

Quantitative Research

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Abhishek Arora
abhishek.arora@emkayglobal.com
+91 22 6624 2446

Buyback

NACL – Government to tender entire stake, Non Retail acceptance at 3.3%

NACL India (National Aluminum) Buyback Details

- NACL India announced a Rs 5bn share buyback on 12th October 2018. The buy back up to 67.31mn shares aggregating up to 3.48% of the paid-up equity capital via tender route at a price of Rs 75. Buyback size is Rs 5bn representing 5% of the aggregate of the standalone and consolidated paid- up share capital and free reserves.
- At Rs 75, the buyback price is set at ~12% premium over previous closing of Rs 67. We expect Government to tender entire stake to meet its divestment targets.

Buyback Details

C.M.P. (Rs.)	67
M. Cap. (Rs. bn.)	130
Total No.of Shares (mn.)	1,932.9
Open offer (In Shares – mn.)	67.3
Open Offer Price (Rs.)	75 (Prem ~12%)
Outlay (in bn.)	5.05
Open Offer for:	3.48%

Timelines and Shareholding pattern:

Pre Buy- back Shareholding pattern		
Category of Holders	No.of Shares (Mn)	%
Promoter	1,093.8	56.6%
Financial Institutions/ Banks	154.7	8.0%
Foreign Portfolio Investors	180.7	9.3%
Insurance Companies	0.0	0.0%
Individual share capital upto Rs. 2 Lacs (This is Face value not market value)	117.7	6.1%
Others	252.0	13.0%
Bodies Corporate	127.9	6.6%
Clearing Members	5.4	0.3%
Trusts	0.8	0.0%
Grand Total	1,932.9	100.0%

Source: Emkay Research, Company filing

Events	Date	Comments
Board approves buyback	12-Oct-18	
Announcement of record date	13-Oct-18	
Record date	26-Oct-18	
Buy back opening	02-Nov-18	Expected
Buy back closing	14-Nov-18	Expected
Intimation regarding acceptance	24-Nov-18	Expected
Payment of consideration	04-Dec-18	Expected

Source: Emkay Research

NACL buyback : Details of Expected Acceptance - Retail

Break up buyback

Buyback offer (In Shares – mn.)	67.3
Non - Retail - 85%	57.2
Retail -15% (Shareholders holding up to Rs. 0.2 mn MV as on record date)	10.1

Minimum and expected Acceptance for Retail

Buyback offer for retail (In Shares – mn.)	10.1
Retail portion eligible for buyback	37.0
Our expectation of acceptance	34.2%

Computing retail portion eligible for buyback – Assumed 30% increase in Shareholding from 31st March 2018

Number of shares	# of Holders	Percentage to capital (%) (2017)	Number of Shares	Percentage to total accounts (%)	Assumed 30% increase in Shareholding from 31st March 2018 levels	Percentage to capital (%) (2018)
1 - 200	74,597	56.45%	6,833,807	0.35%	36,954,966	1.91%
201-500	26,973	20.41%	10,255,850	0.53%		
501-1000	13,665	10.34%	11,337,240	0.59%		

Promoter details – Government of India is the promoter of National Aluminum (NACL). We expect them to fully tender as they have done in past (see below). The idea of government is to meet disinvestment targets

Promoter tender details of 2016 Buy back - 29th July 2016

Category of Shareholder	# of shares	% of Exiting Equity capital	# of shares	% to post buyback Equity share capital
Promoter and Promoter group	2,085,782,622	80.9%	1,441,482,490	74.6%
Foreign Investors (including NRI/ FII / FPI / Foreign nationals / OCB)	64,296,129	2.5%	64,296,109	3.3%
Financial Institutions / banks. NBFCs and Mutual fund / insurance companies	252,919,347	9.8%	252,919,347	13.1%
Others (Public, bodies, Corporate, Clearing member and Trusts and HUF)	174,240,414	6.8%	174,230,938	9.0%
	2,577,238,512	100.0%	1,932,928,884	100.0%

Source: Emkay Research, Company filing

NACL buyback : Break up for Non retail acceptance:

- We have assumed Promoter participation at 100% and 90% for rest of segments,
- We expect on a average acceptance ratio of 3.3% for non retail category
- The process is expected to be completes in 2 months

