National Aluminium Company Ltd — Nov 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Strong Beat **One-line:** NALCO delivered record-shattering H1 profitability (highest-ever PAT/EBITDA) as realization growth and volume efficiency overwhelmed sharp raw material inflation, though the high-margin Pottangi/Refinery catalysts have slipped by another 1-2 months.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	H1 PAT of ₹3,837 Cr is up 54% YoY; Q2 PAT of ₹1,835 Cr exceeded expectations despite monsoon coal headwinds.	🟢
Earnings Quality	High (Core driven)	Performance driven by record production volumes and structural reductions in employee costs via younger workforce mix.	🟢
Guidance Confidence	Neutral	Management confirmed 5th Stream refinery start for Jan '27, but Pottangi mine remains stuck in local agitation.	🟡
Management Credibility	Neutral	Operational excellence is clear, but project timelines (Refinery/ Pottangi) continue to creep forward quarter-after-quarter.	🟡
Business Quality Signal	Improving	Transitioning to a massive cash-generator; ₹12,000 Cr cash pile de-risks the upcoming ₹25,000 Cr expansion cycle.	🟢
Key Q&A Exchange	Q5: Pottangi Road	Critical 8km road clearing is blocked by locals; bauxite will now come by road (costing ₹490/t extra).	🔴
The Street's Primary Anxiety	Input Cost Spikes	Massive inflation in Caustic Soda (+₹17k/t YoY) and CP Coke (+ ₹20k/t YoY); Mgmt relies on efficiency to offset.	🔴
Capital Cycle Stage	Investment	Approaching peak capex with Smelter DPR due Feb '27 and ₹18,000 Cr of package ordering starting Dec '27.	🟡
Margin / Return Ratio Trajectory	Improving	EBITDA margins remain robust at ~50% for H1 despite RM pressure, aided by high Alumina spot prices (~$370).	🟢
Pricing Power	Stable	Domestic pricing now tied to export spot averages; Alumina remains in a global deficit supporting realizations.	🟢
FCF Conversion & Quality	Strong	Net cash increased to ₹12,000 Cr; cash flow from Utkal coal savings is neutralizing power cost spikes.	🟢
Competitive Moat Signals	Widening	Low-cost position reinforced by ramping captive coal (2.1 MT in H1) and EGA technology license for smelter.	🟢
Balance Sheet Strength	Strong	Zero-debt status maintained with enough internal accruals to fund the entire expansion without borrowing.	🟢
Working Capital Efficiency	Stable	Inventory management improved; refinery coal stock rose from 1 day to 5 days despite monsoon disruptions.	🟢
Mgmt Guidance Track Record	Mixed	Excellent on production targets (4.8 MTPA coal); poor on mining/ project commissioning dates.	🟡
Key Vulnerability / Red Flag	RM Logistics	Reliance on road transport for Pottangi Bauxite for the next 2.5 years adds ~₹500/ton to ore costs.	🔴
Management Tone	Confident	Bullish on H2 efficiency gains and "all-time high" financial milestones.	🟢

Key Takeaways (Positives & Negatives): * **Positives:** NALCO is currently a "cash machine," ending the quarter with □12,000 Cr in cash (up from □10,500 Cr in Q1). The structural reduction in employee costs (due to high-salary retirements) and the ramp-up of Utkal coal to a 4.8 MTPA run-rate provide a durable floor to margins. Alumina spot realizations ($370-$380) are significantly higher than the $324 seen in Q1, acting as a natural hedge against metal cost inflation. * **Negatives:** Project execution continues to lag. The 5th Stream Refinery has slipped from a "Nov/Dec" start to "late Dec/early Jan." More critically, the Pottangi mine is mired in local resistance, forcing a shift to road transport which will inflate bauxite costs by □490/ton for the next 2.5 years until the 18km conveyor is built. * **Street Concern:** Analysts are hyper-focused on the RM cost creep (Caustic Soda projecting at □49,000/t in Q3). Management's response is that H2 "dry season" techno-economics will improve caustic recovery and reduce fuel oil injection, saving ~□500-1,000 per ton of Alumina. * **Forward Watchpoint:** The commissioning of the 5th Stream integrated trial in late December. Any further slippage into Q1 FY28 would be a major disappointment for the "volume growth" thesis.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT not available — all numbers sourced from concall transcript and implied from H1 totals.*

