

RESEARCH REPORT

VEDANTA LTD



PREPARED BY:

PRATEEK ACHARYA
EQUITY RESEARCH ANALYST

About

Vedanta Ltd is a diversified natural resource group engaged in exploring, extracting and processing minerals and oil & gas. The group engages in the exploration, production and sale of zinc, lead, silver, copper, aluminium, iron ore and oil & gas. It has presence across India, South Africa, Namibia, Ireland, Liberia & UAE.

Its other businesses includes commercial power generation, steel manufacturing & port operations in India and manufacturing of glass substrate in South Korea and Taiwan.

Revenue Breakup

- Aluminium Products- 39.5%
- Zinc Metal- 20.33%
- Copper Products - 14.98%
- Iron Ore- 4.81%
- Silver Metals and Bars- 3.78%

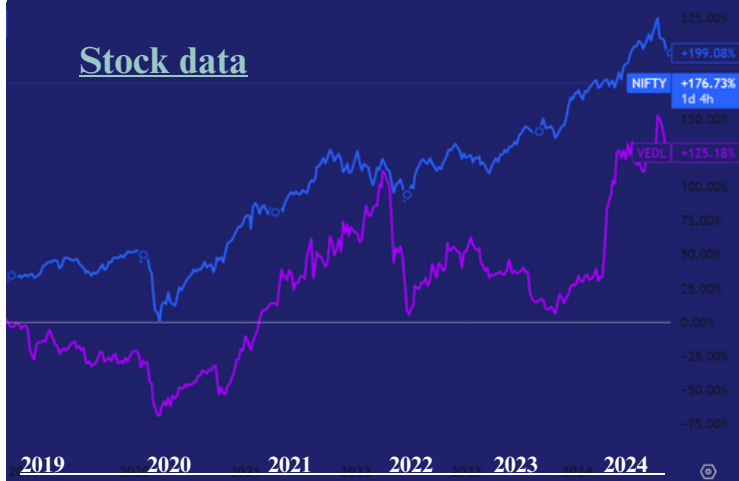
Synopsis of Financials

- Quarterly Revenue: Achieved ₹35,239 crores, a 6% increase year-on-year.
- EBITDA: Surged to ₹10,275 crores, a remarkable 47% year-on-year growth.
- EBITDA Margin: Increased by 10% to an industry-leading 34%.
- Profit After Tax: Rose sharply by 54% year-on-year to ₹5,095 crores.
- Free Cash Flow: Before capital expenditures stood at ₹4,371 crores, up 41% year-on-year.
- Net Debt-to-EBITDA Ratio: Improved to 1.5x year-on-year from 1.9x, showcasing strong financial health.

Stock data (as 06th Mar 2025)

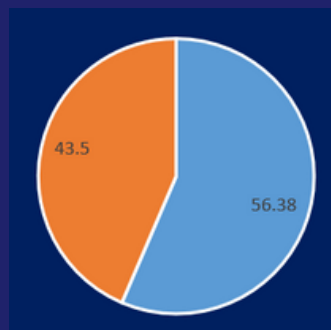
Nifty Price	: 22,388
52 week High (in Rs.)	: 527
52 week Low (in Rs.)	: 250
Market Cap. (in Crore)	: ₹ 1,67,814 Cr.
NSE Code	: VEDL

Stock data



-NIFTY50
-VEDL

Shareholding Pattern (March 2024)



-PUBLIC GROUP
-PROMOTER GROUP

Financial Summary

Particulars	Mar 2022	Mar 2023	Mar 2024
Sales	132,732	147,308	143,727
Sales Growth %	50.80%	10.98%	-2.43%
Expenses	87,908	112,877	108,415
Operating Profit	44,824	34,431	35,312
OPM %	34%	23%	25%
Net Profit	23,710	14,503	7,539
EPS in Rs	50.58	28.45	11.40

Quarterly Results

Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	36,654	34,102	37,930	33,733	38,945	35,541	35,509
Expenses	28,955	27,035	28,471	27,313	27,466	27,010	26,741
Operating Profit	7,699	7,067	9,459	6,420	11,479	8,531	8,768
OPM %	21%	21%	25%	19%	29%	24%	25%
Other Income	931	1,619	-631	2,326	1,863	779	385
Interest	1,642	1,572	1,805	2,110	2,523	2,417	2,415
Depreciation	2,624	2,720	2,765	2,550	2,642	2,788	2,743
Profit before tax	4,364	4,394	4,258	4,086	8,177	4,105	3,995
Tax %	38%	30%	26%	19%	111%	30%	43%
Net Profit	2,687	3,091	3,132	3,308	-915	2,868	2,275

