

Estimate change	↑
TP change	↑
Rating change	↔

**CMP: INR264**

**TP: INR270 (+2%)**

**Neutral**

## Robust performance across verticals leads to a beat in operating results

Bloomberg	VEDL IN
Equity Shares (m)	3717
M.Cap.(INRb)/(USD\$b)	979.9 / 11.8
52-Week Range (INR)	338 / 208
1, 6, 12 Rel. Per (%)	1/-13/-39
12M Avg Val (INR M)	2960
Free float (%)	36.3

### Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
Sales	1,405	1,451	1,525
EBITDA	288.0	318.1	337.7
EBITDA margin	20.5	21.9	22.1
Attr. APAT	43.9	75.5	87.1
Adj. EPS (INR)	11.8	20.3	23.4
EPS Gr (%)	-58.2	71.7	15.5
BV/Sh. (INR)	70.8	68.2	69.8
<b>Ratios</b>			
Net D:E	2.3	2.4	2.3
RoE (%)	13.4	29.2	33.9
RoCE (%)	19.1	21.9	22.7
Payout (%)	347.6	112.6	93.3
<b>Valuations</b>			
P/E (x)	22.4	13.0	11.3
P/BV	3.7	3.9	3.8
EV/EBITDA (x)	7.0	6.6	6.4
Div. Yield (%)	15.6	8.7	8.3
FCF Yield (%)	6.7	14.6	14.9

### Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	63.7	63.7	69.7
DII	11.3	10.7	11.1
FII	7.8	7.9	8.1
Others	17.2	14.3	11.1

FII Includes depository receipts

- Vedanta (VEDL) delivered the highest ever 3Q consolidated net sales at INR355b (up 4% YoY), which was 6% higher than our estimate of INR337b. The revenue was driven by higher sales volumes and favorable movements in forex, which were partially offset by a fall in commodity (input) prices.
- VEDL's consolidated EBITDA stood at INR85b (up 21% YoY), which was a 28% beat to our estimate of INR67b. EBITDA margin for 3QFY24 improved ~440bp to 24%. The beat was driven by higher volumes across business verticals and a strong focus on cost reduction initiatives.
- Aluminum and HZ reported the highest ever 9M volumes and they are now in the first quartile of the global aluminum and zinc mining cost curves.
- APAT for the quarter stood at INR20b (up 29% YoY) against our estimate of INR10b. The beat was supported by better operating performance, lower finance cost, and higher other income, which were partially offset by higher depreciation and tax outgo.
- VEDL's net debt stood at ~INR625b (up from INR578b in 2QFY24) and net debt/EBITDA stood at 1.7x in 3QFY24, with ~82% of debt being in INR.
- In 3QFY24, the Board declared a second interim dividend of INR11/share, taking the total dividend for FY24 to INR29.5/share.
- During 9MFY24, revenue stood at INR1,034b (-5.5% YoY), EBITDA was at INR216b (-13.6% YoY), and PAT stood at INR34b (-54.1% YoY).
- **Reiterate Neutral with a revised SoTP-based TP of INR270.**

### Highlights from the management commentary

- Post-capacity expansion in the aluminum business, which will take the total smelting capacity to ~2.8mt, the share of VAP will increase to ~90%.
- Management has guided for an EBITDA/t guidance of USD1,000/t for its aluminum business with a conversion cost of ~USD1,600/t.
- Capex for FY24 is expected to be ~USD1.5-1.6b.
- Management expects to ramp up its Zinc International volumes to 500kt in the near term, with a medium-to-long-term target of 1mt. For Zinc International, EBITDA/t guidance stands at USD800/t in the near term and USD1,000/t in the medium-to-long-term period.
- VEDL is increasing its power portfolio to 4,780mw from 2,580mw by setting up the 1,000mw Meenakshi, and 1,200mw Athena power plants.
- VEDL is enhancing the mining EC for iron ore in Karnataka and Liberia, along with a ramp-up of Goa mines, which will take the yearly iron ore production to 13mt by FY25 from ~5mt.
- For strategic divestment or sale of non-core assets, VEDL has received inquiries, and currently it is in the stage of sharing data and undertaking site visits. VEDL expects concrete response by 4QFY24 or 1QFY25 on the same.

**Alok Deora - Research Analyst** (Alok.Deora@MotilalOswal.com)

**Parthiv Deepak Jhonsa - Research Analyst** (Parthiv.Jhonsa@MotilalOswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- About USD3b bonds at HoldCo. have been extended by around three years and the company has USD1.8b of debt coming up for repayment over the next few months (including USD800m interest).
- The current rate of interest at Hold Co. is ~13%.

#### Valuation and view

- The company's performance has substantially improved during the quarter, driven by better-than-estimated performance across segments.
- An extension of the maturity of bonds at HoldCo. by three years provides adequate liquidity comfort to the company in the near term.
- To account for its better performance, comfortable debt position, higher volumes, and improved EBITDA guidance by the management, we have raised our FY24/FY25/FY26 EBITDA estimates by 15%/1%/3%. VEDL currently trades at 6.4x FY26E EV/EBITDA, and we believe that the stock is adequately priced in at current levels. **We reiterate our Neutral rating on VEDL with a revised SoTP-based TP of INR270.**