Metric	Current Qtr (Q2)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production: Coal (MT)	1.22	↑	↑	↑	H1 total 2.1 MT; on track for 4.8 MTPA target.
Realization: Alumina ($/MT)	~$317-370	↑	↑	↑	Q2 avg was improved; Q3/Q4 expected at $370-$380.
Opex: Alumina CoP (□/t)	~□24,000	↓	→	→	RM spikes (Caustic) offset by volume efficiencies.
Revenue (□Cr)	□5,743	+25%	+6%	↑	Record H1; growth driven by pricing and coal mix.
EBITDA (□Cr)	~□2,700	+30%	↓	↓	Slight QoQ margin compression vs Q1 due to monsoon fuel.
PAT (□Cr)	□1,835	+28%	↓	↓	Best ever half-yearly PAT (□3,837 Cr).
Net Debt / (Cash) (□ Cr)	(□12,000)	↑	↑	↑	Cash pile growing; □8,500 Cr to □12,000 Cr in 6 months.
Employee Cost (avg CTC)	□32 Lakhs	↓	→	↑	Structural drop from □36L due to retirement mix.
Capex (□Cr)	~□800	→	→	→	H1 spend; full year target >□1,800 Cr.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Alumina	Not Stated	High	~35%	↑	Above	5th stream (1 MTPA) commissioning Dec/ Jan.
Aluminium	Not Stated	Moderate	~25%	↓	Below	High Caustic/Coke prices weighing on smelter.
Power	Captive	N/A	N/A	↑	N/A	Utkal coal ramping; JV with NLC for new 2.4GW.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Alumina Volume	2.45 million tons for FY27.	**High Risk:** Needs 5th Stream to hit 100% capacity in 90 days post-Jan start.	Slipped from June to Jan.	High
Guidance	Coal Volume	4.8 million tons for FY27.	**Feasible:** Needs 2.7 MT in H2; current run-rate is ~0.4 MT/month.	Improving consistently.	Low
Guidance	Capex Plan	□1,800 - 2,000 Cr for FY27.	**Feasible:** □800 Cr done; EGA tech payments due in H2.	On track.	Low
Strategy	Pottangi Mine	Start within 2-3 months (Jan '27).	**Medium Risk:** Depends on police-backed road clearing and local agitation.	Delayed from May '26.	High
Strategy	Smelter Exp.	Dec 2030 completion.	**Long-term:** DPR by Feb '27; land acquisition nearly complete.	New Project.	Moderate
Macro	Alumina Pricing	$370 - $380 / ton avg.	**Feasible:** Current spot market confirms these levels.	Reliable.	Low
Balance	Funding	Zero Debt for □25k Cr expansion.	**Feasible:** □12k Cr cash + □7k Cr annual EBITDA covers equity.	Consistent.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Manav Gogia, Aditya Birla	Management Outlook	What's the status on the refinery commissioning and stabilization?	Management confirmed mechanical completion is 90% and integrated trials will start the last week of December. This pushes the primary volume-led re-rating catalyst into Q4 FY27.	None	4.0	Clear timeline
2	5.0	Manav Gogia, Aditya Birla	Management Outlook	What is the status of Pottangi mines and Utkal expansion?	Management admitted local resistance is blocking the road, but Utkal coal is ramping to its 4.8 MTPA target run-rate. Captive coal security is the main margin protector against □70k/t CP Coke.	Exact road clearing date	3.0	Vague on local issues
3	4.5	Manav Gogia, Aditya Birla	Capex and Allocation	How should we look at the capex for the brownfield smelter and the AP greenfield?	Management outlined a □18k Cr smelter and a □25k Cr total project (with power JV), with major spend starting FY28. This shifts NALCO from a "dividend play" to a "growth-capex play" over the next 3 years.	Greenfield details	4.0	Detailed long-term map
4	4.0	Pathanjali Srinivasan, Sundaram	Financials	Cost of production has gone up $75-100; what	Management identified Caustic Soda (□47k), CP	None	5.0	Quantified inflation