Source: Screener

Key Ratios

Ratio	As at 31 March 2024	As at 31 March 2023*	% Variance
1 Current Ratio (in times)	0.67	0.70	(4%)
2 Debt-Equity Ratio (in times)	0.64	0.60	7%
3 Debt Service Coverage Ratio (in times) *	1.29	2.76	(53%)
4 Return on Equity Ratio (%) ^b	11%	31%	(64%)
5 Inventory turnover Ratio (in times)	7.55	6.92	9%
6 Trade Receivables turnover Ratio (in times)	27.87	22.90	22%
7 Trade payables turnover Ratio (in times)	10.48	10.33	1%
8 Net capital turnover Ratio (in times)	**	**	**
9 Net profit Ratio (%) ^c	11%	34%	(68%)
10 Return on Capital employed (%) ^d	9%	6%	53%
11 Return on investment (%) ^e	1.27%	3.71%	(66%)

Source: Annual Report

Yearly Results

Particulars	Mar 2022	Mar 2023	Mar 2024
Equity Capital	372	372	372
Reserves	65,011	39,051	30,350
Borrowings	53,583	80,329	87,706
Other Liabilities	74,981	69,703	69,690
Total Liabilities	193,947	189,455	188,118
Fixed Assets	93,466	95,744	98,963
CWIP	15,879	19,529	22,889
Investments	17,291	13,150	11,869
Other Assets	67,311	61,032	54,397
Total Assets	193,947	189,455	188,118

Synopsis Quarter Results

Key Highlights

Operational Performance:

- **Cost Efficiency:** Overall costs decreased by 20% year-on-year, positioning Vedanta among global leaders in cost efficiency.
- **Aluminium Production:** Achieved a strong quarterly production of 596 kilo tons with an 11% reduction in costs year-on-year.
- **Hindustan Zinc:** Recorded highest-ever first quarter mined and refined metal production at 263 KT and 262 KT, respectively.
- **ESL Steel:** Crude steel production increased by 10% year-on-year to 356 KT.

Strategic Growth Initiatives:

- **Capital Expenditure:** Committed to \$8 billion in growth capex over the next few years.
- **Aluminium Business:** Plans to ramp up production capacity to 3.1 million tons per year, focusing on value-added products.
- **Zinc India:** Targeting annual EBITDA of \$2.7 billion, with a defined metal capacity of 1.2 million tons and 800 tons of silver production.
- **Oil and Gas Production:** Aiming for 150,000 barrels per day and 1.6 billion barrels in reserves and resources, with plans to scale to 300,000 kboepd.

Sustainability and ESG Initiatives:

- **Sustainability Rankings:** Vedanta ranked third in the S&P Global Corporate Sustainability Assessment, with Hindustan Zinc and Vedanta Aluminium leading in their respective sectors.
- **Renewable Energy Initiatives:** Secured 1,826 megawatts of renewable energy agreements, with Hindustan Zinc sourcing 8.5% of its power from renewable sources.

Upcoming Projects and Developments:

- **Aluminium Integration:** Completion of full backward integration to ensure 100% self-sufficiency in bauxite, alumina, and coal.
- **Iron Ore Production in Liberia:** Targeting annual production of approximately 30 million tons.
- **Steel Expansion:** ESL to ramp up to 3.5 million tons per year by the end of FY'25, with projected EBITDA of \$500 million.

Demerger Strategy:

- **Strategic Demerger:** Filed the demerger scheme application with NCLT, aiming to create focused entities with sharper investment propositions.

Management's Outlook:

- **Optimistic Growth Projection:** The management expresses confidence in achieving \$30 billion in annual revenue and \$10 billion in EBITDA in the near term.
- **Focus on Operational Excellence:** Emphasis on disciplined growth, operational excellence, and exploring value chain opportunities.
- **Market Positioning:** Positioned well to capitalize on emerging opportunities and deliver sustained value to shareholders.

Challenges and Headwinds:

- **Regulatory Delays:** Acknowledgment of potential delays in approvals for coal mining projects due to government changes, but confidence in ongoing progress.
- **Commodity Price Volatility:** Monitoring global alumina prices and their impact on production costs, while maintaining a focus on cost reduction measures.

Insights on New Developments:

