

# Metals & Mining

**Sector Update**

May 13, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
Hindalco Industries	Accumulate	1,041	1,043
Jindal Stainless	Accumulate	732	821
Jindal Steel	Accumulate	1,214	1,289
JSW Steel	Accumulate	1,252	1,289
National Aluminium Co.	Hold	394	413
NMDC	Accumulate	87	95
Steel Authority of India	Accumulate	176	176
Tata Steel	Accumulate	212	216

## Supply shock to extend into CY27

### Quick Pointers

- Expect all prices to be around \$3,500/t in 2027.
- ~5mtpa alumina surplus seen in 2026 despite cutbacks.

We interacted with an aluminium industry expert to understand current dynamics amid ongoing geopolitical tensions. The expert highlighted the status of impacted smelters in the Middle East, which has caused severe supply shocks, taking the market into deficit for CY26. Stress in the physical market is visible in spreads, which are expected to remain elevated in the medium term. The actual supply shock is still yet to come, as inventories in Europe (drawn before CBAM) and the US are still cushioning the market, and it will be more evident in Q4CY26 and continue into CY27. Even if geopolitical tensions ease, supply chains and smelter operations (damaged) are unlikely to normalize quickly, with disruptions potentially extending well into 2027. Despite a few of the smelters getting restarted on higher pricing globally, the market is likely to remain structurally tight over the medium term, given constrained spare capacity outside China, long restart timelines, and evolving supply chain realignments globally. On the other hand, the possibility of demand destruction is also rising, led by higher oil prices affecting fragile economies.

Alumina markets continue to remain oversupplied, and pricing is expected to remain subdued. Chinese smelters are expected to deliver strong financial performance in CY26 on account of weak alumina prices and higher LME. Any incremental exports from China can also put incremental pressure, although China has capacity and bauxite limitations. We are modelling metal prices of \$3,300/\$3,232 for FY27/28E EBITDA estimates in our assumptions. We maintain our Accumulate/Hold rating on HNDL/NACL, respectively, and await a better entry point. Every \$100 increase in LME upgrades our HNDL/NACL EBITDA by ~4/5%, respectively.

### Aluminium Market & Pricing

- Aluminium market sentiment is currently swinging between:
  - supply shock from loss of ~3-3.5mt of Middle East aluminium capacity (world ex-China), and
  - possible demand shock from higher oil prices and weaker macro conditions across EU, UK and SEA.
- While some market participants are expecting LME aluminium prices to touch \$4,000/t, the expert indicated that such levels would be difficult in the near term.
- Stress in the market is more visible in spreads rather than outright LME pricing.
- Cash-to-3M backwardation touched nearly \$94/t in April 2026, the highest since 2007, indicating severe physical tightness.

- Forecasting average aluminium prices of ~\$3,500-3,600/t for CY27.
- Actual supply shock is still to come as inventories in Europe and the US are still cushioning the market currently. Real tightness is expected to emerge more visibly in Q3/Q4CY26 and continue into CY27.
- Even if geopolitical tensions ease, supply chains and smelter operations are unlikely to normalize quickly, with disruptions potentially extending well into 2027.

## Update on Middle East Smelter Disruptions

### Qatalum Smelter

- Qatalum is estimated to be operating at ~60% utilization, equivalent to ~650ktpa production.
- The smelter could be only 3-4 weeks away from complete shutdown if current alumina constraints continue.
- Limited alumina is being sourced from alternate suppliers, though not sufficient for stable operations.
- Aluminium smelters cannot simply be switched on/off; controlled shutdowns are required to minimize restart complications and potline damage.

### ALBA (Aluminium Bahrain)

- ALBA's total capacity is ~1.6mtpa across six potlines.
- Current utilization is estimated at ~30%.
- Potlines #1 to #3 were shut in a controlled manner; Potline #4 was reportedly heavily damaged, Potline #5 also sustained damage and was later shut, while only Potline #6 (~0.5mt capacity) remains operational.
- ALBA is receiving limited alumina supply from Maaden in Saudi Arabia, though not enough to support full operations.

