

National Aluminium Co. (NACL) - BUY

Result Update

Current Market Price (CMP) Rs.369	Fair Value (FV) Rs 420
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Rationale:

- NACL’s Q1FY27 EBITDA beat estimates led by aluminum margins. Pre commissioning activities for 1 mtpa alumina refinery are underway, with CoD by Q3FY27.
- In Q2FY27, management expects alumina realizations to improve and aluminum CoP to stabilize.
- Captive coal ramps up to 4.8 mtpa and continued employee rationalization should offset any cost headwinds.
- Capex for 0.5 mtpa aluminum smelter to pick up only from FY29E.
- We expect strong aluminum prices in a deficit market to keep earnings and FCF elevated.
- Upgrade to BUY (from REDUCE), with a revised FV of Rs420.

Positives:

- NALCO’s Q1FY27 standalone EBITDA, at Rs2710 cr (+81% yoy, +15.2% qoq).
- We forecast 4-5% dividend yield over FY27-29E.
- We build in growth in alumina volumes from 2HFY27E.

Negatives:

- Reversal in aluminum upcycle are key risks.

(EPS: Earnings Per Share, CAGR: Compound Annual Growth Rate, EBITDA - Earnings before Interest, Tax, Depreciation, and Amortisation, FCF - Free Cash Flow)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com).Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	– We expect the stock to deliver more than 15% returns over the next 12 months
ADD	– We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	– We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	– We expect the stock to deliver < -5% returns over the next 12 months
NR	– Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	– Not Available or Not Applicable. The information is not available for display or is not applicable
NM	– Not Meaningful. The information is not meaningful and is therefore excluded.
NOTE	– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan Head of Research shrikant.chouhan@kotak.com +91 22 6218 5408	Arun Agarwal Auto & Auto Ancillary, Building Material, Cement, Consumer Durable arun.agarwal@kotak.com +91 22 6218 6443	Amit Agarwal, CFA Transportation, Paints, FMCG agarwal.amit@kotak.com +91 22 6218 6439
Rini Mehta Research Analyst rini.mehta@kotak.com +91 22 6218 6433	Sumit Pokharna Oil and Gas, Information Tech sumit.pokharna@kotak.com +91 22 6218 6438	Veer Trivedi BFSI veer.trivedi@kotak.com +91 22 6218 6432
Pankaj Kumar Construction, Capital Goods & Midcaps pankajr.kumar@kotak.com +91 22 6218 5498	Amarjeet Maurya Internet Software & Services amarjeet.maurya@kotak.com +91 22 6218 6427	Gaurav Bhandari Research Analyst bhandari.gaurav@kotak.com +91 22 6218 6440

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan shrikant.chouhan@kotak.com +91 22 6218 5408	Amol Athawale amol.athawale@kotak.com +91 20 6620 3350	Sayed Haider sayed.haider@kotak.com +91 22 62185458
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DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

Sahaj Agrawal sahaj.agrawal@kotak.com +91 79 66041701	Prasenjit Biswas, CMT, CFTe prasenjit.biswas@kotak.com +91 33 6638 8331	Karan Kulkarni karan.kulkarni@kotak.com +91 20 66203350
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