

Vedanta

Refer to important disclosures at the end of this report

Q1 beats estimates; promoter entities dip in CIHL cash pool before delisting

CMP: Rs 137
as of (October 4, 2020)TP: Rs 170 (▲)
12 months

Rating: BUY (■)

Upside: 23.7 %

- Cairn India Holdings Ltd, a 100% subsidiary of Vedanta Ltd (Ved Ltd), has provided a loan of Rs23.11bn to promoter entity Vedanta Resources (Ved Plc) which can extend up to Rs79.05bn (\$1.05bn) in loans and guarantees. Contours of the transaction are awaited.
- Ved Ltd is treating this loan as cash in its books, even though the money has been transferred outside its books, which we believe is not the best way of accounting loans given to parent.
- Management has reduced Rs42.76/sh of book value in Ved Ltd books through the write-off of a substantial portion of the O&G book despite Brent hovering around \$43/bbl. But advance given to promoter entity KCM is treated as recoverable despite the appointment of a provisional liquidator in KCM.
- Maintain Buy with a revised TP of Rs170 as delisting price target as we remove the 30% holdCo discount which we applied in the past for the valuation of Ved Ltd as a listed entity on SoTP basis. Ignoring the O&G provisioning, the book value should be Rs189.63/sh.

- **Delisting price:** We note that management has reduced the book value from Rs189.63/sh to Rs146.87/sh citing long-term concerns over oil prices after Covid-19, which in our view is very conservative. The book value was further reduced to Rs89.38/sh as per the calculations u/s 2(57) of the Companies Act. On the other hand, money advanced by Ved Ltd to promoter entity KCM for future transactions has been considered recoverable at the time when the Govt of Zambia is opposed to Ved Plc continuing the business and has already appointed a provisional liquidator at KCM. We believe that the write-off of the O&G business is not warranted as oil prices have returned to the \$40s/bbl range. Assuming a reversal of this write-off due to the recovery in oil prices and adding back Rs42.76/sh, the revised book value should return to its original Rs189.63/sh.

- **Dipping into the cash balance of CIHL again:** Ved Plc has again raised money from CIHL through a loan to be repaid by Jun-21. However, the rate of interest and the security for the same have not been disclosed. We note that there are no overseas subsidiaries of Ved Plc which has a balance sheet to guarantee a loan of \$1bn on behalf of Ved Plc. This is also evident from the fact that 97% of the EBITDA is generated by Ved Ltd and its subs.

- **Outlook and valuation:** The promoters have raised \$3.15bn (in 2 tranches) to fund the delisting. In addition, subsidiary Hind Zinc has raised Rs35.2bn 3-yr NCD at 5.35%. We note that given the high leverage at the Ved Plc, minority shareholders should seek a price which is at least equivalent to the nominal book value without considering the write-offs. The stock is trading at 3.9x our FY22E EV/EBITDA. At our TP, the stock will trade at 4.3x FY22E EV/EBITDA. Strong stimulus in China is driving demand for entire metals. This has improved the outlook for all the divisions of Vedanta; hence, an improved offer for delisting is warranted. **Maintain Buy with a significant OW in EAP.** Key risk to our call is promoters not extending counter offer beyond the calculated book value u/s 2(57) viz., in which case the delisting is likely to fall off and a sharp correction should ensue.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Metals & Mining \(Page 13\)](#)

Financial Snapshot (Consolidated)

| (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-------------------|---------|---------|---------|---------|---------|
| Revenue | 920,480 | 844,470 | 678,056 | 826,304 | 978,977 |
| EBITDA | 231,030 | 206,870 | 157,390 | 252,483 | 294,438 |
| EBITDA Margin (%) | 25.1 | 24.5 | 23.2 | 30.6 | 30.1 |
| APAT | 68,730 | 108,450 | 21,192 | 67,491 | 85,770 |
| EPS (Rs) | 18.5 | 29.2 | 5.7 | 18.2 | 23.1 |
| EPS (% chg) | (6.8) | 57.8 | (80.5) | 218.5 | 27.1 |
| ROE (%) | 10.9 | 18.5 | 4.3 | 16.0 | 22.7 |
| P/E (x) | 7.4 | 4.7 | 24.1 | 7.6 | 6.0 |
| EV/EBITDA (x) | 3.5 | 3.1 | 5.7 | 3.9 | 3.4 |
| P/BV (x) | 0.8 | 0.9 | 1.1 | 1.3 | 1.4 |

Source: Company, Emkay Research



Change in Estimates

| | |
|-------------------------|------|
| EPS Chg FY21E/FY22E (%) | -/- |
| Target Price change (%) | 33.9 |
| Target Period (Months) | 12 |
| Previous Reco | BUY |

Emkay vs Consensus

| EPS Estimates | | |
|-------------------------|--------|-------|
| | FY21E | FY22E |
| Emkay | 5.7 | 18.2 |
| Consensus | 7.1 | 15.0 |
| Mean Consensus TP (12M) | Rs 148 | |

Stock Details

| | |
|------------------------------|------------|
| Bloomberg Code | VEDL IN |
| Face Value (Rs) | 1 |
| Shares outstanding (mn) | 3,717 |
| 52 Week H/L | 166 / 60 |
| M Cap (Rs bn/USD bn) | 511 / 6.99 |
| Daily Avg Volume (nos.) | 19,787,240 |
| Daily Avg Turnover (US\$ mn) | 32.9 |

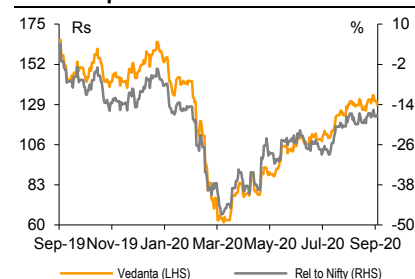
Shareholding Pattern Jun '20

| | |
|-------------------|-------|
| Promoters | 50.1% |
| FIIIs | 15.0% |
| DIIIs | 19.1% |
| Public and Others | 15.8% |

Price Performance

| (%) | 1M | 3M | 6M | 12M |
|---------------|----|----|-----|------|
| Absolute | 4 | 28 | 119 | (9) |
| Rel. to Nifty | 5 | 17 | 59 | (10) |

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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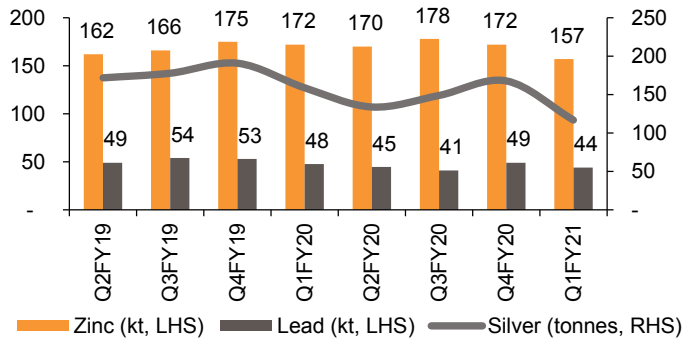
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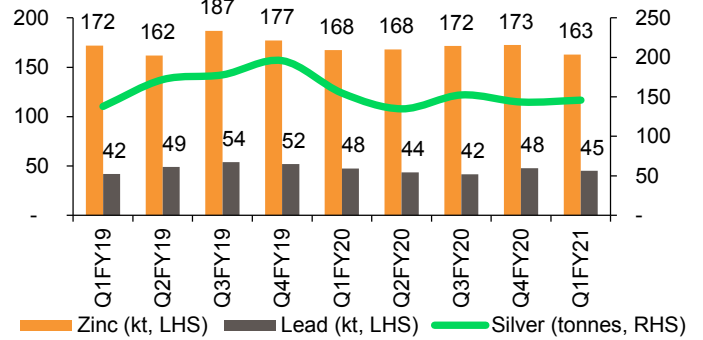
Story in Charts

