

Week Gone

- ⇒ In the week ended on Friday, 02 February 2024, the S&P BSE Sensex shed 1,384.96 points or 1.96% to settle at 72,085.63. The Nifty 50 index surged 501.2 points or 2.35% to close at 21,853.80.
- ⇒ The BSE Mid-Cap index advanced 3.13% to close at 38,928.11.
- ⇒ The BSE Small-Cap index rose 3.35% to end at 45,849.80.

Week Ahead

- ⇒ On the macro front, the US ISM Services PMI for January will be released on 5 February 2024.
- ⇒ China will announce Inflation Rate for January 2024 on 8 February 2024.

Technical Overview

The 50 indexes trended sideways until the penultimate day of the week, with the polarity resistance near 21800 acting as an immediate hurdle. It witnessed a rejection from the new life highs of 2212 and failed to reclaim the new life highs or the previous gap-down area. The VIX inched 6% higher during the week. The bull swing persists in the late stage of mid, small and microcap space as they continue to showcase relative strength compared to the 50 index. Going forward, the zone near 21600 will act as a key immediate support and sustenance above this level on a closing basis will allow the index to attract further bullish strength.

Support: 21800-21600-21400

Resistance: 21950-22125-22360



Note : This is a daily chart

Source: TradingView, BP Equities Research

DOMESTIC INDICES

| Index | 02-Feb-24 | 25-Jan-24 | Weekly % Chg |
|------------------|-----------|-----------|--------------|
| Nifty 50 | 21,853.8 | 21,352.6 | 2.3 |
| Nifty Next 50 | 55,940.3 | 54,291.8 | 3.0 |
| Nifty 100 | 22,199.0 | 21,666.5 | 2.5 |
| Nifty 500 | 19,910.8 | 19,393.0 | 2.7 |
| NIFTY MIDCAP 100 | 48,477.0 | 47,208.7 | 2.7 |
| S&P BSE SENSEX | 72,085.6 | 70,700.7 | 2.0 |
| S&P BSE 100 | 22,643.5 | 22,121.3 | 2.4 |
| S&P BSE 200 | 9,824.3 | 9,584.8 | 2.5 |
| S&P BSE 500 | 31,471.6 | 30,669.3 | 2.6 |
| S&P BSE MidCap | 38,928.1 | 37,746.3 | 3.1 |
| S&P BSE SmallCap | 45,849.8 | 44,363.7 | 3.3 |

NIFTY TOP GAINERS (WEEKLY)

| Scrip | 02-Feb-24 | 25-Jan-24 | Weekly % Chg |
|------------------------|-----------|-----------|--------------|
| BPCL | 558.4 | 474.4 | 17.7% |
| Power Grid Corporation | 277.1 | 245.4 | 12.9% |
| Adani Ports | 1261.5 | 1145.8 | 10.1% |
| ONGC | 257.3 | 234.1 | 9.9% |
| Adani Enterprises | 3157.5 | 2894.1 | 9.1% |

NIFTY TOP LOSERS (WEEKLY)

| Scrip | 02-Feb-24 | 25-Jan-24 | Weekly % Chg |
|--------------------|-----------|-----------|--------------|
| Larsen & Toubro | 3376.1 | 3595.4 | 6.1% |
| Titan Company Ltd. | 3612.4 | 3770.8 | 4.2% |
| ITC | 440.1 | 455.6 | 3.4% |
| Bajaj Finance | 6848.3 | 7089.3 | 3.4% |
| Bharti Airtel | 1150.8 | 1160.1 | 0.8% |

WORLD INDICES

| Index | 02-Feb-24 | 25-Jan-24 | Weekly % Chg |
|-----------------------|-----------|-----------|--------------|
| Nikkei Index | 36,450.0 | 36,054.5 | 1.1 |
| Hang Seng Index | 15,912.6 | 16,241.0 | -2.0 |
| Kospi Index | 2,615.3 | 2,502.6 | 4.5 |
| Shanghai SE Composite | 2,791.7 | 2,924.3 | -4.5 |
| Strait Times Index | 3,061.9 | 3,061.9 | 0.0 |
| Dow Jones | 38,783.6 | 38,057.5 | 1.9 |
| NASDAQ | 15,664.2 | 15,597.3 | 0.4 |
| FTSE | 7,670.9 | 7,631.2 | 0.5 |

