National Aluminium Company Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** NALCO has delivered its strongest financial performance in history by leveraging its position as a global low-cost Alumina leader, but a 6-month delay in its core refinery expansion and a technology pivot in its □30,000 Cr smelter project shift the focus toward execution risk.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Highest ever Revenue, PAT, and Margin; 9M PAT grew 211% vs prior context.	□
Earnings Quality	High (Core driven)	Performance driven by Alumina realizations ($600/t in Q4) and raw material savings.	□
Guidance Confidence	Neutral	5th Stream Refinery delayed from Dec '25 to May/June '26; Smelter technology partner (RTAL) withdrawn.	□
Management Credibility	Neutral	High transparency on unit costs but timeline slippages and technology pivots raise execution questions.	□
Business Quality Signal	Improving	Strengthening integration via Utkal D&E coal mines (targeting 100% of requirement in FY26).	□
Key Q&A Exchange	Q#2 - Refinery Delay	Management admitted a 6-month delay due to local tribal resistance and resource allocation issues.	□
The Street's Primary Anxiety	Capex & Tech	Analysts questioned the viability of the □17,000 Cr smelter given the loss of RTAL technology.	□
Capital Cycle Stage	Investment	Transitioning from a cash-cow to a high-capex growth phase (□30,000 Cr+ cycle).	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins at 46% (FY25); targeting 36-37% in FY26 despite price corrections.	□
Pricing Power	Stable	Global low-cost leader; Alumina cost at $260/t vs current spot of $400/t.	□
FCF Conversion & Quality	Strong	Zero-debt status maintained while funding □3,500 Cr (75%) of refinery expansion.	□
Competitive Moat Signals	Widening	Confirmed status as one of the lowest-cost Alumina/Bauxite producers globally.	□
Balance Sheet Strength	Strong	Zero debt; cash reserves used for expansion; potential 70:30 leveraging for future projects.	□
Working Capital Efficiency	Stable	Safety stocks of Alumina increased to 60k-65k tonnes to hedge against logistics/railway issues.	□
Mgmt Guidance Track Record	Mixed	Consistent production volumes but repeated delays in major capital projects.	□
Key Vulnerability / Red Flag	Project Delays	The 5th Stream delay pushes commercial volume benefits into FY27, missing the current high-price window.	□
Management Tone	Confident	Bullish on operational efficiencies and cost reduction (Caustic Soda/Coal).	□

Key Takeaways (Positives & Negatives): Positives: * **Record Financials:** NALCO achieved historic highs in Revenue, PAT, and Margins, supported by high Alumina realizations ($590/t average for the year). * **Cost Moat Solidification:** Captive coal from Utkal D&E reached 2.8 MT in FY25; hitting the 4 MT rated capacity in FY26 will provide a ₹300-400/t saving over linkage coal and eliminate volatile e-auctions. * **Vertical Integration:** Bauxite production at 100% capacity and Pottangi lease deed signing secure the raw material pipeline for the next decade.

