

Research

Vedanta top pick among Aluminum Cos, Provides Best Risk-Reward among peers: Kotak Securities

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Kotak Institutional Equities said in a report that Vedanta Ltd. is best placed among its peers as it stands to benefit from robust aluminium prices. The brokerage noted that Vedanta has volume growth across all divisions over FY2026-28E, increased backward integration in alumina/coal/bauxite in the aluminium division, and higher commodity price sensitivity.

Kotak expects aluminium supply additions to remain tepid, with China operating at almost 97% utilization and Indonesia being the only region where large capacity of around 3 mtpa addition is under works. The brokerage estimates around 2.5 million tons production of growth over CY2025-28E from supply ramp-up ex-China, but the overall aluminium market to remain in deficit.



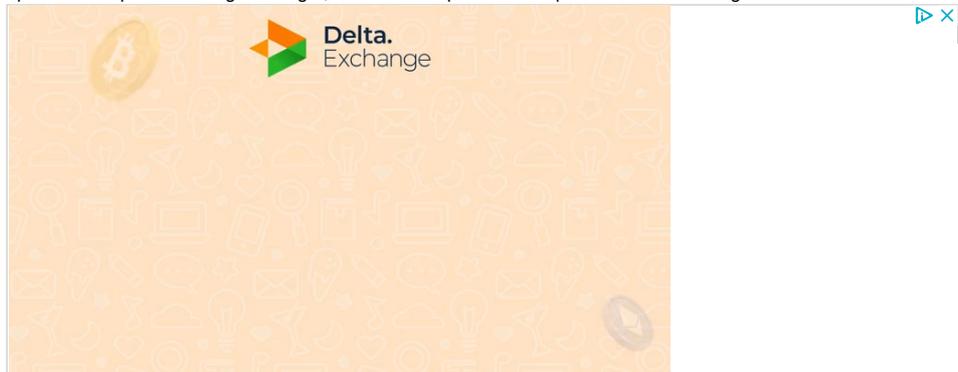
This comes at a time when Vedanta remains on track to achieve 50% India market share in aluminium, with the company ramping up capacity and planning to operationalize captive mines, strengthening raw material security while positioning aluminium as a critical input for infrastructure, automotive, aerospace, power transmission and clean-energy hardware, betting that its central role in the energy transition will drive sustained domestic demand despite global volatility.

Vedanta is expanding its Bharat Aluminium Company (BALCO) smelter by 435 KT taking it to a million tonnes, thus strengthening its ability to cater to rising domestic demand. A higher share of sales in the Indian market is expected to support margin expansion, given stronger realizations compared to export markets. The company is making a sharp pivot toward higher-margin, value-added products, with the goal of lifting its sales share to more than 90%. These comprise a range of new product lines that are poised to fulfil India's rising aluminium demand across high growth sectors including billets for building & construction, railways, auto and clean energy; rolled products manufactured at Bharat Aluminium Company (BALCO), serving automotive, electrical, power, insulation and packaging sectors; and Primary Foundry Alloys catering to both auto sector and advanced manufacturing.



The shift to value added products is aimed at India's fastest-growing aluminium end markets, where consumption is rising at an accelerated pace benefitting from the country's fast economic growth. Policy-led electrification, including a target of 30% electric-vehicle penetration by 2030, along with a push to use domestically produced raw materials in manufacturing, are shaping demand for premium aluminium. Vedanta Aluminium's high domestic market share is underpinned by a backward integration strategy targeting production costs of around \$1,500 per tonne. In Q3FY26, Vedanta Aluminium recorded a hot metal cost of \$1,674 per tonne, the lowest in the past seventeen quarters and ahead of its full-year guidance range of \$1,700-\$1,750 per tonne. It recorded the highest-ever quarterly & nine-month aluminium production at 620 KT & 1,842 KT, respectively, and delivered the best-ever quarterly EBITDA margin at \$1,268 per tonne.

The company is also executing an aggressive vertical integration blueprint through the operationalisation of secured bauxite (aluminium ore) resources and five coal blocks. This is expected to unlock structural cost advantages that will reduce hot metal production costs from Q2FY26 levels of \$1,826 per tonne to the design target of \$1,500 per tonne. Upon achieving this target, Vedanta is expected to be positioned within the global first decile of the cost curve.



Vedanta Aluminium is also developing a ₹1.3 trillion greenfield aluminium smelter in Dhenkanal, Odisha, which will comprise a 3 MTPA smelter along with a 4,900 MW captive power plant, significantly enhancing India's global aluminium production capacity. Vedanta Aluminium is set to be demerged from Vedanta Ltd. as part of the conglomerate's ongoing restructuring, which will create four additional listed entities.

Shares of Vedanta Limited was last trading in BSE at Rs. 677.95 as compared to the previous close of Rs. 668.05. The total number of shares traded during the day was 377131 in over 6421 trades.

The stock hit an intraday high of Rs. 678.90 and intraday low of 668.55. The net turnover during the day was Rs. 254705901.00.

Source : Equity Bulls

Keywords

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