FOREX

| Currency | 02-Feb-24 | 25-Jan-24 | Weekly % Chg |
|---------------------|-----------|-----------|--------------|
| US\$ (Rs.) | 83.0 | 83.1 | -0.1 |
| GBP (Rs.) | 104.8 | 105.5 | -0.6 |
| Euro (Rs.) | 89.6 | 90.1 | -0.5 |
| Yen (Rs.) 100 Units | 56.0 | 56.3 | -0.5 |

FII - ACTIVITY

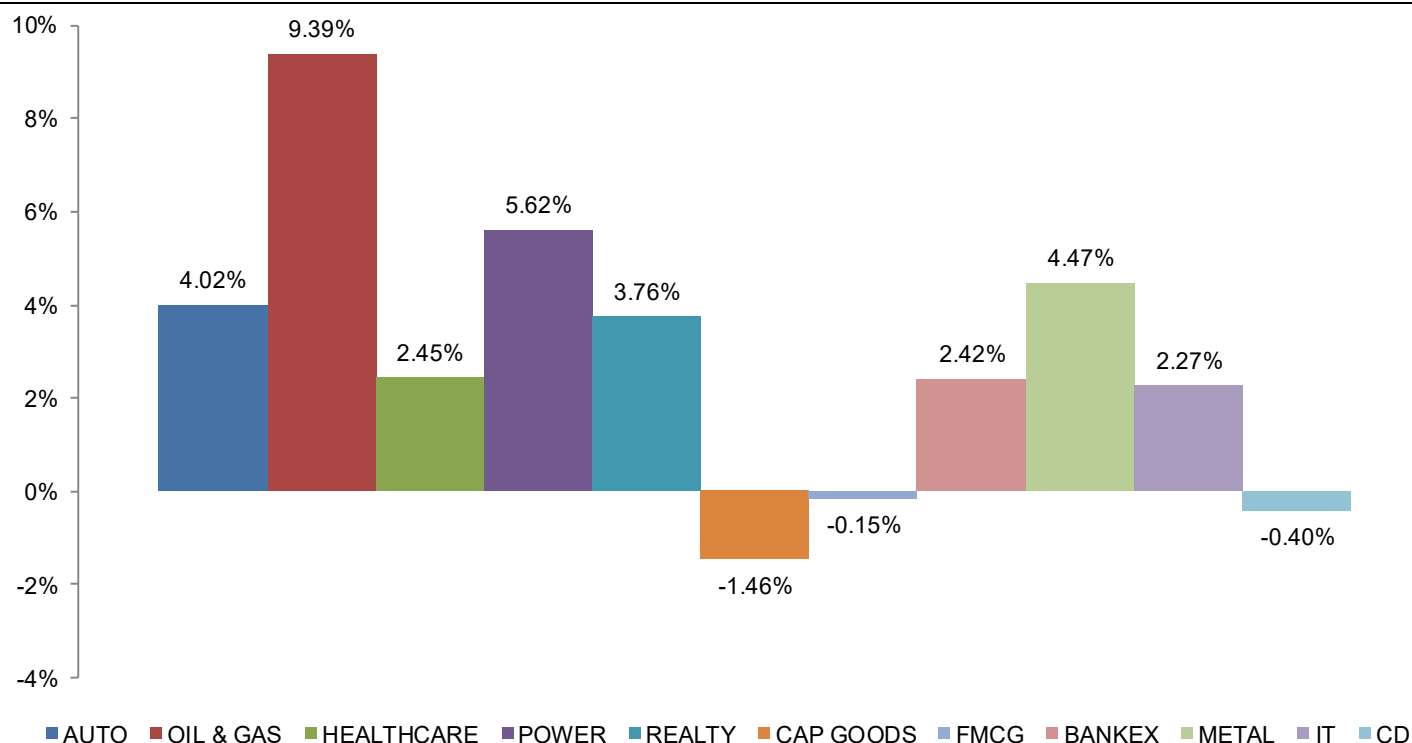
(INR. Cr.)