#### Quarterly Performance (Consolidated)

(INR b)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E 3QE	Vs. Est. %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Net Sales</b>	<b>386</b>	<b>367</b>	<b>341</b>	<b>379</b>	<b>337</b>	<b>342</b>	<b>355</b>	<b>370</b>	<b>1,473</b>	<b>1,405</b>	<b>337</b>	6
Change (YoY %)	35.9	20.6	0.0	-4.8	-12.7	-6.7	4.2	-2.4	11.0	-4.6		
Change (QoQ %)	-3.0	-5.1	-7.0	11.2	-11.1	1.3	4.0	4.2				
Total Expenditure	284	290	270	285	273	275	270	299	1,129	1,117		
<b>EBITDA</b>	<b>102</b>	<b>77</b>	<b>71</b>	<b>95</b>	<b>64</b>	<b>67</b>	<b>85</b>	<b>71</b>	<b>344</b>	<b>288</b>	<b>67</b>	28
Change (YoY %)	1.8	-25.7	-34.6	-30.6	-37.0	-12.7	20.7	-24.6	-23.2	-16.3		
Change (QoQ %)	-25.2	-24.5	-8.2	33.8	-32.1	4.6	27.0	-16.4				
As % of Net Sales	26.4	21.0	20.7	24.9	19.0	19.7	24.0	19.3	23.4	20.5		
Finance cost	12	16	16	18	21	25	24	26	62	96		
DD&A	25	26	27	28	26	26	28	28	106	107		
Other Income	7	7	7	7	5	6	8	8	29	27		
<b>PBT (before EO item)</b>	<b>73</b>	<b>41</b>	<b>35</b>	<b>56</b>	<b>23</b>	<b>22</b>	<b>41</b>	<b>26</b>	<b>205</b>	<b>112</b>		
EO exp. (income)	0	-2	-9	13	-18	-43	0	0	2	-61		
<b>PBT (after EO item)</b>	<b>73</b>	<b>44</b>	<b>44</b>	<b>43</b>	<b>41</b>	<b>65</b>	<b>41</b>	<b>26</b>	<b>203</b>	<b>172</b>		
Total Tax	16.7	16.7	13.0	11.3	7.8	90.9	12.4	6	57.7	117		
% Tax	23.0	38.4	29.6	26.4	19.0	140.7	30.1	24.8	28.5	68.2		
<b>PAT before MI and Asso.</b>	<b>56</b>	<b>27</b>	<b>31</b>	<b>31</b>	<b>33</b>	<b>-9</b>	<b>29</b>	<b>19</b>	<b>145</b>	<b>72</b>		
Profit from Asso.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0	0		
Minority interest	11.7	8.8	6.3	12.5	6.7	8.7	8.6	9	39.3	33		
<b>PAT after MI and Asso.</b>	<b>44</b>	<b>18</b>	<b>25</b>	<b>19</b>	<b>26</b>	<b>-18</b>	<b>20</b>	<b>10</b>	<b>106</b>	<b>39</b>		
<b>APAT</b>	<b>44</b>	<b>14</b>	<b>16</b>	<b>31</b>	<b>9</b>	<b>5</b>	<b>20</b>	<b>10</b>	<b>105</b>	<b>44</b>	<b>10</b>	107
Change (YoY %)	-1.3	-69.4	-63.4	-49.5	-80.5	-65.7	29.0	-66.8	-46.2	-58.2	(38)	
Change (QoQ %)	-28.3	-67.8	9.6	99.6	-72.4	-43.3	312.5	-48.7			100	

Sources: MOFSL, Company

**Business-wise EBITDA (INR b)**

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Vs. Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE	%	
<b>EBITDA</b>	<b>102</b>	<b>77</b>	<b>71</b>	<b>95</b>	<b>64</b>	<b>67</b>	<b>85</b>	<b>71</b>	<b>344</b>	<b>288</b>	<b>67</b>	28
Copper	(0.1)	0.2	(0.6)	0.5	(0.0)	(0.6)	0.1	0.1	(0.0)	(0.5)		
Aluminum	22.5	7.6	9.6	18.6	18.2	19.7	28.7	17.7	58.4	84.3		
Iron ore	3.6	2.1	0.5	3.6	1.6	3.2	6.3	4.5	9.9	15.7		
Power	0.8	1.4	2.7	3.6	2.9	2.5	2.1	2.6	8.5	10.0		
Zinc-India	51.4	44.1	37.1	42.6	33.5	31.4	35.2	37.1	175.1	137.2		
Zinc-Int	5.9	5.9	3.1	4.4	2.8	2.9	0.6	1.2	19.3	7.5		
Oil & Gas	20.8	20.2	20.0	16.8	11.5	11.0	12.6	8.0	77.8	43.1		
Steel	0.9	(0.1)	(0.7)	3.0	0.2	1.2	1.1	1.3	3.2	3.7		
Others	(3.9)	(4.4)	(1.2)	1.5	(6.4)	(4.0)	(1.4)	(1.2)	(7.9)	(13.0)		
Change (YoY %)	1.8	-25.7	-34.6	-30.6	-37.0	-12.7	20.7	-24.6	-23.2	-16.3		
Change (QoQ %)	-25.2	-24.5	-8.2	33.8	-32.1	4.6	27.0	-16.4				
As % of Net Sales	26.4	21.0	20.7	24.9	19.0	19.7	24.0	19.3	23.4	20.5		

Sources: MOFSL, Company

**Conference call takeaways****Aluminum CoP and capex:**

- Aluminum CoP has decreased by ~USD79/t QoQ and USD918/t since 1QFY23. The CoP currently stands at USD1,735/t
- Aluminum EBITDA has improved ~USD175/t QoQ to USD578/t, and VEDL envisages the same to reach USD1,000/t in the coming years.
- VEDL produced the highest ever 9M aluminum at 1,772kt. It is now in the first quartile of the cost curve among the global aluminum manufacturers.
- Lanjigarh expansion from 2mt to 5mt is on track and 1.5mt Train-I is expected to commence in 4QFY24. Following that, Train-II, with an additional 1.5mt capacity, is projected to be operational by 2QFY25. After all these expansions, VEDL expects the share of VAP to increase to 90% from 60%.
- The 6mt Radhikapur mine has already received Stage-I clearance and is awaiting Stage-II clearances, while 8mt Kurloi mine is currently awaiting its Stage-I clearances. The commercial commencements of both of these mines are on track and are anticipated to come on stream by 2QFY25.

**Zinc International:**

- Zinc International is enhancing its production to 500kt within the next two years, and after that it plans to take the total production to 1mt.
- Gamsberg is expected to contribute around 450kt of production while BMM production is expected to remain stagnant going forward.
- The vertical achieved the highest ever recovery at Gamsberg at 82.3%
- VEDL expects the OBR issue to be resolved over the next two quarters, and the operations are likely to be back to normal levels.
- All the expansions are anticipated to come on stream by FY25-26.

