

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↓ |
| Rating change | ↔ |

CMP: INR415 TP: INR460 (+11%) Neutral

Operating performance in line; lower tax outgo leads to APAT beat

| Bloomberg | VEDL IN |
|-----------------------|---------------|
| Equity Shares (m) | 3717 |
| M.Cap.(INRb)/(USD\$b) | 1618.5 / 19.3 |
| 52-Week Range (INR) | 507 / 208 |
| 1, 6, 12 Rel. Per (%) | -11/37/45 |
| 12M Avg Val (INR M) | 5263 |
| Free float (%) | 43.6 |

Financials & Valuations (INR b)

| Y/E March | 2024 | 2025E | 2026E |
|----------------|-------|-------|-------|
| Sales | 1,390 | 1,476 | 1,594 |
| EBITDA | 304 | 408 | 479 |
| EBITDA margin | 21.9 | 27.7 | 30.0 |
| APAT | 49 | 125 | 165 |
| Adj. EPS (INR) | 13.3 | 33.6 | 44.4 |
| EPS Gr (%) | -53.1 | 153.8 | 31.9 |
| BV/Sh. (INR) | 83 | 93 | 116 |

Ratios

| | | | |
|------------|-------|------|------|
| Net D:E | 1.9 | 1.6 | 1.1 |
| RoE (%) | 14.1 | 38.2 | 42.4 |
| RoCE (%) | 18.9 | 25.7 | 28.6 |
| Payout (%) | 309.8 | 67.9 | 49.2 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 31.3 | 12.3 | 9.4 |
| P/BV | 5.0 | 4.4 | 3.6 |
| EV/EBITDA (x) | 8.7 | 6.4 | 5.4 |
| Div. Yield (%) | 9.9 | 5.5 | 5.3 |
| FCF Yield (%) | 12.2 | 10.6 | 16.2 |

Shareholding pattern (%)

| As On | Jun-24 | Mar-24 | Jun-23 |
|----------|--------|--------|--------|
| Promoter | 59.3 | 62.0 | 68.1 |
| DII | 14.9 | 13.2 | 10.1 |
| FII | 10.4 | 9.0 | 7.6 |
| Others | 15.4 | 15.9 | 14.3 |

FII Includes depository receipts

Consolidated performance

- Vedanta (VEDL) posted consol. net sales of INR358b (+6% YoY/flat QoQ), in line with our estimate. The growth was driven by favorable market prices.
- VEDL's consolidated EBITDA came at INR99b (+55% YoY and +13% QoQ) vs. our estimate of INR95b.
- APAT for the quarter stood at INR36b (+320% YoY and +130% QoQ) against our estimate of INR26b, on account of lower tax outgo.
- VEDL's net debt of INR613b as of Jun'24 translates into a net debt/EBITDA ratio of 1.5x compared to 1.9x in 1QFY24.

Aluminum business

- VEDL produced 596kt of aluminum, registering a growth of 4% YoY (flat QoQ). The alumina production from Lanjigarh refinery jumped 36% YoY and grew 11% QoQ to 539kt in 1QFY25.
- Net sales stood at INR135b (YoY/QoQ: +14% / +9%) was in line with our est. of INR136b. Reported EBITDA came in at INR44b (YoY/QoQ: +144% / +48%), 8% above our estimate of INR41b.
- The CoP declined 11% YoY and remained flat QoQ, during the quarter.

Zinc International

- Zinc production at 37kt declined 45% YoY due to lower tons milled and lower zinc grades, while it grew 12% QoQ due to higher zinc grades and recoveries.
- Revenue stood at INR7.5b (YoY/QoQ: -32% / +19%), in line with our estimate. EBITDA was INR1.9b (YoY/QoQ: -34% / +214%) vs. our estimate of INR1b.
- Overall cost of production was down 4% QoQ.

Copper

- Copper cathode production declined 35% YoY and 38% QoQ to 20KT.
- Revenue came in at INR47b (YoY/QoQ: flat / -6%); the impact of weak volume was offset by healthy pricing during the quarter.
- The copper unit posted an operating loss of INR570m

Iron Ore

- Revenue stood at INR13b (YoY/QoQ: -32% / -47%), while EBITDA came in at INR1.8b (YoY/QoQ: +12% / -67%).
- Karnataka saleable ore production stood at 1.2mt (-9% YoY and -41% QoQ), due to the temporary suspension of mine production in May'24.

Highlights from the management commentary

- Management expects to realize a higher premium going forward on account of the higher VAP product.
- The cost of aluminum is expected to be around USD1,600/t and zinc is likely to be ~USD1,000/t in the near to medium term.
- The company hedged ~10% of both aluminum and zinc volumes.
- The cost of production for the industry rose USD100/t, due to the increase in alumina prices.
- VEDL targets to deliver USD10b of EBITDA in the near term. Out of USD10b EBITDA target, management believes the aluminum business to contribute USD4.0b, Zinc India to contribute ~USD2.7b, and O&G USD1b, while the rest is expected from iron ore, steel, power and others.
- VEDL committed to execute about USD8b of growth capex in the next few years.
- It is aiming to reach a production of 300,000 barrels/day for its oil & gas business, whereas the iron ore business in Liberia is likely to produce ~30mtpa.
- The BALCO expansion is scheduled to be commissioned this year in 4QFY25 (earlier 3QFY25), and the operation is likely to commence from 1QFY26.
- The Radhikapur coal block is likely to start operations by 4QFY25, having secured environmental clearance and completed stage 1 forest clearances, following compliance checks.

