**Shweta Dikshit – Systematix Group:** Thank you, {? Iqra ?}. Good morning, everyone. On behalf of Systematix, we welcome you to the Q2 and H1 FY27 earnings conference call of National Aluminium Company Limited. I would like to thank the management for giving us the opportunity to host this call. I now hand over to Mr. Bharat Sahu, Company Secretary, NALCO, to discuss the company's results and introduce the management. Over to you, sir.

**Bharat Sahu – Company Secretary:** Thank you, ma'am. Greetings. Good morning. Warm greetings from National Aluminium Company Limited, another Navratna CPSE under the Ministry of Mines. It is a privilege to introduce our CMD, Mr. Brijendra Pratap Singh, and Mr. Abhay Kumar Vaishya, Director (Finance), who are attending this earnings call today. I am Bharat Kumar Sahu, Company Secretary and Compliance Officer of NALCO.

NALCO published impressive Q2 and H1 FY27 financial results last Friday after the board took them on record. I am pleased to inform all of you that these are the best-ever half-yearly results with regard to revenue, PBT, PAT, and EBITDA of NALCO since its inception. A presentation in this regard has already been uploaded on the websites of the stock exchanges, namely NSE and BSE, and also on the website of our company, NALCO. It has also been circulated to all of you through Systematix. I hope you have all received it by now.

Just to briefly give an idea about the results declared, H1 revenue was an all-time high of 11,143 crore, EBITDA was an all-time high of 5,539 crore, PBT was the highest ever at 5,160 crore, and PAT was the highest ever at 3,837 crore. H1 net profit was up by 54% year-on-year compared to 3,837 crore last year, 25-26. Q2 net profit was also up by 28% year-on-year compared to 1,835 crore last year.

Without wasting any time, we open the floor for questions and answers from your side. Our CMD, Mr. Brijendra Pratap Singh, will address all the queries raised by the esteemed members attending this conference call. Thank you.

**Operator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Manav Gogia from Aditya Birla Institutional Equities. Please go ahead.

**Manav Gogia – Aditya Birla Institutional Equities:** Hi. Good morning, and thank you so much for the opportunity. My first question is about the status of the refinery. Could you elaborate on where we are currently in terms of commissioning and stabilization? Along with this, could you also provide me with the status of the Pottangi mines and explain how the Utkal coal mine expansion is progressing for this particular fiscal year?

**Brijendra Pratap Singh – CMD:** Good morning. Thank you, Mr. Manav. You asked three questions regarding the refinery, Pottangi, and coal. I am B. P. Singh, CMD, NALCO.

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The fifth-stream refinery is in a very advanced phase of mechanical completion. We have already completed many packages and started trial testing. Out of around 50 packages, around 30, 34, or 35 packages have already been completed. Three or four packages are on the critical path and are already almost 90% complete. Physical completion is at 90%-92%.

What we are targeting is that, as the packages are completed, we are already starting trials of those packages, including no-load trials. We have planned the integrated trial of the fifth stream and the start of production for the last week of December, after fully completing all the packages that were left out. We will start the integrated trial and production from the last week of December or possibly early January. That is the status of the fifth-stream refinery.

Regarding the Pottangi mines, we are working very aggressively with the state government and the local people. We have placed an order with an NGO, M/s Buildform. They are also engaging with the local people and have started some work there. One of the main constraints we are facing is starting the mine test and clearing the trees for road construction from the national highway to the mine. We are facing some resistance from the local people and some local activities. However, the matter has been taken up at the highest level. Our ministry and the state government are looking into it and negotiating with the people. We hope that within 2-3 months we will be able to resolve this issue and start the mine. This is one issue of concern for us, which we are pursuing very aggressively at all levels. We are quite sure that we will be able to resolve it.

Regarding the Utkal coal mine, last year we produced 4.8 million tonnes, or 4 million tonnes up to the rated capacity of the mine. This year, we have planned production of 4.8 million tonnes. We have all the clearances with us. The environmental clearance for 4.8 million tonnes is under process, and I think we will receive it within 2-3 months. For this year, we are proceeding at the rate of 4.8 million tonnes of annual coal production. That target of approximately 4.8 million tonnes will definitely be completed.

I think these were the three queries you had. Is that clear from our reply?

**Manav Gogia – Aditya Birla Institutional Equities:** Yes, thank you so much, sir, for the detailed answer. Just one more thing: you are saying that the refinery will start in early January. Is it safe to assume that we will be operating at full utilization levels next year? Or do you think the ramp-up period might affect utilization levels next year?

**Brijendra Pratap Singh – CMD:** If we are able to start production in January, it will generally take 3-4 months, or possibly 5 months, to reach 100% of the rated capacity. Our target is to operate at full capacity from next year onward. We may not produce 1 million tonne; we may be able to produce 0.8 million tonne or 0.75-0.8 million tonne next year.

**Manav Gogia – Aditya Birla Institutional Equities:** Understood, sir. Thank you so much. My second question is on the smelter front. Could you throw some light on the status of the approvals for the brownfield expansion? How should we look at capex over the course of the next 4-5 years? Also, could you explain how the greenfield smelter in Andhra Pradesh is going to look? Thank you.

**Brijendra Pratap Singh – CMD:** The brownfield smelter expansion at Angul is progressing as per schedule and in line with the timelines we gave to the Ministry of Mines. We are almost achieving

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the target. There is only a delay of 1-3 months.

The technology license agreement with EGA has already been signed. EGA Dubai will provide the technology. The agreement was signed 2 months ago, and we are now preparing the DPR, or detailed project report. We expect the DPR to be completed sometime in January or February. We will then take it for board approval. We may receive board approval in February. After that, we will start ordering the packages.

