

May 17, 2017

₹ 242

Vedanta Ltd (VEDLIM)

Operationally in line performance...

- Vedanta reported a healthy Q4FY17 performance wherein the topline, EBITDA and PAT came in line with our estimate
- Gross income from operations was at ₹ 23691.4 crore. After adjusting for excise duty, net operating income was at ₹ 22511.3 crore (up 41.5% YoY, 15.9% QoQ), in line with our estimate of ₹ 22643.2 crore
- EBITDA came in at ₹ 7350.1 crore (up 109.1% YoY, 25.0% QoQ) in-line with our estimate of ₹ 7225.5 crore. EBITDA margins were at 32.7%, marginally higher than our estimate of 31.9% (Q3FY17: 30.3%; Q4FY16: 22.1%). The ensuing attributable PAT before exceptional items and DDT came in at ₹ 2971 crore. The results included Cairn India as merged entity
- Vedanta's aluminium segment reported a strong performance reporting EBITDA of ₹ 990 crore aggregating an EBITDA margin of 22.9% for the quarter (Q4FY16: 12.8%; Q3FY17: 18.2). Balco's EBITDA for the quarter was at ₹ 356 crore, up 287% YoY, 103% QoQ, while VAL reported an EBITDA increase of 132% YoY and 33%QoQ to ₹ 634 crore during the quarter

Optimising capex to drive cash flow generation...

Vedanta has prioritised capital to high-return, low-risk projects to maximise cash flows. Capex spent for FY17 was at US\$ 0.7 billion against the original guidance of US\$1 billion. For FY18, the management has guided capex to the tune of US\$1.2 billion out of which US\$0.4 billion is for Zinc India, US\$0.2 billion for Gamsberg, US\$0.16 billion for aluminium & power and US\$0.25 billion for oil & gas with an option for further investment based on progress, subject to PSC extension. Balance capex is optionality capex, which includes capex flexibility for the Lanjigarh refinery expansion and 400 TPA copper smelter.

Cost savings to remain key focus area...

The management has achieved cumulative savings of US\$712 million in the last two years (achieved cost saving of ~US\$250 million in FY16, ~US\$462 million in FY17). Out of this, US\$682 million is in cost and marketing savings while the balance US\$30 million is in capex savings. The programme is ahead of the original plan to deliver US\$1.3 billion cumulative savings by H1FY19. In addition to earlier initiatives, Vedanta is also looking at newer areas to reduce cost. This includes digitisation, end to end outsourcing partnerships, more improvement in techno commercial and mine logistics, higher productivity and efficiency. The company has also renewed the programme on vendor optimisation, consolidation, etc. Furthermore, various initiatives around QA/QC are also progressing well.

In line performance; maintain HOLD...

Vedanta's Q4FY17 operational numbers broadly came in line with our estimates. Going forward, we have a positive view on the company's domestic zinc business (HZL) on account of strong underlying fundamentals. However, we have a cautious view on the company due to volatile base metal and crude oil prices. We value the company using SOTP valuation and arrive at a target price of ₹ 260. We have a **HOLD** recommendation on the stock.

Rating matrix

Rating	:	Hold
Target	:	₹ 260
Target Period	:	12 months
Potential Upside	:	7%

What's Changed?

Target	Changed from ₹ 245 to ₹ 260
EPS FY18E	Changed from ₹ 25.5 to ₹ 29.4
EPS FY19E	Introduced at ₹ 33.1
Rating	Unchanged

Quarterly Performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	22,511.3	15,910.8	41.5	19,417.1	15.9
EBITDA	7,350.1	3,515.6	109.1	5,879.6	25.0
EBITDA (%)	32.7	22.1	1056 bps	30.3	237 bps
Rep .PAT	2,971.0	1044*	NA	1,866.3	59.2

* - Adjusted PAT for Q4FY16

Key Financials

(₹Crore)	FY16	FY17	FY18E	FY19E
Net Sales	64434	72225	83296	87915
EBITDA (Core)	14709	21332	24806	27083
Adj Net Profit (Attrib)	2156	5627	10930	12310
Adj EPS (₹)	7.3	15.1	29.4	33.1

Valuation summary

	FY16	FY17	FY18E	FY19E
PE (x)	33.3	16.0	8.2	7.3
Target PE (x)	35.8	17.2	8.8	7.9
EV/EBITDA (x)	9.0	4.8	4.1	3.6
P/BV (x)	2.0	1.5	1.3	1.1
RoNW (%)	4.8	9.3	15.8	15.5
RoCE (%)	6.5	12.1	14.2	14.9

Stock data

Particular	Amount
Market Capitalisation	₹ 89964 Crore
Debt (9MFY17) (Actual - A)	₹ 71569 Crore
Cash, Liquid Invests (9MFY17) (A)	₹ 63471 Crore
EV	₹ 98062 Crore
52 week H/L	278/94
Equity capital	₹ 371.75 Crore
Face value	₹ 1

Price performance (%)

Return %	1M	3M	6M	12M
Hindustan Zinc	15.0	21.5	42.6	121.7
Vedanta	6.6	8.2	50.8	268.8
Hindalco Ind	10.7	3.6	24.9	172.1

