

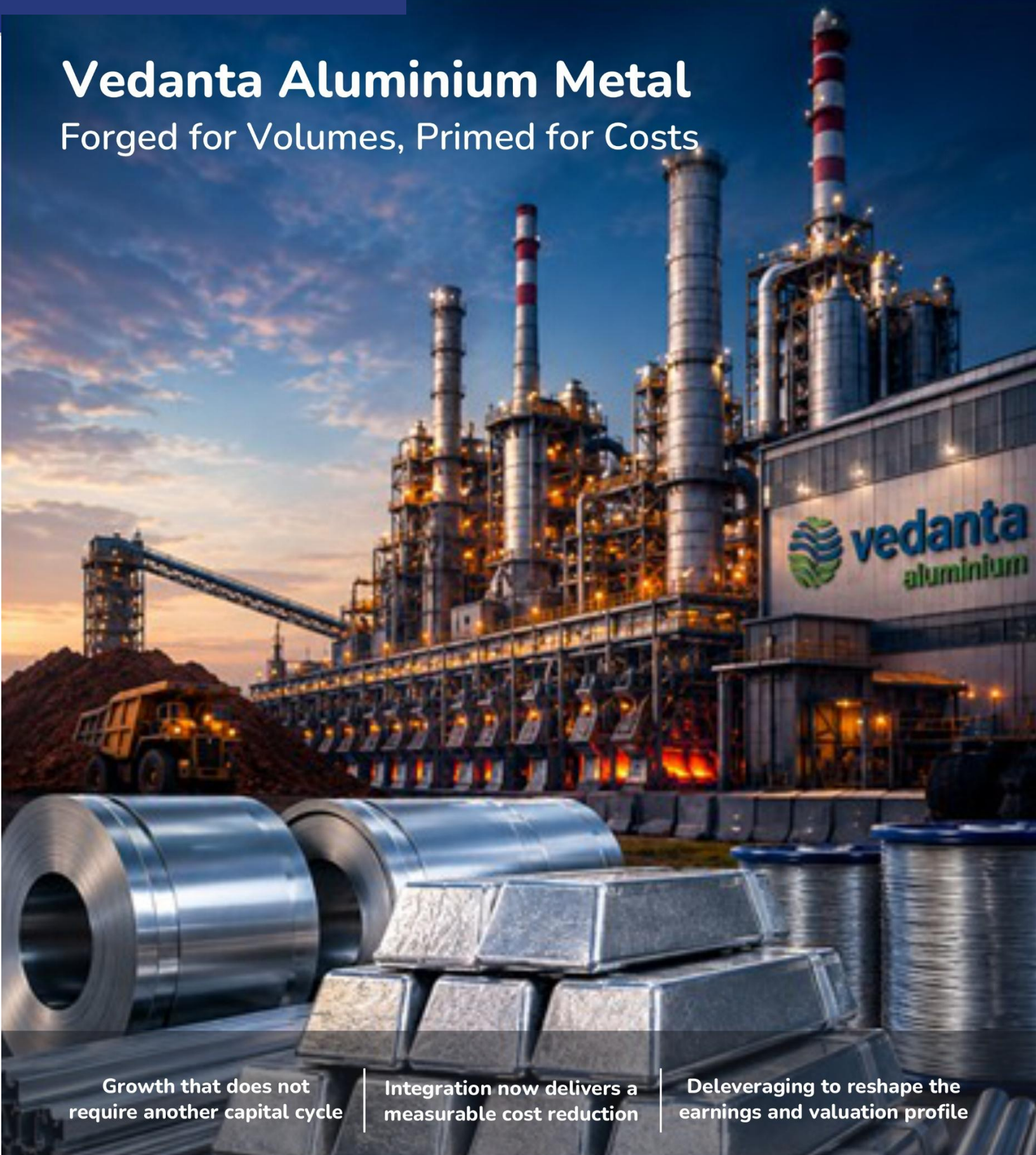
September 22, 2026

India | Metals & Mining |
Initiating Coverage



Vedanta Aluminium Metal

Forged for Volumes, Primed for Costs



Growth that does not
require another capital cycle

Integration now delivers a
measurable cost reduction

Deleveraging to reshape the
earnings and valuation profile

JM Financial Institutional Securities Limited

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Vedanta Aluminium Metal is India's largest primary aluminium producer and, following the group demerger, a standalone listed vehicle for a first time. Two things change over the next three years. Brownfield capacity already built and funded lifts volumes to roughly 2.9mt by FY29E, and a long-planned upstream programme in coal and bauxite finally reaches the scale at which it moves the cost base. The combination should allow EBITDA to compound around 21% and earnings at close to 27% over FY26–29E while capital spending moderates to a maintenance level, converting a business that consumed capital in the past into one that generates comfortably more free cash flow than it needs. We initiate with a BUY and TP of INR 560 based on 6.5x FY28E EV/EBITDA.

Vedanta Aluminium Metal

Forged for Volumes, Primed for Costs

Vedanta Aluminium Metal (VAML) is India's largest primary aluminium producer with capacity of ~2.4mt built around the Jharsuguda smelter (Odisha) and BALCO at Korba (Chhattisgarh), in which it holds 51%. Both are fed by the Lanjigarh alumina refinery and by co-located captive power.

For most of the last five years, VAML has been a capacity story that did not deliver significant volume growth because both smelters were already running at or above nameplate with no wiggle room to grow. Brownfield expansion at BALCO and debottlenecking at Jharsuguda change that: installed capacity rises to about 3mt and volumes should reach roughly 2.9mt by FY29 as per our estimate, a ~6% CAGR, on assets already built and paid for.

The more interesting change is upstream. Captive coal moves from a token share of requirement to the bulk of it, Sijimali bauxite begins feeding Lanjigarh, and the refinery's own output covers a growing share of alumina need. The economic consequence is that a producer historically exposed to merchant markets for its two largest inputs becomes substantially self-supplied. This should make VAML's cost structure less exposed to volatility in merchant input prices and improve the predictability of margins across the aluminium cycle.

That combination should lift EBITDA at roughly 21% a year and earnings at close to 27% over FY26–29E. With peak capex behind, we argue VAML shall see a sharp uptick in its balance sheet trajectory as operating cash flow rises while capital requirements moderate. We expect net debt to decline substantially through FY29E, with the company moving towards a net cash position.

All in all, we are initiating coverage on VAML with a BUY and TP of INR 560 based on 6.5x FY28E EV/EBITDA. Key risks: aluminium price, BALCO ramp-up, Sijimali and the bauxite chain, captive coal execution, and regulatory and environmental (details on page 9).

Growth that does not require another capital cycle: After several years of limited capacity headroom, VAML is entering a phase of volume-led growth with brownfield additions at BALCO and debottlenecking at Jharsuguda. We reckon aluminium volumes would clock a ~6% CAGR over FY26–29E with BALCO accounting for the bulk of the incremental volumes. Importantly, this growth is being delivered through projects that have already absorbed the bulk of the required capex, thereby reducing the need for another large expansion cycle. This should allow incremental volumes to unleash operating leverage as fixed costs are spread over a larger production base.

Integration now delivers a measurable cost reduction: The more important medium-term earnings driver, in our view, is the progressive increase in control over key raw materials, particularly alumina and coal. Higher Lanjigarh utilisation and the ramp-up of captive bauxite from Sijimali should reduce dependence on externally sourced alumina while the commissioning of additional captive coal mines (Kuraloi, Ghogarpalli, Radhikapur, etc) should progressively lower reliance on linkage and e-auction coal. This should make VAML's cost structure less exposed to volatility in merchant input prices and improve the predictability of margins across the aluminium cycle.

Deleveraging to reshape the earnings and valuation profile: With capex moderating during FY26–29E, VAML should see a sharp improvement in its balance sheet trajectory as OCF rises while capital requirements moderate. We expect net debt to decline substantially through FY29E and the company to move towards a net cash position. More importantly, a stronger balance sheet should reduce the financial risk embedded in the equity and improve the quality of free cash flows.

Financial summary: VAML is trading under 5x FY27E and about 4x FY28E EV/EBITDA. That is a reasonable multiple for what VAML has been; it looks less reasonable for what it'd become if the integration programme delivers. We value the business at 6.5x FY28E EV/EBITDA for a TP of INR 560, implying ~36% upside potential.

Recommendation and Price Target		Financial Summary					(INR mn)
Current Reco.	BUY	Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Current Price Target (12M)	560	Net Sales	585,250	658,470	848,160	899,712	920,088
Upside/(Downside)	35.6%	Sales Growth (%)	-	12.5	28.8	6.1	2.3
Key Data – VAML IN EQUITY		EBITDA	174,260	251,420	396,422	420,086	439,946
Current Market Price	INR413	EBITDA Margin (%)	29.8	38.2	46.7	46.7	47.8
Market cap (bn)	INR1,615.2/US\$16.9	Adjusted Net Profit	70,040	121,380	220,613	235,597	248,621
Free Float (%)	43.2	Diluted EPS (INR)	17.9	31.0	56.4	60.2	63.6
Shares in issue (mn)	3,910.4	Diluted EPS Growth (%)	-	73.3	81.8	6.8	5.5
Diluted share (mn)	3,910.4	ROIC (%)	42.3	30.4	44.6	43.8	44.9
3-mon avg daily val (mn)	INR5,051.5/US\$52.8	ROE (%)	187.2	118.3	104.4	61.9	44.1
52-week range	INR538/401	P/E (x)	23.1	13.3	7.3	6.9	6.5
Sensex/Nifty	74,859/23,414	P/B (x)	21.6	12.4	5.5	3.4	2.4
INR/US\$	95.8	EV/EBITDA (x)	12.0	8.3	5.1	4.4	3.8
		Dividend Yield (x)	-	-	3.6	3.6	3.6

Source: Company data, JM Financial. Note: Valuations as of September 21, 2026

Price Performance			
%	1M	6M	12M
Absolute	-6.2	0.0	0.0
Relative*	-2.8	0.0	0.0

*To the NSE Nifty 50

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

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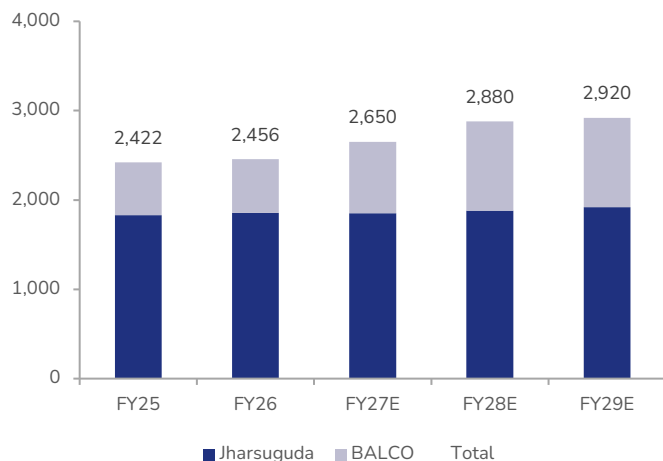
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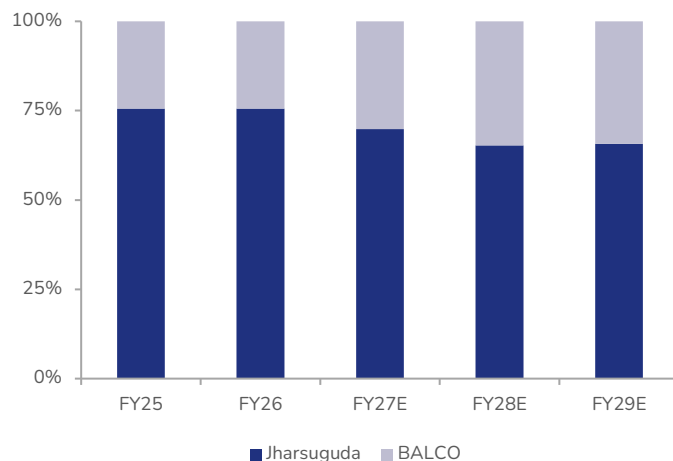
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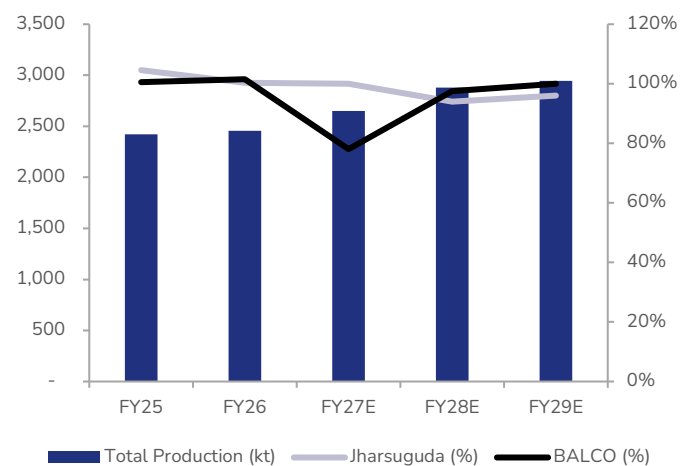
Focus Charts

Exhibit 1: Volumes step-up on capacity already built (kt)


