INVasset Corporate Insights

vedanta

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30th April, 2024

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Corporate Overview of Vedanta Ltd: Vedanta Ltd is a leading global diversified natural resources company headquartered in India. It specializes in the exploration, extraction, and processing of minerals and oil & gas. Key commodities include zinc, lead, silver, copper, aluminum, and iron ore. The company also engages in oil and gas production, with a significant operational footprint in India, South Africa, Namibia, Ireland, Liberia, and the UAE. Its business extends to power generation, steel manufacturing, and port operations, highlighting its vast industrial and geographical diversification

Revenue Distribution and Geographic Influence: India is the cornerstone of Vedanta's revenue, contributing approximately 65% to its total income. Other significant revenue streams come from Malaysia (9%), China (3%), and the UAE (1%), with the rest of the world accounting for 22%. This geographic distribution underlines Vedanta's strategic placement in key markets and its ability to tap into diverse resource-rich regions, enhancing its global market presence and reducing geographical risks.

Leadership in Nickel Production: Following the acquisition of a Nickel and Cobalt plant in Goa, Vedanta has positioned itself as the sole producer of Nickel in India. This strategic move not only diversifies its product portfolio but also establishes its market leadership in the nickel industry. Such developments are pivotal for Vedanta as it aims to meet increasing domestic and global demands for nickel, especially from the battery and stainless steel sectors.

Production Output in Fy22: In FY22, Vedanta reported robust production figures across its diversified portfolio. Notable outputs included 776 kilo-tonnes of refined zinc and 191 kilo-tonnes of refined lead in India, along with significant quantities of alumina, aluminum, and oil & gas. These figures reflect Vedanta's strong operational capabilities and its pivotal role in meeting global industrial demands for essential commodities.

Strategic Resource Reserves: Vedanta's strategic management of resource reserves is a key aspect of its operations. In FY22, it reported substantial reserves including 448 million metric tonnes of Zinc in India and 671 million internationally. Additionally, its oil and gas reserves stood at 1,151 million barrels of oil equivalent. Managing these vast resources efficiently ensures sustained production and supply continuity in the markets it serves.

Aluminium and Power Segments: Vedanta boasts the largest installed aluminium capacity in India and a commanding 47% market share among the country's primary aluminium producers. Alongside, its power segment includes a flagship project in Punjab with a 25-year purchase agreement, demonstrating its integrated approach in using captive power for aluminium production and contributing to its competitive advantage in the industry.

Future Growth and Expansion Plans: Vedanta is aggressively pursuing growth with substantial capex projects planned in the oil & gas and aluminium segments. These include expanding aluminium capacity to 3 MTPA and alumina to 6 MTPA by FY24, alongside operationalizing three coal mines. Such investments are geared towards enhancing production capacities and fortifying Vedanta's market position in the coming years.

Investment in Renewable Energy: Reflecting its commitment to sustainability, Vedanta plans significant investments in renewable energy. In March 2022, the board approved a Rs. 250 Crore investment for a 26% equity stake in a special purpose vehicle aimed at procuring renewable power. This move aligns with global trends towards greener energy sources and demonstrates Vedanta's proactive approach in integrating sustainability into its business operations.

Stock Data	
CMP (30-04-2024)	404
52 Week High/Low	409.95/208.0
Face Value	1.00
Market Cap (In Crs)	1,51,030
Enterprise Value (In Crs)	2,19,474
NSE	VEDL
BSE	500295
Bloomberg	VEDL:IN
Industry/Sector	MINING AND MINERAL PRODUCTS

Shareholding Pattern (in %)		
	DEC 23	MAR 24
Promoter	63.71%	61.95%
FII	7.74%	8.77%
DII	11.19%	13.15%
Government	0.07%	0.07%
Public	17.23%	15.86%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	1.18	19.11	25.23
Vedanta	39.84	85.62	43.24

Key Ratios	
P/E	41.1
P/S	1.04
P/B	4.86
Debt To Equity	2.37
ROE	10.4%
ROCE	23.4%
Dividend Yield	25%
EV/EBITDA	5.79

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Sales	35,509	35,541	37,930	-0.09%	-6.38%
EBITDA	9,151	9,310	8,828	-2.0%	3.66%
EBIT	6,408	6,522	6,063	-1.75%	5.69%
Net Profit	2,275	2,868	3,132	-20.68%	-27.36%
EPS	3.68	5.42	5.06	-32.10%	-27.27%