Exhibit 1: Zinc India Production



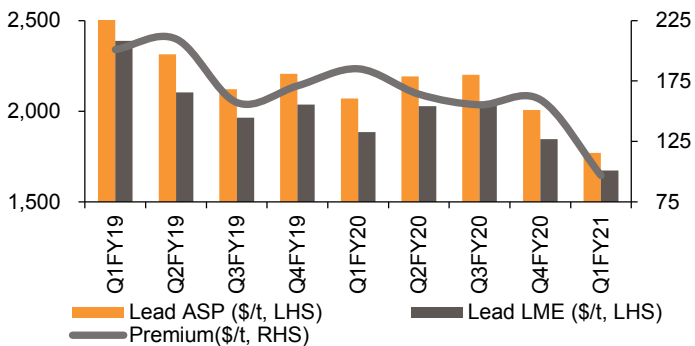
Source: Company, Emkay Research

Exhibit 2: Zinc India Sales



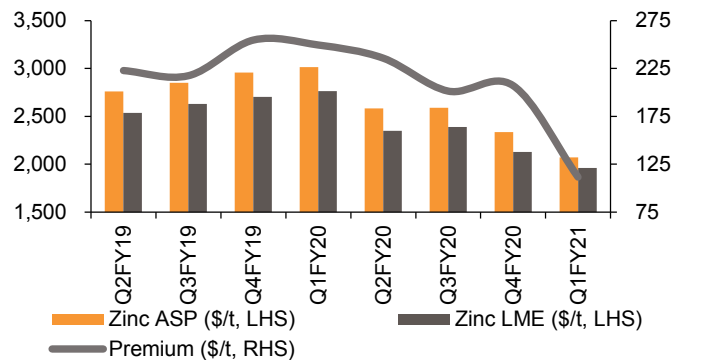
Source: Company, Emkay Research

Exhibit 3: Lead Premium has fallen in Q1FY21



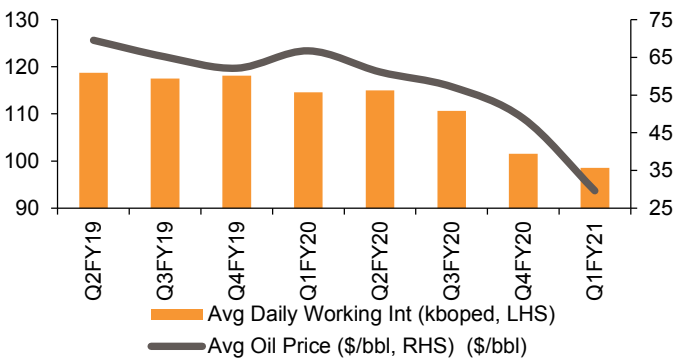
Source: Company, Emkay Research

Exhibit 4: Zinc Premium also fell in a dull market in Q1



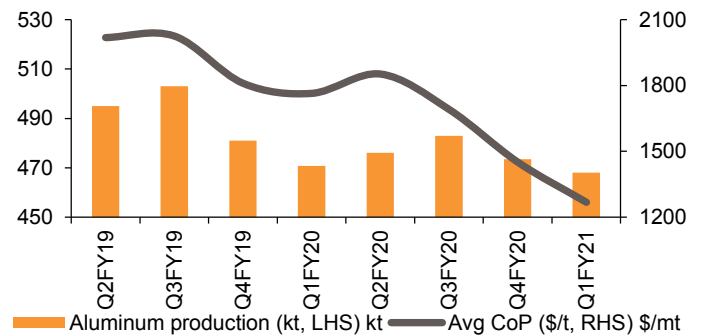
Source: Company, Emkay Research

Exhibit 5: Average daily working interest continues to fall



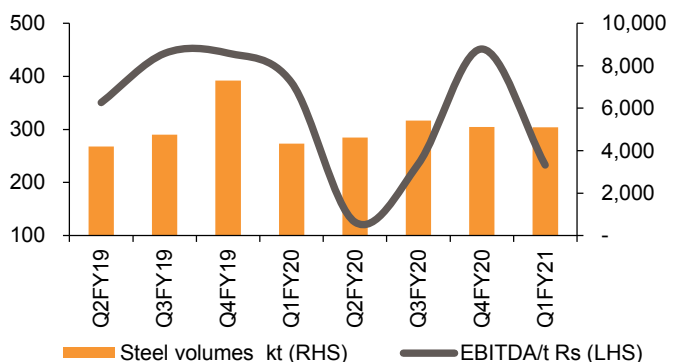
Source: Company, Emkay Research

Exhibit 6: Reduction in aluminium cost of production is silver lining



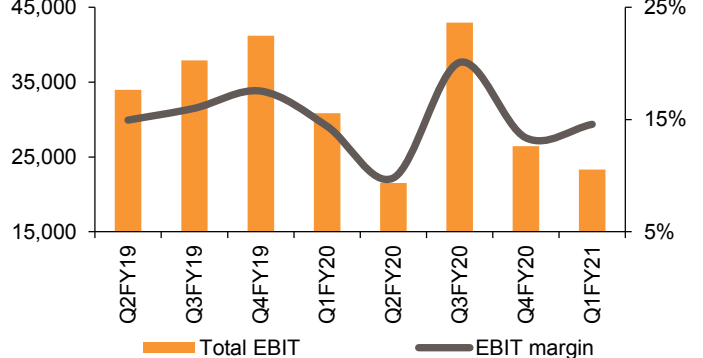
Source: Company, Emkay Research

Exhibit 7: Steel Business-Volumes and EBITDA/t



Source: Company, Emkay Research

Exhibit 8: Consol. EBIT (Rs bn) vs. EBIT margin improving



Source: Company, Emkay Research

Exhibit 9: Actual vs. Estimates (Q1FY21)

| Rs mn | Actual | Estimates | | %Variation | | Comments |
|----------------|---------|-----------|-----------|------------|-----------|--|
| | | Emkay | Consensus | Emkay | Consensus | |
| Revenue | 159,730 | 146,967 | 162,273 | 9% | -2% | Higher-than-estimated Copper and steel sales |
| EBITDA | 39,930 | 30,875 | 31,347 | 29% | 27% | Beat driven by lower cost of production in aluminium |
| EBITDA Margin% | 25% | 21% | 19% | 399 bps | 568 bps | |
| Net Profit | 10,400 | -796 | 834 | -1406% | 1147% | Net profit beat due to EBITDA beat |

