



**SMIFS
LIMITED**
LEGACY | TRUST | GROWTH

MONTHLY

R|SEARCH RECOMMENDATIONS

January 2023

NATIONAL ALUMINIUM COMPANY LTD. (Previous Close: INR80.40)

Buying Range: INR75 – INR65 | Stop-Loss: Closing Below INR55 | Target : INR100

Risk/Reward Ratio- around 1:2

Projected Timeframe - 2 Months

Projected Profit- around 43%

Projected Loss- around 21%

The stock is seen taking support along the critical MA band that offers a midterm investment opportunity with favorable risk-reward ratio.

Weekly Chart:



Technical View:

After reacting down from the recent high around 130 levels, the stock is seen taking support along the critical MA band placed around 70 levels. Both leading indicators stochastic oscillator and RSI are seen making higher highs, which is pointing towards massive positive divergence and suggesting rise in coming days.

Based on the aforementioned explanations, we recommend buying NALCO on dips in the price range of 75-65 for the target of 100.

NATIONAL ALUMINIUM COMPANY LTD. (Previous Close: INR80.40)

Buying Range: INR75 – INR65 | Stop-Loss: Closing Below INR55 | Target : INR100

Fundamental View:

National Aluminium Company Limited (NALCO), a Navratna group "A" CPSE, was founded in 1981. Alumina and aluminum are two products that NALCO manufactures and sells. The company produces metallurgical grade alumina at the lowest cost and bauxite at the lowest cost in the globe. The company runs a 4.60 lakh TPA aluminum smelter in Angul, Odisha and a 22.75 lakh TPA alumina refinery facility in Damanjodi, Koraput district.

Global Aluminium demand (primary and secondary) is forecast to grow by 33.3 MT, going from 86.2 MT in 2020 to 119.5 MT in 2030. Around 37% of this growth is expected to come from China, followed by 26% from Asia Ex-China, 15% from North America and 14% from Europe. During the year 2021, total world production of Metallurgical Grade Alumina (MGA) was 131.30 Million Tonnes, registering an increase of about 3.52% compared to 126.84 Million Tonnes produced during 2020. Alumina consumption during 2021 was 130.99 Million Tonnes as against 126.36 Million Tonnes consumed during 2020, exhibiting a YoY increase of 3.66%. China was the major contributor in both production and consumption, having 55.05% share in production and 57.23% share in consumption of Alumina. China was the largest producer as well as consumer during the year, contributing 57.24% share (38.58 Million Tonnes) of the world production and 58.21% (40.14 Million Tonnes) of the world consumption of Aluminium.

At 4.1 Million Tonnes per annum (MTPA), India has the second-largest aluminium production capacity in the world, followed by Russia at 3.9 MTPA, while China has the largest capacity. The industries that require aluminium in the country mostly include power, consumer durables, transportation, construction and packaging etc. Aluminium is a strategic metal that propels India's GDP. Aluminium usage in India is likely to grow at a CAGR of 6.7% annually to reach 4.84 Million Tonnes by 2026-27. The highest growth in terms of absolute demand will come from the transportation sector which, driven by decarbonization policies and the shift from vehicles powered by traditional fossil fuels to electric vehicles (EVs), will go from consuming 19.9 MT of aluminium in 2020 to consuming 31.7 MT in 2030. More than half of the aluminium consumption growth coming from the transportation sector in Asia Ex-China is expected to come from India (27%), Japan (17%) and the Middle East (12%).

NALCO runs captive, high-quality bauxite mines that provide all of the alumina needed to produce aluminum. Additionally, it runs captive coal-based power facilities with a combined capacity of 1,200 MW, which is enough for all of its aluminum smelting needs. It has a fuel supply arrangement with Mahanadi Coalfield Limited covering around 85% of its needs for feeding coal. Due to the enormous cost advantages provided by this integration, NALCO is now one of the few low-cost alumina producers in the world. Additionally, NALCO's facilities are near to the origins of its raw materials, saving money on freight.

NALCO was allocated a second mining licence for the Pottangi bauxite mine in the Koraput district, close to its current refinery, with total resources of 110 million tonnes. The mining proposal was authorized by the Indian Bureau of Mines in July 2018. NALCO expects the 5th stream expansion of Alumina refinery to be operational by December 2024 and this stream will cost ~INR64.36 billion to enhance the refining capacity by 44% to 3.275 million metric tonnes per year (MTPA). NALCO produces alumina at a cheap cost and enjoys large profits in the alumina market. Once the alumina expansion operations are stabilized, NALCO's total margins will increase.