### EGA - Al Taweelah

- EGA's Al Taweelah smelter (~1.6mtpa) is fully shut following an uncontrolled emergency outage.
- While EGA indicated up to one year for restart, expects normalization could take 14-16 months.
- Initial production after restart may not meet LME deliverable standards due to high iron content ("off-spec metal"), resulting in discounted sales initially.

### EGA - Jebel Ali / Oman Supply Chain

- Jebel Ali operations remain functional and are receiving alumina redirected from Abu Dhabi operations.
- Additional alumina is also being transported from Sohar Port in Oman in one-ton bags.
- However, handling, silo transfer and potline feeding logistics remain major operational challenges.

### Iran

- Limited visibility is available on Iranian smelters such as SALCO (300ktpa) and IRALCO, Arak (175ktpa).
- Iran's aluminium capacity is estimated at ~780ktpa, with ~400-500kt believed to be impacted.

## Metal Premiums to remain elevated

### Europe

- Duty-paid Rotterdam premiums are currently ~\$600/t and could move towards \$700/t in near term.
- Premiums have not risen more sharply due to weak European demand and heavy imports ahead of CBAM implementation from Jan'26 which cushioned market.
- Q1CY26 European aluminium demand growth was only ~1% or lower due to weakness in construction, automotive and packaging.

### United States

- US Midwest premiums are currently ~\$2,500/t above LME and could rise towards \$2,600-2,700/t.
- Premiums continue to be supported by the 50% Section 232 tariffs.

### Japan

- Japan MJP premiums are currently ~\$352-353/t and are expected to move towards \$400/t due to severe tightness.
- Japanese trading houses are actively discussing Russian supply, even Thailand and Korea.

## Global metal demand outlook

- Global aluminium demand growth is expected to moderate to ~2% or slightly below.
- South America has delivered healthy growth over the past five years, led by Brazil, though Brazilian demand weakened during Q4CY25 and Q1CY26.
- Southeast Asia (ex-China and ex-India) continues to show relatively healthy demand trends, though prolonged high oil and energy prices could eventually weigh on consumption.

## China Aluminium Demand & Production Cap

- China aluminium demand growth estimate for CY26 was downgraded from 2.8% to 2.2%.
- Weakness continues in real estate, overall automobile production, solar panel demand due to anti-involution policies.
- EV exports from China remain relatively strong although.
- The Chinese government is increasingly focused on profitability and maintaining a healthy industrial landscape rather than maximizing output growth.
- While the market broadly refers to China's production cap as 45mtpa, technically the cap is ~45.35mtpa.
- Chinese smelters are currently earning strong margins due to: low alumina prices (~\$300/t), strong metal prices, rising domestic alumina production.
- Authorities may tolerate temporary production above the cap under current profitability conditions.
- China could effectively add ~700kt of capacity this year through replacement-capacity mechanisms.

- However, beyond 2027, Chinese production growth is expected to flatten with potential marginal declines in output.

### Indonesia to play big role in supply additions

- Indonesia remains the key source of incremental aluminium metal capacity growth globally.
- Indonesia added nearly ~0.5mt capacity in 2HCY25 mainly by Chinese companies.
- Additional fast-tracked capacity of ~200-250kt above base estimates could potentially come online depending on market tightness.
- On alumina side, by 2030, expects Indonesia to add ~3mt of alumina capacity under its base case versus ~5.4mt of announced projects.
- Existing Indonesian alumina capacity is currently ~0.8-1mtpa.
- Expected additions over CY26-27 are ~350-400kt.
- Some delays remain possible due to local logistical and infrastructure constraints.

### Other Restarts / Additions on higher metal pricing (still not significant)

- Grundartangi smelter in Iceland has restarted quicker than expected.
- Alcoa's San Ciprian operation is also restarting, contributing ~200-250kt.
- US restarts/ramp-ups remain limited at <50kt for CY26.
- Rusal could push additional production from its expanded Taishtet smelter (~200-250kt incremental).
- Rusal Mozambique smelter (~330ktpa) partially offset global losses.
- Despite these additions, still expects ~3-3.5mt of Middle Eastern capacity loss in CY26 and forecasts ~3% decline in global aluminium production, resulting in a structural deficit.