Valuation and view

- VEDL's performance in 1QFY25 came largely in line across segments. The capex plans are progressing well, which would lead to further cost savings.
- Management targets to clock USD10b of EBITDA, led by the upcoming capacity, which will produce higher VAP product. VEDL remains firm on its deleveraging plans, and higher cash flow going forward will support its expansion plan along with deleverage.
- **The stock currently trades at 5.4x FY26E EV/EBITDA. We reiterate our Neutral rating on the stock with a revised SoTP-based TP of INR460.**

Quarterly Performance (Consolidated)

(INR b)

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | FY25E 1QE | Vs. Est. (%) |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|--------------|-----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | | |
| Net Sales | 337 | 342 | 355 | 355 | 358 | 356 | 362 | 401 | 1,390 | 1,476 | 345 | 4 |
| Change (YoY %) | -12.7 | -6.7 | 4.2 | -6.4 | 6.0 | 4.2 | 1.8 | 12.9 | -5.7 | 6.2 | | |
| Change (QoQ %) | -11.1 | 1.3 | 4.0 | -0.1 | 0.7 | -0.4 | 1.6 | 10.8 | | | | |
| Total Expenditure | 273 | 275 | 270 | 267 | 258 | 258 | 259 | 293 | 1,085 | 1,068 | | |
| EBITDA | 64 | 67 | 85 | 88 | 99 | 98 | 103 | 108 | 304 | 408 | 95 | 5 |
| Change (YoY %) | -37.0 | -12.7 | 20.7 | -7.3 | 54.9 | 45.4 | 20.9 | 23.2 | -11.6 | 34.2 | | |
| Change (QoQ %) | -32.1 | 4.6 | 27.0 | 2.8 | 13.4 | -1.8 | 5.6 | 4.7 | | | | |
| As % of Net Sales | 19.0 | 19.7 | 24.0 | 24.7 | 27.8 | 27.4 | 28.5 | 27.0 | 21.9 | 27.7 | | |
| Finance cost | 21 | 25 | 24 | 24 | 22 | 24 | 24 | 25 | 95 | 95 | | |
| DD&A | 26 | 26 | 28 | 27 | 27 | 28 | 28 | 28 | 107 | 110 | | |
| Other Income | 5 | 6 | 8 | 6 | 9 | 7 | 7 | 4 | 25 | 26 | | |
| PBT (before EO item) | 23 | 22 | 41 | 42 | 59 | 53 | 59 | 59 | 128 | 230 | | |
| EO exp. (income) | -18 | -60 | 0 | 2 | 0 | 0 | 0 | 0 | -76 | 0 | | |
| PBT (after EO item) | 41 | 82 | 41 | 40 | 59 | 53 | 59 | 59 | 204 | 230 | 50 | |
| Total Tax | 7.8 | 90.9 | 12.4 | 17.2 | 8.3 | 18.6 | 20.5 | 21.6 | 128.3 | 69 | | |
| % Tax | 19.0 | 111.2 | 30.1 | 43.1 | 14.0 | 35.0 | 35.0 | 36.6 | 63.0 | 30.0 | | |
| PAT before MI and Asso. | 33 | -9 | 29 | 23 | 51 | 34 | 38 | 37 | 75 | 161 | 35 | |
| Profit from Asso. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | | |
| Minority interest | 6.7 | 8.7 | 8.6 | 9.1 | 14.9 | 9.0 | 9.0 | 3.0 | 33.0 | 36 | | |
| PAT after MI and Asso. | 26 | -18 | 20 | 14 | 36 | 26 | 29 | 34 | 42 | 125 | | |
| APAT | 9 | 5 | 20 | 16 | 36 | 26 | 29 | 34 | 49 | 125 | 26 | 39 |
| Change (YoY %) | -80.5 | -65.7 | 29.0 | -49.6 | 319.5 | 423.4 | 44.6 | 119.1 | -53.1 | 153.8 | | |
| Change (QoQ %) | -72.4 | -43.3 | 312.5 | -22.0 | 129.8 | -29.2 | 14.0 | 18.2 | | | | |

Sources: MOFSL, Company

Exhibit 1: Business-wise EBITDA (INR b)

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | FY25E 1QE | Vs. Est. (%) |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|--------------|-----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | | |
| EBITDA | 64 | 67 | 85 | 88 | 99 | 98 | 103 | 108 | 304 | 408 | 95 | 5 |
| Copper | (0.0) | (0.6) | 0.1 | (0.1) | (0.6) | 0.0 | 0.0 | 0.6 | (0.7) | 0.0 | 0 | |
| Aluminum | 18.2 | 19.7 | 28.7 | 30.0 | 44.4 | 43.3 | 45.9 | 46.8 | 96.6 | 180.4 | 41 | |
| Iron ore | 1.6 | 3.2 | 6.3 | 5.6 | 1.8 | 3.2 | 3.2 | 4.5 | 16.8 | 12.8 | 2 | |
| Power | 2.9 | 2.5 | 2.1 | 2.2 | 2.8 | 2.6 | 2.4 | 2.9 | 9.7 | 10.7 | 3 | |
| Zinc-India | 33.5 | 31.4 | 35.2 | 36.5 | 39.5 | 39.4 | 41.9 | 44.9 | 136.6 | 165.6 | 38 | |
| Zinc-Int | 2.8 | 2.9 | 0.6 | 0.6 | 1.9 | 2.0 | 2.4 | 0.3 | 6.9 | 6.5 | 1 | |
| Oil & Gas | 11.5 | 11.0 | 12.6 | 15.1 | 10.8 | 8.8 | 9.0 | 9.8 | 50.2 | 38.5 | 11 | |
| Steel | 0.2 | 1.2 | 1.1 | (0.2) | 0.8 | 1.2 | 1.2 | 2.0 | 2.2 | 5.2 | 1 | |
| Others | (6.4) | (4.0) | (1.4) | (2.1) | (2.0) | (2.8) | (2.8) | (3.7) | (13.9) | (11.4) | (3) | |
| Change (YoY %) | -37.0 | -12.7 | 20.7 | -7.3 | 54.9 | 45.4 | 20.9 | 23.2 | -11.6 | 34.2 | | |
| Change (QoQ %) | -32.1 | 4.6 | 27.0 | 2.8 | 13.4 | -1.8 | 5.6 | 4.7 | | | | |
| As % of Net Sales | 19.0 | 19.7 | 24.0 | 24.7 | 27.8 | 27.4 | 28.5 | 27.0 | 21.9 | 27.7 | | |

Sources: MOFSL, Company



Conference call takeaways

Guidance:

- Management expects to realize higher premium going forward on account of higher VAP product.
- VEDL targets to deliver USD10b of EBITDA in the near term. Out of USD10b EBITDA target, management believes aluminum business to contribute USD4b, Zinc India ~USD2.7b and O&G USD1b, while the rest is expected from iron ore, steel, power and others.
- The cost of aluminum is expected to be around USD1,600/t and zinc is expected to be ~USD1,000/t.
- Company hedge ~10% of both aluminum and zinc volumes.
- The cost of production for the industry increased USD100/t, due to the increase in alumina prices.

