National Aluminium Company Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**NALCO operates as a highly integrated Alumina/Aluminum producer with 100% bauxite security and increasing coal self-sufficiency via Utkal-D/E blocks.**	Positive
2	**Net Profit surged 213% YoY to □5,268 Cr, primarily catalyzed by record Alumina price realizations and significant captive coal cost-savings.**	Positive
3	**Operating Margins (OPM) expanded aggressively from 21% to 45% as material costs as a percentage of revenue dropped from 20.12% to 11.75%.**	Positive
4	**The company maintains a fortress balance sheet with a negligible Debt-to-Equity ratio of 0.01x and a cash pile of □5,427 Cr.**	Positive
5	***Working capital efficiency deteriorated sharply as inventory days rose to 353, extending the cash conversion cycle to 221 days.***	Negative
6	**Record Free Cash Flow of □4,641 Cr provided 4.8x coverage for capital expenditures while supporting a □1,837 Cr dividend payout.**	Positive
7	***Capital efficiency is hampered by project execution bottlenecks, evidenced by a 74% surge in aged CWIP (>3 years) to 1,304.05 Cr.***	Negative
8	**Earnings quality remains high with CFO exceeding PAT, though 36% of the gross block is currently trapped in non-productive CWIP.**	Neutral
9	**Governance is stable with 9/10 checkmarks and a "clean slate" under new leadership, though RPT procurement from GNAL exceeds 5% of revenue.**	Neutral
10	***Significant regulatory risk exists via the ORISED Act Supreme Court ruling, posing an unquantified retrospective tax threat to the cash reserves.***	Negative
11	**The outlook hinges on the 5th Stream Refinery commissioning by Dec 2025, which would add 1 MTPA capacity to capture high Alumina prices.**	Neutral
12	**Stance: ACCUMULATE; monitor CWIP-to-Gross Block ratio (>45% threshold) and retrospective tax quantification exceeding □2,500 Cr.**	Positive

1. Business overview

- **Business Segments:** NALCO operates as a fully integrated producer of Alumina and Aluminium. Key segments include Mining (Bauxite/Coal), Alumina Refining, Aluminium Smelting, and Power (Captive and Renewable).
- **Revenue Drivers:** Primary drivers are LME (London Metal Exchange) Aluminium prices and Alumina export realizations. Domestic Aluminium sales account for 65% of revenue, while Alumina exports contribute 32%.
- **Cost Drivers:** Energy is the dominant cost, specifically coal for captive power plants and grid power. Raw material inputs include Bauxite (captive), Caustic Soda (partially sourced from GNAL JV), and CP Coke.
- **Industry Position:** NALCO is one of the lowest-cost producers of Alumina globally due to high-quality captive bauxite mines and integrated operations.

- **Expansion Plans:** The company is executing a 1 MTPA 5th Stream Alumina Refinery expansion and a 0.5 MTPA Brownfield Smelter at Angul.
- **Resource Security:** Operationalization of Utkal-D and Utkal-E coal blocks and progress on the Pottangi Bauxite Mines (75M MT) are securing 100% raw material self-sufficiency.
- **Acquisitions & JVs:** Strategic focus on the GNAL JV for Caustic Soda and KABIL for overseas Lithium mine exploration in Argentina.
- **Geographical Presence:** Strong domestic footprint in India with a strategic export presence in the global Alumina market.

