



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

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Institutional Equities

National Aluminium Company

08 November 2025

Earnings beat due to cost efficiency; timely project completion remains crucial

RESULT UPDATE

Sector: Metals and Mining Rating: BUY

CMP: Rs 235 Target Price: Rs 277

Stock info

Sensex/Nifty	83,216/ 25,492
Bloomberg	NACL IN
Equity shares (mn)	1,836
52-wk High/Low	Rs 263/138
Face value	Rs 5
M-Cap	Rs 432bn/USD 4.9bn

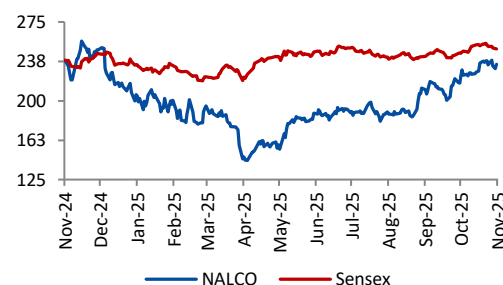
Financial Snapshot (Rs bn)

Y/E Mar	FY26E	FY27E	FY28E
Sales	156	169	178
EBITDA	61	72	85
PAT	42	50	61
EPS (Rs)	23	27	28
EV/EBITDA (x)	6	5	4
P/E (x)	10	9	7
RoE (%)	22%	23%	24%
RoCE (%)	22%	23%	20%
Dividend yield (%)	4%	5%	4%

Shareholding Pattern (%)

	Sep'25	Jun'25	Mar'25
Promoter	51.3	51.3	51.3
–Pledged			
FII	16.1	15.0	15.8
DII	15.6	15.8	15.7
Others	17.0	17.9	17.2

Stock Performance (1-year)



NALCO's (NACL) 2QFY26 revenue of Rs 42.9bn (+7.3% YoY and +12.8% QoQ) was 3% above our estimate; EBITDA at Rs 19.3bn (+24.3% YoY and +29.1% QoQ) was 22% above our estimate due to lower costs and higher alumina sales. NACL's chemicals segment realisation averaged USD 530/t for the quarter (-25.7%/-15.3% YoY/QoQ). Aluminium segment recorded an average realisation of USD 2,939/t (+9.3%/+5.3% YoY/QoQ) led by higher domestic premiums. EBITDA margin averaged at 45% this quarter versus 39% in both 1QFY26 and 2QFY25. Aluminium metal sales during the quarter were 112kt (-7.2%/-1% YoY/QoQ) with an EBITDA/t of USD 1,330/t (+38.4%/27.1% YoY/QoQ), primarily benefiting from higher premiums and lower coal costs from captive sources as well as linkages. NACL's 1mt 5th stream alumina refinery is now expected to be commissioned in June 2026 and 50% utilisation in FY27. The management guides for 1.25mt alumina sales in FY26 and 500kt incremental alumina sales in FY27 with the commissioning of the 5th stream refinery. We value NACL 5.5x 1HFY28E EV/EBITDA, arriving at a revised target price of Rs 272/share, implying 16.4% upside from CMP, and upgrade rating on the stock to BUY. Continued delays in project commissioning and softer commodity price environment would prevent stock re-rating.

Outlook and valuation: NACL's 1mt 5th alumina refinery stream has reached achieved 80% completion, with the remaining 20% work, primarily covering hydration and filtration tanks, electrical EPC, and process automation, expected to conclude ahead of commissioning targeted for June 2026. We expect 25% capacity utilisation on the expanded capacity in FY27 versus management guidance of 50%. NACL currently sells around 1.3mt alumina externally through third-party exports after meeting the smelter requirement of around 0.9mt. We project NACL to deliver external alumina sales of 1.25mt/1.57mt/1.88mt for FY26/FY27/FY28. We revise our FY26/FY27 EBITDA upward by 42%/9% incorporating i) higher aluminium LME prices, ii) elevated aluminium realisations and premiums, and iii) lower cost of production driving margin gains witnessed in 1HFY26. We introduce FY28 estimates assuming blended utilisation of 87% of the total alumina capacity of 3.3mt and value NACL 5.5x 1HFY28E EV/EBITDA, with a revised target price of Rs 277/share. **Upgrade to BUY.**

