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Equity Research Desk

ALPHA

(NALCO) – Powering India's Aluminium Growth

Established: 1981
HQ: Bhubaneswar, Odisha, India

National Aluminium Company Limited (NALCO) is a leading integrated aluminium producer in India, with operations across mining, refining, smelting and power generation.

Core Operations: Bauxite mining, alumina refining and aluminium production

Integrated Strength: Captive bauxite mines, alumina refinery, aluminium smelter and captive power generation

Industry Position: Among the world's low-cost producers of bauxite and alumina

Key Products: Alumina, aluminium metal, aluminium products and aluminium-based materials

Edge: Integrated low-cost operations, a debt-free balance sheet and strong returns position NALCO to benefit from rising aluminium demand and capacity expansion.

Market Data

CMP	₹323
Date	16-Nov-26
Target Price	₹391
Upside Potential	21%
52 Week High/Low	₹445/249
NSE Code	NATIONALUM
Market Cap	Mid
Sector	Aluminium
Rating	BUY

Shareholding Pattern



Subsidiaries

As of FY26, the company has 4 joint ventures and no other subsidiary/associate companies.

Ratios - FY26

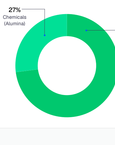
ROE	29%
ROCE	40%
Div. Yield	3.54%
PE Ratio (x)	12.0
Face Value	5.00
EPS (₹)	31.56

Growth Strategies

- Integrated Operations & Cost Competitiveness: NALCO's presence across bauxite mining, alumina refining, aluminium smelting and captive power generation supports cost efficiency, its long-term bauxite reserves and captive coal resources strengthen operational security. The company targets captive coal production of 4.8 MT in FY27, compared with 4 MT in FY26.
- Capacity Expansion Driving Growth: The upcoming 1 MTPA fifth-stream alumina refinery is expected to commence operations in January 2027. It could add around 2 lakh tonnes of alumina production in H2 FY27, with an estimated PBT contribution of ₹150 Cr. Production is expected to reach 0.75–0.80 MT in FY28 as the facility ramps up.
- Improving Global Alumina Demand & Realisations: Restarting smelters in the Middle East and Indonesia could support global alumina demand. Management expects alumina prices to remain in the US$370–400 per tonne range in H2 FY27 and targets domestic alumina sales of 2.5–3 lakh tonnes in FY27, compared with 1.4 lakh tonnes in FY26.
- Strong Financial Performance: NALCO reported Q2 FY27 revenue growth of 26.3% YoY, with EBITDA and PAT increasing by approximately 28% YoY. H1 FY27 revenue rose 32%, while PAT grew 55%, reflecting strong operating performance.
- Robust Balance Sheet & Healthy Cash Position: The company is virtually debt-free, with a debt-to-equity ratio of approximately 0.01x. Cash, bank balances and investments stood at more than ₹12,000 Cr as of September 2026, providing financial flexibility to support expansion plans.
- Attractive Industry Growth Opportunity: India's aluminium demand is expected to grow at over 10% CAGR, supported by electric vehicles, renewable energy, infrastructure, aerospace and defence. Low per-capita aluminium consumption also offers significant long-term growth potential.

Revenue Breakup - FY26

Total Revenue (FY26) - ₹17,843 crore



Products & Services

- Alumina Products
  - Calcined Alumina
  - Alumina Hydrate
  - Other alumina-related products
- Aluminium Products
  - Aluminium Ingots
  - Wire Rods
  - Billets
  - Strips and Rolled Products
- Integrated Energy & Mining Operations
  - Bauxite mining
  - Captive coal production
  - Captive power generation
  - Wind power generation

Edge: An integrated value chain from bauxite mining to aluminium production helps NALCO manage costs, strengthen operational efficiency and benefit across the aluminium value chain.

Financial Highlights

Q2 FY27

- **Revenue:** ₹5,419 Cr | +26.3% YoY
- **EBITDA:** ₹2,659 Cr | Approximately +28% YoY
- **Net Profit:** ₹1,835 Cr | Approximately +28% YoY

H1 FY27

- **Revenue:** ₹10,722 Cr | +32% YoY
- **Net Profit:** ₹3,838 Cr | +55% YoY

FY26

- **Revenue:** ₹17,843 Cr | +6% YoY
- **EBITDA:** ₹6,613 Cr
- **Net Profit:** ₹5,797 Cr | +10% YoY
- **Dividend:** ₹11.50 per share

Healthy Growth Profile

- 3-Year Revenue CAGR: Approximately 8%
- 3-Year Net Profit CAGR: Approximately 59%
- ROE: 29%
- ROCE: 40%
- Debt-to-Equity: 0.01x
- Cash, Bank Balances & Investments: Over ₹12,000 Cr as of September 2026

Margins-FY26



Indexed Price Chart



Industry Outlook

India is the world's second-largest aluminium producer, with growing demand from infrastructure, electric vehicles, renewable energy and industrial applications.