| Date | Purchases | Sales | Net |
|------------|-----------------|-----------------|----------------|
| 02-Feb-24 | 15,476.3 | 15,405.6 | -70.7 |
| 01-Feb-24 | 19,287.9 | 21,167.5 | -1,879.6 |
| 29-Jan-24 | 19,030.4 | 18,920.4 | 110.0 |
| 31-Jan-24 | 15,596.9 | 13,054.0 | 2,542.9 |
| 30-Jan-24 | 12,666.9 | 11,664.2 | 1,002.7 |
| 29-Jan-24 | 19,030.4 | 18,920.4 | 110.0 |
| MTD | 48,156.6 | 44,866.4 | 3,290.2 |

DII - ACTIVITY

(INR. Cr.)

| Date | Purchases | Sales | Net |
|------------|-----------------|-----------------|----------------|
| 02-Feb-24 | 14,097.6 | 11,634.4 | 2,463.2 |
| 01-Feb-24 | 12,991.1 | 12,118.6 | 872.5 |
| 29-Jan-24 | 14,592.4 | 11,371.1 | 3,221.3 |
| 31-Jan-24 | 26,054.0 | 24,393.4 | 1,660.7 |
| 30-Jan-24 | 14,275.7 | 16,246.2 | -1,970.5 |
| 29-Jan-24 | 14,592.4 | 11,371.1 | 3,221.3 |
| MTD | 82,010.8 | 75,763.7 | 6,247.1 |

BSE WEEKLY SECTORAL PERFORMANCE

Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

| SCRIP NAME | 02/02/24 | 25/01/24 | Weekly % Chg | 02/02/24 | 25/01/24 | Weekly % Chg |
|------------|-------------------|----------|--------------|---------------|----------|--------------|
| | Share Price (Rs.) | | | Open Interest | | |
| COROMANDEL | 1135.6 | 1128.45 | 0.6 | 1299900 | 706300 | 84.0 |
| INDUSTOWER | 227.4 | 225.4 | 0.9 | 142847600 | 91912200 | 55.4 |
| ABB | 4770.05 | 4733.3 | 0.8 | 1387125 | 938125 | 47.9 |
| TATACONSUM | 1142.5 | 1138.5 | 0.4 | 12502800 | 8826300 | 41.7 |
| INDIGO | 2887.2 | 2868.1 | 0.7 | 6454500 | 4782000 | 35.0 |

TOP OPEN INTEREST LOSERS (WEEKLY)

| SCRIP NAME | 02/02/24 | 25/01/24 | Weekly % Chg | 02/02/24 | 25/01/24 | Weekly % Chg |
|------------|-------------------|----------|--------------|---------------|-----------|--------------|
| | Share Price (Rs.) | | | Open Interest | | |
| JKCEMENT | 4198.95 | 4161.1 | 0.9 | 788000 | 1026500 | -23.2 |
| VOLTAS | 1010.95 | 1002.95 | 0.8 | 6769200 | 8710800 | -22.3 |
| POWERGRID | 244.2 | 245.4 | -0.5 | 46252800 | 56948400 | -18.8 |
| FEDERALBNK | 142.7 | 141.65 | 0.7 | 92190000 | 113335000 | -18.7 |
| ICICIBANK | 1014.45 | 1009.75 | 0.5 | 82850600 | 100314200 | -17.4 |