**Power:**

- In order to capture the ever-growing need for power, VEDL is adding power portfolio of 2,200mw by FY26, which will take their portfolio to 4.8gw.
- In Jul'22, VEDL acquired the 1,200mw Athena power via NCLT and in Aug'23, it acquired the 1,000mw Meenakshi power.
- Post-completion of both these acquisitions, VEDL will be the second largest private power player in terms of installed thermal capacity.

- Including CPP, the total installed capacity will be over 10GW.
- VEDL has earmarked ~INR60b of capex for these projects.

#### Iron and steel:

- The Karnataka iron ore mines' EC is getting enhanced to 10mt from 7.2mt, and Liberia to 5mt from 1.5mt.
- The steel vertical reported better volumes post-completion of capex undertaken in FY23. The vertical's revenue has been consistently increasing while maintaining the EBITDA margin in the range of 4.8-5.0%.
- The steel vertical currently has a capacity of 1.5mt, which is well on track to increase to 3mt by FY25E and pig iron capacity will be increasing to 1.1mt from 0.9mt during the same period.
- For strategic divestment or sale of non-core assets, VEDL has received some inquiries and currently it is in the stage of sharing data and undertaking site visits. It expects some concrete response by 4QFY24 or 1QFY25 on the same.

#### Proposed demerger into 'pure-play' commodity companies

- VEDL in Oct'23 announced its plan to demerge its existing business verticals into six independent 'pure-play' companies. This move aims to unlock stakeholder value, simplify corporate structure with improved focus on transparency, attract strategic investment, and improve competencies.
- The company has submitted the scheme to the SE and the proposal is on track. Post-receiving the necessary approvals from the SE, the scheme will be filed with NCLT.

#### Debt at VEDL and HoldCo. level

- VEDL's net debt increased INR47b QoQ and stood at INR625b.
- 82% of the total borrowings are in INR-denominated debt.
- About USD3b bonds at HoldCo. have been extended by around three years and the company has USD1.8b of debt coming up for repayment over the next few months (including USD800m interest).
- The average RoI at HoldCo. stood at ~13%
- After this exercise, the liquidity position of the company has strengthened.

#### EBITDA potential:

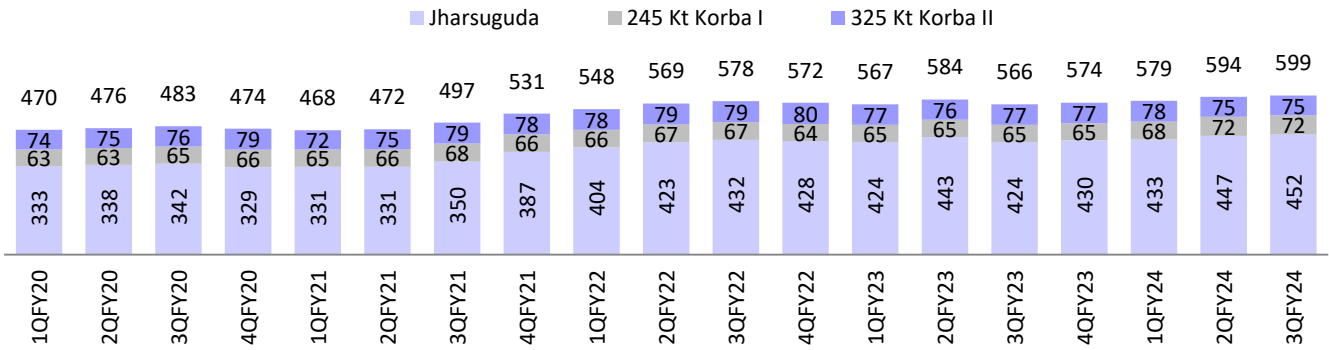
- Management has guided for an EBITDA potential of USD7b p.a. from all the verticals, which can be achieved by VEDL. The break-up is as under:
  - ❖ Aluminum vertical: USD2.6b
  - ❖ HZ: USD2.1b
  - ❖ Zinc International: USD285m
  - ❖ Iron ore: USD400m
  - ❖ Steel: USD301m
  - ❖ Power: USD216m
  - ❖ FACOR: USD100m
  - ❖ Copper: USD108m
  - ❖ Oil and Gas: USD750m
- VEDL also indicated that once copper and Zinc International business scales, the potential from these two verticals is ~USD1b.

**HZ guidance on volumes and COP**

- Management has kept its FY24 mined metal volumes unchanged at 1,075-1,100kt.
- Silver production, which was guided around 725-750t, is expected to surpass the guided volumes in FY24. However, 4QFY24 silver volumes will depend on the mined metal grade.
- As HZ reaches its yearly mined metal target of 1.2mt from the current ~1.05mt, silver volumes can reach ~800t and to achieve 1,000t of silver production, HZ needs to increase its mined metal volumes to 1.5mt.
- The Fumer facility is expected to add 30kt of silver production from FY25E onwards (achieve 30kt run rate by 4QFY24).
- Once the alloy facility is completely operational, it will increase the VAP to 25% by 1QFY25 from the current 18-20% level.
- 3QFY24 marked the fourth consecutive quarter of consistent CoP improvement and the lowest in last 10 quarters. Better coal linkages and softening of coal prices led to an improved CoP.
- HZ has kept its CoP guidance unchanged at USD1,125-1,175/t for FY24.
- This solidifies HZ's position as the global cost leader and is now in the first decile in the global zinc mining.