Source: Company, Bloomberg, Emkay Research

Exhibit 10: Quarterly Consolidated Financials (Rs mn)

| Particulars | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | abs YoY | YoY% | abs QoQ | QoQ% |
|-----------------------------------|----------------|----------------|----------------|-----------------|----------------|----------------|-------------|----------------|--------------|
| Revenue from Operations | 213,740 | 217,390 | 211,260 | 195,130 | 156,870 | -56,870 | -27% | -38,260 | -20% |
| Other Operating Revenue | 0 | 2,190 | 2,340 | 2,420 | 2,860 | 2,860 | | 440 | 18% |
| Total Revenue | 213,740 | 219,580 | 213,600 | 197,550 | 159,730 | -54,010 | -25% | -37,820 | -19% |
| Change in Inventory | -2,140 | 15,010 | -4,690 | 1,990 | 2,640 | 4,780 | | 650 | 33% |
| Raw Materials Consumed | 55,480 | 50,500 | 52,440 | 54,190 | 44,710 | -10,770 | -19% | -9,480 | -17% |
| Purchase of Stock in Trade | 0 | 0 | 2,050 | 200 | 130 | 130 | | -70 | -35% |
| Power and Fuel | 45,840 | 48,050 | 36,900 | 33,130 | 24,160 | -21,680 | -47% | -8,970 | -27% |
| Employee Cost | 7,440 | 7,130 | 7,280 | 4,870 | 6,590 | -850 | -11% | 1,720 | 35% |
| Other Expenses | 55,140 | 54,660 | 54,480 | 57,650 | 41,570 | -13,570 | -25% | -16,080 | -28% |
| Total Expenses | 161,760 | 175,350 | 148,460 | 152,030 | 119,800 | -41,960 | -26% | -32,230 | -21% |
| EBITDA | 51,980 | 44,230 | 65,140 | 45,520 | 39,930 | -12,050 | -23% | -5,590 | -12% |
| One offs | 0 | 0 | -17,360 | 0 | -3,950 | -3,950 | | -3,950 | |
| Adjusted EBITDA | 51,980 | 44,230 | 47,780 | 45,520 | 35,980 | -16,000 | -31% | -9,540 | -21% |
| Depreciation | 21,550 | 23,950 | 22,910 | 22,520 | 17,330 | -4,220 | -20% | -5,190 | -23% |
| EBIT | 30,430 | 20,280 | 42,230 | 23,000 | 22,600 | -7,830 | -26% | -400 | -2% |
| Other Income | 3,800 | 8,560 | 6,470 | 6,270 | 10,250 | 6,450 | 170% | 3,980 | 63% |
| Interest | 13,410 | 13,400 | 12,320 | 10,640 | 12,520 | -890 | -7% | 1,880 | 18% |
| PBT | 20,820 | 15,440 | 36,380 | 18,630 | 20,330 | -490 | -2% | 1,700 | 9% |
| One offs | 0 | 0 | -17,360 | -171,320 | 0 | | | | |
| Adjusted PBT | 20,820 | 15,440 | 19,020 | -152,690 | 20,330 | -490 | -2% | 173,020 | -113% |
| Total Tax | 1,380 | -16,090 | 11,410 | -31,860 | 5,110 | 3,730 | 270% | 36,970 | -116% |
| Exceptional Item | 0 | 4,230 | -1,680 | 171,320 | 0 | | | | |
| ETR | 7% | -104% | 31% | -171% | 25% | | | | |
| Reported PAT | 19,440 | 27,300 | 26,650 | -120,830 | 15,220 | -4,220 | -22% | 136,050 | -113% |
| Minority Interest | 6,060 | 5,180 | 3,530 | 3,200 | 4,820 | -1,240 | -20% | 1,620 | 51% |
| Reported PAT after MI | 13,380 | 22,120 | 23,120 | -124,030 | 10,400 | -2,980 | -22% | 134,430 | -108% |
| Other Comprehensive Income | 170 | 2930 | 5240 | -1180 | 570 | 400 | 235% | 1750 | -148% |
| Total Comprehensive Income | 13,550 | 25,050 | 28,360 | -125,210 | 10,970 | -2,580 | -19% | 136,180 | -109% |

Source: Company, Emkay Research

Exhibit 11: Margins Consolidated

| Margins (%) | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | YoY | QoQ |
|-------------|--------|--------|--------|--------|--------|---------|----------|
| EBIDTA | 24% | 20% | 30% | 23% | 25% | 68 bps | 196 bps |
| EBIT | 14% | 9% | 20% | 12% | 14% | -9 bps | 251 bps |
| EBT | 10% | 7% | 17% | 9% | 13% | 299 bps | 330 bps |
| PAT | 9% | 12% | 12% | -61% | 10% | 43 bps | 7069 bps |

Source: Company, Emkay Research

Exhibit 12: Highlights – Hindustan zinc

| Zinc India | UoM | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Production | | | | | | | | | | |
| Zinc | kt | 166 | 162 | 166 | 175 | 172 | 170 | 178 | 172 | 157 |
| Lead | kt | 42 | 49 | 54 | 53 | 47.5 | 44.5 | 41 | 49 | 44 |
| Silver | t | 138 | 172 | 178 | 191 | 159 | 134 | 149 | 168 | 117 |
| Sales | | | | | | | | | | |
| Zinc | kt | 172 | 162 | 187 | 177 | 167.5 | 168 | 171.6 | 172.6 | 163 |
| Lead | kt | 42 | 49 | 54 | 52 | 47.5 | 43.6 | 41.6 | 47.6 | 45 |
| Silver | t | 138 | 172 | 178 | 196 | 155 | 135 | 153 | 144 | 146 |
| Zinc CoP | \$/mt | 1,043 | 1,034 | 997 | 987 | 1,067 | 1,048 | 1,077 | 997 | 954 |
| Zinc ASP | \$/mt | 3,308 | 2,760 | 2,848 | 2,957 | 3,013 | 2,584 | 2,589 | 2,335 | 2,072 |
| Zinc LME | \$/mt | 3,112 | 2,537 | 2,631 | 2,702 | 2,763 | 2,348 | 2,388 | 2,128 | 1,961 |
| Premium | \$/m/t | 196 | 223 | 217 | 255 | 250 | 236 | 201 | 207 | 111 |
| Lead ASP | \$/mt | 2,589 | 2,314 | 2,121 | 2,207 | 2,070 | 2,192 | 2,200 | 2,007 | 1,770 |
| Lead LME | \$/mt | 2,388 | 2,104 | 1,964 | 2,036 | 1,885 | 2,028 | 2,045 | 1,847 | 1,673 |
| Premium | \$/mt | 201 | 210 | 157 | 171 | 185 | 164 | 155 | 160 | 97 |

Source: Company, Emkay Research

Exhibit 13: Highlights – Zinc International

| Zinc International | UoM | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|-----------------------|-----|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Production | | | | | | | | | | |
| Refined Zinc Skorpion | kt | 10 | 15 | 20 | 21 | 18 | 23 | 11 | 15 | 1 |
| Mined Metal BMM | kt | 15 | 13 | 18 | 19 | 19 | 16 | 18 | 12 | 12 |
| Mined Metal Gamsberg | kt | - | - | 3 | 14 | 23 | 24 | 31 | 30 | 25 |
| Sales | | | | | | | | | | |
| Zinc | kt | 16 | 21 | 24 | 48 | 46 | 57 | 43 | 58 | 29 |
| Lead | kt | 8 | 8 | 11 | 9 | 11 | 11 | 10 | 6 | 7 |

Source: Company, Emkay Research

Exhibit 14: Highlights – Oil & Gas Business

| Oil | UoM | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|------------------------------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Production | | | | | | | | | | |
| Gross Daily Production | (kbeopd) | 195 | 186 | 187 | 187 | 180 | 179 | 172 | 161 | 159 |
| Oil and Gas Working Interest | kbeopd | 125 | 119 | 118 | 118 | 115 | 115 | 111 | 102 | 99 |
| | | | | | | | | | | |
| Brent Price | \$/bbl | 74.4 | 75.2 | 68.8 | 63.1 | 68.9 | 61.9 | 63.3 | 50.1 | 29.2 |
| Avg Oil Price | (\$/bbl) | 67.2 | 69.5 | 65.1 | 62.1 | 66.7 | 61.1 | 57.2 | 48.8 | 29.6 |
| Discount | (\$/bbl) | 7.2 | 5.7 | 3.7 | 1.0 | 2.2 | 0.8 | 6.1 | 1.3 | -0.4 |
| Gas | \$/mscf | 8.4 | 9.1 | 8.7 | 7.9 | 6.7 | 5.7 | 6.5 | 5.6 | 2.7 |

