Vedanta trades at discount to peers; well placed to benefit from strong aluminium prices, says Kotak Securities

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Aluminium prices have retreated sharply from recent highs, reversing the improving sentiment amid expectations of fewer rate cuts by the US Federal Reserve in 2026, along with a strengthening US dollar and a sharp rise in inventories, which have led the industrial metal to give up part of its recent gains.

LME aluminium prices have softened by 9% from the recent high to $3,030 per ton, though they remain about 20% higher than the FY25 average.

Domestic brokerage firm Kotak Securities, in its latest report, said that the fundamentals of aluminium remain strong, citing structurally growing demand, lagging capacity additions, and supply disruptions. It expects the market to remain structurally deficit and projects aluminium prices at $2,900 per tonne for FY2027E and FY2028E.

Aluminum market to remain in deficit

On the supply side, the brokerage said that China is operating at nearly 97% utilisation, given its capacity cap of 45 mtpa, and it expects only modest production growth after CY2026.

Outside of China, Indonesia remains the only region where large capacity additions, of around 3 mtpa, are underway. Kotak estimates supply growth of about 2.5 million tonnes over CY2025–28E from ramp-ups outside China, with Indonesia being the primary contributor.

On the demand side, the brokerage noted that aluminium demand has remained resilient in 2025 and expects it to grow by 1.6% and 1.8% in 2026 and 2027, respectively. It highlighted that demand growth will largely come from ex-China markets, driven by energy transition investments.

Mega capex announcements related to data centres by hyperscalers for 2026 could provide an additional boost. Overall, the brokerage expects the aluminium market to remain in deficit over CY2026–28E.

Vedanta is best placed with most attractive risk-reward among peers

Kotak Securities said it finds Vedanta better placed to benefit from robust aluminium prices compared with its peers, NALCO and Hindalco. The brokerage highlighted that Vedanta is expected to deliver volume growth across all divisions over FY2026–28E, supported by increased backward integration in alumina, coal, and bauxite within its aluminium division.

It also noted that the company has a higher sensitivity to commodity prices due to operating leverage.

In contrast, Kotak pointed out that Hindalco's volume growth is back-ended, beginning only in FY2028E, while Novelis continues to face challenges on multiple fronts.

It added that NALCO's alumina division remains a drag, and its aluminium division lags in growth. On valuations, Kotak noted that Vedanta, NALCO, and Hindalco are trading at 5x, 5.5x, and 6.3x EV/EBITDA, respectively, based on FY2028E estimates.

The brokerage has a 'buy' rating on Vedanta with a target price of ₹890 apiece, which indicates an upside potential of 32% from the stock's latest closing price of ₹676 apiece.

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