

INVESTMENT RESEARCH REPORT

Ashapura Minechem Limited

BSE / NSE Listed | Est. 1982 | Multi-Mineral Mining & Processing | Global Operations
 Report Date: February 2026 | Based on Q3 FY26 Concall & Public Disclosures

ANALYST VERDICT

HIGH-RISK, HIGH-UPSIDE — VOLUME GROWTH vs PRICE COMPRESSION RACE

A genuine global mineral leader with a transformational Guinea bauxite ramp. But a CBI conviction, 76% revenue concentration in one country/commodity, and a 40-50% EBITDA/ton compression make this exclusively for investors who understand commodity cycle risk deeply.

1. Company Overview

Ashapura Minechem Limited, incorporated in 1982 and listed on both BSE and NSE, is India's pre-eminent multi-mineral company. It is engaged in the mining, mineral processing, and trading of a wide spectrum of industrial minerals — from Bentonite and Bauxite to Kaolin, Bleaching Earth, and Refractory Materials. The company operates across India and in 7 other countries, exporting to more than 90 nations.

The company's strategic pivot in recent years has been the development of large-scale bauxite mining operations in Guinea, West Africa, which now accounts for 76% of consolidated revenue and is the primary earnings driver.

Global Market Position

Metric	Value	Commentary
Bentonite	World's 3rd Largest Producer	Key industrial mineral — soaps, drilling, cat litter, iron ore pelletisation
Bleaching Clay	World's 3rd Largest Producer	Used in edible oil refining — stable demand
Bauxite (Guinea)	15% Global Export Share	Critical raw material for aluminium; rapidly growing
Refractory Material	India's Largest Producer	Steel, cement, glass — high-temp industrial applications
Proppants	India's Largest Producer	Oil & gas hydraulic fracturing — niche, high-value
Kaolin / China Clay	India's 2nd Largest Producer	Paper, ceramics, paint — broad industrial use

White Mineral Solutions	India's Largest Provider	Specialty segment with pricing power
Export Geography	90+ Countries	Deep demand diversification for India operations

Business Segments

- Industrial Functional Minerals: Bentonite-based products for drilling, foundry, iron ore pelletisation, and environmental applications.
- Advanced Refractory Materials: High-temperature resistant materials for steel, cement, and glass industries — India market leader.
- Hydrocarbon Exploration Solutions: Drilling fluids and specialty minerals for oil & gas exploration.
- Adsorbent Solutions: Bleaching clays and activated earths for edible oil refining globally.
- White Performance Minerals: Kaolin, CCC, and GCC for paper, plastics, and coatings.
- Guinea Bauxite Operations: Surface mining and export of bauxite ore — now the dominant revenue driver at 76% of consolidation.
- Building Materials & Chemicals: Recently entered B2C segment — early stage diversification.

The Guinea Story in One Line

Ashapura discovered and began developing a large bauxite deposit in Guinea, West Africa — a country that holds the world's largest bauxite reserves. The strategy: low-cost mining, high-volume export to China's aluminium refineries. This bet has transformed the company's revenue base, growing from a primarily India-based mineral processor to a globally significant bauxite exporter.

2. Financial Performance — Q3 FY26 & 9M FY26

Ashapura's Q3 FY26 results showed sequential improvement in profitability despite flat revenue — a positive signal of operational leverage. However, 9M FY26 PBT margin (9.3%) is running below last year's 9M (10%), highlighting that price compression is partially offsetting the strong volume-driven revenue growth.

Metric	Q3 FY26	Q2 FY26	9M FY26	9M FY25
Revenue (₹ Cr)	960.4	953.1 (est.)	3,268	~2,178 (est.)
EBITDA (₹ Cr)	143	132	463	~305 (est.)
EBITDA Margin	14.9%	13.9%	14.2%	~14.0%
PBT pre-excep. (₹ Cr)	89.3	~81 (est.)	303	221
PBT Margin	9.3%	8.5%	9.3%	10.0%
Basic EPS (₹)	8.82	—	30.43	—
Guinea Revenue %	76%	—	—	—
India Revenue %	24%	—	—	—