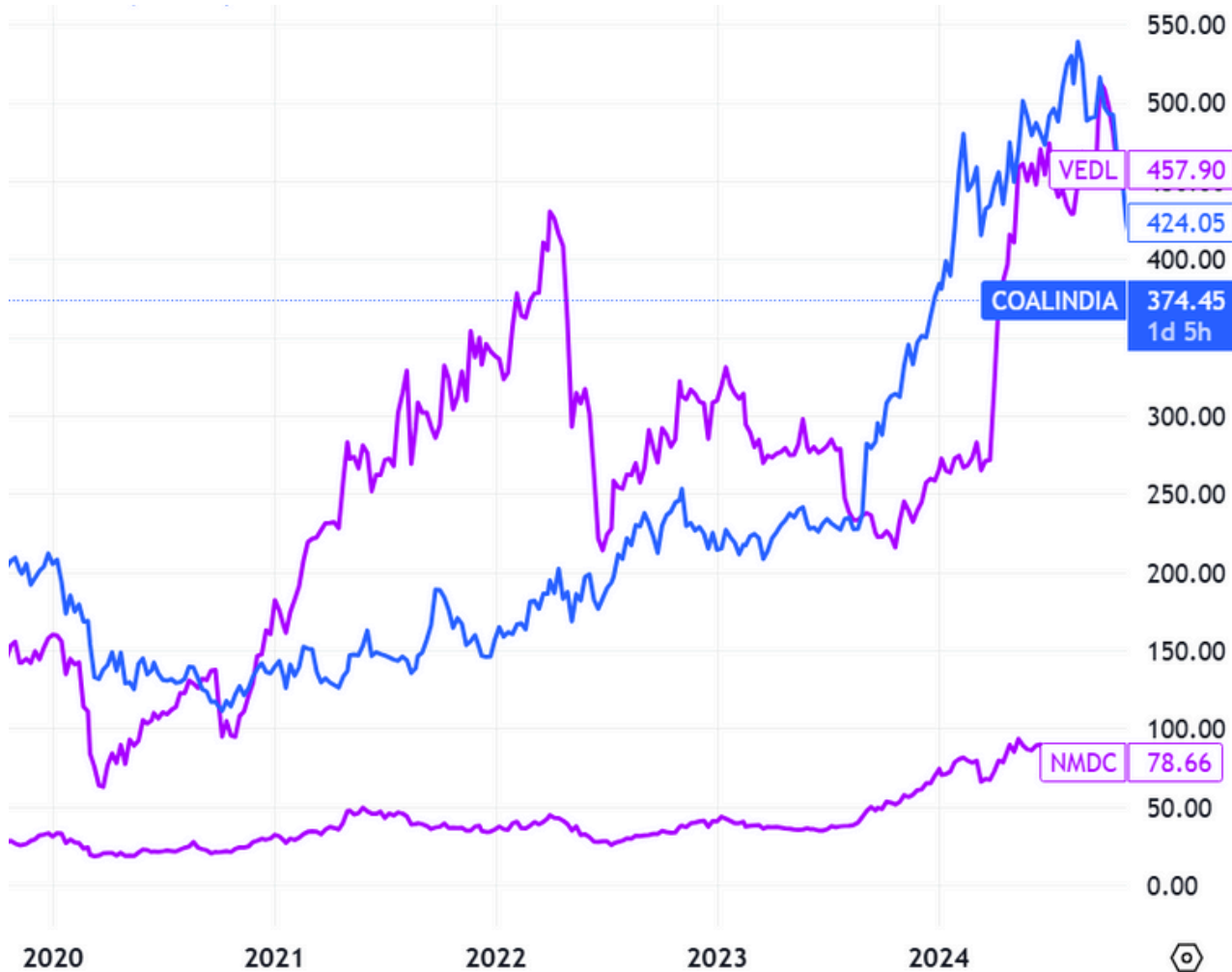
- **Zinc International Expansion:** Plans to mirror Zinc India's success with a commitment to deliver 1 million tons of zinc production from substantial ore reserves.
- **Konkola Copper Mines (KCM):** Recently regained control over KCM, with plans to ramp up copper production significantly over the next few years.

Conclusion:

- The management remains optimistic about Vedanta's growth trajectory, supported by robust financial performance, strategic initiatives, and a strong commitment to sustainability. The company is well-positioned to navigate industry challenges while pursuing ambitious growth targets.

Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Coal India	368.15	6.61	226880.86	6.91	8491.22	-17.19	35779.78	-1.03	63.59
2.	Vedanta	429.15	14.11	167814.27	10.23	4876.00	76.20	39115.00	10.06	20.91
3.	NMDC	65.43	8.96	57524.90	3.66	1880.00	12.62	6567.83	21.40	30.91

Source: Screener

Final Outlook



VEDL: BUY | LTP: 429

Vedanta Limited (VEDL) has strong fundamentals, good revenue growth, and a healthy ROE. However, the company's profit growth has been poor and its book value has been trending down.

Revenue and profit

- In FY 2022-23, Vedanta's consolidated revenue was ₹1,47,308 crore, a 10.9% increase from the previous year.
- In FY 2023, Vedanta's net loss was ₹14,506 crore, a 63% increase from the previous year.
- In FY 2023, Vedanta's earnings per share (EPS) was ₹28.50, a 44% decrease from the previous year.

Valuation

- Vedanta's price-to-intrinsic value is 0.289, indicating that the company is undervalued.
- Vedanta's price-to-earning ratio is 12.12, and its EV to EBITDA is 6.08, also suggesting that the company is undervalued.

Other financial metrics

- Vedanta's cash conversion cycle is -15.86 days.
- Vedanta's ROE has been 20.36% over the past 3 years.
- Vedanta's promoter pledging is high at 99.99%.

ESG score

According to MSCI, Vedanta's ESG score for its industry is good.

I would give **Buy** recommendation for this stock

Disclaimer: The information provided on this blog is for general informational purposes only and is not intended as financial advice. While we aim to provide accurate information, please conduct your own research before making any investment decisions. This content is for informational purposes only and should not be construed as financial advice. Always consult with a financial advisor before investing.

This blog may contain links to external websites for your convenience. We do not endorse the content or views expressed in these external sites and are not responsible for their accuracy or reliability.

By using this blog, you acknowledge that you have read and understood this disclaimer and agree to its terms.