National Aluminium Company Ltd — Nov 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** NALCO is transitioning from a high-cost smelter to a low-cost integrated power/metal play as captive coal savings (□400/t) and caustic soda efficiencies offset the current softening in spot Alumina prices.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	H1 PAT up 50.2% YoY; Q2 PAT up 34% YoY despite softening alumina spot prices.	□
Earnings Quality	High (Core driven)	Performance driven by volume (Alumina +31% H1) and massive energy cost savings from captive coal.	□
Guidance Confidence	Neutral	Refinery timeline remains June 2026 (delayed vs original Dec '25); Smelter target 2030.	□
Management Credibility	Strong	Quantified caustic soda efficiency (96kg/t) and grid power savings (□136 Cr in H1).	□
Business Quality Signal	Improving	Structural shift to captive coal (4 MTPA target) permanently lowers the Aluminium cost curve.	□
Key Q&A Exchange	Q#2 - Smelter Timeline	Mgmt confirmed DPR for new 0.5 MTPA smelter starts this month; capex to hit from FY28.	□
The Street's Primary Anxiety	Alumina Spot Floor	Fear of alumina spot prices dropping to $320/t; mgmt using "Term" contracts at $350/t to hedge.	□
Capital Cycle Stage	Investment	Heavy capex (Refinery 80% done); entering next cycle (□30k Cr for Smelter/CPP).	□
Margin / Return Ratio Trajectory	Improving	EBITDA supported by □400/t coal saving and □10k+ alumina margins.	□
Pricing Power	Stable	Strong domestic premium (~10%) maintained via import parity and logistics advantages.	□
FCF Conversion & Quality	Strong	□7,900 Cr cash and equivalents; expansion funded via internal accruals.	□
Competitive Moat Signals	Widening	Low-cost bauxite/coal integration makes NALCO a global low-cost Alumina producer.	□
Balance Sheet Strength	Strong	Zero-debt status maintained; net worth supports upcoming □30k Cr capex.	□
Working Capital Efficiency	Improving	Intentional liquidation of metal stock planned for Q3 post-monsoon.	□
Mgmt Guidance Track Record	Mixed	Strong on production/cost targets; project timelines (5th Stream) remain extended.	□
Key Vulnerability / Red Flag	Realization Pressure	Spot Alumina at $320/t is ~15% below Q2 averages, threatening H2 margins.	□
Management Tone	Confident	Bullish on technical efficiencies and "best ever" operational performance.	□

Key Takeaways (Positives & Negatives):

Positives: * **Energy Cost Revolution:** Captive coal from Utkal D&E reached 2 MT in H1 (target 4 MTPA), providing a ₹400/t saving over linkage coal and significantly reducing expensive grid power purchases (₹136 Cr H1 saving). * **Operational Efficiency:** Caustic soda consumption improved to 96 kg/ton of Alumina (from ~110-120 kg historical), shielding margins from raw material price volatility. * **Volume Growth:** H1 Calcined Alumina production surged 31% YoY (1.16 MT), enabling higher export sales volumes. * **Balance Sheet:** Cash and equivalents of ₹7,900 Cr provide a robust cushion for the next ₹30,000 Cr capex cycle without immediate leverage.

Negatives: * **Realization Headwinds:** Spot Alumina has corrected to ~$320/t from Q2 averages of ~$380/t, though mgmt is partially protected by term contracts. * **Project Wait-Time:** The 0.5 MTPA Smelter expansion is a long-dated story (Dec 2030 commissioning), leaving investors focused on the mid-2026 Alumina refinery stream for the next growth leg. * **Bauxite Renewal Uncertainty:** While renewals for leases expiring in 2029 are "certain" for PSUs, the potential premium/royalty increase remains a medium-term margin risk.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS *Note: PPT provided is an industry outlook; financial and operational specifics derived from Concall.*