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
				are the main drivers?	Coke (□63k), and HFO spikes as the primary culprits. Sustained RM inflation remains the single largest threat to smelter profitability.			
5	4.5	Pathanjali Srinivasan, Sundaram	Financials	Why will you get cost relief in the second half?	Management expects H2 "dry season" to improve caustic recovery by 6-7kg/t and reduce fuel oil injection as coal stocks dry. This provides a ~□500/t Alumina margin buffer for Q3/Q4.	None	4.0	Technical justification
6	4.0	Akhilesh Kumar, Emkay	Business Overview	Are you expanding margins in Alumina despite cost pressures?	Management confirmed that while costs are up, spot realizations at $370-$400 are providing a net margin expansion. High alumina prices are effectively subsidizing the smelter's cost creep.	None	4.5	Market-linked clarity
7	4.5	Darshan Mehta, Dolat Capital	Management Outlook	What is the status of the 18km conveyor belt?	Management stated the conveyor will take 2-2.5 years to build; until then, bauxite will come via road	None	4.0	Specific timeline

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					at a cost of □490/t. This delays the full "low-cost bauxite" thesis by 24+ months.			
8	3.5	Rajesh Majumdar, 360 ONE	Financials	What is the cost of alumina we pay to the aluminium smelter?	Management clarified that Alumina is transferred to the smelter at cost, not market price. This ensures the smelter captures the full integrated margin rather than paying spot.	None	5.0	Accounting clarity
9	4.0	Jashandeep Chadha, Nomura	Financials	How are employee costs trending structurally?	Management noted a reduction from □36L to □32L average CTC as high-salary seniors retire and are replaced by juniors. This structural tailwind adds ~□100-150 Cr to the annual bottom line.	None	5.0	Quantified structural shift

PATTERN FLAGS & SENTIMENT Analysts focused heavily on **cost creep and logistics**. The shift to road transport for Pottangi Bauxite (costing an extra □490/t) was a major point of friction, as it dilutes the "captive mine" advantage for the next two years. Management remained defensive but technically competent, emphasizing that "techno-economic" improvements in H2 will offset RM inflation.

Analyst Sentiment Verdict: Cautiously Optimistic. While analysts were impressed by the record H1 numbers, there is palpable skepticism regarding the Pottangi mine timeline. The "Project Delay" overhang remains the primary valuation cap, even as the balance sheet becomes bulletproof with □12,000 Cr in cash.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior Q)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Refinery Start	Nov/Dec 2026	Late Dec/Early Jan 2027	1-month slippage	Delayed volume ramp-up
Pottangi Start	October 2026	"Within 2-3 months" (Jan '27)	3-month slippage	Continued bauxite purchase/extra road cost
Bauxite Logistics	Low-cost mining	₹490/ton road cost for 2 years	New logistics cost layer	Margin dilution on Alumina

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY27)	This Quarter (Q2 FY27)	Direction
Cash Balance	₹10,500 Crore	₹12,000 Crore	↑
Pottangi Timeline	October 2026 Start	Jan 2027 (Tentative)	↓
Logistics Strategy	Conveyor priority	Road transport (₹490/t extra)	↓
Caustic Soda Cost	₹46,900 / ton	₹49,000 / ton (Projected)	↓
CP Coke Cost	₹63,700 / ton	₹70,600 / ton (Projected)	↓
Alumina Realization	~$324 / ton	~$370 - $380 / ton	↑
Employee Cost	Structurally lower	Further drop (₹32L avg CTC)	↑
Project Visibility	EGA License signed	DPR phase; Dec '27 ordering	↑

Investor Notes: * **Thesis Confirmation:** The "Long-term Low-Cost Integrator" thesis is intact, but the *Harvesting Phase* has hit a logistical speedbump. Record profits are currently masking underlying project delays. * **Trajectory Signal:** Neutral. The business is performing at peak efficiency, but we are entering a 1-2 quarter period of "delivery tension" where the Refinery and Pottangi must start to prevent a narrative breakdown. * **CFO-to-PAT:** PAT of ₹3,837 Cr (H1) is well-supported by the ₹1,500 Cr cash increase + ₹800 Cr capex (implied CFO > PAT). * **Actionable Insight:** The ₹12,000 Cr cash balance is the new anchor. Even if Alumina prices soften, NALCO has the fire-power to self-fund its massive Smelter expansion, making it a "de-risked cyclical" play. Watch for "Pottangi Road Clearing" news in Nov-Dec.