

While the de-escalation of the West Asia conflict has eased near-term supply concerns, we remain constructive on aluminium (Al) as structural supply risks persist. During the conflict, nearly 9% of global Al production was exposed to disruption risks, pushing prices to a four-year high of USD3,851/t. Although this geopolitical premium is fading, we expect prices to remain supported by the risk of Chinese production curbs amid energy and emissions inspections and Guinea's proposed bauxite export controls, which could tighten raw material availability for Chinese smelters. We forecast Al to remain in the USD3,200-3,300/t range through the remaining FY27. Despite the recent correction in Al equities, we believe the earnings outlook remains intact. HNDL remains our preferred pick, supported by resilient prices and an improving outlook for Novelis, while NACL appears fairly valued following its recent ~16% rebound.

Geopolitical premium fades, structural tightness remains

With the West Asia conflict now largely de-escalating and the proposed ceasefire agreement expected to be formalized on 19-Jun, a key overhang on global Al supply is likely to ease. At the peak of the conflict, nearly 9% of global Al production (~74mt) from the Middle East faced disruption risks due to potential blockages in the Strait of Hormuz, contributing to an estimated ~2mt supply deficit in CY26 and driving a sharp rally in prices. While geopolitical risks are receding, we expect supply tightness to persist through FY27, with disrupted smelting capacity likely requiring 6-12M to normalize. Al prices rose ~23% since the onset of the conflict, reaching four-year high of USD3,851/t before moderating to USD3,350/t (up 7.4% since 28-Feb-26). The rally was further supported by concerns over potential Chinese production curbs. We forecast an average price of USD3,325/t for CY26 and expect prices to remain elevated within the USD3,200-3,300/t range through the remaining FY27, supported by lingering supply tightness.

Emerging supply risks reinforce positive Al price outlook

While the resolution of the West Asia conflict has eased near-term supply concerns and Al prices have retreated from their recent highs, we remain constructive on the medium-term outlook. We believe two key supply-side developments are likely to keep the market structurally tight. First, China faces an increasing risk of production curbs amid stricter energy efficiency and emissions inspections. Chinese smelters have been operating at elevated utilization levels to capitalize on the supply disruptions caused by the Middle East conflict, raising the probability of regulatory intervention. Second, Guinea's proposed bauxite export controls could tighten the upstream raw material market. The government is expected to introduce measures aimed at restricting exports, supporting domestic ore prices, and promoting downstream processing. Given that Guinea accounts for over one-third of global bauxite production and supplies nearly 75% of China's bauxite imports, any sustained restrictions could materially increase feedstock costs for Chinese alumina refiners and aluminium smelters. With China heavily reliant on imported bauxite, tighter ore availability is likely to support alumina costs and, in turn, Al prices.

Healthy earnings outlook remains intact

Following the recent correction in aluminium prices, sector valuations have also moderated. However, we continue to believe that the structural drivers supporting aluminium prices remain intact and should sustain healthy earnings over the medium term. Accordingly, HNDL remains our preferred pick, supported by resilient aluminium prices and an improving outlook for Novelis, driven by better scrap spreads and the restart of the Oswego facility. In contrast, NACL appears fairly valued following its ~16% rebound over the past two weeks.

Sector view	
Ferrous:	Neutral
Non-Ferrous:	Neutral

Equity view			
Stocks	Rating	CMP (Rs)	TP (Rs)
Ferrous			
TATA	BUY	196.0	230.0
JSTL	ADD	1,274.3	1,400.0
JINDALST	BUY	1,139.8	1,400.0
SAIL	BUY	181.0	200.0
Non-Ferrous			
HNDL	ADD	982.4	1,200.0
NACL	REDUCE	366.6	370.0
Mining			
COAL	ADD	451.0	475.0
Recycling			
GRAV	BUY	1,663.9	2,400.0
Graphite Electrode			
GRIL	BUY	654.5	850.0
HEG	BUY	541.3	750.0

