BUY

CMP: **INR 509** Target Price: **INR 600** ▲ 18%

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06 October 2024

India | Equity Research | Re-initiating Coverage

Vedanta

Metals

2Vs and 1C lend the base punch

We resume coverage on Vedanta (VEDL) with a **BUY** rating. We see VEDL weaving its growth story around two '**Vs**' and one '**C**' *viz.* volume, value, and cost reduction–across segments, especially in its aluminium (Al) and Zinc-India (Zn-India) divisions. Key points: 1) Significant volume growth aspirations for all divisions. 2) Al/Zn-India – potentially key earnings growth drivers. 3) Oil & gas (O&G) production is likely to bottom up by FY26E. 4) Growth vectors at VEDL may help pare debt by USD 3bn over the next three years. 5) Dividend yield could sustain at >5% p.a. Put together, we envisage an EBITDA CAGR of 25% YoY through FY26E and RoE of 40–45% over the next two years. A SoTP-based valuation arrives at a TP of INR 600, implying an EV/EBITDA of 5.7x on FY26E and FY27E blended EBITDA (50% weight each).

2Vs and 1C: Robust plans in place through FY30

VEDL has charted growth plans, across its key divisions, for a distant horizon – at least until FY30. Key points: 1) **Al**: Achieve fully-integrated supply chain from mine to metal. 2) **Zn-India**: Ramp up both mining and smelter capacity to 2mtpa. 3) **O&G**: Full field scale ASP project execution across MBA fields. 4) **Zn-International**: Gamsberg Phase 2 expansion (by 220 KTPA), new concentrator of 4mtpa likely to be commissioned in FY25 with aspiration of reaching 1mtpa of zinc and copper production by FY30.

In our view, management has firm plans in place to achieve volume ramp up in Zn (India/international) and O&G division. For Al, management has near-term CoP/te target of USD 1,650/te, largely on the back of captive alumina, bauxite, and coal.

EBITDA movers: Cost at Al and volume at Zn-India

Al and Zn-India are likely to be the bulwark of earnings growth. Together, these divisions are likely to account for 85% of incremental EBITDA through to FY26E. We expect Al EBITDA to rise ~2x YoY to INR 221bn in FY25E due to a combination of higher volumes, lower cost and higher LME Al price. We expect earnings to benefit from progressively higher captive alumina, bauxite and coal. Further, value-added products' (VAP) capacity (yielding an additional USD 100–150/te of EBITDA) is likely to be 90% post expansion, vs. 61% currently. In case of Zn-India, we expect volume growth to be the key earnings driver with growth in both refined metal and silver production. Techno commercial feasibility study is in progress for the augmenting of its refined metal production to 2mt and silver production to 1,500te in the long term.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	14,73,080	14,37,270	15,00,975	16,70,649
EBITDA	3,44,220	3,51,980	4,44,540	5,23,421
EBITDA Margin (%)	23.4	24.5	29.6	31.3
Net Profit	1,05,770	42,370	1,82,241	2,35,006
EPS (INR)	28.5	11.4	49.0	63.2
EPS % Chg YoY	(39.8)	(67.8)	285.0	29.0
P/E (x)	12.8	39.9	10.4	8.0
EV/EBITDA (x)	6.8	7.0	5.6	4.6
RoCE (%)	13.6	5.7	20.7	23.8
RoE (%)	16.0	9.3	43.6	47.3

Amit Dixit
amit.dixit@icicisecurities.com
+91 22 6807 7289
Mohit Lohia
mohit.lohia@icicisecurities.com
Pritish Urumkar
Pritish.urumkar@icicisecurities.com

Market Data

Market Cap (INR)	1,989bn
Market Cap (USD)	23,692mn
Bloomberg Code	VEDL IN
Reuters Code	VDAN.BO
52-week Range (INR)	524 /211
Free Float (%)	43.0
ADTV-3M (mn) (USD)	90.3

Price Performance (%)	3m	6m	12m
Absolute	8.4	64.1	127.7
Relative to Sensex	6.4	54.1	102.5

O&G and Zn-international likely to stabilise

O&G and Zn-international have been the most assiduously analysed divisions given the delay in production ramp-up so far. In our view, the profitability of its O&G division shall improve on the back of: 1) better contribution from (more profitable) RSC blocks – likely increasing to >40% in the long term; 2) a change in mix of gas to 50%, from 20% currently; and 3) expansion of resource base to >2bnboe in the next three years.

Furthermore, we believe that a combination of success of ASP EOR in the Rajasthan field, arresting the natural decline and monetisation of OALP blocks, is likely to result in production increasing from Q1FY26E. In case of Zn-international, we believe Gamsberg is the key to ensure that the company's vision of achieving 1mtpa MIC production at CoP/t of <USD 1,200/te is met. VEDL has embarked on Gamsberg Phase 2 (220ktpa) project, which is likely to see completion by H2FY25, followed by a ramp up. We expect Zn-International's EBITDA CAGR at 48% through to FY26E.

Parent debt likely to come off by USD 3bn in three years

After shedding debt to the tune of USD 4.5bn over the last two and a half years, we expect Vedanta Resources' (parent) debt to shrink by another USD 2.5bn in the next 2-3 years. Almost USD 1bn of targeted USD 3bn debt has already been reduced in past six months. Going by the maturity schedule of the debt, we expect a combination of dividend and branding fee from Vedanta Limited to result in debt reducing to USD 3.5bn by end-FY27E. The resultant dividend yield is likely to be 5–6%. Thus, apart from possible capital gains, dividend yield is another sweetener for the stock.

Outlook: Aspirations built on volumes; resume coverage with BUY

In our view, VEDL is a fitting case of all the cylinders firing together. While Al and Zn-India divisions are likely to grow on cost and volume leadership, respectively, we expect performance improvement for both O&G and Zn-international divisions as well. Besides, the focus on VAP at both Al and Zn-India is likely to aid in ameliorating performance in the medium term. Over the long term, there are also plans to grow capacity in steel, power and base metal divisions.

In our view, the upcoming demerger is likely to pave a separate sharpened growth path to individual divisions and offer investors an opportunity to invest in growth-oriented pure-play companies. However, the distribution of standalone debt among different divisions (in particular Al) is likely to be closely tracked.

Valuations and Risks

We value VEDL on the SoTP methodology. Our TP works out to INR 600/share, implying a 17% upside from CMP. Besides, dividend yield of 5–6% over the next three years is an additional sweetener. We resume coverage on VEDL with a **BUY** rating. Key risk to our thesis: 1) Sharp decline in underlying commodity prices; 2) Delay in start/ramp up of coal mining operations in Al division; and 3) Lower than expected volume growth in Zn-India and Zn-International divisions.

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Al division: Riding on cost efficiencies

- FY25 to be a transformative year
- Working on 100% integration from mines to metal
- VAP proportion may reach 90% from current 61%
- Targeting sustainable EBITDA/te of USD 1,000 (LME Al price; USD 2,600/te) and 3mtpa production

FY25 to be a transformative year

We expect FY25 to be a transformative year for the Al division as key projects drive volume growth, and cost efficiencies likely culminate or reach critical milestones:

- The ongoing 414ktpa expansion at BALCO that would expand the total smelting capacity to 2.8mtpa (from current 2.4mtpa) is likely to be commissioned in H2FY25. Besides, debottlenecking and volume creeping projects are likely to expand the capacity further to 3.1mtpa through to FY27E, positioning VEDL among top-3 producers globally ex-China.
- Alumina: Lanjigarh Train 1 (1.5mtpa) to be ramped up and Train 2 (1.5mtpa) may be commissioned and subsequently ramped up.
- Coal: Operationalisation of Kurloi North (8mtpa) and Radhikapur West (6mtpa) coal blocks.
- VAP expansion: Jharsuguda to 1.6mtpa and BALCO to 1mtpa. Commence production at BALCO of rolled products expansion of 100ktpa capacity.
- Bauxite: Commence initial production of Sijimali Bauxite block (9mtpa).

Beyond FY25

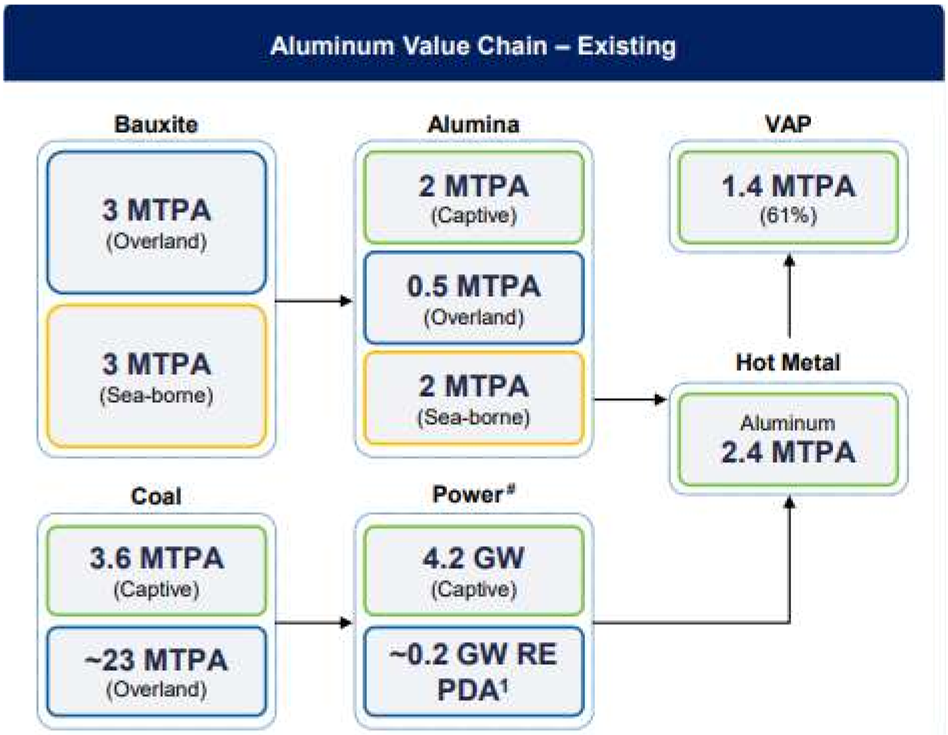
We expect full ramp-up of 3mtpa expansion of Lanjigarh alumina facility. By H1FY26E, we expect its full 5mtpa capacity to be operational. Besides, we expect the initial work to commence on implementation of de-bottlenecking to 6mtpa expansion. In FY26E, we also expect a complete ramp-up of BALCO's 0.41mtpa expansion that would take its total production to nearly 1mtpa by end-FY26. On VAP, we expect steady ramp-up to full capacity.

By FY30, management aims to achieve a fully-vertically-integrated supply chain from mine to metal with Sijimali bauxite mine operating at 12mtpa, full coal security and Lanjigarh refinery operating at 6mtpa. On the production front, management expects to achieve 3mtpa of operational hot metal capacity and 100% VAP portfolio, fully ramped up, constituting 90% of overall sales.

Working on 100% integration from mines to metal

Currently, VEDL is dependent on external bauxite, of which half is sourced from domestic market while the other half is imported. Of its total coal requirement, just 3.6mtpa is captive while the rest is sourced externally within domestic market. In case of alumina, current captive capacity stands at 2mtpa while 0.5mtpa is sourced from domestic market and another 2mtpa is imported, making the company vulnerable to the seaborne alumina market.