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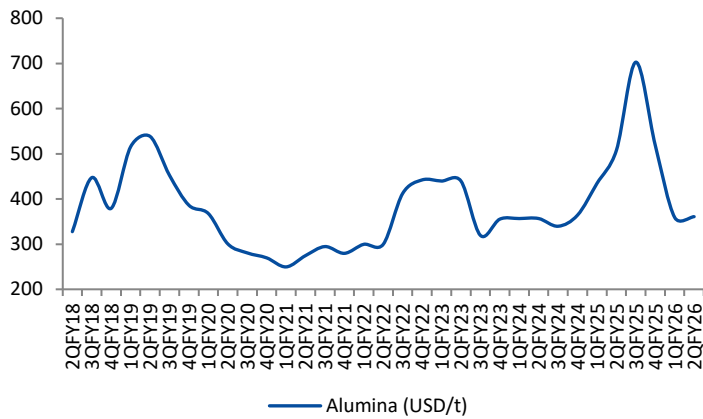
Key highlights of the 2QFY26 earnings call

- Guidance:** NACL targets to achieve >100% utilisation with 2.25mt-2.3mt alumina production in FY26 vs 2.07mt in FY25. The company is currently generating Rs 11,000-12,000/t EBITDA in alumina sales. The management expects further reduction in CoP led by improvement in operational and techno-economic parameters. Spot market realizations are expected to be in range of USD 320-330/t in 3QFY26. Management remains confident of maintaining lower cost of production with the commissioning of 5th stream alumina refinery. Existing capacity of 2.3mt alumina is operated through four refinery streams while the additional 1mt will be operated on a single stream ensuring superior operational efficiency with lower manpower requirement. Caustic soda prices at ~Rs 41,000/t versus Rs 44,000/t in 1Q also supported lower cost of production this quarter.
- Alumina refinery and bauxite mine expansion:** Lease deed for Pottangi Bauxite mines is already in place, with targeted production by June 2026. The 1mt Alumina refinery expansion at Damanjodi has achieved ~80% physical progress, with mechanical completion targeted by June 2026. The management estimates 50% utilisation in FY27 and full-scale utilisation from FY28.
- Coal requirement and mine renewals:** Annual coal requirement stands at 7.2mt, of which captive mines are expected to produce 4mt, with the balance to be met through Coal India linkages. Renewal processes for the two existing bauxite mine leases, expiring in 2029 and 2031, are expected to be initiated shortly.
- Growth capex and expansions:** Detailed Project Report (DPR) for the planned 0.5mt brownfield aluminium smelter expansion is expected to be finalized in another 7 to 8 months; the company is currently in the process of finalising a consultant for the same. Following DPR finalization, the project tendering is expected to be completed by the end of next year. The smelter is likely to be commissioned in 2030. Management estimates project cost of Rs 180-200bn, with spending expected to commence in 2027. Smelter expansion will be taken alongside 1,200MW thermal power project estimated to cost Rs 100-120bn, taking the total growth capex to Rs 300bn.
- Alumina sales mix (spot vs long term contract):** NACL currently sells 50% alumina through spot sales and remaining through term contracts. With the recent uptick in LME prices, management is targeting higher term contracts in the sales mix as term contracts are linked to LME.
- Alumina prices:** Global alumina spot prices have remained under pressure, weighed down by increased supply from new Indonesian capacities. Meanwhile, constrained aluminium smelting additions and capped capacity in China have kept alumina demand steady, leading to a surplus. Management highlighted that the recent increase in caustic soda prices in 3Q should restrict further downside in alumina prices, while firmer aluminium prices could provide upward support going forward.

