

Vedanta Limited

HOLD

Sector: Metals & Mining

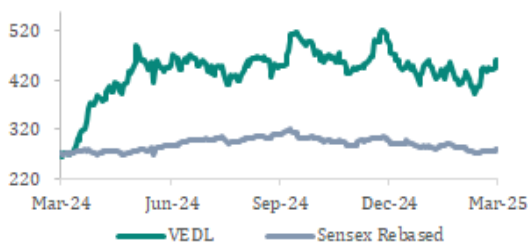
20th March, 2025

| Key Changes | Target | Rating | Earnings | Target | Rs. 496 | | |
|-------------|----------------|--------|----------|----------|------------|---------------|----------------|
| Stock Type | Bloomberg Code | Sensex | NSE Code | BSE Code | Time Frame | CMP | Rs. 460 |
| Large Cap | VEDL:IN | 75,449 | VEDL | 500295 | 12 Months | Return | +8% |

Date as of: 19-03-2025

| Company Data | | | |
|---------------------------|-----------|---------|--------|
| Market Cap (Rs.cr) | 179,956 | | |
| 52 Week High — Low (Rs.) | 527 - 262 | | |
| Enterprise Value (Rs. cr) | 268,746 | | |
| Outstanding Shares (cr) | 391.0 | | |
| Free Float (%) | 43.3 | | |
| Dividend Yield (%) | 9.5 | | |
| 6m average volume (cr) | 1.0 | | |
| Beta | 1.1 | | |
| Face value (Rs.) | 1.0 | | |
| Shareholding (%) | Q1FY25 | Q2FY25 | Q3FY25 |
| Promoters | 56.4 | 56.4 | 56.4 |
| FII's | 12.6 | 11.5 | 12.0 |
| MFs/Institutions | 15.9 | 16.4 | 15.5 |
| Public | 11.5 | 12.1 | 12.5 |
| Others | 3.6 | 3.6 | 3.6 |
| Total | 100.0 | 100.0 | 100.0 |
| Promoter Pledge | 99.99 | 99.99 | 99.99 |
| Price Performance | 3 Month | 6 Month | 1 Year |
| Absolute Return | -6.5% | 2.3% | 72.4% |
| Absolute Sensex | -4.8% | -9.3% | 4.8% |
| Relative Return | -1.7% | 11.6% | 67.6% |

*over or under performance to benchmark index



| Y.E March (cr) | FY25E | FY26E | FY27E |
|-------------------|---------|---------|---------|
| Sales | 152,164 | 165,275 | 176,877 |
| Growth (%) | 7.3 | 8.6 | 7.0 |
| EBITDA | 43,172 | 50,867 | 54,890 |
| EBITDA Margin (%) | 28.4 | 30.8 | 31.0 |
| Adj. PAT | 12,707 | 18,615 | 20,497 |
| Growth (%) | 784.9 | 46.5 | 10.1 |
| Adj. EPS | 32.5 | 47.6 | 52.4 |
| Growth (%) | 741.8 | 46.5 | 10.1 |
| P/E | 14.2 | 9.7 | 8.8 |
| P/B | 6.0 | 5.2 | 4.8 |
| EV/EBITDA | 6.2 | 5.5 | 5.2 |
| ROE (%) | 68.4 | 71.4 | 73.7 |
| D/E | 1.6 | 1.4 | 1.2 |

Cautious on oil and international business

Vedanta Ltd, a subsidiary of Vedanta Resources Ltd, has operations in several sectors such as oil and gas, zinc, lead, silver, copper, iron ore, steel, aluminum and power across India and other parts of the world.

- In Q3FY25, revenue increased 10.2% YoY Rs. 38,526cr, driven by strong performance of aluminum and zinc operations.
- Aluminum revenue rose 26.3% YoY Rs. 15,306cr, driven by a 29% YoY increase in domestic sales to 302KT and better realisation from value-added products.
- Overall Zinc, Lead and Silver revenue grew 20.0% YoY to Rs. 9,342cr, mainly aided by Zinc and Lead India business and improved production efficiency.
- Zinc and Lead India revenue grew 21.3% YoY to Rs. 6,833cr, aided by better realisation price. However, its sales volume declined to 256kt from 259kt in Q3FY24.
- EBITDA rose 30.2% YoY to Rs. 11,104cr and EBITDA margin widened 450bps YoY to 28.8%, mainly driven by volume growth and structural & sustainable cost measures.
- Reported PAT grew 70.0% YoY to Rs. 4,876cr, supported by higher revenue and operating efficiency.