### Recycling & Secondary Aluminium

- Recycling aluminium growth is increasingly concentrated in used beverage cans (UBC) and packaging rather than aerospace applications due to strict quality specifications.
- Novelis' new North American rolling mill (~650ktpa) is ramping up and will require primary aluminium feedstock alongside scrap.
- A new ~600ktpa slab casting facility is also under development in North America.
- Major producers are increasingly internalizing scrap supply chains: EGA has acquired secondary aluminium facilities in the US and Europe, Hydro is also expanding secondary processing capacity in North America.
- Recycling remains an evolutionary rather than revolutionary process due to complexities around scrap collection, sorting and refining.
- Beyond 2030-32, China could become a major scrap supplier as embedded aluminium in buildings, infrastructure and vehicles reaches replacement cycles.

- Saudi Arabia historically exported ~150kt of used beverage cans annually to South Korea, though some of this trade has reduced after regional rolling mill expansions such as Maaden.

### Cost Curve & Power Dynamics

- Despite severe supply disruptions, the aluminium cost curve is currently not exerting significant upward pressure on prices because alumina prices remain weak.
- Unlike 2022, the impact of higher oil prices on smelter power costs has been relatively muted due to higher deployment of batteries and energy storage systems.
- Australian smelter power tariffs increased only ~15-20% during the current cycle versus nearly 100% during the 2022 energy crisis.
- As a result, downward pressure is emerging on the industry cost curve even while aluminium prices remain elevated.

### Alumina Market Outlook

- There is an expectation of a ~5mt surplus in the alumina market for CY26 even after accounting for announced cutbacks.

### Alumina Supply Disruptions / Cutbacks

- ~2mtpa Al Taweelah outage,
- Chalco Guangxi train shutdown,
- Wenfeng refinery losses (~3mtpa).
- Total lost alumina capacity is estimated at ~7mtpa, though this is more than offset by ~10mtpa of new/refined supply additions globally.

### Key Additions in alumina

- Lanjigarh expansion ramp-up (~1.5mt),
- Bintan additions (from 2mtpa to 6mtpa),
- Hindalco/Aditya expansion (~850kt next year).
- Chinese buyers have aggressively accumulated alumina inventories at \$305-308/t, preventing prices from falling below \$300/t.
- Without Chinese buying, alumina prices could have fallen towards \$295/t.
- The traditional alumina-to-aluminium ratio is currently not considered a meaningful framework given ongoing market distortions.

### Bauxite Market

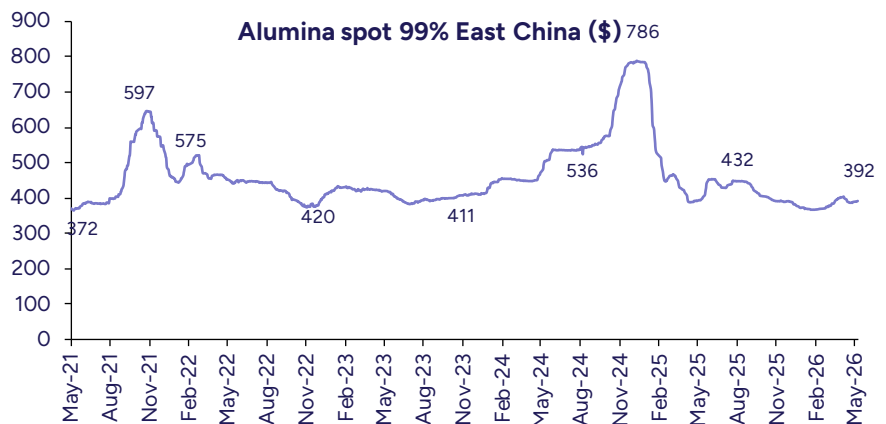
- Guinea remains central to global bauxite supply, although countries such as Ghana are actively promoting new projects.
- Guinea is attempting to enforce mining plans and production discipline more strictly after producers exceeded agreed extraction profiles.

- Infrastructure bottlenecks, especially around gas, fuel and logistics, remain major constraints for downstream refinery development in Guinea.
- Current bauxite prices are around ~\$60/t, though freight costs have risen due to Gulf disruptions.
- If Guinea proceeds with production restrictions, bauxite prices could move towards \$75-85/t, with policymakers reportedly preferring prices above \$80/t.