2. Management commentary & outlook

- Management is pivoting NALCO from a commodity player to a "resource-secured fortress" by achieving 100% raw material self-sufficiency in coal and bauxite.
- The operationalization of Utkal-D and Utkal-E coal blocks is expected to be the single most important driver for margin expansion by reducing reliance on expensive e-auction coal.
- The appointment of Shri Brijendra Pratap Singh as CMD, alongside a new CFO and HR Director, represents a "clean slate" transition aimed at fixing chronic project execution delays.
- Management displayed rare capital discipline by proposing the closure of the UADNL (High-End Alloy) JV with midhani, citing a lack of commercial viability.
- The 1 MTPA 5th Stream Refinery expansion remains the primary growth lever, with a revised completion timeline of September 2025.
- The 0.5 MTPA Brownfield Smelter at Angul is currently in the pre-project and land acquisition stage, suggesting volume growth in the Metal segment is 3–5 years away.
- Management expressed concern regarding the US Section 232 tariff hike to 50% for Indian aluminium, noting the risk of metal being diverted back into the Indian domestic market.
- The Carbon Border Adjustment Mechanism (CBAM) is recognized as a structural threat; management is exploring "Green Aluminium" and "Aluminium-Air batteries" to mitigate decarbonization risks.
- The KABIL JV exploration agreement for five lithium mines in Argentina positions the company in the long-term EV value chain, though it remains a near-term capital drain.
- Internal controls are being tightened, evidenced by the completion of 25 investigations and 41 inspections following prior-year governance friction.
- Management Tone: The tone has shifted from "defensive" in FY24 to "cautiously aggressive" in FY25. While leaning into the "Atmanirbhar Bharat" narrative to justify massive resource-focused Capex, management remains transparent about the gap between "Vision 2030" and the reality of aged CWIP. The final verdict is one of expansionary intent tempered by the need to prove execution capabilities under new leadership.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Sales	16,788	13,149
Sales Growth %	27.67	-7.77
Expenses	9,280	10,348
Material Cost %	11.75	20.12
Raw material cost	2,063	2,792
Change in inventory	-90	-146
Manufacturing Cost %	27.85	37.36
Employee Cost %	10.71	15.53
Other Cost %	4.96	5.69
Operating Profit	7,508	2,801
OPM %	45	21
Other Income	357	678
Exceptional items	1	427
Other income normal	356	250
Interest	59	17
Depreciation	728	750
Profit before tax	7,078	2,712
Tax %	26	27
Net Profit	5,268	1,988
Exceptional items AT	0	307
Profit excl Excep	5,267	1,681
Profit for PE	5,267	1,681
Profit for EPS	5,268	1,988
Profit Growth %	213	17
EPS (□)	28.68	10.83
Dividend Payout %	37	46

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	918	918
Reserves	16,887	13,470
Borrowings	182	96
Short term Borrowings	124	39
Lease Liabilities	58	57
Other Liabilities	4,895	4,751
Trade Payables	738	1,496
Advance from Customers	0	0
Other liability items	4,157	3,254
Total Liabilities	22,882	19,235
Fixed Assets	7,748	7,383
Land	841	797
Building	931	917
Plant Machinery	10,261	9,924
Equipments	106	99
Furniture n fittings	30	29
Railway sidings	89	85
Vehicles	51	49
Intangible Assets	92	92
Other fixed assets	1,141	505
Gross Block	13,541	12,496
Accumulated Depreciation	5,793	5,114
CWIP	4,936	4,573
Investments	774	342
Other Assets	9,424	6,938
Inventories	1,909	1,830
Trade receivables	186	154
Receivables over 6m	18	38
Receivables under 6m	169	137
Prov for Doubtful	0	-21
Cash Equivalents	5,427	2,575
Loans n Advances	546	680
Other asset items	1,355	1,699
Total Assets	22,882	19,235

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	5,806	2,719
Profit from operations	7,600	3,362
Receivables	-33	-71
Inventory	-84	10
Payables	6	238
Loans Advances	14	-136
Other WC items	22	-51
Working capital changes	-75	-8
Direct taxes	-1,719	-635
Cash from Investing Activity	-3,971	-2,000
Fixed assets purchased	-1,201	-1,657
Fixed assets sold	36	12
Investments purchased	-346	-28
Investments sold	0	18
Interest received	211	183
Dividends received	23	19
Acquisition of companies	0	-27
Other investing items	-2,693	-521
Cash from Financing Activity	-1,758	-739
Proceeds from borrowings	85	0
Repayment of borrowings	0	0
Interest paid fin	-2	0
Dividends paid	-1,837	-735
Financial liabilities	-4	-4
Other financing items	0	0
Net Cash Flow	78	-20
Free Cash Flow	4,641	1,075
CFO/OP	100	120

