INVasset Corporate Insights

नालको NALCO

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INVASSET

India's Best Performing and Most Customer Centric PMS

Established on January 7th, 1981, National Aluminium Company Limited (NALCO) stands as a distinguished Schedule 'A' Navratna CPSE with its headquarters nestled in Bhubaneswar. Renowned as one of the largest integrated Bauxite-Alumina-Aluminium-Power complexes in India, NALCO boasts a rich legacy of operational excellence. With the Government of India holding a majority stake of 51.28% in its paid-up equity capital, NALCO has been a cornerstone of the nation's industrial landscape. Operating its captive Panchpatmali Bauxite Mines to fuel the pithead Alumina refinery at Damanjodi, in the scenic District of Koraput, Odisha, NALCO also oversees an Aluminium Smelter & Captive Power Plant in Angul. Notably, the company has embraced sustainability through its green initiatives, including the installation of 198 MW Wind Power Plants across India and 850 kWp rooftop Solar Power Plants at its facilities, aligning with the vision of carbon neutrality. Since its inaugural commercial operation in 1987, NALCO has maintained a stellar track record, continuously generating profits for the past 36 years. Recognized as one of the leading foreign exchange earners among CPSEs in the country, NALCO stands as a beacon of success and sustainability in India's industrial panorama.

Operational Excellence and Capacity Utilization: NALCO demonstrates remarkable efficiency and innovation within its operational framework. The company boasts integrated operations, supported by a substantial bauxite mining capacity of 68.25 lakh TPA and an alumina refinery with a capacity of 22.75 lakh TPA. Complementing these capabilities are an aluminum smelter and a 1,200 MW captive power plant, further cementing NALCO's position as an industry leader. Through prudent investments and cutting-edge technology, NALCO has continually enhanced its production processes, ensuring it remains at the forefront of the industry. These initiatives not only optimize resource utilization but also bolster NALCO's competitive edge in the market. By prioritizing innovation and efficiency, NALCO continues to set benchmarks for excellence, maintaining its esteemed status as a premier producer in the sector.

Product Portfolio and Market Presence: NALCO showcases its versatility and market adaptability through an extensive product portfolio, which includes Calcined Alumina, Alumina Hydrate, as well as various aluminum products like Ingots, Wire Rods, and Flat Rolled Products. This diversified range underscores the company's ability to cater to different market demands effectively. Furthermore, NALCO strategically positions itself across domestic and international markets, leveraging regional sales offices and operating stockyards to enhance accessibility and customer service. This strategic presence enables the company to reach a broader audience while maintaining high standards of customer satisfaction.

Technological Innovations and R&D Focus: In navigating the complexities of the global metals market, NALCO's strategic expansions, innovative focus, and commitment to sustainability are pivotal for future success. The company's substantial investments in research and development have been instrumental in driving operational excellence and elevating product quality standards. Within the ever-evolving global metals landscape, NALCO's forward-thinking approach to expansion positions it to seize emerging opportunities while mitigating potential risks. By discerning market trends and leveraging its strengths, NALCO strategically allocates resources to penetrate new markets and diversify its offerings, bolstering its competitive stance.

Stock Data	
CMP (15-02-2024)	157.25
52 Week High/Low	165.55/75.70
Face Value	5
Market Cap (In Crs)	28,991
Enterprise Value (In Crs)	27,116
NSE	NATIONALUM
BSE	532234
Bloomberg	NACL:IN
Sector	Aluminium & Aluminium Products

Shareholding Pattern (in %)		
	DEC 23	SEP 23
Promoter	51.28	51.28
FII	11.56	13.68
DII	18.80	17.47
Public	18.38	17.57

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	0.09	12.76	22.22
NATIONALUM	19.40	73.14	99.55

Key Ratios	
P/E	18.5
P/S	2.19
P/B	2.11
Debt To Equity	0.01
ROE	12%
ROCE	15.1%
Dividend Yield	2.88%