### CBAM & Sustainability

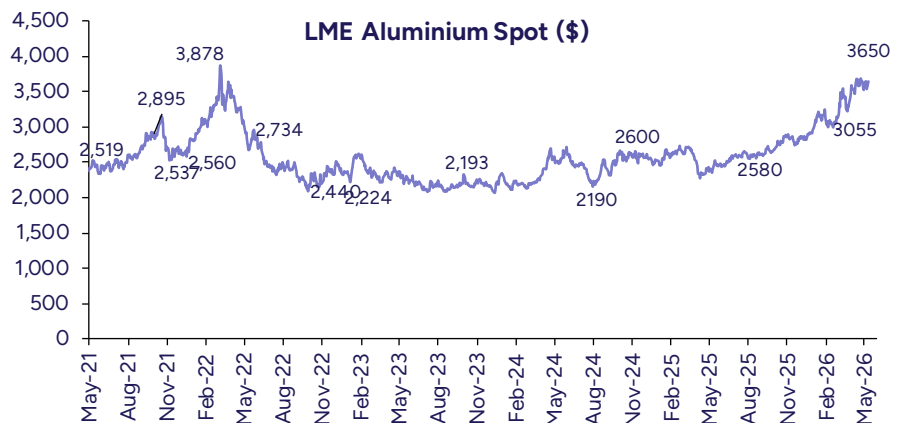
- CBAM has not yet materially impacted aluminium premiums in Europe, with the current impact estimated at only ~\$40-50/t.
- Discussions around CBAM have temporarily taken a back seat due to Middle East supply disruptions and weak European demand.
- CBAM implications could become more significant once Middle Eastern smelters restart and begin exporting larger volumes into Europe again.

**Exhibit 1 : Alumina prices declined 13% CY26YTD vs CY25 average**



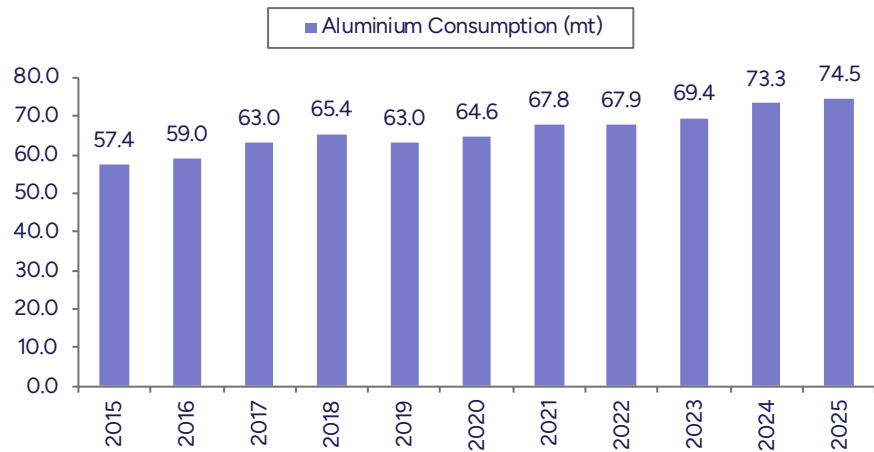
Source: Industry, PL

**Exhibit 2 : Aluminium price improved 26% CY26YTD vs CY25 average**



Source: Industry, PL

Exhibit 3 : Aluminium consumption grew at 3% CAGR over 2015-25



Source: Industry, PL

Exhibit 4 : Region wise Primary Aluminium production over 2015-25 (mt)