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Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Revenue	22,511.3	22,643.2	15,910.8	41.5	19,417.1	15.9	The topline came in line with our estimate
Other Income	920.8	875.0	1,308.0	-29.6	1,032.9	-10.9	Other income came in higher than our estimate
Raw Material Expense	6,778.2	6,349.6	5,917.5	14.5	5,396.0	25.6	
Employee Expense	591.3	753.0	533.8	10.8	618.8	-4.4	
Power & Fuel	2,985.2	2,928.0	2,052.6	45.4	2,781.7	7.3	
Other op. Exp. & exchange loss / (gain) net	4,806.5	5,387.4	3,891.3	23.5	4,741.0	1.4	
EBITDA	7,350.1	7,225.2	3,515.6	109.1	5,879.6	25.0	EBITDA came in line with our estimate
EBITDA Margin (%)	32.7	31.9	22.1	1056 bps	30.3	237 bps	
Depreciation	1,603.7	1,750.7	2,082.1	-23.0	1,520.3	5.5	
Interest	1,503.5	1,640.9	1,562.1	-3.8	1,508.2	-0.3	
Exceptional item	(114.4)	-	(33,645.4)	LP	-	0.0	
PBT	5,049.3	4,708.6	(32,465.9)	-115.6	3,884.0	30.0	
Tax Outgo	2,060.4	1,412.6	(11,361.5)	-118.1	896.8	129.8	
PAT	2,988.9	3,296.0	(21,104.4)	-114.2	2,987.2	0.1	
Minority Interest & others	0.8	-	0.3	211.1	1,120.9	-99.9	
Attributable PAT	2,988.0	3,296.0	(21,104.7)	-114.2	1,866.3	60.1	
Adjusted PAT	2,971.0	2,877.6	1044*	NA	1,866.3	59.2	PAT came in line with our estimate
Key Metrics							
HZL, Zinc Sales (tonne)	217,000.0	215,009.0	158,000.0	37.3	211,000.0	2.8	Zinc sales volume were higher than our estimate
HZL, Lead Sales (tonne)	47,000.0	42,088.0	41,000.0	14.6	36,000.0	30.6	Lead sales volume were higher than our estimate
Zinc Int, Zinc-lead production (tonne)	41,000.0	40,000.0	42,000.0	-2.4	33,000.0	24.2	Production volume was higher than our estimate
Copper Production (tonne)	103,000.0	102,000.0	102,000.0	1.0	102,000.0	1.0	Copper production was higher than our estimate
Aluminium Production (tonne)	353,000.0	350,900.0	234,000.0	50.9	319,000.0	10.7	Production was higher than our estimate
Electricity Sales (million units)	3,462.0	3,481.3	3,391.0	2.1	3,413.0	1.4	Electricity sales were in line with our estimate

* - Adjusted PAT for Q4FY16

Change in estimates

(₹ Crore)	FY17	Old	FY18E New	% Change	FY19E New	Comments
Revenue	72225	83736	83295	-0.5	87915	Broadly maintained all parameters for FY18E, introduced FY19E
EBITDA	21332	25008	24771	-0.9	27083	
EBITDA Margin (%)	29.5	29.9	29.7	-13 bps	30.8	
PAT	5627	7554	11336	50.1	12777	
EPS (₹)	15.1	25.5	30.5	19.6	34.4	

Source: Company, ICICIdirect.com Research

Assumptions

	Current FY18E	Introduced FY19E	Earlier FY18E	Comments
HZL, Zinc Sales (tonne)	783908	814770	800368	Marginally downward revised zinc estimates for FY18E, introduced for FY19E
HZL, Lead Sales (tonne)	166500	185000	150313	Upward revised lead sales estimate for FY18E, introduced for FY19E
Silver sales(kgs)	499500	555000	440531	Upward revised silver sales estimate for FY18E, introduced for FY19E
Copper Production (tonne)	364500	372600	364500	Maintained Estimates for FY18E, introduced for FY19E
Aluminium Production (tonne)	1654500	1654500	1654500	Maintained Estimates for FY18E, introduced for FY19E
Electricity Sales (million units)	18901	22681	18901	Maintained Estimates for FY18E, introduced for FY19E
LME Zinc (US\$/tonne)	2750	2700	2700	Upward revised estimates for FY18E, introduced for FY19E
LME Lead (US\$/tonne)	2250	2288	2100	Upward revised estimates for FY18E, introduced for FY19E
LME Aluminium (US\$/tonne)	1800	1850	1800	Maintained Estimates for FY18E, introduced for FY19E
LME Copper (US\$/tonne)	5500	5500	5500	Maintained Estimates for FY18E, introduced for FY19E
USD:INR	65.0	66.0	66.0	

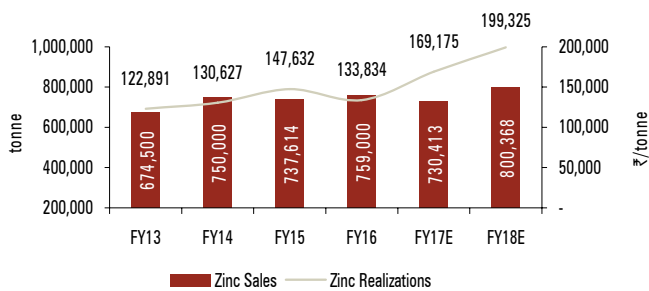
Source: Company, ICICIdirect.com Research

Company Analysis

Hindustan Zinc (HZL)