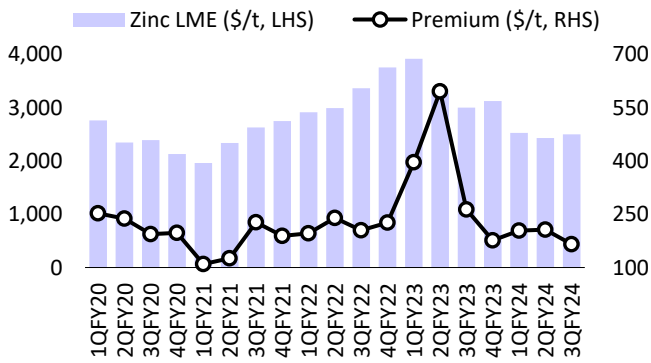
## Story in charts

**Exhibit 1: The highest ever aluminum production at 599kt**



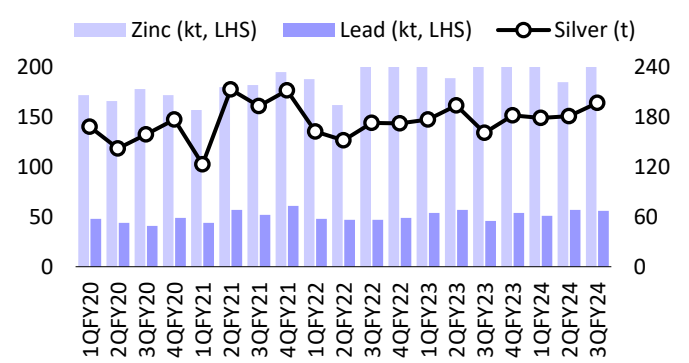
Sources: MOFSL, Company

**Exhibit 2: Zinc LME vs. Premium (USD/t) – Premium during the quarter contracted to USD166/t**



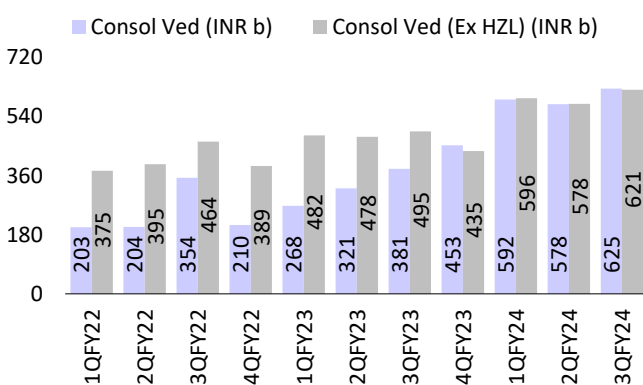
Sources: MOFSL, Company

**Exhibit 3: Zinc India volumes (kt) – zinc, lead, and silver volumes**



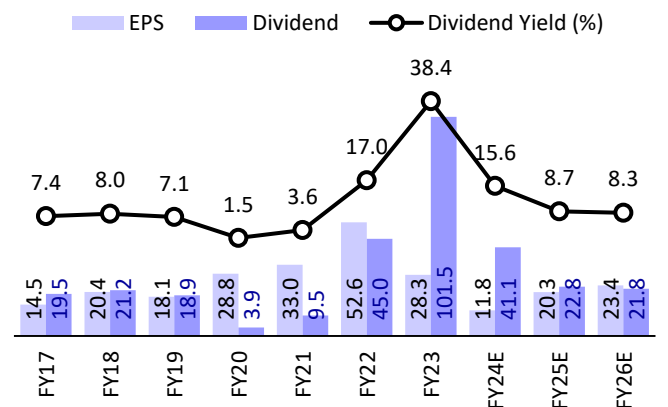
Sources: MOFSL, Company

**Exhibit 4: Net debt at Vedanta Consol. and ex-HZL (INR b)**



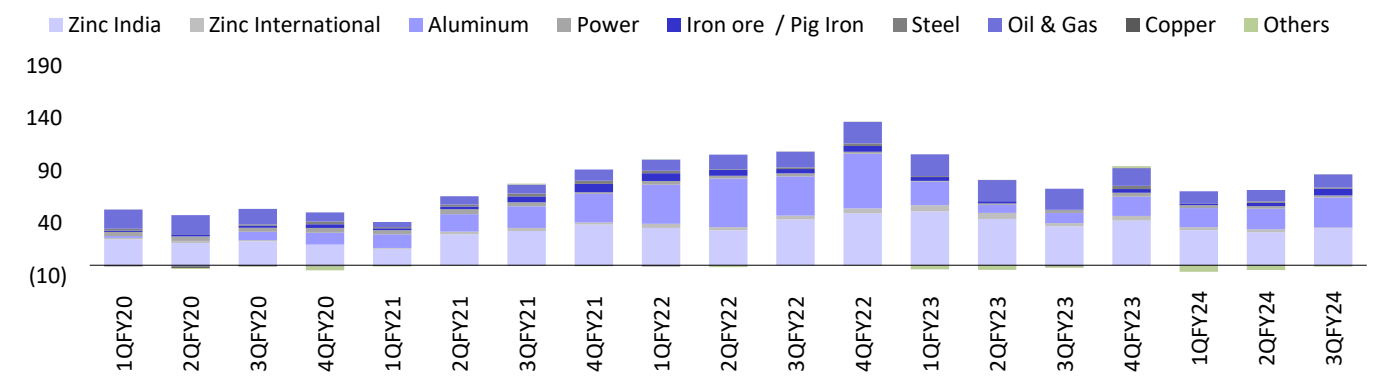
Sources: MOFSL, Company

**Exhibit 5: Dividend per share**



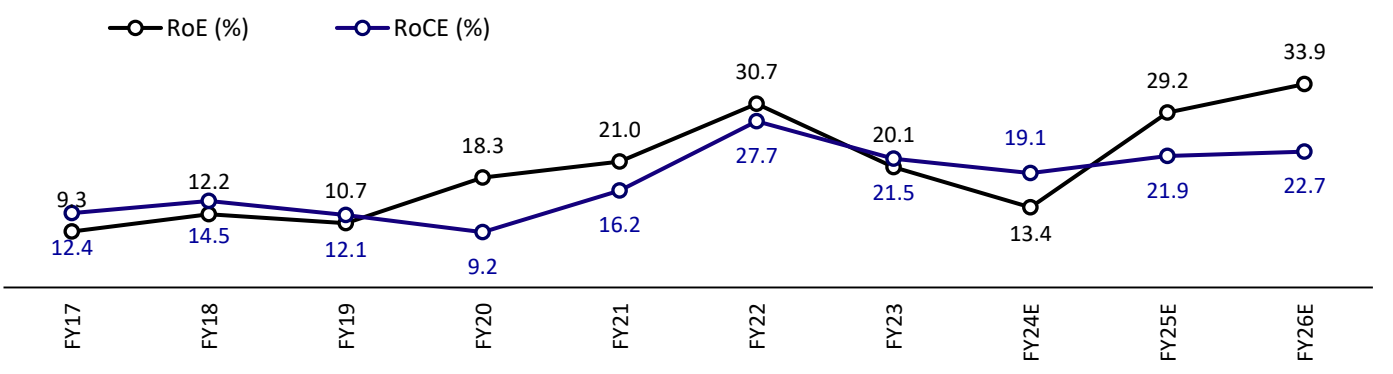
Sources: MOFSL, Company

**Exhibit 6: EBITDA breakdown by division (INR b) – None of the verticals witnessed any operating losses in 3QFY24**



Sources: MOFSL, Company

**Exhibit 7: ROE and RoCE likely to improve going forward after touching a low in FY24**



Sources: MOFSL, Company

**Exhibit 8: Entity-wise debt and cash movements (INR b)**

Entity wise Debt	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Gross Debt</b>											
Vedanta Limited	278	305	338	367	452	453	452	420	443	425	441
Cairn India Holdings Ltd	28	28	28	16	16	10	9	27	26	26	18
Zinc India	67	46	100	28	28	21	51	118	93	113	101
Zinc International	2	1	3	0	-	-	-	-	-	-	2
BALCO	28	20	36	11	10	10	11	11	11	15	19
TSPL	73	73	74	70	70	69	69	64	64	64	62
ESL	-	-	-	27	26	25	24	23	23	21	21
Vedanta Star	-	-	-	-	-	-	-	-	-	-	-
Others	41	38	44	11	10	-2	-1	-1	75	81	88
<b>Consolidated Vedanta</b>	<b>516</b>	<b>510</b>	<b>624</b>	<b>531</b>	<b>611</b>	<b>586</b>	<b>616</b>	<b>662</b>	<b>735</b>	<b>745</b>	<b>752</b>
<b>Cash and LI</b>											
Vedanta Limited	22	17	30	71	49	40	34	74	14	20	11
Cairn India Holdings Ltd	20	21	11	14	29	20	14	16	13	18	9
Zinc India	239	237	211	208	243	178	165	101	97	114	97
Zinc International	5	5	4	6	8	13	11	7	8	4	4
BALCO	17	16	7	7	4	4	4	5	5	5	2
TSPL	2	4	1	1	0	1	1	1	1	1	1
ESL	-	-	-	-	3	4	2	3	2	2	2
Vedanta Star	-	-	-	9	-	-	-	-	-	-	-
Others	8	7	7	6	8	5	5	4	3	3	2
<b>Consolidated Vedanta</b>	<b>313</b>	<b>307</b>	<b>271</b>	<b>321</b>	<b>343</b>	<b>265</b>	<b>235</b>	<b>209</b>	<b>143</b>	<b>167</b>	<b>127</b>
<b>Net Debt</b>											
Vedanta Limited	255	288	308	296	403	413	419	347	429	405	431
Cairn India Holdings Ltd	8	7	17	2	-13	-10	-6	11	13	8	10
Zinc India	-172	-191	-110	-180	-214	-157	-114	18	-4	-1	4