Company Overview

Incorporated in 1981, National Aluminium Company Ltd. (NALCO) is a scheduled 'A' Navratna CPSE having its registered office in Bhubaneswar. The company is one of the largest integrated primary producers of aluminium in Asia and has a presence across the entire value chain from bauxite mining, alumina refining, aluminium smelting, and power generation to downstream products. The company has extensive products across different categories. In the Alumina category, it offers products like Calcined Alumina, Alumina Hydrate, Speciality Hydrates, etc. In its Aluminium category, it offers a range of products such as Standard Ingots, Sow Ingots, T-Ingots, Wire Rods, Billets, and Flat Rolled Products (Coils, Sheets, and Chequered Sheets). NALCO has a vast operation capacity in Odisha for a Bauxite Mine consisting of 68.25 lakh TPA, an Alumina refinery consisting of 22.75 lakh TPA, and an Aluminium smelter consisting of 6.40 lakh TPA & 1,200 MW captive power plant capacity as on FY23. To reduce its input cost and as a part of the green initiative, the company has installed 198 MW Wind Power Plants at various locations in India and 850 kWp rooftop Solar Power Plants at its premises. Furthermore, as a part of backward integration, the company has established a caustic soda plant in JV with Gujarat Alkalies & Chemicals Limited (GACL) in Gujarat which was commissioned in May 2022. Additionally, the company has formed a JV Company named 'Angul Aluminium Park Private Ltd' (AAPPL) with Odisha Industrial Infrastructure Development Corporation (IDCO) to give a boost to ancillary, upstream, and downstream products related to the aluminium industry.

Investment Rationale

Integrated operations and strong credit metrics despite industry headwinds

NALCO operates captive high-quality bauxite mines, which meet 100% of its alumina requirement for manufacturing aluminium. It also operates 1,200 MW coal-based captive power plants, which are sufficient for its entire aluminium smelting capacity. For feeding coal, it has a fuel supply agreement with Mahanadi Coalfield Limited for around 85% of its requirement. This integration confers significant cost advantages, making NALCO one of the few low-cost producers of alumina across the world. Furthermore, NALCO's facilities are located close to raw material sources, leading to savings in freight costs. In the past, NALCO maintained a negative net debt position. Also, the interest coverage has remained fairly comfortable due to marginal interest obligations. This resulted in the company maintaining its net leverage position well below the industry average, considering the likely healthy EBITDA generation over the medium term.

Strong profitability expected from hereon

Due to lower aluminium production volumes and higher input costs in Q2FY24, NALCO's EBITDA margin declined. This can be primarily attributed to the rise in the power and fuel costs which significantly impacted the company's margin. Going forward, with the ramping up of captive coal production it is expected that the coal cost would come down. Further, the better production and realization of alumina sales volumes in the coming quarter will help the company to improve its profitability from Q3FY24 onwards. Additionally, the company's focus on backward integration and securitization of energy and bauxite has increased its business span for the next 30 years.

Valuation and Outlook

Indian aluminum demand has so far remained resilient to economic headwinds and performed well in 2023. India's economic indicators were positive while demand from end-users pointed to a mixed picture in 2023. The Government of India envisages faster adoption and promotion of EVs as a means to achieve these objectives. Aluminum is an essential material in the EV market, playing a vital role in battery technology, body construction, and infrastructure and driving sustainability. Going ahead, we see LME aluminium price remaining constrained between USD 2,100- 2,300 per tonne. The focus of the company on the early completion of the 5th stream refinery project and the development of the Pottangi Bauxite mines and the Utkal D & E coal blocks in Odisha would support earnings growth hereon. With Khanij Bidesh India Limited (KABIL), a joint venture between NALCO, Hindustan Copper, and Mineral Exploration, signing an agreement with Argentina's CAMYEN SE to explore and develop five lithium mines will enhance the company's lithium sourcing capabilities.

Taking cognizance of potential cost efficiencies and improvement in its topline, we give NALCO a "BUY" rating. We value the stock at an FY25E EV/EBITDA of 6.7x to arrive at a target price of Rs. 175 (15% upside from CMP).