Category	Current Holding	Probable case		Acceptance %
		Assumed Tender (%)		
Promoter	56.6%	100.0%	56.6%	3.0%
Financial Institutions/ Banks	8.0%	90.0%	7.2%	3.3%
Foreign Portfolio Investors	9.3%	90.0%	8.4%	3.3%
Insurance Companies	0.0%	90.0%	0.0%	3.3%
Individual share capital in excess of Rs. 2 Lacs	4.2%	90.0%	3.8%	3.3%
Others	13.0%	90.0%	11.7%	3.3%
Bodies Corporate	6.6%	90.0%	6.0%	3.3%
Clearing Members	0.3%	90.0%	0.3%	3.3%
Trusts	0.0%	90.0%	0.0%	3.3%
Our estimate of small shareholders (Below 0.2mn value)	1.9%	80.0%	1.5%	34.2%
% of Shareholding Tendered			95%	

Source: Emkay Research, Company filing

NACL India buyback : Non- Retail Investors

- An event driven Long cash / Short NALCO futures in the ratio 1 : 0.96 to play this buyback event
- Probable case of Non Retail Acceptance ratio given promoter's intention to participate is most likely 3.3%.

Scenario Analysis: Post offer price vs acceptance ratio

Share Info	NACL
Cash Buy Price (Rs)	67
Offer Price (Rs)	75
Far month Future Price	67.1
Hedge ratio	96.00%

Post Offer price / Acceptance	Acceptance ratio												
	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%
55.0	-0.5%	-0.4%	-0.3%	-0.3%	-0.2%	-0.2%	-0.1%	0.0%	0.0%	0.1%	0.1%	0.2%	0.3%
57.5	-0.3%	-0.2%	-0.2%	-0.1%	-0.1%	0.0%	0.1%	0.1%	0.2%	0.2%	0.3%	0.4%	0.4%
60.0	-0.2%	-0.1%	0.0%	0.0%	0.1%	0.1%	0.2%	0.3%	0.3%	0.4%	0.4%	0.5%	0.6%
62.5	0.0%	0.1%	0.1%	0.2%	0.2%	0.3%	0.4%	0.4%	0.5%	0.5%	0.6%	0.7%	0.7%
65.0	0.1%	0.2%	0.3%	0.3%	0.4%	0.4%	0.5%	0.6%	0.6%	0.7%	0.7%	0.8%	0.9%
67.5	0.3%	0.4%	0.4%	0.5%	0.5%	0.6%	0.7%	0.7%	0.8%	0.8%	0.9%	0.9%	1.0%
70.0	0.4%	0.5%	0.6%	0.6%	0.7%	0.7%	0.8%	0.9%	0.9%	1.0%	1.0%	1.1%	1.2%
72.5	0.6%	0.7%	0.7%	0.8%	0.8%	0.9%	0.9%	1.0%	1.1%	1.1%	1.2%	1.2%	1.3%
75.0	0.7%	0.8%	0.9%	0.9%	1.0%	1.0%	1.1%	1.2%	1.2%	1.3%	1.3%	1.4%	1.5%
77.5	0.9%	0.9%	1.0%	1.1%	1.1%	1.2%	1.2%	1.3%	1.4%	1.4%	1.5%	1.5%	1.6%
80.0	1.0%	1.1%	1.2%	1.2%	1.3%	1.3%	1.4%	1.5%	1.5%	1.6%	1.6%	1.7%	1.8%
82.5	1.2%	1.2%	1.3%	1.4%	1.4%	1.5%	1.5%	1.6%	1.7%	1.7%	1.8%	1.8%	1.9%
85.0	1.3%	1.4%	1.5%	1.5%	1.6%	1.6%	1.7%	1.8%	1.8%	1.9%	1.9%	2.0%	2.1%
87.5	1.5%	1.5%	1.6%	1.7%	1.7%	1.8%	1.8%	1.9%	2.0%	2.0%	2.1%	2.1%	2.2%

Source: Emkay Research



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NACL buyback : Retail Investors

- An event driven long cash is recommended for retail investors who want to participate in buyback. The strategy has breakeven at Rs 62.50 (assuming a 35% acceptance ratio) provide automatic protection of 6.7%.