Zinc International	-3	-3	-1	-6	-8	-13	-11	-7	-8	-4	-2
BALCO	11	3	29	4	7	6	7	7	6	10	17
TSPL	71	69	73	69	69	67	69	63	64	63	61
ESL	-	-	-	27	23	21	22	20	21	19	19
Vedanta Star	-	-	-	-9	-	-	-	-	-	-	-
Others	32	31	38	5	2	-7	-6	-5	72	78	86
<b>Consol Ved (INR b)</b>	<b>203</b>	<b>204</b>	<b>354</b>	<b>210</b>	<b>268</b>	<b>321</b>	<b>381</b>	<b>453</b>	<b>592</b>	<b>578</b>	<b>625</b>
<b>Consol Ved (Ex HZL) (INR b)</b>	<b>375</b>	<b>395</b>	<b>464</b>	<b>389</b>	<b>482</b>	<b>478</b>	<b>495</b>	<b>435</b>	<b>596</b>	<b>578</b>	<b>621</b>

Sources: MOFSL, Company



**Exhibit 9: Operational Performance – Zinc India (INR b)**

Y/E March	FY23				FY24E				FY23	FY24E	FY24E Vs. Est.	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	%
Mine prodn. (kt)	252	255	257	301	257	252	271	289	1,062	1,069		
<b>Sales</b>												
Zinc refined (kt)	206	189	210	216	208	185	203	219	821	815		
Lead refined (kt)	54	57	46	54	50	57	56	57	211	220		
Silver (tonnes)	177	194	161	182	179	181	197	180	714	737		
<b>Net Sales</b>	<b>94</b>	<b>83</b>	<b>79</b>	<b>85</b>	<b>73</b>	<b>68</b>	<b>73</b>	<b>83</b>	<b>341</b>	<b>297</b>	75	(2)
Change (YoY %)	43.7	36.2	-1.6	-3.3	-22.4	-18.5	-7.1	-2.2	15.8	-12.9		
Change (QoQ %)	6.7	-11.2	-5.6	8.2	-14.4	-6.7	7.6	13.8				
<b>EBITDA</b>	<b>51</b>	<b>44</b>	<b>37</b>	<b>43</b>	<b>33</b>	<b>31</b>	<b>35</b>	<b>37</b>	<b>175</b>	<b>137</b>	34	5
Change (YoY %)	44.4	32.1	-15.2	-14.2	-34.8	-28.8	-5.0	-12.8	7.9	-21.6		
Change (QoQ %)	3.5	-14.2	-15.9	14.8	-21.3	-6.2	12.2	5.4				
As % of Net Sales	54.7	52.9	47.1	50.0	46.0	46.2	48.2	44.6	51.3	46.2		
Finance cost	0	1	1	2	2	2	2	3	3	10		
DD&A	7	8	8	9	8	8	9	10	33	35		
Other Income	3	4	3	4	3	2	3	2	14	10		
<b>PBT (before EO item)</b>	<b>47</b>	<b>39</b>	<b>32</b>	<b>35</b>	<b>26</b>	<b>23</b>	<b>27</b>	<b>27</b>	<b>153</b>	<b>103</b>		
EO exp. (income)	0	0	0	0	0	0	0	0	0	0		
<b>PBT</b>	<b>47</b>	<b>39</b>	<b>32</b>	<b>35</b>	<b>26</b>	<b>23</b>	<b>27</b>	<b>27</b>	<b>153</b>	<b>103</b>		
Total Tax	16	12	10	9	6	6	6	7	48	25		
% Tax	33.8	31.7	32.3	26.3	24.8	25.0	24.0	25.2	31.2	24.7		
<b>Reported PAT</b>	<b>31</b>	<b>27</b>	<b>22</b>	<b>26</b>	<b>20</b>	<b>17</b>	<b>20</b>	<b>20</b>	<b>105</b>	<b>77</b>		
<b>Adjusted PAT</b>	<b>31</b>	<b>27</b>	<b>22</b>	<b>26</b>	<b>20</b>	<b>17</b>	<b>20</b>	<b>20</b>	<b>105</b>	<b>77</b>	18	11
Change (YoY %)	55.9	32.9	-20.2	-11.8	-36.5	-35.5	-5.9	-22.2	9.2	-26.4		
Change (QoQ %)	5.6	-13.3	-19.6	19.8	-24.0	-12.0	17.3	-0.9				