Exhibit 1: Aluminium value chain and sourcing: Status Quo



Source: I-Sec research, Company data; Note: 1. Contracted RE Power despatch, #: Excluding 600MW JH plant

Becoming increasingly self-reliant in mining of coal and bauxite

Management expects to commence mining operations in Kurloi North (8mtpa) and Radhikapur West (6mtpa) coal blocks by Q1FY26 and at Ghogharapalli (20mtpa) by Q2FY26. However, in our current estimates, we have assumed a delay of one quarter in the operationalisation of these mines and expect a ramp-up to happen over the next six quarters for all the mines. Hence, the full benefit of captive coal as per our estimates could be visible only in FY27.

Exhibit 2: Stages of approvals of different mines

Source: I-Sec research, Company data

Upon commissioning to the rated capacity, four coal mines (Kurloi, Radhikapur, Ghogarpalli and Jamkhani) with resources of 950mt and mining capacity of almost 40mtpa are likely to suffice the entire requirement of aluminium plant of 3mtpa capacity for more than 20 years. In case of bauxite as well, the resources of 370mnte and capacity of 15–18mnte are likely to meet two-thirds of its requirement of 3mtpa aluminium plant for more than 20 years.

Exhibit 3: Resources – coal and bauxite

COAL MINES

	Jamkhani	Kuraloi
MINEABLE RESOURCE (MnT)	120	150
CAPACITY (MTPA)	3	8
	Ghogharpalli	**Radhikapur**
MINEABLE RESOURCE (MnT)	600	130
CAPACITY (MTPA)	20	6
	Barra*	**Total**
MINEABLE RESOURCE (MnT)	TBC	~950
CAPACITY (MTPA)	6	~40

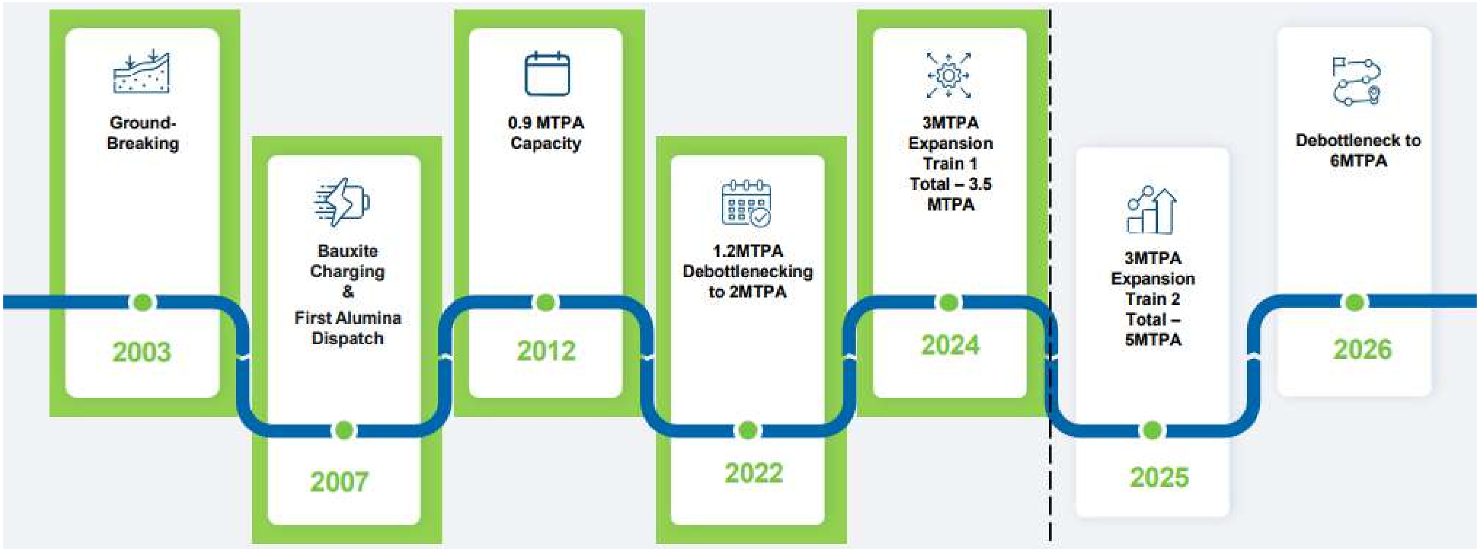
BAUXITE MINES

	Sijimali	OMC/Others
MINEABLE RESOURCE (MnT)	300	70
CAPACITY (MTPA)	12	3-6
	Total	
MINEABLE RESOURCE (MnT)	~370	
CAPACITY (MTPA)	15-18	

Source: I-Sec research, Company data; Note: *: Under Exploration

In alumina, management expects to ramp-up both the trains to achieve operating capacity of 5mtpa at Lanjigarh by FY26. By FY30E, we believe the de-bottlenecking to 6mtpa may also be complete, providing full alumina security to the 3mtpa Al capacity.

Exhibit 4: Alumina capacity evolution



Source: I-Sec research, Company data

Proximity to key resources enables competitive edge

VEDL's plants are located in a region with significant coal deposits. The area in the vicinity holds 24% of coal deposits in India. Furthermore, its captive coal mines are located within a 50km radius, lending significant logistical advantage. Besides, Sijimali bauxite mine is located close to Lanjigarh refinery. The area is well connected with access to sea, with five major ports – Paradeep, Haldia, Vizag, Kakinada and Gangavaram within 400–700km.

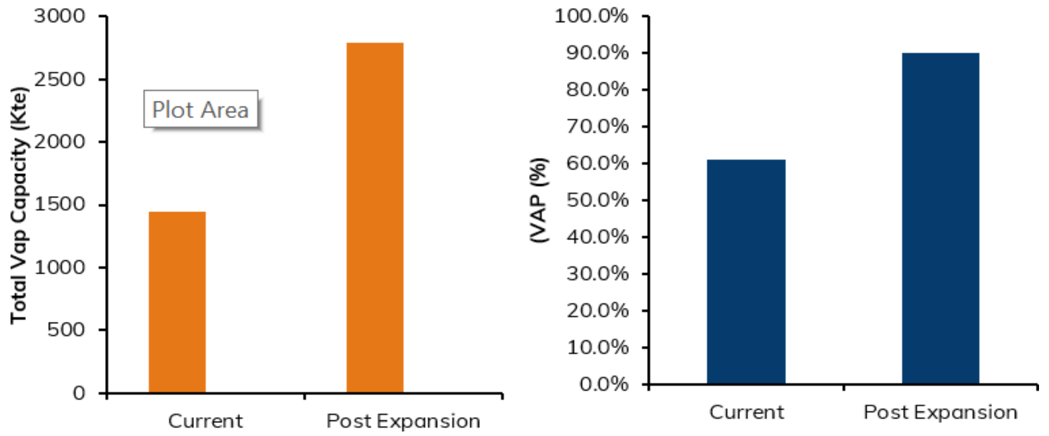
Exhibit 5: Plant locations

Source: I-Sec research, Company data

VAP production: Likely to increase to 90% post expansion

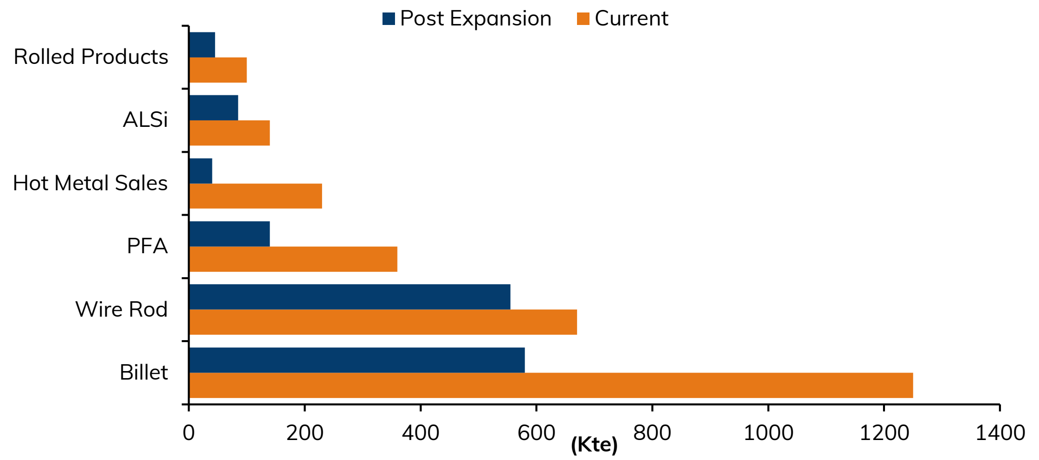
As a result of the expansion and progressive ramp up, we expect VAP capacity to rise to 2.79mt (90% of overall) compared to 1.44mt (61% of overall). The largest quantum of increase is coming in billets, which is increasing from 580kte to 1.25mnte, largely in line with India's consumption of aluminium, oriented towards power segment.

Exhibit 6: VAP: Pre and post expansion



Source: I-Sec research, Company data

Exhibit 7: VAP capacity and % of overall sales (pre and post expansion)

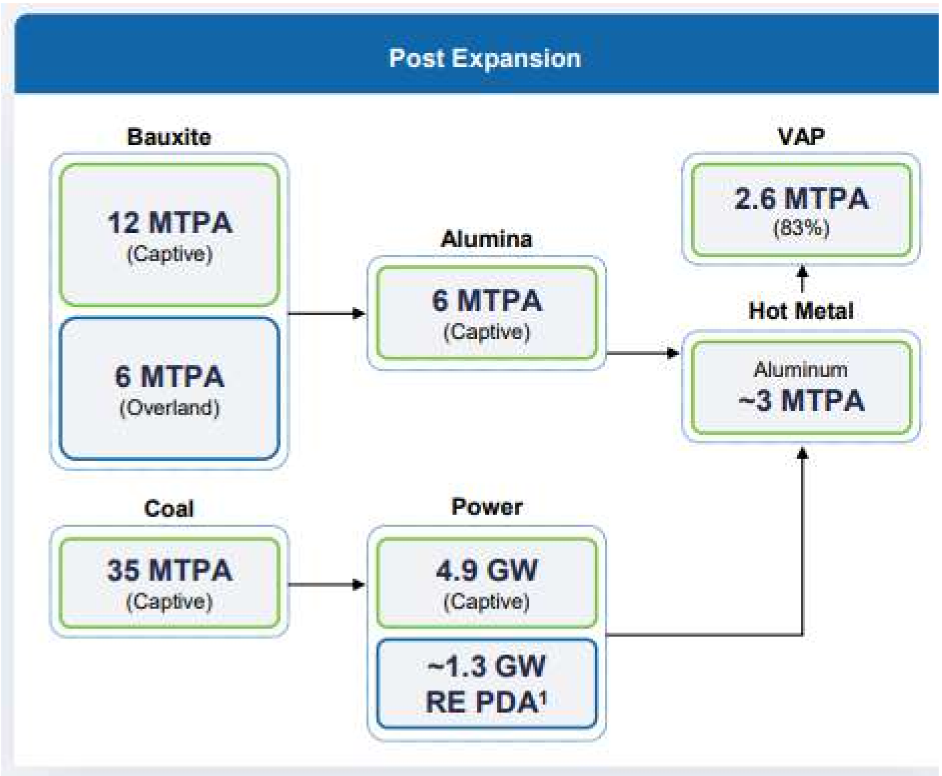


Source: I-Sec research, Company data

Al: On the path to USD 1,000/te of EBITDA and 3mtpa of production

Post expansion and coal linkages operationalisation, we expect VEDL's Al operations to be significantly captive. Almost two-thirds of the total bauxite requirement for refining is likely to be met through captive sources with domestic procurement accounting for the rest. We expect nil imports of bauxite. On alumina, we expect VEDL to be completely self-sufficient. On the coal front, we believe operationalisation of Ghogharpalli is critical for the company to achieve 100% coal security. Post expansion at BALCO and de-bottlenecking at Jharsuguda, we expect Al capacity at 3mtpa, which would be progressively ramped up by FY28.