Outlook & Valuation

Vedanta's leadership is confident that it will post a record-breaking annual EBITDA in this fiscal, fueled by a strong lineup of projects and strategic investments despite facing challenges in oil and gas production. To maintain profitability, the company is prioritising cost-cutting measures, which have already led to substantial decreases in production expenses. However, higher input costs and the underperformance of the oil and gas segment, due to lower volumes and higher operating expenses, were notable drawbacks. Additionally, a slowdown and uncertainty in the global market may negatively impact its international business in the future. Therefore, **we cautiously downgrade our rating to 'HOLD' on the stock, with a rolled-forward target price of Rs. 496, based on 5.0x FY27E EV/EBITDA.**

Quarterly Financials Consol.

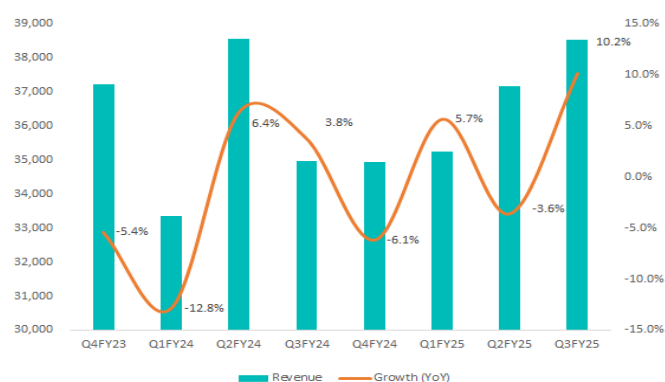
| Rs. cr | Q3FY25 | Q3FY24 | YoY (%) | Q2FY25 | QoQ (%) | 9MFY25 | 9MFY24 | YoY (%) |
|---------------|--------|--------|---------|--------|---------|---------|---------|---------|
| Sales | 38,526 | 34,968 | 10.2 | 37,171 | 3.6 | 110,936 | 106,856 | 3.8 |
| EBITDA | 11,104 | 8,531 | 30.2 | 9,828 | 13.0 | 30,877 | 26,430 | 16.8 |
| Margin (%) | 28.8 | 24.4 | 440bps | 26.4 | 240bps | 27.8 | 24.7 | 310bps |
| EBIT | 8,423 | 5,743 | 46.7 | 7,132 | 18.1 | 22,769 | 18,450 | 23.4 |
| PBT | 6,661 | 4,105 | 62.3 | 7,633 | -12.7 | 20,220 | 16,368 | 23.5 |
| Rep. PAT | 4,876 | 2,868 | 70.0 | 5,603 | -13.0 | 15,574 | 5,264 | 195.9 |
| Adj. PAT | 3,547 | 2,013 | 76.2 | 2,484 | 42.8 | 9,637 | -133 | n.m. |
| Adj. EPS (Rs) | 9.1 | 5.4 | 67.7 | 6.4 | 42.8 | 24.4 | -0.4 | n.m. |