Stock Rating

| BUY | HOLD | SELL |
|-------|------------|-------|
| > 15% | -5% to 15% | < -5% |

Sector Outlook

Positive

Stock

| | |
|--------------------|------------|
| CMP (INR) | 153 |
| Target Price (INR) | 175 |
| NSE Symbol | NATIONALUM |
| BSE Code | 532234 |
| Bloomberg | NACL IN |
| Reuters | NALU.BO |

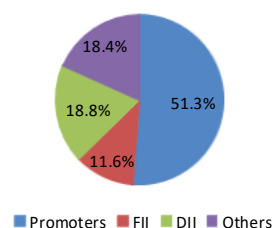
Key Data

| | |
|---------------------|-------------|
| Nifty | 21,711 |
| 52WeekH/L(INR) | 1,537 / 911 |
| O/s Shares (Mn) | 1,834 |
| Market Cap (INR bn) | 281 |
| Face Value (INR) | 5 |

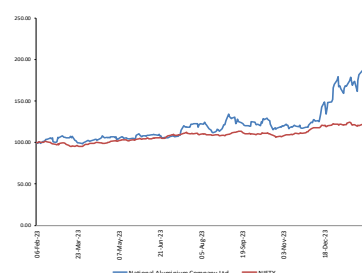
Average volume

| | |
|----------|-------------|
| 3 months | 2,80,34,200 |
| 6 months | 1,90,68,530 |
| 1 year | 1,46,10,450 |

Share Holding Pattern (%)



Relative Price Chart



National Aluminium Company Ltd.

Key Financials

| YE March (Rs. millions) | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-----------------------------------|----------------|---------------|-----------------|-----------------|-----------------|-----------------|
| Revenue | 84,718 | 89,558 | 1,42,146 | 1,42,549 | 1,73,909 | 2,12,169 |
| <i>Revenue Growth (Y-o-Y)</i> | <i>(26.3%)</i> | <i>5.7%</i> | <i>58.7%</i> | <i>0.3%</i> | <i>22.0%</i> | <i>22.0%</i> |
| EBIDTA | 4,879 | 15,183 | 45,486 | 24,392 | 36,521 | 44,556 |
| <i>EBIDTA Growth (Y-o-Y)</i> | <i>(83.1%)</i> | <i>211.2%</i> | <i>199.6%</i> | <i>(46.4%)</i> | <i>49.7%</i> | <i>22.0%</i> |
| Net Profit | 1,362 | 12,994 | 29,514 | 14,347 | 29,565 | 36,069 |
| <i>Net Profit Growth (Y-o-Y)</i> | <i>(92.1%)</i> | <i>853.8%</i> | <i>127.1%</i> | <i>(51.4%)</i> | <i>106.1%</i> | <i>22.0%</i> |
| Diluted EPS | 0.7 | 7.1 | 16.1 | 7.8 | 16.1 | 19.6 |
| <i>Diluted EPS Growth (Y-o-Y)</i> | <i>(92.1%)</i> | <i>853.8%</i> | <i>127.1%</i> | <i>(51.4%)</i> | <i>106.1%</i> | <i>22.0%</i> |

Key Ratios

| | | | | | | |
|--------------------------|-------------|--------------|--------------|--------------|--------------|--------------|
| EBIDTA margin (%) | 5.8% | 17.0% | 32.0% | 17.1% | 21.0% | 21.0% |
| NPM (%) | 1.6% | 14.5% | 20.8% | 10.1% | 17.0% | 17.0% |
| RoE (%) | 1.4% | 12.2% | 23.5% | 10.9% | 21.4% | 24.8% |
| RoCE (%) | 4.9% | 14.2% | 36.2% | 18.5% | 26.3% | 30.5% |

Valuation Ratios

| | | | | | | |
|--------------------------------|---------------|--------------|-------------|--------------|-------------|-------------|
| P/E (x) | 206.2x | 21.6x | 9.5x | 19.6x | 9.5x | 7.8x |
| EV/EBITDA | 53.5x | 17.4x | 5.4x | 10.7x | 7.1x | 5.8x |
| P/BV (x) | 2.8x | 2.6x | 2.2x | 2.1x | 2.0x | 1.9x |
| Market Cap. / Sales (x) | 3.3x | 3.1x | 2.0x | 2.0x | 1.6x | 1.3x |

Source: Company, BP Equities Research

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