Q3 FY 24 Result Update

Q3 FY24 Result Comparison (In Rs Cr)					
	Q3 FY24	Q2 FY24	Q3 FY23	QOQ	YOY
Sales	3347	3043	3297	9.99%	1.52%
Operating Profit	755	378	448	99.74%	68.53%
PBT	650	256	347	153.91%	87.32%
Net Profit	471	187	256	151.87%	83.98%
EPS	2.56	1.02	1.40	150.98%	82.86%

Result Highlights

For Q3 FY24, NALCO reported sales of Rs 3,347 Cr, which reflects an increase of 9.99% from Q2 FY24 (Rs 3,043 Cr) and a modest year-on-year (YOY) growth of 1.52% from Q3 FY23 (Rs 3,297 Cr). This suggests a positive growth trajectory on a quarterly basis but a slower growth rate annually. Operating Profit for Q3 FY24 stood at Rs 755 Cr, showing a substantial quarterly growth of 99.74% from Rs 378 Cr in Q2 FY24. The YOY growth is also significant at 68.53%, up from Rs 448 Cr in Q3 FY23. This remarkable rise indicates a strong operational performance and possibly improved operational efficiency or market conditions. Profit Before Tax (PBT) for Q3 FY24 was Rs 650 Cr, which is more than double the previous quarter's Rs 256 Cr (153.91% growth). The YOY growth is also robust at 87.32%, up from Rs 347 Cr in Q3 FY23, reflecting strong pretax earnings growth. Net Profit for the company in Q3 FY24 was Rs 471 Cr, which is a significant increase of 151.87% from Q2 FY24 (Rs 187 Cr) and 83.98% higher than Q3 FY23 (Rs 256 Cr). This suggests that the company has not only increased its revenue but also managed to control its expenses effectively. Earnings Per Share (EPS) increased to Rs 2.56 in Q3 FY24, up from Rs 1.02 in Q2 FY24 and Rs 1.40 in Q3 FY23, showing a growth of 150.98% QOQ and 82.86% YOY. This increase in EPS is consistent with the growth in net profit and indicates higher profitability on a per-share basis.

Financial Resilience and Strategic Market Positioning: In the face of unpredictable market conditions and the fluctuating prices of commodities, NALCO has exhibited commendable financial resilience and strategic market positioning. The company's ability to navigate these challenges is evidenced by its impressive track record of achieving record revenues and profits in recent years. NALCO has adeptly seized upon market opportunities while simultaneously implementing effective measures to manage operational costs. This aims to delve into the financial strategies employed by NALCO, which encompass revenue diversification, prudent cost management practices, and the evaluation of the impact of its strategic initiatives on both financial health and shareholder value. By examining these aspects in detail, we seek to gain insights into how NALCO has successfully maneuvered within the market landscape, ensuring its sustained growth and profitability amidst volatility, while simultaneously enhancing value for its shareholders.

Green Initiatives and Sustainability Practices: NALCO exemplifies its commitment to environmental sustainability through investments in renewable energy, such as 198 MW Wind Power Plants and 850 kWp rooftop Solar Power Plants. These initiatives significantly reduce the company's carbon footprint and align with global sustainability goals. Examining NALCO's environmental policies, the effectiveness of green initiatives, and its contributions to achieving carbon neutrality and environmental conservation sheds light on its environmental stewardship. The integration of wind and solar power plants into NALCO's energy mix demonstrates its dedication to reducing reliance on fossil fuels and mitigating associated environmental impacts. This transition supports broader decarbonization efforts imperative for addressing climate change challenges. NALCO's environmental responsibility extends beyond energy projects to include waste management, water conservation, and eco-friendly technology adoption. These

measures not only ensure compliance with regulations but also showcase the company's leadership in environmental sustainability. Aligned with global sustainability agendas, particularly the United Nations Sustainable Development Goals (SDGs), NALCO's environmental strategies underscore its commitment to a sustainable future. Assessing the tangible impacts of NALCO's environmental initiatives, including reductions in carbon emissions and improvements in energy efficiency, provides insight into its sustainability performance. In summary, NALCO's proactive approach to environmental sustainability positions it as a leader in addressing global environmental challenges. Through investments, policies, and innovation, NALCO contributes significantly to building a greener, more sustainable world.