Key Financial Observations

- Revenue grew ~50% YoY in 9M FY26 (₹3,268 Cr vs ~₹2,178 Cr) — almost entirely driven by Guinea bauxite volume growth, not price appreciation.
- EBITDA margin of 14.9% in Q3 FY26 is an improvement from Q2's 13.9% — driven by elimination of demurrage costs and better freight contracting. This QoQ margin expansion is the single most positive operational development in the quarter.
- PBT margin of 9.3% in 9M FY26 vs 10% last year confirms that rising volumes have not fully offset falling per-unit profitability — the price-volume tradeoff is real and currently net-negative on margins.
- Basic EPS of ₹30.43 for 9M FY26 annualises to approximately ₹40-42 for FY26 — implying forward P/E context depends on current market price.
- Exceptional item of ₹4.56 Cr consolidated (new labour code wage definition) is truly one-time and should not be extrapolated.

Q4 FY26 Watch

Management guided to a 'record quarter' for Guinea exports in Q4. If true, Q4 should show both higher revenue and, critically, lower unit costs (management guided 'below \$60' total cost). This would partially validate the volume-offsets-price thesis. Q4 results are the most important near-term catalyst for the investment case.

3. Guinea Bauxite — Unit Economics Deep Dive

Guinea bauxite is Ashapura's most important business and its greatest risk concentration. Understanding the unit economics is essential to evaluating the investment thesis at current bauxite spot prices (~\$60-61/ton CIF China).

Disclosed Cost Stack (Q3 FY26, ~\$70 CIF)

Cost Component	\$/ton (approx.)	Notes
Ocean Freight	~\$25	Largest single cost bucket; index-linked with discount
Govt Duties / Royalties / Taxes	~\$5	Guinea statutory costs
Mining Cost	\$2-3	Very low — ore is surface-mineable
Transshipment	~\$5-8 (est.)	Not explicitly quantified by management
Other Logistics to Port	~\$10-15 (est.)	Variable with volume
Total CIF Cost (Q3 est.)	~\$60	At ~\$70 CIF price → ~\$10 EBITDA/ton
EBITDA/ton (Q3)	~\$10	Compressing: ~\$4-6 at \$60-61 spot
Operational Floor (mgmt)	\$52/ton	Below this, operations reviewed

The EBITDA/Ton Compression Problem

This is the central financial challenge for FY27 and beyond:

- Q3 FY26: CIF price ~\$70, total cost ~\$60, EBITDA/ton ~\$10. EBITDA margin ~14%.
- Current spot: CIF price ~\$60-61, same cost structure → EBITDA/ton falls to ~\$0-1, potentially negative on some concessions.
- Management's estimate: 'maybe 40%, 50% moderation in EBITDA per ton' — i.e., EBITDA/ton of ~\$5-6 at \$65, or ~\$1-2 at \$60-61.
- Volume lever: management's response is to grow from ~3-3.5 mt to 15 mt (FY28 target). At even \$5/ton EBITDA and 15 mt, annual EBITDA from Guinea = ~\$75M (~₹625 Cr). That would be transformative.
- But: at \$60/ton and 5 mt (a more conservative FY27 scenario), Guinea EBITDA = ~\$5-10M (~₹40-80 Cr). The wide range shows how sensitive earnings are to the price assumption.

Price Floor & Margin Resilience

Parameter	Level / Range	Analyst Assessment
Management's price floor	\$52/ton CIF	Below this, operations would be reconsidered — hard floor disclosure
Current spot	\$60–61/ton	Above floor but 13-14% below Q3 realisation
Management's 'new normal' view	\$64–65/ton	Uncertain; framed as possible stabilisation level
Q3 realised price	~\$70/ton	Declining — was ~\$80+ in earlier quarters
Quality premium potential	\$1–2.5/ton	Modest; higher-grade ore from select concessions
Cost advantage: near-port concession	Structural	Lowest-cost concession near port; viable at lower prices
Ocean freight nature	Index-linked, discounted	~12-month lock-in, 'a little below index'
Demurrage fix	CQD terms going forward	Structural improvement; 20-30% of Q3 QoQ EBITDA lift came from this

Analyst Note — The Volume Bet

Ashapura's entire investment thesis rests on a single, audacious assumption: that bauxite volumes will grow 4-5x while prices remain above \$60. If prices stabilise at \$65+ and volumes reach 8-10 mt in FY27, the story is compelling. If prices stay at \$60-61 and volume ramp underdelivers, FY27 consolidated EBITDA could be flat-to-down despite higher revenues. This is a classic commodity volume-price tradeoff that requires careful quarterly monitoring.