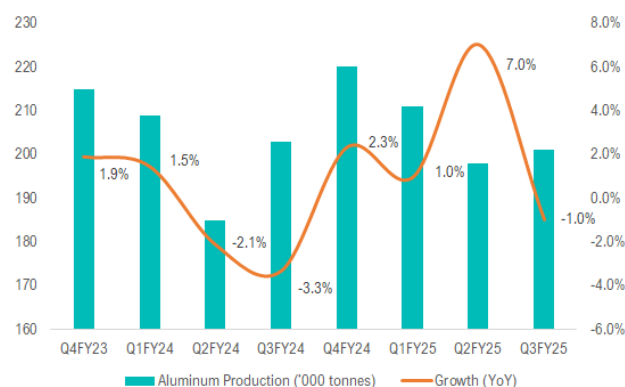
Key concall highlights

- Vedanta has achieved a significant milestone in its aluminium operations, successfully doubling the rolled-product capacity at BALCO to 100KTPA, making it the second largest aluminium producer in India.
- The company has augmented its production capabilities with the addition of 30,000 tonne per annum of aluminium silica ingots and 50,000 tonne per annum slab capacity.
- The ramp-up of train 1 at the Lanjigarh refinery is progressing, despite some initial infrastructure challenges. Train 2 is expected to be commissioned in Q4FY25.
- Under its Indian zinc operations, the 160,000 tonne per annum roster at Debari and the 510,000 tonne per annum fertiliser plant are progressing as planned, with commissioning scheduled for Q4FY25 and Q4FY26, respectively.
- The alloy plant is ramping up as per plans and achieved annual EBITDA run rate of Rs. 150-160cr during the quarter. As part of its 2 mn tonne smelter expansion, the company aims to commission the next phase of a 250,000 tonne per annum smelter by FY27/FY28.

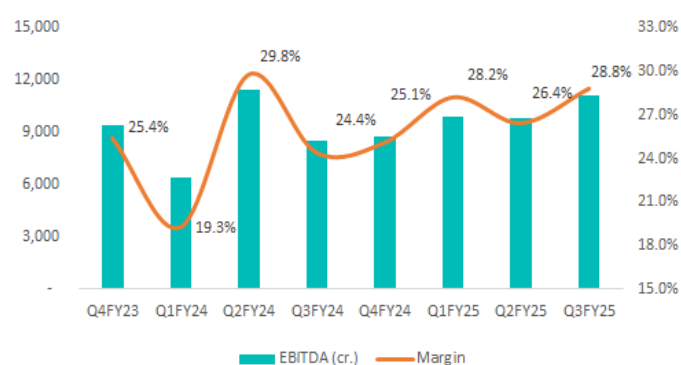
Revenue



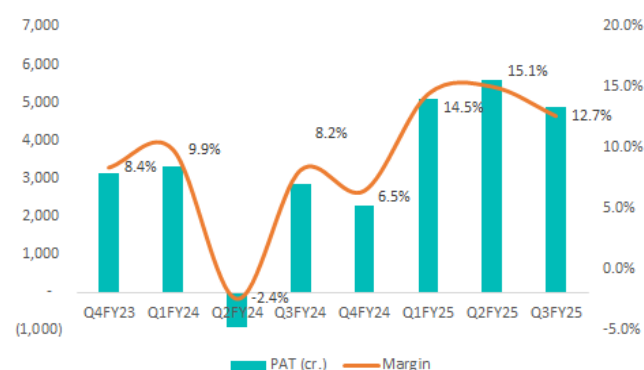
Aluminium Production



EBITDA



PAT



Change in Estimates

| Year / Rs cr | Old estimates | | New estimates | | | Change (%) | |
|--------------|---------------|---------|---------------|---------|---------|------------|-------|
| | FY25E | FY26E | FY25E | FY26E | FY27E | FY25E | FY26E |
| Revenue | 150,613 | 161,664 | 152,164 | 165,275 | 176,877 | 1.0 | 2.2 |
| EBITDA | 42,434 | 49,779 | 43,172 | 50,867 | 54,890 | 1.7 | 2.2 |
| Margins (%) | 28.2 | 30.8 | 28.4 | 30.8 | 31.0 | 20bps | 0bps |
| Adj. PAT | 13,187 | 17,972 | 12,707 | 18,615 | 20,497 | -3.6 | 3.6 |
| EPS | 33.7 | 46.0 | 32.5 | 47.6 | 52.4 | -3.6 | 3.6 |