There will be an investment of around 17,000-18,000 crores. There are many large packages, so preparing the indents and ordering these packages may take 6-8 months. Our target, which we have also given to the ministry, is to order all the packages by December next year. Land acquisition is also at an advanced stage. We expect to receive the land by February-March next year. By then, the land will be available. Our groundwork will start sometime in January-February '28. From there, our target given to the ministry is 3-3.5 years, with mechanical completion by December '30 and commissioning starting in the first quarter of '31. So far, we are maintaining these timelines.

A power plant will also be required for this smelter. For that, we are already forming a joint venture company with NLC India, Neyveli Lignite Corporation. The 50-50% joint venture company with Neyveli Lignite Corporation has already been approved by DIPAM and the other authorities. We are progressing on that. The DPR has already been prepared, and we are taking it to the board in the next 15 months-2 months for approval. Package ordering will also start.

The main purpose of forming the joint venture was that Neyveli Lignite has coal mines near our power plant, so we will source coal from there. The coal we receive will be supplied at their production cost, and they will not charge us any premium. This will provide fuel security for our thermal power plant and reduce our overall power cost.

Regarding capex, earlier we were discussing capital expenditure. The main capex expenditure will start from financial year 28-29, when the actual groundwork begins. There will be some expenditure on ordering the technology license and preparing the DPR, but it will be very small, around 200-300 crores. The major packages for both the smelter and the power plant will have a total cost of around 25,000 crore. Around 5,000-6,000 crores may be spent in 28-29, followed by 6,000-7,000 crores or 8,000 crore in 28-29, 29-30, and 30-31.

**Manav Gogia - Aditya Birla Institutional Equities:** Understood, sir. That was quite helpful.

**Operator:** Thank you. The next question is from the line of Pratinjali Srinivasan from Sundaram Mutual Fund. Please go ahead.

**Pratinjali Srinivasan - Sundaram Mutual Fund:** Hi, sir. Thank you for the opportunity. I have a couple of questions. Our cost of production has gone up by almost $75-$100 at the EBIT level. Could you tell us the main areas where you have seen an increase in costs, and how do you see this trending in the second half?

**Brijendra Pratap Singh - CMD:** The cost of production has increased mainly because of raw material costs. The major increases have been in caustic soda, CP coke, and coal. These are the

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three areas where costs have increased.

Compared to last year's cost, 25-26, the prices of CP coke and caustic soda have increased. The average caustic soda price we received last year, 25-26, was around 42,000. In H1 this year, the price went up to 46,900, an increase of around 4,700-4,800. In Q3, the price is expected to be around 49,000. There will again be an increase of 2,000-3,000 in caustic soda. That is the type of projection we have for caustic soda.

For CP coke, the average price in 25-26 was 44,600. In H1 this year, it increased to 53,700, and the Q3 projection is 70,600. HFO and LDO prices have also increased. LDO prices have gone from 60,000 to 84,000 and then to 1,15,000. Overall, prices have increased by around 15%. My Director (Finance) is also here. This has led to an increase in raw material prices and a 50% increase in our expenditure.

**Abhay Kumar Vaishya - Director (Finance):** For the costs incurred in H1, the price increases in these input areas will have an impact in H2. However, there is no major increase in input costs. Rather, we will control our costs by improving our techno-economic efficiency. In the first half of this year, there was an adverse impact on our techno-economic performance, which we will address in the next period. This will reduce our cost by nearly 500-1,000 per tonne of aluminium.

That is our plan, because we will control our consumption of caustic soda and CP coke, among other areas. Those areas will be taken care of in the next half. The issues in raw material consumption meant that we could not maintain our techno-economic efficiency in the first half. Since costs are increasing, we are going to get some relief in that area in the second half of this financial year.

**Pratinjali Srinivasan - Sundaram Mutual Fund:** Sir, sorry, your voice is a little muffled. Could you repeat why there will be relief in the second half with respect to costs?

**Abhay Kumar Vaishya - Director (Finance):** In some areas, we were not maintaining our techno-economic efficiency, so that [cut off]

**Management:** The dry season will continue, production will increase, and our techno-economic performance will also be controlled by taking certain actions that were not taken during the rainy season, particularly in the caustic soda area. With no rain, we will be able to recover more caustic soda from the rainwater in our red mud pond. That action is taken every summer, and therefore there is a reduction of 6-7 kg in caustic soda consumption.

**Pratinjali Srinivasan - Sundaram Mutual Fund:** Got it, got it, sir. I have one more question with respect to alumina. How have our alumina prices increased? Globally, we are seeing an increase in alumina prices. Could you tell us how much we have been able to increase them in October from the September exit? I think the September exit was 386 based on your reported numbers. Where are we today?

**Management:** The spot prices we are receiving averaged somewhere around $324 per tonne in the first quarter of this financial year. In the second quarter, they increased and improved. We are now receiving an average of around $370. Some spot prices were $400 or even more than $400.

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However, on average, we are receiving somewhere around $370–$375.

There has been an increase in alumina spot price realization because of issues at some refineries in China, Utkal, and Australia, which has led to an increase in alumina prices.

**Management:** If you see the actual realization, the average realization was 33,400 rupees. We expect the average realization in H2 to be around 35,000 rupees. There will be an increase of 2,000 in our alumina realization. As we said, costs will reduce by 500–1,000 rupees per tonne. That is all.

**Pratinjali Srinivasan – Sundaram Mutual Fund:** Right, sir. Thank you, sir. All the best.

**Management:** Thank you.

**Operator:** Thank you. The next question is from the line of Akhilesh Kumar from Antique Global. Please go ahead.

**Akhilesh Kumar – Antique Global:** Hi. Thank you for the opportunity, sir. My question stems from alumina itself. Despite the strong alumina pricing, as you mentioned, the cost components have offset the margins. How do we see this going forward, given that we are already seeing an uptick in alumina realization? Are we able to expand our margins from the Q2 levels, or how do we see them given that cost pressure is also present?