Result Highlights

Navigating Turbulent Waters: A Snapshot of Shifting Financial Currents

Sales Steadiness vs. Annual Hurdles: Amid the ebb and flow of business, the Q4 FY24 sales figures reveal a company standing firm against quarterly market fluctuations, with a negligible 0.09% decrease. This near-steady performance, however, is set against a backdrop of a significant 6.38% year-over-year decline, painting a picture of a tougher trading environment or increased competition over the longer term. The sales trajectory suggests the company maintained operational continuity in the face of immediate challenges but may be losing ground in the annual race for market share and growth.

EBITDA's Resilient Core Amidst Mild Fluctuations: EBITDA's slight 2% quarter-on-quarter dip could signify a small rise in operating costs or a minor decrease in revenue efficiency. However, the resilience of the company's core operations is underscored by a 3.66% annual uptick, indicating that, over the longer term, the company has likely honed its cost control and improved operational efficiency. This key indicator of financial health suggests that while short-term challenges are present, the company's operational foundation is strong.

EBIT's Story of Consistency and Growth: The EBIT figure offers a narrative of resilience: a modest quarter-on-quarter contraction of 1.75% is offset by a substantial year-over-year growth of 5.69%. This suggests that while there may have been immediate cost pressures or investment increases, the company's ability to generate profits from its core operations has improved over the year. This growth might be attributed to strategic initiatives that have started to bear fruit, reflecting a sound business strategy that enhances profitability over time.

Net Profit Downtrend Signals Caution: The net profit has faced a sharp decrease of 20.68% from the previous quarter and an even more worrying 27.36% fall from the previous year, signaling a significant downward trend. This highlights a scenario where despite steady sales and growing operational earnings, the company's profitability is being squeezed. These figures suggest that external factors, possibly including increased competition, rising costs, or one-off expenses, have materially impacted the company's financial outcomes.

EPS Decline: Investor Sentiment Barometer: A stark decline in EPS, by 32.10% since the previous quarter and 27.27% compared to last year, is likely to unsettle investor sentiment. This indicator is crucial as it represents the portion of a company's profit allocated to each share of common stock, directly affecting investor returns. The drop points to the need for a strategic reassessment to improve profitability and shareholder value. Such a trend may prompt questions about the company's market positioning, cost structure, and revenue-generation capabilities.

Financial Check-Up: Diagnosing for Recovery: The overall financial health of the company, as gleaned from this quarterly snapshot, presents a mixed diagnosis. With robust growth in EBITDA and EBIT year-over-year, the company shows signs of underlying operational strength. However, the stark declines in net profit and EPS suggest that profitability is under strain and investor returns are compromised. This financial check-up calls for strategic interventions to address the profitability challenges and restore fiscal vitality in the quarters to come.

Concall Highlights

Steadfast Financial Performance with Strategic Gains: In the latest quarterly financial highlights, the company has demonstrated a steadfast performance with a consolidated revenue of ₹34,937 crore, maintaining a stable momentum quarter-on-quarter (QoQ). The firm has also achieved an upward trend in operational efficiency, as evidenced by a 3% QoQ increase in EBITDA, resulting in a robust EBITDA margin of 6.30%. Profitability remained healthy with the Profit After Tax (PAT), excluding exceptional items, reaching ₹2,453 crore. A highlight of the quarter was the strong double-digit return on capital employed, which stood at approximately 23%, indicating a notable QoQ improvement. The company's balance sheet strength is underscored by an impressive reduction in net debt by 10%, with the net debt to EBITDA ratio improving to approximately 1.5x, marking a better position than the 1.7x ratio in December '23. Liquidity saw a significant enhancement of 21% QoQ, backed by strong cash and cash equivalents amounting to ₹15,421 crore. Furthermore, the generation of robust free cash flow, before capital expenditures, of ₹9,948 crore, up by 131% QoQ, reflects the company's proficient capital management and its capability to generate shareholder value. This financial snapshot signals a company that's not only navigating the market effectively but also positioning itself for sustainable growth.