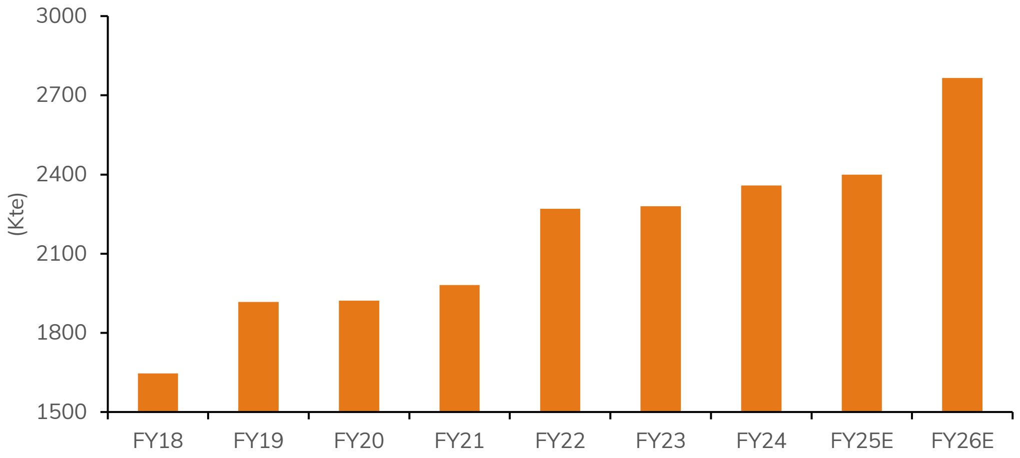
Exhibit 8: Vertically-integrated Al operations – possible scenario



Source: I-Sec research, Company data

As a result of the expansions at BALCO and Jharsuguda, we expect sales volume to pick up from FY26E. By FY26E-end, we expect sales volume of 2.79mtpa, implying 6% CAGR for FY18–26E.

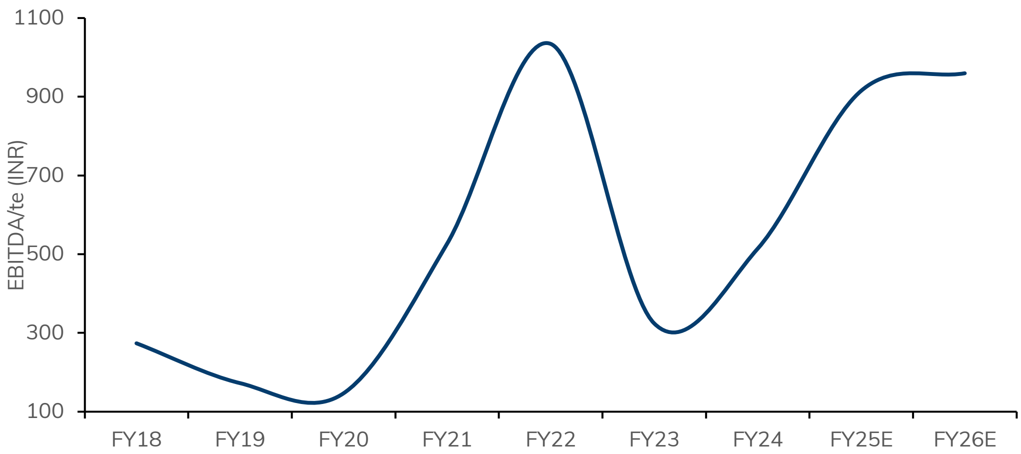
Exhibit 9: Sales volume progression



Source: I-Sec research, Company data

As a result of lower hot metal cost and higher VAP content, we expect EBITDA/t to reach USD 1,000/te by FY26E on our LME price estimate of INR 2,600/te. We expect EBITDA/te to further improve beyond FY26E as cost efficiencies from captive alumina, coal may progressively flow in through to FY27E. It is noteworthy that EBITDA/te was already at INR 1,035/te in FY22; however, it was on the back of LME Al price of USD 2,775/te

Exhibit 10: EBITDA/te progression



Source: I-Sec research, Company data

Zn-India: Poised for volume growth

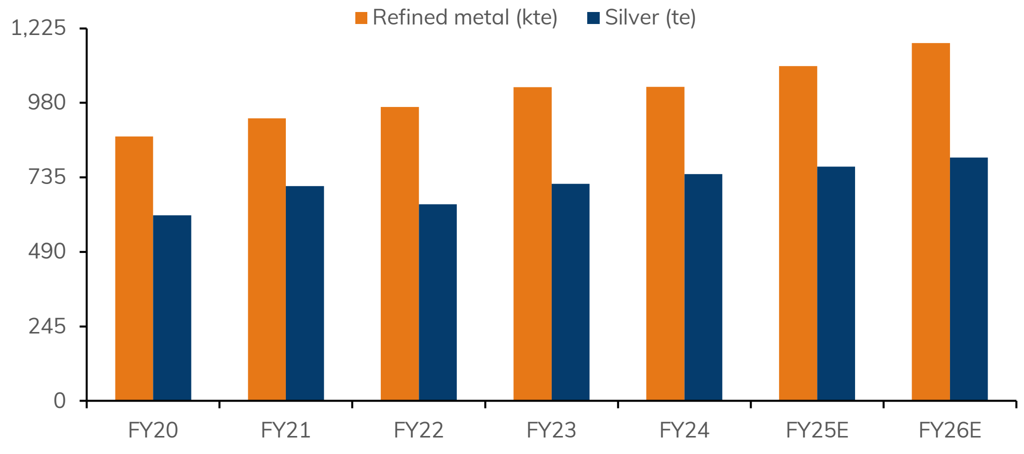
- Growth plan for reaching 2mtpa metal and 1,500t of silver under development
- Firm focus to reduce cost below USD 1,000/te
- Focus on recycling and VAP
- Renewable power to lend green advantage

Volume growth plans in place

In FY25, management is working towards further ramping-up of underground mines for design capacity of 1.2mtpa. With supporting MIC flow, smelters are geared to reach almost 1,080–1,100kte capacity by end-FY25. Further, management is focusing on new leaching; also, a cell house is slated to be erected in Debari with a capacity of 210ktpa along with other efficiency improvement initiatives to achieve overall finished good production of 1.2mtpa. Besides, management aims to complete ramp-up of fumer to produce 33t of silver through zinc route.

We expect refined metal production of 1.1mnte and 1.17mnte by FY25E-end and FY26E-end, respectively. Besides, we expect silver to reach 800te by FY26E-end.

Exhibit 11: Refined metal and silver production



Source: I-Sec research, Company data

Beyond FY25

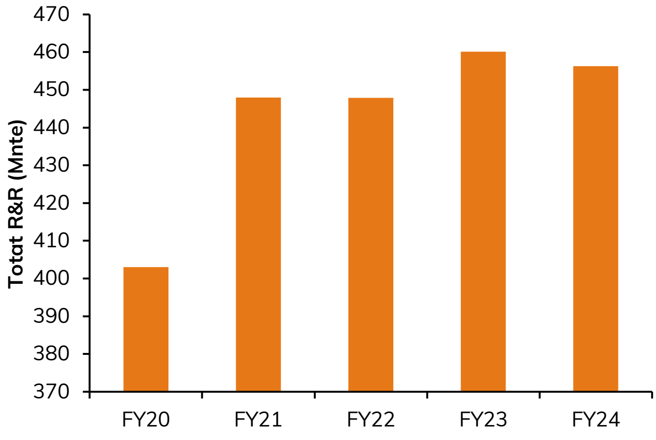
By FY26, management expects to ramp up the underground mines further to reach 1.25mtpa capacity. Besides, Roaster 6 at Debari is likely to commissioned by Q4FY25E and complete the construction of new leaching and cell house in Debari. In Zawar, Mill-3 is likely to be completed, which shall boost beneficiation capacity.

By FY30, management expects ramp up of underground mines to reach 1.5mtpa capacity and is looking for new mining leases. Also, one more smelter is likely to be added to take the overall refining capacity to 1.5mtpa. Also, techno-commercial study may double production (from FY24 levels) to 2mtpa+. Management is targeting to increase silver capacity to 1,000te (through fumer route) in the short term and ultimately to 1,500te upon reaching 2mtpa+ capacity in refined metal.

Second-highest R&R base globally with 25+ years of mine-life

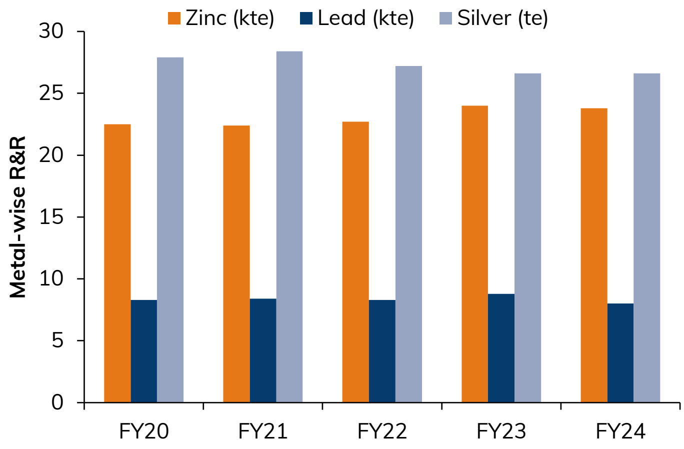
Zn-India has total R&R of 456.3mt and a metal content of nearly 31mt. The focused approach towards exploration has ensured that the company added ~2.5x metal reserves compared to end-FY20. Similarly, total R&R is up 35% in the last five years.

Exhibit 12: Total R&R



Source: I-Sec research, Company data

Exhibit 13: Commodity-wise R&R



Source: I-Sec research, Company data

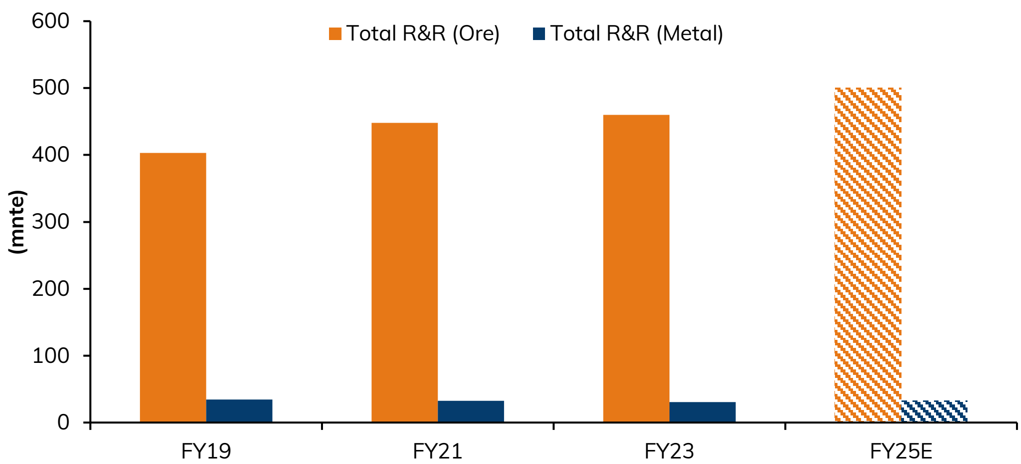
In FY25, management expects to commission a combined paste-fill and dry tailing plant at Rajpur Dariba which will likely help increase ore production from 1.5mtpa to 2mtpa. Further, migration to 100% mechanised charging at Zawar is likely to improve safety, faster charging and increased pull per blast. Also, hydraulic fill plant hook-up with Mill 2 at Zawar is planned to expedite filling at Mochia and Balaria mines and improve ore recovery.