Scenario Analysis: Post offer price vs acceptance ratio

Share Info:	NACL
No of Shares	100
Cash Buy Price (Rs)	67
Offer Price (Rs)	75
Current month Future Price	77

Acceptance ratio

Post Offer price / Acceptance	30.0%	32.5%	35.0%	37.5%	40.0%	42.5%	45.0%	47.5%	50.0%	52.5%	55.0%	57.5%	60.0%
55.0	-9.0%	-8.2%	-7.5%	-6.7%	-6.0%	-5.2%	-4.5%	-3.7%	-3.0%	-2.2%	-1.5%	-0.7%	0.0%
57.5	-6.3%	-5.7%	-5.0%	-4.4%	-3.7%	-3.1%	-2.4%	-1.8%	-1.1%	-0.5%	0.2%	0.8%	1.5%
60.0	-3.7%	-3.2%	-2.6%	-2.1%	-1.5%	-0.9%	-0.4%	0.2%	0.7%	1.3%	1.9%	2.4%	3.0%
62.5	-1.1%	-0.7%	-0.2%	0.3%	0.7%	1.2%	1.7%	2.1%	2.6%	3.1%	3.5%	4.0%	4.5%
65.0	1.5%	1.9%	2.2%	2.6%	3.0%	3.4%	3.7%	4.1%	4.5%	4.9%	5.2%	5.6%	6.0%
67.5	4.1%	4.4%	4.7%	4.9%	5.2%	5.5%	5.8%	6.1%	6.3%	6.6%	6.9%	7.2%	7.5%
70.0	6.7%	6.9%	7.1%	7.3%	7.5%	7.6%	7.8%	8.0%	8.2%	8.4%	8.6%	8.8%	9.0%
72.5	9.3%	9.4%	9.5%	9.6%	9.7%	9.8%	9.9%	10.0%	10.1%	10.2%	10.3%	10.4%	10.4%
75.0	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%
77.5	14.6%	14.5%	14.4%	14.3%	14.2%	14.1%	14.0%	13.9%	13.8%	13.7%	13.6%	13.5%	13.4%
80.0	17.2%	17.0%	16.8%	16.6%	16.4%	16.2%	16.0%	15.9%	15.7%	15.5%	15.3%	15.1%	14.9%
82.5	19.8%	19.5%	19.2%	18.9%	18.7%	18.4%	18.1%	17.8%	17.5%	17.3%	17.0%	16.7%	16.4%
85.0	22.4%	22.0%	21.6%	21.3%	20.9%	20.5%	20.1%	19.8%	19.4%	19.0%	18.7%	18.3%	17.9%
87.5	25.0%	24.5%	24.1%	23.6%	23.1%	22.7%	22.2%	21.7%	21.3%	20.8%	20.3%	19.9%	19.4%

Source: Emkay Research



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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

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SINGAPORE**DBS Bank Ltd**

Contact: Janice Chua

12 Marina Boulevard, Marina Bay Financial Centre Tower 3

Singapore 018982

Tel. 65-6878 8888

Fax: 65 65353 418

e-mail: equityresearch@dbs.com

Company Regn. No. 196800306E

THAILAND**DBS Vickers Securities (Thailand) Co Ltd**

Contact: Chanpen Sirithanarattanakul

989 Siam Piwat Tower Building,

9th, 14th-15th Floor

Rama 1 Road, Pathumwan,

Nagkok Thailand 10330

Tel. 66 2 687 7831

Fax: 66 2 658 1269

e-mail: research@th.dbs.com

Company Regn. No 0105539127012

Securities and Exchange Commission, Thailand

INDONESIA**PT DBS Vickers Sekuritas (Indonesia)**

Contact: Maynard Priajaya Arif

DBS Bank Tower

Ciputra World 1, 32/F

Jl. Prof. Dr. Satrio Kav. 3-5

Jakarta 12940, Indonesia

Tel. 62 21 3003 4900

Fax: 62 21 3003 4943

e-mail: research@id.dbsvickers.com





Abhishek Arora
abhishek.arora@emkayglobal.com
+91-22- 66242446



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