

Steady operational performance....

Vedanta reported a steady operational performance in Q4FY21. For Q4FY21, Vedanta's consolidated total operating income was at ₹ 28206 crore, up 43% YoY and 24% QoQ. Consolidated EBITDA for the quarter was at ₹ 9037 crore, up 99% YoY, 17% QoQ. Consolidated EBITDA margin for Q4FY21 was at 32% compared to 23% in Q4FY20 and 34% in Q3FY21. Ensuing PAT before exceptional items was at ₹ 7013 crore. Vedanta's Q4FY21 consolidated topline was up 24% QoQ, 43% YoY, primarily due to higher volume at the aluminium business, Zinc India, iron ore business, higher power sales at Talwandi Sabo Power (TSPL) and improved commodity prices. EBITDA for Q4FY21 was up 17% QoQ, 99% YoY, primarily due to higher volume at Zinc India, aluminium and iron ore business along with higher commodity and oil prices in Q4FY21.

FY21 aluminium CoP at US\$1347/t, lowest in last seven years

During FY21, the company achieved lowest aluminium cost of production (CoP) in the last seven years at US\$1347/tonne (down 20% YoY). In FY21, it also achieved the highest ever aluminium production of 1969 KT, up 3% YoY, with 2.1 million tonnes per annum (MTPA) run rate achieved in Q4FY21. With respect to FY22, the company has guided aluminium production in the range of 2.1-2.2 MTPA while CoP is expected to be in the range of US\$1475-US\$1575/tonne. In FY21, the company also achieved highest ever Alumina production of 1841 KT, up 2% YoY. In FY22, the company has guided for Alumina production in the range of 1.8-2.0 MTPA. The company has also chalked out plans to increase the alumina capacity to 5 MTPA from 2 MTPA currently by Q1FY23.

O&G: FY'22 average gross volume guidance is 175-185 kboepd

With respect to the oil and gas business, in Q4FY21 average daily gross operated production was at 165 kboepd compared to 160 kboepd in Q3FY21. Operating cost during Q4FY21 was at US\$9/boe compared to US\$7.7/boe in Q3FY21. The increase in CoP was primarily due to workover and maintenance activities. For FY22, the average daily gross volume guidance is 175-185 kboepd with an operating cost guidance of US\$8/boe.

Valuation & Outlook

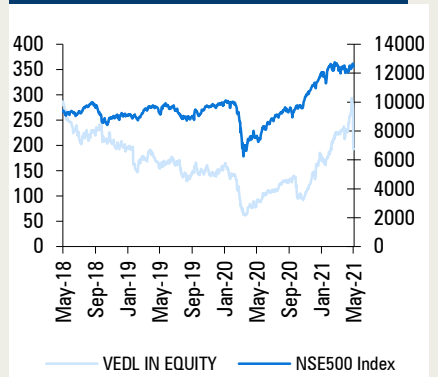
Vedanta's earnings remain sensitive to movement in commodity prices. The improvement in major commodity prices over the last couple of quarters augurs well for the company. We value the stock on an SoTP basis and arrive at a target price of ₹ 300 (earlier ₹ 180). We maintain our **HOLD** rating on the stock.



Particulars

Particular	Amount
Market Capitalisation	₹ 103718 Crore
Debt (FY21)	₹ 57028 Crore
Cash, Liquid Invests (FY21)	₹ 32614 Crore
EV	₹ 128132 Crore
52 week H/L	296/ 86
Equity capital	₹ 372 Crore
Face value	₹ 1

Price Performance



Key risks to our call

- Higher than expected increase in commodity prices will lead to better-than-expected earnings
- Higher-than-expected increase in cost of production would put downward pressure on operating margins

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Key Financial Summary

(₹ Crore)	FY18	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	91,866	92,048	84,447	88,021	1,05,476	1,08,468	9%
EBITDA	25,164	23,103	20,687	27,318	34,205	36,209	21%
EBITDA Margin (%)	27.4	25.1	24.5	31.0	32.4	33.4	
Adj PAT	7,445	6,745	4,201	12,280	14,073	15,242	54%
EPS (₹)	20.0	18.1	11.3	33.0	37.9	41.0	
EV/EBITDA (x)	5.1	5.4	6.0	5.3	4.0	3.5	
RoCE (%)	15.4	11.9	10.8	17.3	22.5	23.6	
RoE (%)	11.7	10.8	7.7	19.7	19.9	18.9	