4. Iron Ore — The Emerging Second Stream

Ashapura holds an iron ore mining licence in Guinea alongside its bauxite operations. This represents a potentially significant second revenue stream that management is actively developing but has not yet committed to in terms of volume or pricing guidance.

Metric	Value	Commentary
Licence Status	Active	Iron ore mining licence held in Guinea
Current Status	Trial stage	Supplying locally to a beneficiation plant; trials 'progressing well'
ROM Fe Grade	45–50%	Requires beneficiation to reach export grade
Post-beneficiation Grade	60-61% Fe+	Approaching standard export specifications
Management Commitment	Q4 FY26	Promises clear volume/realisation projection by end of Q4
Scale Potential	'Fairly substantial'	Management's own words — optimistic but unquantified
Revenue Impact	FY27 onwards	Early commercial shipments possible if trials confirm scale

Iron ore at 60-61% Fe commands approximately \$85-100/ton on global markets (basis current iron ore index). If Ashapura can beneficiate at scale, the economics could be highly attractive — iron ore margins at this grade are typically better than bauxite per ton. However, beneficiation requires capex, and management has not yet quantified either the volume potential or the capital requirement for scale-up.

Watch Point

The Q4 FY26 iron ore guidance update is potentially the most exciting non-consensus catalyst in Ashapura's near-term pipeline. A clear 'commercial scale feasible at X mt from FY27' announcement would be a meaningful positive surprise. Absence of guidance would signal that trials are less advanced than the optimistic framing suggests.

5. Governance & Legal Risks

Two governance concerns are material and must be disclosed prominently in any investment assessment of Ashapura Minechem.

CBI Court Conviction — October 2024

The Special CBI Court, by order dated 26 October 2024, found Ashapura Minechem Limited and its Chairman guilty under Sections 120-B (Criminal Conspiracy), 420 (Cheating), and 379 (Theft) of the IPC in the matter of State of Karnataka v. Mahesh Biliye & Others — relating to illegal Iron Ore Exports.

Metric	Value	Commentary
Conviction Date	26 October 2024	Special CBI Court, Karnataka
Sections	IPC 120-B, 420, 379	Criminal conspiracy, cheating, theft
Parties Convicted	Ashapura + Chairman + others	Company and its promoter-chairman personally
Individual Fine	₹20,000 per person	Modest financial penalty
Company Fine	₹9.06 Cr (joint & several)	Payable with co-accused
Max Imprisonment	Up to 7 years	For individual accused
Status	Likely in appeal	Company continues operations

The fines are financially immaterial (₹9.06 Cr on a ₹3,268 Cr revenue company). However, the conviction of the Chairman personally under criminal statutes is a governance concern of a different magnitude. It raises questions about institutional quality, regulatory risk appetite, and the possibility of further legal consequences (appeals, higher courts, or related proceedings). Institutional investors and ESG-focused funds are likely to treat this as a disqualifier.

Related-Party Transaction Structure

Investors on the Q3 FY26 concall flagged concerns about high related-party exposures — loans, advances, and investments — visible on the balance sheet. The CFO's response confirmed the transactions are within regulatory limits and board/shareholder approved where required.

The structural explanation is the Guinea holding chain: India parent → UAE subsidiary → Guinea operating entity. This means cross-border intra-group transactions

(procurement, logistics, working capital) flow through multiple related entities. While the consolidation should net these out, the opacity of the UAE intermediary layer warrants scrutiny.

Governance Assessment

The combination of a criminal conviction and a complex related-party structure requires a significant governance risk premium to be applied to any valuation. This is not a reason to avoid the stock entirely — but investors must price this risk explicitly rather than ignoring it.