Capacity update

- VEDL is on track to execute about USD8b of growth capex in the next few years.
- Management's vision is to reach a production of 300,000 barrels/day for its oil & gas business, whereas the iron ore business in Liberia is likely to produce ~30mtpa.
- The BALCO expansion is scheduled to be commissioned this year in 4QFY25 (earlier 3QFY25) and operation likely to commence from 1QFY26.
- Radhikapur coal block is likely to start operations by 4QFY25, having secured environmental clearance and completed stage 1 forest clearances, following compliance checks.
- For the Kurloi coal mine block is progressing well and expected to operationalize by 4QFY25 and the Ghograpalli mine shall be up and running in FY26.
- For Phase 1 of 900MW (450MW each under Aluminum and Zinc Business) VEDL started utilization of renewable energy from RE-RTC projects. HZL clock 8.5% of RE power share out of total requirement during 1QFY25.

Demerger plan on track

- VEDL announced a demerger plan in Oct'23 across its existing business verticals into six independent 'pure play' companies, with an aim to simplify the corporate structure and unlock stakeholder value.
- It successfully secured NOCs from secured lenders (SBI & LIC) and filed a demerger scheme with NCLT, which will be the last process for the demerger.

Debt at VEDL and HoldCo.

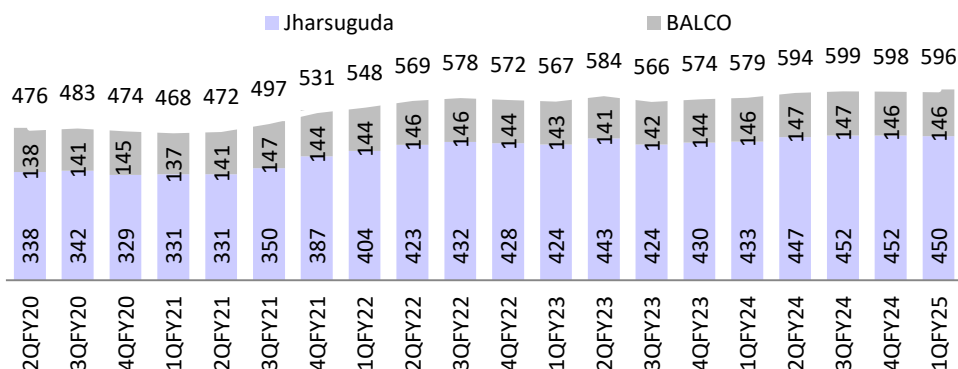
- Management guided that the INR85b QIP will be used to deleverage, which will result in interest savings of INR11b.
- As of Jul'24, the Net debt/EBITDA stood at 1.2x, which showed adequate cash in the business to fulfill the committed expansion and debt repayment.
- At VRL, the company deleveraged its balance sheet by USD0.6b in 1Q and the gross debt at VRL reduced from USD9.8b to USD5.5b in the past couple of years.
- Cost of debt stood at ~9.8% and management guided it to reach 9.7% soon.

HZ – Key management commentary (1QFY25 result update):

- For FY25, the management retained its mined metal production guidance of 1,100-1,125kt and refined metal production of 1,075-1,100 kt. Similarly, it expects saleable silver production of 750-775mt.
- The decline in CoP during 1QFY25 was largely on account of better grades, softened coal and input commodity prices and better linkage coal materialization. The management maintained its zinc CoP guidance of USD1,050-1,100/t for FY25.
- HZ commenced sourcing RE power from Serentica 180MW solar project in May'24, which increased the share of RE power in total power requirements to 8.5% from 5.4% in 4QFY24
- The share of domestic coal (linkage coal + e-auction) stood at 45% in 1QFY25 as compared to 20% earlier. The management aims to reduce its dependency on imported coal through increasing RE capabilities and higher domestic coal share.
- For FY25, the management expects ~13% of power to come from RE sources and the rest 43% each from domestic (linkage + e-auction) and imported coal.
- HZ guided the silver prices to be in the range of \$1,050-1,100/kg.
- The new roaster at Debari is on track and will be commissioned by 4QFY25. It will help HZ to achieve the refined metal capacity of 1.2mt. HZ also plans to scale up smelters to the designed capacity of 1,123ktpa.
- 510kt of DAP/NPK fertilizer plant at Chanderiya is progressing as per timelines and will be commissioned by 2QFY26, which is expected to generate EBITDA of INR3.5-4.0b. This project will help HZ to produce sulfuric acid, which will be cheaper than imported DAP.
- HZ has received the consent to operate (CTO) for Bamnia Kalan Mines and the site work is under progress