**Management:** Regarding alumina realization, the forecasts are that we will receive somewhere around $370–$400. Some smelters are starting in the Middle East, and some smelters are also starting in Indonesia. There will be greater demand for alumina in the market.

In H1, there was a surplus of alumina in the market. The projections were that in financial year 26–27, around 1.6 million tonnes of excess alumina would be present in the global market. Now, with these smelters starting, there will be some absorption. We expect an average of around $370, which is what we received in Q2. Almost similar conditions will continue.

Ultimately, everything depends on the blockage of the Strait of Hormuz. There is demand for alumina in the Middle East, but vessels are not passing through the blocked route. As a result, insurance charges and shipment charges have increased. Therefore, spot buyers are quoting somewhat lower prices. If the situation improves, prices may increase further.

**Akhilesh Kumar – Antique Global:** For Q3, or the second half, should we expect margins to remain stable at the Q2 level? Is that the right understanding?

**Management:** Please repeat. As far as alumina is concerned [cut off]

**Management:** Overall, in the second half of this fiscal year, we expect our margin to remain stable. There are 3–4 potential areas. We are going to start our new refinery, which will provide an additional 2 lakh tonnes of alumina. In financial terms, it will provide an additional 150 crore of margin to our kitty. That is one area.

Another area is techno-economic efficiency. We could not obtain the benefit of techno-economic efficiency in the first half, but we expect to obtain a benefit of at least 100 crore to our profitability. The third area is that, in the first half of this year, we absorbed an additional royalty impact because

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of the arrears created by the Government of Odisha. This will not be repeated in the second half and will provide an additional 50 crore.

Overall, we are going to receive an additional 300-350 crore in the second half of this year.

**Akhilesh Kumar – Antique Global:** Understood. Do we maintain our full-year alumina production guidance of 2.5 million tonnes?

**Management:** With the present capacity of 4 streams, we are operating at the rate of 2.3 million tonnes. An additional 0.2 million tonnes was planned from the fifth stream. Even if we start in January, it may not be 0.2 million tonnes, but it will definitely be 0.15 million tonnes. So, it will be around 2.45 million tonnes.

**Akhilesh Kumar – Antique Global:** So, a production level of around 2.4 million tonnes can be maintained for the full year?

**Management:** 2.4-2.45 million tonnes.

**Akhilesh Kumar – Antique Global:** Okay.

**Management:** 2.45 million tonnes... 2.45 million tonnes.

**Akhilesh Kumar – Antique Global:** Sir, your voice was a bit muffled.

**Management:** 2.45 million tonnes.

**Akhilesh Kumar – Antique Global:** 2.45 million tonnes. Okay, got it. My second question is on aluminium. Aluminium pricing has been under pressure over the last 1 month due to additional Middle East supply. Does that change our strategy regarding hedging some of our aluminium production, or do we still want to sell on a spot basis?

**Management:** We do not sell aluminium on a spot basis. Our aluminium metal pricing is completely dependent on the LME. We have an MOU with our customers, and almost 95% of our customers are domestic customers. At the beginning of the year, we enter into the MOU for the quantity, and pricing is determined on the basis of the LME. Therefore, it is completely dependent on how the LME moves.

The LME has declined in Q2 compared to Q1. At the beginning of the year, we assumed that the LME would be somewhere around 3,000, or 2,900-3,000. It increased because of the war. However, as per our annual business plan, we expect the LME to be around 3,000, and we are quite confident that it will remain somewhere around 3,000.

**Akhilesh Kumar – Antique Global:** So, we are not hedging any volumes at a lower or higher price as of now?

**Management:** No. As per NALCO policy, we do not hedge our commodities. Since our pricing mechanism is linked to the LME, as the CMD explained, whatever movement there is in the LME is captured in our price every 3 days. We revise our price every 3 days based on the movement in the LME. We also add other factors, such as the premium and import duty.

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Since our price mechanism is linked to the movement of the LME, we do not hedge anything. At this point, I do not think NALCO needs to hedge anything because we do not have any financial commitment for our capex, and we are maintaining our margins. Therefore, we do not intend to hedge at this point. After commissioning the fifth-stream refinery, we will assess whether we should undertake any hedging.

**Akhilesh Kumar – Antique Global:** Perfect, sir. Lastly, if I could squeeze in one more question, how are we assessing the Middle East situation right now, with capacities coming up and ramping up quickly? What kind of supply-demand imbalance are we seeing? Do we also see a surplus in CY27?

**Management:** In Q3 and Q4, there will be demand for alumina. However, because ships are not able to pass through the Strait of Hormuz, there are many restrictions. They are transporting alumina through land routes, which is increasing the cost of alumina for the smelters in the Middle East.

They are not ramping up to full capacity because alumina is not available. Once the bombing situation improves—and there is an election today, so we do not know what will happen—if the situation improves after that, the smelters in the Middle East will definitely ramp up production because there is an acute shortage of alumina there.

They are transporting the alumina they receive to Sohar or some other port and then transporting it by land using trailers. This is increasing their cost. That is the situation as of now, and it is completely dependent on the geopolitical situation in the Middle East.

However, compared with the situation in H1, metal production in H2 will be higher. The smelters that stopped production due to bombing and other war-related disruptions have started coming back, and they will increase production in H2. Therefore, there is not really a surplus.

**Akhilesh Kumar – Antique Global:** Got it, sir. Thank you so much.

**Management:** Thank you.

**Operator:** Thank you. The next question is from the line of Darshan Mehta from Dolat Capital. Please go ahead.

**Darshan Mehta – Dolat Capital:** Thank you for the opportunity, sir. My first question is about the status of the 7.9-kilometre conveyor belt that we were going to build to transport bauxite. What is the status of that?

**Management:** Regarding the Pottangi mines conveyor, we have to acquire some land from the forest department, and that land has already been handed over to us. Around 80, 100, or 132 acres of land has to be acquired from private villagers in the area. A public hearing was scheduled for the 27th of this month, but it has again been deferred due to some issues.