Year	Africa	North America	South America	Asia (ex China)	Western & Central Europe	Russia & Eastern Europe	Oceania	Gulf Cooperation Council	China	Unreported	Total
2015	1,687	4,469	1,325	3,001	3,745	3,829	1,978	5,104	31,518	1,800	58,456
2016	1,691	4,027	1,361	3,442	3,779	3,981	1,971	5,197	32,641	1,800	59,890
2017	1,679	3,950	1,378	3,951	3,776	3,999	1,817	5,149	35,905	1,800	63,404
2018	1,668	3,774	1,164	4,415	3,733	4,049	1,917	5,331	36,485	1,630	64,166
2019	1,643	3,809	1,079	4,395	3,449	4,157	1,916	5,654	35,795	1,760	63,657
2020	1,605	3,976	1,006	4,140	3,334	4,153	1,912	5,833	37,337	2,029	65,325
2021	1,590	3,880	1,163	4,499	3,329	4,139	1,888	5,889	38,837	1,878	67,092
2022	1,620	3,743	1,288	4,591	2,913	4,081	1,843	6,074	40,430	2,455	69,038
2023	1,594	3,897	1,466	4,673	2,713	4,016	1,884	6,217	41,666	2,590	70,716
2024	1,577	3,984	1,521	4,812	2,828	4,167	1,863	6,257	43,379	2,370	73,009
2025	1,616	3,939	1,550	4,862	7,059*		1,878	6,162	44,202	2,516	73,784

Source: IA, PL; \* combined for two regions

Exhibit 5 : Valuation Matrix (INR bn)

Company Name	MCap	CMP (INR)	TP (INR)	Rating	Net Debt (FY25)	Revenue				EBITDA				EPS				EV/EBITDA (x)				ROCE (%)			
						FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Tata Steel	2,647	212	216	Accumulate	769	2,185	2,339	2,677	2,891	253	341	415	466	3.0	8.6	13.4	15.6	13.5	10.0	8.0	7.1	8.4	12.1	15.4	17.2
JSW Steel	3,062	1,252	1,289	Accumulate	783	1,688	1,860	2,015	2,292	229	309	344	420	16.3	44.8	52.1	79.4	16.8	12.4	10.2	8.2	8.0	11.6	13.6	17.8
Jindal Steel	1,239	1,214	1,289	Accumulate	120	496	527	670	833	93	91	132	184	38.4	36.1	62.3	101.4	14.4	15.3	10.3	7.0	10.8	9.1	14.2	19.7
SAIL	727	176	176	Accumulate	374	1,025	1,116	1,302	1,368	106	114	176	181	5.7	8.3	18.7	19.4	10.4	8.8	5.6	5.5	6.5	7.2	13.2	12.7
Jindal Stainless	603	732	821	Accumulate	40	393	430	499	559	47	56	62	71	30.5	39.3	45.5	56.4	13.8	11.6	9.7	8.0	18.5	19.4	19.5	20.8
NMDC	762	87	95	Accumulate	-85	239	301	366	414	81	95	123	139	7.4	8.3	10.6	11.8	8.3	6.9	5.2	4.5	31.8	30.3	33.0	31.4
Hindalco	2,340	1,041	1,043	Accumulate	406	2,385	2,744	2,990	3,148	328	347	420	449	72.1	61.2	109.4	112.1	8.3	8.2	6.8	6.1	15.4	14.7	15.9	15.6
Nalco	724	394	413	Hold	-54	168	178	216	235	76	79	110	119	29.0	31.7	43.7	47.9	8.8	8.0	5.4	4.8	44.1	39.4	43.8	38.4

Source: Company, PL

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	ACC	BUY	2188	1411
2	Adani Port & SEZ	BUY	1879	1657
3	Ambuja Cement	BUY	524	445
4	Dalmia Bharat	BUY	2287	1919
5	Hindalco Industries	Accumulate	1043	986
6	Jindal Stainless	Accumulate	821	779
7	Jindal Steel	Accumulate	1289	1223
8	JK Cement	Accumulate	6017	5566
9	JK Lakshmi Cement	BUY	751	625
10	JSW Cement	Accumulate	142	127
11	JSW Infrastructure	Buy	342	284
12	JSW Steel	Accumulate	1289	1210
13	National Aluminium Co.	Hold	413	399
14	NMDC	Accumulate	95	84
15	Nuvoco Vistas Corporation	Buy	474	305
16	Shree Cement	Accumulate	27907	24975
17	Steel Authority of India	Accumulate	176	163
18	Tata Steel	Accumulate	216	205
19	Ultratech Cement	BUY	13835	12010

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<b>BUY</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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