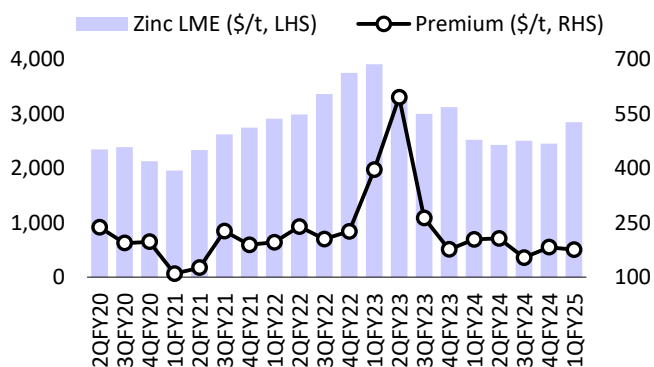
Story in charts

Exhibit 2: Aluminum production remained flat QoQ at 596kt during the quarter



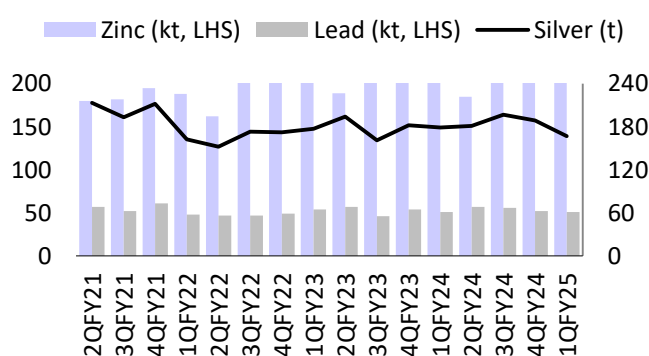
Sources: MOFSL, Company

Exhibit 3: Zinc LME vs. Premium (USD/t) – Premium during the quarter remained at USD176/t



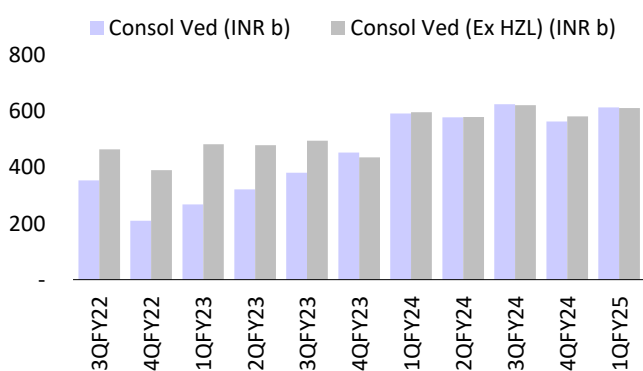
Sources: MOFSL, Company

Exhibit 4: Zinc India volumes (kt) – zinc, lead, and silver volumes



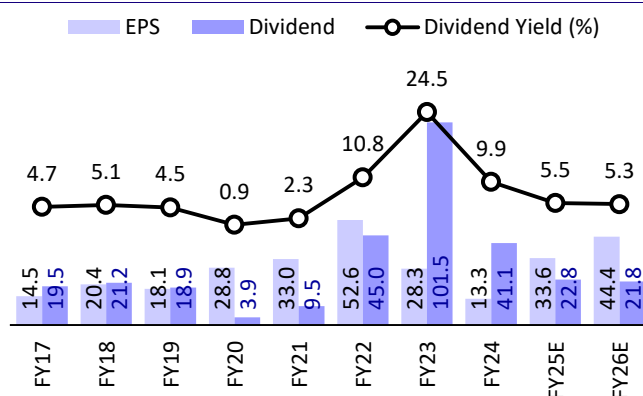
Sources: MOFSL, Company

Exhibit 5: Net debt at Vedanta Consol. and ex-HZL (INR b)



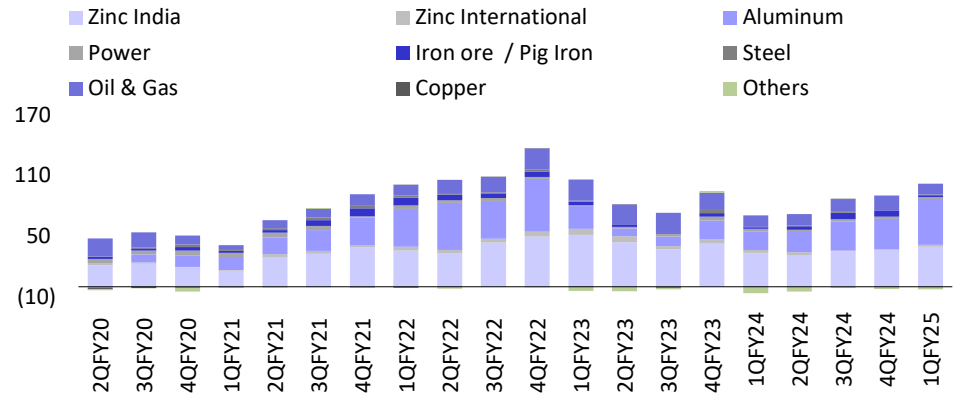
Sources: MOFSL, Company

Exhibit 6: Dividend per share



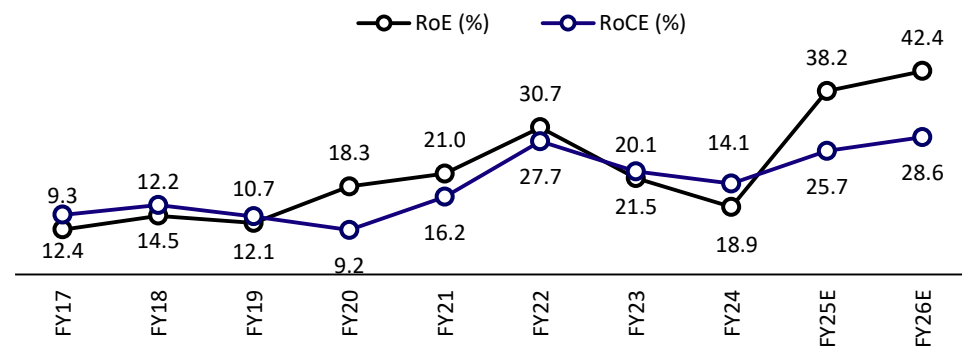
Sources: MOFSL, Company

Exhibit 7: EBITDA breakdown by division (INR b) – Copper reported operating losses