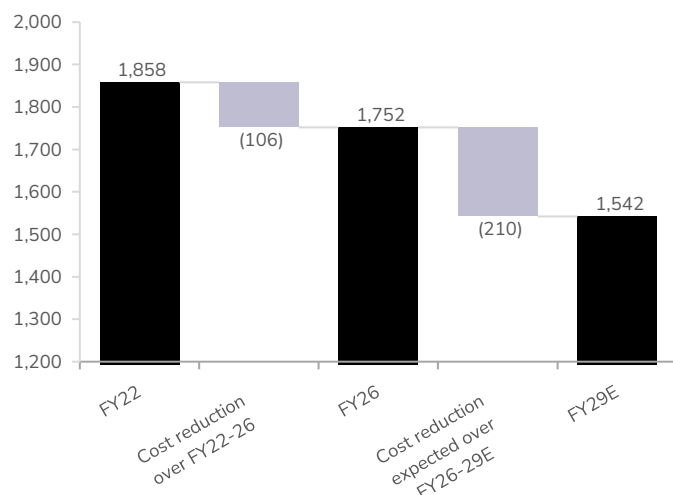
Source: Company, JM Financial

Exhibit 2: BALCO production as % of total production on the rise


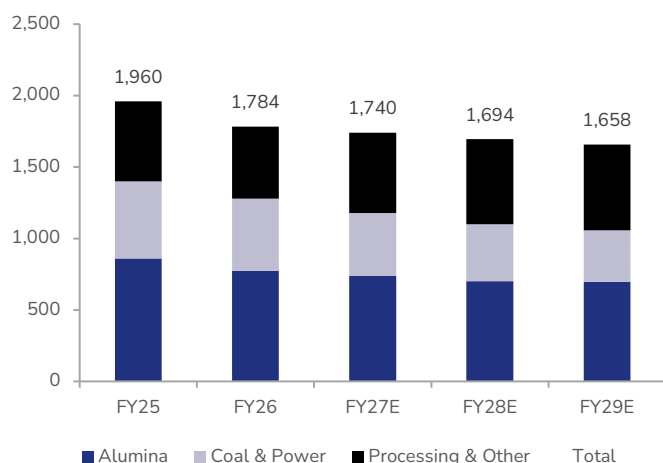
Source: Company, JM Financial

Exhibit 3: Increasing total production even with moderating utilisation


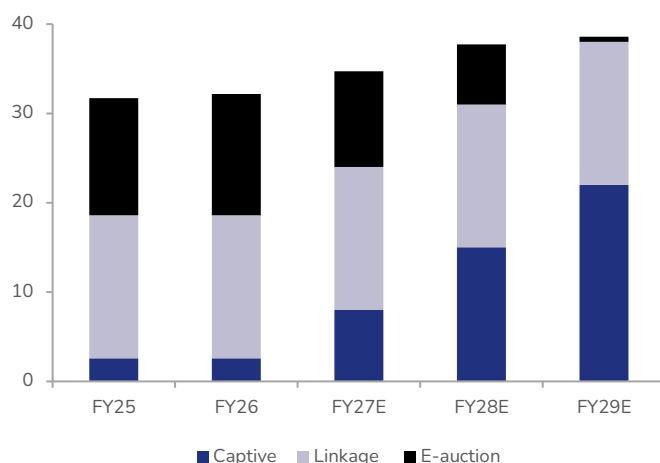
Source: Company, JM Financial

Exhibit 4: Trends in cost of production (CoP) over FY22-29E (USD/t)


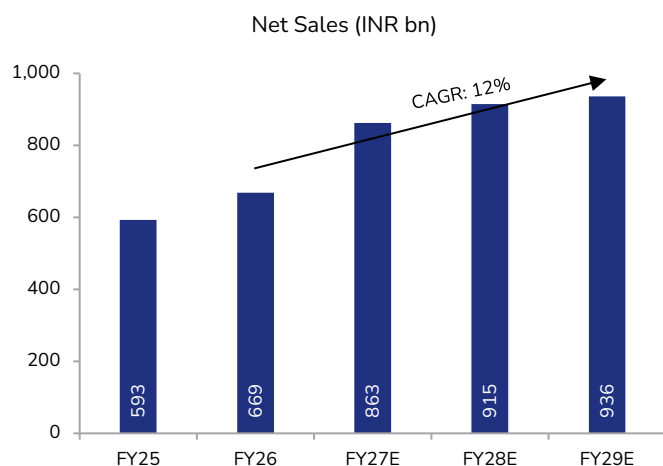
Source: Company, JM Financial

Exhibit 5: Estimated unit cost direction, FY25-29E (USD/t)


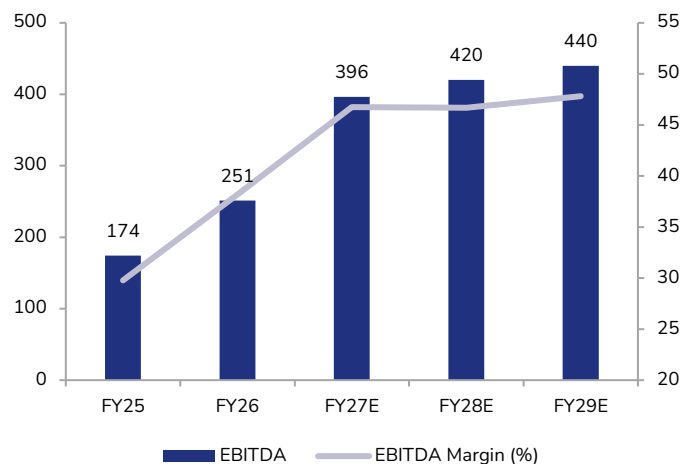
Source: Company, JM Financial

Exhibit 6: Coal sourcing shifts decisively towards captive supply (mt)


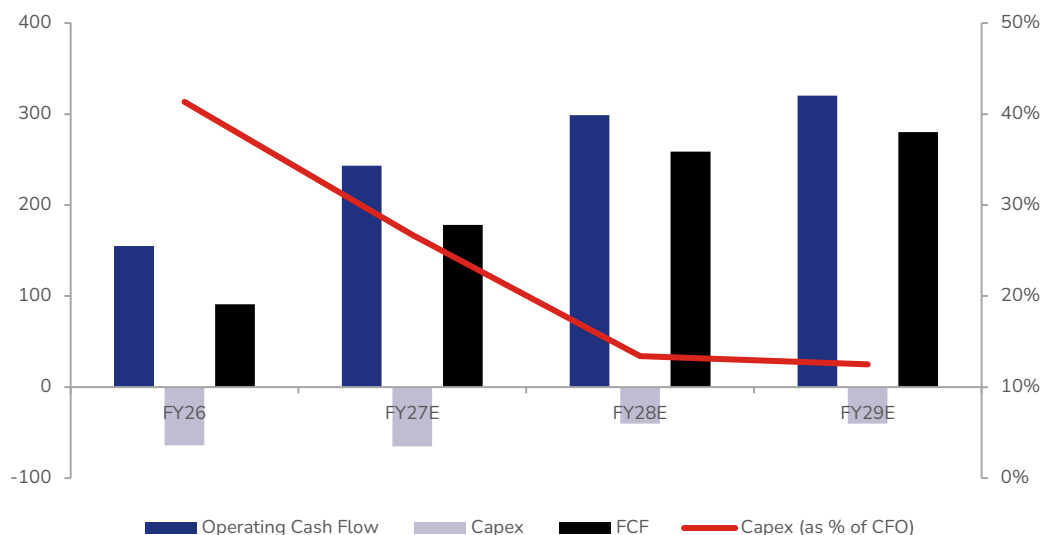
Source: Company, JM Financial

Exhibit 7: Strong revenue growth likely driven by volumes

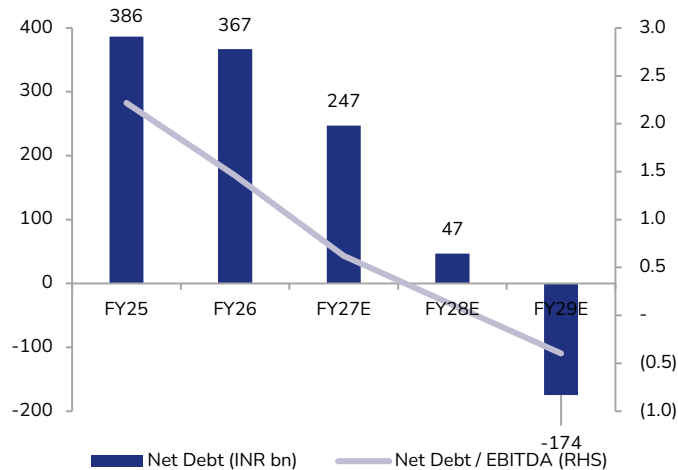
Source: Company, JM Financial

Exhibit 8: EBITDA and EBITDA margin (%)

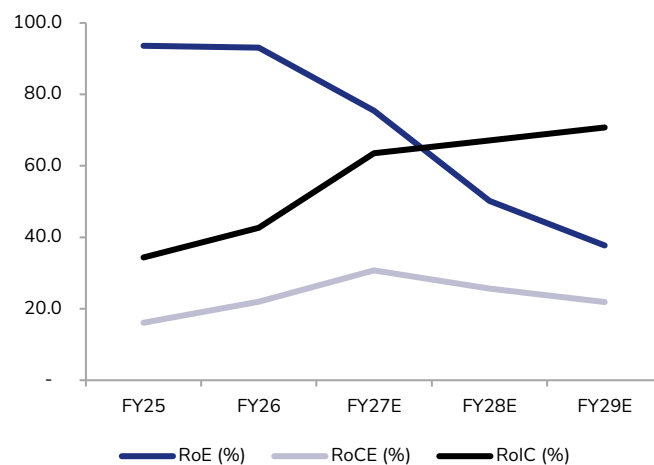
Source: Company, JM Financial

Exhibit 9: Capex is flat; cash generation is not

Source: Company, JM Financial

Exhibit 10: Net debt and leverage

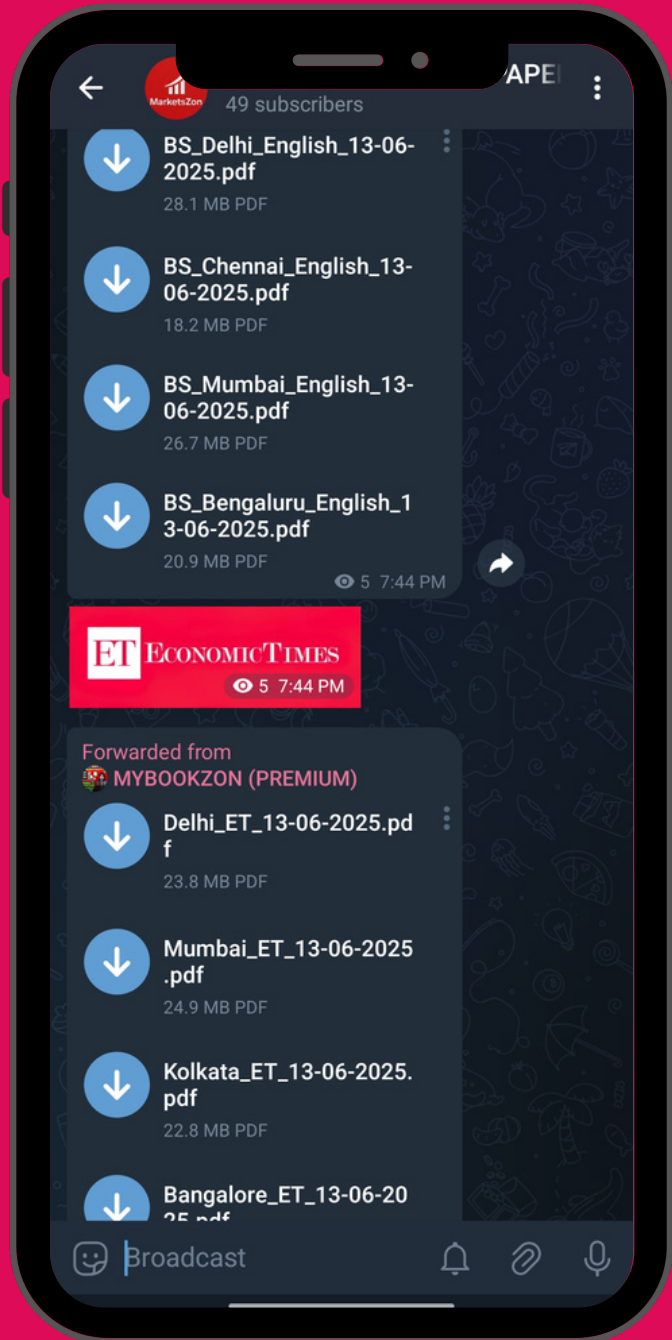
Source: Company, JM Financial

Exhibit 11: Return ratios (%)

Source: Company, JM Financial

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Investment Thesis

Brownfield expansion to unlock next leg of volume growth

VAML is entering a phase of volume-led growth after several years of limited capacity headroom, with brownfield additions at BALCO and debottlenecking at Jharsuguda providing the next leg of aluminium volume growth. Installed capacity is expected to move towards ~3mtpa; we estimate aluminium volumes would expand at ~6% CAGR over FY26–29E with BALCO accounting for the bulk of the incremental volumes.

Importantly, this growth is being delivered through projects that have already absorbed the bulk of the required capital, thereby reducing the need for another large expansion cycle. This should allow incremental volumes to generate operating leverage as fixed costs are spread over a larger production base, making volume growth a more consequential contributor to earnings than it has been historically. The key variable to monitor remains the pace of BALCO's ramp-up given its significant contribution to incremental volumes.

Volume growth is being delivered through projects that have already absorbed the bulk of the required capital, thereby reducing the need for another large expansion cycle

Backward integration to structurally improve cost position

The more important medium-term earnings driver, in our view, is the progressive increase in control over key raw materials, particularly alumina and coal. Higher Lanjigarh utilisation and the ramp-up of captive bauxite at Sijimali shall reduce dependence on externally sourced alumina while the commissioning of additional captive coal mines should progressively pare reliance on linkage and e-auction coal.

This should make VAML's cost structure less exposed to volatility in merchant input prices and improve the predictability of margins across the aluminium cycle. We expect this integration-led improvement to drive a sustained reduction in unit costs through FY29E, thereby supporting margin expansion even without relying entirely on higher aluminium prices. The benefit is also structural: once these assets are operational, a greater share of the cost base will be influenced by VAML's own resource position rather than external market prices.

Commissioning of additional captive coal mines should progressively pare reliance on linkage and e-auction coal

Operating improvement to translate to stronger OCF, returns

The combination of higher volumes and improving unit economics should result in EBITDA compounding materially faster than revenue over FY26–29E. We expect the benefits of scale and backward integration to increasingly flow through the P&L as the newly expanded assets ramp up while the business moves away from the high-cost phase associated with its recent expansion programme.

More importantly, the earnings improvement should increasingly translate to cash generation as the requirement for growth capex moderates. This marks a notable shift in VAML's financial profile—from a business absorbing significant capital to expand capacity to one where incremental operating cash can be deployed towards deleveraging and shareholder returns. Improving asset utilisation, lower unit costs and stronger cash conversion should consequently support a meaningful improvement in capital efficiency and returns over the forecast period.

Earnings improvement should increasingly translate to cash generation as the requirement for growth capex moderates

Deleveraging to reshape earnings and valuation profiles

With peak capex behind, VAML should see a sharp improvement in its balance sheet trajectory as operating cash generation rises while capital requirements moderate. We expect net debt to decline substantially through FY29E with the company moving towards a net cash position. The reduction in financial leverage should provide a second layer of earnings growth as lower interest costs allow a greater proportion of operating profit to flow through to PAT.

More importantly, a stronger balance sheet should reduce the financial risk embedded in the equity and improve the quality and sustainability of free cash flows. Thus, the investment case increasingly shifts from one centred on funding growth to one focused on harvesting the benefits of the investments already made. Faster earnings growth, improving cash generation and deleveraging could collectively support a rerating as VAML's risk-return profile becomes more comparable with established low-cost aluminium producers.