Key ratios

Line item	Mar 2025	Mar 2024
Debtor Days	4	4
Inventory Days	353	252
Days Payable	137	206
Cash Conversion Cycle	221	50
Working Capital Days	-7	6
ROCE %	44	17

3.2 Financial analysis summary

- **Revenue** surged 27.67% to □16,788.00 Cr, primarily driven by a 63% jump in Export - Chemical (Alumina) to □5,387.27 Cr and a 28% rise in Domestic - Aluminium to □10,912.52 Cr, while Trade Receivables remained exceptionally low at □186.00 Cr due to a "Zero Credit" policy for core products.
- **Operating Profit** more than doubled to □7,508.00 Cr with OPM % expanding from 21.00% to 45.00%, aided by a sharp reduction in Material Cost % from 20.12% to 11.75% and captive coal excavation from the Utkal mine which mitigated Power and Fuel costs of □3,165.94 Cr.
- **Net Profit** grew by 213% to □5,268.00 Cr, translating into a superior PAT Margin % of 31.38%, though Other Income normalized to □356.00 Cr as the previous year included higher exceptional gains; the effective tax rate remained stable at 26% with no major Deferred Tax adjustments.
- **CFO** of □5,806.00 Cr comfortably covered the Net Profit, representing a high-quality earnings profile with a CFO/PAT ratio of 1.10x, despite a □1,719.00 Cr outflow for Direct taxes and a minor □75.00 Cr drag from Working Capital changes.
- **Inventory Days** deteriorated significantly from 252 to 353 days, causing the Cash Conversion Cycle to swell to 221 days, as Inventories reached □1,909.00 Cr; however, risk is mitigated by conservative valuation where spares older than 5 years are written down to 5% of cost.
- **Fixed Assets** increased to □7,748.00 Cr supported by □1,201.00 Cr in Fixed assets purchased, while CWIP remains elevated at □4,936.00 Cr (nearly 40% of Gross Block) due to the 5th Stream Alumina Refinery expansion, with □1,304.05 Cr of project costs now aging over 3 years.
- **Total Debt** remains negligible at □182.00 Cr (Debt/Equity 0.01), though a new financial liability of □129.36 Cr emerged as a backstopping obligation for Joint Venture CCDs, and Interest Coverage remains robust at 120.97x despite Finance Cost rising to □59.00 Cr.
- **Cash Equivalents** nearly doubled to □5,427.00 Cr, primarily held in fixed deposits (□5,305.33 Cr), providing a massive liquidity cushion against Contingent Liabilities including a □700.41 Cr dispute with OHPC and potential retrospective taxes from the ORISED Act ruling.
- **ROCE %** improved dramatically from 17.00% to 44.00% as the company successfully sweated its existing asset base during a period of high realizations, while Free Cash Flow reached a record □4,641.00 Cr, easily funding the □1,837.00 Cr Dividends paid.
- **Employee Cost %** fell to 10.71% from 15.53% as absolute Employee Benefit Expense decreased by 12.20% YoY to □1,786.47 Cr, primarily due to lower bonus and salary provisions, which further boosted Operating Profit.
- **Other Assets** include □269.00 Cr in VAT/GST recoverables and a □139.55 Cr claim from government authorities; the □212.74 Cr drop in government claims suggests successful recovery of statutory dues.

- **Other Liabilities** carry a ₹230.50 Cr Clean Energy Cess refund held as a liability due to pending litigation, acting as a potential hidden reserve, while Creditors for Capital Supplies rose to ₹896.69 Cr reflecting ongoing expansion.
- **Other Expenses** were impacted by Duty on Own Generation of ₹426.26 Cr and Caustic Soda procurement of ₹921.86 Cr, the latter being a core supply chain dependency from the GNAL JV.
- The dominant financial theme of the year is the conversion of high LME realizations and captive coal cost-savings into record **Free Cash Flow**, which has fortified the Balance Sheet to a debt-free status while simultaneously funding aggressive Capex and high dividends.