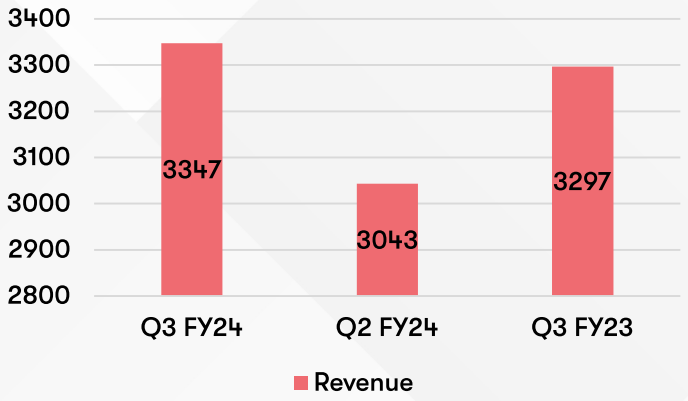
Strategic Expansion and Growth Plans: NALCO stands at the threshold of future growth with ambitious endeavors in capacity expansion and diversification. Notable among these initiatives are the establishment of the 5th stream Alumina Refinery and the Pottangi Bauxite Mines, coupled with ventures into renewable energy and mineral exploration. These ventures represent pivotal steps towards bolstering production capacity and ensuring a sustainable supply of raw materials. This section aims to delve into the strategic rationale behind these expansion projects, their anticipated outcomes, and the potential market ramifications. The development of the 5th stream Alumina Refinery signifies NALCO's proactive approach in meeting escalating demand and strengthening its position in the market. Similarly, the Pottangi Bauxite Mines project underscores the company's commitment to securing essential raw materials for its operations, thus mitigating supply chain risks and enhancing operational efficiency. In addition to traditional aluminum production ventures, NALCO's foray into renewable energy and mineral exploration reflects its forward-looking vision and adaptability to evolving market dynamics. By diversifying its portfolio, NALCO not only mitigates risks associated with industry fluctuations but also positions itself strategically to capitalize on emerging opportunities in the energy and minerals sectors. The strategic rationale behind these expansion projects is multifaceted. Firstly, they aim to capitalize on growing market demand for aluminum and related products, thereby fostering revenue growth and profitability. Secondly, they seek to enhance operational resilience by securing access to critical raw materials and reducing dependence on external suppliers. Lastly, these ventures align with NALCO's broader sustainability agenda by incorporating renewable energy sources and responsible mineral exploration practices. The anticipated outcomes of these expansion projects are manifold. Foremost among them is the significant increase in production capacity, which enables NALCO to meet growing market demand and capitalize on emerging opportunities. Additionally, these initiatives are expected to improve cost efficiencies through economies of scale and streamlined supply chain management practices. From a market perspective, NALCO's expansion projects are poised to have a considerable impact. By bolstering its production capacity and securing access to raw materials, NALCO strengthens its competitive position and enhances its ability to cater to diverse customer needs. Furthermore, the company's commitment to sustainability and responsible business practices enhances its brand reputation and resonates positively with environmentally conscious consumers and investors.