Source: Company, Emkay Research

Exhibit 15: Highlights – Aluminium Business

| Aluminium | UoM | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|-----------------------------|-----------|------------|------------|------------|------------|--------------|------------|------------|------------|------------|
| Production | | | | | | | | | | |
| Jharsuguda I | kt | 136 | 137 | 137 | 135 | 134 | 137 | 139 | 133 | 132 |
| Jharsuguda II | kt | 204 | 216 | 221 | 203 | 199 | 201 | 203 | 196 | 199 |
| 245 Kt Korba I | kt | 64 | 64 | 66 | 66 | 63 | 63 | 65 | 66 | 65 |
| 325 Kt Korba II | kt | 77 | 78 | 79 | 77 | 74 | 75 | 76 | 79 | 72 |
| Total Aluminum Prodn | kt | 481 | 495 | 503 | 481 | 470.8 | 476 | 483 | 474 | 468 |
| CoP | | | | | | | | | | |
| Lanjigarh | \$/mt | 341 | 358 | 308 | 290 | 284 | 293 | 269 | 258 | 218 |
| Jharsuguda | \$/mt | 1934 | 2022 | 2015 | 1808 | 1755 | 1883 | 1675 | 1422 | 1234 |
| BALCO | \$/mt | 1934 | 2007 | 2045 | 1813 | 1787 | 1775 | 1727 | 1516 | 1348 |
| Average | \$/mt | 1934 | 2018 | 2025 | 1810 | 1764 | 1852 | 1691 | 1451 | 1268 |
| Aluminium LME | \$/mt | 2259 | 2057 | 1971 | 1859 | 1793 | 1762 | 1752 | 1690 | 1497 |
| ASP | \$/mt | 2,372 | 2,275 | 2,135 | 1,989 | 2,043 | 1,944 | 1,957 | 1,861 | 1,660 |
| Premium | \$/mt | 113 | 218 | 164 | 130 | 250 | 182 | 205 | 171 | 164 |
| Sales | | | | | | | | | | |
| VAP | kt | 180 | 205 | 200 | 192 | 217.4 | 174 | 151 | 182 | 96 |
| Ingots | kt | 285 | 284 | 294 | 275 | 263.4 | 307 | 336 | 291 | 384 |
| Total | kt | 465 | 489 | 494 | 467 | 481 | 481 | 487 | 473 | 480 |

Source: Company, Emkay Research

Exhibit 16: Highlights – Power business

| Power | UoM | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Jharsuguda | | | | | | | | | | |
| Sales | Mn kwh | 164 | 124 | 136 | 615 | 267 | 20 | 7 | 482 | 685 |
| ASP | Rs/kwh | 2.19 | 2.12 | 3.15 | 2.38 | 3.13 | 1.68 | - | 2.94 | 2.56 |
| CoP | Rs/kwh | 4.73 | 6.46 | 4.68 | 3.63 | 3.27 | 17.28 | 55.68 | 2.42 | 2.29 |
| EBITDA | Rs/kwh | -2.54 | -4.34 | -1.53 | -1.25 | -0.14 | -15.60 | - | 0.52 | 0.27 |
| BALCO | | | | | | | | | | |
| Sales | Mn kwh | 656 | 480 | 438 | 593 | 425 | 454 | 387 | 460 | 403 |
| ASP | Rs/kwh | 3.57 | 3.74 | 3.67 | 3.71 | 3.75 | 3.9 | 4.01 | 3.88 | 3.85 |
| CoP | Rs/kwh | 2.50 | 2.91 | 2.45 | 2.75 | 2.14 | 2.33 | 2.35 | 2.24 | 2.24 |
| EBITDA | Rs/kwh | 1.07 | 0.83 | 1.22 | 0.96 | 1.61 | 1.57 | 1.66 | 1.64 | 1.61 |
| HZL Wind Power | | | | | | | | | | |
| Sales | Mn kwh | 139 | 185 | 48 | 77 | 134 | 165 | 68 | 71 | 112 |
| ASP | Rs/kwh | 4.15 | 4.35 | 3.93 | 4.04 | 4.15 | 4.06 | 3.79 | 4.07 | 4.18 |
| CoP | Rs/kwh | 0.74 | 0.46 | 2.18 | 1.46 | 0.71 | 0.62 | 1.86 | 1.39 | 0.90 |
| EBITDA | Rs/kwh | 3.41 | 3.89 | 1.75 | 2.58 | 3.44 | 3.44 | 1.93 | 2.68 | 3.28 |
| TSPL | | | | | | | | | | |
| Sales | Mn kwh | 2,355 | 2,725 | 2,543 | 2,235 | 2,697 | 2,615 | 1,820 | 1,094 | 643 |
| ASP | Rs/kwh | 3.82 | 4.37 | 4.19 | 3.96 | 4.46 | 4.29 | 3.47 | 2.67 | 2.00 |
| CoP | Rs/kwh | 2.83 | 3.37 | 3.18 | 2.9 | 3.41 | 3.29 | 2.42 | 1.56 | 1.08 |
| EBITDA | Rs/kwh | 0.99 | 1.00 | 1.01 | 1.06 | 1.05 | 1.00 | 1.05 | 1.11 | 0.92 |
| PAF | % | 91% | 94% | 81% | 85% | 95% | 94% | 94% | 85% | 97% |
| Total Power | | | | | | | | | | |
| Sales | Mn kwh | 3,314 | 3,514 | 3,165 | 3,520 | 3,523 | 3,254 | 2,282 | 2,107 | 1,843 |
| ASP | Rs/kwh | 3.70 | 4.20 | 4.07 | 3.64 | 4.83 | 4.21 | 5.73 | 5.71 | 5.52 |
| CoP | Rs/kwh | 2.77 | 3.26 | 3.13 | 2.97 | 3.72 | 3.11 | 4.07 | 3.54 | 3.35 |
| EBITDA | Rs/kwh | 0.93 | 0.94 | 0.94 | 0.67 | 1.11 | 1.10 | 1.66 | 2.17 | 2.17 |

Source: Company, Emkay Research

Exhibit 17: Highlights – Iron ore business

| Iron Ore | UoM | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|-----------------------------------|-----|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Sales | | | | | | | | | | |
| Goa | mt | 1.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.2 | 0.6 | 0.6 |
| Karnataka | mt | 0.4 | 0.2 | 0.6 | 1.4 | 1.2 | 1.4 | 1.5 | 1.6 | 0.4 |
| Production of Saleable Ore | | | | | | | | | | |
| Goa | mt | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Karnataka | mt | 1.2 | 1.4 | 0.7 | 0.9 | 1.1 | 1.3 | 1.2 | 0.8 | 0.9 |
| Pig Iron Production | kt | 167 | 173 | 163 | 184 | 178 | 176 | 179 | 148 | 109 |
| Pig Iron Sales | kt | 164 | 173 | 155 | 191 | 172 | 159 | 176 | 159 | 108 |

Source: Company, Emkay Research

Exhibit 18: Highlights – Steel business

| Steel | UoM | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|--------------------|-----|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Production | | | | | | | | | | |
| Pig Iron | kt | 14 | 45 | 47 | 35 | 28 | 45 | 48 | 46 | 36 |
| Billet | kt | 3 | 4 | 24 | 9 | 14 | 27 | -11 | -3 | 129 |
| TMT Bar | kt | 90 | 106 | 111 | 134 | 128 | 89 | 122 | 129 | 30 |
| Wire Rod | kt | 98 | 110 | 103 | 116 | 109 | 78 | 114 | 113 | 59 |
| Ductile Iron Pipes | kt | 37 | 20 | 40 | 53 | 44 | 31 | 44 | 35 | 13 |
| Sales | | | | | | | | | | |
| Pig Iron | kt | 14 | 41 | 50 | 37 | 24 | 47 | 46 | 41 | 39 |
| Billet | kt | 9 | 4 | 3 | 15 | 2 | 16 | 4 | 1 | 130 |
| TMT Bar | kt | 90 | 98 | 102 | 152 | 109 | 100 | 126 | 118 | 47 |
| Wire Rod | kt | 91 | 106 | 99 | 125 | 101 | 93 | 102 | 106 | 67 |
| Ductile Iron Pipes | kt | 30 | 19 | 36 | 63 | 37 | 29 | 39 | 38 | 21 |
| Steel volumes | kt | 234 | 268 | 290 | 392 | 273 | 285 | 317 | 305 | 304 |