As I mentioned earlier, the public hearing for the land and tree felling are the two issues we are pursuing very vigorously with the state government and our ministry. There has been some delay, but there has been a lot of improvement. We are able to mobilize the people there, and our MDO is also with us. We expect to resolve all these issues within the next 2-3 months.

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As far as the conveyor is concerned, once we obtain the land, some of which is already available with us, our target is to construct this conveyor over the next 2-2.5 years. It is an approximately 18-kilometre-long conveyor and will take some time. Until then, the bauxite will be transported by road. That is the plan we are pursuing.

**Darshan Mehta - Dolat Capital:** Just to understand, are you saying that the conveyor belt will take 2 years, if I heard you correctly?

**Management:** It is an 18-kilometre belt. Constructing an 18-kilometre conveyor belt will take time, and the land acquisition process is also going through a public hearing. After that, some further activities will be required. It will then take around 6-8 months to obtain the land. Until then, we will start the work on whatever land is available with us and try to complete the conveyor in the next 2-2.5 years.

**Darshan Mehta - Dolat Capital:** Okay. My other question is about other income. It has increased by almost 43% quarter-on-quarter. Could you tell us the reason for this increase?

**Management:** This is because of other income. One component is interest, because our fund base is increasing day by day. We are also receiving additional interest income because of the empanelment of an additional bank, through which we are receiving a good rate of interest.

These two factors have increased our interest income. There was also some refund that we accounted for in H1, which increased other income by an additional 10-20 crore. Other income is primarily on account of interest income. Overall, our fund base was 8,500 crore and has increased to around 12,000 crore. Interest income has increased as a result.

**Darshan Mehta - Dolat Capital:** I have one more question. I think the lease tenure of our Panchpatmali mines' central and north blocks was going to end in 2029. Could you confirm whether this understanding is correct? If so, what is the renewal process? Does the mine go for bidding, or is the renewal automatic, perhaps with some increased royalty or incremental royalty?

**Management:** There is no bidding in this case. For a government organization, there will not be any bidding. We have already started the process and are in the process of appointing a consultant to conduct the due diligence and complete all these processes.

As per government norms and guidelines for government companies and public sector units, the lease will be automatically extended. We have started the process. There may be an increase in royalty and other such matters as per the rules, but there is no issue in obtaining those approvals.

**Darshan Mehta - Dolat Capital:** The central and north blocks would end in 2029, whereas the south block would end more like 2031, correct?

**Management:** We are almost finishing the north block. There is a lot of material in the central block. We have two south blocks, South Block 1 and South Block 2. South Block 1 is also nearing completion, while we still have South Block 2.

Together, South Block 1, South Block 2, and the central block contain around 150 million tonnes of reserves. Along with around 111 million tonnes from Pottangi, there are total reserves of around 250

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million tonnes, which will last for the next 15 years. This includes Pottangi, the central block, and the south blocks.

**Darshan Mehta – Dolat Capital:** No, sir, I understand the reserve position. I was referring to the lease tenure for the south block, which would end in 20

**Darshan Mehta – Dolat Capital:** I understand that they would go for an alternative [inaudible]. Understood, sir.

**Management:** Yes, there is a provision in the Act. There is a provision in the MMDR that a government company will have to follow the prescribed resolution and supply, but additional royalty may be imposed. They cannot take away this mine and put it up for bidding because this is a captive mine, and our entire refinery and plant depend on it. There is also a legal provision in the MMDR Act.

**Darshan Mehta – Dolat Capital:** Understood, sir. Thank you.

**Management:** Thank you.

**Operator:** Thank you. The next question is from the line of Pinakin from HSBC. Please go ahead.

**Pinakin – HSBC:** Thank you very much, sir. My first question is regarding alumina exports, which are down 16% year-on-year given what is happening in the Middle East. When the situation normalizes and export volumes pick up, should the mix also affect margins positively at the same alumina price index? Are domestic alumina sales less profitable than export sales?

**Management:** Our major sales are in the export market. Every month, we sell around 4 shipments, or around 1,20,000 tonnes of shipments. Until September, we were doing around 4 shipments every month. In October, this was badly affected due to restrictions in the Strait of Hormuz. We could dispatch only 1 vessel in October.

The situation was also affected because buyers were not able to book vessels. Vessels had already been ordered and are in line. This month, in November, we are planning to dispatch around 6 vessels. The situation is becoming normalized, and we hope that in the coming days we will dispatch around 4 vessels every month. Prices have already... The prices will be somewhere around $370-$380 on average, depending on the demand-supply situation.

**Pinakin – HSBC:** My second question is regarding the increase in caustic soda prices and the implied alumina cost of production, which has surged. What is the current situation with caustic soda? Are prices expected to remain at these levels in the second half of the year?

Also, this is global cost inflation, so all alumina producers will be impacted at the same time. Given that the alumina cost curve has moved higher, should we expect alumina prices to move even higher as Middle East smelters ramp up and start importing more alumina?

**Management:** Caustic soda prices were, as mentioned earlier, an average of 42,200 rupees per tonne in 25-26. In H1, prices were somewhere around 47,000. In Q3, the forecast is around 49,000. Therefore, from H1 to H2, there will be an increase of around 2,000 rupees per tonne.

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However, the realization we receive from the market does not depend on raw material prices. It depends entirely on the demand-supply situation. As you said, with smelters coming onstream, we also expect demand to increase and prices to rise further.

In the meantime, we are trying to secure a long-term tie-up with smelters in the Middle East and other locations. We had already floated an EOI for this purpose. It could be a 2-year or 3-year tie-up. The long-term extension of our smelters is still planned to come onstream from financial year '31, possibly '31 or '32, when the final total ramp-up will take place. Until then, we will have an excess of around 2 million tonnes of alumina.