Source: Company, ICICI Direct Research

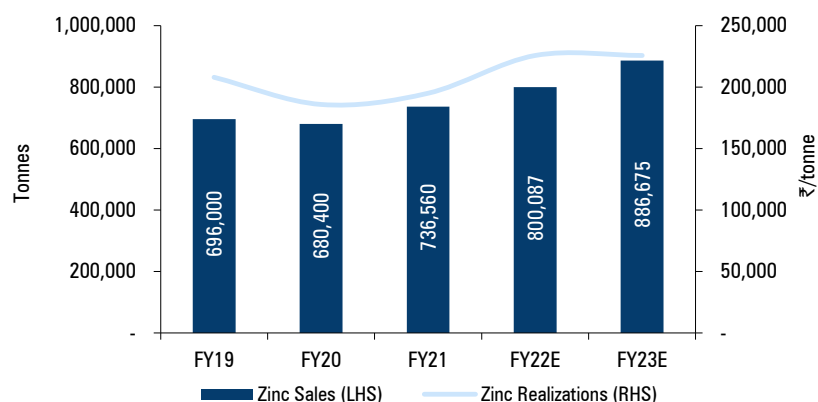
Exhibit 1: Variance Analysis

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Revenue	28,206	19,755	42.8	22,735	24.1	Topline came in higher both QoQ as well as YoY
Other Income	859	627	37.0	886	-3.0	
Raw Material Expense	7,492	5,638	32.9	5,951	25.9	
Employee Expense	709	487	45.6	897	-21.0	
Power & Fuel	3,972	3,364	18.1	3,083	28.8	
Other op. Exp.	6,996	5,714	22.4	5,047.0	38.6	
EBITDA	9,037.0	4,552.0	98.5	7,757.0	16.5	EBITDA increased both QoQ and YoY
EBITDA Margin (%)	32.0	23.0	360 bps	34.1	320 bps	
Depreciation	2,055.0	2,252.0	-8.7	1,912.0	17.8	
Interest	1,325.0	1,064.0	24.5	1,321.0	-19.5	
Exceptional item	(773.0)	(17,132.0)	-95.5	-	PL	
PBT	5,743.0	(15,269.0)	-137.6	5,410.0	-382.2	
Tax Outgo	(1,886.0)	(3,186.0)	-40.8	1,186.0	-368.6	
PAT	7,629.0	(12,083.0)	LP	4,224.0	-386.1	
Attributable PAT (Before exceptional items and tax on dividend)	7,013.0	(1,914.0)	LP	3,299.0	112.6	PAT came in higher both YoY as well as QoQ

Source: Company, ICICI Direct Research

Financial story in charts

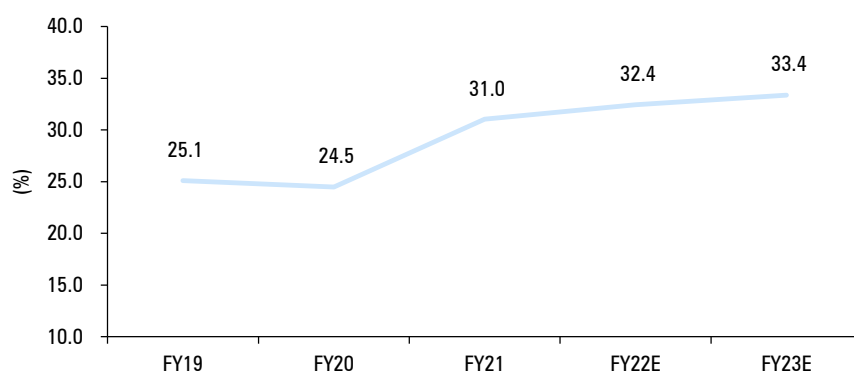
Exhibit 2: HZL zinc sales volume and realisation trend



Zinc sales volume expected to grow at CAGR of ~11% in FY21-23E

Source: Company, ICICI Direct Research

Exhibit 3: Trend in consolidated EBITDA margins...



Consolidated EBITDA margins to hover at ~32-33% over the next couple of years

Source: Company, ICICI Direct Research

Exhibit 4: Entity wise cash and debt position

Company	March 31st 2021			Mar 31st 2020		
	Debt	Cash & Cash Eq	Net Debt	Debt	Cash & Cash Eq	Net Debt
(All figures in cr.)						
Vedanta Ltd. Standalone	32166	5851	26315	38937	4954	33983
Cairn India Holdings Ltd	2810	1402	1408	3696	7776	-4081
Zinc India	7178	22308	-15130	611	22233	-21622
Zinc International	220	457	-237	404	495	-91
BALCO	3271	1134	2138	4564	414	4150
Talwandi Sabo	7189	460	6729	6088	135	5953
Vedanta Star Limited	0.0	0.0	0.0	0.0	0.0	0.0
Others	4194	1001	3191	4887	1754	3134
Total	57028	32614	24414	59187	37761	21426