Source: Company, Emkay Research

Exhibit 19: Highlights – Copper business

| Copper | UoM | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|---------------------|-----|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Cathodes Production | kt | 24 | 15 | 23 | 26 | 16 | 16 | 20 | 26 | 17 |
| Rods Sales | kt | 24 | 28 | 31 | 28 | 22 | 22 | 25 | 30 | 17 |

Source: Company, Emkay Research

Exhibit 20: Revenue Breakdown: Business-wise

| Revenue | UoM | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|------------------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Zinc and Lead India | Rs Mn | 46,550 | 40,340 | 47,890 | 46,100 | 42,950 | 38,200 | 39,080 | 36,920 | 32,070 |
| % to total revenue | % | 21% | 18% | 20% | 20% | 20% | 17% | 18% | 19% | 20% |
| Silver India | Rs Mn | 5,470 | 5,990 | 6,780 | 7,440 | 5,760 | 5,750 | 6,920 | 6,010 | 6,450 |
| % to total | % | 2% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 4% |
| Zinc International | Rs Mn | 5,730 | 5,410 | 6,220 | 10,020 | 8,240 | 8,900 | 6,810 | 7,330 | 3,740 |
| % to total | % | 3% | 2% | 3% | 4% | 4% | 4% | 3% | 4% | 2% |
| Oil and Gas | Rs Mn | 32,190 | 34,790 | 33,500 | 31,750 | 31,310 | 31,960 | 39,300 | 24,040 | 13,890 |
| % to total | % | 14% | 15% | 14% | 14% | 15% | 15% | 18% | 12% | 9% |
| Aluminium | Rs Mn | 72,880 | 77,890 | 76,050 | 65,470 | 68,340 | 65,760 | 67,890 | 63,780 | 60,430 |
| % to total | % | 33% | 34% | 32% | 28% | 32% | 30% | 32% | 32% | 38% |
| Copper | Rs Mn | 27,970 | 23,760 | 27,630 | 28,030 | 17,770 | 31,850 | 18,350 | 22,560 | 13,770 |
| % to total | % | 13% | 10% | 12% | 12% | 8% | 15% | 9% | 11% | 9% |
| Iron Ore | Rs Mn | 7,870 | 6,130 | 6,580 | 8,530 | 7,970 | 7,570 | 8,360 | 10,730 | 6,390 |
| % to total | % | 4% | 3% | 3% | 4% | 4% | 3% | 4% | 5% | 4% |
| Power | Rs Mn | 15,900 | 17,180 | 16,230 | 15,930 | 17,030 | 16,460 | 13,070 | 12,040 | 10,180 |
| % to total | % | 7% | 8% | 7% | 7% | 8% | 7% | 6% | 6% | 6% |
| Others | Rs Mn | 5,150 | 13,210 | 14,040 | 17,830 | 12,540 | 11,220 | 11,820 | 12,240 | 10,290 |
| % to total | % | 2% | 6% | 6% | 8% | 6% | 5% | 6% | 6% | 6% |
| Total | Rs Mn | 219,710 | 224,700 | 234,920 | 231,100 | 211,910 | 217,670 | 211,600 | 195,650 | 157,210 |
| Less: Inter Segment | Rs Mn | 290 | 380 | 570 | 180 | 240 | 280 | 340 | 520 | 340 |
| Other Operating Income | Rs Mn | 2,640 | 2,730 | 2,340 | 3,760 | 2,070 | 2,190 | 2,340 | 2,420 | 2,860 |
| Total Revenue | Rs Mn | 222,060 | 227,050 | 236,690 | 234,680 | 213,740 | 219,580 | 213,600 | 197,550 | 159,730 |

Source: Company, Emkay Research

Exhibit 21: EBIT Breakdown: Business-wise

| EBIT | UoM | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|---------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Zinc and Lead India | Rs Mn | 18,860 | 12,770 | 17,630 | 15,860 | 13,970 | 9,700 | 10,680 | 8,870 | 4,880 |
| % to total | % | 40% | 38% | 47% | 39% | 45% | 45% | 25% | 34% | 21% |
| Silver India | Rs Mn | 4,730 | 5,080 | 5,880 | 6,380 | 5,000 | 4,970 | 6,130 | 5,160 | 5,320 |
| % to total | % | 10% | 15% | 16% | 15% | 16% | 23% | 14% | 20% | 23% |
| Zinc International | Rs Mn | 260 | -730 | 830 | 2,330 | -100 | 10 | -320 | -2,120 | 240 |
| % to total | % | 1% | -2% | 2% | 6% | 0% | 0% | -1% | -8% | 1% |
| Oil and Gas | Rs Mn | 12,780 | 14,270 | 12,760 | 11,830 | 11,780 | 11,040 | 20,750 | 2,000 | 2,200 |
| % to total | % | 27% | 42% | 34% | 29% | 38% | 51% | 48% | 8% | 9% |
| Aluminium | Rs Mn | 7,790 | -270 | -2,290 | -1,230 | -2,520 | -5,750 | 3,350 | 6,670 | 8,480 |
| % to total | % | 17% | -1% | -6% | -3% | -8% | -27% | 8% | 25% | 36% |
| Copper | Rs Mn | -1,550 | -390 | -1,220 | -1,220 | -1,150 | -1,560 | -1,140 | -1,240 | -1,150 |
| % to total | % | -3% | -1% | -3% | -3% | -4% | -7% | -3% | -5% | -5% |
| Iron Ore | Rs Mn | 1,250 | 640 | 760 | 2,080 | 900 | 1,780 | 1,920 | 3,170 | 1,640 |
| % to total | % | 3% | 2% | 2% | 5% | 3% | 8% | 4% | 12% | 7% |
| Power | Rs Mn | 2,830 | 1,670 | 1,850 | 1,970 | 2,220 | 2,470 | 2,090 | 3,010 | 2,300 |
| % to total | % | 6% | 5% | 5% | 5% | 7% | 11% | 5% | 11% | 10% |
| Others | Rs Mn | 10 | 930 | 1,710 | 3,190 | 730 | -1,140 | -520 | 920 | -610 |
| % to total | % | 0% | 3% | 5% | 8% | 2% | -5% | -1% | 3% | -3% |
| Total EBIT | Rs Mn | 46,960 | 33,970 | 37,910 | 41,190 | 30,830 | 21,520 | 42,940 | 26,440 | 23,300 |

