

October 12, 2012

NATIONAL ALUMINIUM CO. LTD.

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

National Aluminium Company Limited (NALCO) is an India-based company. The Company is an integrated aluminium complex, encompassing bauxite mining, alumina refining, aluminium smelting and casting, power generation, rail and port operations. The Company operates in three segments: chemicals, aluminium and electricity. The Company's 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

Higher operating cost dragged the bottom-line by 40.8%

NALCO, a manufacturer and distributor of aluminum products, reported a drop of 40.8% YoY in net profit to ₹2.2 billion, as higher operating cost (26.0% YoY at ₹14.4 billion) trimmed its operating margins. Further, marginal decline in total revenue by (0.8% YoY), also dragged the net profit. However, other income grew by 11.9% at ₹1.4 billion and tax declined by 45.9% YoY at ₹1.0 billion, while depreciation grew by 20.0% YoY at ₹1.2 billion. Thus, NPM contracted by 814bps YoY to 11.8% against 20.0%.

Total revenue declined marginally by 0.8% on decline in aluminium segments revenue

The company's total revenue declined marginally during the Q1FY'13 by 0.8% YoY at ₹17.5 billion. This decline in total revenue was mainly affected by decrease in aluminium segment's revenue which declined by 7.9% YoY at ₹12.5 billion, while chemical and electricity segment grew by 17.7% and 7.7% at ₹7.6 billion and ₹5.1 billion respectively. However, aluminium segments revenue contributed 49.0% of total revenue of the company, followed by chemicals and electricity by 31.0% and 20.0% respectively.

EBITDA margin contracted by 1,758bps on higher raw material cost

NALCO reported decline in EBITDA by 50.7% YoY at ₹3.0 billion, mainly due to rise in raw material cost by 35.8% YoY at ₹3.2 billion. Further, increase in power & fuel, other expenses and employee cost by 26.0%, 17.3% and 15.2% at ₹6.0 billion, ₹3.1 billion and ₹2.8 billion respectively, dragged the EBITDA. Thus, OPM crashed by 1,758bps YoY to 17.4% against 35.0%.

Poor performance of aluminium segments in PBIT

PBIT of aluminium segment reported a loss of ₹0.2 billion YoY against profit of ₹2.4 billion, while chemical segment's PBIT grew by 17.7% at ₹1.9 billion and electricity segments PBIT declined marginally by 3.6% at ₹0.7 billion.

Market Data

CMP (₹)	50.0
Target Price	65.0
Stop Loss	45.0
Duration	Medium-term
52-week High-Low (₹)	68.5/48.0
Rise from 52WL (%)	4.2
Correction from 52WH (%)	26.9
Beta	0.8
1 year Average Volume (mn)	0.3
	3M- (15.0)
Stock Return (%)	6M- (17.3)
	9M- (13.0)
Market Cap (₹bn)	128.6
Enterprise Value (₹bn)	79.4

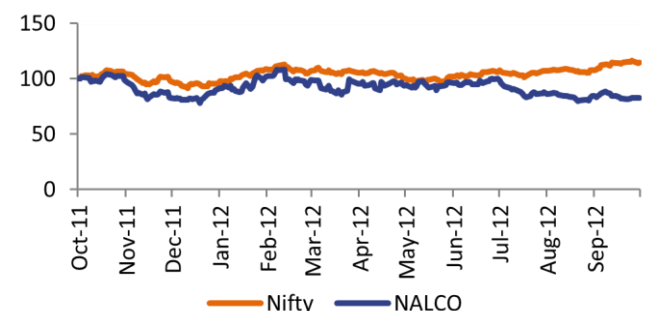
Shareholding Pattern

	Sep'12	Jun'12	Chg
Promoters (%)	87.2	87.2	0.0
FII (%)	3.9	4.0	(0.1)
DII (%)	5.2	5.2	0.0
Public & Others (%)	3.7	3.7	0.1

Quarterly Performance

(₹bn)	Q1 FY'13	Q1 FY'12	Q4 FY'12	YoY Change(%)	QoQ Change(%)
Revenue	17.5	17.6	17.8	(0.8)	(2.0)
Op. exp	14.4	11.5	14.8	26.0	(2.3)
EBITDA	3.0	6.2	3.1	(50.7)	(0.8)
OPM (%)	17.4	35.0	17.2	(1,758bps)	21bps
Net profit	2.2	3.8	2.8	(40.8)	(20.7)
NPM (%)	11.8	20.0	14.5	(814bps)	(265bps)
EPS (₹)	0.9	1.5	1.1	(40.4)	(20.2)

One Year Price Chart





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