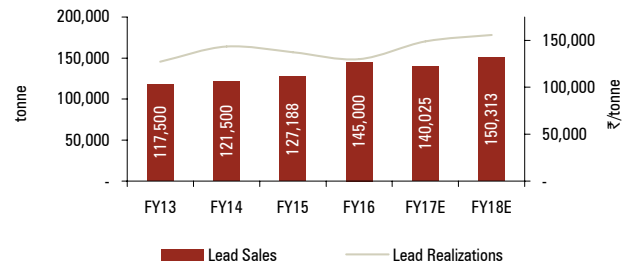
- Integrated zinc metal production during the quarter was at 215 KT, up 5% QoQ and 40% YoY on account of accretion of mined metal inventory. Integrated saleable lead metal production during the quarter was the highest ever at 45 KT, up 15% QoQ and 18% YoY. The increase was in line with availability of mined metal, supported by enhanced smelter efficiencies. Total integrated zinc-lead metal production was at an all-time high of 260 KT. Integrated saleable silver production during the quarter was also a record at 139 tonnes, up 18% QoQ and 14% YoY due to higher grades and volume from Sindesar Khurd mine. Substantially higher mined metal production in H2FY17 also resulted in accretion to inventory, of which 26 KT was sold during the quarter, leaving 80 KT closing stock at the end of the year, which will get converted into refined metal in FY18
- Zinc metal CoP per tonne before royalty during the quarter was at ₹ 53226/tonne (US\$794/tonne), down 8% each both QoQ and YoY in rupee terms. The decline in CoP was due to higher production volumes from Rampura Agucha open cast mine in accordance with mine plan resulting in higher average grades, better smelter efficiencies and reversal of some liabilities
- The company has upward revised its capex guidance to US\$350-360 million for FY18 (from US\$250 million earlier). The capex would be for ongoing mine expansion projects, furmer and smelter de-bottlenecking
- Share of mined metal from underground mines increased from 15% in early 2013, to 52% in FY17. It is further expected to reach 80% in FY18 and 100% in FY19
- The mining projects are expected to be completed by FY20, when full capacity of 1.2 MT is expected to be in place. Both Rampura Agucha and Sindesar Khurd shafts are on track for completion in FY19
- In FY18, mined metal production is expected to be higher from FY17. Refined zinc-lead production will be around 950 KT, which will be evenly spread through the year. Silver production will be over 500 MT
- For FY18, dollar CoP (excluding royalty) is expected to be marginally higher based on current levels of coal and input commodity prices, while treasury income is expected to be lower due to reduction in investment corpus and current softening of rates. For FY18, tax rate is expected to be slightly higher than MAT
- The company's net cash and cash equivalents was ₹ 16065 crore as at March 31, 2017, excluding ₹ 7908 crore of short-term commercial paper raised to meet the special interim dividend fund requirement for tax efficiencies. The gross investment were ₹ 23972 crore in high quality debt instruments including ₹ 19336 crore in mutual funds and ₹ 4446 crore in bonds
- Rampura Agucha open-cast mine operations will be closed in FY18. The underground operations are progressing well and would achieve the target output of 3.7 MT in FY19. Sindesar Khurd mine is also on target to achieve target production of 4.5 MT in FY19. The company is evaluating further EC addition to SK mines.

Exhibit 1: Zinc sales & realisation trend



Source: Company, ICICIdirect.com Research

Exhibit 2: Lead sales & realisation trend

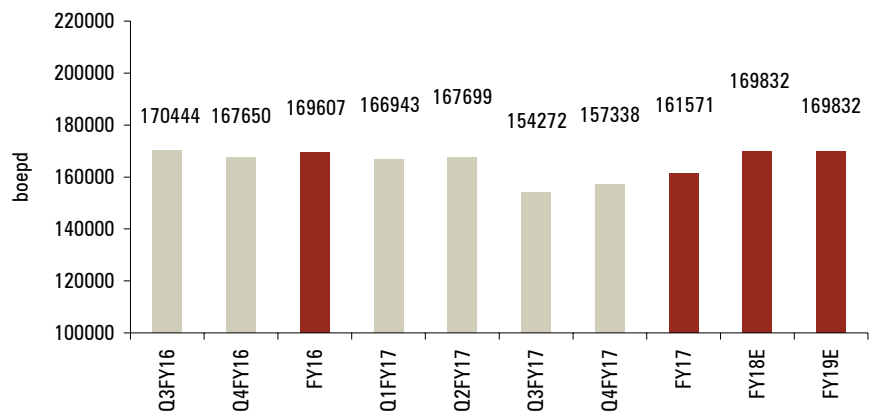


Source: Company, ICICIdirect.com Research

Oil & gas

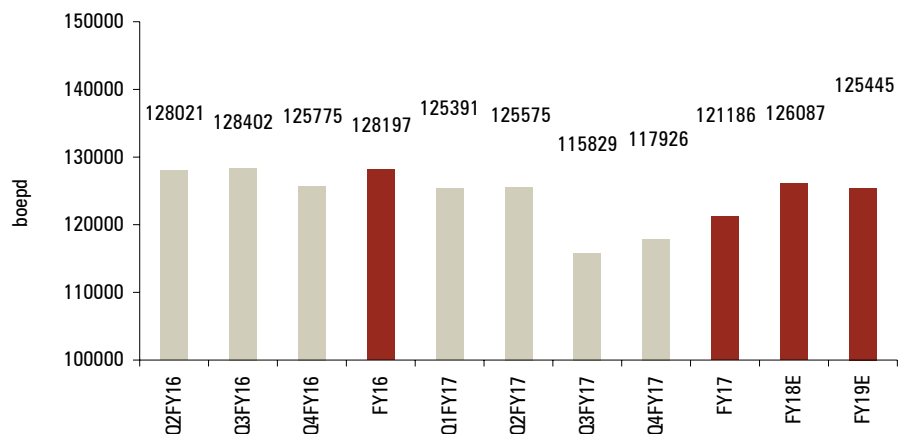
- The FY17 gross average production was at 189926 boepd. Rajasthan production came in at 161571 boepd while the offshore production came in at 28355 boepd
- The company successfully ramped up Mangala EOR with the production level reaching 56 kboepd in Q4
- The Rajasthan FY17 waterflood operating cost at US\$4.3/boe was down 17% YoY, the blended cost including EOR stood at US\$6.2/boe down 5% YoY
- The company (Cairn) contributed US\$1.7 billion to the exchequer during the year
- The RDG gas development project (RDG) completed 15 well hydro-frac campaign. The company completed the injectivity test at Bhagyam EOR and Aishwariya EOR
- Going forward, from the RDG project with completion of phase 1 is gas production is likely to increase 40 million to 45 million scuffs per day by Q2FY18. The Phase 2 pertaining to gas production of 100 mmscfd and condensate production of 5 kboed is likely to come up by H1FY19. The tendering for new gas processing terminal and rig is under way
- Under the EOR programme, the company is commencing 15 well programmes at Mangala infill wherein production is expected in Q2FY18. At Bhagyam EOR, the injectivity test has been completed successfully and a revised FDP has been submitted to the JV. At Aishwariya, polymer injectivity test has commenced in three wells. The FDP has been submitted to JV. The project capex for Aishwariya Barmer Hill has reduced 30% to US\$195 million for EOR of 32 mmbbls
- For FY18, the Rajasthan production is expected at 165 kboepd with further potential upside from growth projects. The net capex is estimated to US\$250 million with break-up of 90% towards development including EOR, tight oil and tight gas projects while the rest 10% for exploration and appraisal