3.3 Contingent liabilities & commitments

- **OHPC Water Claim:** A major dispute with Odisha Hydro Power Corporation regarding energy compensation for water drawal since 2005, totaling ₹**700.41 Cr**.
- **ORISED Act (Mineral Tax):** A critical legal risk following a Supreme Court ruling (July 2024) allowing States to tax mineral rights retrospectively. The liability is currently unquantified but represents a massive potential outflow.
- **Tax Disputes:** Central Sales Tax disputes of ₹**277.06 Cr** and Income Tax demands of ₹196.73 Cr.
- **Custom Duty Demands:** Outstanding demands totaling ₹**187.20 Cr**.
- **Capital Commitments:** Unexecuted capital contracts amounting to ₹**2,230.93 Cr**, primarily related to the 5th Stream Alumina Refinery.
- **JV Guarantees:** Financial backstopping for ₹**500 Cr** of CCDs in the GNAL JV, with NALCO recognizing a ₹129.36 Cr liability for its 40% share.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — high cash conversion; CFO of □5,806 Cr exceeds PAT of □5,268 Cr by 10%.	—	CFO/PAT ratio > 1 indicates high earnings quality and cash-backed profits.
2	Receivables & channel-stuffing signal	Revenue ↑ — healthy growth; sales up 27.7% while receivables + inventory grew only 5.6%.	—	Note 10.A.2: "Zero Credit" policy for Alumina/Aluminium sales minimizes channel stuffing risk.
3	Revenue timing	Revenue ↑ — conservative recognition; contract liabilities decreased as order book converted to revenue.	—	Note 3.16.1: Revenue recognized only upon transfer of control/shipment, preventing aggressive early booking.
4	Revenue from related parties %	Neutral — negligible RPT revenue; core sales are to external domestic and export markets.	—	Note 40: RPTs primarily involve JV investments and employee advances rather than circular sales.
5	Inventory vs revenue growth	Profit ↑ — efficient turnover; inventory grew 4.3% against a 27.7% revenue jump.	—	Note 15.2: Minimal write-downs (□6.74 Cr) despite large base indicates high inventory quality.
6	Inventory valuation method change	Neutral — consistent policy; stores/ spares not issued for >5 years valued at 5% cost.	—	Note 3.9: Aggressive 95% write-down policy for old spares reflects conservative accounting.
7	Exceptional items in operating profit	Profit ↑ — negligible impact; FY25 exceptional items of □1 Cr vs □427 Cr in FY24.	—	FY24 was skewed by one-offs; FY25 operating profit is "cleaner" and reflects core performance.
8	Depreciation rate vs useful life policy	Profit ↓ — conservative expensing; capitalization threshold for spares doubled to □10 Lakh.	—	Note 5.3: Higher capitalization threshold leads to immediate expensing of smaller machine spares.
9	Provision reversals boosting PAT	Profit ↑ — minimal impact; only □1.86 Cr provision write-back noted in CWIP.	—	Note 6: Overall provisioning remains conservative with no large-scale reversals used to inflate earnings.
10	Tax rate consistency + cash tax vs P&L tax	Neutral — stable tax; effective rate of 25.2% aligns with statutory corporate rates.	—	Note 26.v: Tax rate is stable; however, ORISED Act litigation poses a future retrospective risk.
11	CWIP age and stalling projects	Profit ↓ — impairment risk; □1,304 Cr of CWIP is aged over 3 years.	—	Note 6.2: Wind project in Tamil Nadu stalled due to contractor insolvency; □79.25 Cr already impaired.
12	Deferred tax asset recognition adequacy	Neutral — conservative stance; □230.5 Cr refund carried as liability due to uncertainty.	—	Note 24.1: Management refuses to recognize gain until litigation is fully resolved, creating a hidden reserve.
13	RPT quantum and trend	Profit ↓ — JV losses; NALCO must absorb □134.9 Cr loss from GNAL JV.	—	Note 9.1: NALCO acts as a guarantor for JV debt via a mandatory put option agreement.
14	Dividend paid vs FCF adequacy	Neutral — sustainable payouts; □1,837 Cr dividend well-covered by □4,641 Cr FCF.	—	Dividend payout of 37% is conservative given the massive jump in cash generation.
15	Auditor KAM: Wind Asset Impairment	Profit ↓ — asset quality risk; persistent impairment for plants in Rajasthan/ Maharashtra.	—	Note 5.4: Non-execution of PPAs and low tariffs make these assets non-viable.
16	Mining Rights Amortization		—	

