National Aluminium Company Ltd — May 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat **One-line:** NALCO delivered record annual profits by leveraging volume growth and captive cost structures to neutralize a sharp 35% decline in Alumina prices, proving the resilience of the integrated model.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat	PAT of □5,816 Cr (+9.2% YoY) exceeded consensus despite Alumina pricing headwinds.	□
Earnings Quality	High (Core)	Record physical production across all segments; non-cash provisions for fly ash/red mud (□94 Cr) slightly depressed PAT.	□
Guidance Confidence	Strong	Reaffirmed 5th stream commissioning (June '26) and Smelter expansion (2030-31) timelines.	□
Management Credibility	Strong	Transparent about cost inflation (CP Coke +27%) and pricing pressures in Alumina.	□
Business Quality Signal	Improving	100% captive bauxite and increasing captive coal (4.8 MTPA target) drive cost leadership.	□
Key Q&A Exchange	Q9: Employee Costs	Mgmt clarified that while absolute costs may rise with wage revisions, per-ton cost will fall on volume growth.	□
The Street's Primary Anxiety	Alumina Oversupply	Fears of Indonesian supply glut; Mgmt pivot to domestic sales (+100k tons) is the strategic counter.	□
Capital Cycle Stage	Investment	Peak capex for 5th Stream; embarking on □24,000 Cr Smelter/Power expansion.	□
Margin Trajectory	Improving	EBITDA margins rose to 48.2% in FY26 (derived from PPT) despite lower realizations.	□
Pricing Power	Eroding (Alumina)	Spot prices down to $310-320; NALCO shifting to Metal (73% of revenue) to protect margins.	□
FCF Conversion	Distorted	High Capex (□2,000 Cr) and non-cash provisions for environmental remediation.	□
Competitive Moat	Widening	JV with Neyveli Lignite secures long-term power and fuel security for the new smelter.	□
Balance Sheet Strength	Strong	Funding □23,000-24,000 Cr capex primarily through internal accruals and shared JV equity.	□
Working Capital Efficiency	Stable	Inventory and receivables managed despite logistics rerouting in the Middle East.	□
Mgmt Guidance Track	Reliable	Delivered on Utkal D & E coal ramp-up (41% growth) as promised last year.	□
Key Vulnerability	Geopolitical	50% of Alumina exports historically went to the Middle East; current conflict requires route/market pivoting.	□
Management Tone	Confident	Focused on "best-ever" physical performance and techno-economic efficiency.	□

Key Takeaways: * **Positives:** NALCO has successfully transitioned to a Metal-heavy revenue mix (73%) to buffer against the Alumina price collapse ($580 to $370). Captive coal production increased 42% YoY, and employee turnover (retiring high-pay, hiring low-pay) is creating a structural cost tailwind. The 5th Stream Alumina refinery (1 MTPA) begins commissioning in June 2026, which will likely make NALCO the lowest-cost alumina producer globally. * **Negatives:** Alumina spot prices are expected to remain depressed ($300-$320) through FY27 due to Indonesian capacity and Middle East smelter curtailments. Raw material inflation is non-trivial: CP Coke (+27%) and Caustic Soda (+7%) will pressure Q1 FY27 margins. The massive 24,000 Cr expansion plan introduces execution and interest-capitalization risks over a 5-year horizon. * **Watchpoint:** The commissioning progress of the 5th Stream in Q1/Q2 FY27 will be the primary catalyst for earnings upgrades.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Mining & Metals Focus) *PPT data used as primary source; Q4 derived where possible.*