Management is also embarking on an exploration plan to enhance the mineral resource by 20mnte ore and acquire new potential areas through auction. Further, the target is for ore reserves upgradation for sustained mine production for next 10 years. R&R in FY25 is likely to reach 500mt and total R&R (metal) is expected to reach 32.6mnte.

In FY26, management would commission a vertical conveyor at SKM to mine high-grade shaft pillar area and complete Mill 3 at Zawar to increase the beneficiation capacity. The new tailing dam is also likely to be established at Zawar mines.

VEDL's long-term target until CY30 is to attain R&R metal of ~40mnte in Zn-India portfolio.

Exhibit 14: R&R evolution through to FY25

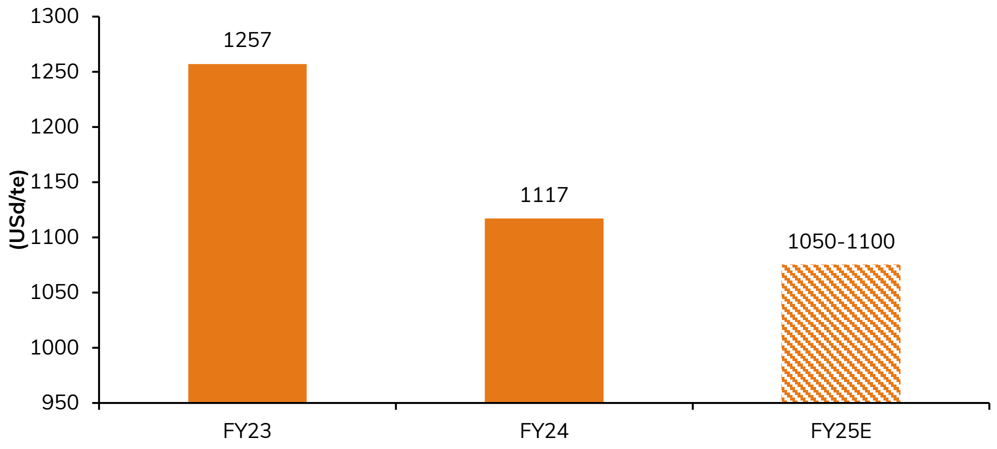


Source: Company data, I-Sec research

VEDL is focusing on reducing cost to USD 1,000/te in medium term

Management is targeting efficient ore hauling, higher volumes and grades besides higher productivity through the ongoing initiatives in automation and digitisation to reduce the cost further. One of the main contributors to lower cost may be 450MW RE power at a fixed rate for 25 years, which would provide better cost visibility and predictability.

Exhibit 15: CoP/te movement



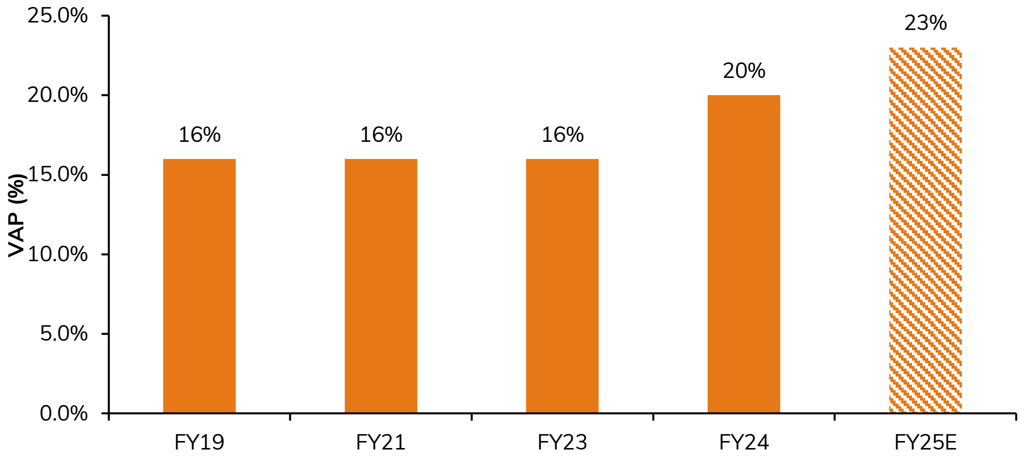
Source: I-Sec research, Company data

Focus on recycling and VAP

In FY25, management is focusing on ramp-up of 30kt Zn alloy plant and on innovation of new products in lead alloys. It is targeting to increase Zn alloys by 50% by FY30, with a focus on HZDA (an Al Zinc alloy), CGG (continuous galvanising), ZAM (zinc aluminium magnesium) alloys.

Moving forward, Zn-India, along with its technology partners, is evaluating and finalising recycling projects – converting waste into wealth. There is potential for recovering 1mt of metal and 3kt of silver from dross and tailings.

Exhibit 16: VAP capacity ramp-up schedule



Source: I-Sec research, Company data

Focus on green products and utilising RTC RE

Zn-India has entered into Power Delivery Agreements (PDA) with Serentica Renewable India Private Ltd (SRI4PL and SRI5PL) for Dariba (200MW) and Chanderiya (250MW) plant locations, respectively. SRI4PL & SRI5PL are part of Serentica group, which is developing ~4GW of renewable energy across multiple states to provide round-the-clock (RTC) power to industries.

Currently, land acquisition and statutory approvals are on track and transmission connectivity is secured. OEM, EPC and vendor partners have been tied-up and construction activity at site is in progress. The first flow of RE power has already started from May'24.

Zn-India has launched Asia's first low carbon 'green' zinc product, EcoZen. Manufactured using renewable energy, the carbon footprint of EcoZen is less than one tonne of carbon equivalent per tonne of zinc produced and about 75% lower than the global average.

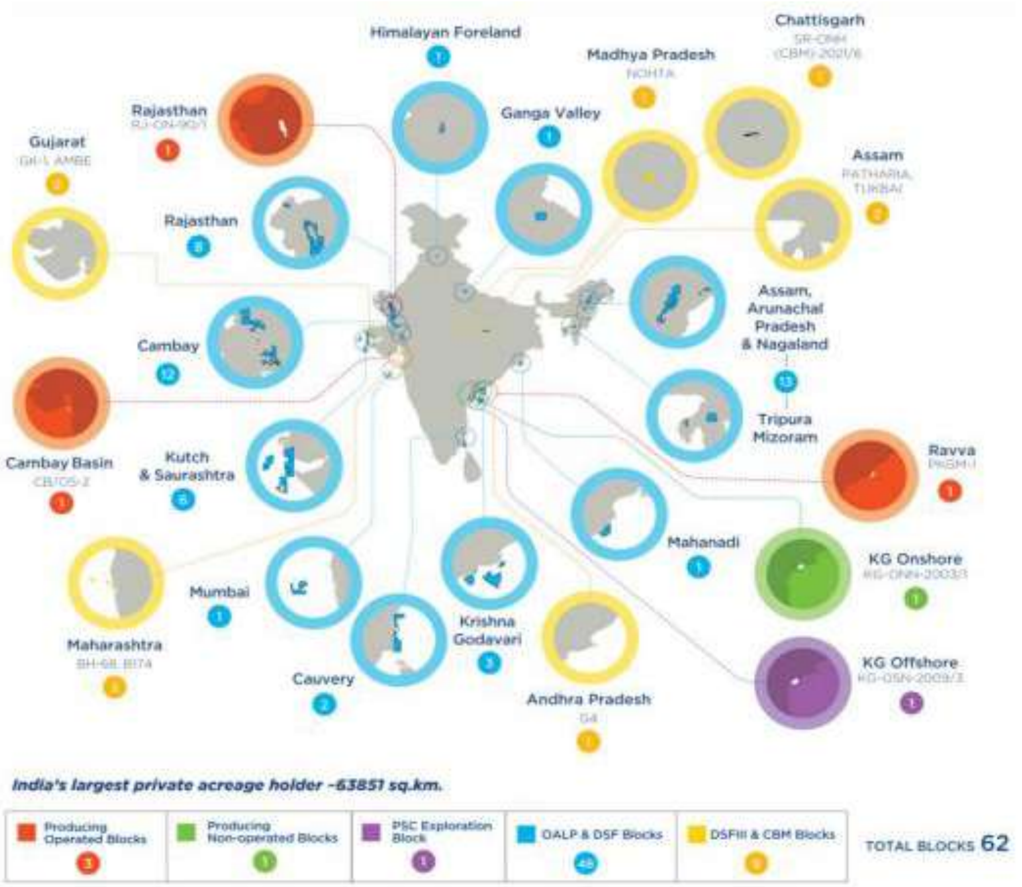
O&G: Production uptick in store

- Near-term production growth to achieve 150kboepd
- Expand resource base to >2bnboe in next three years
- Profitability uptick as RSC mix increases

Largest private acreage holder with area of ~60,000km^2

Oil & Gas buiness has footprint across basins in the country with 62 blocks which include: PSC-5, OALP- 46, DSF-10 and CBM-1.

Exhibit 17: Distribution of O&G blocks



Source: I-Sec research, Company data

Current long-term resources stand at more than 5bboe, covering six regions, including new opportunities (1,250mmboe) considered at 25% success rate. The medium-term resources include shale prospective resources (unconventional) at >200mmboe and short-term reserves including post PSC (2030) resources of 196mmboe. Gross reserves and resources as on end-FY24 stands at 1,376mmboe.

Near-term production growth target at 150kboepd

In FY24, first Field Development Plan (FDP) had been approved for Jaya field (among 144 blocks awarded under 8 OALP rounds). Production has commenced with >3kboepd rate already achieved. Furthermore, infill wells were drilled across PSC blocks – Mangla, Bhagyam, Aishwarya, Tight Oil (ABH) and Tight Gas (RDG) to augment reserves and mitigate the natural decline. In all, 29 wells were drilled across all assets in FY24. The development programmes planned until FY30 have a cumulative potential to add 98–173koepd.

Exhibit 18: Total potential resources

Region	Resources (mmboe)	Description
Rajasthan	1,500	8 OALP blocks, PSC and Unconventional
Northeast	500	12 OALP blocks
Cambay	400	
Raava PSC	300	
Western Offshore	1,100	7 OALP blocks
Eastern Offshore	1,500	5 OALP blocks
Total	**5,300**	

Source: I-Sec research, Company data

Exhibit 19: Development projects (resources in mmboe)

Type	Location	Project	Resources to Reserves	Potential Avg Production (kboepd)	Year of Production
Near Execution	Rajasthan Onshore	Durga (inc. Appraisal)	50-100	15-20	FY24
Concept	Rajasthan Onshore	Satellite Fields*	60	10-15	FY26
	Rajasthan Onshore	Tight Oil MBH	30-50	5-8	FY26
	Offshore	East + West Coast Offshore	200	10-20	FY26
Technology to unlock	Rajasthan Onshore	Mangala ASP Phase II	190	20-40	FY28
	Rajasthan Onshore	BDZ Development	10	1-5	FY26
	Rajasthan Onshore	Bhagyam ASP	70	7-22	FY29
	Rajasthan Onshore	Aishwarya ASP	50	10-18	FY30
Unconventional	Rajasthan Onshore	Shale Gas	210	20-25	FY26

Source: I-Sec research, Company data; Note: Satellite fields include Raag Oil, Tukaram, GSV. Saraswati etc.