Source: Company, Emkay Research

Exhibit 22: Debt structure as of end of quarter

| | UoM | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|------------------------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Gross Debt | | | | | | | | | | |
| Vedanta Limited Standalone | Rs Mn | 432,630 | 447,540 | 427,080 | 422,040 | 399,220 | 379,560 | 365,690 | 389,370 | 332,470 |
| Cairn India Holdings Limited | Rs Mn | 28,380 | 29,120 | 33,300 | 26,240 | - | 12,130 | 31,570 | 36,960 | 37,000 |
| Zinc India | Rs Mn | - | - | 49,350 | 25,380 | - | - | 29,900 | 6,110 | 49,570 |
| Zinc International | Rs Mn | - | - | 1,330 | 4,150 | 4,130 | 4,230 | 4,280 | 4,040 | 3,610 |
| BALCO | Rs Mn | 56,690 | 53,220 | 50,190 | 44,160 | 45,360 | 44,120 | 41,730 | 45,640 | 43,840 |
| Talwandi Sabo | Rs Mn | 87,640 | 84,870 | 88,140 | 86,650 | 88,890 | 64,770 | 62,890 | 60,880 | 71,920 |
| Vedanta Star Limited | Rs Mn | 34,000 | 33,650 | 33,670 | 33,750 | 33,760 | 33,860 | 33,810 | 0 | 0 |
| Others | Rs Mn | 12,270 | 15,320 | 17,550 | 19,880 | 20,410 | 20,310 | 16,020 | 48,870 | 47,270 |
| Total Gross Debt | Rs Mn | 651,610 | 663,720 | 700,610 | 662,250 | 591,770 | 558,980 | 585,890 | 591,870 | 585,680 |

Cash and Equivalents

| | | | | | | | | | | |
|-----------------------------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Vedanta Limited Standalone | Rs Mn | 58,880 | 80,500 | 47,840 | 82,690 | 41,470 | 71,620 | 38,080 | 50,290 | 40,700 |
| Cairn India Holdings Limited | Rs Mn | 62,440 | 71,010 | 71,950 | 83,260 | 61,670 | 51,800 | 69,000 | 77,760 | 77,260 |
| Zinc India | Rs Mn | 212,970 | 233,180 | 174,830 | 195,120 | 182,800 | 196,550 | 225,350 | 222,530 | 204,680 |
| Zinc International | Rs Mn | 8,100 | 4,600 | 2,750 | 9,260 | 6,820 | 8,330 | 3,950 | 5,530 | 2,680 |
| BALCO | Rs Mn | 100 | 240 | 90 | 4,360 | 360 | 1,690 | 110 | 4140 | 5590 |
| Talwandi Sabo | Rs Mn | 210 | 110 | 100 | 2,620 | 1,250 | 12,650 | 1,810 | 1,350 | 560 |
| Vedanta Star Limited | Rs Mn | 270 | 260 | 320 | 310 | 370 | 270 | 300 | 0 | 0 |
| Others | Rs Mn | 9,540 | 10,250 | 7,420 | 15,070 | 13,000 | 15,260 | 13,450 | 17,540 | 6,340 |
| Total Cash and equivalents | Rs Mn | 352,510 | 400,150 | 305,300 | 392,690 | 307,740 | 358,170 | 352,050 | 379,140 | 337,810 |

Net Debt

| | | | | | | | | | | |
|---------------------------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Vedanta Limited Standalone | Rs Mn | 373,750 | 367,040 | 379,240 | 339,350 | 357,750 | 307,940 | 327,610 | 339,080 | 291,770 |
| Cairn India Holdings Limited | Rs Mn | -34,060 | -41,890 | -38,650 | -57,020 | -61,670 | -39,670 | -37,430 | -40,800 | -40,260 |
| Zinc India | Rs Mn | -212,970 | -233,180 | -125,480 | -169,740 | -182,800 | -196,550 | -195,450 | -216,420 | -155,110 |
| Zinc International | Rs Mn | -8,100 | -4,600 | -1,420 | -5,110 | -2,690 | -4,100 | 330 | -1,490 | 940 |
| BALCO | Rs Mn | 56,590 | 52,980 | 50,100 | 39,800 | 45,000 | 42,430 | 41,620 | 41,500 | 38,250 |
| Talwandi Sabo | Rs Mn | 87,430 | 84,760 | 88,040 | 84,030 | 87,640 | 52,120 | 61,080 | 59,530 | 71,360 |
| Vedanta Star Limited | Rs Mn | 33,730 | 33,390 | 33,350 | 33,440 | 33,390 | 33,590 | 33,510 | 0 | 0 |
| Others | Rs Mn | 2,730 | 5,070 | 10,130 | 4,810 | 7,410 | 5,050 | 2,570 | 31,330 | 40,930 |
| Total Net Debt | Rs Mn | 299,100 | 263,570 | 395,310 | 269,560 | 284,030 | 200,810 | 233,840 | 212,730 | 247,880 |
| Net Debt (Ex Zinc India) | Rs Mn | 512,070 | 496,750 | 520,790 | 439,300 | 466,830 | 397,360 | 429,290 | 429,150 | 402,990 |

Source: Company, Emkay Research

Exhibit 23: Changes in Assumptions

| | | FY21E | | | FY22E | | | FY23E | | |
|------------------------------|--------|--------|--------|----------|--------|--------|----------|--------|--------|----------|
| Sales Volume | UoM | New | Old | % Change | New | Old | % Change | New | Old | % Change |
| Zinc India | | | | | | | | | | |
| - Zinc | kt | 642 | 642 | 0.00 | 827 | 827 | 0.00 | 907 | 907 | 0.00 |
| - Lead | kt | 200 | 200 | 0.00 | 223 | 223 | 0.00 | 249 | 249 | 0.00 |
| - Silver | t | 679 | 679 | 0.00 | 781 | 781 | 0.00 | 872 | 872 | 0.00 |
| Total Aluminum Sales | kt | 1,508 | 1,508 | 0.00 | 1,677 | 1,677 | 0.00 | 1,752 | 1,752 | 0.00 |
| Total Steel Sales | kt | 1,170 | 1,170 | 0.00 | 1,220 | 1,220 | 0.00 | 1,270 | 1,270 | 0.00 |
| TSPL Power Sales | mn kwh | 10,565 | 10,565 | 0.00 | 10,565 | 10,565 | 0.00 | 10,565 | 10,565 | 0.00 |
| LME Price Assumptions | | | | | | | | | | |
| - Zinc | \$/t | 2000 | 2000 | 0.00 | 2200 | 2200 | 0.00 | 2400 | 2,400 | 0.00 |
| - Lead | \$/t | 1800 | 1800 | 0.00 | 2000 | 2000 | 0.00 | 2200 | 2,200 | 0.00 |
| - Aluminum | \$/t | 1,650 | 1,650 | 0.00 | 1,700 | 1,700 | 0.00 | 1,750 | 1,750 | 0.00 |
| Forex Assumptions | | | | | | | | | | |
| | | 76.00 | 76.00 | 0.00 | 76.00 | 76.00 | 0.00 | 76.00 | 76.00 | 0.00 |

Source: Emkay Research

Exhibit 24: SoTP Valuation (Mar-22E)

| Valuation | UoM | EBITDA | Multiple | Enterprise Value |
|---------------------|-----------------|---------|----------|------------------|
| EBITDA | | | | |
| Zinc India | Rs mn | 123,853 | 5 | 619,266 |
| Zinc International | Rs mn | 4,448 | 3 | 13,344 |
| Aluminum | Rs mn | 36,783 | 3 | 110,348 |
| Power | Rs mn | 15,452 | 4 | 61,810 |
| Iron ore / Pig Iron | Rs mn | 5,411 | 4 | 21,642 |
| Steel | Rs mn | 4,018 | 4 | 16,072 |
| Oil & Gas | Rs mn | 60,518 | 4 | 242,072 |
| Copper | Rs mn | 2,000 | 4 | 8,000 |
| Total EBITDA | Rs mn | 252,483 | | |
| Total EV | Rs mn | | | 1,092,555 |
| Net debt | Rs mn | | | 461,811 |
| Market Cap | Rs mn | | | 630,745 |
| No. of Shares | mn | | | 3,717 |
| Target Price | Rs/Share | | | 170 |