Fiscal Triumphs: Solidifying Market Position: The financial year FY24 stands as a testament to the company's robust market position and strategic foresight, marked by achieving the second highest annual consolidated revenue of ₹141,793 crore. Mirroring this success is the EBITDA, the second highest on record at ₹36,455 crore, showing a solid growth of 3%. The EBITDA margin saw a significant improvement, rising by 240 basis points to 30%, a clear indicator of operational efficiency and profitability optimization. The company's operational acumen is further reflected in the strong double-digit return on capital employed, approximately 23%, increasing by around 240 bps year-over-year. An exceptional strategic move was witnessed in the liability management exercise at the holding company level, which has substantially enhanced the capital structure. Additionally, the company's commitment to returning value to shareholders is evidenced by an impressive dividend yield of approximately 17% per annum, substantially outperforming the Nifty 50 companies' average, with dividends paid amounting to ₹18,572 crore in FY24. These financial achievements underscore the company's ability to not only generate significant revenue but also to manage its assets and equity efficiently to maximize shareholder wealth.

Strategic Growth and Efficiency in Metal and Mining: The company has showcased commendable operational excellence and strategic growth in the metal and mining sector. Achieving an annual mined metal production increase of 2%, it stands as a significant contributor to the industry's supply chain. With smelter production aligning closely to this growth, the company emphasizes its capacity to scale operations seamlessly. Notably, the commissioning of a 1.5 MTPA (million tonnes per annum) aluminum smelter facility is a milestone, boosting its rank as the 3rd largest producer of the metal globally. This is complemented by the highest ever annual refined metal, mined metal, and silver production in its history, marking a clear edge over competitors. In zinc, the company has sustained its position as a global leader with record-breaking production, backed by the successful ramp-up of mines, which is a testament to its focused strategy and operational proficiency. Furthermore, the company is fostering sustainability and future readiness, as evidenced by the significant capacity expansions and technological advancements such as the Gamsberg project and Skorpion Zinc.

Strategic acquisitions like the ESL Steel Limited have reinforced its base metals portfolio, contributing to a remarkable 23% return on capital employed. The paragraph concludes by highlighting the remarkable increase in the dividend yield, which reflects the company's strong commitment to delivering value to its shareholders, while simultaneously pursuing ambitious expansion and efficiency goals.

Recognizing Corporate Excellence: In Q4 FY24, the company not only achieved operational success but also earned distinguished awards and recognition, reinforcing its commitment to excellence and corporate responsibility. Hindustan Zinc's dedication to transparency was honored with the 'Tax Transparency Award' at the Tax Strategy & Planning Summit & Awards. The focus on workplace safety was equally recognized, with Vedanta's Aluminium Jharsuguda and Lanjigarh facilities receiving the British Safety Council Awards, symbolizing the company's dedication to maintaining exceptional safety standards.

In the realm of business excellence, Vedanta Lanjigarh was celebrated for its quality management, while BALCO received accolades for its digital transformation efforts in manufacturing from FICCI. Sustainability efforts were also applauded, with Vedanta Aluminium Jharsuguda and Hindustan Zinc winning national awards for water and ash management, highlighting their environmental stewardship. The inclusion and diversity efforts culminated in HZL's recognition at the National Transgender Awards, showcasing a commitment to equality. These achievements reflect the company's integrated approach to ethical practices, safety, quality, sustainability, and social responsibility.

Harnessing the Wind and Sun: A Leap Towards Sustainable Energy: The company is set to make a landmark shift towards renewable energy with its collaboration with Serentica Renewables. Focused on harnessing round-the-clock renewable energy (RE), they are launching a substantial project with a total capacity of 4 GW. To date, Power Delivery Agreements (PDAs) for 1826 MW have been signed, showcasing the project's vast scale. The renewable energy portfolio comprises both solar and wind projects sprawling across Rajasthan, Karnataka, and Maharashtra. The delivery model promises high reliability through the ISTS network with dedicated transmission lines, ensuring consistent power supply. Notably, the first phase of the project is poised to deliver 900 MW, which will commence in the first quarter of FY25. This phase includes allocating 450 MW each to Aluminum and HZL, marking a significant stride in their commitment to sustainability and energy independence.