6. Risk Assessment

Risk Factor	Severity	Assessment
Bauxite Price Compression	CRITICAL	Spot at \$60–61 vs \$70 in Q3. EBITDA/ton expected to fall 40–50%. Volume must grow fast to offset — if it doesn't, earnings collapse is material.
Guinea Concentration	HIGH	76% of consolidated revenue from a single country's single commodity. Operational disruptions (monsoon, logistics, regulatory) cascade directly to P&L.
CBI Court Conviction	HIGH	Ashapura and its chairman were found guilty under IPC Sections 120-B, 420, and 379 (Iron Ore case, Oct 2024). Fines paid, but reputational overhang and potential for further action is real.
China Customer Concentration	HIGH	Guinea bauxite is 'almost all to China.' Any sustained China demand shock, tariff escalation, or smelter policy reversal would eliminate pricing power entirely.
Related-Party Transactions	MEDIUM	Investor-flagged concern. India → UAE → Guinea holding structure creates intra-group flows. Management states compliance — but transparency gap remains.
Volume Ramp Execution	MEDIUM	15 mt target by FY27-28 requires ~4-5x growth from current ~3–3.5 mt run-rate. Logistics, port capacity, contractor scaling are non-trivial execution risks.
India Business Softness	MEDIUM	Margin variability, product mix shifts, raw material cost volatility. India is 24% of revenue and described as a 'stabiliser' — but currently underperforming.
Debt at Peak	LOW-MED	Management acknowledges debt is at/near peak. Working capital will rise with volume before repayment begins. Interest burden needs monitoring.

Demand Context: China is the Only Customer That Matters

Guinea bauxite is 'almost all to China.' This is simultaneously Ashapura's greatest strength and greatest risk. China's aluminium refining capacity is enormous and structurally growing — this creates a large, predictable demand pool. But China is also the only meaningful buyer, which means:

- Any Chinese policy change (smelter caps, import tariffs, domestic bauxite development) directly impacts Ashapura's realisation.
- Chinese buyers collectively have pricing power. Management's comment about 'some kind of mutual understanding to maintain the price' among large buyers/producers is revealing — the price is partly administered, not purely spot.
- Post-Chinese New Year restocking is management's near-term catalyst. If inventories are indeed at 'all-time lows' as claimed, this should drive price recovery in Q1 FY27.

7. India Business — The Underappreciated Stabiliser

While Guinea dominates the financial narrative, Ashapura's India business (24% of revenue) is the foundation upon which the company was built and continues to be a source of global market leadership in multiple mineral categories.

Metric	Value	Commentary
India Revenue (Q3 FY26)	~₹232 Cr (24.2%)	Growing but slower than Guinea ramp
Key India Products	Bentonite, Kaolin, Refractory	World/India #1-3 positions across categories
Export Reach	90+ countries	Deep demand diversification; not India-only
B2C Entry	Building Materials Group	New channel; early stage — strategic optionality
Margin Profile	Variable (mix-sensitive)	Q3 softer due to higher bulk/lower value mix
Strategic Direction	Value-added push	Import substitution; proprietary formulations
Management Commitment	'Grow significantly next 2-3 years'	Explicit FY26-28 growth commitment
Pilot Projects	Bleaching Earth, Polymer	Small-scale; exploring adjacent product categories

The India business provides two strategic benefits that are not fully priced by markets focused on Guinea: first, it is a cash-generating, globally competitive base that stabilises consolidated earnings during Guinea's operational volatility. Second, its product mix evolution (towards value-added, specialty minerals) carries structurally

higher margins than bulk commodity bauxite — if India margins improve materially, they could partially offset Guinea's per-unit compression.

Under-followed Catalyst

Ashapura's India business is a global Top-3 player in multiple mineral categories. In any environment where Guinea operations face headwinds, the India segment would receive significant analytical attention. At present it is largely ignored because Guinea dominates. A sector re-rating or India margin improvement could create meaningful upside independent of bauxite prices.

8. Strategy & Capex Outlook

Guinea Capex — Approaching Completion

- Management stated 'most of our capex is completed' for Guinea — only 20-25% more over the next 12-18 months.
- This is potentially the most important balance sheet signal in the concall. Capex completion means fixed cost base is largely set — future volume growth will come at very low incremental capex, dramatically improving cash conversion.
- Working capital will rise with volume before debt repayment begins. Management guided to beginning gradual debt reduction 'after a year or so.'