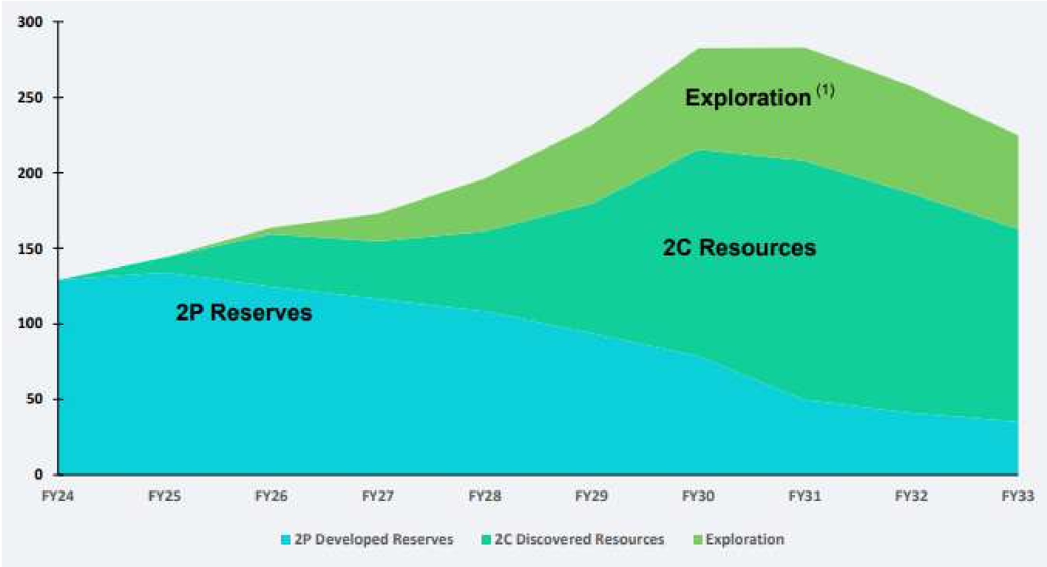
For FY25, management is likely to focus on infill wells across onshore and offshore producing blocks for incremental volumes. Also, management is looking to commence the execution of Alkanline Surfactant Polymer (ASP) project at Mangla through cluster approach to deliver incremental volume. The company has established the world's largest polymer mixing facility of 100kblpd, and Mangla recovery through EOR Polymer injection has improved from 33% to 41% compared to water flood injection.

With ASP, management is expecting to achieve further recovery in Mangla to 60% from 41%. ASP has been, thus far, implemented at scale only in China with just 47% recovery. However, the initial indicators suggest that up to 60% recovery is possible in Mangla. Management is looking to monetise discoveries from OALP, DSF and PSC blocks and establish secondary methods of oil recovery in offshore fields.

In the medium term (until FY30), management is targeting full-field scale ASP project execution across MBA fields in RJ block to monetise reserves.

As a result of the success of EOR on ASP injection and ramp-up of Jaya and Hazarigaon blocks, we expect production volume to pick up from FY26. While management has targeted to achieve 150koepd in near-term (by FY27) and 250-300kboepd in production by FY30, we have estimated gross oil production to peak at 250kpoed by FY34.

Exhibit 20: Output from O&G division



Source: I-Sec research, Company data

Higher share of RSC blocks to boost profitability

To uplift profitability in the medium to long term, management is targeting: 1) increase in contribution of RSC blocks to >40%; and 2) a change in mix of gas from 20% to 50%. RSC blocks yield significantly higher EBITDA and free cashflow while gas production incurs lower royalty rate.

EBITDA of RSC blocks is more than 2x compared to PSC blocks. Hence, we expect EBITDA margin in the range of 34–38% over the next couple of years as the share of RSC blocks increases gradually.

Exhibit 21: Comparison of PSC and RSC regimes

PSC regime	(USD/bbl)	RSC regime	(USD/bbl)
Oil Revenue	**100.0**	**Oil Revenue**	**100.0**
Royalty	15.0	Royalty	12.5
Cess	16.7		
Development cost	14.0		
Operating cost	14.0		
Cost Oil	59.7		
Profit Oil	40.3	Profit Oil	87.5
Profit Petroleum to GoI	20.2	Profit Petroleum to GoI	26.3
Profit available to Contractors	20.2	Profit available to Contractors	61.3
Less: Partner share	6.0	Less: Partner share	-
		Less: Operating cost	8.0
EBITDA	**23.9**	**EBITDA**	**53.3**
Less Development capex	-10.0	Less Development capex	-10.0
Free Cashflow (Pre-tax)	**13.9**	**Free Cashflow (Pre-tax)**	**43.3**

Source: Company data, I-Sec research

Zn-International: Gamsberg to drive growth

- Aims to be 1mtpa producer at CoP/t less than USD 1,200/te
- Targeting 500ktpa MIC rate by FY27
- Gamsberg-2 may be the key growth driver

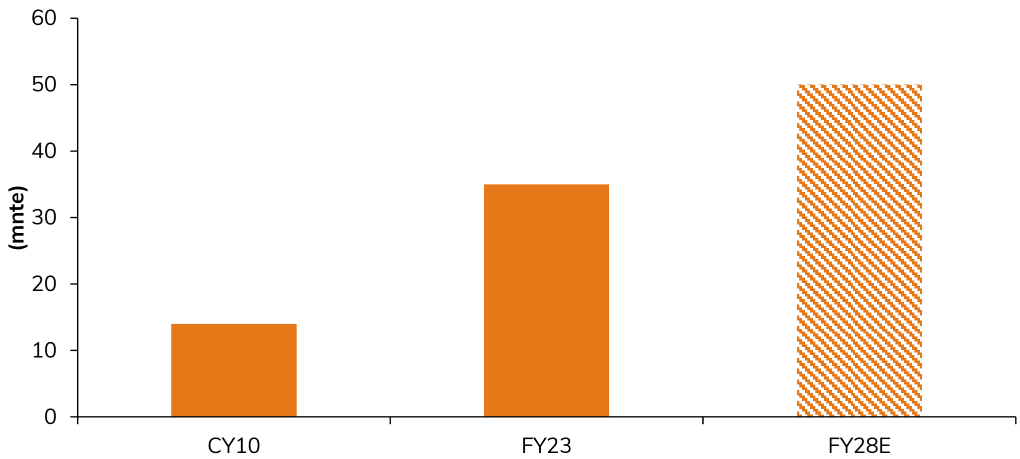
Metal resources are likely to be 50mnte by FY28

In FY24, combined mineral resources and ore reserves were estimated at 662mnte containing 34.8mnte of metal. In comparison, combined R&R at Zn-India was estimated at 456.3mnte, containing 30.82mnte of zinc-lead metal and 854.3moz of silver. Going ahead, management plans to execute 30km of drilling across greenfield and brownfield projects in South Africa and Namibia, respectively. This would enable addition and upgrade of 30mnte of ore (2mt tonnes metal) in FY25.

In FY26, management intends to continue with the exploration by executing 28km of drilling and upgradation of 20mnte of ore, though no addition of metal is targeted. By FY28, management aims to achieve 50mnte of reserves.

By FY30, management seeks to complete: 1) the drilling programme and studies at Big Syncline; and 2) studies on East/East Extension and Gamsberg South for execution.

Exhibit 22: Reserves and resources (contained metal)



Source: I-Sec research, Company data

Targeting over 1mtpa of MIC production by FY30

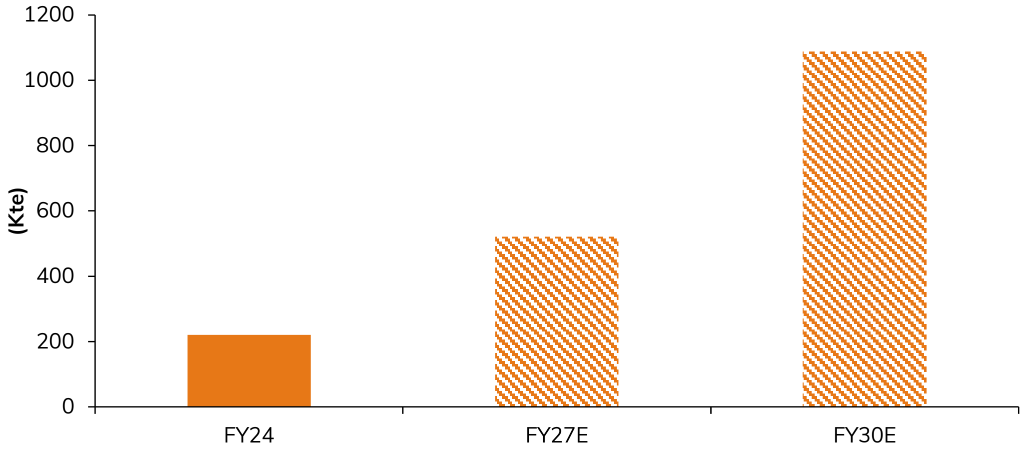
On production front, Gamsberg Phase 2 project has been approved by Vedanta's board. The project entails mining expansion from 4mtpa to 8mtpa and construction of new concentrator plant of 4mtpa, taking the total capacity to 8mtpa.

The MIC production from Gamsberg Phase 2 project is likely to be 200ktpa (total investment: USD 466mn), taking the total South Africa production to >500ktpa. The target date of completion of the project is H2FY25.

At BMM, the company targets to recover iron ore from the tailings. The average grade is expected to be >68% and production is likely to commence in Q3/Q4FY25.

In FY26, management expects to achieve full ramp-up of Gamsberg Phase 2 project. The underground mining at Gamsberg is expected to commence with a plan to increase the output from 8mtpa to 9mtpa.

Exhibit 23: MIC production per annum



Source: I-Sec research, Company data

By FY30, Gamsberg smelter is planned to treat all zinc concentrate from current operations. The first production is planned in FY30 with first phase likely to produce 300ktpa. Management plans to construct an additional plant to treat 2mtpa of current tailing storage facility with an additional optionality to construct a pig iron plant.

In FY24, BMM achieved production of 61kte with declining grades at Deeps impacting the production. Gamsberg production was 147kte in FY24 due to geotechnical failure.

In FY25, management expects to ramp-up Gamsberg to 200ktpa and improve BMM's ore production from 1.6mnte to 2.0mnte, resulting in 70kte MIC production. We pencil in MIC production of 161kte and 64kte at Gamsberg and BMM, respectively.

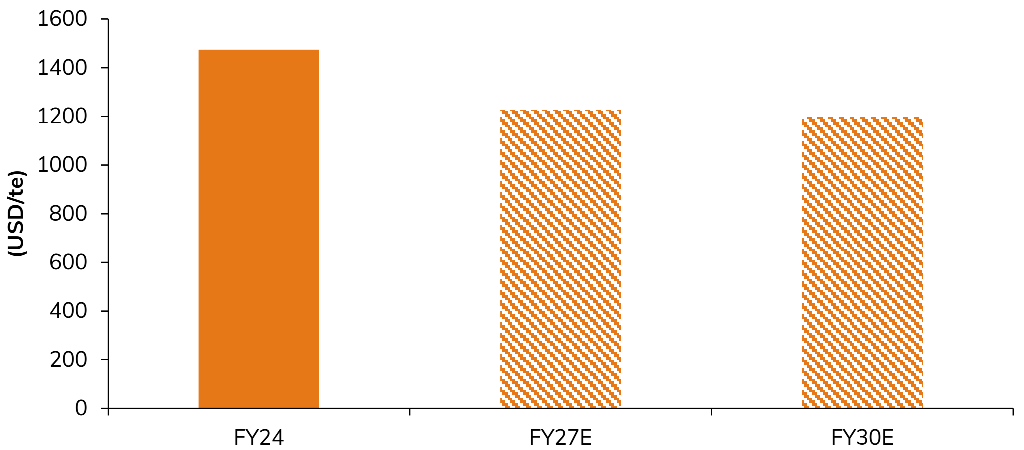
For FY26, management expects 300kte production from South Africa aided by commissioning of Gamsberg Phase 2. In our estimates, we have considered 250kte from South Africa.