#	Check	Impact	Status	Notes detail
		Profit ↓ — rising non-cash charges; mining rights increased from ₹306 Cr to ₹896 Cr.		Note 7.2: Significant judgment involved in NPV and compensatory afforestation amortization.
17	Environmental Compliance Provisions	Profit ↓ — regulatory cost; new provision for fly ash non-compliance.	—	Note 23.6: Mandated by Ministry of Environment; reflects increasing regulatory pressure.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Unqualified. * **KAM 1: Impairment of Wind Power Plants:** Auditors flagged persistent impairment risks for plants in Rajasthan and Maharashtra due to non-execution of Power Purchase Agreements (PPAs) and low tariffs. Management recognized a cumulative impairment of ₹**372.19 Cr** as of FY25. * **KAM 2: Recoverability of CWIP (Regen Powertech):** A 25.5MW wind project in Tamil Nadu remains stalled due to the contractor's insolvency. Management has provided ₹**79.25 Cr** for impairment as the resolution plan is contested, signaling a high probability of total capital loss. * **Emphasis of Matter:** Auditors highlighted the Supreme Court ruling (July 2024) regarding the ORISED Act, which grants States power to tax mineral rights. While the liability is currently unquantified, it represents a massive retrospective tax risk. * **Auditor Fees:** Statutory audit fees approved at ₹**0.60 Cr**. This level is lean relative to the company's ₹16,788 Cr revenue base.

B. Related Party Transactions | Party | Relationship | Nature | Amount (₹Cr) | Concern | | :--- | :--- | :--- | ---: | :--- | | GACL-NALCO Alkalies (GNAL) | Joint Venture | Financial Obligation (CCDs) | 129.36 Cr | ***NALCO is now backstopping JV debt via a mandatory put option on CCDs.*** | | GACL-NALCO Alkalies (GNAL) | Joint Venture | Share of Loss | 53.96 Cr | ***Continued value erosion; JV reported a total loss of 134.90 Cr in FY25.*** | | GACL-NALCO Alkalies (GNAL) | Joint Venture | Procurement | 921.86 Cr | **Procurement of Caustic Soda Lye at arm's length to secure raw materials.** | | KMP (Directors) | Management | Loans/Advances | Not disclosed | Only standard employee-related advances (housing/vehicle) permitted. | | Khanij Bidesh India Ltd | Joint Venture | Investment | 36.10 Cr | Strategic Lithium play; currently a cash drain. |

C. Shareholding * **Promoters:** 51.28% (Mar 2025) — Unchanged YoY. * **FIIs:** 14.81% (Mar 2025) — Unchanged YoY. * **DIIs:** 18.59% (Mar 2025) — Unchanged YoY. * **Public:** 15.32% (Mar 2025) — Unchanged YoY. * **Promoter Pledge:** 0.00%.

D. Board Composition + KMP Compensation * **Total Directors:** 15 | **Independent %:** 53.33% | **Women Directors:** 1. * **KMP Compensation:** Individual remuneration for the new CMD (Brijendra Pratap Singh) and Directors not disclosed. * **Aggregate Employee Benefit Expenses:** Decreased by **12.20%** (from ₹2,034.65 Cr to ₹1,786.47 Cr) despite a 168% surge in Operating Profit. * **Family Correlation:** No KMPs sharing the same family name identified; no family relations or compensations within the same relation reported.