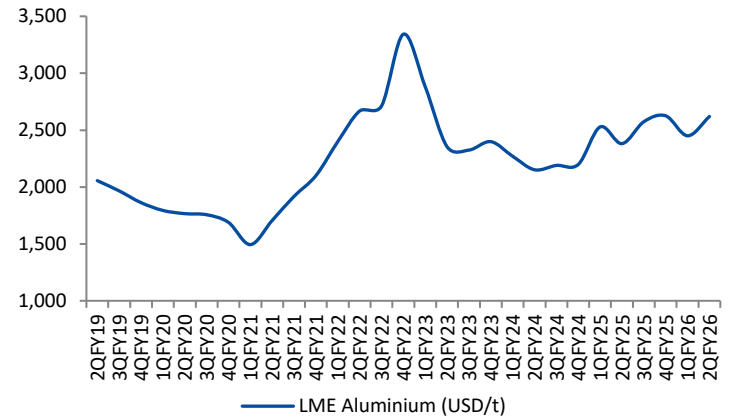
Exhibit 1: Quarterly snapshot

(Rs bn)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Net revenues	40	47	53	38	43
<i>YoY change (%)</i>					7%
<i>QoQ change (%)</i>					13%
Expenditure	25	23	25	23	24
EBITDA	15	23	28	15	19
<i>YoY change (%)</i>					24%
<i>QoQ change (%)</i>					29%
EBITDA Margin (%)	39	50	52	39	45%
Net earnings (adjusted)	10	16	21	11	14
<i>YoY change (%)</i>					37%
<i>QoQ change (%)</i>					34%

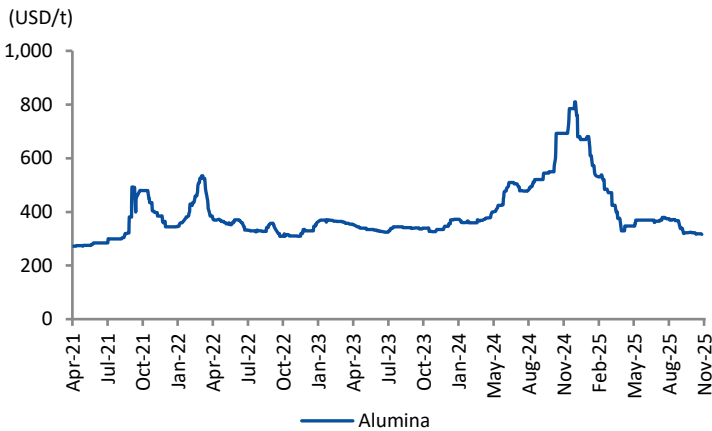
Source: Systematix Research

Exhibit 2: Quarterly alumina prices

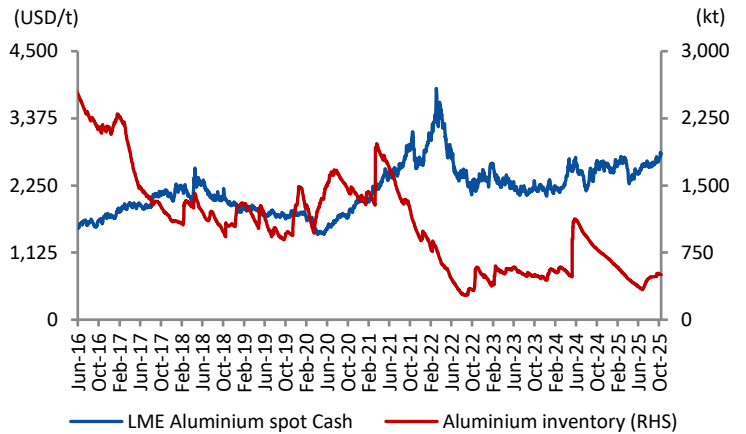
Source: Company, Systematix Research

Exhibit 3: LME Aluminium quarterly prices at USD 2,620/t (+10%/+6.9% YoY/QoQ)