By FY30, management expects to reach 1mtpa of MIC production.

Expect cost to dip progressively

As a result of ramp-up of (lower cost) Gamsberg operations, management expects CoP/te to decline progressively. By FY27, the management expects CoP/te to come down to USD 1,227/te compared to USD 1,488/te in FY24. For FY25, cost guidance stands at USD 1,400-1,500/te. In our estimates, we have considered CoP/te of USD 1,445 and USD 1,400 for FY25E and FY26E, respectively. That said, we expect the general cost trajectory to go down as production from Gamsberg ramps up.

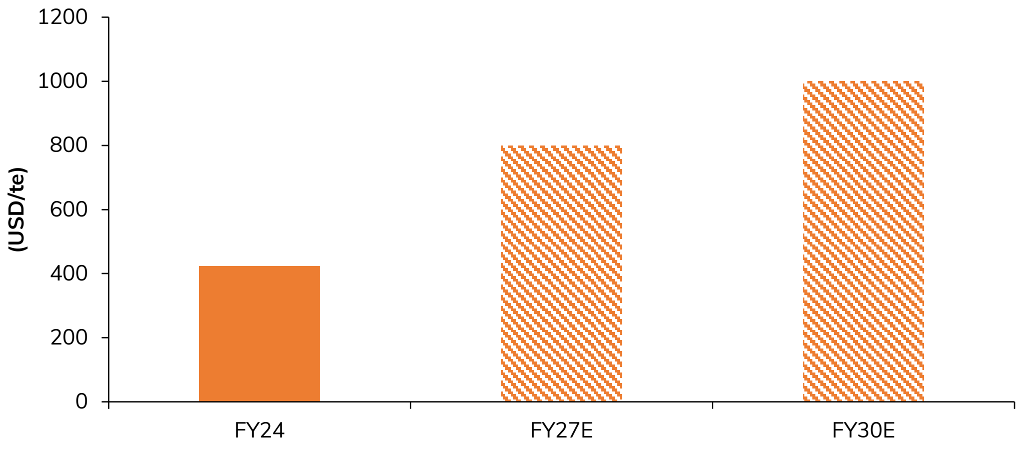
Exhibit 24: CoP/te likely to come off



Source: Company data, I-Sec research

Management expects EBITDA/te in Zn-International operations to improve from USD 424/te in FY24 to USD 1,000/te by FY30 owing to higher production, better grades and improving CoP/te. In our estimates, we have considered EBITDA/te of USD 400/te and USD 587/te for FY25E and FY26E, respectively.

Exhibit 25: EBITDA/te profile



Source: I-Sec research, Company data

Other divisions: Likely to benefit from capacity increase

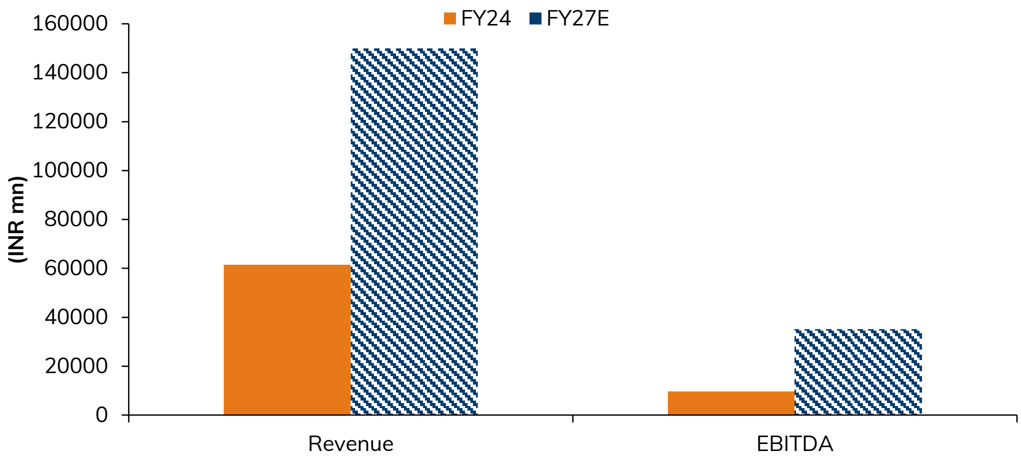
- Power division to benefit from contribution from Athena and Meenakshi Energy
- Steel: Brownfield optionality of 15mtpa exists
- Iron ore: Resumption of mining in Goa to benefit
- Ferroalloys: Targeting 500ktpa capacity by FY27E

Power division: FY27 to be the year of inflection

VEDL's power division is on the brink of major expansion with two new thermal power projects – Meenakshi (1,000 MW) and Athena (1,200MW) likely to commission in FY25 and FY26, respectively. Both these plants were acquired via NCLT process. While Meekakshi is a coastal power plant, Athena is a pithead plant. The total merchant power capacity of power division is likely to increase to 4,780MW.

As a result, management expects (compared to FY24) revenue to increase by 2.4x to INR 150bn and EBITDA to increase 3.6x to INR 35bn by FY27. Furthermore, Meenakshi and Athena are likely to be the major drivers of growth, contributing 52% of overall revenue from power division by FY27.

Exhibit 26: Financials of power business may improve significantly



Source: I-Sec research, Company data

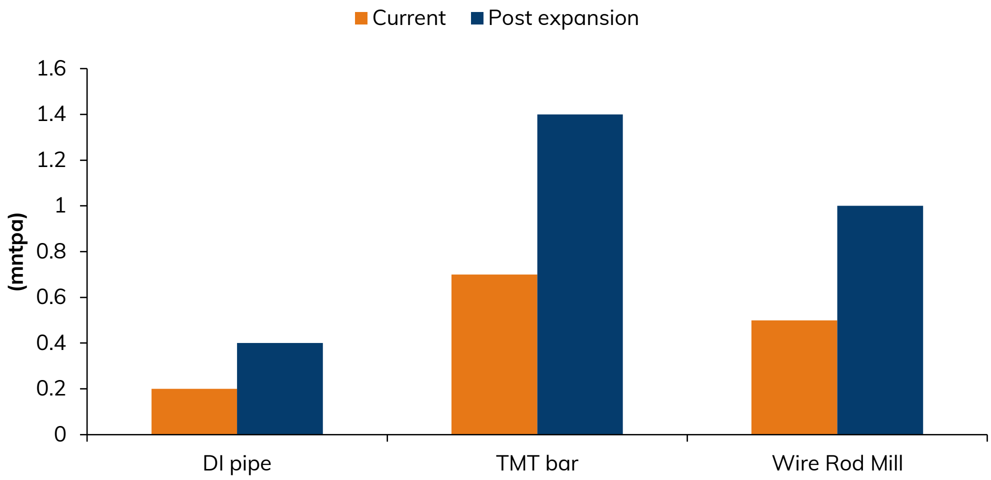
While the existing regulation framework does not allow private participation in nuclear business, VEDL is open to such an opportunity in the future.

Steel: Possibility of expansion of up to 15mtpa

In the steel business, management is targeting to increase hot metal production capacity from 1.7mtpa to 3.5mtpa and crude steel capacity from 1.5mtpa to 3mtpa by end-FY25. The plant has 100% captive iron ore and 65% captive power based on thermal and waste heat recovery method. With a total land bank of 2,300acres and access to gas pipeline, there is an optionality to expand the plant to 15mtpa.

Post expansion in Dec'24, the capacity of branded products is likely to increase 2x. As a result, we expect profitability to improve.

Exhibit 27: VAP – pre and post expansion



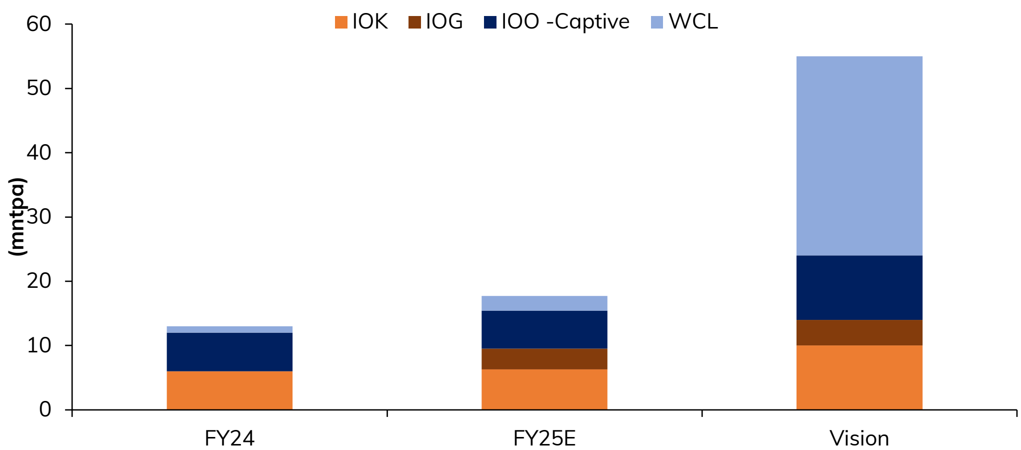
Source: I-Sec research, Company data

Iron ore: Resumption of mining in Goa

In the iron ore segment, one of the key value drivers is resumption of mining in Goa. For Bicholim mines, EC for 3mtpa was granted in Jan'24 and operations resumed at end-Mar'24. During FY25, management expects to commence mining in Cudnem mines in Goa. Overall, the mines have 93mt of reserves and resources and mining license of 50 years. Management expects production of 3.2mt from Goa in FY25.

Other key initiatives are to ramp up operations in Western Cluster Liberia (WCL) and set up a magnetite concentrator plant, tailing processing unit and mini concentrator plant. Management aims to reach mining capacity of 31mtpa in Liberia in the long run.

Exhibit 28: Iron ore production ramp-up



Source: I-Sec research, Company data

Ferroalloys: Targeting 500ktpa capacity by FY27

In ferroalloy division, management is targeting to be India's largest ferrochrome producer by 2027 with 500ktpa capacity. Its key strategic priorities are:

- Expansion of growth capex project of 300ktpa ferrochrome production.
- Expansion of mines project of 1.5mtpa.
- Establishment of 600ktpa concentrator plant.
- Revival of Kalarangiatta and Kathpal mines.
- 100MW of power generation and sale of additional power.
- Public hearing has been conducted successfully for Patabali Chrome Ore Beneficiation (COB) plant for capacity of 495ktpa and for Ostapal Chromite mine for expansion of opencast to underground mines with enhanced capacity of 1.5mtpa of chromite ROM from current capacity of 0.24mnte chromite ROM production. Public hearing has also been conducted successfully at Charge Chrome plant for expansion of ferroalloys plant for high carbon (HC) ferrochrome production from 140ktpa (1x45 MVA, 1x33MVA) to (1x45 MVA, 1x33MVA and 2x75MVA) and 11,800te from metal recovery plant along with new installation of RMHS and 700ktpa pellet and sinter plants. In FY24, the company obtained EC for 495KTPA Patabali COB plant.

Management expects to double the revenue from ferrochrome plant in FY25. In comparison, we have considered only a slight increase in revenue going by current price trends.

Exhibit 29: FACOR's earnings potential

	FY21	FY24	FY27E	FY30E
Volume/Capacity (kte)	67	80	500	500
Revenue (USD mn)	70	97	390	650
EBITDA (USD mn)	13	14	104	220
Realisation (USD/te)	940	1,211	1,300	1,300
CoP/te (USD)	763	1,039	952	860

Source: I-Sec research, Company data

FY25 likely to be a transformative year

We expect FY25 to be a key year for VEDL's aspirations as there are several milestones lined up, particularly for Al and Zn-India divisions. The key objectives for FY25 are:

Aluminium division

- Bauxite: Operationalisation of Sijimali mine and increasing domestic bauxite mix.
- Alumina: Completing refinery expansion to 5mtpa.
- BALCO: First metal from expanded capacity.
- Value-added products: Completion of VAP expansions at both BALCO and Jharsuguda.
- Increase in linkage coal and operationalising captive coal mines.
- Increased share of rail vs road for overland transport.