Corporate Social Responsibility and Community Engagement: NALCO's extensive Corporate Social Responsibility (CSR) activities underscore its unwavering commitment to societal development. Ranging from educational initiatives to healthcare and infrastructure development, the company has made significant contributions to the welfare of its surrounding communities. This report will delve into NALCO's CSR strategy, key initiatives, and their societal impact, highlighting the company's role in fostering sustainable community development. NALCO's CSR strategy encompasses a wide array of initiatives aimed at addressing diverse societal needs. Educational programs form a cornerstone, empowering individuals with essential knowledge and skills for personal and professional growth. Additionally, the company's commitment extends to healthcare interventions, ensuring access to quality medical services and promoting overall well-being within communities. Infrastructure development projects further augment NALCO's impact, enhancing living standards and economic prospects for local inhabitants. These CSR initiatives represent strategic investments in societal capital rather than mere philanthropy. By fostering education, healthcare, and infrastructure, NALCO creates an environment conducive to sustainable development, empowering communities to thrive economically and socially. The societal impact of NALCO's CSR endeavors is profound and far-reaching. Educational initiatives equip individuals with the tools to break the cycle of poverty and pursue meaningful opportunities, fostering human capital development. Healthcare interventions improve the quality of life, reduce disease burdens, and contribute to enhanced productivity within communities. Infrastructure enhancements catalyze economic growth, facilitate access to markets and services,

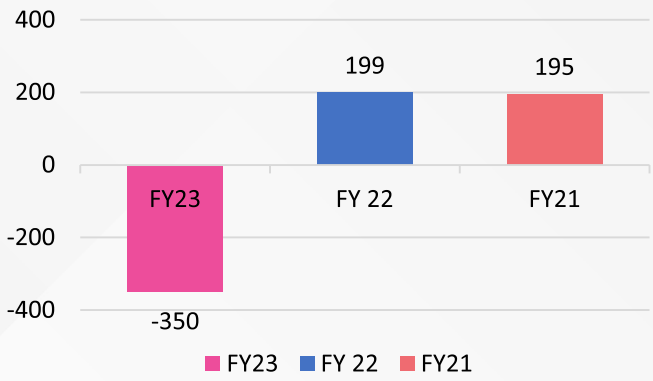
and uplift living standards for residents. In essence, NALCO's robust CSR framework epitomizes its commitment to corporate citizenship. Through strategic allocation of resources and concerted efforts towards societal betterment, the company not only fulfills its ethical obligations but also plays a pivotal role in fostering sustainable community development.

Challenges and Future Prospects: In navigating the complexities of modern business, NALCO encounters several obstacles, including market volatility, regulatory changes, and operational risks. Despite its achievements, these challenges persist and require strategic intervention. To mitigate risks and capitalize on future growth opportunities, NALCO adopts various measures. These include diversifying its product portfolio to counter market fluctuations and remaining agile in response to regulatory shifts. Additionally, the company emphasizes safety protocols, technological advancements, and efficiency enhancements to address operational risks effectively. Such strategic responses underscore NALCO's resilience and adaptability in a dynamic business environment, particularly as global markets increasingly prioritize sustainability.

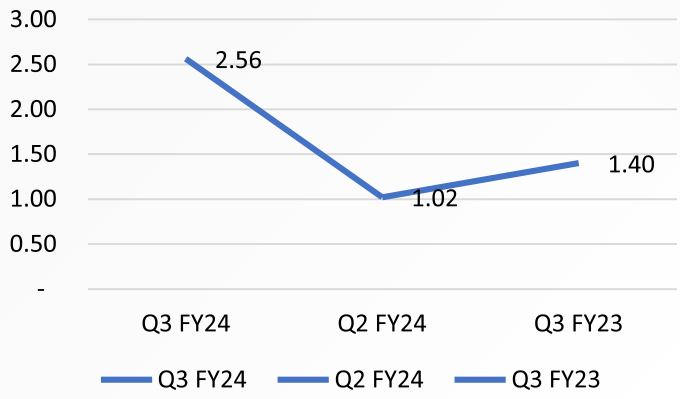
Revenue (In Cr)