Negatives: * **Execution Slippage:** The 1 MTPA Alumina Refinery expansion, previously guided for Dec '25 (and Sept '25 before that), is now delayed to May/June 2026. * **Smelter Uncertainty:** The exit of RTAL as a technology provider for the 0.5 MTPA expansion forces a DPR revision and visits to Dubai/EIL, potentially delaying the FY29-30 commissioning target. * **Price Mean Reversion:** Alumina realizations have corrected from $600/t in Q4 to $400/t current spot, implying the "super-normal" profit window is narrowing.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production - Alumina (MT)	0.51 (Derived)	First entry	First entry	→	FY25 total 2.045 MT; operating at 100% capacity.
Production - Metal (MT)	0.115 (Derived)	First entry	First entry	→	FY25 total 4.60 Lakh tonnes (0.46 MT).
Realization - Alumina ($/t)	$600	First entry	First entry	↑	Q4 realization peaked at $600; FY25 avg $590.
Realization - Alumina Spot	$400	First entry	First entry	↓	Significant drop from Q4 levels; expected to floor at $400-450.
Cost of Production - Alumina	₹22,000/t	First entry	First entry	→	Target reduction of ₹1,000-2,000/t via caustic efficiency.
Cost of Production - Metal	₹1.6 Lakh/t	First entry	First entry	→	FY25 avg; includes alumina at cost and coal mix.
Coal - Captive Production	2.8 MT	First entry	First entry	↑	Reaching 4 MT (rated capacity) in FY26 from Utkal D&E.
Revenue (Standalone)	₹11,434 Cr (9M)	+20%	First entry	↑	Highest ever 9M turnover; driven by Alumina pricing.
PAT (Standalone)	₹3,246 Cr (9M)	+211%	First entry	↑	Driven by high realizations and lower raw material costs.
EBITDA Margin %	46%	First entry	First entry	↑	Record high margin; guidance for FY26 is 36-37%.
Net Debt / (Cash)	(Cash)	First entry	First entry	↑	Zero debt company; leverage planned for FY27-28.
Capew CWIP	₹4,950 Cr	First entry	First entry	↑	75% of 5th stream refinery investment completed.

2B. SEGMENT BREAKDOWN

Segment	Revenue (FY25)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Alumina	Not in doc	N/A	~46%+	↑	Above Avg	Primary profit driver; 5th stream delayed to mid-2026.
Metal	Not in doc	N/A	Moderate	→	Below Avg	Cost-side benefits from captive coal/ caustic soda.
Power	Captive	N/A	N/A	→	N/A	1,080 MW new capacity planned for smelter expansion.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Refinery Expansion	1 MTPA by May/June 2026	Mechanical completion by Jan/ Feb 2026.	Delayed (Prev Dec '25)	High
Guidance	Coal Production	4 MTPA (Rated Capacity)	Needs 42% growth vs FY25 (2.8 MT).	On track	Medium
Guidance	Smelter Expansion	0.5 MTPA by FY29-30	Requires new DPR/Tech in 6-8 months.	Technology partner exit	High
Guidance	Capex FY26	□1,700 Cr	Bulk earmarked for Refinery/ Pottangi.	On track	Low
Strategy	Cost Reduction	□1,500-2,000/t in Alumina	Via caustic soda (111kg vs 120kg per ton).	Improving efficiency	Low
Strategy	Sales Mix	1.27 MT Alumina Sales	1.23 MT for export; 80k domestic.	Re-entered domestic	Low
Strategy	Critical Minerals	KABIL Argentina Project	Exploration completion by FY28.	New venture	Medium
Balance	Employee Cost	Reduction by 250 headcount/yr	~4,800 currently; targeting 4,000.	Steady superannuation	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Kamlesh Bagmar	Pricing	Financials	"What were the realisations for alumina in this quarter and Q1 outlook?"	Management confirmed Q4 was $600 but current spot has dropped to $400 per ton. This confirms the realization peak is likely behind the company, impacting near-term earnings trajectory.	None	5.0	Clear and quantified
2	5.0	Kamlesh Bagmar	Timeline	Capex and Allocation	"What is the timeline for our alumina capacity expansion?"	Management admitted the Sept/Dec timeline is now pushed to May/June 2026 due to local issues and package delays. This pushes 1 MTPA of volume growth into FY27, missing the current high-price cycle.	None	4.0	Specific timeline given
3	4.0	Aditya A.	Smelter Tech	Capex and Allocation	"DPR was met with RTAL Technology, but RTAL is not willing to give technology. What now?"	Management is revisiting the DPR and visiting Dubai to find new partners, expecting a new report in 6-8 months. This creates a significant execution vacuum for the □17,000 Cr smelter project.	None	3.0	Hedges on partner
4	3.5						None	4.0	