Net debt to decline substantially through FY29E with VAML moving towards a net cash position

Valuation

We value Vedanta Aluminium Metal at 6.5x FY28E EV/EBITDA, yielding a TP of INR 560 and implying potential upside of roughly 36%; initiate with a BUY.

- **Why an enterprise value approach?** EV/EBITDA is the appropriate anchor here for three specific reasons. VAML is a single-commodity producer whose earnings are geared to the metal spread, and applying an earnings multiple to a cyclical peak overstates value. The business is mid-way through a balance sheet transition, and an enterprise value approach captures that transition explicitly rather than leaving it to be inferred from the multiple. And the minority interest at BALCO means consolidated EBITDA and shareholder earnings diverge-better handled directly through net debt and minority than implicitly within a P/E. On the multiple itself, 6.5x is consistent with where large integrated metals producers carrying concentrated commodity exposure have historically cleared. We would resist paying more at this stage of the story because doing so requires conviction either that the price deck is conservative or that the integration programme delivers ahead of plan, and we prefer to hold both as upside rather than embed them in the target.

The business is mid-way through a balance sheet transition, and an EV approach captures the transition explicitly rather than leaving it to be inferred from P/E

Exhibit 12: Valuation (FY28E)

VAML valuation (INR bn)	Value
EBITDA – attributable	352
Multiple (x)	6.5
Total EV	2,285
FY28 Net Debt - attributable	101
Target M-cap	2,184
Number of shares (mn)	3,910
Target Price (INR/share)	560

Source: Company, JM Financial

- **The case for a higher multiple, and what would earn it?** The more interesting valuation question is not whether 6.5x is right today, but whether VAML should trade there in three years. The multiple applied to a commodity producer reflects the market's assessment of earnings durability, capital allocation discipline and balance sheet risk. On all three, the business we forecast at FY29E is materially different from the one being valued today: merchant input exposure roughly halved, leverage eliminated, and a demonstrated record of converting capital spending into cost reduction. That combination is what would justify a higher multiple-not the observation that the shares look cheap. The sequence matters: lower perceived risk permits a higher multiple, and lower perceived risk is earned through delivery rather than asserted through analysis.
- **Sensitivity and scenarios:** Given the gearing to the metal price, the sensitivity of the valuation to our LME assumption is the single most important piece of analysis in this note. The grids below flex price and currency, holding volumes and the cost stack at base-case levels.

The 6.5x EV/EBITDA applied to a commodity producer reflects the market's assessment of earnings durability, capital allocation discipline and balance sheet risk

Exhibit 13: Target price sensitivity to LME aluminium and USD-INR (INR/share)

LME (USD/t) / USD-INR	92	94	96	98	100
2,500	338	350	362	375	387
2,750	433	447	461	476	490
3,000	527	544	560	577	593
3,250	622	641	659	678	697
3,500	717	738	759	779	800
3,750	812	835	858	880	903

Source: Company, JM Financial

Exhibit 14: EBITDA sensitivity to LME aluminium and USD-INR (INR bn)

LME (USD/t) / USD-INR	92	94	96	98	100
2,500	275	283	292	300	308
2,750	336	346	356	366	375
3,000	398	409	420	431	442
3,250	460	472	484	497	509
3,500	521	535	549	562	576
3,750	583	598	613	628	643

Source: Company, JM Financial

Exhibit 15: Key assumptions

Key assumptions	FY25	FY26	FY27E	FY28E	FY29E
Consolidated revenue	585	658	848	900	920
Consolidated EBITDA	174	251	396	420	440
Sales volume (mn tons)	2.42	2.46	2.65	2.88	2.95
EBITDA/t	869	1,145	1,558	1,519	1,556
Consolidated PAT	70	121	221	236	249
Jharsuguda					
EBITDA	133	184	275	280	295
Sales volume (mn tons)	1.83	1.86	1.85	1.88	1.92
EBITDA/t	857	1,092	1,549	1,553	1,600
Balco					
EBITDA	45	71	121	140	145
Sales volume (mn tons)	0.59	0.60	0.80	1.00	1.03
EBITDA/t	905	1,311	1,580	1,457	1,474
Aluminium (USD/t)	2,525	2,773	3,100	3,000	3,000
USD/INR	84.6	90.7	96.0	96.0	96.0
Consolidated net debt (INR bn)	386	367	247	47	(174)
Balco net debt (INR bn)	19	5	(38)	(111)	(193)
Implied standalone net debt (INR bn)	367	362	285	158	18
Net debt - attributable (INR bn)	377	364	266	101	(80)

Source: Company, JM Financial

- **Scale advantage, but cost/profitability gap remains:** VAML stands out on scale, with FY26 aluminium sales of ~2.45mt, nearly 2x Hindalco's ~1.35mt and >5x NALCO's ~0.46mt, giving it a significantly larger operating base. However, this scale has not yet translated to a superior EBITDA/t, at USD 1,145/t in FY26 versus USD 1,583/t for Hindalco and USD 1,468/t for NALCO.

The gap reflects VAML's relatively lower upstream raw-material self-sufficiency, particularly in bauxite and coal, although this is set to improve as Sijimali and captive coal capacities ramp up. Importantly, VAML's earnings trajectory should benefit from its larger volume base and ongoing backward integration, providing greater operating leverage as its cost position converges towards peers. Thus, VAML's key differentiator is scale today, although narrowing the profitability gap remains the principal medium-term value-creation opportunity.

CoP gap vis-à-vis peers reflects VAML's relatively lower upstream self-sufficiency in bauxite and coal; this is set to improve as Sijimali and captive coal ramp up

Exhibit 16: Peer comparison

Sales volumes (mn tons)	FY22	FY23	FY24	FY25	FY26
Vedanta Aluminium	2.27	2.29	2.36	2.41	2.45
Hindalco (India Aluminium)	1.30	1.35	1.35	1.33	1.35
Nalco	0.46	0.46	0.47	0.46	0.46
Al EBITDA/t (USD/t)	FY22	FY23	FY24	FY25	FY26
Vedanta Aluminium	1,026	317	492	869	1,145
Hindalco	1,294	792	822	1,449	1,583
Nalco	1,053	586	500	1,144	1,468

Source: Company, JM Financial

Exhibit 17: Comparative valuation

	EV/EBITDA		P/E		RoE (%)		Net debt/EBITDA	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Indian players								
Vedanta Aluminium	4.7	4.0	6.8	6.4	75.5	50.2	0.6	0.1
Hindalco	7.0	6.5	10.3	10.2	13.5	12.0	1.9	1.6
Nalco	5.8	5.7	9.2	8.9	29.9	25.1	-1.2	-1.3
Global players								
Rusal	8.0	8.0	0.4	0.3	9.3	10.2	4.2	3.9
Century Aluminium	3.1	3.5	0.0	0.0	45.4	22.6	-1.3	-1.5
Alcoa	3.9	3.8	0.1	0.1	12.6	11.3	-0.5	-0.9
Norsk Hydro	5.4	5.6	1.0	1.1	14.1	12.3	0.2	0.2

Source: Bloomberg, JM Financial; Note: as on 20th September, 2026

Key Risks

Aluminium price

This remains the dominant variable and no amount of integration removes it. Our deck sits meaningfully above the average realised over FY21–26, and a reversion toward that average would render our forecasts optimistic and our target price unsupportable—the sensitivity grids above quantify this. What integration changes is the shape rather than the existence of the exposure: a lower and more stable cost base raises the metal price at which the business remains comfortably profitable, which matters most precisely in the scenarios where the price disappoints.

BALCO ramp-up

The bulk of volume growth sits in a single asset. A 12-month slippage in the energisation schedule would defer roughly 200kt and a material slice of FY28E earnings. The mitigation is that our forecasts require utilisation below nameplate throughout, against an operating record at both complexes of running at or above it.

Sijimali and the bauxite chain

Sijimali must ramp up from nil to meaningful volumes to deliver the alumina cost improvement. Delay would force continued reliance on imported bauxite, raising Lanjigarh's cost of production and, through it, alumina cost at both smelters. The effect is smaller than the coal exposure, but works in the same direction; the two share a common dependency on mining and forest clearances—meaning they are correlated risks rather than independent ones.

Captive coal execution

Coal integration is now central to the cost thesis rather than peripheral to it, which raises the stakes on delivery. Captive production must rise many-fold across the forecast while e-auction purchases fall away. Failure to ramp up on schedule would leave displaced volume reverting to e-auction pricing and would remove the larger part of our assumed cost improvement. Beyond timing, there is a specific unknown: the revenue-share percentage bid for the commercial blocks determines whether captive coal is decisively or only marginally cheaper than the alternatives. This is the most important item for primary verification in this report.

Capital allocation

By the end of the forecast, the balance sheet carries substantial idle cash against a modest payout and no committed growth programme. Deployment into a low-return use—an acquisition, a related-party transaction, or a greenfield project earning below the current asset base—would negate a meaningful part of the value created by the deleveraging. Given the wider group structure, this is a legitimate concern and, in our view, the most important governance variable to monitor in this note.

Regulatory and environmental

Primary smelting with captive coal generation carries exposure to changes in coal levies, revenue-share terms, carbon pricing, renewable purchase obligations and environmental compliance at both the smelters and the refinery. The exposure increases as captive coal grows. We have no primary disclosure with which to assess VAML's specific position and flag this as requiring verification.

Investment Arguments

Brownfield expansion lifts volume sans fresh capital cycle

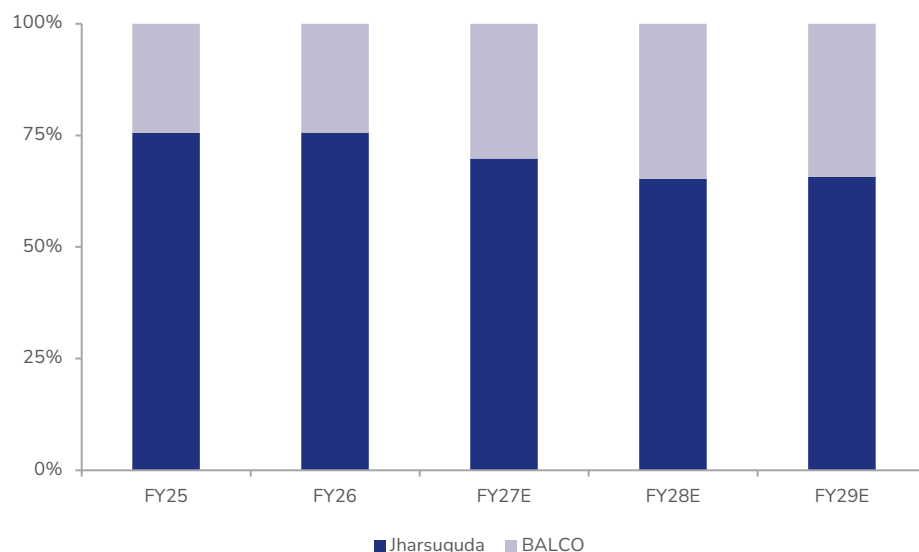
- **The capacity is already in the ground:** VAML's production base has been effectively static for four years, moving from 2,269kt in FY22 to 2,456kt in FY26-barely 2% a year-because both smelting complexes were operating at or above nameplate and there was simply no headroom.

That constraint is now lifting. Installed capacity rises from 2,440kt in FY26 to 3,025kt by FY28E, an increase of 585kt or 24%. BALCO accounts for the bulk of it, stepping from 590kt to 1,025kt as the new smelter line is energised, with Jharsuguda adding a further 150–2,000kt through debottlenecking. Importantly, this volume growth is being delivered on an already industry-leading asset base, allowing VAML to widen its scale advantage while improving operating leverage.

- **BALCO carries the step-up; Jharsuguda provides the tail:** Production should rise from 2,456kt in FY26 to 2,945kt by FY29E, a ~6% CAGR, with sales volumes tracking at 2,451kt to 2,945kt. The concentration is stark: BALCO contributes 426kt of the 489kt increase, moving from 599kt to 1,025kt, while Jharsuguda adds 63kt to reach 1,920kt.

This concentration is a legitimate concern, and we treat it as the principal operational risk. It is mitigated, however, by the nature of the ramp-up-the pots exist, the power is co-located and the alumina logistics are established. What remains is a commissioning sequence rather than a construction programme, which is a materially different risk profile from a greenfield build requiring land, clearances and a multi-year execution window.

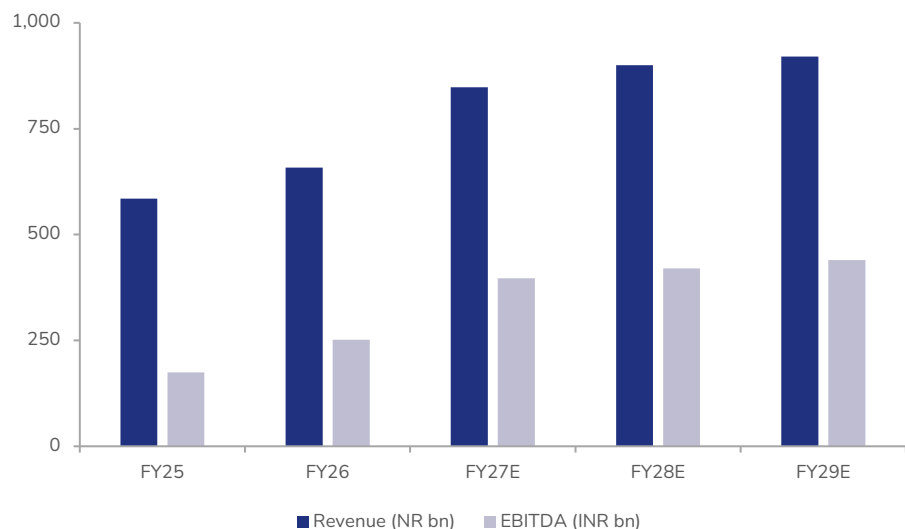
Exhibit 18: BALCO production as % of total production steps up



Source: Company, JM Financial

- **Volume converts to EBITDA at better than proportional rates:** The economics of a smelter at this stage of the cycle are attractive because the cost base is already substantially fixed. Incremental tonnes absorb existing depreciation, employee cost, site overhead and-critically-the fixed component of captive power generation, so each additional tonne carries a lower average cost than the last.