Exhibit 3: Gross oil & gas production from Rajasthan fields (boepd)



Source: Company, ICICIdirect.com Research

Exhibit 4: Net crude oil & gas production (boepd) trend



Source: Company, ICICIdirect.com Research

Zinc International

- Q3FY17 production was at 156 KT, the Skorpion production stood at 85 KT while the BMM production stood at 70 KT
- The cost of production (CoP) at US\$1417/tonne was higher owing to lower production. The Skorpion pit extension work is expected to commence in April, with the first ore extraction by H2FY18. The pit extension is likely to increase mine life by 3 years
- The pre-feasibility study for increasing the mine life of BMM mines is underway
- The company has deployed US\$12 million on focused exploration program across all the locations to exploit the high potential prospects
- In terms of guidance, FY18 production is expected at 160 KT. The estimated CoP of US\$1500/tonne is higher on account of appreciating local currency, higher throughput and significant investment in exploration
- The first ore production from the 250 KT Gamsberg project is expected by mid 2018. The mining contracts for the same have been outsourced, till date ~16 mt of waste has been moved. Over 75% of the budgeted capex has been committed to the project. The plant and infrastructure EPC contract have been placed. The CoP of the project is expected at ~US\$1000-1150/tonne

Aluminium business

- The aluminium production during the year stood at 1213 KT while the alumina production stood at 1208 KT
- The aluminium CoP for Q4FY17 stood at US\$1492/tonne higher QoQ on account of higher imported alumina offset by lower power and other cost
 - The Q4 alumina CoP stood at US\$290/tonne as against US\$340/tonne for imported alumina cost
- The 500 KT Jharsuguda-I smelter witnessed outage in April 2017 impacting 608 pots. The impacted pots are likely to restart from Q2FY18
- The 1st line of 81 pots at 1.25 mt Jharsuguda II smelter are in operations, the full ramp up is likely to be completed by Q3FY18. The 2nd line is fully ramped up and capitalised in Q4FY17. The third line has commenced ramp up in December 2016, 139 pots are operational the full ramp up is likely to be achieved by Q3FY18. The 4th line is under evaluation
- The 325 KT BALCO II facility is fully operational and is likely to be capitalised in Q1FY18
- The management guided FY18 aluminium production of 1.5 to 1.6 million tonne while the alumina production is estimated at 1.5-1.6 million tonne. The COP for FY18 is estimated at US\$1475-1500/tonne, The Q1 COP is likely to be higher. The bauxite production from BALCO mines is estimated at 1.8-2 million tonne. The company continues to work with the state government proactively on allocation of bauxite

Copper business

- The annual cathode production stood at 402 KT. The management is evaluating smelter expansion of 400 KTPA
- The FY18 production is estimated at 400 KT. The company has planned to carry out a maintenance shutdown for 11 days in Q1FY18

Iron ore segment (erstwhile Sesa Goa)

- The company achieved full year production cap in Goa and Karnataka while producing additional allocation of 2.6 million tonne in Goa
- The Q4 Goa COP was down to US\$19/tonne. The FY17 CoP was at US\$21/tonne, down 38% YoY
- The management guided FY18 production of 5.5 MT from Goa and 2.3 MT from Karnataka
- The company continues to engage with the Karnataka government for additional allocation

Power business

- During FY17, all three units of TSPL became operational with plant availability of 79% for the full year. The plant availability during the quarter was at 85%
 - The TSPL plant was currently out of production due to fire at coal conveyor in April 2017
 - The rectification of the same is in progress and the plant is expected to restart by June end
 - The management is targeting plant availability of 75%+ during FY18 factoring the two months of outage as well
- The power business witnessed an increase in offtake during the quarter. PLF of the Balco plant for the quarter was at 72% against 55% in Q3. The Jharsuguda power plant achieved a PLF of 78% in the quarter vs. 72% in Q3

- PLF of MALCO power plant remained low at 29% due to low demand
- The increased production of Coal India has resulted in reduced reliance on imports
- The company secured a coal linkage of 6 MTPA in Q2FY17
 - o The linkages commenced in November 2016 with 1.36 MT coal received in Q4FY17