Consolidated Financials

Profit & Loss

| Y. E March (Rs. Cr) | FY23A | FY24A | FY25E | FY26E | FY27E |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Sales | 145,404 | 141,793 | 152,164 | 165,275 | 176,877 |
| % change | 10.8 | -2.5 | 7.3 | 8.6 | 7.0 |
| EBITDA | 34,464 | 35,219 | 43,172 | 50,867 | 54,890 |
| % change | -23.5 | 2.2 | 22.6 | 17.8 | 7.9 |
| Depreciation | 10,597 | 10,744 | 10,967 | 11,349 | 11,815 |
| EBIT | 23,867 | 24,475 | 32,206 | 39,518 | 43,075 |
| Interest | 6,225 | 9,465 | 9,507 | 9,651 | 9,853 |
| Other Income | 2,634 | 5,353 | 4,673 | 3,226 | 3,710 |
| PBT | 20,276 | 20,363 | 27,372 | 33,093 | 36,931 |
| % change | -38.9 | 0.4 | 34.4 | 20.9 | 11.6 |
| Tax | 5,770 | 12,826 | 6,843 | 8,273 | 9,233 |
| Tax Rate (%) | 28.5 | 63.0 | 25.0 | 25.0 | 25.0 |
| Reported PAT | 14,506 | 7,537 | 20,529 | 24,820 | 27,698 |
| PAT att. to common shareholders | 10,574 | 4,239 | 14,575 | 18,615 | 20,497 |
| Adj.* | 217 | -2,803 | -1,868 | - | - |
| Adj. PAT | 10,791 | 1,436 | 12,707 | 18,615 | 20,497 |
| % change | -45.5 | -86.7 | 784.9 | 46.5 | 10.1 |
| No. of shares (cr) | 372.0 | 372.0 | 391.0 | 391.0 | 391.0 |
| Adj EPS (Rs.) | 29.0 | 3.9 | 32.5 | 47.6 | 52.4 |
| % change | -45.5 | -86.7 | 741.8 | 46.5 | 10.1 |
| DPS (Rs.) | 101.5 | 41.1 | 35.4 | 45.2 | 49.8 |

Cashflow

| Y. E March | FY23A | FY24A | FY25E | FY26E | FY27E |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| Net inc. + Deprn. | 25,103 | 18,281 | 31,495 | 36,169 | 39,513 |
| Non-cash adj. | 3,363 | 15,821 | 3,698 | 1,393 | 3,253 |
| Other adjustments | | | | | |
| Changes in W.C | 4,599 | 1,552 | 245 | -941 | -712 |
| C.F. Operation | 33,065 | 35,654 | 35,438 | 36,621 | 42,055 |
| Capital exp. | -13,654 | -16,557 | -15,216 | -16,528 | -17,688 |
| Change in inv. | 8,990 | 1,090 | 993 | 246 | 993 |
| Other invest.CF | 3,971 | 1,781 | - | - | - |
| C.F - Investment | -693 | -13,686 | -14,223 | -16,282 | -16,695 |
| Issue of equity | - | -200 | - | - | - |
| Issue/repay debt | 12,736 | 4,815 | 4,334 | 4,117 | 3,911 |
| Dividends paid | -41,149 | -20,500 | -15,289 | -13,847 | -17,684 |
| Other finance.CF | -5,729 | -10,207 | -9,507 | -9,651 | -9,853 |
| C.F - Finance | -34,142 | -26,092 | -20,463 | -19,381 | -23,626 |
| Chg. in cash | -1,770 | -4,124 | 752 | 959 | 1,733 |
| Closing Cash | 9,254 | 4,327 | 5,079 | 6,038 | 7,771 |

Balance Sheet

| Y. E March (Rs. Cr) | FY23A | FY24A | FY25E | FY26E | FY27E |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash | 9,254 | 4,327 | 5,079 | 6,038 | 7,771 |
| Accts. Receivable | 4,014 | 3,607 | 4,185 | 4,958 | 5,395 |
| Inventories | 15,012 | 13,001 | 12,500 | 13,464 | 14,524 |
| Other Cur. As-sets | 32,227 | 30,989 | 23,672 | 22,236 | 23,433 |
| Investments | 514 | 987 | 1,488 | 1,989 | 2,490 |
| Gross Fixed Assets | 269,077 | 281,781 | 296,997 | 313,525 | 331,213 |
| Net Fixed Assets | 93,768 | 96,715 | 98,691 | 101,280 | 104,314 |
| CWIP | 17,001 | 20,331 | 22,364 | 24,601 | 27,061 |
| Intangible Assets | 4,504 | 4,806 | 5,046 | 5,400 | 5,778 |
| Def. Tax -Net | 7,074 | 2,689 | 2,395 | 2,896 | 3,231 |
| Other Assets | 12,009 | 13,355 | 14,021 | 16,122 | 19,989 |
| Total Assets | 195,377 | 190,807 | 189,441 | 198,983 | 213,986 |
| Current Liabilities | 64,039 | 57,059 | 54,687 | 48,630 | 49,288 |
| Provisions | 3,426 | 3,105 | 3,136 | 3,167 | 3,199 |
| Debt Funds | 66,628 | 72,235 | 76,569 | 80,685 | 84,596 |
| Other Liabilities | 11,857 | 16,339 | 7,741 | 8,218 | 8,607 |
| Equity Capital | 372 | 372 | 372 | 372 | 372 |
| Res. & Surplus | 39,051 | 30,350 | 29,636 | 34,404 | 37,217 |
| Shareholder Funds | 39,423 | 30,722 | 30,008 | 34,776 | 37,589 |
| Minority Interest | 10,004 | 11,347 | 17,300 | 23,505 | 30,707 |
| Total Liabilities | 195,377 | 190,807 | 189,441 | 198,983 | 213,986 |
| BVPS | 106 | 83 | 77 | 89 | 96 |