Source: Emkay Research

Exhibit 25: Comparative Valuation

| | M.Cap | PE (x) | | | EV/EBITDA (x) | | | PB (x) | | | ROE (x) | | |
|-----------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | USD mn | CY20/ FY21 | CY21/ FY22 | CY22/ FY23 | CY20/ FY21 | CY21/ FY22 | CY22/ FY23 | CY20/ FY21 | CY21/ FY22 | CY22/ FY23 | CY20/ FY21 | CY21/ FY22 | CY22/ FY23 |
| Vedanta* | 6,993 | 24.1 | 7.6 | 6.0 | 5.7 | 3.9 | 3.4 | 1.1 | 1.3 | 1.4 | 4.3 | 16.0 | 22.7 |
| Anglo American | 30,805 | 8.8 | 12.3 | 8.9 | 4.1 | 5.2 | 4.3 | 1.3 | 1.2 | 1.1 | 14.3 | 10.4 | 13.4 |
| Glencore | 27,764 | 12.3 | 47.4 | 11.5 | 4.9 | 5.5 | 4.4 | 0.7 | 0.7 | 0.7 | 4.0 | -1.2 | 6.8 |

Source: Bloomberg, Emkay Research Note (*): denotes Emkay Estimates

Key Financials (Consolidated)**Income Statement**

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|----------------------------------|----------------|-----------------|----------------|----------------|----------------|
| Revenue | 920,480 | 844,470 | 678,056 | 826,304 | 978,977 |
| Expenditure | 689,450 | 637,600 | 520,667 | 573,821 | 684,539 |
| EBITDA | 231,030 | 206,870 | 157,390 | 252,483 | 294,438 |
| Depreciation | 81,920 | 90,930 | 84,244 | 88,454 | 92,087 |
| EBIT | 149,110 | 115,940 | 73,146 | 164,029 | 202,351 |
| Other Income | 40,180 | 25,100 | 26,611 | 16,674 | 14,196 |
| Interest expenses | 56,890 | 49,770 | 48,195 | 52,110 | 53,190 |
| PBT | 132,400 | 91,270 | 51,562 | 128,594 | 163,357 |
| Tax | 38,620 | (35,160) | 15,469 | 38,578 | 49,007 |
| Extraordinary Items | 7,770 | (166,700) | 0 | 0 | 0 |
| Minority Int./Income from Assoc. | (25,050) | (17,980) | (14,902) | (22,524) | (28,580) |
| Reported Net Income | 76,500 | (58,250) | 21,192 | 67,491 | 85,770 |
| Adjusted PAT | 68,730 | 108,450 | 21,192 | 67,491 | 85,770 |

Balance Sheet

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--|------------------|------------------|------------------|------------------|------------------|
| Equity share capital | 3,720 | 3,720 | 3,720 | 3,720 | 3,720 |
| Reserves & surplus | 619,250 | 542,630 | 443,822 | 391,313 | 357,083 |
| Net worth | 622,970 | 546,350 | 447,542 | 395,033 | 360,803 |
| Minority Interest | 152,270 | 171,120 | 186,022 | 208,546 | 237,126 |
| Loan Funds | 662,260 | 498,000 | 573,000 | 585,000 | 597,000 |
| Net deferred tax liability | 10,090 | (40,040) | (40,040) | (40,040) | (40,040) |
| Total Liabilities | 1,447,590 | 1,175,430 | 1,166,523 | 1,148,539 | 1,154,889 |
| Net block | 991,200 | 906,520 | 891,352 | 913,698 | 917,212 |
| Investment | 173,840 | 117,240 | 117,240 | 117,240 | 117,240 |
| Current Assets | 598,280 | 575,200 | 401,402 | 370,721 | 366,791 |
| Cash & bank balance | 365,430 | 371,600 | 180,547 | 123,189 | 118,587 |
| Other Current Assets | 60,970 | 63,210 | 63,210 | 63,210 | 63,210 |
| Current liabilities & Provision | 538,090 | 591,900 | 423,841 | 445,491 | 466,724 |
| Net current assets | 60,190 | (16,700) | (22,439) | (74,770) | (99,933) |
| Misc. exp | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 1,447,590 | 1,175,430 | 1,166,523 | 1,148,539 | 1,154,889 |

Cash Flow

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|---------------------------------------|------------------|------------------|-----------------|------------------|------------------|
| PBT (Ex-Other income) (NI+Dep) | 135,600 | (82,590) | 51,562 | 128,594 | 163,357 |
| Other Non-Cash items | 0 | 1,210 | 0 | 0 | 0 |
| Chg in working cap | 21,280 | (9,390) | (35,314) | 64,973 | 40,561 |
| Operating Cashflow | 237,540 | 192,980 | 133,218 | 295,553 | 300,188 |
| Capital expenditure | (88,170) | (76,690) | (81,076) | (122,800) | (123,600) |
| Free Cash Flow | 149,370 | 116,290 | 52,142 | 172,753 | 176,588 |
| Investments | (25,720) | (16,780) | 0 | 0 | 0 |
| Other Investing Cash Flow | (550) | 26,050 | 0 | 0 | 0 |
| Investing Cashflow | (105,300) | (58,940) | (81,076) | (122,800) | (123,600) |
| Equity Capital Raised | 0 | 0 | 0 | 0 | 0 |
| Loans Taken / (Repaid) | 76,990 | (83,580) | 75,000 | 12,000 | 12,000 |
| Dividend paid (incl tax) | (117,920) | (14,440) | (120,000) | (120,000) | (120,000) |
| Other Financing Cash Flow | (3,000) | (4,540) | 0 | 0 | 0 |
| Financing Cashflow | (104,020) | (155,780) | (93,195) | (160,110) | (161,190) |
| Net chg in cash | 28,220 | (21,740) | (41,053) | 12,643 | 15,398 |
| Opening cash position | 44,670 | 73,850 | 51,170 | 10,117 | 22,759 |
| Closing cash position | 72,890 | 51,170 | 10,117 | 22,759 | 38,157 |

Source: Company, Emkay Research

Key Ratios

| Profitability (%) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| EBITDA Margin | 25.1 | 24.5 | 23.2 | 30.6 | 30.1 |
| EBIT Margin | 16.2 | 13.7 | 10.8 | 19.9 | 20.7 |
| Effective Tax Rate | 29.2 | (38.5) | 30.0 | 30.0 | 30.0 |
| Net Margin | 10.2 | 15.0 | 5.3 | 10.9 | 11.7 |
| ROCE | 13.9 | 10.8 | 8.5 | 15.6 | 18.8 |
| ROE | 10.9 | 18.5 | 4.3 | 16.0 | 22.7 |
| RoIC | 22.3 | 19.3 | 12.1 | 23.4 | 28.6 |

| Per Share Data (Rs) | FY19 | FY20 | FY21E | FY22E | FY23E |
|----------------------------|-------------|-------------|--------------|--------------|--------------|
| EPS | 18.5 | 29.2 | 5.7 | 18.2 | 23.1 |
| CEPS | 40.5 | 53.6 | 28.4 | 42.0 | 47.8 |
| BVPS | 167.6 | 147.0 | 120.4 | 106.3 | 97.1 |
| DPS | 18.5 | 3.9 | 17.0 | 17.0 | 17.0 |

| Valuations (x) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| PER | 7.4 | 4.7 | 24.1 | 7.6 | 6.0 |
| P/CEPS | 3.4 | 2.6 | 4.8 | 3.3 | 2.9 |
| P/BV | 0.8 | 0.9 | 1.1 | 1.3 | 1.4 |
| EV / Sales | 0.9 | 0.8 | 1.3 | 1.2 | 1.0 |
| EV / EBITDA | 3.5 | 3.1 | 5.7 | 3.9 | 3.4 |
| Dividend Yield (%) | 13.4 | 2.8 | 12.4 | 12.4 | 12.4 |