We are therefore trying to enter into a long-term agreement with these smelters. If we succeed, we will be able to obtain better realization. When these smelters enter into long-term agreements, we have seen that we receive better prices. We are trying for that as well. Until then, we are hoping for prices of around $370-$380, and not more than that.

**Pinakin - HSBC:** Got it. Thank you very much, sir.

**Management:** I would like to add one more thing. We are also exploring the sale of alumina in the domestic market in bulk quantities. We have already finalized a pricing mechanism, which will be on an import-parity basis. Whatever price we receive from the export of alumina, we will try to sell at the same price in the domestic market. Therefore, there will be no lower price in the domestic market. Both will be on the same platform.

**Management:** The domestic price is completely dependent on exports. The domestic price is based on the export realization we receive and the spot tender prices in the previous month's export tenders.

**Operator:** Thank you. The next question is from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

**Pallav Agarwal - Antique Stock Broking:** Good morning, sir, and congratulations on the results. My first question is on power and fuel costs. This being a monsoon quarter, we have traditionally seen some disruption in coal supply, and we have also seen an increase in power and fuel costs in this quarter. Did we purchase external electricity during this quarter?

**Management:** Power and fuel costs have increased substantially. There was an increase of around 317 crores in H1 compared with H1 last year. The major component was an increase of around 256 crores in fuel oil at the refinery.

At the refinery, there was a restriction from the railways on supplying rakes to power plants and integrated power plants. The Ministry and the government diverted the rakes to integrated power plants because there was a coal shortage at some power plants across India.

As a result, the coal supply to our power plants was short. We normally maintain an average coal stock of around 15 days, but it fell to as low as 1-2 days. Because of this and the heavy rains, which increased the moisture content, we had to inject more fuel into the boiler. This increased the cost of fuel oil.

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Fuel oil is not required when adequate coal is available. During the rainy season, there was excessive rain and low coal stock. However, we have now taken measures. We have appointed some consultants who are managing the rakes and related matters. Our coal stock at the refinery has increased from around 1-2 days to around 4-5 days, and we are trying to increase it further. We are taking some other steps as well to increase coal stock.

This will reduce power costs in H2 because that was the major reason for the increase. There was also purchased power. Last year, purchased power was 50 crores, while this year it was around 123 crores. There was an increase of 73 crores in purchased power. This was also from the CPP because there were some boiler breakdowns at the CPP and coal-related issues due to rain and wet coal.

This will improve in the subsequent half-yearly period of this year. We are quite sure that we will be able to absorb the additional cost of around 317 crores in H2.

**Pallav Agarwal – Antique Stock Broking:** Sir, were the 50 crores and 123 crores for the quarter or for the half year? You mentioned the increase in external power.

**Management:** The half-yearly increase, meaning the increase from H1 25-26 to H1 26-27, was around 317 crores. Out of this, the contribution of fuel oil, only on account of fuel oil at the refinery, was 256 crores.

Purchased power from the grid increased because of some breakdowns in our CPP and the low availability of coal, including moist coal. That increase was 73 crores. These are the two major reasons for the increase in H1.

**Pallav Agarwal – Antique Stock Broking:** This will reduce going forward. Also, in the notes to accounts, you mentioned that captive coal has been reclassified in the costing, from the cost of raw materials to power and fuel. Could you clarify that, so that it will not affect the overall—

**Management:** When coal is sourced either through purchase or from our own captive mines, accounting standards require it to be included under power and fuel costs. Earlier, we used to book that cost under manufacturing expenses or other expenses, which was not logically correct. Since coal is an input for manufacturing aluminium, it should be included under power and fuel. We have therefore reclassified it.

For the last financial year, 25-26, we provided this clarification in the annual results notes. We are now showing it in the main sheet of the profit and loss account, as it has been moved from other manufacturing expenses to power and fuel expenses. The corresponding previous year has also been restated accordingly.

**Pallav Agarwal – Antique Stock Broking:** So it is only a reclassification. Other expenses would have declined and power and fuel would have increased.

**Management:** Yes, it is only a reclassification. The earlier presentation did not provide a true picture to the public, because the cost is primarily a power and fuel cost. Therefore, it should be shown under power and fuel.

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**Pallav Agarwal – Antique Stock Broking:** Also, with LME prices coming down, our royalty payment on bauxite would have come down as well?

**Management:** Yes.

**Pallav Agarwal – Antique Stock Broking:** That will also come down. Lastly, you mentioned that cash has increased to 12,000 crores. Could you give us the exact figure and also tell us what capex we incurred in the first half of this year and what our expectations are for FY27?

**Management:** Our total capex plan for the year is around 1,800 crore. In the first half, we completed around 800 crore of capex. The first half is normally lower. In the second half, we expect capex to increase because we have also seen this trend during the major period. There is an initial time lag, after which execution becomes faster. We are targeting around 1,800 crore, and it will be more than 1,800 crore.

**Management:** More than 1,800 crore.

**Pallav Agarwal – Antique Stock Broking:** In any case, we will accrue more cash. I think the cash balance of 12,000 crores should start increasing again after the payment of the dividend.

**Management:** Yes, we expect cash of 12,000 crores at the end of this fiscal year.

**Pallav Agarwal – Antique Stock Broking:** 12,000 crores. Thank you so much.

**Operator:** Thank you. The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

**Amit Murarka – Axis Capital:** Hi, and thank you for the opportunity. I wanted to discuss cost inflation in more detail. From what I understood, all the key raw material costs are expected to increase further, particularly coke, where there appears to be significant inflation. While you will try to improve the techno parameters, assuming the same techno parameters, could you give us a broad estimate of how much cost inflation there could be in the overall production cost?

**Management:** Like heat [trails off]

**Management:** Whatever cost impact we incurred in the techno-parameter area has already been absorbed in the H1 cost. If we are not able to improve anything on that front, the cost will not increase further because that impact has already been included in H1.

