

## OVERVIEW

Thur, 02<sup>nd</sup> Dec '21

- Vedanta Ltd is a diversified natural resource company engaged in exploring, extracting and processing minerals and oil and gas.
- It focused on zinc, lead, silver, aluminium, copper, iron ore, oil and gas, and commercial power.
- The company has operations across India, South Africa, Namibia, Ireland, and Australia.
- The company has five reportable segments: oil and gas, aluminium, copper, iron ore and power.
- It derives the majority of revenue from the aluminium segment.

## KEY STRENGTH

- Highest ever Ore, mined metal & Aluminium production
- achieve industry-leading operating margins
- For Zinc International performance ramp-up continues, achieving highest ever production till date at Gamsberg, along with sustained cost reduction.

## ACIEVEMENTS

- Largest Natural resources company in India
- Ranked #2 By DJSI in Asia Pacific in the metal & mining sector
- ~80% Market share in India's primary zinc market (Hindustan Zinc Limited)
- Operates ~25% of India's crude oil production
- Largest primary aluminium producer in India
- One of the largest merchant iron ore miners in India and one of the largest producers and exporters of merchant pig iron in India
- One of the largest copper producers in India

## GROWTH & VISION

- India's (US\$2.7 trillion economy) per capita metal consumption is significantly lower than the global average, indicating significant headroom for growth.
- The government's continued focus on infrastructure, urbanisation, and affordable housing will help the economy recover faster from the COVID-induced shock and generate strong demand for natural resources.
- Major investments in battery technology involving zinc are expected to come to India
- India's auto sector consumes about 4% aluminium, vis-à-vis 11% in the US and 14% in Europe, indicating a huge growth headroom.
- The Government of India's emphasis on self-sufficiency (Aatmanirbhar Bharat), will strengthen the country's demand for commodities.
- Concrete steps towards decarbonisation and promotion of electric mobility will accelerate the initiation of new energy-based models and innovation in value chain.
- Given that India's per capita consumption of all metals including steel, aluminium, copper, and zinc is much below the world average, there is significant headroom for growth.

## FUTURE OUTLOOK

- Ensure that 40% of all new projects have a carbon rating of 4-star and above
- Further ramp-up of underground mines towards their design capacity of 1.2 mn mtpa
- Setting up 300 ktpa greenfield Zinc smelter at Doswada, Gujarat
- Embark on the expansion journey from 1.5 mtpa to 3 mtpa
- Sustain cost of production at below US\$1,000 per tone
- Hot Metal cost of production between between US\$1,475- US\$1,575 per tone
- Securing EC for expansion of production capacity of Pig Iron plant by 1.7 ltpa

## FINANCIAL HIGHLIGHTS

- In FY21, consolidated revenue was at Rs. 86,863 Cr, compared to Rs. 83,545 Cr in FY20.
- EBITDA for FY21 was at Rs. 27,341 Cr compared to Rs. 21,061 Cr in FY2020, 30% higher y-o-y.
- Adjusted EBITDA margin for FY21 was 36% (FY20: 29%).
- PAT was Rs. 10,503 Cr in FY21, compared to Rs. 6,732 Cr in FY20.
- Generated ROCE of 13,821 Cr in FY21, compared to Rs. 7,130 Cr in FY20.
- Strong ROCE ~19% in FY2021 (FY2020: 11.2%).
- D/E ratio has decreased to 0.7x in FY2021, against 0.8x in FY2020.

**Disclaimer:** The analysis is only for information purposes only. Please consult your financial advisor, agent and broker before acting on any information. We may or may not have positions in the stock. We would not be responsible for the profit/loss resulting from this analysis.

Growth Rates % (Compound Annual)	1 Yr	3 Yr	5 Yr	10yr
Revenue	4.0	-1.5	6.3	25.3
Operating Income	-	22.6	-	21.7
Earnings/Share	-	101.8	-	-4.3
Dividends	143.6	-37.5	10.2	11.3
Book Value/Share	14.1	-0.8	2.6	-
Stock Total Return	180.0	22.1	13.8	8.8
Market +/-	157.1	7.7	3.9	0.0

Valuation Ratio	Current	5Yr Avg	Ind	Mkt.
Price/Earnings	6.8	261.5	10.1	15.1
Forward P/E	6.0	-	-	-
Price/Cash Flow	4.2	3.5	46.0	10.0
Price/Free Cash Flow	6.0	5.6	-	-
Dividend Yield %	8.3	6.9	7.1	2.7
Price/Book	2.1	1.2	2.9	2.1
Price/Sales	1.2	0.8	2.0	-

Profitability Ratio	Current	5Yr Avg	Ind.	Mkt.
Return on Equity	32.7	6.4	29.0	16.4
Return on Asset	10.5	1.9	12.1	6.3
Gross Margin	31.5	24.1	52.6	-
Operating Margin	25.9	20.4	32.0	-
Net Margin	17.1	4.2	20.8	23.4
Inventory Turns	6.9	5.8	5.0	-
Fixed Asset Turns	1.1	0.8	1.1	-

Financial Position (INR)	03-20(Mil.)	03-21 (Mil.)
Cash	48,537	47,781
Inventories	99,509	1,14,810
Receivables	1,16,182	1,71,070
Current Assets	5,62,209	6,03,524
Fixed Assets	9,70,723	9,74,279
Intangibles	7,481	7,507
Total Assets	17,71,111	17,93,555
Payables	2,87,168	4,20,523
Short-Term Debt	1,89,600	1,36,634
Current Liabilities	5,89,013	5,64,212
Long-Term Debt	3,79,622	3,72,810
Total Liabilities	10,37,062	10,14,034
Total Equity	5,84,597	6,08,316

Source: Company filings &amp; Analyst Research