- India's primary aluminium production stood at approximately 42.67 lakh tonnes in FY26.
- India holds the world's fourth-largest bauxite reserves, estimated at around 4 billion tonnes.
- Per-capita aluminium consumption in India is approximately 3.1 kg, compared with around 12 kg globally and 31.7 kg in China.
- India's aluminium demand is expected to grow at over 10% CAGR, supported by infrastructure, EVs, renewable energy, aerospace and defence.
- Global aluminium demand is projected to increase from 86.2 MT in 2020 to 119.5 MT by 2030, according to CRU estimates.
- Aluminium's role in lightweight mobility, energy transition and infrastructure development is expected to support long-term demand.

Growth Drivers

Rising Aluminium Demand

- India's growing requirements across EVs, renewable energy, infrastructure and industrial applications are expected to support aluminium demand. Low per-capita consumption provides significant headroom for growth.

Capacity Expansion

- The upcoming 1 MTPA alumina refinery and planned smelter expansions could strengthen production capacity and support higher volumes over the coming years.

Captive Resources & Cost Advantage

- Integrated mining, refining, smelting and captive power operations help NALCO maintain cost competitiveness. Its bauxite reserves and captive coal resources provide greater operational security.

Favourable Policy Environment

- Government initiatives such as mineral corridors, reforms under the MMDR framework and policy support for domestic mineral production could strengthen India's metals and mining ecosystem.

Global Demand & Better Realisations

- Potential demand recovery from international smelter restarts, coupled with improving alumina realisations, could support NALCO's revenue and profitability outlook.

Competitive Advantage

- NALCO leads its key peers, Hindalco and Vedanta, in ROCE and ROE, demonstrating superior capital efficiency and profitability despite its smaller scale.
- The company maintains a virtually debt-free, net-cash balance sheet, offering greater financial flexibility compared with the higher leverage levels of its peers.
- Its low-cost, fully integrated bauxite-alumina-aluminium operations, supported by captive coal and power, provide a strong competitive advantage.
- NALCO is well positioned to convert favourable LME aluminium and alumina prices into sector-leading operating margins.
- While NALCO is smaller than Hindalco and Vedanta in revenue and market capitalisation, its stronger return ratios, cost competitiveness and balance-sheet strength set it apart.

Peer Analysis

Company	CMP(₹)	Mcap.(₹)	ROCE	ROE	3Y Sales CAGR	P/E	EPS (₹)	EPS 3Y Annualised
Nalco	323	59195	40.00%	29.00%	6.00%	9	33.00	42.00
Hindalco	944	212128	13.00%	10.00%	3.00%	7	80.00	129.00
Vedanta	260	101053	16.00%	38.00%	-9.00%	7	-	55.00

Outlook

- FY27 Alumina Production Target: 2.45 MT, including incremental production from the new refinery.
- FY27 Aluminium Production Target: 4.73 lakh tonnes.
- New Refinery: The fifth-stream 1 MTPA refinery is expected to commence operations in January 2027.
- Expansion Pipeline: Brownfield smelter expansion at Angul and a proposed greenfield smelter in Andhra Pradesh.
- Captive Coal Production: Target of 4.8 MT in FY27.
- Margin Outlook: Management expects margins to remain stable through the rest of FY27, supported by operational efficiencies and refinery ramp-up.
- Recommendation: BUY | Target Price: ₹391
  Current Market Price: ₹323
  Upside Potential: 21%
  Valuation: 8x FY28E EPS
  Suggested Stop-Loss: 20% from entry price

SWOT Analysis

Strength

- Fully integrated operations across mining, refining, smelting and power generation.
- Captive coal and power resources supporting cost competitiveness.
- Strong bauxite reserves with an estimated 15+ years of operational visibility.
- Virtually debt-free balance sheet and substantial cash reserves.
- Strong ROE and ROCE compared with selected peers.

Weakness

- High dependence on global aluminium and alumina price movements.
- Exposure to input-cost fluctuations, including caustic soda, petroleum coke and furnace oil.
- Capital-intensive expansion projects require timely execution.

Opportunities

- Rising aluminium demand from EVs, renewable energy, infrastructure and defence.
- Capacity expansion through the fifth-stream refinery and proposed smelter projects.
- Potential improvement in alumina realisations from global demand recovery.
- Policy support for domestic mineral production and the metals sector.

Threat

- Geopolitical uncertainties and disruptions in international supply chains.
- Project execution delays and cost overruns.
- Competition from domestic and global aluminium producers.

Note: To read the Disclaimer and Disclosure, click here

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