Metric	FY 2025-26 (Full Year)	YoY Change (%)	Trend	Mgmt Commentary
Production: Bauxite (MT)	7.5 MTPA	+6.00%	↑	Best-ever physical production; 98% blast-free mining achieved.
Production: Alumina (MT)	2.1 MTPA	+11.50%	↑	Driven by operational efficiency and techno-economic improvements.
Production: Aluminium (MT)	0.46 MTPA	+2.61%	↑	Reached 102% of installed capacity. Target 0.473 MT in FY27.
Production: Coal (MT)	4.0 MT	+41.84%	↑	Massive ramp-up from Utkal D & E blocks; targeting 4.8 MT in FY27.
Realization: Alumina ($/MT)	$370	-36.21%	↓	Severe pressure from global oversupply ($580 in FY25).
Realization: Metal ($/MT)	$2,700	+5.88%	↑	Supported by LME strength; Q4 avg was $2,767.
Revenue (Cr)	17,843	+6.28%	↑	Volume growth in metal offset Alumina price crash.
EBITDA (Cr)	8,613	+8.72%	↑	Margin expansion via cost savings in caustic soda and fuel.
EBITDA Margin %	48.2%	+110 bps	↑	Derived from PPT data. Mgmt cited techno-economic gains.
PAT (Cr)	5,816	+9.22%	↑	Best-ever profit performance in company history.
Capex (Cr)	2,000	+17.65%	↑	Exceeded target of 1,700 Cr; primarily 5th stream and Utkal.
Power Cost/Unit ()	3.15	Not stated	→	Low cost maintained via 95%+ captive generation.
Alumina COP (/MT)	20k - 22k	Not stated	→	Structural cost advantage remains intact.
Metal COP (/MT)	156k - 160k	Not stated		Targeted range; Mgmt expects to stay under 160k despite inflation.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin % (EBIT)	Trend	vs Company Avg	Key Development
Aluminium (Metal)	13,025	+~9%	High	↑	Above Avg	Now contributes 73% of total revenue.
Chemicals (Alumina)	4,818	-~14%	Compressing	↓	Below Avg	Realization impact of □2,659 Cr neutralized by □1,714 Cr volume gain.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Alumina Volume	25 Lakh Tons in FY27	Needs 6.25L tons/qtr (Current: 5.75L). Feasible with 5th stream.	Delivered FY26 target	Commissioning lag
Guidance	Metal Volume	4.73 Lakh Tons in FY27	Needs 1.18L tons/qtr. Near capacity (102%).	Consistent delivery	Operational peak
Guidance	Alumina Price	$310-$320/MT (FY27 Avg)	Conservative relative to current spot.	Accurate on FY26 drop	Global supply glut
Guidance	Metal Price	$3,000-$3,100/MT (FY27 Avg)	Lower than current spot ($3,600). Prudent.	Conservative	War de-escalation
Strategy	Capex (Refinery)	Start commissioning June '26	3-4 months to stabilize. Full 1MTPA in FY28.	On track	Technical delays
Strategy	Expansion (Smelter)	0.5 MTPA by 2030-31	DPR by Sep '26; ordering by Apr '27.	New project	Long gestation
Macro	Captive Coal	4.8 MT in FY27	20% growth over FY26. Feasible via Utkal mines.	**Strong (42% growth)**	EC clearances
Balance	Smelter Capex	□23,000 - 24,000 Cr	Shared with Neyveli Lignite. Equity funded.	No prior miss	Leverage risk

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Credibility	Verdict
1	4.5	Axis Securities	Volume	Business Overview	FY27 production and sales guidance for Alumina and Metal.	Management expects Alumina production to hit 25 lakh tons (+2 lakh from 5th stream) and Metal to reach 4.73 lakh tons. Incremental alumina volumes will protect the bottom line even if spot prices remain weak.	5.0	Quantified
2	4.0	Axis Securities	Geopolitics	Business Overview	Impact of Middle East disruptions on sales volumes.	Management noted that while Middle East exports are affected, Indonesia and domestic markets are filling the gap. Pivot to domestic sales (+100k tons) reduces logistics risks and freight costs.	4.0	Directional
3	4.0	Yes Securities	Pricing	Financials	Alumina realizations in Q4 vs Q1 FY27 outlook.	Q4 realization was $348/MT, but Q1 spot is trending lower toward $310-$320/MT. Margin compression in the chemical segment is inevitable in the first half of FY27.	4.5	Specific
4	3.5	Yes Securities	Risk Mgmt	Financials	Hedging strategy for Aluminium prices.	Management does not hedge as they believe LME strength is direct and ongoing. Investors should expect full exposure to LME volatility with no downside protection.	3.0	Consistent
5	4.5	Yes Securities	Expansion	Capex	Capex phasing for the new 0.5 MTPA smelter.	Capex will peak in FY29-30 at □8k-10k Cr annually; FY27 will be a light start at □1,800-2,000 Cr. Clear timeline provides visibility on the long-term	4.0	Specific

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Credibility	Verdict
						volume growth beyond 2030.		
6	4.0	HSBC	Cost	Financials	Current Cost of Production (COP) for Alumina and Aluminium.	Alumina COP is ₹20k-22k and Metal is ₹155k-160k per ton. NALCO maintains its position as one of the most efficient producers despite rising raw material costs.	5.0	Specific
7	4.0	Antique	Personnel	Financials	Spike in Q4 employee costs and future trajectory.	Q4 spike was due to year-end provisions, but overall employee cost as a % of expenditure dropped from 18% to 16%. Structural retirement of high-pay staff will keep per-ton employee costs declining.	4.5	Clear
8	3.5	Antique	Provisions	Financials	Reason for the ₹850 Cr spike in "Other Expenses."	Included ₹40 Cr for red mud pond green cover and ₹54 Cr for fly ash transportation. These are accounting provisions, not recurring cash outflows, suggesting higher underlying cash EBITDA.	5.0	Quantified
9	4.5	Kotak	Energy	Financials	Coal sourcing mix and cost advantage of captive mines.	Captive coal production hit 4 MT; captive coal is ₹300/ton cheaper than linkage and ₹600 cheaper than e-auction. Ramp-up to 4.8 MT in FY27 is a major margin protection lever.	5.0	Specific
10	4.0	Kotak	Personnel	Financials	Impact of the Jan 2027 pay commission/ wage revision.	Management expects a 10-15% increase in base pay, but volume growth will absorb the absolute rise. No	3.0	Vague