Other Highlights

- The management emphasised on its strategy of production growth and asset optimisation and remains committed towards strong shareholder's returns, maintaining strong balance sheet and growing existing businesses
- The company achieved cumulative cost savings of US\$712 million in the last eight quarters (two years) with US\$462 million in FY17 (run rate of US\$40 million, up from US\$20 million in FY16)
 - o US\$682 million in cost and marketing savings
 - o US\$30 million in capex savings
- The cost savings initiative programme is progressing ahead of the schedule of US\$1.3 billion savings by H1FY19
- Capex spent during FY17 was at US\$0.7 billion against the original guidance of US\$1 billion. The management has guided at a capex target of US\$1.2 billion for FY18
 - o US\$0.4 billion for Zinc India and US\$0.2 billion for Gamesberg
 - o US\$0.16 billion for aluminium and power
 - o US\$0.25 billion for oil & gas with an option for further investment based on progress, subject to PSC extension
 - o The optionality capex includes capex flexibility for Lanjigarh refinery expansion and 400 KTPA copper smelter
- Vedanta achieved gross debt reduction and maturity extension. The company de-leveraged to the tune of US\$1 billion post April 1 2017
- Vedanta's credit rating was upgraded to Crisil AA/Stable with Balco's rating been upgraded by two notched to Crisil AA-/stable. The management aims to improve the credit rating of the company to AA+ category
- The company announced its dividend policy, which is pass through of Hindustan Zinc's regular dividend plus minimum 30% payout of attributable PAT (e.g. HZL's PAT)
- Vedanta contributed ₹ 40000 crore during FY17 to the exchequer

Exhibit: 5 Debt profile

Company	31-Mar-17			31-Dec-16		
	Debt	Cash & LI	Net Debt	Debt	Cash & LI	Net Debt
Vedanta Standalone	43,233	2,316	40,917	43,168	1,247	41,921
Zinc India	7,908	32,166	(24,258)	-	25,373	(25,373)
Zinc International	-	907	(907)	-	678	(678)
Cairn India	-	27,646	(27,646)	-	25,975	(25,975)
BALCO	4,925	63	4,988	5,513	12	5,501
Talwandi Sabo	8,012	191	7,821	7,824	97	7,727
Twin Star Mauritius Holdings Limited and others	7,491	182	7,309	8,461	69	8,392
Vedanta Consolidated	71,569	63,471	8,223	64,966	53,451	11,515

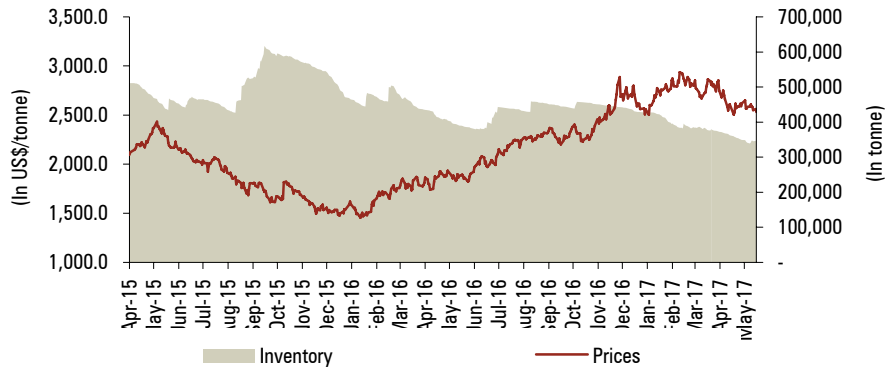
Source: Company

Metal pricing trend

LME prices of all four major base metals registered an up-tick sequentially. All four base metals witnessed increase in prices QoQ and YoY.

On a quarterly average basis, in Q4FY17, zinc prices were up 65.4% YoY and 10.6% QoQ at US\$2778. As on May 16, 2017 zinc prices were at \$2532/tonne

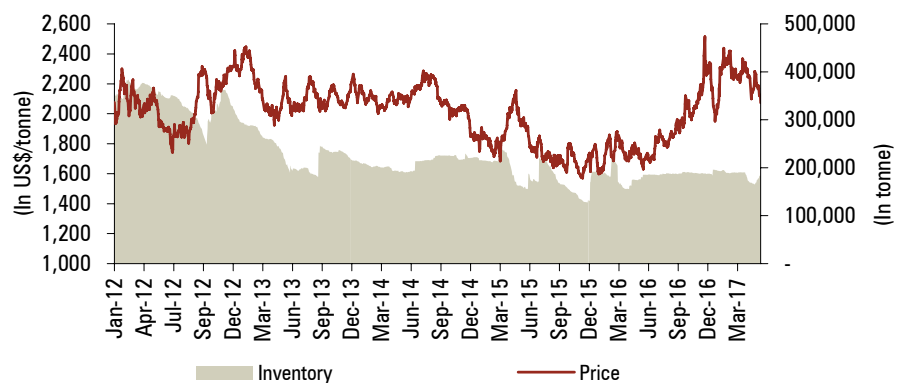
Exhibit 6: LME zinc prices & inventory levels



Source: Bloomberg, ICICIdirect.com Research

On a quarterly average basis, in Q4FY17, lead prices were up 30.9% YoY and 6.6% QoQ at US\$2278. As on May 16, 2017 lead prices were at \$2073/tonne

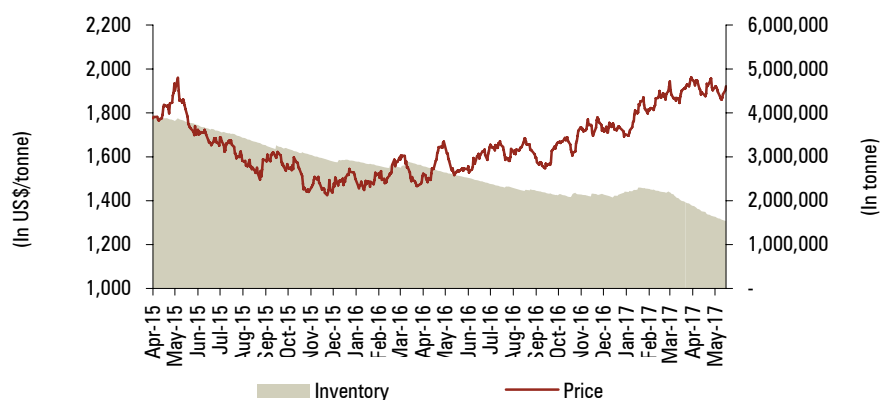
Exhibit 7: LME lead prices & inventory levels



