

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

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.	<input type="checkbox"/> Positive
2	Net Profit surged 213% YoY to ₹5,268 Cr, primarily catalyzed by record Alumina price realizations and significant captive coal cost-savings.	<input type="checkbox"/> 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%.	<input type="checkbox"/> 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.	<input type="checkbox"/> Positive
5	<i>Working capital efficiency deteriorated sharply as inventory days rose to 353, extending the cash conversion cycle to 221 days.</i>	<input type="checkbox"/> 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.	<input type="checkbox"/> Positive
7	<i>Capital efficiency is hampered by project execution bottlenecks, evidenced by a 74% surge in aged CWIP (>3 years) to ₹1,304.05 Cr.</i>	<input type="checkbox"/> Negative
8	Earnings quality remains high with CFO exceeding PAT, though 36% of the gross block is currently trapped in non-productive CWIP.	<input type="checkbox"/> 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.	<input type="checkbox"/> Neutral
10	<i>Significant regulatory risk exists via the ORISED Act Supreme Court ruling, posing an unquantified retrospective tax threat to the cash reserves.</i>	<input type="checkbox"/> 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.	<input type="checkbox"/> Neutral
12	Stance: ACCUMULATE; monitor CWIP-to-Gross Block ratio (>45% threshold) and retrospective tax quantification exceeding ₹2,500 Cr.	<input type="checkbox"/> 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

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2025	Mar 2024
Sales -	16,788.00	13,149.00
Sales Growth %	27.67	-7.77
Expenses -	9,280.00	10,348.00
Material Cost % -	11.75	20.12
Raw material cost	2,063.00	2,792.00
Change in inventory	-90.00	-146.00
Manufacturing Cost %	27.85	37.36
Employee Cost %	10.71	15.53
Other Cost %	4.96	5.69
Operating Profit	7,508.00	2,801.00
OPM %	45.00	21.00
Other Income -	357.00	678.00
Exceptional items	1.00	427.00
Other income normal	356.00	250.00
Interest	59.00	17.00
Depreciation	728.00	750.00
Profit before tax	7,078.00	2,712.00
Tax %	26.00	27.00
Net Profit -	5,268.00	1,988.00
Exceptional items AT	0.00	307.00
Profit excl Excep	5,267.00	1,681.00
Profit for PE	5,267.00	1,681.00
Profit for EPS	5,268.00	1,988.00
Profit Growth %	213.00	17.00
EPS in Rs	28.68	10.83
Dividend Payout %	37.00	46.00

Balance Sheet (₹Crores)

Line Item	Mar 2025	Mar 2024
Equity Capital	918.00	918.00
Reserves	16,887.00	13,470.00
Borrowings -	182.00	96.00
Short term Borrowings	124.00	39.00
Lease Liabilities	58.00	57.00
Other Liabilities -	4,895.00	4,751.00
Trade Payables	738.00	1,496.00
Advance from Customers	0.00	0.00
Other liability items	4,157.00	3,254.00
Total Liabilities	22,882.00	19,235.00
Fixed Assets -	7,748.00	7,383.00
Land	841.00	797.00
Building	931.00	917.00
Plant Machinery	10,261.00	9,924.00
Equipments	106.00	99.00
Furniture n fittings	30.00	29.00
Railway sidings	89.00	85.00
Vehicles	51.00	49.00
Intangible Assets	92.00	92.00
Other fixed assets	1,141.00	505.00
Gross Block	13,541.00	12,496.00
Accumulated Depreciation	5,793.00	5,114.00
CWIP	4,936.00	4,573.00
Investments	774.00	342.00
Other Assets -	9,424.00	6,938.00
Inventories	1,909.00	1,830.00
Trade receivables -	186.00	154.00
Receivables over 6m	18.00	38.00
Receivables under 6m	169.00	137.00
Prov for Doubtful	0.00	-21.00
Cash Equivalents	5,427.00	2,575.00
Loans n Advances	546.00	680.00
Other asset items	1,355.00	1,699.00
Total Assets	22,882.00	19,235.00

Cash Flow Statement (₹Crores)