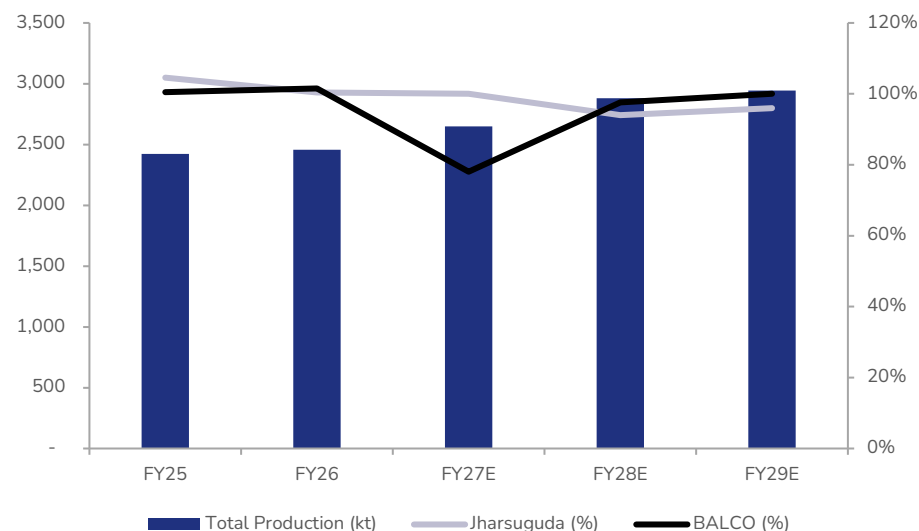
This is visible in the divergence between our growth rates: revenue compounds at ~12% over FY26–29E while EBITDA compounds at ~21% and adjusted profit at ~27%. Blended EBITDA/t expands from USD 1,145 to USD 1,556 over the same period. Employee cost falls from 1.9% of sales to 1.6%, and other manufacturing expense from ~30% to ~25%, as the enlarged volume base spreads the same overheads.

Exhibit 19: Revenue and EBITDA trend over FY25–29E

Source: Company, JM Financial

- The forecasts do not require heroic utilisation:** An important sense-check on execution risk: our volume estimates imply utilisation falling, not rising. BALCO runs at 78% in FY27E during the energisation year before recovering to 100% by FY29E while Jharsuguda eases from 100% in FY26 to 96% in FY29E on the enlarged 2,000kt base. Set against a history in which Jharsuguda operated at 105% of its original 1,750kt design capacity in FY25 and BALCO at 102% in FY26, these are undemanding assumptions.

If either asset reverts to the above-nameplate operation it has consistently demonstrated, volumes would exceed our forecasts. Jharsuguda alone running at its historical 105% would add roughly 180kt in FY29E, worth about INR 27bn of EBITDA at our per-tonne assumptions.

Exhibit 20: Increasing total production even with declining utilisation levels

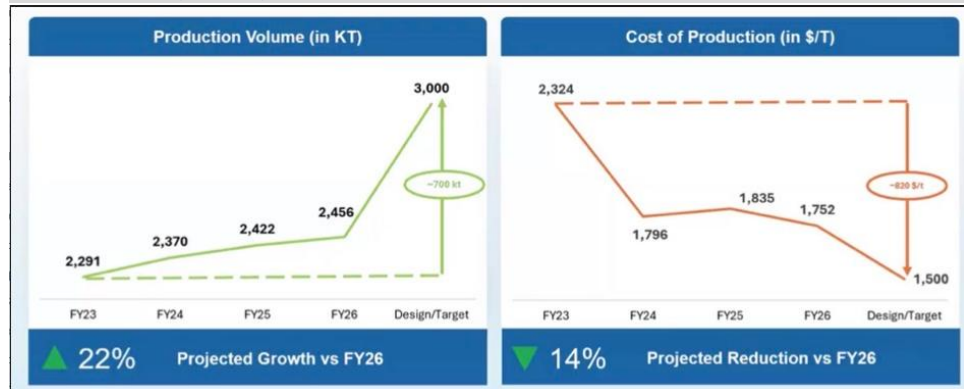
Source: Company, JM Financial

Backward integration delivering measurable cost reduction

- **Unit cost falls USD 129/t over FY26–29E, and coal does the heavy lifting:** VAML's total unit cost should decrease from USD 1,784/t in FY26 to USD 1,658/t in FY29E (JMF estimate). Decomposition matters more than aggregate. Coal and power cost falls USD 144/t, from USD 505/t to USD 361/t. Alumina falls USD 76/t, from USD 773/t to USD 697/t. Working against both, processing and conversion costs rise USD 94/t, from USD 506/t to USD 600/t, reflecting a normalisation from an unusually low FY26 base and a step-up in conversion and brand-related charges.

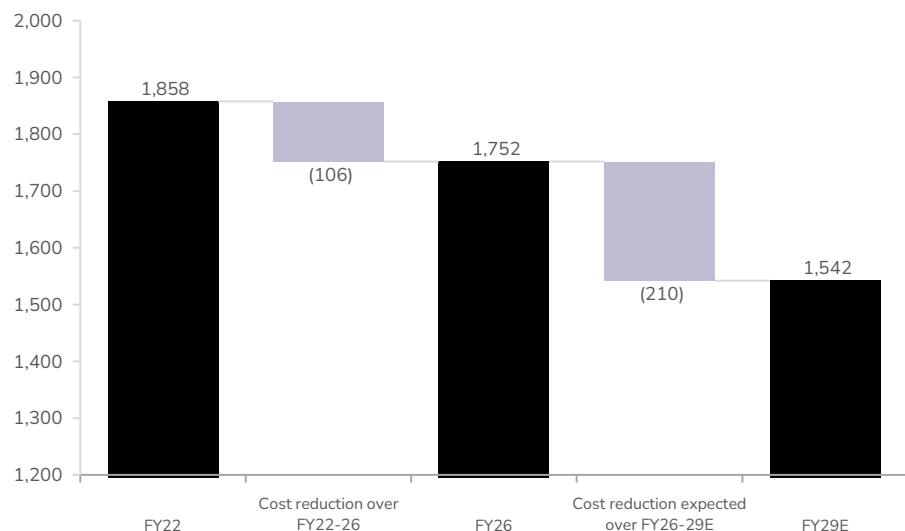
Netting these, hot metal cost of production improves from USD 1,752/t to USD 1,542/t. This is a genuine structural improvement rather than an input-price windfall—merchant alumina is held flat at USD 315/t from FY27E, so the alumina saving is volume-mix driven rather than price driven.

Exhibit 21: Management guidance for volumes/CoP



Source: Company, JM Financial

Exhibit 22: Trends in cost of production (CoP) over FY22–29E (USD/t)



Source: Company, JM Financial

- **Captive coal among the largest levers:** Captive coal rises from 2.6mt in FY26, just 8.1% of a 32.2mt requirement, to 22mt in FY29E (JMF estimate), or 57% of a 38.3mt requirement. The displaced tonnage is almost entirely e-auction coal, which collapses from 13.6mt to 0.6mt over the same period as per our estimates.

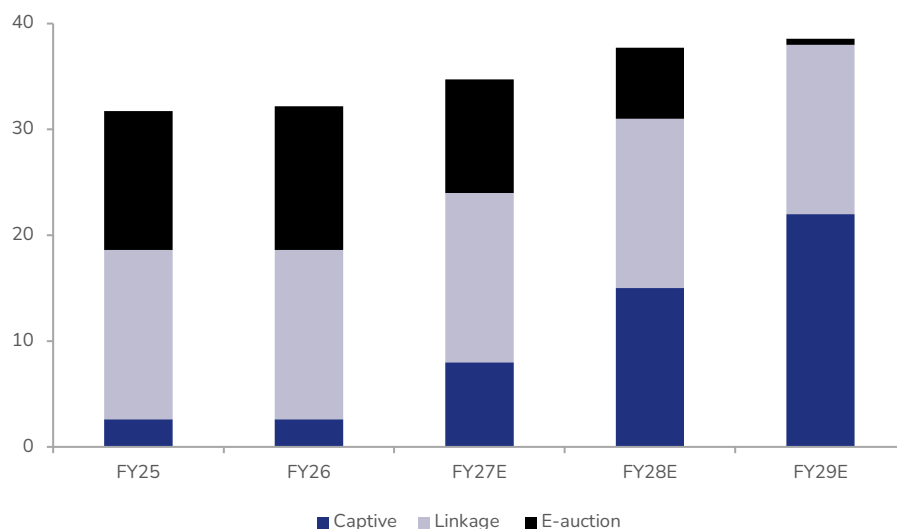
The economics are straightforward: e-auction coal has been clearing at substantial premiums to notified prices through FY26 while captive production carries extraction cost plus statutory levies and revenue share. The effect is visible at both units—Jharsuguda's coal cost per tonne of aluminium falls from USD 532/t to USD 392/t, and BALCO's from USD 420/t to USD 302/t. This is the clearest example of capital already deployed converting into recurring margin.

Exhibit 23: Capacity/reserves/timeline details for bauxite/coal mines

	Bauxite Mines	Coal Mines					
	Sijimali Bauxite	Jamkhani	Kuraloi	Ghogarpalli	Radhikapur	Barra	Total Coal
Reserves (in MnT) ¹	300	108	145	554	125	116	~ 1048
Capacity (in MTPA)	9 ²	2.6	8	20	6	4 ³	~ 40.6
COD Date ⁴	FY2027	Operational (FY2023)	FY2027	FY2027	FY2028	Exploration Completed	

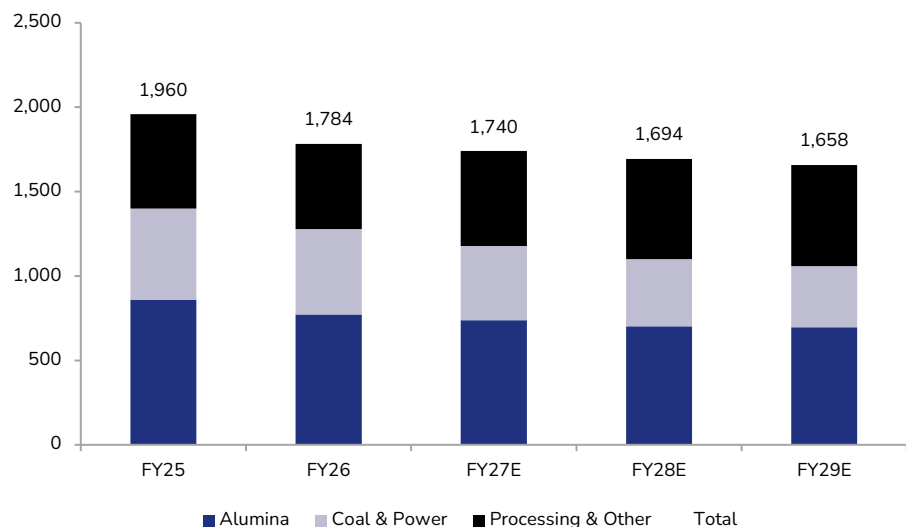
Source: Company, JM Financial

Exhibit 24: Coal sourcing shifts decisively towards captive supply (mt)



Source: Company, JM Financial

- Bauxite and alumina reduce merchant dependence:** On the alumina chain, Lanjigarh output rises from 2,916kt in FY26 to 4,500kt from FY28E, taking external alumina sourcing down from 41% of requirement to 24%. Upstream of that, Sijimali bauxite enters the mix at 2,000kt in FY27E and reaches 8,000kt by FY29E, displacing imported material which falls from 4,228kt to 1,050kt as per our estimates. Sijimali is assumed at USD 50–55/t against imported bauxite at USD 70–75/t, and the proximity of the deposit to Lanjigarh should also compress inbound freight. The combined effect is that captive alumina cost of production settles around USD 304/t by FY29E against imported alumina landed at USD 432/t—a gap of USD 128/t on every tonne substituted.

Exhibit 25: Estimated unit cost direction, FY25–29E (USD/t)

Source: Company, JM Financial

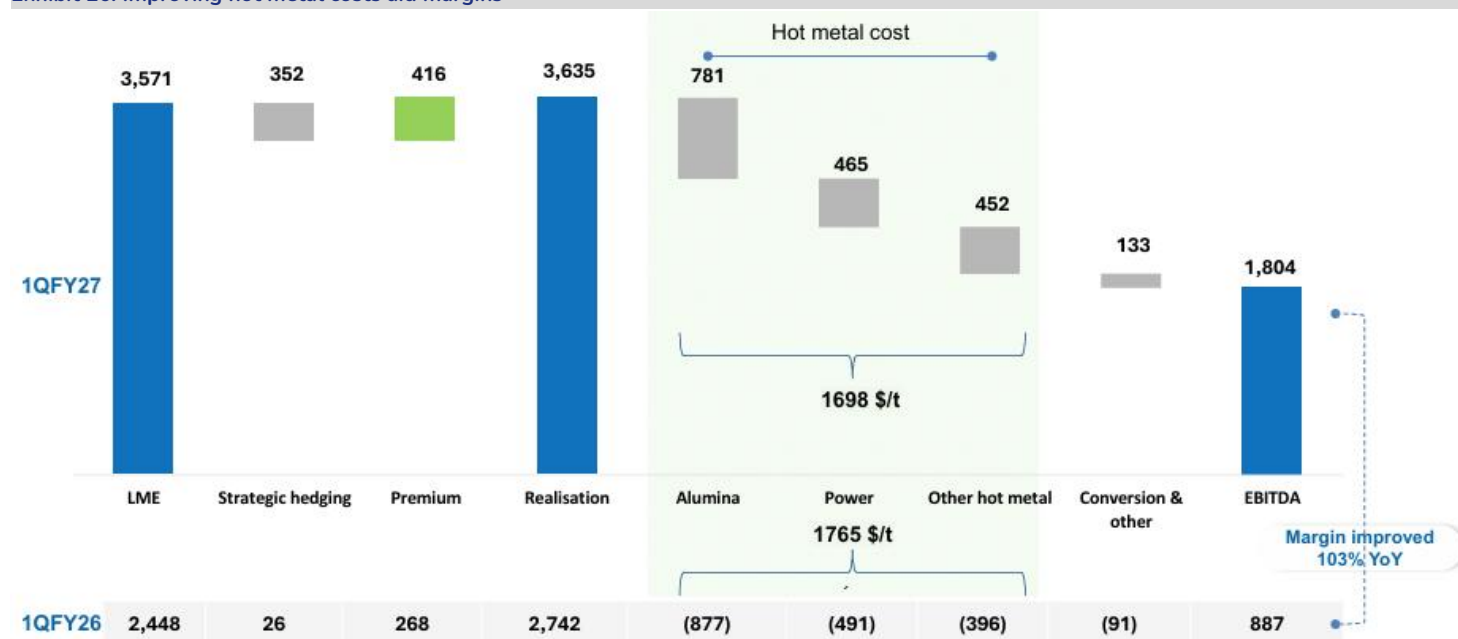
- What is in the base case, and what is not:** The cost reduction described above is fully reflected in our estimates. Separately, there are three sources of upside we have deliberately excluded. First, processing and conversion cost rises USD 94/t over the forecast period; held flat at the FY26 level, FY29E EBITDA would be approximately INR 26bn higher. Second, conversion and brand-related charges surge from USD 3/t in FY26 to USD 75/t in FY29E; holding these flat would add roughly INR 20bn. Third, as noted, utilisation is assumed below historical levels. We have not capitalised any of these into base-case earnings, and should be treated as optionality on delivery rather than as embedded assumptions.
- The Lanjigarh constraint is the binding limitation:** The principal structural limitation on further cost improvement is refinery capacity. Lanjigarh is held at 4,500kt from FY28E against a total alumina requirement of 5,890kt in FY29E, which means VAML remains a net purchaser of roughly 1,390kt throughout. The allocation is skewed to Jharsuguda, leaving BALCO dependent on merchant alumina at USD 864/t against Jharsuguda's USD 607/t-a USD 257/t differential on BALCO's 2,000kt requirement. Debottlenecking Lanjigarh beyond 4,500kt is therefore the most valuable unmodelled cost initiative available to the company, and progress on it is a key variable to monitor alongside the mining approvals for individual coal blocks and Sijimali.