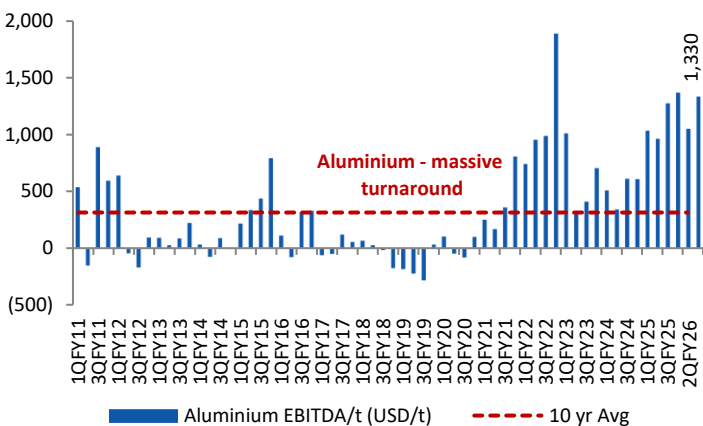
Source: Company, Systematix Research

Exhibit 4: Alumina price currently at USD 317/t

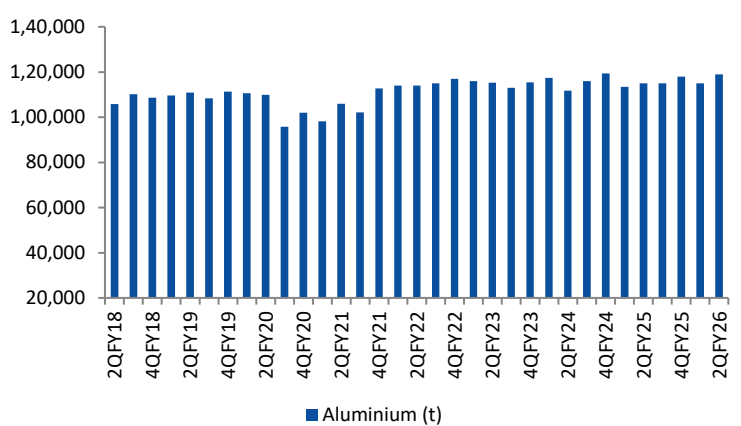
Source: Company, Systematix Research

Exhibit 5: LME Aluminium currently at USD 2,784/t

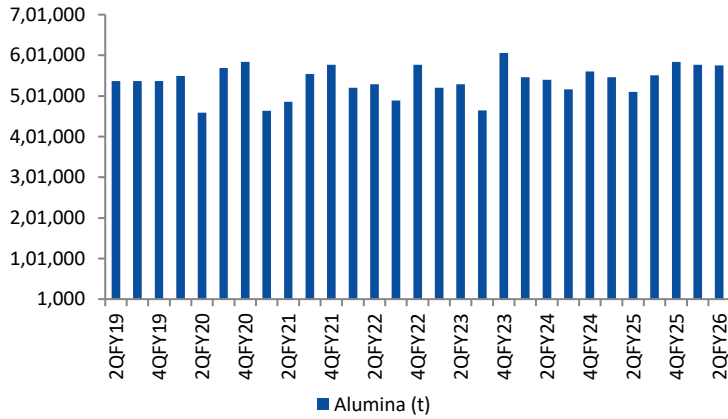
Source: Company, Systematix Research

Exhibit 6: NACL: Aluminium historical EBITDA/t (USD/t) trend

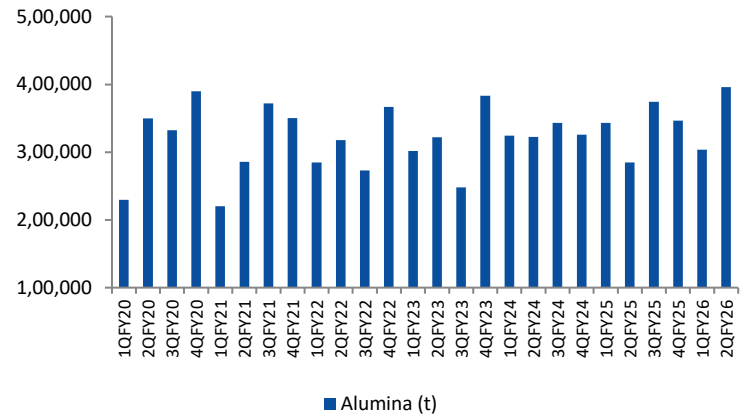
Source: Company, Systematix Research

Exhibit 7: Quarterly aluminium output

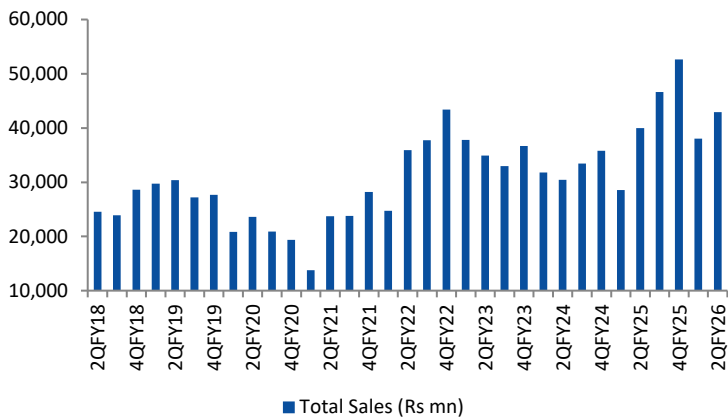
Source: Company, Systematix Research

Exhibit 8: Quarterly alumina output

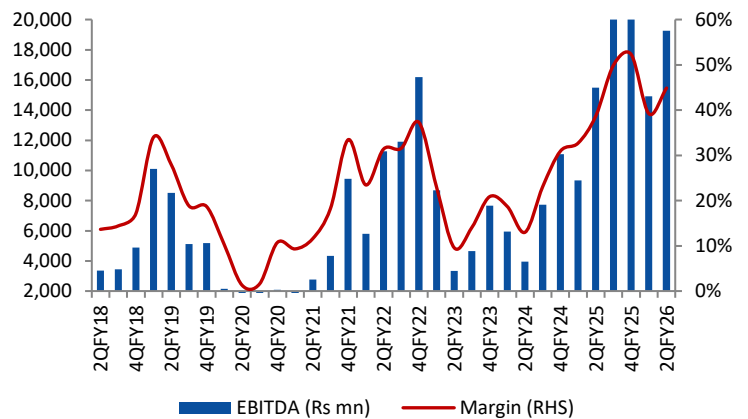