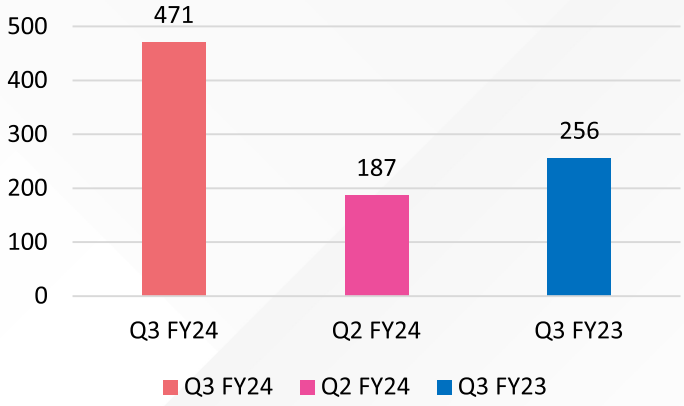
Cashflow (In Cr)



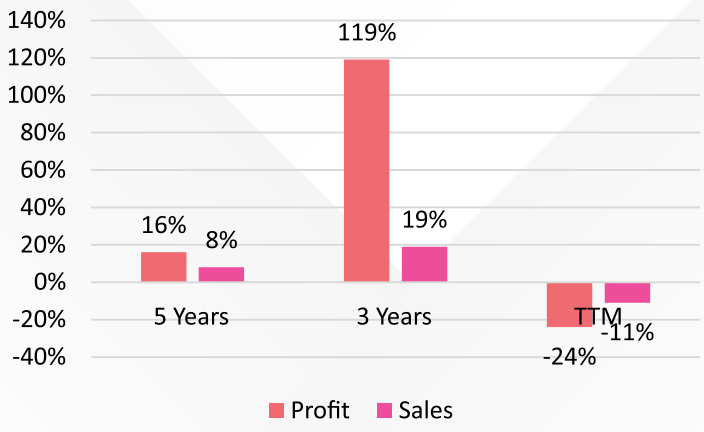
EPS



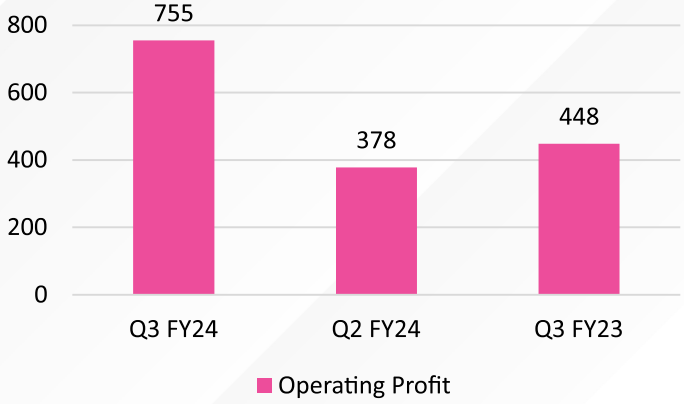
PAT (In Cr)



Compounded Growth (In %)



Operating Profit (In Cr)



Technical Outlook



The monthly chart for National Aluminum Company Limited (NALCO) exhibits a significant breakout above a key resistance level. This bullish signal is underscored by increased trading volume, suggesting strong buyer interest. Over the years, the stock has shown volatility with several peaks and troughs, but the recent breakout above previous resistance indicates potential for a new upward trend or a continuation of a long-term bullish movement. This price action may attract the attention of investors looking for growth or momentum opportunities.

The moving averages for NALCO Ltd show an upward trend, with short-term averages (5 and 10 days) higher than the long-term (100 and 200 days), suggesting recent price strength. The exponential moving averages are also higher than the simple moving averages, indicating recent prices have a greater impact and that the momentum could be accelerating. The RSI values suggest the stock is neither overbought on a daily scale (61.51) but could be approaching overbought territory on a weekly scale (84.09), pointing to strong bullish momentum in the longer term.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	151.07	153.27
10	154.89	152.07
20	146.97	147.38
50	130.24	133.23
100	112.09	119.38
200	100.29	106.55

Pivot Levels : FIBONACCI		
R1 163.77	Pivot 156.70	S1 149.63
R2 168.13		S2 145.27
R3 175.20		S3 138.20

	Daily	Weekly
Relative Strength Index (RSI)	61.51	84.09

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