Zn-India

- Ramp-up of underground mines capacity to 1.25mtpa.
- Ramp-up of fumer plant to produce 33t of additional silver.
- Increase in domestic coal consumption to 40%.

Zn- International

- Production stabilisation at Gamsberg to achieve the designed capacity.
- Commissioning of Gamsberg Phase 2 (200ktpa capacity).

Others

- O&G: Drilling of more than 50 infill wells across onshore and offshore blocks and 10-15 exploration well drilling.
- ESL: Capacity expansion to 3.5mtpa.
- Power: Synchronising all four units of Meenakshi power plant (1,000MW) and ramping-up production.
- Iron ore: Goa mine ramp-up to 3.2mtpa.
- FACOR: Volume ramp-up to 150ktpa.

Our estimates compared to management's guidance

Our estimates are slightly conservative compared to management's guidance for FY25. In the aluminium division, we expect slower ramp-up of captive alumina, though for aluminium, we are near the upper end of management's guidance. On cost, our estimates are higher than the range given by management. In Zn-India, we are mid-way in the cost range while being on the upper end of finished metal production.

In O&G, we estimate production to decline further in FY25E and may be below the management's' guidance of 120–140koepd. Similarly, in case of the iron ore division, we do not expect any incremental volume from WCL and have kept our estimates for Goa at 1.2mt (compared to management's guidance of 3.2mtpa).

Exhibit 30: Our FY25E operating estimates compared to Management's guidance

FY25E	Management's guidance	I-Sec estimates
Aluminium division		
Alumina production (mnte)	2.7-3.0	2.6
Aluminium production (mnte)	2.3-2.4	2.4
CoP (USD/t)	1,625-1,725	1,777
Zn-India		
Mined Metal (kte)	1,100-1,125	1,150
Finished Metal (kte)	1,075-1,100	1,100
Silver (te)	750-775	770
CoP (USD/te)	1,050- 1,100	USD 1,075/te
Zn-international		
Gamsberg (kte)	160-180 kte	161
BMM (kte)	60-70 kte	64
CoP (USD/te)	1,400-1,500	1,484
Iron Ore & VAB		
Karnataka (mnte)	5.5-6.0	5.6
Odisha (mnte)	5.5-6.0	5.5
Goa (mnte)	3.0-3.5	1.2
WCL (mnte)	2.2-2.6	0
Pig Iron (kte)	950-1,000	854
O&G		
Average Gross Volume (koepd)	120-140	113
Opex (USD/boe)	13-14	USD 14
Power		
TSPL plant availability (%)	>85%	90%
ESL		
Hot Metal (mnte)	1.5-1.6	1.4
FACOR		
Ferrochrome (kte)	125-150	136

Source: I-Sec research, Company data

Financial analysis: Al division in focus

Despite revenue CAGR of a mere 8% through to FY26E, we expect VEDL's EBITDA CAGR at 22%, mainly due to cost efficiencies at Al division. We expect Al division to contribute almost 75% of incremental EBITDA between FY24 and FY26. FY24 PAT was impacted by INR 61bn due to the change in tax regime. We expect EBITDA margin to improve – mainly due to Al division to 30.5% by FY26E compared to 25% in FY24. We expect capex of INR 148bn through FY25-26E, bulk of which is likely to be spent in Al and power divisions.

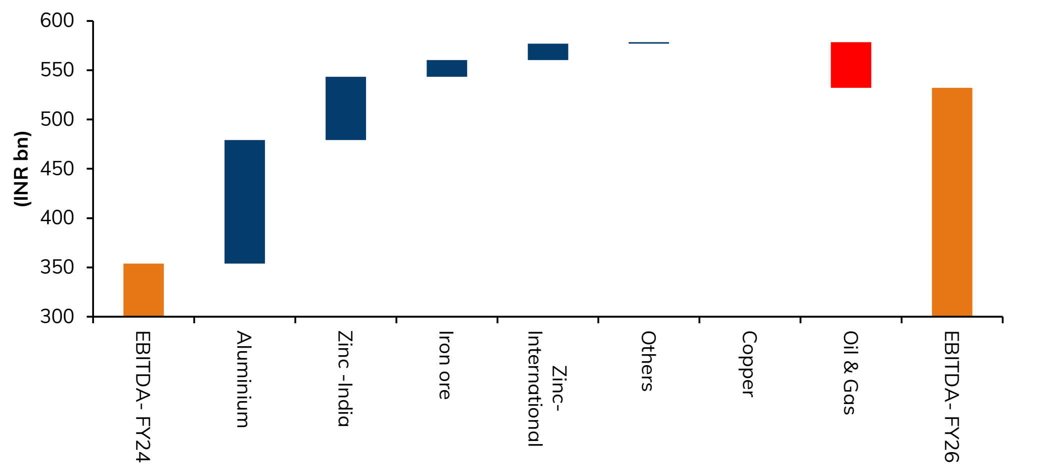
Exhibit 31: Financial snapshot

(INR bn)	FY23	FY24	FY25E	FY26E	CAGR (FY26E-FY24)
Revenue	1,473	1,437	1,501	1,671	7.8%
EBITDA	344	354	445	523	21.6%
EBITDA margin (%)	23.4	24.6	29.6	31.3	
PAT	106	44	182	235	130.8%
PAT margin	7.2	3.1	12.1	14.1	
EPS (INR)	28.5	11.9	49.0	63.2	130.8%
Capex	(139)	(142)	(148)	(148)	
Net debt	563	673	679	560	
Free cashflow	192	215	244	290	

Source: I-Sec research, Company data

We expect the bulk of EBITDA growth to be contributed by Al and Zn-India divisions while in case of O&G division, we expect a decline from FY24 levels. In FY24, the O&G division included a benefit of INR 47.6bn, arising from final partial arbitration award dated 22 Aug'23, dismissing government's contention of additional profit in petroleum in relation to the allocation of common development costs across the development areas and certain other matters in accordance with the terms of PSC.

Exhibit 32: EBITDA bridge: FY24–26E

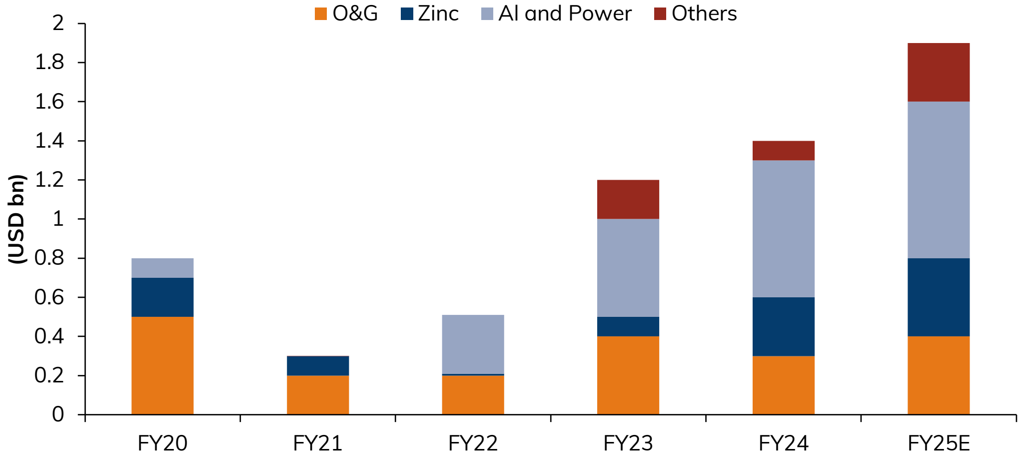


Source: I-Sec research, Company data

Expect capex of USD 1.8bn each in FY25E/26E

We expect capex of USD 1.8bn each in FY25/26E. Almost 45–60% of total capex has been earmarked for Al and power divisions since FY22. As a result, FY25 is likely to be a transformative year for Al division with various projects – cost efficiency, coal mining and capacity enhancement – contributing from FY25.

Exhibit 33: Segmental capex over the years



Source: I-Sec research, Company data

Segmental analysis: From FY17 to FY26E

Over the last few years, VEDL has undergone many transformations. While we expect revenue/EBITDA growth at 2.3x/2.4x in FY26E compared to FY17, Al division stands out with 4.6x growth in revenue and 9.3x growth in EBITDA during the same period.

Growth is on the back of progressive capacity increase. Iron ore, on the other hand, has seen earnings coming off as mining in Goa was suspended. In the copper division, continued suspension of operations since FY18 remains a major drag on performance.

Exhibit 34: Revenue snapshot (since FY17)

Revenue (INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Copper	2,10,180	2,49,510	1,07,390	90,530	1,08,900	1,51,510	1,74,910	1,97,300	1,90,056	1,95,392
Aluminium	1,36,860	2,31,560	2,92,290	2,65,770	2,86,440	5,08,810	5,24,030	4,83,720	5,47,874	6,39,048
O&G	82,040	95,360	1,32,230	1,26,610	75,310	1,24,300	1,50,380	1,78,360	1,22,097	1,25,653
Zn-India	1,69,400	2,20,500	2,06,560	1,81,590	2,19,320	2,86,240	3,31,200	2,79,250	3,42,603	3,71,438
Zn-international	22,300	34,460	27,380	31,280	27,290	44,840	52,090	35,560	45,524	65,681
Iron ore	41,290	31,620	29,110	34,630	45,280	63,500	65,030	90,690	73,171	89,982
Power	56,080	56,520	65,240	58,600	53,750	58,260	69,728	51,523	54,181	56,173
Total	**7,22,253**	**9,18,660**	**9,20,480**	**8,44,470**	**8,80,210**	**13,27,320**	**14,73,080**	**14,37,270**	**15,00,975**	**16,70,649**

Source: I-Sec research, Company data

Exhibit 35: EBITDA snapshot (since FY17)

EBITDA (INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Copper	16,930	10,550	(2,350)	(3,000)	(1,770)	(1,150)	(40)	(670)	(2,359)	(2,425)
Aluminium	23,060	29,050	23,170	19,980	77,456	1,73,370	58,046	95,333	1,80,655	2,18,656
O&G	40,140	54,290	76,560	72,720	32,060	59,920	77,820	97,770	49,928	51,686
Zn-India	95,280	1,22,540	1,06,000	87,140	1,16,200	1,61,610	1,74,740	1,35,620	1,79,506	1,99,850
Zn-international	9,280	14,150	6,980	3,800	8,110	15,330	19,340	6,930	11,965	20,293
Iron ore	13,220	4,000	5,840	8,780	18,040	22,800	9,880	16,760	13,661	21,427
Power	16,420	16,650	15,270	16,480	14,080	10,820	9,356	9,587	10,012	10,849
Total	**2,13,321**	**2,48,620**	**2,31,030**	**2,06,870**	**2,73,180**	**4,48,240**	**3,44,220**	**3,53,740**	**4,44,540**	**5,23,421**

Source: I-Sec research, Company data

Parent debt: Target to shed USD 3bn over next three years

VEDL's management wishes to reduce debt of Vedanta Resources by USD 3bn in next 3 years. Vedanta Resources has three sources of funds: 1) Branding fee from Vedanta Standalone at 3% of revenue; 2) Branding fee from Zn-India at 2% of revenue; and 3) dividend up streamed from Vedanta Limited. In our view, it is possible for Vedanta Resources to reduce its debt by USD 3bn over the next three years through the earnings up streamed from Vedanta Limited. This may also entail a dividend yield for minority shareholders in the range of 5-6% over the next three years.