Line Item	Mar 2025	Mar 2024
Cash from Operating Activity -	5,806.00	2,719.00
Profit from operations	7,600.00	3,362.00
Receivables	-33.00	-71.00
Inventory	-84.00	10.00
Payables	6.00	238.00
Loans Advances	14.00	-136.00
Other WC items	22.00	-51.00
Working capital changes	-75.00	-8.00
Direct taxes	-1,719.00	-635.00
Cash from Investing Activity -	-3,971.00	-2,000.00
Fixed assets purchased	-1,201.00	-1,657.00
Fixed assets sold	36.00	12.00
Investments purchased	-346.00	-28.00
Investments sold	0.00	18.00
Interest received	211.00	183.00
Dividends received	23.00	19.00
Acquisition of companies	0.00	-27.00
Other investing items	-2,693.00	-521.00
Cash from Financing Activity -	-1,758.00	-739.00
Proceeds from borrowings	85.00	0.00
Repayment of borrowings	0.00	0.00
Interest paid fin	-2.00	0.00
Dividends paid	-1,837.00	-735.00
Financial liabilities	-4.00	-4.00
Other financing items	0.00	0.00
Net Cash Flow	78.00	-20.00
Free Cash Flow	4,641.00	1,075.00
CFO/OP	100.00	120.00

Key Ratios (₹Crores)

Line Item	Mar 2025	Mar 2024
Debtor Days	4.00	4.00
Inventory Days	353.00	252.00
Days Payable	137.00	206.00
Cash Conversion Cycle	221.00	50.00
Working Capital Days	-7.00	6.00
ROCE %	44.00	17.00

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	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — high cash conversion; CFO of ₹5,806 Cr exceeds PAT of ₹5,268 Cr by 10%.	☐	PAT ₹5,268 Cr; CFO ₹5,806 Cr.	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%.	☐	Sales ₹16,788 Cr (+27.7%); Receivables + Inventory ₹2,095 Cr (vs ₹1,984 Cr).	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.	☐	Contract liabilities (advances) fell from ₹211.02 Cr to ₹149.73 Cr.	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.	☐	Total Revenue ₹16,787.63 Cr; RPT sales not significant in revenue mix.	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.	☐	Inventory ₹1,909 Cr (FY25) vs ₹1,830 Cr (FY24); Sales ₹16,788 Cr.	Note 15.2: Minimal write-downs (₹.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.	☐	Inventory base ₹1,908.83 Cr; valuation remains at lower of cost or NRV.	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.	☐	Exceptional items ₹1.00 Cr (FY25) vs ₹427.00 Cr (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.	☐	Depreciation ₹728 Cr; Gross Block ₹13,541 Cr.	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.	☐	CWIP provision reversal ₹1.86 Cr; Total PAT ₹5,268 Cr.	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.	☐	P&L Tax 26% (₹1,810 Cr); Direct Taxes Paid (CFO) ₹1,719 Cr.	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.	☐	CWIP ₹4,936 Cr; ₹1,304.05 Cr aged >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.	☐	Clean Energy Cess refund ₹230.50 Cr held as liability.	Note 24.1: Management refuses to recognize gain until litigation is fully resolved, creating a hidden reserve.

#	Check	Impact	Status	Evidence	Notes Detail
13	RPT quantum and trend	Profit ↓ — JV losses; NALCO must absorb ₹134.9 Cr loss from GNAL JV.	□	GNAL JV loss ₹134.90 Cr; Backstopping for ₹500 Cr CCDs.	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.	□	Dividends Paid ₹1,837 Cr; Free Cash Flow ₹4,641 Cr.	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.	□	Cumulative impairment of ₹372.19 Cr as of FY25.	Note 5.4: Non-execution of PPAs and low tariffs make these assets non-viable.
16	Mining Rights Amortization	Profit ↓ — rising non-cash charges; mining rights increased from ₹306 Cr to ₹896 Cr.	□	Mining Rights ₹895.82 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.	□	Provision of ₹31.33 Cr recognized in FY25.	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. * **DIIIs:** 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% (8/15) | **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	Evidence
1	Audit opinion clean?	<input type="checkbox"/>	Unqualified opinion (p.60).
2	Promoter pledge = 0?	<input type="checkbox"/>	0.00% pledge.
3	KMP pay < 5% of PAT?	<input type="checkbox"/>	Aggregate employee cost decreased 12.2% while PAT rose 213%.
4	RPT quantum < 5% of revenue?	<input type="checkbox"/>	Procurement from GNAL is 5.49% of revenue.
5	Board > 50% independent?	<input type="checkbox"/>	53.33% (8/15 directors).
6	At least 1 woman director?	<input type="checkbox"/>	Ms. Trupti Kamlesh Patel (Independent).
7	No statutory dues outstanding?	<input type="checkbox"/>	No major undisputed dues; Clean Energy Cess held as liability.
8	No fraud reported?	<input type="checkbox"/>	No fraud reported in auditor's report.
9	Audit trail enabled?	<input type="checkbox"/>	Confirmed in auditor's report.
10	Frequent Auditor change	<input type="checkbox"/>	PSU CAG appointment; no irregular changes.

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 ₹47 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.

