Vedanta Aluminium Metal (VEDALU)

CMP: ₹350 | Target ₹ 490 (40%) | Target Period: 12 months | BUY

October 29, 2026

Integration benefits to accrue, attractive risk-reward play...

About the stock: Vedanta Aluminium Metal (VAML), part of the Vedanta group, is operating India's largest primary aluminium metal capacity of ~2.9 MTPA, commanding 40+% market share in domestic primary aluminium domain (FY26).

- Operates two aluminium smelter capacity - 1.85 MTPA at Jharsuguda, Odisha and 1 MTPA at BALCO, Chhattisgarh. Also, it operates an integrated alumina refinery capacity of 5 MTPA at Lanjigarh, Odisha.

Q2FY27 Performance: VAML reported resilient performance in Q2FY27. On the consolidated basis, total operating income for the quarter came in at ₹22,324 crore (up 40% YoY) with aluminium sales volume of 649 KT (up ~5% YoY). Reported EBITDA for the quarter came in at ₹10,113 crore with corresponding EBITDA margins at 45.3% (down ~284 bps QoQ). EBITDA/tonne for the quarter stood at $1,644/tonne vs $1,779/tonne in Q1FY27. Consolidated PAT for the quarter was at ₹6,187 crore, up 105% YoY which included an exceptional expense of ₹485 crores on account of bauxite provision recognition.

Investment Rationale:

- **Strong aluminium demand provides long term visibility:** Aluminium, being a lightweight, corrosion-resistant and infinitely recyclable metal, is witnessing increasing adoption across infrastructure, automotive (electric vehicles) and renewable energy applications. As per industry sources, domestic aluminium demand is expected to increase from 5.6 MTPA in 2025 to 8.0 MTPA by 2030. VAML is well positioned to capitalise on this structural demand growth, supported by the commissioning and ramp-up of its ~435 KTPA BALCO smelter, while debottlenecking at Jharsuguda is expected to further increase capacity to ~3.0 MTPA by FY29E. These expansions are likely to strengthen VAML's position in the domestic aluminium industry. Moreover, the company continues to increase its share of value-added products, which accounted for 67% of provisional Q2FY27 production, supporting higher premiums. Accordingly, we expect VAML to deliver revenue CAGR of ~9% over FY26-29E, with volume CAGR of ~5%.
- **Increasing backward integration to strengthen cost competitiveness** VAML continues to strengthen its backward integration through higher captive sourcing. The recent commissioning of the Lanjigarh alumina refinery has increased refining capacity to ~5 MTPA in FY26, thereby reducing dependence on external procurement. Additionally, the ramp-up of its ~9 MTPA bauxite mine and ~35 MTPA captive coal mines from FY27E onwards is expected to enhance long-term raw material security and reduce input cost volatility. These initiatives should structurally improve cost competitiveness while supporting EBITDA/tonne stabilization at ~$1,500 by FY29E. Consequently, we expect EBITDA to grow at a ~17% CAGR over FY26-29E, assuming LME aluminium prices of ~$3,000/tonne.

Rating and Target Price: We have a **positive** view on Vedanta Aluminium Metal given its market leadership in domestic aluminium space, expansion led volume growth offerings, improvement in raw material security, healthy cashflows and capital efficient business model with strong return ratios. Consequently, we assign a **BUY** rating on the stock with SOTP- based target price of **₹490**.

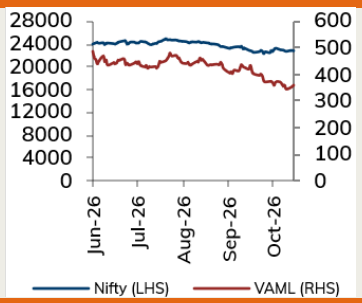
Particulars

Particular	₹ crore
Market capitalisation	136,874
Total Debt (FY26P)	37,692
Cash & Investment (FY26P)	4,339
EV (₹ crore)	170,227
52-week H/L (₹)	538 / 334
Equity capital (₹ crore)	391
Face value (₹)	1

Shareholding pattern

	Jun-26	Sep-26
Promoter	56.4	56.4
FII	12.6	11.0
DII	13.9	15.4
Other	17.1	17.2

Price Chart



Recent event & key risks

- Posted steady results in Q2FY27.
- **Key Risks**: i) High volatility in LME aluminium prices can impact earnings ii) Slower ramp up of new capacities and delay in commissioning of mines