Sources: MOFSL, Company

Exhibit 8: RoE and RoCE likely to improve in FY25 after touching a low in FY24



Sources: MOFSL, Company

Exhibit 9: Entity-wise debt and cash movements (INR b)

| Entity wise Debt | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 |
|-----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Gross Debt | | | | | | | | | | | |
| Vedanta Limited | 338 | 367 | 452 | 453 | 452 | 420 | 443 | 425 | 441 | 422 | 453 |
| Cairn India Holdings | 28 | 16 | 16 | 10 | 9 | 27 | 26 | 26 | 18 | 18 | 21 |
| Zinc India | 100 | 28 | 28 | 21 | 51 | 118 | 93 | 113 | 101 | 85 | 112 |
| Zinc International | 3 | 0 | - | - | - | - | - | - | 2 | 4 | 5 |
| BALCO | 36 | 11 | 10 | 10 | 11 | 11 | 11 | 15 | 19 | 21 | 22 |
| TSPL | 74 | 70 | 70 | 69 | 69 | 64 | 64 | 64 | 62 | 61 | 61 |
| ESL | - | 27 | 26 | 25 | 24 | 23 | 23 | 21 | 21 | 19 | 18 |
| Vedanta Star | - | - | - | - | - | - | - | - | - | - | - |
| Others | 44 | 11 | 10 | -2 | -1 | -1 | 75 | 81 | 88 | 88 | 88 |
| Consolidated Vedanta | 624 | 531 | 611 | 586 | 616 | 662 | 735 | 745 | 752 | 718 | 780 |
| Cash and LI | | | | | | | | | | | |
| Vedanta Limited | 30 | 71 | 49 | 40 | 34 | 74 | 14 | 20 | 11 | 24 | 28 |
| Cairn India Holdings Ltd | 11 | 14 | 29 | 20 | 14 | 16 | 13 | 18 | 9 | 12 | 12 |
| Zinc India | 211 | 208 | 243 | 178 | 165 | 101 | 97 | 114 | 97 | 102 | 109 |
| Zinc International | 4 | 6 | 8 | 13 | 11 | 7 | 8 | 4 | 4 | 4 | 1 |
| BALCO | 7 | 7 | 4 | 4 | 4 | 5 | 5 | 5 | 2 | 3 | 9 |
| TSPL | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 1 |
| ESL | - | - | 3 | 4 | 2 | 3 | 2 | 2 | 2 | 4 | 3 |
| Vedanta Star | - | 9 | - | - | - | - | - | - | - | - | - |
| Others | 7 | 6 | 8 | 5 | 5 | 4 | 3 | 3 | 2 | 4 | 4 |
| Consolidated Vedanta | 271 | 321 | 343 | 265 | 235 | 209 | 143 | 167 | 127 | 154 | 167 |
| Net Debt | | | | | | | | | | | |
| Vedanta Limited | 308 | 296 | 403 | 413 | 419 | 347 | 429 | 405 | 431 | 398 | 425 |
| Cairn India Holdings Ltd | 17 | 2 | -13 | -10 | -6 | 11 | 13 | 8 | 10 | 6 | 9 |
| Zinc India | -110 | -180 | -214 | -157 | -114 | 18 | -4 | -1 | 4 | -17 | 3 |
| Zinc International | -1 | -6 | -8 | -13 | -11 | -7 | -8 | -4 | -2 | 1 | 3 |
| BALCO | 29 | 4 | 7 | 6 | 7 | 7 | 6 | 10 | 17 | 17 | 13 |
| TSPL | 73 | 69 | 69 | 67 | 69 | 63 | 64 | 63 | 61 | 58 | 61 |
| ESL | - | 27 | 23 | 21 | 22 | 20 | 21 | 19 | 19 | 15 | 15 |
| Vedanta Star | - | -9 | - | - | - | - | - | - | - | - | - |
| Others | 38 | 5 | 2 | -7 | -6 | -5 | 72 | 78 | 86 | 84 | 84 |
| Consol. Ved | 354 | 210 | 268 | 321 | 381 | 453 | 592 | 578 | 625 | 563 | 613 |
| Consol. Ved (Ex-HZL) | 464 | 389 | 482 | 478 | 495 | 435 | 596 | 578 | 621 | 581 | 610 |

Sources: MOFSL, Company

Exhibit 10: Operational Performance – Zinc India (INR b)

| Y/E March | FY24 | | | | FY25 | | | | FY24 | FY25E | FY25 1QE | Vs. Est. (%) |
|-----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|-------------|-----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | | |
| Mine prodn. (kt) | 257 | 252 | 271 | 299 | 263 | 262 | 282 | 307 | 1,079 | 1,114 | | |
| Sales | | | | | | | | | | | | |
| Zinc refined (kt) | 208 | 185 | 203 | 221 | 211 | 193 | 212 | 227 | 817 | 843 | | |
| Lead refined (kt) | 50 | 57 | 56 | 53 | 51 | 54 | 53 | 53 | 216 | 211 | | |
| Silver (tonnes) | 179 | 181 | 197 | 179 | 167 | 185 | 186 | 205 | 736 | 743 | | |
| Net Sales | 73 | 68 | 73 | 75 | 81 | 78 | 84 | 89 | 289 | 332 | 79 | 3 |
| Change (YoY %) | -22.4 | -18.5 | -7.1 | -11.3 | 11.6 | 15.3 | 14.5 | 18.0 | -15.2 | 14.9 | | |
| Change (QoQ %) | -14.4 | -6.7 | 7.6 | 3.3 | 7.7 | -3.7 | 6.9 | 6.4 | | | | |
| EBITDA | 33 | 31 | 35 | 36 | 39 | 39 | 42 | 45 | 137 | 166 | 38 | 5 |
| Change (YoY %) | -34.8 | -28.8 | -5.0 | -14.2 | 17.9 | 25.6 | 19.0 | 22.9 | -22.0 | 21.3 | | |
| Change (QoQ %) | -21.3 | -6.2 | 12.2 | 3.6 | 8.1 | -0.1 | 6.3 | 7.1 | | | | |
| As % of Net Sales | 46.0 | 46.2 | 48.2 | 48.3 | 48.5 | 50.4 | 50.1 | 50.4 | 47.2 | 49.8 | | |
| Finance cost | 2 | 2 | 2 | 3 | 3 | 2 | 2 | 2 | 10 | 9 | | |
| DD&A | 8 | 8 | 9 | 9 | 8 | 9 | 9 | 9 | 35 | 38 | | |
| Other Income | 3 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 11 | 13 | | |
| PBT (before EO item) | 26 | 23 | 27 | 27 | 31 | 31 | 33 | 36 | 103 | 132 | 29 | 7 |
| EO exp. (income) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| PBT | 26 | 23 | 27 | 27 | 31 | 31 | 33 | 36 | 103 | 132 | 29 | 7 |
| Total Tax | 6 | 6 | 6 | 7 | 8 | 8 | 9 | 10 | 25 | 34 | | |
| % Tax | 24.8 | 25.0 | 24.0 | 25.2 | 24.7 | 26.0 | 26.0 | 27.0 | 24.7 | 26.0 | | |
| Reported PAT | 20 | 17 | 20 | 20 | 23 | 23 | 25 | 27 | 78 | 97 | | |
| Adjusted PAT | 20 | 17 | 20 | 20 | 23 | 23 | 25 | 27 | 78 | 97 | 22 | 8 |
| Change (YoY %) | -36.5 | -35.5 | -5.9 | -21.1 | 19.4 | 32.3 | 21.8 | 30.2 | -26.2 | 25.5 | | |
| Change (QoQ %) | -24.0 | -12.0 | 17.3 | 0.5 | 15.1 | -2.4 | 8.0 | 7.4 | | | | |