Rising integration to make earnings materially more resilient

- **VAML's historical problem has been cost volatility, not cost level:** The case for integration rests as much on variance as on level. VAML's unit cost (as per our estimates) has swung violently: USD 1,428/t in FY21, USD 1,984/t in FY22, USD 2,529/t in FY23 and back to USD 1,784/t in FY26. Blended EBITDA/t followed suit-USD 530/t, USD 1,026/t, USD 317/t and USD 1,145/t across the same years.

The FY23 collapse is the instructive episode: production that year was 2,291kt, marginally above FY22, yet EBITDA/t fell 69%! *The cause was input costs, not operations.* For an equity that investors have historically treated as a leveraged proxy on the LME, this second layer of volatility on the cost side has compounded the discount applied to earnings.

Exhibit 26: Improving hot metal costs aid margins



Source: Company, JM Financial

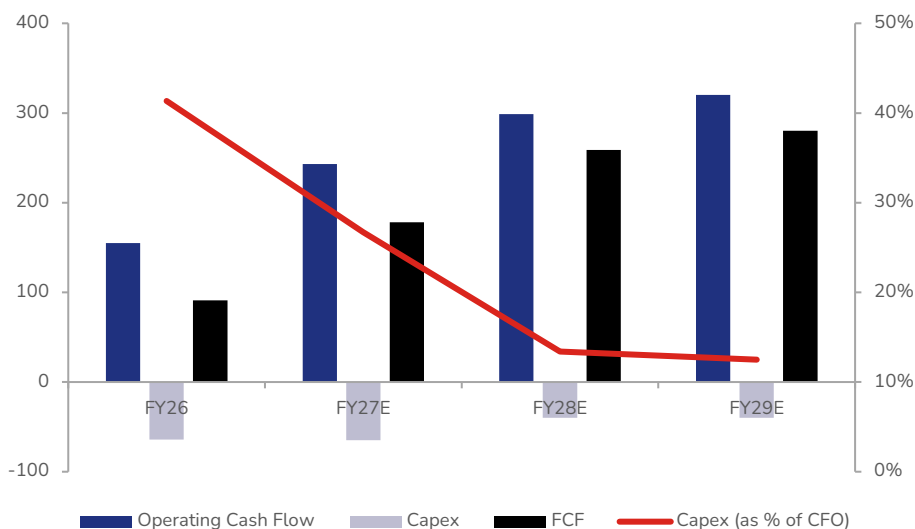
- **Merchant exposure is being systematically reduced:** Three separate merchant exposures shrink over the forecast period. External alumina purchases fall from 1,996kt to 1,390kt while the requirement grows, taking the merchant share from 41% to 24%. E-auction coal falls from 13.6mt to 0.6mt. Imported bauxite falls from 4,228kt to 1,050kt. In each case, a spot-priced input is replaced by one priced on cost of production plus statutory charges. *The sensitivity reduction is quantifiable: a USD 100/t movement in merchant alumina costs about USD 81/t of aluminium at the FY26 sourcing mix, but only USD 46/t at the FY29E mix-a 43% reduction in exposure to the single most volatile input in the cost stack.*
- **Coal price risk becomes almost immaterial:** The reduction in e-auction dependence is the starker change. At FY26 volumes, a INR 500/t movement in e-auction coal pricing moves the cost base by roughly INR 6.8bn; by FY29E, with e-auction volumes at 0.6mt, the same movement is worth under INR 0.2bn. Given that e-auction premiums over notified prices have ranged widely and have been elevated through FY26, removing this exposure is a genuine improvement in the predictability of the cost base. Linkage coal, which remains at 16mt through FY29E, is priced off notified rates that move infrequently and with advance visibility. *The residual coal cost risk therefore shifts from market pricing to operational delivery at the captive blocks.*
- **BALCO remains the weaker half of the portfolio:** The integration benefit is not evenly distributed and it would be misleading to present it as such. Jharsuguda's unit cost falls from USD 1,782/t to USD 1,550/t over FY26–29E, and its EBITDA/t rises from USD 1,092/t to USD 1,600/t. Meanwhile, BALCO's unit cost is broadly flat at ~USD 1,860/t in FY29, constrained by its merchant alumina position and by processing costs that rise from USD 537/t to USD 693/t. BALCO's EBITDA/t consequently moves from USD 1,311/t to USD 1,474/t-an improvement, but one that sees it overtaken by Jharsuguda by FY28E. *The consolidated resilience story is therefore primarily a Jharsuguda story, and BALCO's cost position is where the remaining work sits.*

Sustainable capital budget against rising cash flow resets BS

- **The change is in what the capex buys, not in how much it is:** It would be convenient to argue that VAML's capital cycle has ended, but the numbers do not support it: spending settles at roughly INR 40bn a year (as per our estimates) through FY29E after capex of ~INR 65bn in FY27, marginally below FY26, and continues to run at ~1.3x depreciation.

This is not a business winding down to maintenance. What changes is what the money is for. Through FY26 the spending was creating capacity that had not yet produced much; from FY27E the incremental capacity is commissioned, and the same rupees are sustaining an asset base roughly a quarter larger than the one they were sustaining before. Growth and capital intensity have decoupled—capex falls from close to 10% of sales toward around 4%, and from over 40% of operating cash flow to about 12%, without much movement in the absolute number.

Exhibit 27: Capex is broadly flat; cash generation is not



Source: Company, JM Financial

- **The widening gap between generation and requirement is the actual story:** Because the capital bill is flat while operating cash flow roughly doubles to about INR 320bn by FY29E, FCF expands from under INR 100bn to approaching INR 280bn—cumulatively close to INR 717bn over FY27–29E, against a market capitalisation of ~INR 1.6tn. That gap, rather than any reduction in spending, is what re-rates the financial profile. And it is worth being clear that not all of it belongs to shareholders: the dividend and the minority distribution at BALCO together absorb roughly ~45% of free cash flow, a claim that grows as BALCO scales up. What remains is genuinely retained, and it reconciles precisely to the reduction in net debt over the same period.

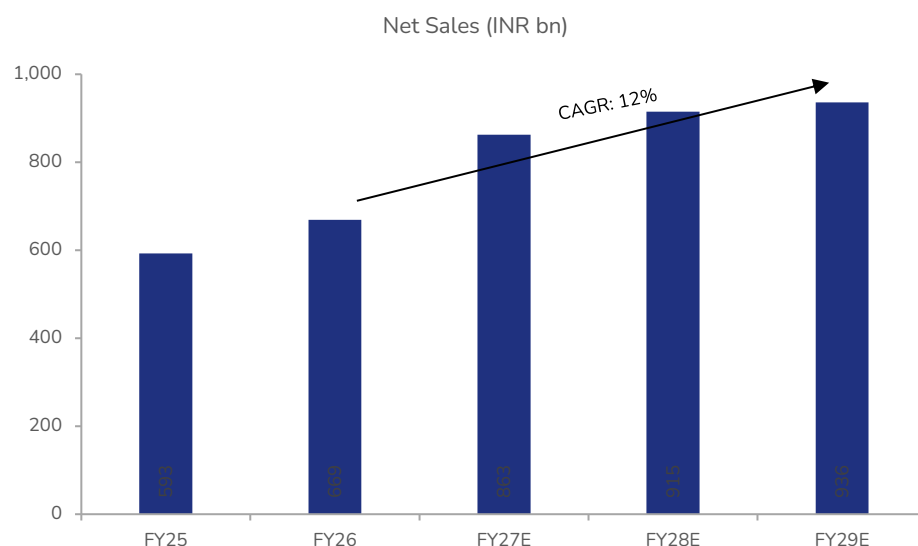
Financial Analysis

Exhibit 28: Financial snapshot (INR mn)

Y/E March	FY25	FY26E	FY27E	FY28E	FY29E
Net sales	5,85,250	6,58,470	8,48,160	8,99,712	9,20,088
Sales growth (%)		12.5	28.8	6.1	2.3
EBITDA	1,74,260	2,51,420	3,96,422	4,20,086	4,39,946
EBITDA (%)	29.8	38.2	46.7	46.7	47.8
Adjusted net profit	70,040	1,21,380	2,20,613	2,35,597	2,48,621
EPS (INR)	17.9	31.0	56.4	60.2	63.6
EPS growth (%)		73.3	81.8	6.8	5.5
RoCE (%)	16.1	22.0	30.7	25.6	21.9
RoE (%)	93.6	93.1	75.5	50.2	37.7
PE (x)	22.8	13.1	7.2	6.8	6.4
Price/Book value (x)	21.3	12.2	5.5	3.4	2.4
EV/EBITDA (x)	11.5	7.9	4.7	4.0	3.3

Source: Company, JM Financial

- Net sales expected to clock 12% CAGR over FY26–29E driven by volume growth:** Revenue rises from INR 658.5bn in FY26 to ~INR 848bn in FY27E, ~INR 900bn in FY28E and INR 920bn in FY29E—a CAGR of ~12%. The shape is front-loaded: ~29% growth in FY27E as BALCO volumes surge against a higher LME assumption, then 6.1% and 2.3% as the price deck steps down and volume growth decelerates. The bulk of FY27E increment is price and mix, and the remaining driven by volume.

Exhibit 29: Strong revenue growth likely driven by volumes


Source: Company, JM Financial

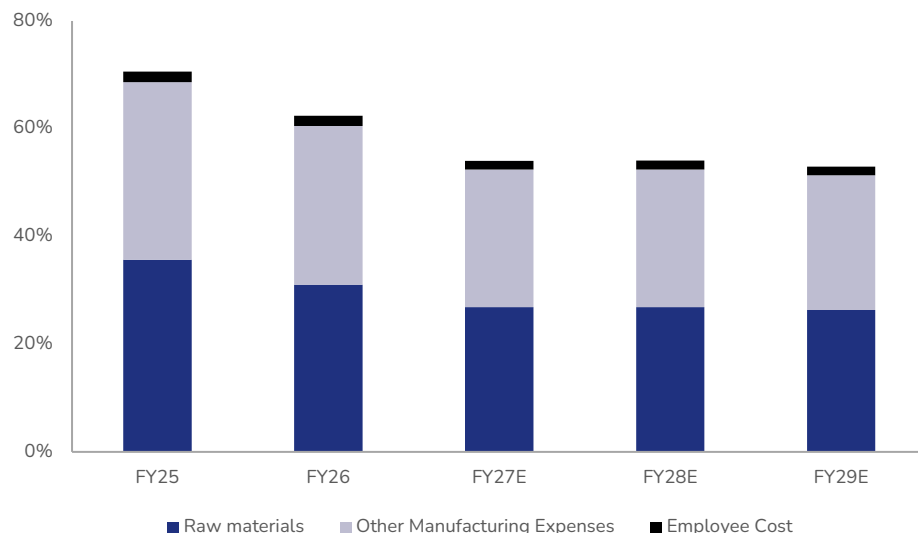
- What the margin expansion is actually made up of:** EBITDA grows faster, from INR 251.4bn in FY26 to ~INR 396bn in FY27E, ~INR 420bn in FY28E and ~INR 440bn in FY29E, a 21% CAGR, taking the margin from ~38% to a peak of ~48% by FY29E. EBITDA per tonne widens from USD 1,145 to USD 1,558 in FY27E and remains at similar levels by FY29E as the LME assumption normalises offsetting cost efficiencies.

The FY27E to FY29E plateau in unit EBITDA against rising absolute EBITDA is the clearest statement of what this business becomes: volume-led rather than price-led once the cycle flattens. EBITDA per tonne widens from USD 1,145 in FY26 to USD 1,556 in FY29E, an increase of USD 411/t that carries most of the earnings growth. It is worth decomposing that number rather than attributing it to “integration” because the composition determines how durable it is. Of the USD 411/t, approximately USD 227/t comes from our LME assumption moving from a realised USD 2,773/t in FY26 to USD 3,000/t in FY29E, and a further USD 68/t from a wider blended

realisation premium. Total unit cost contributes only about USD 126/t, falling from USD 1,784/t to USD 1,658/t. The much-cited hot-metal cost of production, which declines from USD 1,752/t to USD 1,542/t, improves by more than total cost does because a growing share of expense sits below that line—our conversion and brand-fee assumption rises from USD 3/t in FY26 to USD 75/t in FY29E.

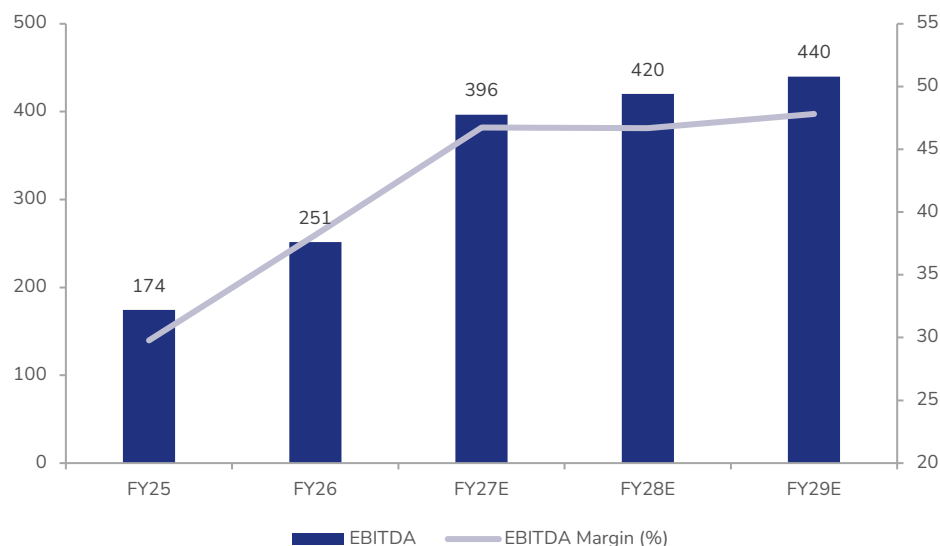
Within total unit cost, the sub-lines move in different directions. Alumina falls USD 76/t and coal by USD 144/t, but processing and other conversion costs rise USD 94/t, reflecting deliberately conservative processing assumptions.