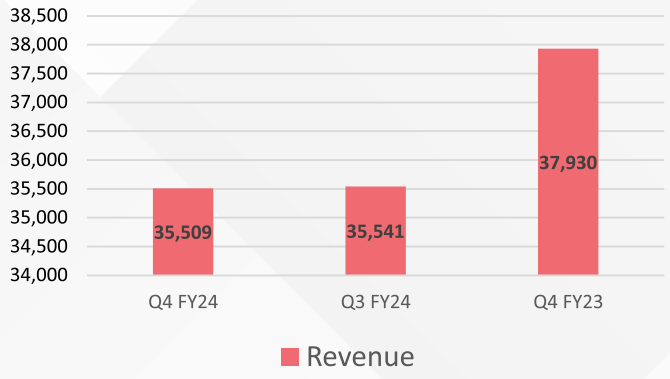
Leveraging Efficiency for Unprecedented Growth: The company's strategic execution has resulted in significant growth across its various sectors, as reflected in its latest achievements. Aluminum production surged to 598kt, marking a 4% year-on-year increase, paired with a cost of production (CoP) decrease, enhancing competitiveness. Zinc India witnessed a refined metal output climb to 273kt, increasing by 1% year-on-year and achieving a 6% rise from the previous quarter, coupled with a CoP decrease, strengthening market positioning. The Iron and Steel sector boasted a 9% year-on-year increase in sales and a 6% increase in both value-added business (VAB) production and ferrochrome production, underscoring the sector's robust performance. Other operational highlights include the commissioning of a significant capacity increase in the Lanjigarh refinery and the initiation of mining operations in Goa. These accomplishments, especially HZL becoming the 3rd largest global silver producer, underscore the company's dedication to growth, cost efficiency, and market leadership.

Striking Silver: Record Production with Cost Leadership: The company has achieved a historic milestone with the highest-ever annual production of mined metal, refined metal, and silver, topping the charts with 1,079 kt, 1,033 kt, and 746 MT, respectively. The last quarter alone saw a 6% increase in refined metal production, demonstrating impressive operational momentum. Not only does this position the company as a global leader with the second largest zinc reserve and resource base, but it also establishes it as the third-largest silver producer worldwide, a significant leap in the commodities market. Cost efficiency remains a cornerstone of the company's strategy, maintaining its place in the 1st decile of the global zinc mines cost curve for five consecutive quarters. This cost resilience is complemented by innovations like the new Roaster at Debari and the progress with Hindustan Zinc Fertilizers Private Limited. Recognition in HR excellence further signifies a commitment to a sustainable, employee-first approach, underpinning its operational success.

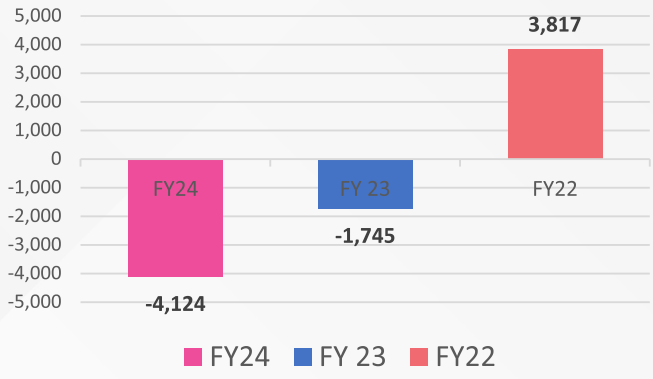
Optimistic Commodities Forecast: Surge in Global and Indian Markets: The commodities outlook for CY 2024 shows a positive trend with near-term global demand on the rise and Indian demand maintaining robust growth. Aluminum leads with an 8.9% increase in global demand, indicating a strong rebound in industrial and manufacturing activities. In India, the growth in aluminum and zinc demand is expected to surge by 9% and 7.5%, respectively, driven by infrastructure development and the burgeoning manufacturing, automotive, and EV/Renewable sectors. Notably, the forecasted global Compound Annual Growth Rate (CAGR) for 2023-2030 suggests sustained demand, with copper and finished steel slated for substantial increases. These projections reflect a recovering global economy and a particular emphasis on growth within the Indian market, where economic policies and development projects fuel commodity consumption. The solid demand in key materials points towards a thriving period for producers and an optimistic future for the commodities sector.