Sources: MOFSL, Company

Exhibit 11: Changes to our assumptions and key financials

| | Units | FY25E | | | FY26E | | |
|---------|--------|-------|-------|----------|-------|-------|----------|
| | | New | Old | % change | New | Old | % change |
| Revenue | INR b | 1,476 | 1,476 | 0% | 1,594 | 1,594 | 0% |
| EBITDA | " | 408 | 410 | 0% | 479 | 481 | 0% |
| Adj PAT | " | 125 | 126 | -1% | 165 | 166 | -1% |
| EPS | INR/sh | 33.6 | 33.9 | -1% | 44.4 | 44.7 | -1% |

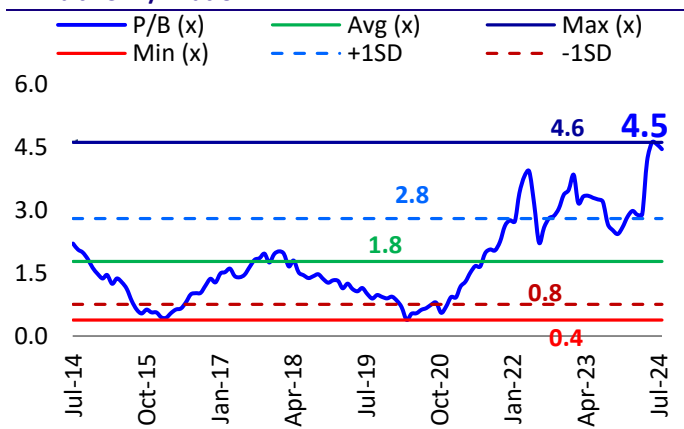
Sources: MOFSL, Company

Exhibit 12: SoTP valuation

| (INR b) | EBITDA FY26E | EV EBITDA (x) | EV FY26E | Per Share |
|-----------------------------------|-----------------|------------------|--------------|---------------|
| VEDL (ex-HZL) | | | | |
| Copper | 0.1 | 4.5 | 0 | 0 |
| Aluminium | 198.5 | 4.5 | 893 | 240 |
| Iron ore | 13.1 | 4.5 | 59 | 16 |
| Steel | 5.4 | 4.5 | 24 | 6 |
| Power | 12.7 | 4.5 | 57 | 15 |
| Zinc-Int | 6.7 | 4.5 | 30 | 8 |
| Oil & Gas | 39.1 | 4.5 | 176 | 47 |
| Sub. Tot. | 275.5 | 4.5 | 1,240 | 333 |
| Less: Net Debt | | | 560 | 151 |
| Equity Value | | | 680 | 183 |
| Hind. Zinc | | | | |
| HZL | 209 | 11.0 | 2,302 | 619 |
| Add: Net Cash | | | 174 | 47 |
| Equity Value | | | 2,475 | 665 |
| INR/share (HZL) | | | 610 | |
| VEDL | | | INR b | INR/sh |
| HZL@64.9% (15% Hold Co. discount) | | | 1,044 | 281 |
| VEDL (ex HZL) | | | 680 | 183 |
| Equity value | | | 1,724 | |
| Shares outstanding (b) | | | 3.7 | |
| Target price (INR/sh) | | | 460 | 11% |