Source: Bloomberg, ICICIdirect.com Research

On a quarterly average basis, in Q4FY17, aluminium prices were up 22.3% YoY and 8.3% QoQ and were at US\$1853/tonne. As on May 16, 2017, aluminium prices were at \$1920/tonne

Exhibit 8: LME aluminium prices & inventory levels



Source: Bloomberg, ICICIdirect.com Research

Outlook and valuation

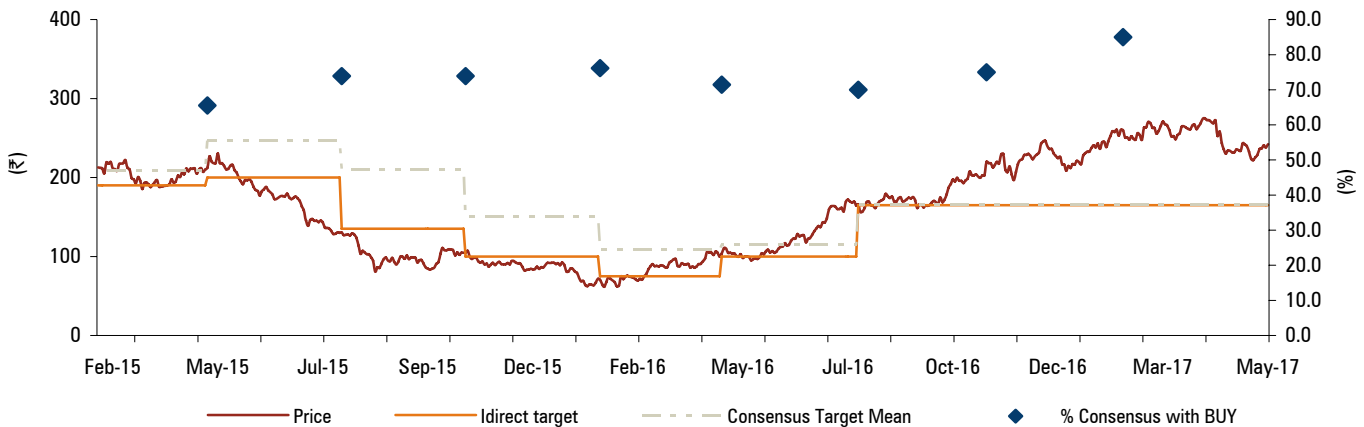
Vedanta's Q4FY17 operational numbers broadly came in line with our estimates. Going forward, we have a positive view on the company's domestic zinc business (HZL) on account of strong underlying fundamentals. However, we have a cautious view on the company due to volatile base metal and crude oil prices. We value the company using SOTP valuation and arrive at a target price of ₹ 260. We have a **HOLD** recommendation on the stock.

Exhibit 9: Valuation matrix

	Sales (₹ Crore)	YoY Growth (%)	EPS (₹)	YoY Growth (%)	PE (x)	EV/EBITDA (x)	P/ BV (x)	RoNW (%)	RoCE (%)
FY15	73364.1	11.6	19.8	-9.2	12.2	6.3	1.3	10.9	11.3
FY16	64433.6	-12.2	7.3	-63.3	33.3	9.0	2.0	4.8	6.5
FY17E	72225.0	12.1	15.1	108.1	16.0	4.8	1.5	9.3	12.1
FY18E	83294.9	15.3	30.5	101.5	7.9	4.1	1.3	16.3	14.2
FY19E	87915.0	5.5	34.4	12.7	7.0	3.6	1.1	15.9	14.8

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Sep-16	The shareholders of Vedanta Resources Plc approve the merger of Vedanta and Cairn India. However, the deal to go through would require approval from Vedanta and Cairn India's shareholders
Jan-17	Vedanta Resources (parent company of Vedanta Ltd) raises foreign bonds of US\$1 billion at 6.375% for a period of five years. Vedanta intends to use the net proceeds from this offering primarily to fund its offer to purchase for cash any and all of its outstanding US\$750 million 9.50% bonds due 2018 and US\$1.2 billion 6.00% bonds due 2019 and to repay its other existing indebtedness. The bonds were privately placed
Feb-17	As per media sources, Vedanta chalks out plans to invest ~US\$10 billion in the next three or four years to expanding business across verticals
Mar-17	The National Company Law Tribunal, Mumbai Bench (Tribunal), approves the merger between Vedanta and Cairn India. The company awaits certified copy of the
Mar-17	The Board of Directors of Vedanta approves a second interim dividend for FY17 of ₹ 17.70 per equity. The record date for the purpose of payment of dividend is April 12, 2017. Further, the board also approves a dividend of ₹ 17.70 per equity share to shareholders of Cairn India, who will become shareholders of the company pursuant to the scheme of arrangement between Vedanta and Cairn India. The dividend would be paid to Cairn India shareholders as on a record date to be fixed after the scheme becomes effective. The total amount of dividend payout including that to Cairn shareholders is ₹ 6,580 crore
Apr-17	Vedanta completes the Cairn India merger effective April 11. It fixes April 27 as the record date for determining the list of Cairn India shareholders to whom equity and preference shares would be allotted under the arrangement. Shareholders of Cairn India will get one equity share of Vedanta with four redeemable preference shares, carrying a coupon of 7.5%. As part of the deal, Cairn India shareholders will receive an interim dividend of ₹ 17.7 per share. Though Cairn India as a legal entity ceases to exist, Vedanta said it will preserve the Cairn brand for the oil & gas production business
May-17	Crisil upgrades long-term credit rating assigned to Vedanta's debt instruments and preference share issue to Crisil AA with a stable outlook from Crisil AA-/Positive earlier. The short-term credit rating of Crisil A1+ was reaffirmed. The rating upgrade reflects better-than-expected operational performance and Crisil's expectation of a meaningful deleveraging of balance sheet with access to Cairn India's cash