Sources: MOFSL, Company

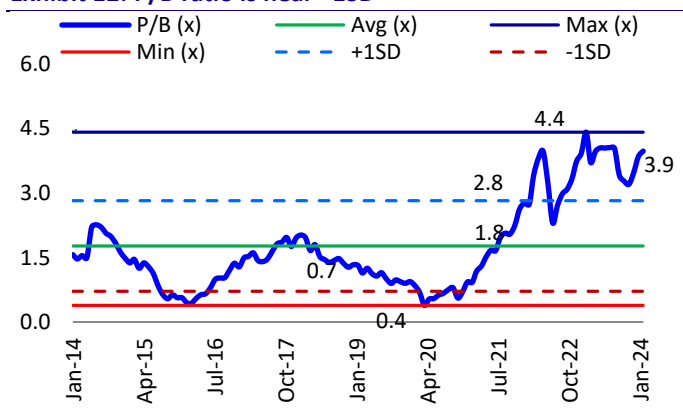
**Exhibit 10: Changes to our assumptions and key financials**

	Units	FY24E			FY25E			FY26E		
		New	Old	% change	New	Old	% change	New	Old	% change
Revenue	Rs bn	1,405	1,376	2%	1,451	1,447	0%	1,525	1,518	0%
EBITDA	"	288	273	5%	318	319	0%	338	332	2%
Adj PAT	"	44	38	15%	75	75	1%	87	84	3%
EPS	Rs/sh	11.8	10.3	15%	20.3	20.1	1%	23.4	22.7	3%

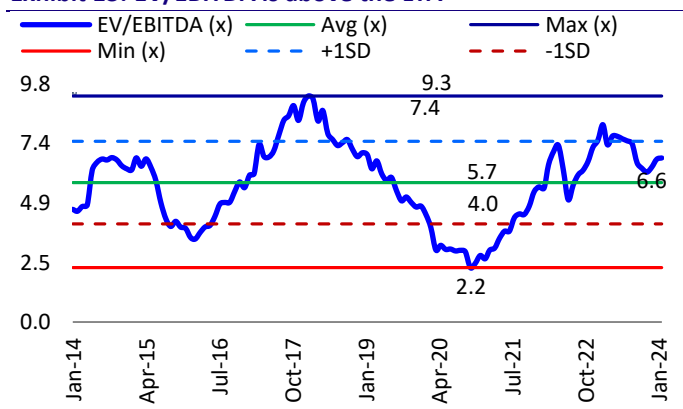
**Exhibit 11: SoTP valuation**

(INR b)	EBITDA FY26E	EV EBITDA (x)	EV FY26E	Per Share
<b>VEDL (ex HZL)</b>				
Copper	0	5.0	1	0
Aluminum	79	6.5	513	138
Iron ore	12	5.5	65	18
Steel	5	5.5	30	8
Power	12	5.0	62	17
Zinc-Int	11	5.0	55	15
Oil & Gas	33	5.0	165	44
Sub. Tot.	153	5.8	892	240
Less: Net Debt			607	163
<b>Equity Value</b>			<b>285</b>	<b>77</b>
<b>Hind. Zinc</b>				
HZL	190	6.0	1,138	306
Add: Net Cash			159	43
<b>Equity Value</b>			<b>1,297</b>	<b>349</b>
<b>INR/share (HZL)</b>			<b>310</b>	
<b>VEDL</b>			<b>INR b</b>	<b>INR/sh</b>
HZL@64.9% (15% Hold Co. discount)			715	192
VEDL (ex HZL)			285	77
<b>Equity value</b>			<b>1,000</b>	
Shares outstanding (bn)			3.7	
<b>Target price (INR/sh)</b>			<b>270</b>	<b>2%</b>

Sources: MOFSL, Company

**Exhibit 12: P/B ratio is near +1SD**

Source: MOFSL

**Exhibit 13: EV/EBITDA is above the LTA**

Source: MOFSL

**Exhibit 14: Global comparable valuations**

Company	M-Cap USD mn	P/E (x)		EV/EBITDA (x)		P/B (x)		RoE (%)	
		CY22/FY23	CY23/FY24	CY22/FY23	CY23/FY24	CY22/FY23	CY23/FY24	CY22/FY23	CY23/FY24
Vedanta*	11,790	9.3	22.4	5.1	7.0	2.5	3.7	20.1	13.4
BHP	1,58,942	11.6	11.4	6.2	5.9	3.6	3.1	31.0	29.7
Rio	1,19,656	9.6	8.7	5.3	4.7	2.1	1.9	22.0	22.8
Glencore	64,897	9.9	10.9	4.5	4.4	1.5	1.4	14.7	12.7
Anglo	28,469	9.8	10.2	4.6	4.5	1.0	1.0	10.3	10.0
South 32	10,008	10.7	18.7	4.0	5.7	1.0	1.1	9.7	5.7