F. Capital Allocation & Capex | Action | FY current (₹Cr) | FY prior (₹Cr) | % of CFO | Signal | | :--- | ---: | ---: | ---: | :--- | | Dividends Paid | 1,837.00 Cr | 735.00 Cr | 31.64% | — | | Capex (Fixed Assets) | 1,201.00 Cr | 1,657.00 Cr | 20.69% | — | | Investments (JV/Other) | 346.00 Cr | 28.00 Cr | 5.96% | — | | Interest Payments | 2.00 Cr | 0.00 Cr | 0.03% | — | | Impairments (PPE/CWIP) | 30.90 Cr | 12.29 Cr | 0.53% | — |

Capex analytical notes: * **CFO Coverage of Capex:** CFO (₹**5,806 Cr**) provides massive 4.83x coverage of Capex (₹1,201 Cr). The company is comfortably self-funding its expansion. * **Nature of Capex:** Primarily growth-oriented, centered on the **5th Stream Alumina Refinery expansion**. However, CWIP has ballooned to ₹4,936 Cr, representing 36% of the Gross Block. * **Capex Deployment Efficiency:** The real concern is **CWIP aging: ₹1,304.05 Cr of projects are now aged >3 years**, a 74% increase from the ₹747.15 Cr reported in the prior year. * **Key Takeaways:** Capital allocation is conservative with a focus on dividend payouts (₹**1,837 Cr**). However, the stalling of ₹1,304 Cr in capital projects suggests significant execution bottlenecks.

H. Risks * **OHPC Water Claim (High):** ₹700.41 Cr contingent liability; represents 13% of FY25 Net Profit. * **ORISED Act (High):** Potential for massive, unquantified retrospective tax outflows following SC ruling on mineral rights. * **CWIP Aging (High):** ₹1,304.05 Cr of capital projects stalled for >3 years, risking further impairments and delayed RoCE. * **CBAM / Carbon Tax (Med):** EU's Carbon Border Adjustment Mechanism poses pricing risks for exports due to high carbon-intensity. * **JV Value Erosion (Med):** GNAL JV reported ₹134.90 Cr loss; NALCO backstopping ₹129.36 Cr in debt.

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	4	→	Captive coal/bauxite; 45% OPM	Best-in-class integration; captive coal provides a structural margin floor.
Financial health	5	→	D/E 0.01x; Cash ₹5,427 Cr	Debt-free balance sheet with massive cash pile for self-funded expansion.
Earnings quality	3	↓	CFO > PAT; CWIP aging ₹1.3k Cr	High cash conversion but significant capital trapped in non-productive aged CWIP.
Management & governance	3	↑	New CMD; Clean RPT audit	New leadership brings a "clean slate," but execution track record is unproven.
Capital allocation & visibility	4	↑	Div ₹1.8k Cr; Exit unviable JV	Disciplined exit from non-core JV; focus on core expansion despite delays.

Business positives (for this company this year) * **Record Profitability:** Net Profit exploded **213%** to ₹5,268.00 Cr driven by high Alumina realizations. * **Resource Security:** Operationalization of Utkal-D/E coal blocks reduced **Material Cost %** from 20.12% to 11.75%. * **Fortress Balance Sheet:** Cash and Equivalents nearly doubled to **₹5,427.00 Cr** with negligible debt (0.01x D/E). * **Strong Cash Generation:** Record **Free Cash Flow** of ₹4,641.00 Cr comfortably funded both Capex and Dividends. * **Capital Discipline:** Strategic decision to exit the unviable **UADNL JV** to prevent further value erosion.

Business negatives / concerns (for this company this year) * **Project Execution Bottlenecks:** Aged CWIP (>3 years) surged **74%** to ₹1,304.05 Cr, trapping unproductive capital. * **Retrospective Tax Risk:** The **ORISED Act** Supreme Court ruling poses a massive, unquantified retrospective tax threat. * **JV Financial Strain:** NALCO is now backstopping **₹129.36 Cr** of debt for the loss-making GNAL JV (FY25 loss: ₹134.90 Cr). * **Working Capital Stress: Inventory Days** deteriorated from 252 to 353, swelling the Cash Conversion Cycle to 221 days. * **Contingent Liabilities:** Outstanding dispute with **OHPC** for ₹700.41 Cr represents a significant 13% of annual PAT.