| Gearing Ratio (x) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt/ Equity | 0.5 | 0.2 | 0.9 | 1.2 | 1.3 |
| Net Debt/EBIDTA | 1.3 | 0.6 | 2.5 | 1.8 | 1.6 |
| Working Cap Cycle (days) | (121.0) | (167.8) | (109.3) | (87.4) | (81.5) |

| Growth (%) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue | 0.2 | (8.3) | (19.7) | 21.9 | 18.5 |
| EBITDA | (7.1) | (10.5) | (23.9) | 60.4 | 16.6 |
| EBIT | (19.7) | (22.2) | (36.9) | 124.2 | 23.4 |
| PAT | (38.6) | (176.1) | 0.0 | 218.5 | 27.1 |

| Quarterly (Rs mn) | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 213,740 | 219,580 | 213,600 | 197,550 | 159,730 |
| EBITDA | 51,980 | 44,230 | 65,140 | 45,520 | 39,930 |
| EBITDA Margin (%) | 24.3 | 20.1 | 30.5 | 23.0 | - |
| PAT | 13,550 | 20,830 | 28,360 | (125,210) | 10,970 |
| EPS (Rs) | 3.6 | 5.6 | 7.6 | (33.7) | - |

Source: Company, Emkay Research

| Shareholding Pattern (%) | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters | 50.1 | 50.1 | 50.1 | 50.1 | 50.1 |
| FII | 17.0 | 17.1 | 16.4 | 15.2 | 15.0 |
| DII | 18.4 | 18.6 | 18.6 | 18.8 | 19.1 |
| Public and Others | 14.4 | 14.2 | 14.8 | 15.9 | 15.8 |

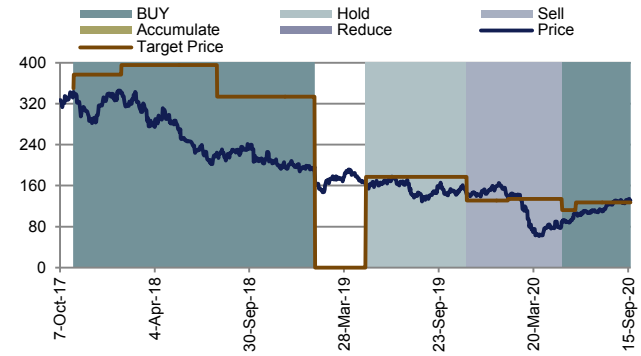
Source: Capitaline

RECOMMENDATION HISTORY TABLE

| Date | Closing Price | TP | Period (months) | Rating | Analyst |
|-----------|---------------|-----|-----------------|--------|--------------------|
| 8-Jun-20 | 105 | 127 | 12m | Buy | Vishal Chandak |
| 13-May-20 | 90 | 112 | 12m | Buy | Vishal Chandak |
| 1-Feb-20 | 135 | 134 | 12m | Sell | Vishal Chandak |
| 15-Nov-19 | 142 | 131 | 12m | Sell | Vishal Chandak |
| 29-Jul-19 | 156 | 177 | 12m | Hold | Vishal Chandak |
| 8-May-19 | 159 | 177 | 12m | Hold | Vishal Chandak |
| 1-Feb-19 | 162 | - | 12m | UR | Vishal Chandak |
| 31-Jul-18 | 222 | 334 | 12m | Buy | Goutam Chakraborty |
| 4-May-18 | 282 | 396 | 12m | Buy | Goutam Chakraborty |
| 1-Mar-18 | 323 | 396 | 12m | Buy | Goutam Chakraborty |
| 31-Jan-18 | 340 | 396 | 12m | Buy | Goutam Chakraborty |
| 2-Nov-17 | 341 | 377 | 12m | Buy | Goutam Chakraborty |
| 1-Nov-17 | 343 | 350 | 12m | Buy | Goutam Chakraborty |

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Metals & Mining



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Sector

Metals and Mining

Analyst bio

Vishal Chandak is a CA and MBA (Finance). He brings in over 16 years of experience, including seven years in the corporate side, with balance being on both the buy side and sell side. Currently, his team tracks 12 stocks in the Metals and Mining space.

EAP sector portfolio

| Company Name | BSE200 Weight | EAP Weight | OW/UW (%) | OW/UW (bps) | EAP Weight (Normalised) |
|----------------------------|---------------|-------------|-----------|-------------|-------------------------|
| Metals & Mining | 2.36 | 2.36 | 0% | 0 | 100.00 |
| Coal India | 0.39 | 0.39 | 1% | 0 | 16.70 |
| Hindalco | 0.41 | 0.41 | 0% | 0 | 17.27 |
| Hindustan Zinc | 0.08 | 0.09 | 2% | 0 | 3.66 |
| Jindal Stainless | 0.00 | 0.00 | NA | 0 | 0.00 |
| Jindal Stainless Hisar | 0.00 | 0.00 | NA | 0 | 0.00 |
| JSW Steel | 0.44 | 0.44 | 1% | 0 | 18.77 |
| MOIL | 0.00 | 0.00 | NA | 0 | 0.00 |
| National Aluminium Co | 0.05 | 0.00 | -100% | -5 | 0.00 |
| NMDC | 0.12 | 0.12 | 2% | 0 | 5.21 |
| SAIL | 0.06 | 0.06 | 2% | 0 | 2.40 |
| Tata Steel | 0.42 | 0.41 | -2% | -1 | 17.34 |
| Vedanta | 0.40 | 0.44 | 11% | 4 | 18.60 |
| Cash | 0.00 | 0.00 | NA | 0 | 0.055 |

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

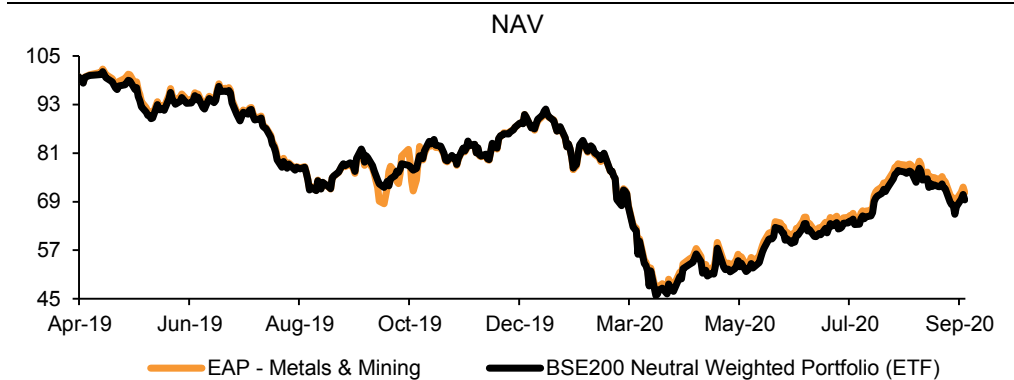
Sector portfolio NAV

| | Base | | | | | Latest |
|---|----------|-----------|----------|----------|-----------|-----------|
| | 1-Apr-19 | 30-Dec-19 | 1-Apr-20 | 1-Jul-20 | 31-Aug-20 | 30-Sep-20 |
| EAP - Metals & Mining | 100.0 | 88.4 | 49.0 | 62.2 | 75.5 | 71.3 |
| BSE200 Neutral Weighted Portfolio (ETF) | 100.0 | 88.4 | 47.8 | 60.6 | 73.8 | 69.5 |

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|---------|---|
| BUY | Over 15% |
| HOLD | Between -5% to 15% |
| SELL | Below -5% |

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Sources for all charts and tables are Emkay Research unless otherwise specified.

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