FY25: A Year of Strategic Expansion and Efficiency: Fy25 is poised to be a transformative year for the company with significant advancements in aluminum and zinc sectors and broad strategic initiatives. In aluminum, the focus is on augmenting domestic bauxite sourcing, completing a refinery expansion to 5 MTPA, and enhancing smelter capacity. Logistics improvements and an increase in value-added product offerings signal a push for greater efficiency and market responsiveness. For zinc, the company is set to increase underground mine capacity and silver production, while also boosting coal self-sufficiency. International ventures look to stabilize and expand, notably with the commissioning of Gamsberg phase 2. Across other businesses, the company is ramping up in oil and gas exploration, power generation, and iron ore production. Strategic goals include cost reductions to expand margins, completing a demerger, and maintaining a net debt/EBITDA ratio below 1.5x, setting the stage for robust financial health and operational agility..

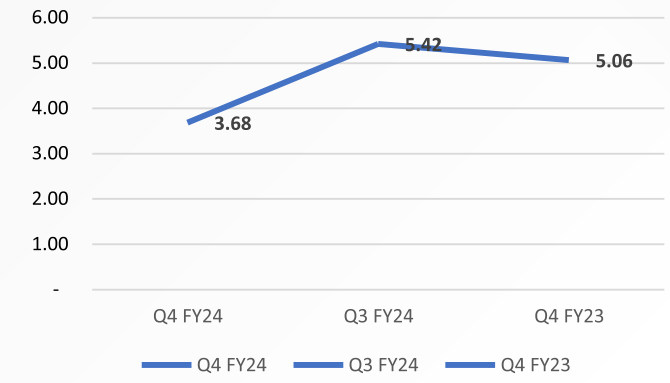
Revenue (In Cr)



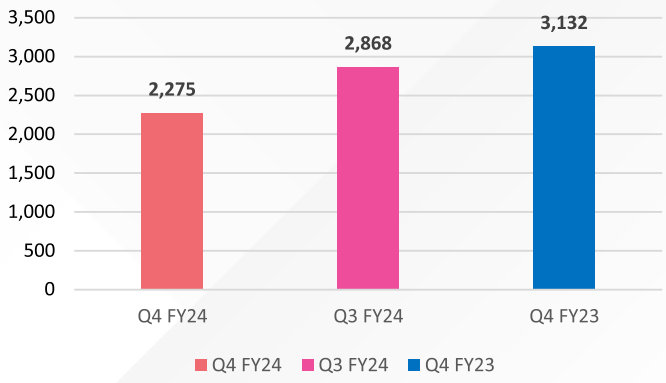
Cashflow (In Cr)



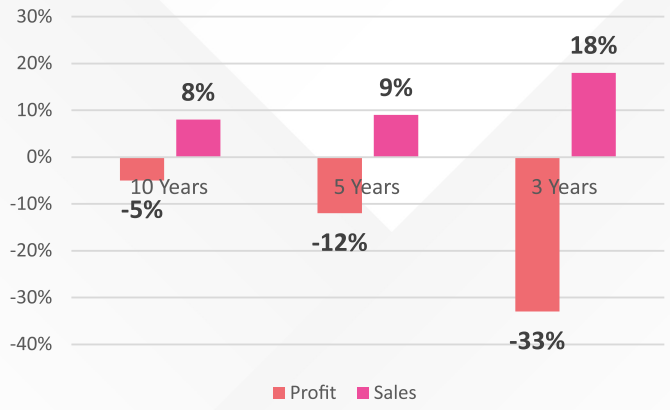
EPS



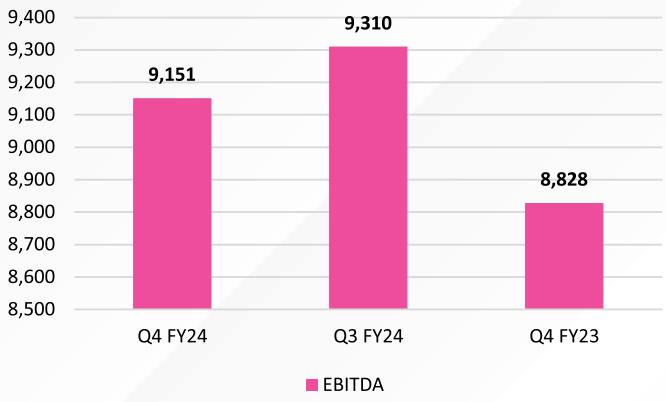
PAT (In Cr)