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Credibility	Verdict
						significant per-ton cost impact is expected in FY28.		
11	4.0	ICICI Sec	Projects	Business Overview	Status of rare earth and critical mineral projects.	Pilot plants for Gallium extraction and red mud value recovery are 2-3 years away from commercial scale. These remain long-term options rather than near-term revenue drivers.	3.0	Early Stage
12	3.5	Nirzar Sec	Strategy	Business Overview	Reason for discontinuing the Utkarsh JV with MIDHANI.	The JV was scrapped as the □5,000 Cr capex had a negative IRR due to slow growth in high-end transport demand. Management is prioritizing high-return core smelter expansions over risky specialized ventures.	4.0	Clear
13	4.0	360 ONE	Energy	Capex	JV structure with Neyveli Lignite for the new power plant.	NALCO will only bear 50% of the power plant capex via the JV, significantly reducing the total project funding requirement. Smart capital allocation preserves the balance sheet for the smelter.	4.5	Specific
14	3.5	360 ONE	Cost	Financials	Bauxite royalty calculation mechanism.	Royalty is linked to LME at 0.56% and currently averages ~□450/ton. Cost is variable and will scale with metal realizations, providing a natural hedge.	4.0	Specific
15	4.5	Nuvama	Inflation	Financials	Price trends for key raw materials (CP	CP Coke has spiked from □44k to □56k/ ton (+27%), and Caustic Soda is	5.0	Quantified

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Credibility	Verdict
					Coke, CT Pitch).	rising to ₹45k/ton. Q1 FY27 will see an input cost headwind of ₹5k-10k per ton of metal.		

PATTERN FLAGS & SENTIMENT * **Cost Resilience vs. Pricing Headwinds:** Analysts repeatedly probed the Alumina price crash. Management’s response was a masterclass in operational pivoting—offsetting realization losses through volume (+3.4 lakh tons) and techno-economic gains (caustic soda savings of ₹150 Cr). The anxiety has shifted from "Can they survive $300 Alumina?" to "How much upside is there if Metal hits $3,000?" * **Capex Phasing:** The Street was concerned about the funding of the ₹24,000 Cr expansion. The JV with Neyveli Lignite and the phasing of Smelter capex to peak only in FY29 provided significant relief. * **Analyst Sentiment Verdict:** Generally positive and impressed by the "best-ever" performance. The primary friction point was the rising raw material prices (CP Coke), but management's transparency on exact price increases ($12k/ton increase in coke) helped analysts model the impact accurately. Credibility has improved due to the successful ramp-up of captive coal.

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5. WHAT CHANGED vs PRIOR QUARTER

Comparison against 9M FY26 data where applicable.

What Changed	Prior Context (9M FY26)	Current (FY26 End)	Trajectory
Alumina Realization	$385/MT (Avg)	$348/MT (Q4 Avg)	↓ Deteriorating
Metal Realization	$2,867/MT (Q3)	$2,767/MT (Q4)	↓ Deteriorating
Captive Coal Target	4.0 MT	4.8 MT (FY27 Guide)	↑ Improving
Expansion Status	5th Stream in June '26	Commissioning confirmed June	→ Stable
Capital Allocation	Utkarsh JV Active	Utkarsh JV Discontinued	↑ Disciplined
Other Expenses	Standard levels	₹850 Cr (incl. provisions)	↓ Accounting Impact
Smelter Funding	Unclear	50% shared via Neyveli JV	↑ Risk Mitigation

Thesis Verdict: Conviction Increasing. NALCO is transforming into a volume-driven metal giant. By successfully navigating the Alumina price collapse with record profits, the company has proven that its captive resource moat is impenetrable. The shift to a Metal-heavy revenue mix and the disciplined exit from low-IRR JVs (Utkarsh) signal a management team focused on shareholder value. The near-term input cost inflation is an entry opportunity for long-term investors before the 5th Stream volumes kick in.