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Key Financial Summary

Key Financials (₹ crore)	FY25	FY26P	Growth YoY %	FY27E	FY28E	FY29E	3-year CAGR (FY26P-29E)
Total Op. Income	59,279	66,891	12.8%	86,073	83,322	85,794	8.6%
EBITDA	17,426	25,142	44.3%	39,748	37,662	39,941	16.7%
EBITDA Margins (%)	29.4	37.6		46.2	45.2	46.6	
Net Profit	7,004	11,844	69.1%	21,340	21,184	23,508	25.7%
EPS (₹/share)	17.9	30.3		54.6	54.2	60.1	
P/E (x)	19.5	11.6		6.4	6.5	5.8	
EV/EBITDA (x)	9.7	6.8		3.9	3.7	3.1	
RoNW (%)	93.6	93.1		73.6	48.8	39.2	

Source: Company, ICICI Direct Research

Company Update

ICICI Securities – Retail Equity Research

Key Takeaways and Recent Quarter

Q2FY27 Results: Reported a Healthy Performance

- Total operating income on consolidated basis for Q2FY27 ₹22,324 crore (up 40% YoY, 4% QoQ), driven by higher sales volume and improved product mix. Aluminium production was at 649 KT (up 5% YoY) and 100% sales execution at 649 KT. Value-added products output rose to 432 kT (up 31% YoY). Alumina production recorded all time high at 895 KT (up 37% YoY) supported by healthy ramp up of Lanjigarh plant.
- EBITDA for the quarter was at ₹10,113 crore (down 2% QoQ), with EBITDA margin at 45.3% (down 284 bps QoQ). EBITDA/tonne moderated to $1,644 from $1,779 in Q1FY27 due to rise in fuel and freight costs & decline in LME pricing. Cost of production remained stable at $1,719/tonne (down 6% YoY) on higher captive alumina consumption and flat coal prices.
- PAT stood at ₹6,187 crore (up ~105% YoY). Net debt/EBITDA improved to 0.7x from 0.9x in Q1FY27, with net debt at ~₹26,440 crore as of Sept'26. The Board declared its first interim dividend of ₹8/share for H1FY27.

Q2FY27 Earnings Conference Call Highlights:

Operations and Costs

- **Guidance:** VAML has maintained its FY27 hot metal cost guidance at $1,650–1,700/tonne. Management guided that Q3FY27 cost of production could be ~4% higher due to planned power plant shutdowns and carbon prices. It expects 3 - 5% volume growth sequentially in both aluminium and alumina through Q3, Q4 and FY28. Accordingly, it expects ~$150-175 /tonne reduction in costs (half of which is expected by year-end) aided by captive alumina & bauxite along with carbon price deflation in Middle East.
- **Hedging:** VAML has hedged 22% of its balance FY27 volumes at a strike price of $3,274/tonne.
- **Bauxite and Coal Mine:** VAML has obtained Consent to Operate for Sijimalli Bauxite Mine. Management expects production of 1 MT in FY27 and 5-6 MT in FY28, along with a benefit of ~$25/tonne compared to imported bauxite. Alongside, BALCO was the preferred bidder for Karlapat Block (last big Odisha bauxite block). Kuraloi Coal mine is under development and for Ghogarpalli mine, all approvals are expected by Q4. Production from Ghogarpalli is expected to start from FY27-end and target for FY28 is 5 million tonnes of coal.
- **Expansion:** The BALCO Pot Line 3 expansion is currently operating at 50% capacity and is expected to achieve full production by the end of Q2FY27. The proposed 3 MTPA greenfield expansion remains on track, with the company currently awaiting land allotment (required ~2,000 acres).
- **OMC Dispute:** Management commented that the matter is sub judice and it expects further hearing after Diwali vacations.
- **Capex:** VAML informed BALCO capex cost of $2,100/tonne for 435 KT smelter. FY27 capex is estimated at ₹5,000 crore, along with an additional ~₹2,000 crore towards maintenance capex.
- **Guidance:** VAML guided of $5 billion EBITDA run-rate by FY27E end given the LME price corrections and expectations along with increased value-added share. On the cash utilisation levels, it guided for B/S deleveraging, growth capex and dividends (targeting dividend yield of ~3-5%). Broader contours of new greenfield plant (3 MTPA capacity) is on the drawing broad with envisaged capex at >$ 6 billion.