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production Volume (Bauxite)	1.42 MT (Est)	+13%	↓	↑	Q2 excavation grew 13%; H1 up 6.25%.
Production Volume (Alumina)	0.58 MT (Est)	+15%	↑	↑	H1 production jumped 31% YoY to 11.61 Lakh MT.
Production Volume (Metal)	0.119 MT	+3.48%	↑	↑	Running at ~104% of 0.45 MTPA rated capacity.
Realization (Alumina)	~$380/t	↓ vs Q1	↓	↓	Spot prices currently at $320; Term contracts at $350.
Realization (Metal)	₹2,55,000/t	↑	↑	↑	Price jump of ₹18,000/t vs Q1 driven by higher LME.
Opex (Power Saving)	₹136 Cr	↑	↑	↑	Savings from reduced grid power purchase in H1.
Revenue	H1: ↑ 18%	↑	→	↑	Driven by volume in Alumina and realization in Metal.
EBITDA Margin %	Not in doc	-	-	-	Mgmt noted 41% segment result for Aluminium.
PAT	Q2: +34%	+34%	↓	↑	H1 PAT up 50.2% YoY.
ROCE (%)	Not in doc	-	-	-	Not specifically stated in transcript.
Cash Flow (OCF)	Not in doc	-	-	-	H1 cash balance reported at ₹7,900 Cr.
Net Debt / (Cash)	(₹7,900 Cr)	→	→	→	Maintained zero-debt status.
Interest Coverage	N/A	-	-	-	Zero debt.
Working Capital	Metal stock ↑	-	↑	↓	Inventory up due to seasonal demand lull; clearing in Q3.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Aluminium	₹2,880	+7.27%*	41%	↑	Above Avg	Realization jump of ₹18,000/t vs Q1.
Alumina	Not in doc	+81% (Vol)	₹10k-14k/t	↓	Above Avg	H1 sales up 81% YoY; price pressure from spot.

**Revenue growth percentage for segment derived from management's Q2 total revenue growth commentary.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Alumina Volume	12.5 - 13 Lakh MT FY26	Achieved 11.6 MT prod in H1; target highly conservative/achievable.	Met	Low
Guidance	Metal Volume	4.70 Lakh MT FY26	Requires 1.22 Lakh MT per qtr in H2; feasibility high.	On Track	Low
Guidance	Refinery Exp.	Commissioning June 2026	80% physically complete; ₹4,500 Cr spent.	Delayed from Sep '25	Medium
Guidance	Smelter Exp.	Commissioning Dec 2030	Requires DPR by June '26 and ₹20k Cr spend.	Reset stage	High
Strategy	Coal Mix	4.0 MTPA Captive	H1 achieved 1.96 MT; on track for full target.	On Track	Low
Strategy	Caustic Soda	Reduce consumption	Achieved 96kg/t; significant efficiency improvement.	Improved	Low
Strategy	Captive Power	100% internal sourcing	Reduced purchased power by ₹136 Cr in H1.	Improved	Low
Macro	Alumina Prices	Expected $350/t in H2	Spot is currently $320; needs market recovery.	Unpredictable	Medium
Balance	Capex Funding	Internal accruals	₹7,900 Cr cash vs ₹30k Cr project; may need debt.	Cash Rich	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Amit Lahoti, Emkay	Expansion	Capex and Allocation	"Are we on track to achieve commissioning of the Alumina project in June 2026?"	Management reconfirmed the revised target of June 2026 after earlier delays, noting structural work will finish by March. This timeline is critical as it represents the only major volume catalyst for the next 24 months.	None	5.0	Specific timeline given
2	4.5	Aditya Welekar, Axis	Smelter	Capex and Allocation	"What is the status of the smelter DPR and capex timing?"	Management stated the DPR consultant will be appointed this month, with a target of December 2030 for commissioning and capex starting in FY28. This signals a backend-loaded capex profile, keeping the balance sheet light in the near term.	None	4.0	Directional with evidence
3	4.0	Vikas Singh, ICICI Sec	KABIL JV	Management Commentary and Outlook	"Any progress in the KABIL joint venture regarding lithium mines in Argentina?"	Management indicated non-invasive exploration is complete and invasive drilling will start soon, with commercial viability results expected in 18 months. This	None	3.0	Vague but consistent