We expect a definite improvement in the techno area because we have identified the areas where corrective action can be taken. Corrective action has already been taken, and that will definitely provide a positive impact in the next half. Therefore, there is no question of not receiving any benefit from the techno area. The adverse situation will definitely improve, and we expect some cost reduction in that area.

If the situation remains the same, the cost will remain at the H1 level. We are not going to increase the cost in H2.

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**Amit Murarka – Axis Capital:** I was referring to raw material costs. You mentioned that caustic soda is up and everything else is also up.

**Management:** We can also address raw material costs. We are targeting a reduction in caustic soda consumption over the next 6 months. There will also be a reduction in CP coke and CPC coke consumption.

Therefore, we have identified 3 areas for improvement. As the CMD explained earlier, H1 saw high consumption because of these 4 parameters. That will not be repeated in H2. We have identified 3-4 areas, and we definitely expect to see some improvement.

**Amit Murarka – Axis Capital:** Understood. Regarding captive coal, there was a plan to raise production to 4.8 million tonnes this year. Where are we on that?

**Management:** Last year, we produced around 4 million tonnes of captive coal. This year, we are planning 4.8 million tonnes. The planned 4.8 million tonnes was divided into monthly targets, and we are proceeding at the rate required to achieve 4.8 million tonnes of captive coal production.

Only some clearances, including environmental clearances, are pending and are at an advanced stage. We expect to receive them within the next 2 months. We have received the state-level clearance, and the matter has now moved to MOEFCC. We will receive it, and we will end the year with 4.8 million tonnes.

**Amit Murarka – Axis Capital:** What was H1 production?

**Management:** H1 coal production was, just a minute. [off-mic discussion] H1 coal production... [off-mic discussion] 21.28 lakh. H1 production [trails off] [cut off]

**Amit Murarka – Axis Capital:** For this month, whatever the figure is called, it is 21 lakh, or 2.1 million tonnes, sir?

**Management:** 21.5 lakh.

**Amit Murarka – Axis Capital:** Approximately 21.5 lakh compared to last year, substantially higher. Understood.

**Management:** Yes.

**Amit Murarka – Axis Capital:** 21.5 lakh, correct?

**Management:** Yes.

**Amit Murarka – Axis Capital:** Also, regarding the pay commission revisions, I think you will mostly book them in Q4, as you guided earlier. What is the approximate increase you expect?

**Management:** The pay revision impact will apply for only 3 months of this fiscal year, from January to March. Regarding employee cost, the company employee cost was around 36, with 45% being around 36. If you see the actual average cost, it is around 32.

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Although there has been an overall reduction of 80 employees, the employee mix has changed. Higher-paid, older employees are leaving, and we are inducting new employees on a lower scale. Overall, after including the pay revision impact for 3 months, along with other DA increases and increments, our employee cost should be lower than last year.

Compared with 25-26, our salary, employee, wage, and emolument cost in 26-27 will be somewhat lower because of the retirement of older employees with higher salaries and the induction of younger employees. Therefore, there will be a reduction in employee cost.

**Amit Murarka – Axis Capital:** Understood. However, what kind of wage increase do you expect, perhaps in percentage terms?

**Management:** The pay commission has not yet been finalized, so we do not know the exact percentage. There will be at least a 15% increase.

**Management:** That is correct. On average, the increase will again be around 13%.

**Amit Murarka – Axis Capital:** Understood. Thank you. That is all from me.

**Operator:** Thank you. The next question is from the line of Siddhi Soni from Hansa Financial Consultancy. Please go ahead.

**Siddhi Soni – Hansa Financial Consultancy:** Hello. Thank you for the opportunity. Some time ago, you mentioned that domestic alumina pricing depends on export pricing. I wanted to understand that point in a little more detail.

**Management:** We conduct 4 spot tenders every month for exports. Suppose we receive $400 per tonne in one spot tender, $370 in the second, and $380 in the third. We take the average of the prices received in the 4 spot tenders.

For example, for November pricing, we take the average spot tender prices from October's export spot tenders. Some additions, such as import duty, are made to that price, and domestic pricing is determined on that basis.

**Siddhi Soni – Hansa Financial Consultancy:** Understood. Can you also provide some guidance on the order book? What percentage of our current open order book is from the Middle East?

**Management:** Are you referring to alumina order bookings?

**Siddhi Soni – Hansa Financial Consultancy:** Yes.

**Management:** For alumina, we currently have spot tender orders for around 6 vessels. For November, we are trying to dispatch 6 vessels. Two vessels have already been loaded. Payments have already been made for 3 vessels, including 2 more vessels.

This is a positive sign because in October we were able to dispatch only 1 vessel due to significant restrictions. Nobody is able to say exactly what the situation is, but since vessels have started arriving and departing, we are receiving a positive indication. We expect supplies to resume from this month onward at around 4 vessels per month.

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**Siddhi Soni – Hansa Financial Consultancy:** What pricing are we expecting?

**Management:** Pricing—

**Siddhi Soni – Hansa Financial Consultancy:** What pricing are we expecting, approximately?

**Management:** We expect pricing to be somewhere around $370–$380, and not more than that. There is an effect on alumina prices in the market because of restrictions affecting the smelters. These smelters have now started coming back. It completely depends on the geopolitical situation. If the smelters ramp up quickly, prices may increase slightly to $400. However, our expectation is somewhere around $370–$380, and not more than that.

**Siddhi Soni – Hansa Financial Consultancy:** Understood. That is all from my side.

**Management:** Thank you.

**Operator:** Thank you. The next question is from the line of Rajesh Majumdar from 361 Capital. Please go ahead.

**Rajesh Majumdar – 361 Capital:** Good morning, sir, and thank you for the opportunity. I also have a few questions on alumina, mainly regarding the cost of production. Could you explain how the cost of production has increased over the years at the old mine because of the impact of red mud, and how the new Pottangi mine can affect the cost of production going forward? Once the mine ramps up to a reasonably high capacity, how can the cost of production of alumina decline? That was my first question.