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
		Digant Haria	Market Dynamics	Business Overview	"Why have alumina prices corrected so sharply from $500?"	Management cited new capacity in Indonesia/ Vedanta and closed smelters in China as the primary drivers of excess availability. This signals a structural shift in the Alumina market toward surplus.			Directional with evidence
5	4.5	Digant Haria	Integration	Financials	"What are the savings from Utkal coal mines vs linkage?"	Management expects a □300-400 per ton saving from the 4 MT captive coal reaching the power plant in FY26. This is a crucial margin protector against LME price drops.	None	5.0	Clear and quantified
6	3.0	Amit Lahoti	Employee Cost	Financials	"Employee cost declined by 12% in FY25; what are the drivers?"	Management attributed this to 430 retirements vs few inductions, with a goal of reducing headcount by 250 annually. This supports the structural cost-reduction thesis.	None	4.0	Specific range
7	4.0	Saket Kapoor	Depreciation	Financials	"Why was there a	Management cited a	None	5.0	

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					depreciation reversal of 76 crore?"	change in the estimate for spare parts capitalization and a fair value assessment of wind power assets. This identifies a one-off accounting benefit that boosted the current PAT.			Specific and quantified
8	3.5	Tushar Chaudhari	KABIL	Strategy	"Any progress on new projects at KABIL (Lithium)?"	Exploration in Argentina is ongoing with results expected by FY28 to decide on commercial mining. This remains a "call option" value rather than a near-term financial driver.	None	3.0	Multi-year horizon
9	4.5	Sumangal Nevatia	Coal EC	Capex and Allocation	"Plan for applying for higher EC (from 4 to 5.5) for coal?"	Management can increase production by 20% without new EC but will wait 6 months to assess boiler performance with the new coal mix. This highlights a potential 0.8 MT volume upside in FY27.	None	4.0	Logical timeline
10	3.5	Somaiah V.	Logistics	Financials	"Inventory at smelter increased to	Management is intentionally holding 6x	None	4.0	Operational rationale

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					60k-65k tons?"	higher inventory to mitigate frequent railway/ logistics disruptions. This explains a temporary working capital drag to ensure operational stability.			

PATTERN FLAGS & SENTIMENT Theme Cluster: Execution Slippage & Tech Pivots Analysts expressed underlying anxiety regarding NALCO’s ability to deliver its high-capex projects on time. The 6-month delay in the Refinery (Section 4, Q#2) and the technology partner withdrawal for the Smelter (Q#3) were the main points of friction. Management’s posture was transparent but defensive, shifting from "September commissioning" to "May/June next year," which suggests that the project execution team is still grappling with local Koraput tribal issues.

Analyst Sentiment Verdict: Analysts were impressed by the stellar FY25 results but remained skeptical about the capital allocation roadmap. The realization that Alumina prices have peaked (Q#1) while Capex is just starting to ramp up creates a "scissors effect" on future ROCE. Management's credibility remains high on operational cost control but is under intense scrutiny regarding large-scale project management.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Context) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Refinery Timeline | Dec 2025 Commissioning | May/ June 2026 Commercial | 6-month delay in commercial volumes. | FY26 volume miss. | | Smelter Tech | RTAL Technology approved | RTAL partner withdrawn | DPR needs to be rewritten from scratch. | Timeline risk for FY30. | | Alumina Floor | $450-500 floor expected | $400 actual spot recently | $50-100/t lower realization floor. | Margin compression. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Context	This Quarter	Direction
Alumina Spot Realization	$530-641/t	$400/t	↓
Refinery Commissioning	Dec 2025	May/June 2026	↓
Smelter Partner Status	RTAL Technology approved	Partner Withdrawn; New DPR	↓
Coal Production	2.8 MT (FY25)	4.0 MT (FY26 Target)	↑
Inventory Strategy	10k-12k tons Alumina	60k-65k tons Alumina	→
Employee Count	~4,800	Target 4,000 via superannuation	↑
Captive Coal Saving	Linkage + E-Auction mix	100% Linkage + Captive Target	↑

STOP HERE.