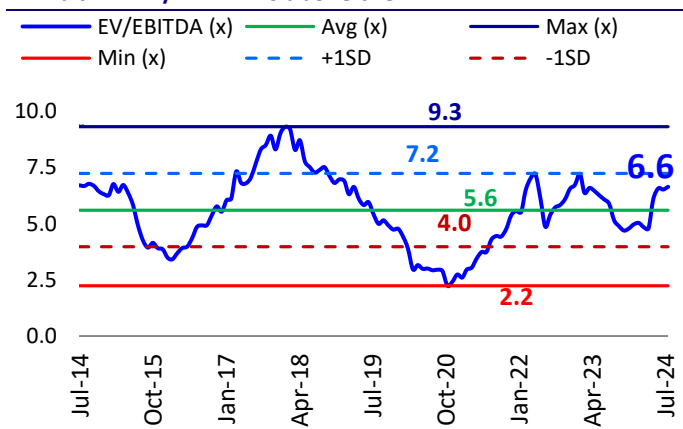
Sources: MOFSL, Company

Exhibit 13: P/B ratio



Source: MOFSL

Exhibit 14: EV/EBITDA is above the LTA



Source: MOFSL

Financials and valuations

| Income Statement (Consolidated) | | | | | | | | | | INR b |
|--|------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
| Net Sales | 722 | 919 | 920 | 844 | 880 | 1,327 | 1,473 | 1,390 | 1,476 | 1,594 |
| Total Expenses | 509 | 667 | 689 | 638 | 607 | 879 | 1,129 | 1,085 | 1,068 | 1,115 |
| EBITDA | 213 | 252 | 231 | 207 | 273 | 448 | 344 | 304 | 408 | 479 |
| DDA | 63 | 63 | 82 | 91 | 76 | 89 | 106 | 107 | 110 | 115 |
| EBIT | 150 | 189 | 149 | 116 | 197 | 359 | 239 | 197 | 298 | 364 |
| Finance cost | 59 | 58 | 57 | 50 | 52 | 48 | 62 | 95 | 95 | 92 |
| Other income | 46 | 36 | 40 | 25 | 34 | 26 | 29 | 26 | 26 | 26 |
| PBT | 138 | 167 | 132 | 91 | 179 | 337 | 205 | 128 | 230 | 297 |
| Tax | 38 | 57 | 39 | -35 | 22 | 93 | 58 | 128 | 69 | 83 |
| Rate (%) | 27.4 | 34.4 | 29.2 | -38.5 | 12.2 | 27.4 | 28.2 | 100.2 | 30.0 | 28.0 |
| PAT (before EO) | 100 | 109 | 94 | 126 | 157 | 245 | 147 | 0 | 161 | 214 |
| EO expense /Income | -1 | 8 | 3 | -170 | -7 | -8 | -2 | 76 | 0 | 0 |
| PAT before MI and Asso. | 99 | 118 | 97 | -43 | 150 | 237 | 145 | 75 | 161 | 214 |
| Minority interests | 44 | 34 | 26 | 19 | 34 | 49 | 39 | 33 | 36 | 49 |
| Share in Asso. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PAT after MI and Asso. | 55 | 84 | 71 | -62 | 116 | 188 | 106 | 42 | 125 | 165 |
| Attrib. PAT (after MI & asso) | 54 | 76 | 67 | 107 | 123 | 196 | 105 | 49 | 125 | 165 |
| Change (YoY %) | -74.9 | 40.4 | -11.0 | 59.0 | 14.5 | 59.4 | -46.2 | -53.1 | 153.8 | 31.9 |

| Balance Sheet (Consolidated) | | | | | | | | | | INR b |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
| Share Capital | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Reserves | 601 | 631 | 619 | 543 | 619 | 650 | 391 | 304 | 344 | 427 |
| Net Worth | 605 | 635 | 623 | 546 | 623 | 654 | 394 | 307 | 347 | 431 |
| Total Loans | 906 | 725 | 835 | 757 | 686 | 534 | 665 | 722 | 732 | 717 |
| Deferred Tax Liability | -54 | -9 | 10 | -40 | -36 | -7 | -26 | 75 | 75 | 75 |
| Capital Employed | 1,597 | 1,511 | 1,621 | 1,435 | 1,423 | 1,355 | 1,133 | 1,218 | 1,304 | 1,422 |
| Gross Block | 1,641 | 1,810 | 2,176 | 2,182 | 2,411 | 2,542 | 2,744 | 2,888 | 2,983 | 3,066 |
| Less: Accumulated Depreciation | 775 | 848 | 1,185 | 1,276 | 1,482 | 1,591 | 1,766 | 1,873 | 1,983 | 2,098 |
| Net Fixed Assets | 866 | 962 | 991 | 907 | 929 | 951 | 978 | 1,015 | 999 | 968 |
| Capital WIP | 177 | 161 | 222 | 168 | 139 | 142 | 174 | 203 | 257 | 322 |
| Investments | 1 | 2 | 49 | 1 | 2 | 2 | 5 | 10 | 10 | 10 |
| WC. Assets | 872 | 674 | 723 | 691 | 729 | 840 | 721 | 653 | 699 | 803 |
| Inventory | 96 | 120 | 132 | 113 | 99 | 143 | 150 | 130 | 150 | 162 |
| Account Receivables | 34 | 53 | 77 | 58 | 66 | 82 | 65 | 60 | 66 | 71 |
| Cash and Bank Balance | 610 | 338 | 365 | 372 | 331 | 327 | 219 | 152 | 172 | 259 |
| Loans and advances | 131 | 163 | 149 | 148 | 232 | 288 | 286 | 311 | 311 | 311 |
| WC. Liability & Prov. | 319 | 287 | 365 | 333 | 375 | 580 | 745 | 664 | 661 | 681 |
| Trade payables | 71 | 84 | 92 | 80 | 79 | 215 | 247 | 250 | 248 | 268 |
| Provisions & Others | 248 | 203 | 273 | 252 | 296 | 365 | 498 | 413 | 413 | 413 |
| Net WC. Assets | 553 | 386 | 358 | 359 | 354 | 260 | -24 | -11 | 38 | 122 |
| Appl. of Funds | 1,597 | 1,511 | 1,621 | 1,435 | 1,423 | 1,355 | 1,133 | 1,218 | 1,304 | 1,422 |