**Management:** Regarding the cost of production of alumina and red mud, I do not think red mud has caused any increase in cost. Red mud is not going to affect the cost. Red Mud Pond 1 and Red Mud Pond 2 are already ready for us. Red Mud Pond 1 will sustain operations for another 1–2 years, after which we will use Red Mud Pond 2. Red mud is not an issue.

We are installing a red mud filtration unit, on which we are spending around 400–500 crores. Once the project is completed, some depreciation will be added. There is no interest cost. I do not think it will be very high. It will be somewhere around 50–100 rupees per tonne, which will be very low.

As far as the Pottangi mines and ore from the Pottangi mines are concerned, they will increase the cost slightly because of transportation. Initially, we have to transport the ore from the Pottangi mines by road. The additional cost will be around Rs.490–Rs.500 per tonne.

Our current bauxite cost from the Panchpatmali mines is around Rs.1,300–Rs.1,400 per tonne. If we take bauxite from the Pottangi mines, there will be an additional cost of Rs.400–Rs.500 per tonne because of road transportation. After 2–3 years, or 2.5 years, when the conveyor is commissioned, this cost will decline to around Rs.100–Rs.150 per tonne. Until then, there will be some additional cost for the quantity coming from Pottangi. This will not apply to the total quantity.

The advantage is that the bauxite ore from Pottangi will be from a new mine and will be of better quality, with lower silica and lower reactive silica. This will reduce caustic soda consumption in our fifth-stream refinery.

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The fifth-stream refinery is also a modern plant with low-pressure digestion, high-pressure digestion, and other features. The caustic soda consumption in the fifth stream will be better than in the earlier fourth stream. Therefore, even if there is a transportation cost for ore from the Pottangi mine, the fifth-stream refinery will offset that cost.

**Rajesh Majumdar – 361 Capital:** What is the current cost of production of alumina? Is it $240-$250?

**Management:** The cost of alumina is around 24,000. If you convert it at 95, it is around $250. It is around 24,000 per tonne in Indian rupees, or $250.

**Rajesh Majumdar – 361 Capital:** Once the conveyor and other facilities are set up and the Pottangi mine is operational along with the entire fifth stream, how much can the cost of production eventually decline?

**Management:** The Pottangi mine provides an advantage in mining costs. The party that has taken the MDO contract will supply ore to us at Rs.426. During the initial period of 2-3 years, until the long-distance conveyor is ready, we will incur an additional Rs.490 for road transportation.

Initially, the cost of ore from the Pottangi mine will therefore be higher. However, after commissioning the long-distance conveyor, the cost of ore from Pottangi will be similar to our existing Panchpatmali cost because we will receive an advantage in mining costs. The party has quoted a very competitive figure of Rs.426, whereas the cost at our existing mines is currently above Rs.500.

We will receive a benefit of around Rs.150 there. We are investing only Rs.1,000 crore in the long-distance conveyor. The depreciation impact will be on NALCO's accounts because this is a funded project. That will add Rs.100 to the cost.

Overall, once the Pottangi mine is fully commissioned and reaches rated capacity, its cost will be at par with the cost of our existing mine.

**Rajesh Majumdar – 361 Capital:** That is helpful. My second question is about alumina as a percentage of aluminium. Other than the resumption of production in the Middle East, which is positive, what factors should one watch? Bauxite prices are not moving up; they are at $70. If gross margins start declining again, there will be no inflationary pressure in the bauxite trade to drive alumina prices higher. Is it fair to say that alumina prices will not return to 15%-16% of LME aluminium, but instead remain at 12%-13%?

**Management:** If it is 13%, that is acceptable. We are projecting an alumina price of 12.5%. In our base case, if it is more than 12.5% of the LME, that is fine. It may not reach 15%-16%, but it will safely remain at 13% or 12.5%. If that happens, there is no issue with our alumina business. It will be around $370 or higher.

**Rajesh Majumdar – 361 Capital:** That would be with a $2,700-$2,800 LME?

**Management:** Yes, the LME.

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**Rajesh Majumdar – 361 Capital:** My last question is that we now have more than 4 million tonnes of captive coal, and our total requirement for the smelter is, as I understand it, 7.2 million tonnes. Are we covered by an FSA for the balance, or are we exposed to e-auction prices? The e-auction market has now gone to more than a 200%-250% premium.

**Management:** We are covered by an FSA, so there is no issue. Our FSA is for 6 million tonnes, although we are not able to take the entire quantity available under the FSA.

There is an issue with the quality of coal received under the FSA. The quality from some mines is not adequate, so we purchase a small quantity through e-auctions for blending. Earlier, our e-auction purchases were higher, but with captive coal production increasing to 4.8 million tonnes this fiscal year, the e-auction component has become much smaller.

For your information, our e-auction coal is used at the refinery, not at the smelter. The smelter is completely supplied through our FSA and coal linkage. Last year, 25-26, we purchased 5,16,000 tonnes of e-auction coal. In H1 this year, we purchased only 1.96 lakh tonnes.

We are reducing e-auction coal. As we reduce higher-cost coal, we are managing the requirement through other linkages, primarily linkage coal. Our requirement is managed through linkage coal and e-auction coal. We have increased linkage coal and reduced e-auction coal.

A consultant has also been appointed who is ensuring that coal is moved and evacuated from our FSA. There was a shortage of railway rakes, which caused some increase in e-auction purchases, but I think this will reduce further in H2.

**Rajesh Majumdar – 361 Capital:** In the segment results, what cost of alumina do we charge the aluminium smelter? Is it the market price or the cost of alumina at Rs.24,000?

**Management:** I could not hear you. Please repeat.

**Rajesh Majumdar – 361 Capital:** In the segment results, when we transfer alumina to the aluminium division, from chemicals to alumina, do we transfer it at the market price or at the cost price?