Overall scorecard summary NALCO has delivered an exceptional financial performance in FY25, characterized by a 213% surge in Net Profit and the fortification of a debt-free balance sheet. The company's transition toward 100% raw material self-sufficiency is structurally improving its margin profile, as evidenced by the 45% OPM. However, the governance and earnings quality are tempered by chronic project execution delays (₹1.3k Cr aged CWIP) and significant retrospective regulatory risks. The business is on a stable-to-improving trajectory, contingent on the successful commissioning of the 5th Stream Refinery.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Final line: "Total: 9/10 — Governance Rating: 4"

Part c: investor verdict

Thesis: NALCO is evolving from a cyclical LME proxy into a low-cost, resource-secured Alumina powerhouse with a fortress balance sheet. **Overall stance:** ACCUMULATE **Rationale:** Record cash generation and captive coal advantages provide a high margin floor, though execution delays remain a drag. **Re-evaluate when:** CWIP aging exceeds □**2,000 Cr** OR the 5th Stream Refinery commissioning is delayed beyond Dec 2025. **BULL CASE:** Successful commissioning of the 5th Stream Refinery adds 1 MTPA capacity during a period of sustained high Alumina prices (>$500/MT). **BEAR CASE:** Retrospective **ORISED Act** tax liability is quantified at >□2,500 Cr, wiping out 50% of the cash pile. **Key monitorable:** CWIP to Gross Block Ratio: Current **36%** → Watch threshold >45%.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Margin Trajectory	21% OPM; driven by initial captive coal benefits.	45% OPM; driven by 100% bauxite and full coal self-sufficiency.	The structural shift to captive resources has evolved from a margin recovery tool into a massive profitability engine that doubled margins in twelve months.
Working Capital Efficiency	Inventory days at 252; CCC at 50 days.	Inventory days at 353; CCC at 221 days.	A dramatic 100-day spike in inventory duration has severely degraded the cash conversion cycle, signaling potential obsolescence or severe supply chain imbalances.
Capital Allocation	Positive FCF (□1,075 Cr); CFO/Capex at 1.64x.	Record FCF (□4,641 Cr); CFO/Capex at 4.83x.	The company has moved from basic self-funding to a state of extreme liquidity surplus where operating cash now covers capital expenditure nearly five times over.
Project Execution Risk	CWIP aged >3 years at □747 Cr.	CWIP aged >3 years at □1,304 Cr.	Capital project stagnation is accelerating despite leadership changes, with the volume of stalled capital nearly doubling in a single year.
JV Financial Exposure	Equity value erosion via share of losses (□69.73 Cr).	Direct balance sheet liability via debt backstopping (□129.36 Cr).	The financial burden of the GNAL joint venture has escalated from simple P&L losses to direct balance sheet risk through mandatory debt guarantees.
Management Tone	Defensive; focused on internal KMP friction and macro pressures.	Cautiously Aggressive; focused on a "clean slate" and resource-secured growth.	Management has pivoted from a defensive posture regarding internal governance issues to an expansionary outlook focused on leadership renewal and project completion.

7.2 Persistent patterns

- **The company maintains a near-zero debt profile (D/E 0.01), providing a massive solvency buffer against commodity price cycles.**
- **Chronic execution delays persist, with the volume of capital trapped in stalled projects (>3 years) increasing significantly across both periods.**
- **Significant litigation overhang remains a recurring theme, with contingent liabilities (OHPC and tax claims) consistently representing a large percentage of annual net profit.**
- **The GNAL joint venture continues to be a consistent drain on consolidated reserves, requiring repeated financial support and impairment across both years.**
- **Recurring impairments of non-core wind assets highlight a persistent failure to resolve regulatory deadlocks and PPA issues in the renewable segment.**
- **The company adheres to a high dividend payout policy regardless of capital expenditure requirements, demonstrating a rigid commitment to PSU-style shareholder returns.**
- **Management maintains a conservative accounting policy for slow-moving inventory, consistently writing down aged spares to 5% scrap value to prevent asset overstatement.**
- **A high materiality threshold (□50 Cr) for accounting restatements remains a persistent trait that may mask smaller recurring operational leakages.**