Exhibit 30: Cost lines as a share of revenue



Source: Company, JM Financial

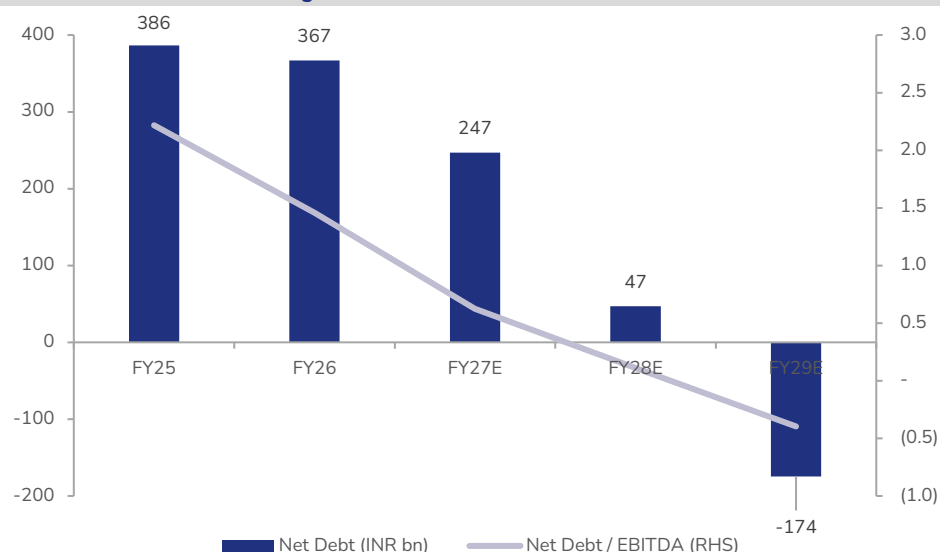
Exhibit 31: EBITDA and EBITDA margin (%)



Source: Company, JM Financial

- Earnings: leverage working in both directions:** Earnings compound at close to 27% over FY26–29E, meaningfully faster than EBITDA's 21%. The gap is financial leverage running in reverse: as gross debt reduces, interest expense falls and a larger share of each incremental rupee of EBITDA reaches the bottom line. Depreciation rises only modestly because the asset base was largely capitalised earlier, and the diluted share capital assumed constant. Working against this is the minority interest, which grows faster than consolidated earnings because BALCO grows faster than Jharsuguda. It absorbs roughly 15% of consolidated profit throughout the forecast. This is structural rather than a timing effect and shall persist as long as the 51% shareholding does—a permanent drag on the conversion of consolidated performance into shareholder earnings.

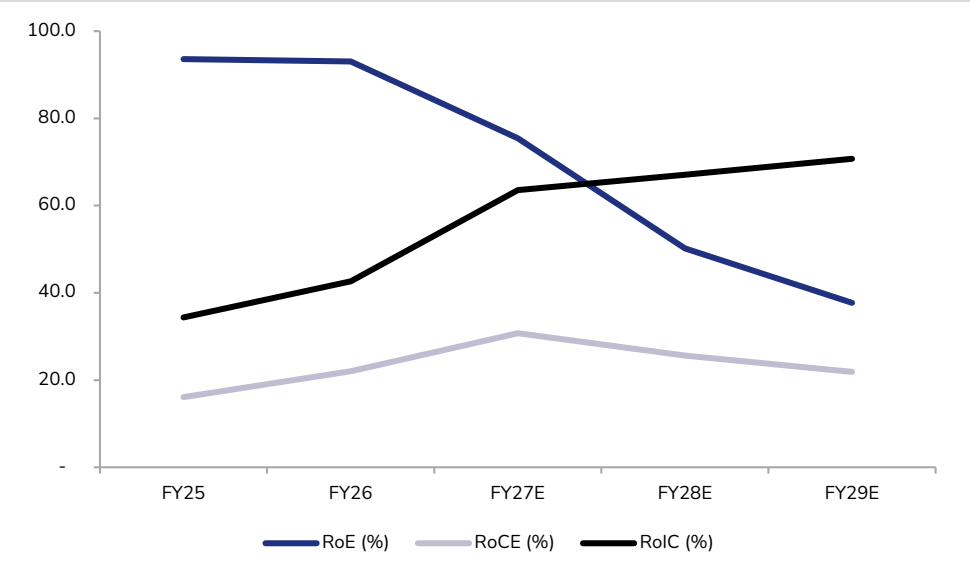
- **From levered to unlevered:** Net debt of roughly INR 367bn in FY26 (as per our estimates) converts to a net cash position by FY29E. The mechanism changes partway through: gross borrowings reduce once through a repayment in FY27E, after which they are held flat and the improvement comes entirely from cash accumulation. Debt to equity falls from around 3x to nil and interest cover roughly doubles. The strategic consequence matters more than the arithmetic. A producer with meaningful fixed debt claims in a volatile commodity business has an equity that is structurally fragile in a downturn. Removing the leverage does not change the EBITDA distribution but it materially narrows the equity outcome distribution-and it restores the optionality to act counter-cyclically, whether through acquisition, expansion or buyback, at precisely the point in a cycle when such actions create most value.

Exhibit 32: Net debt and leverage

Source: Company, JM Financial

- **Returns, and what they are actually telling you:** The return ratios move in different directions, and each requires interpretation.
 - **Headline RoE** falls steeply across the forecast, which is arithmetic rather than deterioration-profit roughly doubles while the equity base, depleted by the expansion, rebuilds several-fold as earnings are retained against a modest payout. Reading this as declining profitability would be a mistake.
 - **RoCE** is the better guide. It improves substantially into FY27E as EBIT rises on a capital base that grows only slightly-the operating leverage of the volume ramp-up-before easing in later years as accumulating cash inflates capital employed.
 - **RoIC**, which excludes surplus cash, rises toward roughly 70% and holds there, which is the cleanest statement of what is happening: the operating assets become materially more productive and stay that way. The gap between a RoIC near 70% and a RoCE in the 20s by the end of the forecast is entirely the idle cash balance. That is a considerably better problem than the reverse, and it is resolvable through a distribution policy-which is why capital allocation, rather than operations, becomes the central question for this equity in the later forecast years.

Exhibit 33: Return ratios (%)



Source: Company, JM Financial

Company Background

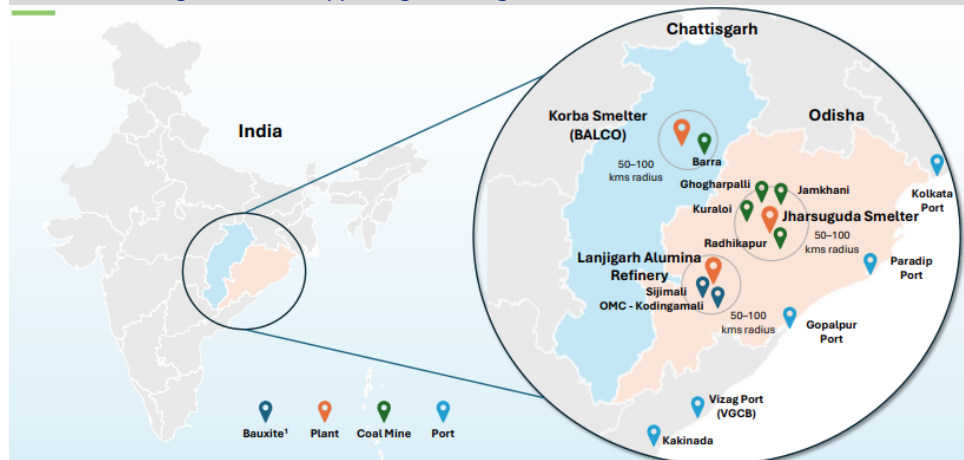
Vedanta Aluminium Metal Limited is the aluminium business of the Vedanta group, held through Vedanta Resources following the group demerger. It is the largest primary aluminium producer in India and, on the capacity it expects to operate from FY28, among the three-largest producers outside China. The business is built around two smelting complexes, one alumina refinery, a captive power fleet and a mining portfolio that is in the process of being commissioned.

Exhibit 34: Capacities across the value chain



Source: Company, JM Financial

Exhibit 35: Strong asset base supporting volume growth



Source: Company, JM Financial

Business model

VAML operates a mine-to-metal model that is unusual in its degree of physical integration and in the fact that every stage sits within a narrow geography. Bauxite is converted to alumina at Lanjigarh in Odisha; alumina is smelted into primary aluminium at Jharsuguda in Odisha and Korba in Chhattisgarh; the electricity for that smelting is generated on site from captive thermal plants fed increasingly by captive coal; and a growing share of the metal is cast into value-added forms rather than sold as commodity ingot.

Three characteristics of this model drive the financial statements.

- First, it is capital-intensive and operationally geared-fixed conversion costs are large, so utilisation and volume have an outsized effect on unit economics.
- Second, it is energy-intensive: power is 35–40% of the cost of production, which is why captive generation/captive fuel are competitive necessities rather than optional efficiencies.
- Third, because roughly two tonnes of alumina and a substantial quantity of coal are consumed/tonne of metal, the degree of upstream ownership determines how much of the margin is a spread the company controls and how much is a residual of prices set elsewhere.

The economics of the chain are approximately fixed by chemistry and physics: producing one tonne of aluminium requires in the order of six tonnes of bauxite, two tonnes of alumina, 10–11 tonnes of coal, 13–14 megawatt-hours of electricity and about 0.4 tonnes of carbon anode. Those ratios are what make backward integration economically decisive—a producer that owns the bauxite and the coal is effectively converting a mining cost into a metal price, while one that does not is arbitraging three volatile markets simultaneously.

Exhibit 36: Value chain: pre-expansion versus post-expansion configuration

Stage	Pre-expansion	Post-expansion
Upstream		
Bauxite	No captive ore; requirement met from domestic third parties and imports	Sijimali at 9mtpa approved capacity (12mtpa potential); Karnapodikonda block awarded as preferred bidder
Alumina	2mtpa nameplate expanded in phases to 5mtpa; with external purchases still required	Lanjigarh at 5mtpa with debottlenecking potential to 6mtpa
Coal	Jamkhani only, at 2.6mtpa; balance from linkage and e-auction	Five blocks totalling ~40.6mtpa capacity and ~1,048mn tonnes of reserves
Midstream		
Power	~4.5GW of captive thermal generation across the two complexes	Captive thermal supplemented by ~1.3GW of contracted renewable capacity
Smelting	Jharsuguda at 1.85mtpa and BALCO at ~0.59mtpa	Jharsuguda debottlenecked to 2mtpa; BALCO at ~1mtpa; group at ~3mtpa
Downstream		
Value-added products	Approximately 1.7mtpa of value-added capacity	Value-added capacity scaling toward 2.8mtpa; management target of over 90% of sales

Source: Company, JM Financial

Operating assets

Jharsuguda, Odisha

Jharsuguda is the larger of the two smelting complexes and, based on our analysis, the structurally better one. It accounts for roughly three-quarters of production and a similar share of segment profitability. Its scale is meaningful by global standards for a single-location smelter, which matters because scale in smelting translates to fixed-cost absorption and procurement leverage in a way it does not in many industries.

The asset's operating record is its most persuasive feature. Production has risen in every year since FY20, reaching roughly 1.86mt in FY26, and it has consistently operated at or above its original design capacity—in FY25 it ran at about 105% of its 1,750kt nameplate. That is not simply a matter of pushing harder; sustained above-nameplate operation in a smelter reflects genuine process control, because potline instability is expensive and self-limiting. Capacity is being raised to 2mt through debottlenecking, which is a lower-risk route to volume than new potlines.

Jharsuguda's more important structural advantage is its position in the alumina queue. As Lanjigarh output rises, Jharsuguda takes the bulk of it, and its alumina cost per tonne of metal accordingly falls materially over the forecast period. Combined with a coal cost that also improves as captive blocks ramp up, this is where the consolidated cost improvement is concentrated.

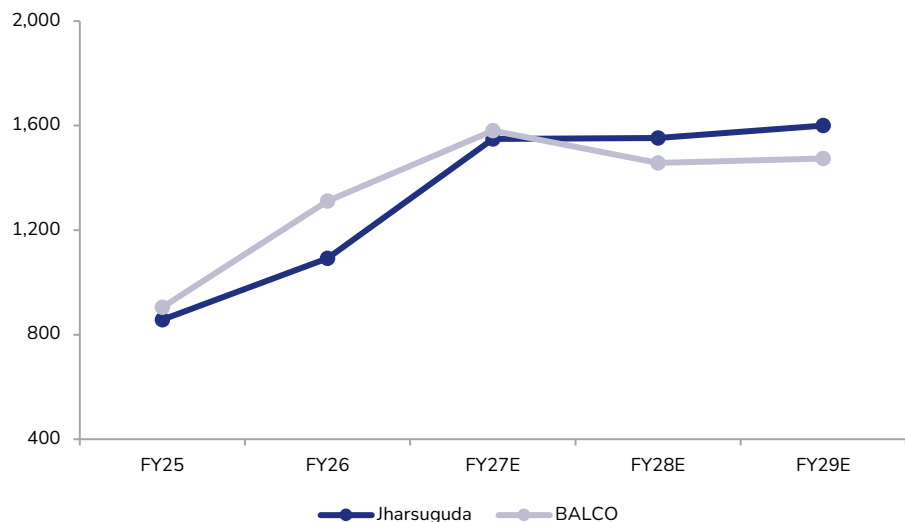
Korba (BALCO), Chhattisgarh

BALCO is where the volume growth sits. Its capacity roughly doubles through the commissioning of a new smelter line, taking it from under 0.6mt to about 1mt and making it the source of the large majority of VAML's incremental tonnage over FY26–29E. For a business that has not grown volumes materially in half a decade, this single asset is what changes that.