Rating, Target Price and Valuation

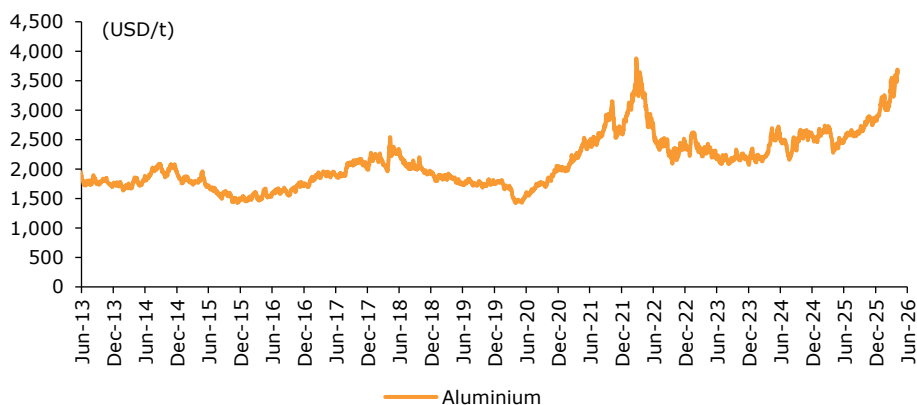
	Rating	CMP (Rs)	TP (Rs)	Upside (%)	EV/EBITDA (x)		P/E (x)		P/B (x)	
					FY27	FY28	FY27	FY28	FY27	FY28
Hindalco	ADD	982	1,200	22	6.0	5.5	10.4	7.2	1.4	1.2
National Aluminium Co	REDUCE	367	370	1	7.7	7.4	10.3	10.1	2.6	2.3

Source: Company, Emkay Research

Akhilesh Kumar

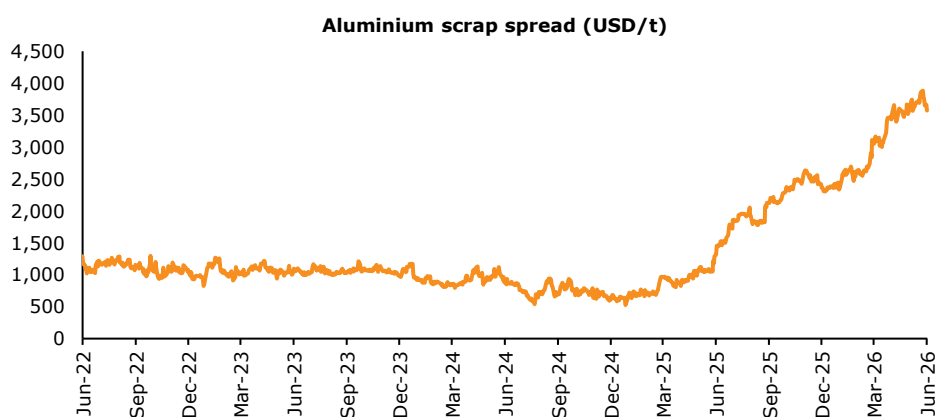
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Exhibit 1: Aluminium reached a four-year high of USD3,851/t, before settling at ~USD3,350