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Vedanta Resources PLC	31-Dec-16	45.96	1,362.7	0.0
2	Finsider International Co., Ltd.	31-Dec-16	13.54	401.5	0.0
3	Life Insurance Corporation of India	31-Dec-16	3.91	115.8	0.0
4	Templeton Asset Management Ltd.	31-Dec-16	1.77	52.4	-8.2
5	Franklin Templeton Asset Management (India) Pvt. Ltd.	31-Dec-16	1.77	52.4	-8.2
6	Shalika (Bhadram Janhit)	31-Dec-16	1.44	42.6	0.0
7	The Vanguard Group, Inc.	31-Mar-17	1.25	37.0	0.3
8	BlackRock Institutional Trust Company, N.A.	30-Apr-17	1.10	32.6	6.0
9	APG Asset Management	31-Dec-16	1.03	30.6	-8.8
10	Birla Sun Life Asset Management Company Ltd.	31-Mar-17	0.96	28.4	4.1

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	64.6	62.9	62.9	62.9	62.9
FII	13.5	15.3	16.4	16.8	16.3
DII	9.7	7.3	6.8	7.0	7.1
Others	12.2	14.5	13.9	13.3	13.7

Recent Activity

Buys			Sells		
Investor Name	Value (M)	Shares(M)	Investor Name	Value (M)	Shares(M)
BlackRock Institutional Trust Company, N.A.	22.8	6.0	APG Asset Management	-27.9	-8.8
Birla Sun Life Asset Management Company Ltd.	17.3	4.1	Franklin Templeton Asset Management (India) Pvt. Ltd.	-26.0	-8.2
J O Hambro Capital Management Limited	3.9	1.2	Templeton Asset Management Ltd.	-26.0	-8.2
Goldman Sachs Asset Management (US)	3.3	0.9	HDFC Asset Management Co., Ltd.	-18.6	-4.4
Russell Investments Limited	3.2	0.8	Principal Global Investors (Equity)	-17.0	-4.0

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement (₹ crore)				
(Year-end March)	FY16	FY17	FY18E	FY19E
Net Sales	63931.2	72225.0	83296.1	87915.0
Other Operating Income	502.4	0.0	0.0	0.0
Total operating Income	64,433.6	72,225.0	83,296.1	87,915.0
Growth (%)	-12.6	12.1	15.3	5.5
Total Operating Expenditure	49,724.7	50,893.1	58,490.3	60,832.2
EBITDA	14,708.8	21,331.9	24,805.8	27,082.8
Growth (%)	-33.3	45.0	16.3	9.2
Depreciation & Amortization	6,710.9	6,291.5	6,439.6	6,676.0
Interest	5,704.5	5,855.0	4,861.1	3,971.6
Other Income	3,482.2	4,580.6	5,353.7	5,719.0
PBT	5,775.7	13,766.0	18,858.9	22,154.1
Exceptional Items	-11,479.6	-114.4	0.0	0.0
Total Tax	433.0	3,778.3	3,771.8	4,430.8
PAT before MI	-6,136.9	9,873.3	15,087.1	17,723.3
Growth (%)	LP	-260.9	52.8	17.5
Minorities, Associates, etc	-3186.5	-4361.1	-4157.6	-5413.5
PAT after MI	-9,323.4	5,512.2	10,929.5	12,309.8
Growth (%)	LP	LP	98.3	12.6
Adjusted PAT after MI	2,156.2	5,626.6	10,929.5	12,309.8
Growth (%)	LP	160.9	94.2	12.6
Adj EPS (₹)	7.3	15.1	29.4	33.1

Source: Company, ICICIdirect.com Research

Balance sheet (₹ crore)				
(Year-end March)	FY16	FY17	FY18E	FY19E
Liabilities				
Equity Capital	296.5	371.8	371.8	371.8
Reserve and Surplus	44,375.8	60,128.4	68,883.2	79,018.2
Total Shareholders funds	44,672.3	60,500.1	69,254.9	79,390.0
Total Debt	77,952.0	71,569.0	67,319.0	65,069.0
Deferred Tax Liability	3,195.9	2,083.7	2,083.7	2,083.7
Non-control. Interest, MI & oth	32,967.4	21,098.4	21,098.4	21,098.4
Total Liabilities	158,787.6	155,251.2	159,756.0	167,641.0
Assets				
Gross Block	132,406.7	131,570.6	139,570.6	147,570.6
Less: Acc Depreciation	38,638.4	44,929.9	51,369.5	58,045.5
Net Block	93,768.3	86,640.7	88,201.1	89,525.1
Capital WIP	6,229.5	17,670.9	17,670.9	17,670.9
Total Fixed Assets	99,997.8	104,311.6	105,872.0	107,196.0
Investments	46,529.4	46,962.1	47,949.5	48,949.5
Inventory	8,079.1	9,627.9	12,551.5	13,247.5
Debtors	2,550.1	3,409.3	4,564.2	4,817.3
Loans, Adv. & Oth. Cu. assets	27,145.0	13,104.0	19,587.8	21,071.6
Cash	3,675.7	14,123.2	10,227.4	10,364.8
Total Current Assets	41,450.0	40,264.4	46,930.8	49,501.2
Creditors	26,321.3	41,432.3	45,641.7	42,151.0
Provisions	2,868.3	2,346.6	2,846.6	3,346.6
Total Current Liabilities	29,189.6	43,778.9	48,488.3	45,497.6
Net Current Assets	12,260.4	-3,514.5	-1,557.5	4,003.6
Others Assets	0.0	7,492.0	7,492.0	7,492.0
Application of Funds	158,787.6	155,251.2	159,756.0	167,641.0