The Company achieved a 40% growth in domestic metal sales and 8% increase in total metal sales during FY 2021–2022. Around 28% of the revenue and profits come from the alumina segment while the rest comes from Aluminium. With China having a dominant share in both consumption and production – the reopening of china should bode well for the alumina and aluminium industry coupled with additional demand from EV's and transportation sector. Over the next 2 years the mines expansion and capacity expansions should also start yielding results. We expect the company report and EPS of ~ INR 12 for FY24. The stock is currently trading at a p/e multiple 6.5x, which is attractive given healthy balance sheet position and expected dividend yields of ~ 6.25%.

BANK OF INDIA LTD. (Previous Close: INR88.25)

Buying Range: INR80 – INR70 | Stop-Loss: Closing Below INR60 | Target: INR105

Risk/Reward Ratio- around 1:2

Projected Timeframe - 1 Month

Projected Profit- around 40%

Projected Loss- around 20%

After a prolonged downtrend, the stock is seen breaking out the critical descending trend line that offers a midterm investment opportunity with favorable risk-reward ratio.

Monthly Chart:



Analysis:

After a prolonged down trend, the stock is seen reacting up from the longer-term trend line followed by a midterm descending trend line breakout taking place around 70 levels. Rise in volume during the breakout suggesting strength of this breakout. Leading indicators Stochastic and RSI are both moving up without interruption in tandem suggesting continuation of current bullish trend.

Based on the aforementioned explanations, we recommend buying BANK OF INDIA on dips in the price range of 80-70 for the target of 105.

UNION BANK OF INDIA LTD. (Previous Close: INR80.80)

Buying Range: INR60 – INR50 | Stop-Loss: Closing Below INR30 | Target: INR105

Risk/Reward Ratio- around 1:2

Projected Timeframe - 3 Month

Projected Profit- around 91%

Projected Loss- around 45%

The stock is seen breaking out a prolonged triangle that offers a midterm investment opportunity with favorable risk-reward ratio.

Monthly Chart:



Analysis:

After a sustained down trend, the stock is seen breaking out a prolonged triangle taking place around 50 levels. Triangle breakout backed by massive volume pointing towards longer-term reversal, which may unfold up move towards 105 levels. Rise in volume during the triangle formation suggesting longer-term accumulation. Leading indicator RSI moving up without interruption while the ADX has just started trending higher above twenty also suggesting continuation of primary bullish trend.

Based on the aforementioned explanations, we recommend buying UNION BANK on dips in the price range of 60-50 for the target of 105.

NARAYANA HRUDAYALAYA LTD.

CMP (INR) (As on 29th Dec 2022): INR 739 | Target: INR 995 | Upside (%): 35% | Recommendation: Buy | Timeframe – 12 to 18 Months

Stock Scan

| | |
|-------------------------------|------------|
| Market cap (INR mn) | 1,909 |
| Outstanding Shares (mn) | 204.4 |
| Face Value (INR) | 10 |
| Dividend Yield (%) | 0.13% |
| P/E (x) | 68.53 |
| P/B (x) | 11.71 |
| Debt/Equity (x) | 0.48 |
| Beta vs. Sensex | 0.88 |
| 52 Week High/ Low (INR) | 810.15/530 |
| Avg. Daily Volume /3 mth (mn) | 151.4 |

Narayana posted strong numbers in Q2FY23 owing to robust revenue by Cayman and strong trajectory in the flagship hospitals contributed by rising international patient mix. The India story is strong and there would be a continual need of healthcare given the demographic situation. A mix of brownfield, greenfield, and acquisition opportunities would be undertaken by Narayana to grow in India. The priority would be brownfield opportunities to ensure synergies in the existing set up. This would be followed by greenfield opportunities which must be close to the area of the existing set up. Having said those, Narayana can easily manage growth for the next 2-3 years in India without adding any fresh capacity/beds.