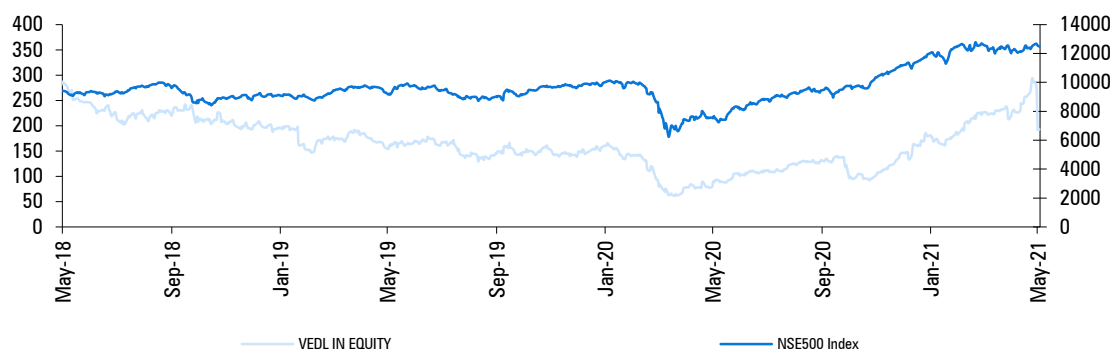
Source: Company, ICICI Direct Research

Exhibit 5: Valuation

	Sales	YoY Growth	EPS	YoY Growth	PE	EV/EBITDA	P/ BV	RoNW	RoCE
	(₹ Crore)	(%)	(₹)	(%)	(x)	(x)	(x)	(%)	(%)
FY18	91866	27.2	20.0	32.3	13.9	5.1	1.6	11.7	15.4
FY19	92048	0.2	18.1	-9.4	15.4	5.4	1.7	10.8	11.9
FY20	84447	-8.3	11.3	-37.7	24.7	6.0	1.9	7.7	10.8
FY21	88021	4.2	33.0	192.3	8.4	5.3	1.7	19.7	17.3
FY22E	105476	19.8	37.9	14.6	7.4	4.0	1.5	19.9	22.5
FY23E	108468	2.8	41.0	8.3	6.8	3.5	1.3	18.9	23.6

Source: Company, ICICI Direct Research

Exhibit 6: Price Performance



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 7: Shareholding Pattern

(in %)	Apr-21	Mar-21	Dec-20
Promoter	65.2	55.1	55.1
Others	34.8	44.9	44.9
Total	100.0	100.0	100.0

Source: Company, ICICI Direct Research

Financial summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	84,447	88,021	1,05,476	1,08,468
Growth (%)	-8.3	4.2	19.8	2.8
Total Operating Expenditure	63,760	60,703	71,271	72,259
EBITDA	20,687	27,318	34,205	36,209
Growth (%)	-10.5	32.1	25.2	5.9
Depreciation & Amortization	9,093	7,638	8,437	8,718
Interest	4,977	5,210	4,819	4,337
Other Income	2,510	3,421	3,600	3,687
PBT	9,127	17,891	24,549	26,841
Exceptional Items	-17,386	-678	0	0
Total Tax	-3,516	2,180	6,179	6,756
PAT before MI	-4,743	15,033	18,370	20,085
Growth (%)	PL	LP	22	9
Minorities, Associates, etc	-1,921	-3,431	-4,297	-4,843
PAT after MI	-6,664	11,602	14,073	15,242
Growth (%)	-194.3	LP	21.3	8.3
Adjusted PAT after MI	4,201	12,280	14,073	15,242
Growth (%)	-37.7	192.3	14.6	8.3
Adj EPS (₹)	11.3	33.0	37.9	41.0

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	-6664	11602	14073	15242
Add: Depreciation	9093	7638	8437	8718
(Inc)/dec in Current Assets	3789	-7775	-3711	-2533
Inc/(dec) in CL and Provisions	-3939	-709	4042	1429
Others	0	0	0	0
CF from operating activities	2279	10756	22841	22856
(Inc)/dec in Investments	8312	8093	-1000	-1000
(Inc)/dec in Fixed Assets	4774	-6933	-8250	-10500
Others	218	-2700	-1000	2100
CF from investing activities	13304	-1540	-10250	-9400
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-7038	-2159	-7500	-7500
Dividend paid & dividend tax	-1696	-3532	-5576	-5576
Inc/(dec) in Sec. premium	698	-427	0	0
Others	-3414	1029	0	0
CF from financing activities	-11450	-5089	-13076	-13076
Net Cash flow	4133	4127	-485	380
Opening Cash	8369	12502	16629	16143
Closing Cash	12502	16629	16143	16523