In Feb/Mar'24, Vedanta's management set a goal to reduce the parent company's debt by USD 3bn within the next three years. The company has made significant progress toward this target, successfully reducing the parent debt by USD 1bn in just the last six months alone. Overall, Vedanta has managed to reduce its parent debt by a substantial USD 4.5bn over the past two and a half years. As of now, debt stands at USD 5.3bn. The company's strategic plan includes further debt reduction, aiming to bring the parent debt down to ~USD 3.5bn by end-FY27.

The cash required for meeting refinancing and interest obligations Is likely to be sourced through branding fee and dividend from VEDL. On balance, we estimate dividend of INR 23.9/share and INR 30.8/share in FY26E and FY27E, respectively.

Exhibit 36: Total cash required for meeting debt maturities

(USD bn)	FY26E	FY27E	FY28E	FY29E	FY30E
Debt paid/refinanced of which;	0.8	1.3	0.7	1.0	0.9
Repaid-- 75%	0.6	1.0	0.5	0.8	0.7
Refinanced-- 25%	0.2	0.3	0.2	0.3	0.2
Debt at the beginning	4.7	4.1	3.1	2.6	1.9
Debt at the end	4.1	3.1	2.6	1.9	1.2
Interest cost	0.6	0.4	0.3	0.2	0.2
Total cash required	**1.2**	**1.4**	**0.8**	**1.0**	**0.8**

Source: I-Sec research, Company data

Exhibit 37: How the cash requirement is likely to be met

(USD bn)	FY26E	FY27E	FY28E	FY29E	FY30E
Branding fee	0.5	0.5	0.6	0.6	0.6
Dividend from VEDL- USD	0.7	0.8	0.2	0.4	0.2
USD:INR	83.5	83.5	83.5	83.5	83.5
VR''s share	55.0	70.8	20.7	34.6	20.7
Vedant''s dividend	88.9	114.4	33.5	55.9	33.4
DPS required	23.9	30.8	9.0	15.0	9.0

Source: I-Sec research, Company data

How we differ from consensus?

Our FY25 revenue and EBITDA estimates are in-line with Street; however, we are ahead of FY26E EBITDA by 5.6%, as we have also considered the cost efficiencies at Al division. That said, our FY25 operating estimates are a tad conservative compared to consensus.

Furthermore, in FY26E, we have not considered any incremental earnings from Athena power plant or WCL. Hence, we believe there is an upside risk to our estimates. In the O&G division as well, we estimate a production uptick only by Q2FY26E, compared to management's estimates of arresting production decline in FY25 itself.

Exhibit 38: Comparison of our estimates with consensus

(INR bn)	FY24	ISEC		Consensus		% diff (ISEC vs. Cons)	
		FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	1,437	1,501	1,671	1,516	1,645	-1.0%	1.5%
EBITDA	354	445	523	440	496	1.0%	5.6%
EBITDA margin (%)	25	30	31	29.0	30.1		
PAT	44	182	235	143	178	27.1%	31.8%
PAT margin	3.1	12.1	14.1	9.5	10.8		
EPS (INR)	11.9	49.0	63.2	39.4	47.7	24.5%	32.5%
Capex	(142)	(148)	(148)	(174)	(160)	(15.0)%	(7.9)%
Net debt	673	679	560	685	655	-0.8%	-14.6%
Free cashflow	215	244	290	173	258	41.7%	12.5%

Source: I-Sec research, Company data

Valuation: We value VEDL at INR 600

We value VEDL using SoTP methodology. We value O&G business on NPV basis while zinc business on P/E. We value other businesses except power on EV/EBITDA. As per Exhibit 39 Al and Zn divisions account for maximum value. Copper division is the biggest drag on the valuation as its operations remain suspended. Employing the SoTP-based methodology results in a target price value of INR 600/share, implying 5.7x EBITDA (50% weight to FY26E and 50% to FY27E).

We resume coverage on VEDL with a **BUY** rating. Our recommendation is also based on a sustainable dividend yield of 4–6% over the next three years.

Exhibit 39: Our TP works out to INR 600/share

Businesses	Valuation measure	EV (INR bn)	Net debt (INR bn)	Market Cap (INR bn)	Proportionate Holding	Conglomerate discount	Value of Share (INR)
O&G	Value of Operating assets	201	3	198	100.0%	0.0%	53
Zinc India	15x exit P/E (Ex cash) 2 year forward	1,732	(56)	1,788	64.9%	20.0%	250
Zinc International	7x exit EV/EBITDA	167	0	166	100.0%	20.0%	36
BALCO	7x exit EV/EBITDA	514	17	497	51.0%	20.0%	55
Sesa Goa	6x EV/EBITDA	131	52	79	100.0%	0.0%	21
VAL	7x EV/EBITDA	1044	312	732	100.0%	0.0%	197
Copper	5x EV/EBITDA	(12)	156	(168)	100.0%	0.0%	(45)
FACOR	7x EV/EBITDA	20	0	20	100.0%	0.0%	6
Talwandi Sabo	1x P/B for FY24		63	36	100.0%	0.0%	10
Sterlite Power	1x P/B for FY24			7	100.0%	0.0%	2
Malco	1x P/B for FY24			7	100.0%	0.0%	2
TSMH			18	18	100.0%	0.0%	-5
ESL	6x EV/EBITDA	74	0	74	90.0%	0.0%	18
Value per share (INR)	**600**						

Source: I-Sec research

Exhibit 40: Shareholding pattern

%	Dec'23	Mar'24	Jul'24
Promoters	63.7	62.0	56.4
Institutional investors	18.9	22.0	28.6
MFs and others	1.4	3.6	6.7
FIs/Banks	0.0	0.0	0.2
Insurance	9.8	9.6	8.5
FIIs	7.7	8.8	13.2
Others	17.4	16.0	15.0

Source: Bloomberg

Exhibit 41: Price chart

Source: Bloomberg

Financial Summary

Exhibit 42: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	**14,73,080**	**14,37,270**	**15,00,975**	**16,70,649**
Operating Expenses	6,87,360	6,41,220	6,33,747	6,26,493
EBITDA	**3,44,220**	**3,51,980**	**4,44,540**	**5,23,421**
EBITDA Margin (%)	23.4	24.5	29.6	31.3
Depreciation & Amortization	1,05,550	1,07,230	1,12,331	1,16,694
EBIT	2,38,670	2,44,750	3,32,209	4,06,726
Interest expenditure	-	-	-	-
Other Non-operating Income	28,510	25,500	20,958	19,885
Recurring PBT	**2,04,930**	**1,75,600**	**2,53,662**	**3,27,106**
Profit / (Loss) from Associates	**(30)**	**20**	**20**	**20**
Less: Taxes	57,700	1,28,260	71,421	92,100
PAT	1,47,230	47,340	1,82,241	2,35,006
Less: Minority Interest	39,290	33,000	-	-
Extraordinaries (Net)	2,170	(28,030)	-	-
Net Income (Reported)	**1,07,940**	**14,340**	**1,82,241**	**2,35,006**
Net Income (Adjusted)	**1,05,770**	**42,370**	**1,82,241**	**2,35,006**

Source Company data, I-Sec research

Exhibit 43: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	4,66,430	4,00,870	3,54,722	5,10,015
of which cash & cash eqv.	92,540	43,270	102	1,19,775
Total Current Liabilities & Provisions	6,53,200	5,59,520	5,55,042	5,77,419
Net Current Assets	**(1,86,770)**	**(1,58,650)**	**(2,00,320)**	**(67,404)**
Investments	1,31,500	1,18,690	1,18,690	1,18,690
Net Fixed Assets	9,36,070	9,67,150	9,58,517	9,45,143
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,74,340	2,03,310	2,47,752	2,92,032
Total Intangible Assets	42,320	48,060	48,060	48,060
Other assets	1,75,200	1,36,270	1,36,270	1,36,270
Deferred Tax Assets	-	-	-	-
Total Assets	**13,10,360**	**13,48,520**	**13,42,659**	**15,06,481**
Liabilities				
Borrowings	**6,61,820**	**7,33,390**	**7,33,390**	**7,33,390**
Deferred Tax Liability	**59,220**	**1,01,520**	**1,01,520**	**1,01,520**
provisions	-	-	-	-
other Liabilities	95,050	92,920	92,920	92,920
Equity Share Capital	3,720	3,720	3,720	3,720
Reserves & Surplus	3,90,510	3,03,500	2,97,639	4,61,461
Total Net Worth	**3,94,230**	**3,07,220**	**3,01,359**	**4,65,181**
Minority Interest	1,00,040	1,13,470	1,13,470	1,13,470
Total Liabilities	**13,10,360**	**13,48,520**	**13,42,659**	**15,06,481**

Source Company data, I-Sec research

Exhibit 44: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	**3,49,710**	**3,89,960**	**3,92,580**	**4,37,963**
Working Capital Changes	45,990	15,520	(1,498)	(13,243)
Capital Commitments	(1,36,540)	(1,65,570)	(1,48,140)	(1,47,600)
Free Cashflow	**2,13,170**	**2,24,390**	**2,44,440**	**2,90,363**
Other investing cashflow	**55,180**	**31,050**	**-**	**-**
Cashflow from Investing Activities	(81,360)	(1,34,520)	(1,48,140)	(1,47,600)
Issue of Share Capital	-	(2,000)	-	-
Interest Cost	(55,300)	(98,250)	(99,505)	(99,505)
Inc (Dec) in Borrowings	1,27,360	48,150	-	-
Dividend paid	(4,11,490)	(2,05,000)	(1,88,102)	(71,185)
Others	(170)	-	-	-
Cash flow from Financing Activities	(3,41,420)	(2,60,920)	(2,87,607)	(1,70,690)
Chg. in Cash & Bank balance	**(72,820)**	**(5,380)**	**(43,168)**	**1,19,673**
Closing cash & balance	13,890	63,880	102	1,19,775

Source Company data, I-Sec research

Exhibit 45: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	39.6	12.7	49.0	63.2
Adjusted EPS (Diluted)	28.5	11.4	49.0	63.2
Cash EPS	56.8	40.2	79.2	94.6
Dividend per share (DPS)	101.8	40.5	50.6	23.9
Book Value per share (BV)	106.1	82.6	81.1	125.1
Dividend Payout (%)	257.0	318.0	103.2	36.5
Growth (%)				
Net Sales	11.0	(2.4)	4.4	11.3
EBITDA	(23.2)	2.3	26.3	17.7
EPS (INR)	(39.8)	(67.8)	285.0	29.0
Valuation Ratios (x)				
P/E	12.8	39.9	10.4	8.0
P/CEPS	8.9	12.6	6.4	5.4
P/BV	4.8	6.2	6.3	4.1
EV / EBITDA	6.8	7.0	5.6	4.6
Dividend Yield (%)	0.2	0.1	0.1	0.0
Operating Ratios				
Gross Profit Margins (%)	70.0	69.1	71.8	68.8
EBITDA Margins (%)	23.4	24.5	29.6	31.3
Effective Tax Rate (%)	28.2	73.0	28.2	28.2
Net Profit Margins (%)	10.0	3.3	12.1	14.1
Net Debt / Equity (x)	0.9	1.4	1.5	0.9
Net Debt / EBITDA (x)	1.3	1.6	1.4	0.9
Fixed Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	39	33	30	34
Receivables Days	17	15	16	17
Payables Days	29	25	24	27
Profitability Ratios				
RoCE (%)	13.6	5.7	20.7	23.8
RoE (%)	16.0	9.3	43.6	47.3
RoIC (%)	17.5	6.9	23.6	27.8

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122