Source: Bloomberg, Emkay Research

Exhibit 2: Improved Al scrap spread to benefit HNDL in the near term



Source: Bloomberg, Emkay Research

Exhibit 3: Base metals – Sector valuation

Company	Year-end	Currency	CMP	M Cap (USD bn)	Stock perf YTD	P/E (x)			EV/EBITDA (x)			ROE (%)			Div Yield (%)			FCF Yield (%)		
						FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
India																				
Hindalco	03/2025	INR	982.4	23.3	11%	9.5	9.2	8.0	6.8	6.4	5.7	15.5	14.0	14.1	0.6	0.7	0.7	-10.6	-10.6	-10.6
Vedanta	03/2025	INR	300.0	12.4	33%	4.3	4.2	6.2	2.1	2.0	2.3	55.2	45.4	45.0	10.2	9.4	5.9	na	na	na
NALCO	03/2025	INR	366.7	7.1	17%	10.1	9.6	9.7	6.4	6.0	6.1	27.9	24.5	21.0	3.4	3.5	3.7	7.0	7.0	7.0
US																				
Alcoa	12/2024	USD	64.2	16.9	21%	9.2	9.3	8.7	4.9	4.7	4.9	25.3	18.9	15.6	0.6	1.0	1.5	-0.2	-0.2	-0.2
Constellation	12/2024	USD	34.7	4.7	84%	9.6	12.3	6.5	6.5	6.7	6.5	42.2	25.2	20.7	0.0	na	na	3.6	3.6	3.6
Kaiser Aluminum	12/2024	USD	183.1	3.0	59%	17.8	16.9	13.7	9.8	9.6	8.5	19.6	17.4	18.6	1.7	1.7	1.7	0.8	0.8	0.8
Europe																				
Norsk Hydro	12/2024	NOK	102.5	21.3	31%	11.2	10.5	11.6	6.0	5.7	6.2	17.1	16.3	14.2	5.1	5.7	5.1	2.9	2.9	2.9
MENA																				
Aluminium Bahrain	12/2024	BHD	0.9	3.5	-17%	4.1	2.9	4.3	2.5	2.0	2.8	17.2	20.0	11.5	10.1	13.8	13.8	31.9	31.9	31.9
Saudi Arabian Mining	12/2024	SAR	61.9	64.1	1%	25.0	23.7	24.2	14.6	14.1	15.6	15.1	12.4	11.6	0.0	0.0	0.0	1.7	1.7	1.7
China																				
CHALCO	12/2024	HKD	9.0	24.2	-26%	5.7	6.4	8.1	4.0	4.4	5.3	28.8	24.5	20.0	7.1	6.7	6.0	18.0	18.0	18.0
Hongqiao Group	12/2024	HKD	24.2	30.4	-26%	6.1	5.9	5.6	3.8	3.7	3.6	23.3	21.8	20.5	10.5	10.7	11.0	12.2	12.2	12.2
Australia																				
Rio Tinto	12/2024	AUD	188.7	183.1	29%	15.8	15.4	15.6	6.8	6.7	6.5	21.0	19.2	17.9	3.7	3.9	3.9	2.5	2.5	2.5
South32	06/2025	AUD	4.3	13.5	20%	15.2	10.4	11.0	6.9	5.5	5.9	10.3	13.3	11.8	2.6	3.5	3.4	2.9	2.9	2.9
Weighted Average India						8.1	7.8	7.8	5.3	5.1	4.8	29.0	24.9	24.2	3.8	3.7	2.7	-4.6	-4.6	-4.6
Weighted Average Global						12.4	12.1	12.2	6.0	5.8	5.8	21.4	18.9	17.4	3.8	3.9	3.8	3.4	3.4	3.4

Source: Bloomberg, Emkay Research

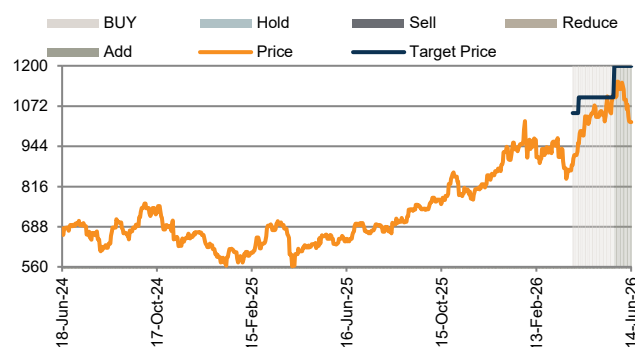
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HINDALCO RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
29-May-26	1,127	1,200	Add	Akhilesh Kumar
23-May-26	1,109	1,200	Add	Akhilesh Kumar
19-May-26	1,048	1,100	Buy	Akhilesh Kumar
08-Apr-26	952	1,100	Buy	Akhilesh Kumar
31-Mar-26	884	1,050	Buy	Akhilesh Kumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



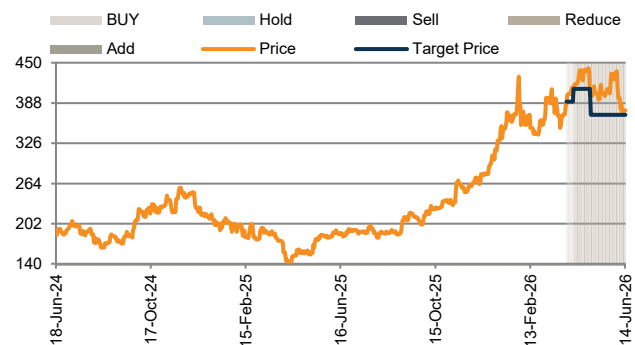
Source: Company, Bloomberg, Emkay Research

NATIONAL ALUMINIUM CO RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
29-May-26	424	370	Reduce	Akhilesh Kumar
01-May-26	399	370	Reduce	Akhilesh Kumar
23-Apr-26	439	410	Reduce	Akhilesh Kumar
09-Apr-26	412	410	Reduce	Akhilesh Kumar
31-Mar-26	386	390	Buy	Akhilesh Kumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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