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						remains a "call option" for investors rather than a near-term earnings driver.			
4	4.0	Kirtan Mehta, BNP Paribas	Margins	Financials	"What is the margin difference between the new refinery and existing one?"	Management expects the new refinery to have a margin of ₹10k-11k per ton, benefiting from high-pressure digestion tech and lower manpower costs despite higher depreciation. This confirms that the 5th stream will be accretive to the blended margin profile.	None	5.0	Clear and quantified
5	4.5	Pallav Agarwal, Antique	Integration	Financials	"What is the impact of captive coal and the removal of the coal cess?"	Management highlighted a ₹400/t saving from captive coal and an additional ₹67 Cr saving in H2 from cess removal. This cost-side fortress protects NALCO during LME downturns more effectively than peers.	None	5.0	Clear and quantified
6	4.0	Sumangal Nevatia, Kotak	Power	Financials	"Are we still buying power from the grid?"	Management confirmed they drastically reduced grid power	None	5.0	Specific and quantified

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						purchases to □50 Cr from □186 Cr YoY, saving □136 Cr in H1. This efficiency gain is permanent as long as captive coal availability remains at current levels.			
7	3.5	Tushar Chaudhari, PL	Inventory	Business Overview	"Why were metal sales lower this quarter despite good production?"	Management attributed the shortfall to weak monsoon demand for wire rods and flat products, with plans to clear inventory in Q3. This suggests a strong volume-led revenue bump in the coming quarter.	None	4.0	Directional with evidence
8	4.0	Rajesh Majumdar, 360 One	Pricing	Financials	"Is the domestic premium 10% this quarter?"	Management confirmed that inclusive of custom duty and inland transport, the domestic realization is roughly 10% above LME. This premium is a structural advantage that high-cost import competitors cannot bridge.	None	5.0	Clear and quantified
9	4.0	Siddharth Mehrotra, Kotak	Costs	Financials	"Will employee costs continue to decline?"	Management expects employee costs to drop from 18% to	None	4.0	Directional with evidence

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						15% of total cost as senior employees retire and volumes from expansion increase. This is a rare example of a PSU successfully optimizing fixed overheads over time.			

PATTERN FLAGS & SENTIMENT Theme Cluster: Cost-Centric Moat Building Analysts focused heavily on whether NALCO’s low-cost narrative is sustainable. Management was highly confident, providing granular data on coal savings (□400/t), power savings (□136 Cr), and caustic soda efficiency (96kg/t). The sentiment is that NALCO is effectively "de-risking" its cost base, which was historically its main weakness compared to private peers.

Theme Cluster: Project Delay Fatigue The 5th stream refinery delay (now June 2026) was addressed with transparency, but the Smelter expansion (2030) generated some skepticism regarding its long lead time. Analysts are treating the refinery as a "known" catalyst and the smelter as a "speculative" long-term target.

Analyst Sentiment Verdict: The overall mood was bullish on the operational turnaround. Analysts were impressed by the H1 volume jump in Alumina (+31%) and the successful ramp-up of captive coal. Management’s credibility improved this quarter due to the high level of quantitative detail provided on technical efficiencies. The single unresolved risk is the softening Alumina spot price, which could dampen H2 results if management cannot maintain its term-contract premiums.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior Context)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Refinery Commissioning	Originally Sep '25 / Dec '25	June 2026	6-9 month cumulative delay confirmed.	FY26 will see zero volume growth from new stream.
Alumina Spot Price	Forecasted stability	Current spot $320 vs Q2 $380	Prices correcting faster than anticipated.	H2 margin compression.
Smelter DPR	Appointment in 2-3 months (Q1)	Appointment "this month" (Q2)	Slight slip in pre-project timeline.	Delayed capex cycle (FY28 start).

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Captive Coal Saving	□400/t vs e-auction	□400/t vs MCL Linkage	↑
Power Mix	Heavy grid reliance	99% Captive (□136 Cr saving)	↑
Alumina Vol Growth	Improving	+31% YoY H1	↑
Caustic Efficiency	~115 kg/t	96 kg/t	↑
Realization Trend	Rising LME	Softening Alumina Spot ($320)	↓
Smelter DPR Status	Consultant Search	Consultant Appointment Finalized	↑
Inventory Strategy	Normal	Elevated (Seasonality + Logistics)	↓
Regulatory Cost	□75 Cr One-off RPO hit	Cess removal (□67 Cr H2 gain)	↑

STOP HERE.