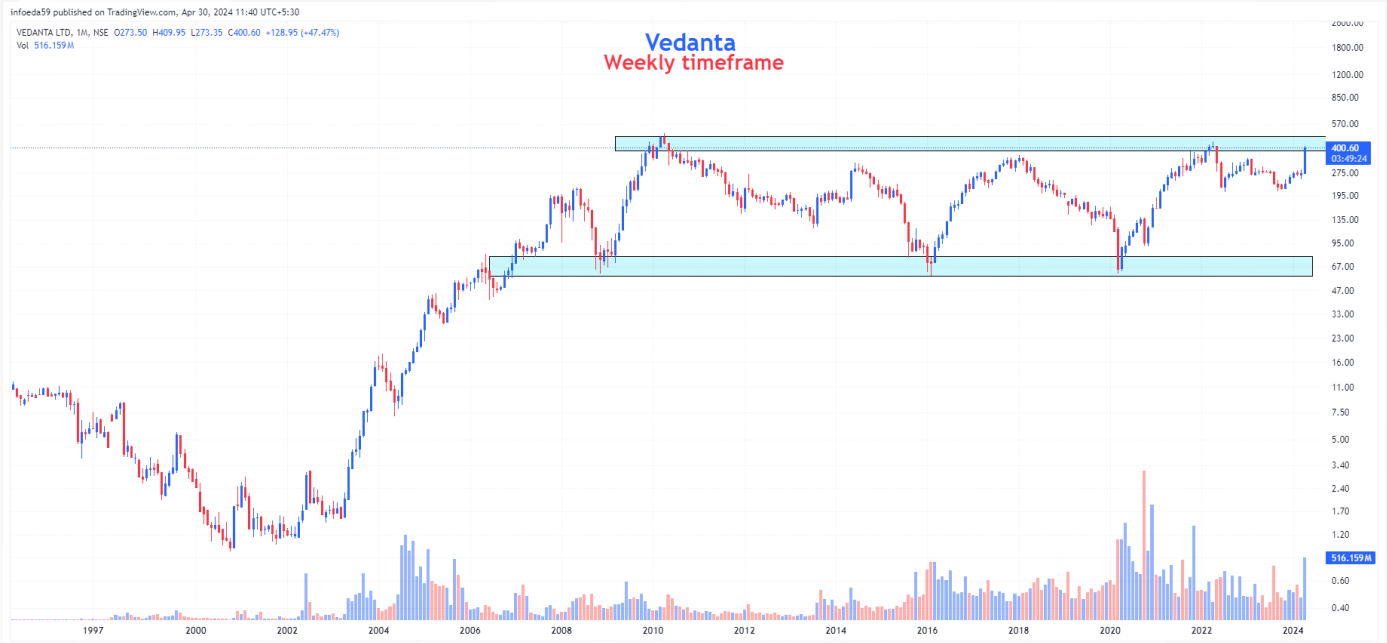
Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



The technical chart for Vedanta Ltd. shows a long-term bullish trend from the late 90s to around 2008, with a significant upward movement marked by a rectangle. After a period of volatility, there is a strong resistance zone created in the early 2010s, highlighted by a horizontal line. The stock has been oscillating around this resistance zone since then. The volume has been quite variable, with noticeable spikes corresponding to price movements. As of the latest data, the stock is trading near this key resistance level. Investors might watch this zone closely for a potential breakout or reversal.

The moving averages for Vedanta Ltd. indicate a bullish trend, with both simple and exponential moving averages (SMA & EMA) increasing over longer periods. The EMAs are consistently higher than SMAs, suggesting recent prices are higher, potentially indicating ongoing positive momentum.

The Relative Strength Index (RSI) readings for Vedanta Ltd. are above 80 for both daily and weekly timeframes, indicating that the stock is currently in overbought territory. This suggests caution as it may be at risk for a potential pullback or consolidation.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	388.9	392.5
10	384.9	380.7
20	351.6	357.2
50	302.9	318.6
100	282.6	293.4
200	261.6	278.8

Pivot Levels : FIBONACCI		
R1 410.6	Pivot 403.87	S1 399.5
R2 415.0		S2 392.8
R3 421.7		S3 388.4

	Daily	Weekly
Relative Strength Index (RSI)	80.12	83.17

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