Key Tables and Charts

Exhibit 1: Quarterly Analysis

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Total Operating Income	22,324	15,943	40.0	21,393	4.4
Raw Material Expenses	5,962	5,227	14.1	5,178	15.1
Employee Expenses	334	309	8.1	334	0.0
Power & Fuel expenses	3,750	2,992	25.3	3,538	6.0
Other expenses	2,165	1,871	15.7	2,044	5.9
Total Expenses	12,211	10,399	17.4	11,094	10.1
EBITDA	10,113	5,544	82.4	10,299	-1.8
EBITDA Margin (%)	45.3%	34.8%	1053 bps	48.1%	-284 bps
Other Income	347	137	153.3	309	12.3
Depreciation	802	699	14.7	775	3.5
Interest	911	949	-4.0	1,001	-9.0
Tax	2,075	1,021	103.2	2,235	-7.2
PAT post Minority Interest	6,187	3,012	105.4	6,597	-6.2
Key Assumptions					
Sales Volume (KT)	649	621	4.5	625	3.8
Blended Realization ($/tonne)	3,353	2,822	18.8	3,486	-3.8
EBITDA ($/tonne)	1,644	1,020	61.1	1,779	-7.6

Source: Company, ICICI Direct Research

Exhibit 2: Key Assumptions

Particulars	Units	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Sales Volume	KT	2,286	2,357	2,415	2,445	2,609	2,718	2,800
Blended Realization	$/ton	2,852	2,437	2,698	2,925	3,310	3,096	3,097
EBITDA	$/ton	317	495	870	1,179	1,615	1,457	1,500

Source: Company, ICICI Direct Research

Exhibit 3: Change in Estimates

Change in estimates (₹ crore)	FY27E			FY28E			FY29E
	Old	New	% Change	Old	New	% Change	Introduced
Total Operating income	87,204	86,073	-1.3	90,541	83,322	-8.0	85,794
EBITDA	42,055	39,748	-5.5	43,188	37,662	-12.8	39,941
Margins (%)	48.2	46.2	-205 bps	47.7	45.2	-250 bps	46.6
PAT	22,754	21,340	-6.2	24,116	21,184	-12.2	23,508
EPS (₹)	58.2	55	-6.2	61.7	54	-12.2	60

Source: ICICI Direct Research

Exhibit 4: Valuation Matrix- SoTP based target price calculation

Particulars	Units	FY28E
VAML (Standlaone)		
EBITDA	₹ in crore	26,034
EV/EBITDA Multiple	x	6.5
Target EV (A)	**₹ in crore**	**169,221**
BALCO		
EBITDA	₹ in crore	11,196
EV/EBITDA Multiple	x	6.0
EV of BALCO	₹ in crore	67,625
Apportioned EV considering VAML 51% Stakes in BALCO (20% Hold Co Discount) (B)	**₹ in crore**	**27,591**
Total Consolidated Target EV (A+B)	**₹ in crore**	**196,811**
Less: Net Debt	₹ in crore	3,679
Implied Market Cap	**₹ in crore**	**193,132**
No. of Equity Shares	in crore	391
Target price	**₹/share**	**490**

Source: ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Net Sales	65,847	85,025	82,334	84,776
Other Operating Income	1,044	1,048	988	1017
Total Operating Income	66,891	86,073	83,322	85,794
Growth (%)	12.8	28.7	-3.2	3.0
Raw Material Expenses	20,756	22,153	21,664	21,663
Employee Expenses	1,265	1,346	1,416	1,454
Other Operating Expense	19,728	22,827	22,580	22,735
Total Operating Expenditure	41,749	46,326	45,660	45,852
EBITDA	25,142	39,748	37,662	39,941
Growth (%)	44.3	58.1	-5.2	6.1
Depreciation	2,807	3,188	3,252	3,306
Interest	3,905	3,596	2,441	1,286
Other Income	1,000	1,340	1,594	1,771
PBT	19,430	34,303	33,563	37,120
Exceptional Item	393	-485	0	0
Total Tax	4,829	8,575	8,558	9,466
PAT post Minority Interest	11,844	21,340	21,184	23,508
Growth (%)	69.1	80.2	-0.7	11.0
EPS (₹)	30.3	54.6	54.2	60.1