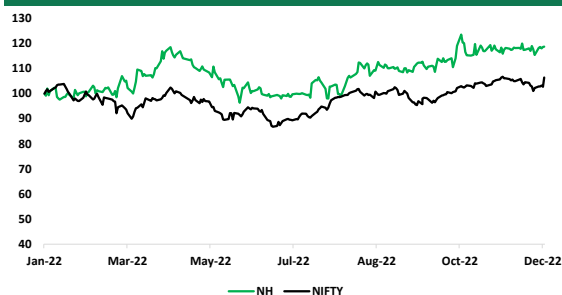
Valuation & Outlook

We are positive about the growth prospects connected with Narayana. Both Cayman and India operations should continue to do well in the future. Apart from cardiology, Narayana is exploring other therapies as well such as Oncology and Gastro which would improve the revenue mix. We expect patients mix and case mix to improve which would result in increased EBITDA margins going ahead. **We value the stock at 17x EV/EBITDA with respect to Sep 24e EBITDA to arrive at a target price of Rs 995. Buy.**

Shareholding Pattern (%)

| | Sep-22 | Jun-22 | Mar-22 | Dec-21 |
|-----------|--------|--------|--------|--------|
| Promoters | 63.9 | 63.9 | 63.9 | 63.9 |
| Fill | 9.6 | 10.0 | 10.6 | 10.8 |
| Dil | 16.6 | 17.8 | 18.3 | 19.0 |
| Public | 9.9 | 8.3 | 7.2 | 6.3 |

Stock vs. Nifty (Relative Returns)



Financial Performance at a glance

| Particulars (Rs mn) | FY20 | FY21 | FY22 | FY23E | FY24E |
|---------------------|--------|---------|--------|--------|--------|
| Net sales | 31,278 | 25,830 | 37,013 | 40,439 | 44,163 |
| Growth (%) | 9.3 | (17.4) | 43.3 | 9.3 | 9.2 |
| EBITDA | 4,229 | 1,828 | 6,535 | 8,945 | 10,923 |
| EBITDA margin (%) | 13.5 | 7.1 | 17.7 | 22.1 | 24.7 |
| PAT | 1,271 | (143) | 3,419 | 4,714 | 6,156 |
| PAT margin (%) | 4.1 | (0.6) | 9.2 | 11.7 | 13.9 |
| EPS (Rs) | 6.3 | (0.7) | 16.8 | 23.2 | 30.3 |
| P/E (x) | 37.3 | (376.4) | 21.0 | 23.4 | 24.7 |
| P/BV (x) | 4.2 | 4.8 | 4.8 | 6.6 | 6.7 |
| RoE (%) | 11.5 | (1.3) | 26.2 | 29.8 | 31.2 |
| RoCE (%) | 10.1 | 0.2 | 18.7 | 22.0 | 19.5 |
| EV/EBITDA (x) | 14.6 | 42.5 | 17.7 | 17.8 | 14.0 |

NARAYANA HRUDAYALAYA LTD.

CMP (INR) (As on 29th Dec 2022): INR 739 | Target: INR 995 | Upside (%): 35% | Recommendation: Buy | Timeframe – 12 to 18 Months

Investment Rationales:

Narayana reported strong set of numbers for Q2FY23. While on a YoY basis there was a high growth of 21.4% because of the low base effect, on a sequential basis the company reported growth of 10.5%.

The average revenue per person (ARPP) for India inpatients (IP) was Rs 1,10,600 which has witnessed an increase of 0.5%, whereas the outpatient's revenue has seen decline of 2.5% due to lower visits as result of festive seasons such as Durga Puja and Diwali. The ARPP for India outpatients (OP) was Rs 3900.

ARPP for IP in Cayman was USD 30,300 which has witnessed increase of 83% YoY due to low base of covid in Q2 FY22. ARPP for OP in Cayman was USD 1000, an increase of 2.1%.

IP footfalls were 59,500 for the quarter while OP footfalls were 6,13,400 for the India business. For Cayman, IP footfalls were 545 while OP footfalls were 7,609.

We value the stock at 17x EV/EBITDA with respect to Sep 24e EBITDA to arrive at a target price of Rs 995. Buy.



Research catering to client needs

| | Long term Investing | Medium term investing | Short term Trading | Intra – day Trading |
|--------------|------------------------|--------------------------|-----------------------|------------------------|
| Fundamentals | High | Medium | Low | Absent |
| Derivatives | Low | Low | High | High |
| Technicals | Low | Low | High | High |

Research Basket

Long-term Investment

- 12 to 18 month perspective – Detailed company reports
- Others – Muhurat Picks and Annual Strategy Picks

Medium-term Investment

- 3 to 6 months perspective
- Technical and Quant Picks

Short-term Investment & Trading

- 1 month investment call
- Positional Momentum Picks
- BTST, STBT on leading stocks

Intraday Trading

- Daily Calls – Cash, Futures and Options

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Analyst holding in stock: **NO**

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Buy: Return >15%, Accumulate: Return between 5% to 15%, Reduce: Return between -5% to +5%, Sell: Return < -5%

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