Two features temper its contribution, and both are important for how an investor should read consolidated numbers. The first is alumina. Because Lanjigarh's output is largely absorbed by Jharsuguda, BALCO remains substantially dependent on purchased alumina throughout the forecast, and its alumina cost per tonne stays materially above Jharsuguda's. Its total unit cost consequently barely improves across the period even as Jharsuguda's falls, and it is overtaken on profitability per tonne during the forecast despite starting ahead.

The second is ownership. VAML holds 51% of BALCO, with the balance held by the Government of India, and consolidates it in full—all of BALCO's revenue, EBITDA and volumes appear in the consolidated accounts, but roughly half the economics does not belong to VAML shareholders. The minority deduction absorbs approximately 15% of consolidated profit and grows over the forecast because BALCO grows faster than Jharsuguda. Consolidated EBITDA growth therefore overstates the benefit accruing to the equity, and any comparison with wholly-owned peers should adjust for it.

Exhibit 37: Estimated EBITDA per tonne by asset (USD/t)



Source: Company, JM Financial

Lanjigarh alumina refinery, Odisha: The pivot point of the integration story

Lanjigarh was expanded from 2mtpa in phases, with the 1.5mtpa Train II commissioned during FY26, taking cumulative capacity to 5mtpa. The refinery sits within approximately 100km of both the Sijimali block and the Odisha Mining Corporation ore it currently draws on. *Lanjigarh is the asset around which the cost thesis turns.* It converts bauxite into the alumina both smelters consume, and every tonne it produces displaces a tonne bought on the merchant market at a materially higher price. Its output rises substantially over the forecast as recent expansion is utilised, taking captive supply from under half of group requirement to roughly three quarters.

It is also the binding constraint. Refinery output plateaus in our estimates while metal volumes continue to grow, so VAML remains a net purchaser of alumina throughout the forecast period—the residual requirement is what keeps merchant alumina price risk alive. Lanjigarh's own economics improve as Sijimali bauxite replaces purchased feed. Its cost of production falls over the forecast on our estimates against imported alumina landing at a substantially higher level. The refinery is thus both a beneficiary of upstream integration and the transmission mechanism through which that integration reaches the smelters.

Captive power and coal

The group operates approximately 4.5GW of captive thermal generation across Jharsuguda (Korba) and Lanjigarh, supplemented by contracted renewable capacity of roughly 1.3GW under power delivery agreements. Coal is drawn from three sources: captive mines, linkage coal from Coal India and e-auction purchases. The strategic direction is unambiguous—our model has captive coal displacing e-auction entirely by FY29E while linkage volumes are held flat.

Exhibit 38: Operating assets' summary

Asset	Location	FY26 position	FY29E position in our model
Jharsuguda smelter	Odisha	1,850ktpa capacity; 1,857kt produced	2,000ktpa capacity; 1,920kt produced
BALCO smelter	Chhattisgarh	590ktpa capacity; 599kt produced	1,025ktpa capacity; 1,000kt produced
Lanjigarh refinery	Odisha	5mtpa capacity; 2,916kt produced	4,500kt produced
Captive power	Both complexes	~4.5GW thermal	~4.5GW thermal plus ~1.3GW renewable
Captive coal	Odisha, Chhattisgarh	2.6mt consumed	22.0mt consumed of 38.3mt requirement
Captive bauxite	Odisha	Nil	8.0mt of 13.1mt requirement

Source: Company, JM Financial

Upstream – what the coal and bauxite assets are actually for

It is easy to read the coal and bauxite portfolio as a list of capacities. Their economic function is more specific than that. The coal blocks exist to displace e-auction purchases in the captive power plants. E-auction coal is the marginal, most expensive and most volatile source of fuel in the Indian market, clearing at premiums to notified prices that have been elevated and unpredictable.

Replacing it with own production-priced at extraction cost plus royalty, statutory levies and the revenue share bid at auction-removes both the cost and the volatility. Over the forecast, captive coal moves from a token share of requirement to the clear majority, and e-auction volumes effectively disappear.

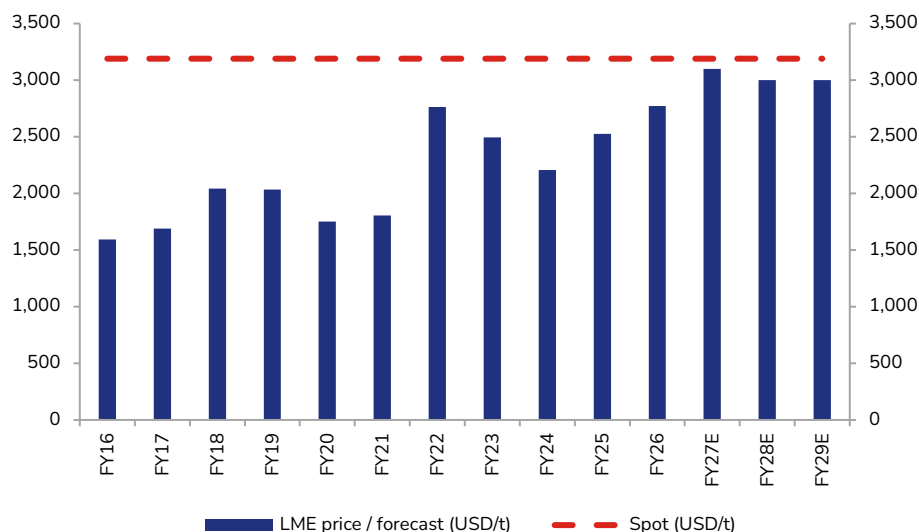
Sijimali plays the equivalent role one stage further upstream. Lanjigarh has historically drawn on a mix of domestic and imported bauxite; Sijimali substitutes for the imported portion at a lower assumed cost and, being located within reasonable distance of the refinery, should also compress inbound freight. Its ramp-up is what allows Lanjigarh's cost of production to fall even as the refinery runs harder.

The strategic point common to both is that VAML is converting price risk into execution risk. Merchant exposure is being replaced by dependence on mining approvals, clearances and operational delivery. That is a better trade-off for a commodity producer-execution risk is diversifiable across projects and within management's control in a way that merchant pricing is not, but it is a trade, and that is why the approval and ramp-up milestones are the variables that matter most and must be monitored.

Industry Overview

The investment case for any primary aluminium producer rests on a view of the price, and the price rests on a supply side that has been structurally constrained for the better part of a decade. We believe that aluminium has the best fundamentals in the commodity market and expect prices to remain elevated over the next few years to incentivise supply response. We set out below the demand and supply architecture we are underwriting, and then the specific price assumptions embedded in our forecasts.

Exhibit 39: LME aluminium annual price and forecast



Source: Company, JM Financial

Demand: an unusually broad set of structural drivers

Aluminium demand is supported by a wider set of secular drivers than most industrial metals, and importantly by drivers that are policy-directed rather than purely cyclical. Electricity grid investment is the largest of them: transmission and distribution networks are being rebuilt globally to accommodate renewable generation, electrification of end-use and data-centre load, and aluminium's conductivity-to-weight ratio makes it the default conductor for high-voltage transmission. Grid capital expenditure has been subdued for an extended period, which leaves the catch-up ahead rather than behind.

Transportation provides the second leg. Original equipment manufacturers continue to substitute aluminium for steel to improve fuel efficiency, extend electric vehicle range and meet tightening emissions standards; the aluminium content of an electric vehicle is materially higher than that of an equivalent internal combustion vehicle. A third driver has become more visible recently—substitution away from copper. Copper's sustained strength has pushed the copper-to-aluminium price ratio toward the upper end of its historical range, and at those levels aluminium becomes economic in applications, particularly cabling and busbar, where copper was previously the default.

Chinese demand, frequently written off on the strength of property weakness, has proved more resilient than that narrative implies, supported by new energy vehicles, solar installations and grid investment offsetting the construction drag. For an Indian producer, the domestic picture is more favourable still with infrastructure, power transmission, renewable energy, transportation and packaging all growing off a low per-capita consumption base.

Supply: a ceiling in China; execution problem everywhere else

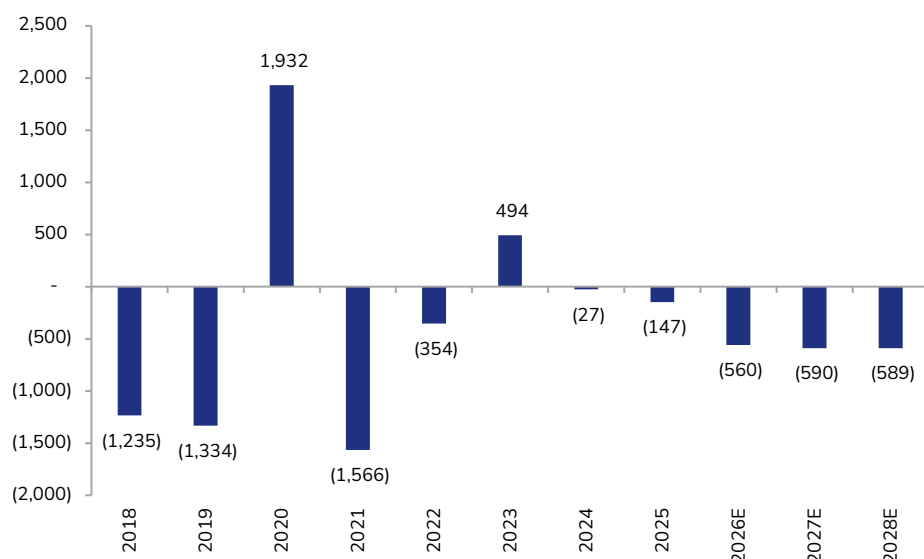
The defining feature of aluminium supply is China's self-imposed capacity ceiling of approximately 45mt, against which the industry is already operating at close to full utilisation. That ceiling converts what would ordinarily be a price-elastic supply response into an inelastic one: incremental Chinese demand must be met from outside China, or not at all. We see no evidence that the cap is likely to be relaxed, and its removal is the principal downside risk to any constructive aluminium view.

Outside China, Indonesia is the only meaningful source of announced new supply, and the gap between announcement and delivery is the crux of the supply debate. Indonesia's installed primary capacity was approximately 1.1mt entering CY26 with roughly 2mt expected by the end of that year, against an announced confirmed pipeline of about 8.5mt and a confirmed-plus-unconfirmed pipeline in excess of 15mt. Three constraints make us sceptical of the headline numbers.

- **Bauxite:** Indonesian bauxite demand against expanding alumina capacity has been running at roughly 25mt against an authorised mining production quota of 18–20mt, implying a structural deficit of 5–7mt before a single new smelter reaches nameplate. Executing the full pipeline would require in the order of 94mt of bauxite a year against current refinery demand of approximately 36mt—a step the domestic mining sector cannot service even at fully approved capacity.
- **Alumina:** The refining layer between ore and metal has been chronically under-invested relative to smelting ambition, and several major refinery projects are delayed. Operational alumina capacity of roughly 9mt is far short of what the announced smelter pipeline would need, and the shortfall is a funding, permissions and infrastructure problem rather than a commissioning one.
- **Power:** This is the constraint that receives the least attention and binds the hardest. Smelting requires 14,000–15,000kWh per tonne, and Indonesia's aluminium value-chain power demand is projected to rise from about 1.5GW to 8.3GW in three–four years. Almost all of it is captive coal-fired generation at USD 40–60/MWh, which is structurally disadvantaged against hydro and geothermal-powered smelters that set the global cost curve, and which is increasingly difficult to finance. Every USD 10/MWh of power cost translates to USD 125–150/t of aluminium cost.

The remainder of the ex-China supply base is constrained rather than growing. European operating rates remain hostage to power costs; secondary supply is tightening as scrap availability comes under pressure from the European carbon border mechanism and potential scrap export restrictions; and the Gulf region, which accounts for approximately 7mtpa of smelting capacity and around a fifth of ex-China production, has recently demonstrated how quickly geopolitical disruption can remove several million tonnes from the market. Even with regional tensions de-escalating, the normalisation of disrupted capacity is a multi-quarter process.

Exhibit 40: Aluminium market balance-surplus/(deficit) (kt)



Source: Industry, JM Financial

The bauxite wildcard

One under-priced variable sits upstream of everything else. Guinea, the world's largest bauxite producer and the source of more than 70% of China's imported ore, has signalled an intention to tighten oversight of its bauxite industry-most likely by aligning permitted output with the levels committed in original feasibility studies and mining licences rather than by imposing a blanket export quota. Several operators have expanded well beyond sanctioned levels in recent years and would be required to scale back.

The arithmetic of even a moderate tightening is significant. Against approximately 183mt exported in CY25, a reduction towards 150mt would cut Chinese imports of Guinean ore by roughly 17mt and could remove close to 10mt of global alumina production. An alumina market that was in surplus of over 4mt in CY25 would swing into deficit, lifting alumina prices from current subdued levels and pushing bauxite off its recent trough.

For most of the industry that is a cost shock. For VAML, on the integration path described in this report, it is a relative competitive gain-and, as our sensitivity analysis shows, an event to which group EBITDA is remarkably insensitive by FY28E.

Quarterly Snapshot

Exhibit 41: Consolidated Q1FY27 quarterly result

Y/E March (INR mn)	Q1FY27	Q1FY26	YoY %	Q4FY26	QoQ %
Net Sales	2,13,930	1,46,540	46.0	1,91,240	11.9
Volumes (kt)	632	604	4.6	613	3.1
Blended realisations	3,578	2,834	26.2	3,413	4.8
Raw material cost	51,780	52,260	-0.9	50,300	2.9
RM costs/t	866	1,011		898	
Gross profit	1,62,150	94,280	72.0	1,40,940	15.0
Gross margin (%)	75.8	64.3	17.8	73.7	2.8
Gross margin/t	2,712	1,824		2,516	
Staff costs	3,340	3,150	6.0	3,420	-2.3
Staff costs/t	56	61		61	
Other costs	55,820	47,270	18.1	54,000	3.4
Other costs/t	934	914		964	
Total expenditure	1,10,940	1,02,680	8.0	1,07,720	3.0
EBITDA	1,02,990	43,860	134.8	83,520	23.3
EBITDA margin (%)	48.1	29.9		43.7	
EBITDA/t (INR/t)	1,723	848		1,491	
Other income	3,090	2,080		3,080	
Depreciation	7,750	7,010	10.6	7,510	3.2
EBIT	98,330	38,930		79,090	
Interest	10,010	10,000	0.1	9,220	8.6
Income (loss) from associates	-	-		-	-
PBT	88,320	28,930		69,870	
Tax	22,350	7,310		16,800	
Eff. Tax rate (%)	25.3	25.3		24.0	
XO items	-	-		(3,490)	
Minority Interest	9,680	3,810		7,510	
Reported PAT	65,970	21,620		49,580	
Adjusted PAT	56,290	17,810	216.1	45,560	23.6
EPS (Rs)	14.4	4.6		11.7	

Source: Company, JM Financial

- **Strong Q1FY27 performance led by realisations and cost efficiencies:** VAML delivered a strong Q1FY27 with net sales up 11.9% QoQ to INR 213.9bn supported by 3.1% QoQ growth in aluminium volumes to 632kt and 4.8% higher blended realisations. EBITDA rose 23.3% QoQ to INR 103.0bn, with EBITDA/t improving to INR 1,723 from INR 1,491, aided by lower per ton costs. EBITDA margin expanded 440bps QoQ to 48.1% while adjusted PAT increased 23.6% QoQ to INR 56.3bn.
- **Cost roadmap remains intact; captive integration key:** VAML maintained FY27 hot metal cost guidance of USD 1,650–1,700/t, though Q2 costs are expected to be marginally higher due to planned monsoon-linked power plant shutdowns. Purchased alumina cost is expected to trend towards USD 750/t as captive sourcing rises with a further USD 40–50/t reduction once captive bauxite ramps up. Management expects an additional USD 175–200/t reduction in costs over the next three–four quarters with ~70% driven by alumina/bauxite integration.