Financials and valuations

| Cash Flow Statement | | | | | | | | | | INR b |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
| EBITDA | 213 | 252 | 231 | 207 | 273 | 448 | 344 | 304 | 408 | 479 |
| Non-cash exp. (income) | 2 | 7 | 11 | 7 | 18 | 6 | 4 | 64 | 0 | 0 |
| (Inc)/Dec in Working Cap. | 18 | -47 | 21 | -9 | -30 | -48 | 46 | 16 | -28 | 3 |
| Tax paid | -20 | -32 | -26 | -11 | -21 | -57 | -64 | -27 | -69 | -83 |
| CF from Op. Activity | 180 | 174 | 238 | 193 | 240 | 350 | 331 | 357 | 311 | 398 |
| (Inc)/Dec in FA + CWIP | -55 | -74 | -89 | -77 | -69 | -105 | -138 | -168 | -148 | -149 |
| Free Cash Flow | 125 | 100 | 149 | 116 | 171 | 245 | 193 | 189 | 163 | 249 |
| (Pur)/Sale of Investments | 27 | 14 | 42 | 42 | 9 | 47 | 92 | 15 | 0 | 0 |
| Interest & Dividend Income | 11 | 14 | 9 | 8 | 20 | 19 | 17 | 17 | 26 | 26 |
| Investment in subsidiaries | -30 | -9 | -69 | -5 | 0 | 0 | -3 | -4 | 0 | 0 |
| Others | 74 | 209 | 1 | -28 | -28 | 16 | 24 | 3 | 0 | 0 |
| CF from Inv. Activity | 27 | 154 | -105 | -59 | -68 | -23 | -7 | -137 | -121 | -123 |
| Equity raised/(repaid) | -1 | -2 | -1 | -1 | 0 | 0 | 0 | -2 | 0 | 0 |
| Debt raised/(repaid) | 66 | -173 | 77 | -87 | -96 | -27 | 149 | 47 | 10 | -15 |
| Dividend (incl. tax) | -129 | -168 | -118 | -14 | -91 | -193 | -411 | -205 | -85 | -81 |
| Interest paid | -62 | -57 | -60 | -53 | -53 | -53 | -55 | -98 | -95 | -92 |
| Others | 3 | 7 | 0 | 0 | 65 | -16 | -24 | -3 | 0 | 0 |
| CF from Fin. Activity | -123 | -393 | -102 | -155 | -176 | -289 | -341 | -261 | -170 | -189 |
| Forex Adj. | 0 | 1 | -1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| (Inc)/Dec in Cash | 83 | -64 | 29 | -22 | -3 | 38 | -17 | -41 | 20 | 86 |
| Add: Opening cash balance | 25 | 109 | 45 | 73 | 51 | 49 | 87 | 69 | 28 | 49 |
| adjustments if any | 0 | 0 | -1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| closing cash balance | 109 | 45 | 73 | 51 | 49 | 87 | 69 | 28 | 49 | 135 |
| Bank Balance | 501 | 293 | 293 | 320 | 283 | 241 | 150 | 124 | 124 | 124 |
| Closing Balance (incl bank balance) | 610 | 338 | 365 | 372 | 331 | 327 | 219 | 152 | 172 | 259 |
| Ratios | | | | | | | | | | |
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
| Basic (INR) | | | | | | | | | | |
| EPS | 14.5 | 20.4 | 18.1 | 28.8 | 33.0 | 52.6 | 28.3 | 13.3 | 33.6 | 44.4 |
| Cash EPS | 31.4 | 37.3 | 40.2 | 53.3 | 53.5 | 76.5 | 56.7 | 42.1 | 63.3 | 75.2 |
| BV/Share | 162.7 | 170.7 | 167.5 | 146.9 | 167.4 | 175.8 | 106.0 | 82.6 | 93.4 | 115.9 |
| 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 | 309.8 | 67.9 | 49.2 |
| Valuation (x) | | | | | | | | | | |
| P/E | 28.6 | 20.4 | 22.9 | 14.4 | 12.6 | 7.9 | 14.7 | 31.3 | 12.3 | 9.4 |
| Cash P/E | 13.2 | 11.1 | 10.3 | 7.8 | 7.8 | 5.4 | 7.3 | 9.9 | 6.6 | 5.5 |
| P/BV (incl.-goodwill) | 2.6 | 2.4 | 2.5 | 2.8 | 2.5 | 2.4 | 3.9 | 5.0 | 4.4 | 3.6 |
| EV/Sales | 2.7 | 2.2 | 2.3 | 2.4 | 2.2 | 1.4 | 1.3 | 1.5 | 1.4 | 1.3 |
| EV/EBITDA | 11.0 | 9.9 | 11.0 | 11.6 | 8.9 | 4.9 | 7.2 | 8.7 | 6.4 | 5.4 |
| Dividend Yield (%) | 4.7 | 5.1 | 4.5 | 0.9 | 2.3 | 10.8 | 24.5 | 9.9 | 5.5 | 5.3 |
| Return Ratios (%) | | | | | | | | | | |
| EBITDA Margins | 29.5 | 27.4 | 25.1 | 24.5 | 31.0 | 33.8 | 23.4 | 21.9 | 27.7 | 30.0 |
| Net Profit Margins | 7.5 | 8.3 | 7.3 | 12.7 | 14.0 | 14.7 | 7.1 | 3.5 | 8.5 | 10.4 |
| RoE | 9.3 | 12.2 | 10.7 | 18.3 | 21.0 | 30.7 | 20.1 | 14.1 | 38.2 | 42.4 |
| RoCE (pre-tax) | 12.4 | 14.5 | 12.1 | 9.2 | 16.2 | 27.7 | 21.5 | 18.9 | 25.7 | 28.6 |
| RoIC (pre-tax) | 15.2 | 17.5 | 12.3 | 10.0 | 18.3 | 33.9 | 24.6 | 19.9 | 27.1 | 31.8 |
| Working Capital Ratios | | | | | | | | | | |
| 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 |
| Leverage Ratio (x) | | | | | | | | | | |
| Current Ratio | 2.7 | 2.3 | 2.0 | 2.1 | 1.9 | 1.4 | 1.0 | 1.0 | 1.1 | 1.2 |
| Interest Cover Ratio | 3.4 | 3.9 | 3.3 | 2.8 | 4.4 | 8.0 | 4.3 | 2.4 | 3.4 | 4.2 |
| Net Debt/EBITDA | 1.4 | 1.5 | 2.0 | 1.9 | 1.3 | 0.5 | 1.3 | 1.9 | 1.4 | 1.0 |
| Net Debt/Equity | 0.5 | 0.6 | 0.8 | 0.7 | 0.6 | 0.3 | 1.1 | 1.9 | 1.6 | 1.1 |

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|----------------------------------|--|
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| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
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Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

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 |

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dp grievances@motilaloswal.com.