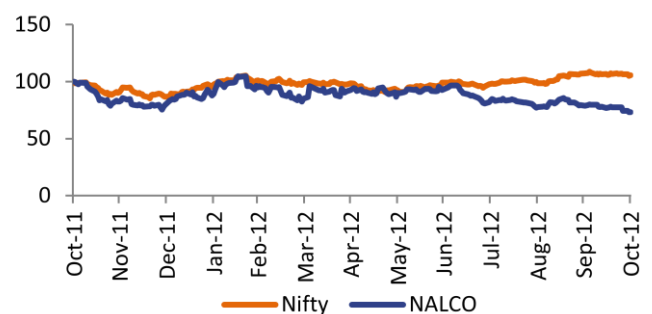
### Shareholding Pattern

	Sep'12	Jun'12	Chg
Promoters (%)	87.2	87.2	-
FII (%)	3.9	4.0	(0.1)
DII (%)	5.2	5.2	-
Public & Others (%)	3.7	3.7	-

### Quarterly Performance

(₹bn)	Q2 FY'13	Q2 FY'12	Q1 FY'13	YoY Change(%)	QoQ Change(%)
Sales	15.86	15.84	17.18	0.1	(7.7)
Op. exp	16.10	14.60	14.44	10.2	11.5
EBITDA	(0.02)	1.53	3.04	-	-
OPM (%)	-	9.49	17.40	-	-
Net profit	0.05	1.39	2.23	(96.5)	(97.8)
NPM (%)	0.28	7.99	11.81	(770bps)	(1,153bps)
EPS (₹)	0.02	0.54	0.87	(96.3)	(97.7)

### One Year Price Chart





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