Source: Company, Systematix Research

Exhibit 9: Quarterly alumina sales

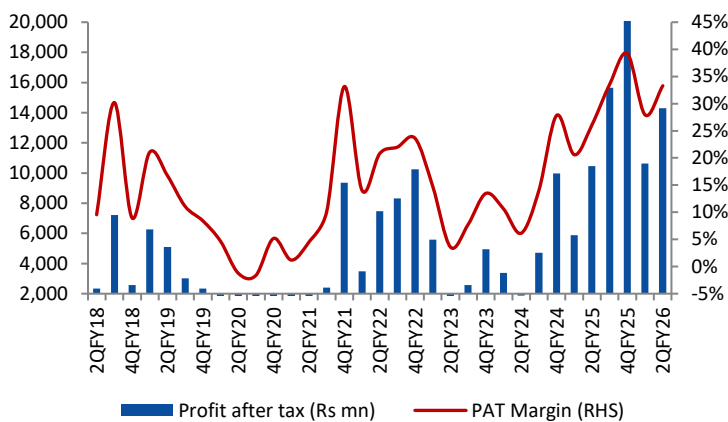
Source: Company, Systematix Research

Exhibit 10: Quarterly revenue

Source: Company, Systematix Research

Exhibit 11: Quarterly EBITDA and EBITDA margin

Source: Company, Systematix Research

Exhibit 12: Quarterly PAT and PAT margin

Source: Company, Systematix Research

Valuation and view

Exhibit 13: NACL – Valuation on EV/EBITDA Method (1HFY28E)

	Particulars (Rs bn)	Multiple (x)	EV (Rs bn)	Per share (Rs)
EBITDA	79	5.5	433	236
Add: Net cash	75	1.0	75	41
Equity value			508	
Target price			277	

Source: Systematix Research

Exhibit 14: NACL - Key assumptions (Year-ending March)