Management Profile

Exhibit 42: Key management personnel

Name	Designation	Brief Profile
Mr Anil Agarwal	Chairman (Non-Executive)	- Founded the Vedanta Group in 1976 and currently serves as Non-Executive Chairman of Vedanta Limited - Holds directorships on the boards of group companies, including BALCO and Hindustan Zinc Limited - A commerce graduate, he has steered the Group's growth over nearly five decades from its 1976 origins into one of the world's leading diversified natural resources businesses, with a footprint spanning zinc, aluminium, oil & gas, iron ore, steel, copper and power - Chairs Vedanta Resources Limited, the ultimate parent of Vedanta Limited
Mr Rajesh Kumar	CEO and Whole Time Director, Bharat Aluminium Company Limited	- Joined on February 15, 2023, bringing over 35 years of diverse experience across operations, maintenance, project implementation, and productivity improvement at Tata Steel's Indian and Thai units - Functional exposure spans profit centres, manufacturing, total quality management, operations, industrial safety, production and quality improvement, project engineering, digitization, logistics, human resource development, financial analysis, leadership and strategy. - Bachelor of Technology in Mechanical Engineering from Banaras Hindu University (IIT – BHU) and a gold medallist in Finance (MBA) from XLRI, Jamshedpur
Mr Anup Agarwal	Chief Financial Officer w.e.f. May 1, 2026	- Chartered Accountant, rejoined VEDL on September 18, 2021 - First joined the organisation in 2002 and worked across businesses including BALCO, Power and Copper, before a brief departure in April 2011 and his return in September 2021 - Leads the Financial Planning & Analysis for VEDL; over 28 years of professional experience across large-scale industrial businesses, encompassing financial planning, budgeting and overall fiscal governance - Strong track record in cost optimisation and operational efficiency; improved margins and competitiveness - Role also extend into business strategy and performance management to support growth and scale, alongside deep expertise in aligning financial objectives with operational outcomes
Ms Dashmeet Rana	Company Secretary & Compliance Officer w.e.f. May 1, 2026	- Joined VEDL in March 2016 as a Company Secretary, holding a B.Com (Honours) from Kirori Mal College, University of Delhi, and an M.Com from the University of Delhi - Nearly a decade of experience in core secretarial and listing compliance, having served as Company Secretary of Talwandi Sabo Power Limited (now Vedanta Power Limited) between 2021 and 2023 - Prior stint as an Assurance Associate at Ernst & Young LLP
Mr C Chandru	CEO, Jharsuguda Unit w.e.f. May 1, 2026	- Joined VEDL on June 2, 2003, and is a Metallurgical Engineer from PSG College of Technology - Business leader with over two decades of experience in metals & mining, previously worked at HZL - Strong techno-commercial expertise in large-scale manufacturing operations with a track record of driving production scale, cost competitiveness and operational efficiency in complex industrial environments - Focuses on improving energy efficiency and embedding innovation across core operations, and plays a key role in advancing sustainable, value-added aluminium production
Mr Pranab Kumar Bhattacharyya	CEO, Alumina Business from May 1, 2026	- Joined VEDL on October 6, 2023; Bachelor of Technology (Chemical Technology) from the University of Calcutta, a Post Graduate Executive Programme from S.P. Jain, and recognition as a Kellogg Executive Scholar from Kellogg Business School - Seasoned business leader with over three decades of experience across industrial sectors including fertilisers, metals and chemicals - Responsible for driving overall business performance, EBITDA and FCF, and leading growth initiatives with a strong emphasis on safety, sustainability, employee relations and the implementation of best-in-class ESG practices - Actively leading vertical integration of the alumina business
Mr Rajesh Kumar Singh	CEO, BALCO w.e.f. May 1, 2026	- Joined VEDL on September 28, 2004, and is a metallurgical engineer from NIT Raipur - Previously served as CEO – Metal at BALCO, leading core aluminium metal operations with responsibility for smelting operations, production performance, operational efficiency, plant reliability, cost optimisation, safety and manufacturing excellence - With nearly three decades of industry experience across industrial sectors and large-scale manufacturing leadership, he held senior operational and plant leadership roles focused on aluminium manufacturing, process improvement, productivity enhancement and operational transformation - Expertise in driving operational excellence in complex manufacturing environments, particularly in metals

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	585,250	658,470	848,160	899,712	920,088
Sales Growth (%)	-	12.5	28.8	6.1	2.3
Other Operating Income	7,540	10,440	14,419	15,295	15,641
Total Revenue	592,790	668,910	862,579	915,007	935,730
Cost of Goods Sold/Op. Exp	211,320	207,560	231,755	246,056	246,484
Personnel Cost	11,700	12,650	14,125	14,996	15,022
Other Expenses	195,510	197,280	220,277	233,869	234,277
EBITDA	174,260	251,420	396,422	420,086	439,946
EBITDA Margin (%)	29.8	38.2	46.7	46.7	47.8
EBITDA Growth (%)	-	44.3	57.7	6.0	4.7
Depn. & Amort.	26,960	28,070	29,494	30,175	30,768
EBIT	147,300	223,350	366,928	389,911	409,179
Other Income	11,540	10,000	12,939	13,725	14,036
Finance Cost	45,730	39,050	35,967	32,167	32,167
PBT before Excep. & Forex	113,110	194,300	343,899	371,469	391,048
Excep. & Forex Inc./Loss(-)	-	-	-	-	-
PBT	113,110	194,300	343,899	371,469	391,048
Taxes	28,520	49,280	85,975	92,867	97,762
Extraordinary Inc./Loss(-)	-	-	-	-	-
Assoc. Profit/Min. Int.(-)	14,550	23,640	37,312	43,005	44,665
Reported Net Profit	70,040	121,380	220,613	235,597	248,621
Adjusted Net Profit	70,040	121,380	220,613	235,597	248,621
Net Margin (%)	11.8	18.1	25.6	25.7	26.6
Diluted Share Cap. (mn)	3,910	3,910	3,910	3,910	3,910
Diluted EPS (INR)	17.9	31.0	56.4	60.2	63.6
Diluted EPS Growth (%)	-	73.3	81.8	6.8	5.5
Total Dividend + Tax	-	-	58,656	58,656	58,656
Dividend Per Share (INR)	-	-	15.0	15.0	15.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Profit before Tax	-	194,300	343,899	371,469	391,048
Depn. & Amort.	-	28,070	29,494	30,175	30,768
Net Interest Exp. / Inc. (-)	-	-	-	-	-
Inc (-) / Dec in WCap.	-	-18,040	-44,155	-10,028	-3,964
Others	-	-	-	-	-
Taxes Paid	-	-49,280	-85,975	-92,867	-97,762
Operating Cash Flow	-	155,050	243,264	298,749	320,090
Capex	-	-64,100	-65,000	-40,000	-40,000
Free Cash Flow	-	90,950	178,264	258,749	280,090
Inc (-) / Dec in Investments	-	-10,570	-	-	-
Others	14,840	-130,510	-	-	-
Investing Cash Flow	14,840	-205,180	-65,000	-40,000	-40,000
Inc / Dec (-) in Capital	-	59,180	-	-	-
Dividend + Tax thereon	-	-	-58,656	-58,656	-58,656
Inc / Dec (-) in Loans	-	-6,470	-80,000	-	-
Others	-	-	-	-	-
Financing Cash Flow	-	52,710	-138,656	-58,656	-58,656
Inc / Dec (-) in Cash	14,840	2,580	39,609	200,093	221,434
Opening Cash Balance	-	14,840	17,420	57,029	257,121
Closing Cash Balance	14,840	17,420	57,029	257,121	478,555

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Shareholders Fund	134,390	210,680	409,949	629,895	864,525
Share Capital	16,160	75,340	75,340	75,340	75,340
Reserves & Surplus	58,670	55,070	217,027	393,968	583,933
Preference Share Capital	-	-	-	-	-
Minority Interest	59,560	80,270	117,582	160,587	205,251
Total Loans	425,070	418,600	338,600	338,600	338,600
Def. Tax Liab. / Assets (-)	53,740	51,140	51,140	51,140	51,140
Other non-current liabilities / Lease Liabilities	-	-	-	-	-
Total - Equity & Liab.	613,200	680,420	799,689	1,019,635	1,254,265
Net Fixed Assets	609,870	645,900	681,406	691,231	700,463
Gross Fixed Assets	881,695	986,795	1,025,795	1,049,795	1,073,795
Intangible Assets	-	-	-	-	-
Less: Depn. & Amort.	417,645	445,715	475,209	505,384	536,152
Capital WIP	145,820	104,820	130,820	146,820	162,820
Investments	23,890	34,460	34,460	34,460	34,460
Current Assets	134,900	172,690	280,106	493,758	720,551
Inventories	60,030	68,450	92,949	98,599	100,832
Sundry Debtors	11,700	24,280	41,827	44,369	45,374
Cash & Bank Balances	14,840	17,420	57,029	257,121	478,555
Loans & Advances	48,330	62,540	88,302	93,669	95,790
Other Current Assets	-	-	-	-	-
Current Liab. & Prov.	155,460	172,630	196,283	199,814	201,210
Current Liabilities	34,580	34,440	58,093	61,624	63,020
Provisions & Others	120,880	138,190	138,190	138,190	138,190
Net Current Assets	-20,560	60	83,823	293,944	519,341
Other Non Current Assets/ROU Assets	-	-	-	-	-
Total - Assets	613,200	680,420	799,689	1,019,635	1,254,265

Source: Company, JM Financial

DuPont Analysis					
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Net Margin (%)	11.8	18.1	25.6	25.7	26.6
Asset Turnover (x)	1.9	1.0	1.2	1.0	0.8
Leverage Factor (x)	8.2	6.3	3.5	2.4	2.0
RoE (%)	187.2	118.3	104.4	61.9	44.1

Source: Company, JM Financial

Key Ratios					
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
BV/Share (INR)	19.1	33.3	74.8	120.0	168.6
ROIC (%)	42.3	30.4	44.6	43.8	44.9
ROE (%)	187.2	118.3	104.4	61.9	44.1
Net Debt/Equity (x)	3.1	1.9	0.7	0.1	-0.2
P/E (x)	23.1	13.3	7.3	6.9	6.5
P/B (x)	21.6	12.4	5.5	3.4	2.4
EV/EBITDA (x)	12.0	8.3	5.1	4.4	3.8
EV/Sales (x)	3.5	3.1	2.3	2.0	1.8
Debtor days	7	13	18	18	18
Inventory days	37	37	39	39	39
Creditor days	30	30	45	45	46

Source: Company, JM Financial

APPENDIX I

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Rating	Meaning
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REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

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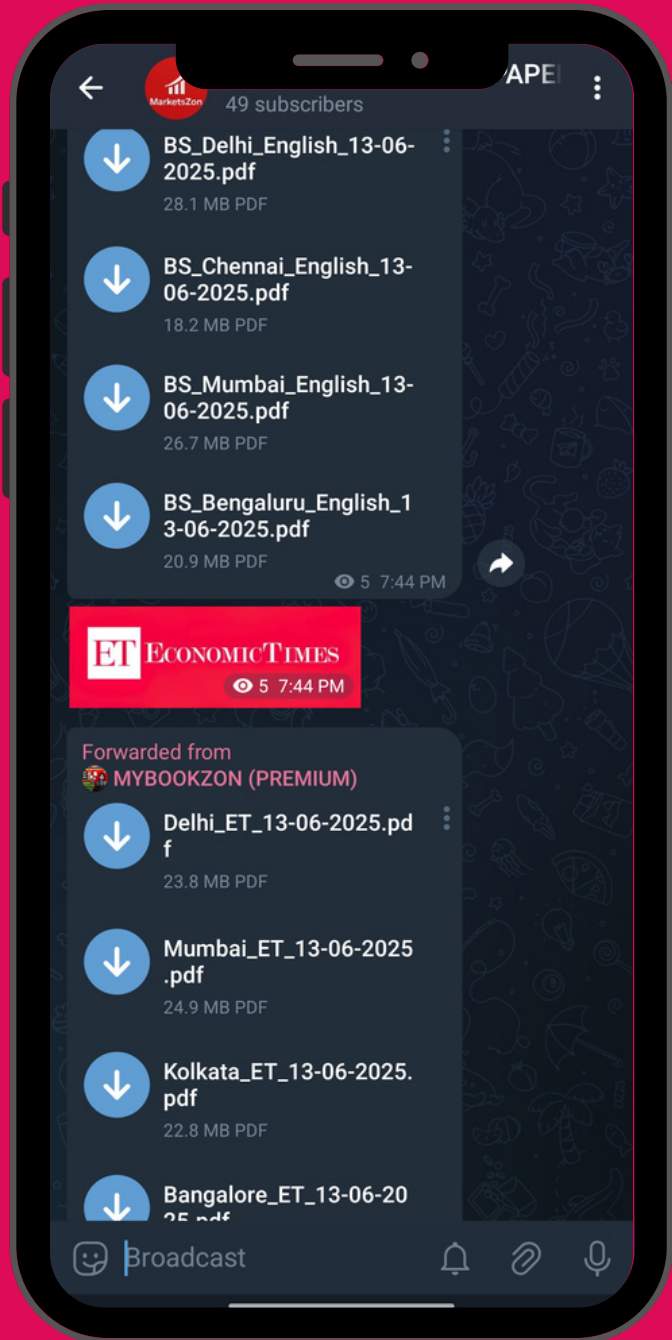
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