Sources: MOFSL, Bloomberg. (\*) denotes MOFSL estimates

## Financials and valuations

Income Statement (Consolidated)										INR b
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>722</b>	<b>919</b>	<b>920</b>	<b>844</b>	<b>880</b>	<b>1,327</b>	<b>1,473</b>	<b>1,405</b>	<b>1,451</b>	<b>1,525</b>
Total Expenses	509	667	689	638	607	879	1,129	1,117	1,133	1,187
<b>EBITDA</b>	<b>213</b>	<b>252</b>	<b>231</b>	<b>207</b>	<b>273</b>	<b>448</b>	<b>344</b>	<b>288</b>	<b>318</b>	<b>338</b>
DDA	63	63	82	91	76	89	106	107	110	113
<b>EBIT</b>	<b>150</b>	<b>189</b>	<b>149</b>	<b>116</b>	<b>197</b>	<b>359</b>	<b>239</b>	<b>181</b>	<b>209</b>	<b>224</b>
Finance cost	59	58	57	50	52	48	62	96	88	81
Other income	46	36	40	25	34	26	29	27	25	23
<b>PBT</b>	<b>138</b>	<b>167</b>	<b>132</b>	<b>91</b>	<b>179</b>	<b>337</b>	<b>205</b>	<b>112</b>	<b>145</b>	<b>166</b>
Tax	38	57	39	-35	22	93	58	117	36	42
Rate (%)	27.4	34.4	29.2	-38.5	12.2	27.4	28.2	105.0	25.2	25.2
<b>PAT (before EO)</b>	<b>100</b>	<b>109</b>	<b>94</b>	<b>126</b>	<b>157</b>	<b>245</b>	<b>147</b>	<b>-6</b>	<b>108</b>	<b>125</b>
EO expense /Income	-1	8	3	-170	-7	-8	-2	-61	0	0
<b>PAT before MI and Asso.</b>	<b>99</b>	<b>118</b>	<b>97</b>	<b>-43</b>	<b>150</b>	<b>237</b>	<b>145</b>	<b>72</b>	<b>108</b>	<b>125</b>
Minority interests	44	34	26	19	34	49	39	33	33	37
Share in Asso.	0	0	0	0	0	0	0	0	0	0
<b>PAT after MI and Asso.</b>	<b>55</b>	<b>84</b>	<b>71</b>	<b>-62</b>	<b>116</b>	<b>188</b>	<b>106</b>	<b>39</b>	<b>75</b>	<b>87</b>
<b>Attrib. PAT (after MI &amp; asso)</b>	<b>54</b>	<b>76</b>	<b>67</b>	<b>107</b>	<b>123</b>	<b>196</b>	<b>105</b>	<b>44</b>	<b>75</b>	<b>87</b>
Change (YoY %)	-74.9	40.4	-11.0	59.0	14.5	59.4	-46.2	-58.2	71.7	15.5

Balance Sheet (Consolidated)										INR b
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	4	4	4	4	4	4	4	4	4	4
Reserves	601	631	619	543	619	650	391	260	250	256
<b>Net Worth</b>	<b>605</b>	<b>635</b>	<b>623</b>	<b>546</b>	<b>623</b>	<b>654</b>	<b>394</b>	<b>263</b>	<b>254</b>	<b>260</b>
Total Loans	906	725	835	757	686	534	665	675	685	670
Deferred Tax Liability	-54	-9	10	-40	-36	-7	-26	-26	-26	-26
<b>Capital Employed</b>	<b>1,597</b>	<b>1,511</b>	<b>1,621</b>	<b>1,435</b>	<b>1,423</b>	<b>1,355</b>	<b>1,133</b>	<b>1,046</b>	<b>1,079</b>	<b>1,107</b>
Gross Block	1,641	1,810	2,176	2,182	2,411	2,542	2,744	2,867	2,953	3,039
Less: Accum. Deprn.	775	848	1,185	1,276	1,482	1,591	1,766	1,873	1,983	2,096
<b>Net Fixed Assets</b>	<b>866</b>	<b>962</b>	<b>991</b>	<b>907</b>	<b>929</b>	<b>951</b>	<b>978</b>	<b>994</b>	<b>970</b>	<b>942</b>
Capital WIP	177	161	222	168	139	142	174	216	269	334
Investments	1	2	49	1	2	2	5	5	5	5
<b>WC. Assets</b>	<b>872</b>	<b>674</b>	<b>723</b>	<b>691</b>	<b>729</b>	<b>840</b>	<b>721</b>	<b>565</b>	<b>576</b>	<b>580</b>
Inventory	96	120	132	113	99	143	150	143	148	155
Account Receivables	34	53	77	58	66	82	65	62	64	68
Cash and Bank Balance	610	338	365	372	331	327	219	73	78	70
Loans and advances	131	163	149	148	232	288	286	286	286	286
<b>WC. Liability &amp; Prov.</b>	<b>319</b>	<b>287</b>	<b>365</b>	<b>333</b>	<b>375</b>	<b>580</b>	<b>745</b>	<b>734</b>	<b>742</b>	<b>754</b>
Trade payables	71	84	92	80	79	215	247	236	244	256
Provisions & Others	248	203	273	252	296	365	498	498	498	498
<b>Net WC. Assets</b>	<b>553</b>	<b>386</b>	<b>358</b>	<b>359</b>	<b>354</b>	<b>260</b>	<b>-24</b>	<b>-169</b>	<b>-165</b>	<b>-174</b>
<b>Appl. of Funds</b>	<b>1,597</b>	<b>1,511</b>	<b>1,621</b>	<b>1,435</b>	<b>1,423</b>	<b>1,355</b>	<b>1,133</b>	<b>1,046</b>	<b>1,079</b>	<b>1,107</b>