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Profit after Tax (Adj)	11,844	21,340	21,184	23,508
Add: Depreciation	2,807	3,188	3,252	3,306
(Inc)/dec in Current Assets	-2,780	-3,124	474	-430
Inc/(dec) in CL and Provisions	-278	3,444	-51	1,000
Others	3,905	3,596	2,441	1,286
CF from operating activities	15,498	28,445	27,301	28,670
(Inc)/dec in Investments	-1,057	-1,750	-2,250	-6,250
(Inc)/dec in Fixed Assets	-6,410	-7,000	-8,000	-8,000
Others	30	3,693	3,896	4,078
CF from investing activities	-7,437	-5,057	-6,354	-10,172
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	2,388	-10,000	-11,000	-10,000
Dividend & interest outgo	-3,905	-9,462	-8,698	-8,325
Inc/(dec) in Share Cap	0	0	0	0
Others	-6,286	0	0	0
CF from financing activities	-7,803	-19,462	-19,698	-18,325
Net Cash flow	258	3,926	1,248	172
Opening Cash	1,484	1,742	5,668	6,916
Closing Cash	1,742	5,668	6,916	7,088

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Liabilities				
Equity Capital	391	391	391	391
Reserve and Surplus	12,650	28,124	43,051	59,520
Total Shareholders funds	13,041	28,515	43,442	59,911
Total Debt	37,692	27,692	16,692	6,692
Deferred Tax Liability	5,114	5,114	5,114	5,114
Minority Interest / Others	11,552	15,555	19,475	23,721
Total Liabilities	67,399	76,876	84,723	95,438
Assets				
Net Block	54,108	63,402	68,149	72,843
Capital WIP	10,482	5,000	5,000	5,000
Total Fixed Assets	64,590	68,402	73,149	77,843
Investments	3,446	5,196	7,446	13,696
Inventory	6,845	8,153	7,895	8,129
Debtors	2,428	3,494	3,384	3,484
Loans and Advances	1	1	1	1
Other Current Assets	2,573	3,322	3,217	3,313
Cash	1,742	5,668	6,916	7,088
Total Current Assets	13,589	20,639	21,413	22,015
Current Liabilities	7,517	9,318	9,023	9,291
Provisions	505	626	606	624
Current Liabilities & Prov	17,906	21,350	21,299	22,299
Net Current Assets	-4,317	-711	114	-284
Other Assets	3,680	3,990	4,014	4,183
Application of Funds	67,399	76,876	84,723	95,438

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY26	FY27E	FY28E	FY29E
Per share data (₹)				
EPS	30.3	54.6	54.2	60.1
Cash EPS	37.5	62.7	62.5	68.6
BV	33.3	72.9	111.1	153.2
DPS	NA	15.0	16.0	18.0
Cash Per Share	4.5	14.5	17.7	18.1
Operating Ratios (%)				
EBITDA Margin	37.6	46.2	45.2	46.6
PAT Margin	17.7	24.8	25.4	27.4
Inventory days	37.9	35.0	35.0	35.0
Debtor days	13.5	15.0	15.0	15.0
Creditor days	41.7	40.0	40.0	40.0
Return Ratios (%)				
RoE	93.1	73.6	48.8	39.2
RoCE	33.3	47.8	40.8	38.6
RoIC	42.8	59.3	51.9	51.7
Valuation Ratios (x)				
P/E	11.6	6.4	6.5	5.8
EV / EBITDA	6.8	3.9	3.7	3.1
EV / Net Sales	2.6	1.8	1.7	1.5
Market Cap / Sales	2.1	1.6	1.7	1.6
Price to Book Value	10.5	4.8	3.2	2.3
Solvency Ratios				
Debt/EBITDA	1.5	0.7	0.4	0.2
Debt / Equity	2.9	1.0	0.4	0.1
Current Ratio	1.0	1.1	1.0	1.0
Quick Ratio	0.4	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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Sell: <-15%

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