Source: Company, ICICIdirect.com Research

Cash flow statement (₹ crore)				
(Year-end March)	FY16	FY17	FY18E	FY19E
Profit after Tax	-9,323.4	5,512.2	10,929.5	12,309.8
Add: Depreciation	6,710.9	6,291.5	6,439.6	6,676.0
(Inc)/dec in Current Assets	-1,041.5	11,633.1	-10,562.3	-2,432.9
Inc/(dec) in CL and Provisions	9,000.7	14,589.3	4,709.4	-2,990.7
Others	-135.5	-22,949.6	0.0	0.0
CF from operating activities	5,211.2	15,076.6	11,516.3	13,562.2
(Inc)/dec in Investments	-7,136.7	-432.7	-987.4	-1,000.0
(Inc)/dec in Fixed Assets	-10,009.5	-6,123.0	-8,000.0	-8,000.0
Others	12,156.6	9,863.0	0.0	0.0
CF from investing activities	-4,989.6	3,307.3	-8,987.4	-9,000.0
Issue/(Buy back) of Equity	0.0	75.3	0.0	0.0
Inc/(dec) in loan funds	200.0	-6,383.0	-4,250.0	-2,250.0
Dividend paid & dividend tax	-2,029.4	-8,459.7	-2,174.7	-2,174.7
Inc/(dec) in Sec. premium	2,149.8	18,700.1	0.0	0.0
Others	-2,562.6	-11,869.0	0.0	0.0
CF from financing activities	-2,242.2	-7,936.4	-6,424.7	-4,424.7
Net Cash flow	-2,020.6	10,447.5	-3,895.8	137.5
Opening Cash	5,696.4	3,675.7	14,123.2	10,227.4
Closing Cash	3,675.7	14,123.2	10,227.4	10,364.8

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17	FY18E	FY19E
Per share data (₹)				
Adj EPS	7.3	15.1	29.4	33.1
Cash EPS	29.9	32.1	46.7	51.1
BV	120.2	162.7	186.3	213.6
DPS	5.9	19.5	5.0	5.0
Cash Per Share	9.9	38.0	27.5	27.9
Operating Ratios (%)				
EBITDA Margin	22.8	29.5	29.8	30.8
PBT / Total Operating income	9.0	19.1	22.6	25.2
PAT Margin	3.3	7.8	13.1	14.0
Inventory days	44.9	53.5	55.0	55.0
Debtor days	14.2	18.9	20.0	20.0
Creditor days	146.2	230.1	200.0	175.0
Return Ratios (%)				
RoE	4.8	9.3	15.8	15.5
RoCE	6.5	12.1	14.2	14.9
RoIC	6.7	12.8	14.5	15.2
Valuation Ratios (x)				
P/E	33.3	16.0	8.2	7.3
EV / EBITDA	9.0	4.8	4.1	3.6
EV / Net Sales	2.1	1.4	1.2	1.1
Market Cap / Sales	1.1	1.0	0.9	0.8
Price to Book Value	2.0	1.5	1.3	1.1
Solvency Ratios				
Net Debt/EBITDA	1.9	0.5	0.4	0.2
Net Debt / Equity	0.6	0.2	0.1	0.1
Current Ratio	1.4	0.9	1.0	1.1

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Metals & Mining)

Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			ROCE(%)			ROE(%)		
	(₹)	TP (₹)			FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
Coal India	276	365	Buy	171293	16.1	19.6	22.4	18.6	15.3	13.4	9.8	8.0	6.6	36.9	51.5	62.1	36.1	48.6	56.3
Hindalco	197	180	Hold	40577	13.7	17.3	22.2	13.3	10.5	8.2	7.6	7.0	6.2	7.0	7.6	8.5	6.8	8.0	9.4
Hindustan Zinc	251	300	Buy	106195	19.7	23.9	25.5	13.8	11.3	10.6	9.3	7.3	6.1	26.9	33.2	30.3	27.0	27.0	24.3
JSW Steel	202	200	Hold	48743	15.1	17.2	19.5	12.8	11.2	9.9	7.0	6.6	5.9	13.5	14.0	15.1	15.8	15.5	15.1
SAIL	62	60	Hold	25402	-5.9	-0.6	6.2	NA	NA	10.1	62.6	13.6	6.6	-2.0	2.1	7.0	-6.5	-0.7	7.3
Vedanta	242	260	Hold	71753	15.1	30.5	34.4	9.3	16.3	15.9	4.8	4.1	3.6	12.1	14.2	14.8	9.3	16.3	15.9
Tata Steel	457	500	Hold	135367	10.0	51.3	59.7	47.7	9.3	8.0	8.8	7.0	6.1	6.8	9.2	9.9	3.1	14.3	14.6

Source: Company, ICICIdirect.com Research

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Buy: > 10%/15% for large caps/midcaps, respectively;

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Sell: -10% or more;



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