## Financials and valuations

Ratios										
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>										
<b>EPS</b>	<b>14.5</b>	<b>20.4</b>	<b>18.1</b>	<b>28.8</b>	<b>33.0</b>	<b>52.6</b>	<b>28.3</b>	<b>11.8</b>	<b>20.3</b>	<b>23.4</b>
Cash EPS	31.4	37.3	40.2	53.3	53.5	76.5	56.7	40.7	49.7	53.9
BV/Share	162.7	170.7	167.5	146.9	167.4	175.8	106.0	70.8	68.2	69.8
DPS	19.5	21.2	18.9	3.9	9.5	45.0	101.5	41.1	22.8	21.8
Payout (%)	134.0	104.1	104.0	13.5	28.8	85.5	358.9	347.6	112.6	93.3
<b>Valuation (x)</b>										
P/E	18.2	13.0	14.6	9.2	8.0	5.0	9.3	22.4	13.0	11.3
Cash P/E	8.4	7.1	6.6	5.0	4.9	3.5	4.7	6.5	5.3	4.9
P/BV (incl.-goodwill)	1.6	1.5	1.6	1.8	1.6	1.5	2.5	3.7	3.9	3.8
EV/Sales	1.9	1.6	1.6	1.7	1.6	0.9	1.0	1.1	1.1	1.1
EV/EBITDA	7.8	7.1	8.0	8.4	6.3	3.4	5.1	7.0	6.6	6.4
Dividend Yield (%)	7.4	8.0	7.1	1.5	3.6	17.0	38.4	15.6	8.7	8.3
<b>Return Ratios (%)</b>										
EBITDA Margins	29.5	27.4	25.1	24.5	31.0	33.8	23.4	20.5	21.9	22.1
Net Profit Margins	7.5	8.3	7.3	12.7	14.0	14.7	7.1	3.1	5.2	5.7
RoE	9.3	12.2	10.7	18.3	21.0	30.7	20.1	13.4	29.2	33.9
RoCE (pre-tax)	12.4	14.5	12.1	9.2	16.2	27.7	21.5	19.1	21.9	22.7
RoIC (pre-tax)	15.2	17.5	12.3	10.0	18.3	33.9	24.6	19.1	21.1	22.0
<b>Working Capital Ratios</b>										
Fixed Asset Turnover (x)	0.9	1.0	0.9	0.9	1.0	1.4	1.5	1.4	1.5	1.6
Receivable (Days)	17	21	30	25	28	22	16	16	16	16
Inventory (Days)	49	48	52	49	41	39	37	37	37	37
Trade payable (Days)	36	33	37	35	33	59	61	61	61	61
<b>Leverage Ratio (x)</b>										
Current Ratio	2.7	2.3	2.0	2.1	1.9	1.4	1.0	0.8	0.8	0.8
Interest Cover Ratio	3.4	3.9	3.3	2.8	4.4	8.0	4.3	2.2	2.6	3.0
Net Debt/EBITDA	1.4	1.5	2.0	1.9	1.3	0.5	1.3	2.1	1.9	1.8
<b>Cash Flow Statement</b>										<b>INR b</b>
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
EBITDA	213	252	231	207	273	448	344	288	318	338
Non cash exp. (income)	2	7	11	7	18	6	4	0	0	0
(Inc)/Dec in Wkg. Cap.	18	-47	21	-9	-30	-48	46	-1	1	2
Tax paid	-20	-32	-26	-11	-21	-57	-64	-117	-36	-42
<b>CF from Op. Activity</b>	<b>180</b>	<b>174</b>	<b>238</b>	<b>193</b>	<b>240</b>	<b>350</b>	<b>331</b>	<b>230</b>	<b>283</b>	<b>297</b>
(Inc)/Dec in FA + CWIP	-55	-74	-89	-77	-69	-105	-138	-164	-139	-151
<b>Free Cash Flow</b>	<b>125</b>	<b>100</b>	<b>149</b>	<b>116</b>	<b>171</b>	<b>245</b>	<b>193</b>	<b>66</b>	<b>143</b>	<b>147</b>
(Pur)/Sale of Investments	27	14	42	42	9	47	92	0	0	0
Interest & Dividend Income	11	14	9	8	20	19	17	27	25	23
Investment in subsidiaries	-30	-9	-69	-5	0	0	-3	0	0	0
Others	74	209	1	-28	-28	16	24	0	0	0
<b>CF from Inv. Activity</b>	<b>27</b>	<b>154</b>	<b>-105</b>	<b>-59</b>	<b>-68</b>	<b>-23</b>	<b>-7</b>	<b>-137</b>	<b>-115</b>	<b>-127</b>
Equity raised/(repaid)	-1	-2	-1	-1	0	0	0	0	0	0
Debt raised/(repaid)	66	-173	77	-87	-96	-27	149	10	10	-15
Dividend (incl. tax)	-129	-168	-118	-14	-91	-193	-411	-153	-85	-81
Interest paid	-62	-57	-60	-53	-53	-53	-55	-96	-88	-81
Others	3	7	0	0	65	-16	-24	0	0	0
<b>CF from Fin. Activity</b>	<b>-123</b>	<b>-393</b>	<b>-102</b>	<b>-155</b>	<b>-176</b>	<b>-289</b>	<b>-341</b>	<b>-239</b>	<b>-163</b>	<b>-178</b>
Forex Adj.	0	1	-1	0	1	0	0	0	0	0
(Inc)/Dec in Cash	83	-64	29	-22	-3	38	-17	-146	4	-7
Add: Opening cash balance	25	109	45	73	51	49	87	69	-77	-72
adjustments if any	0	0	-1	0	0	0	0	0	0	0
<b>closing cash balance</b>	<b>109</b>	<b>45</b>	<b>73</b>	<b>51</b>	<b>49</b>	<b>87</b>	<b>69</b>	<b>-77</b>	<b>-72</b>	<b>-79</b>
Bank Balance	501	293	293	320	283	241	150	150	150	150
<b>Closing Balance (incl bank balance)</b>	<b>610</b>	<b>338</b>	<b>365</b>	<b>372</b>	<b>331</b>	<b>327</b>	<b>219</b>	<b>73</b>	<b>78</b>	<b>70</b>

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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