Ratio

| Y. E March | FY23A | FY24A | FY25E | FY26E | FY27E |
|--------------------------------|-------|-------|-------|-------|-------|
| Profitab. & Return | | | | | |
| EBITDA margin (%) | 23.7 | 24.8 | 28.4 | 30.8 | 31.0 |
| EBIT margin (%) | 16.4 | 17.3 | 21.2 | 23.9 | 24.4 |
| Net profit mgn.(%) | 7.3 | 3.0 | 9.6 | 11.3 | 11.6 |
| ROE (%) | 36.8 | 24.5 | 68.4 | 71.4 | 73.7 |
| ROCE (%) | 20.6 | 21.4 | 26.0 | 28.4 | 28.2 |
| W.C & Liquidity | | | | | |
| Receivables (days) | 9.9 | 9.2 | 9.9 | 10.8 | 11.0 |
| Inventory (days) | 72.0 | 68.9 | 64.8 | 65.7 | 66.7 |
| Payables (days) | 52.9 | 53.5 | 54.0 | 54.7 | 55.1 |
| Current ratio (x) | 0.7 | 0.7 | 0.6 | 0.7 | 0.8 |
| Quick ratio (x) | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 |
| Turnover & Leverage | | | | | |
| Gross asset T.O (x) | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 |
| Total asset T.O (x) | 0.7 | 0.7 | 0.8 | 0.9 | 0.9 |
| Int. covge. ratio (x) | 3.8 | 2.6 | 3.4 | 4.1 | 4.4 |
| Adj. debt/equity (x) | 1.3 | 1.7 | 1.6 | 1.4 | 1.2 |
| Valuation | | | | | |
| EV/Sales (x) | 1.2 | 1.2 | 1.8 | 1.7 | 1.6 |
| EV/EBITDA (x) | 4.9 | 5.0 | 6.2 | 5.5 | 5.2 |
| P/E (x) | 9.5 | 66.5 | 14.2 | 9.7 | 8.8 |
| P/B (x) | 2.6 | 3.1 | 6.0 | 5.2 | 4.8 |



Recommendation Summary - (last 3 years)



| Dates | Rating | Target |
|-----------|--------|--------|
| 03-Feb-22 | BUY | 407 |
| 05-May-22 | BUY | 468 |
| 05-Aug-22 | HOLD | 267 |
| 23-May-23 | BUY | 308 |
| 21-Nov-23 | REDUCE | 220 |
| 10-May-24 | HOLD | 421 |
| 21-Aug-24 | BUY | 510 |
| 20-Mar-25 | HOLD | 496 |

Investment Rating Criteria

| Ratings | Large caps | Midcaps | Small Caps |
|-------------|----------------------------|---------------------------|---------------------------|
| Buy | Upside is above 10% | Upside is above 15% | Upside is above 20% |
| Accumulate | - | Upside is between 10%-15% | Upside is between 10%-20% |
| Hold | Upside is between 0% - 10% | Upside is between 0%-10% | Upside is between 0%-10% |
| Reduce/sell | Downside is more than 0% | Downside is more than 0% | Downside is more than 0% |

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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