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Liabilities				
Equity Capital	372	372	372	372
Reserve and Surplus	54263	61906	70403	80068
Total Shareholders funds	54635	62278	70775	80440
Total Debt	59187	57028	49528	42028
Deferred Tax Liability	2885	2215	2315	2415
Non-control. Interest, MI & oth	18613	16583	15483	17483
Total Liabilities	135320	138104	138101	142366
Assets				
Net Block	90652	92904	92217	93500
Capital WIP	16837	13880	14380	14880
Total Fixed Assets	107489	106784	106597	108380
Investments	24753	16660	17660	18660
Inventory	11335	9923	11559	11887
Debtors	5808	6649	7224	7429
Loans, Adv. & Oth. Cu. assets	14846	23192	24692	26692
Cash	12502	16629	16143	16523
Total Current Assets	44491	56393	59619	62531
Creditors	40361	39504	43346	44576
Provisions	7941	8089	8289	8489
Total Current Liabilities	48302	47593	51635	53065
Others Assets	6889	5860	5860	5860
Application of Funds	135320	138104	138101	142366

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
Adj EPS	11.3	33.0	37.9	41.0
Cash EPS	35.8	53.6	60.6	64.4
BV	147.0	167.5	190.4	216.4
DPS	3.9	9.5	15.0	15.0
Cash Per Share	33.6	44.7	43.4	44.4
Operating Ratios (%)				
EBITDA Margin	24.5	31.0	32.4	33.4
PBT / Total Operating income	10.8	20.3	23.3	24.7
PAT Margin	5.0	14.0	13.3	14.1
Inventory days	63	55	40	40
Debtor days	32	37	25	25
Creditor days	224	219	150	150
Return Ratios (%)				
RoE	7.7	19.7	19.9	18.9
RoCE	10.8	17.3	22.5	23.6
RoIC	11.4	19.2	24.7	25.9
Valuation Ratios (x)				
P/E	24.7	8.4	7.4	6.8
EV / EBITDA	6.0	5.3	4.0	3.5
EV / Net Sales	1.5	1.6	1.3	1.2
Market Cap / Sales	1.0	1.2	1.0	1.0
Price to Book Value	1.9	1.7	1.5	1.3
Solvency Ratios				
Net Debt/EBITDA	1.1	0.9	0.5	0.2
Net Debt / Equity	0.4	0.4	0.2	0.1
Current Ratio	0.9	1.2	1.2	1.2

Source: Company, ICICI Direct Research

Exhibit 12: ICICI Direct coverage universe (Metals and Mining)

	CMP	TP	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			ROCE(%)			ROE(%)			
	(₹)	(₹)		Rating	(₹ Cr)	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E
Coal India	148	140	Hold	92904	20.3	21.0	22.7	6.5	6.3	5.9	3.7	4.1	4.3	39.6	35.6	33.0	33.6	30.3	28.2
Hindalco	393	390	Buy	88463	31.9	35.1	40.4	10.4	9.4	8.2	7.2	6.7	5.9	9.2	9.7	10.5	11.1	11.0	11.3
Hind Zinc	316	340	Hold	133393	18.7	23.6	27.2	15.0	12.0	10.4	9.2	7.0	5.8	27.3	30.4	30.1	25.1	27.5	26.9
JSW Steel	714	675	Hold	172686	32.9	59.2	62.7	20.3	11.2	10.6	10.8	7.2	6.4	13.4	20.1	20.4	17.9	24.5	20.7
NMDC	186	125	Hold	54670	17.1	11.9	3.7	6.6	9.5	8.2	4.7	5.6	5.0	21.4	13.2	14.0	16.7	10.9	11.9
Ratnamani	1908	1900	Buy	9051	49.4	64.5	79.2	32.9	25.2	20.5	22.6	16.8	13.9	16.2	19.6	21.6	12.3	14.1	15.8
Graphite Ind.	741	825	Buy	14481	3.0	55.0	84.0	224.0	12.6	8.2	NA	9.1	4.6	-5.4	19.0	25.2	1.3	19.3	23.4
Tata Steel	1150	1500	Buy	137693	77.1	189.3	152.9	14.8	6.0	7.5	7.2	4.2	4.5	13.1	23.2	18.4	12.4	23.6	15.7
Sail	131	130	Buy	153918	9.0	15.0	17.0	10.7	6.6	6.0	6.0	5.2	4.6	11.2	12.2	12.3	9.3	12.7	12.5
Jindal Stainless	95	90	Buy	4631	2.8	7.1	9.2	26.6	10.5	8.1	6.7	5.1	4.5	10.7	14.9	16.4	4.8	10.9	12.4
Jindal Stainless Hisar	195	170	Buy	4367	13.0	18.0	21.0	10.9	7.6	6.6	6.3	5.2	4.6	11.6	13.7	14.0	11.4	14.0	13.8
Vedanta	279	300	Hold	105940	33.0	37.9	41.0	8.4	7.4	6.8	5.3	4.0	3.5	17.3	22.5	23.6	19.7	19.9	18.9

Source: Company, ICICI Direct Research

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Sell: <-15%



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