	Unit	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Avg. Aluminium LME	(USD/t)	2,046	2,035	1,751	1,790	2,774	2,481	2,200	2,525	2,600	2,650	2,700
Alumina price	(USD/t)	368	505	315	322	472	422	374	429	351	358	340
USD-INR exchange rate	(Rs)	65.0	69.2	75.4	73.5	75.8	82.2	83.4	85.6	86.0	88.0	89.0
Volumes												
Bauxite mined	(mt)											
Alumina production	(mt)	7.03	7.23	7.30	7.37	7.51	7.46	7.53	7.26	7.80	8.91	10.01
Alumina sales	(mt)	2.11	2.15	2.16	2.09	2.12	2.12	2.12	2.08	2.23	2.55	2.86
Aluminium production	(mt)	1.34	1.32	1.30	1.23	1.23	1.25	1.17	1.11	1.25	1.57	1.88
Aluminium sales	(mt)	0.43	0.44	0.42	0.42	0.46	0.46	0.46	0.46	0.46	0.46	0.47

Source: Systematix Research

Exhibit 15: Revised estimates

(Rs bn)	Previous		New		% change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net sales	137	163	156	169	13.6%	3.7%
EBITDA	43	66	61	72	42.1%	9.2%
PAT	29	45	42	50	46.0%	10.8%

Source: Company, Systematix Research

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Net revenues	131	168	156	169	178
Expenditure	103	92	94	97	93
EBITDA	29	76	61	72	85
Depreciation	7	7	9	11	13
Other Income	3	4	6	8	-
EBIT	24	72	59	69	73
Interest cost	(0)	(1)	-	-	-
Exceptionals	4	-	-	-	-
PBT	28	71	59	69	73
Taxes	7	18	16	19	20
Adjusted PAT	16	53	42	50	61
No of Shares (mn)	1,837	1,837	1,837	1,837	1,837
Adj. EPS (Rs/share)	11	29	23	27	28

Source: Company, Systematix Research

Balance Sheet

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	9	9	9	9	9
Reserves & Surplus	135	169	192	220	272
Networth	144	178	201	229	281
Total Debt	0	1	1	1	1
Non-Current liabilities	16	16	15	14	13
Current liabilities	32	35	47	48	50
Total Sources	192	229	263	291	343
Net Block	70	68	96	118	136
CWIP	40	49	33	22	15
Non-current investments	2	3	3	3	3
Non-current assets	131	137	149	160	171
Cash	0	1	24	40	80
Inventories	18	19	20	21	22
Receivables	2	2	1	1	1
Other Current Assets	11	9	9	9	9
Current Assets	61	91	114	131	172
Total Assets	192	229	263	291	343

Source: Company, Systematix Research

Cash Flow

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
PAT	20	53	42	50	52
Add: Depreciation	7	7	9	11	13
Add: Interest	(2)	(2)	(6)	(8)	-
Less: Taxes Paid	(6)	(17)	-	-	-
Add: Other Adjustments	8	18	-	-	-
Less: WC changes	(0)	(1)	12	1	(0)
Total OCF	27	58	57	53	65
OCF w/o WC changes	27	59	45	53	65
Capital Expenditure	(15)	(11)	(20)	(22)	(23)
Changes in investments	(6)	(30)	-	-	-
Interest/ Dividends recd	2	2	6	8	-
Total ICF	(20)	(40)	(14)	(14)	(23)
Free Cash Flow	0	0	0	0	0
Share Issuances	-	-	-	-	-
Change in Borrowings	(0)	1	(1)	(1)	(1)
Dividends	(7)	(18)	(19)	(22)	-
Interest Payments	(0)	(0)	-	-	-
Others	-	-	-	-	-
Total Financing CF	(7)	(18)	(20)	(23)	(1)
Net change in cash	(0)	1	22	16	41
Opening Cash & CE	1	0	1	24	40
Closing Cash & CE	0	1	24	40	80 9

Source: Company, Systematix Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
YoY growth in Revenue	-8%	28%	-7%	9%	5%
YoY growth in EBITDA	17%	163%	-19%	18%	18%
YoY growth in NI	9%	237%	-20%	18%	22%
ROCE	12%	33%	22%	23%	20%
ROE	11%	33%	22%	23%	24%
Per Share Numbers (Rs):					
Reported Earnings	11	29	23	27	28
Book Value	78	97	110	125	153
CPS	0	1	13	22	44
Valuations (x)					
P/E	27.6	8	10	9	7
EV/EBITDA	12.4	5	6	5	4
EV/Sales	2.7	2.1	2.3	2.1	2.0
P/BV	3.0	2.4	2.1	1.9	1.5

Source: Company, Systematix Research

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