**Management:** As per our accounting policy, we transfer alumina to our aluminium smelter at cost price. It is neither cost-plus nor market price. It is transferred at cost price.

**Rajesh Majumdar – 361 Capital:** Thank you, sir.

**Operator:** Thank you. Anyone who wishes to ask a question may press star and one now. The next question is from the line of Jashandeep Chedda from Nomura. Please go ahead.

**Jashandeep Chedda – Nomura:** Hi, and thank you for the opportunity. Most of my questions have been answered. I have a couple of questions mainly on the bookkeeping front. Could you tell us the cost of production for alumina in this quarter?

**Management:** The cost of production of alumina will be almost the same. There will be a slight increase because of the increase in caustic soda prices. In H1, the price was around 47,000, and in Q3 and Q4 it may be around 49,000, an increase of 2,000. That increase will add around [trails off]

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**Management:** It may increase the cost by 500-600 rupees per tonne, but we will try to offset that by improving our specific caustic soda consumption. H1 was purely a rainy season, with around 4-5 months, or 4 months, of continuous rain. We were unable to recover alumina from our red mud pond.

In H2, during the dry season, caustic soda consumption will definitely be lower. LDO and HFO consumption, which was very high in Q1 and H1, will also decline because our coal stock is improving. Coal stock is becoming higher and better, and dry coal will be available. Therefore, there will also be savings in that area.

Of course, LDO and HFO prices are increasing. LDO and HFO prices, which were 84,800 in H1, will increase to around 1,20,000. However, specific consumption will definitely improve. This is also the trend every year: specifics are better in H2 because production volumes are higher. Therefore, the cost will remain broadly similar to the cost in H1 and will not be higher than that, at least.

**Jashandeep Chedda – Nomura:** To put it another way, excluding bauxite, your cost will remain broadly flat, unless these spot prices increase, correct?

**Management:** Correct.

**Jashandeep Chedda – Nomura:** My second question is about the structural cost profile. Most of the renewable power will come after FY30, and smelter capex will start from FY28 or possibly late FY29. Over the next couple of years, what will be the major cost drivers that will help the company structurally reduce its costs?

**Management:** I could not follow. Can you repeat your question, Mr. {? Pathak ?}? In terms of what?

**Management:** Are you referring to the total cost?

**Jashandeep Chedda – Nomura:** Yes, sir. Both alumina and aluminium. I am referring to the total operating cost.

**Management:** Alumina as well as aluminium?

**Jashandeep Chedda – Nomura:** If you could provide the cost drivers for both, that would be helpful.

**Management:** Over the next 4-5 years, or 3-4 years, until our new smelter comes onstream, costs will be driven primarily by input prices. As ICRA stated, input prices are expected to increase by 2%-3%. Our projection is that input prices will increase by 2%-3% each year.

However, we will contain costs by improving efficiency. When our new refinery comes onstream, it will have modern features and technologically advanced systems. This will provide a benefit in operational efficiency. Although input costs will increase, that increase will be offset by the new plant.

Our old refineries are very old and their features are outdated. The new refinery will have lower caustic soda consumption and higher efficiency. We will obtain that advantage.

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There will be some additional cost on account of depreciation. There is no interest cost, so we will add some cost on account of depreciation. I do not think the depreciation will be fully offset by the reduction in technology-related costs in the new refinery. Overall, costs will remain broadly flat in that area, with the increase in input costs being almost absorbed.

There will also be an impact from employee costs from '27-'28 onward, with an average increase of 15%. Employee costs account for 10%-12% of our total cost. Therefore, a 15% increase in employee costs will not add much to our total cost. Overall, there will be a cost increase of approximately 3%-4%.

There is also a revenue component. Alumina prices and aluminium metal prices are expected to increase over the next 3-4 years. Therefore, NALCO will broadly maintain the same margin level over the next 3-4 years until our new smelter is commissioned.

**Jashandeep Chedda – Nomura:** Understood, sir. Just one last question. You highlighted that in the second half, with Middle East smelters coming back, demand for alumina will increase and you are therefore forecasting higher alumina prices. Looking at FY28, there are concerns that some refineries will also come up in Indonesia. How do you see alumina prices over the next couple of years, particularly FY28? Do you expect prices to remain high, with the market remaining tight or in deficit? Or do you think that once the Indonesian refineries are operating, there will be pressure on pricing?

**Management:** Refineries are coming up in Indonesia, but smelters are also being commissioned there. Smelters with capacity of around 0.5-0.6 million tonnes are expected to be commissioned next year or the year after next. Production will start gradually.

As the Middle East smelters stabilize at full capacity, there will be demand for alumina. However, there is also production. This year itself, there is around 1.6 million tonnes of excess alumina in the market. Therefore, there will of course be pressure on alumina prices. We are also increasing alumina production by 1 million tonnes next year, and Vedanta's refinery is also coming up.

Therefore, there will be pressure, and we do not expect to receive more than $350 for alumina in the export market.

**Jashandeep Chedda – Nomura:** Thank you so much, sir. This was really helpful. I will join the queue again.

**Management:** Okay.

**Operator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Bharat Kumar Sahu for closing comments. Over to you, sir.

**Bharat Kumar Sahu:** On behalf of NALCO, we thank all our esteemed participants for taking a keen interest in the activities of NALCO and participating in this conference call today. This shows your interest in and trust in NALCO and its business activities. We look forward to similar cooperation in the future as well.

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Thank you all for participating in this conference call for H1 23-24. We are also thankful to the ICICI Group for arranging this call and for arranging it on a quarter-on-quarter basis. We look forward to your continued cooperation.

Last but not least, on behalf of the NALCO collective, we wish all our esteemed participants a happy and prosperous Diwali ahead, with endless opportunities. Thank you. Thank you all.

**Management:** Thank you.

**Operator:** Thank you. On behalf of National Aluminium Company Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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