Volume Ramp — The Long-Term Target

Parameter	Level	Analyst Note
Current Run-rate (est.)	~3.0–3.5 mt/year	Based on 9M FY26 implied volumes
FY27-28 Target	15 mt/year	4-5x growth target — highly ambitious
Required CAGR	~60-70% per year	If achieved from FY26 base to FY28 target
Q4 FY26 Guidance	'Record quarter'	Management's own word — highest quarterly volume ever
Logistics lever	China Railway partnership	New mining/logistics contractor — cost efficiency driver
Port infrastructure	Partly owned via Shantilal Multiport	50% stake in port entity for logistics control

Diversification Initiatives

- Oman Operations: Setting up an overseas mineral processing base — details sparse, timeline unclear.
- Guinea Iron Ore: Already covered in Section 4 — the most credible near-term diversification catalyst.
- India Polymers: Small-scale pilot plant at 200 kg capacity — very early stage; not a near-term earnings contributor.

- India B2C (Building Materials): First B2C channel for the company — tests whether Ashapura's brand can translate to consumer markets. Optionality value, not current earnings.

9. Bull & Bear Cases

BULL CASE	BEAR CASE
<ul style="list-style-type: none"> • 15 mt bauxite volume target met → revenue 4-5x from Guinea • Iron ore second stream adds significant revenue by FY27 • China restocking cycle drives bauxite price back to \$70+ • CQD freight contracts structurally eliminate demurrage cost • World #3 bentonite & bleaching clay — global brand moats • India value-added push improves domestic margins significantly • 90+ country export network = highly diversified demand base • Capex mostly complete — free cash flow inflection incoming 	<ul style="list-style-type: none"> • Bauxite price falls below \$52 — management must pause Guinea ops • CBI conviction creates regulatory/reputational contagion • China bauxite oversupply persists — EBITDA/ton at \$4-5, not \$10 • Volume ramp fails — 15 mt by FY28 misses by 30-40% • Iron ore trial doesn't convert to commercial scale in FY27 • Guinea operational risk: monsoon, politics, infrastructure • Related-party transaction governance concern escalates • Debt repayment delayed; interest cost erodes improving margins

Key Metrics to Monitor Each Quarter

Metric	Value	Commentary
Guinea Volume (mt/quarter)	Target: sequential growth	Proof of 15 mt FY28 path viability
Bauxite Realised Price (\$/ton)	Watch: recovery towards \$65+	#1 earnings lever — below \$60 is danger zone
EBITDA/ton Guinea	Target: >\$7	Confirms cost reduction offsetting price compression
EBITDA Margin (consolidated)	Target: >14%	Must hold despite price headwinds via volume
Iron Ore Update (Q4 FY26)	Binary catalyst	Volume + price guidance = positive surprise potential
Demurrage (₹ Cr/quarter)	Target: near-zero	CQD contracts should structurally eliminate this
India Revenue Growth	Target: >15% YoY	Under-followed segment; proof of management's 2-3 yr commitment
Related-Party Disclosures	Monitor quarterly	Transparency improvement would reduce governance risk premium

10. Investment Conclusion

VERDICT: HIGH-RISK / HIGH-UPSIDE

Not for risk-averse investors | Size positions with governance risk discount | Monitor quarterly

Ashapura Minechem is a genuinely world-class mineral company. Its top-3 global positions in Bentonite and Bleaching Earth, combined with India market leadership in Refractory and Proppants, represent decades of accumulated competitive advantage. The Guinea bauxite operation is strategically rational — Guinea holds the world's largest bauxite reserves, Ashapura has the mining licences, and China has insatiable demand for aluminium precursors.

The financial trajectory for 9M FY26 — 50% revenue growth, improving EBITDA margins, and a guided 'record Q4' — is genuinely impressive for a company of this vintage and complexity. If management's volume ramp to 15 mt materialises and iron ore adds a second revenue stream, the earnings power of this business in FY28-29 could be multiples of today.

However, the risks are equally real. Bauxite prices have fallen 15% from Q3 realisations and may fall further. The CBI conviction of both the company and its Chairman is a governance disqualifier for many institutional investors. The related-party structure adds opacity. And the entire investment thesis rests on a commodity price (\$65+) and a volume ramp (15 mt) that are both uncertain and correlated — if prices stay low, the incentive to ramp volumes for sub-economic returns diminishes.

For investors who understand commodity cycles and can tolerate governance risk, Ashapura represents a high-conviction asymmetric opportunity at the right price and entry point. The Q4 FY26 results and the iron ore guidance update are the most important near-term catalysts. For conservative or ESG-constrained investors, the governance overhang is a structural barrier.

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