**Vedanta Ltd**

**CMP** : 280  
**Target** : 375  
**Stop Loss** : 250  
**Rating** : **BUY**  
**NSE** : VEDL  
**Sector** : Metals - Non Ferrous  
**Market Cap** : ₹ 1,03,784 Cr  
**Investment Horizon** : 12 - 18 Months.

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**Introduction**

Vedanta Ltd is a diversified natural resource group engaged in exploring, extracting and processing minerals and oil & gas. The group engages in the exploration, production and sale of zinc, lead, silver, copper, aluminium, iron ore and oil & gas. It has presence across India, South Africa, Namibia, Ireland, Liberia & UAE. Its other businesses includes commercial power generation, steel manufacturing & port operations in India and manufacturing of glass substrate in South Korea and Taiwan. This counter can do well considering following reasons.

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**Setting up India’s first semiconductor plant**

Company is all set to build India’s first semiconductor and display fabs in Dholera Special Investment Region in Ahmedabad district, Gujarat. Company has been allotted land and work is already underway for construction of fabs, however it is waiting for final approval from Gov for Incentives related to revised plan after split up with Foxconn. Company has engaged with more than 100 global suppliers and ancillary industries.

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**FY23 Production Volumes**

Company’s operations diversified across various segments and its production volumes for FY23 are:

- Refined Zinc (India) - 1032 kt (kilo-tonnes)
- Refined lead - 211 kt
- Refined silver - 714 tonnes
- Zinc (International) - 208 kt
- Oil & Gas - ~143 KBOEPD
- Alumina - 1793 kt
- Aluminium - 2291 kt
- Power - 14835 MU (million units)
- Iron Ore - 5.3 million tonnes
- Steel Production - 1.37 million tonnes
- Copper (cathodes) - 148 kt

Also after the successful acquisition of a Nickel and Cobalt plant at Goa, Vedanta has become the sole producer of Nickel in India.
Upcoming Growth projects

With an objective of backward integration, the aluminium business segment of the Co. has secured an additional 3rd coal mine for captive consumption. Also, in the Oil & Gas segment, the Co. intends to undertake new growth capex projects worth $687mn. In the Aluminium segment, it intends to incur a $1.4 bn growth capex over 2 years. This includes aluminium capacity expansion to 3 MTPA by Q3 FY24, Alumina capacity expansion to 6 MTPA by FY24 & 100% operationalization of 3 coal mines in a phased manner by Q3 FY24.

Financials

P/L Summary (Rs in Cr)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>Q1FY24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>84447</td>
<td>88021</td>
<td>132732</td>
<td>147308</td>
<td>33733</td>
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<tr>
<td>EBITDA</td>
<td>5811</td>
<td>30061</td>
<td>46656</td>
<td>37056</td>
<td>6966</td>
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<tr>
<td>PAT</td>
<td>4744</td>
<td>15032</td>
<td>23710</td>
<td>14503</td>
<td>3308</td>
</tr>
</tbody>
</table>

Balance sheet (Rs in Cr)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>374</td>
<td>374</td>
<td>372</td>
<td>372</td>
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<tr>
<td>Reserves</td>
<td>54263</td>
<td>61906</td>
<td>65011</td>
<td>39051</td>
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<tr>
<td>Borrowings</td>
<td>59185</td>
<td>57667</td>
<td>53583</td>
<td>66628</td>
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<tr>
<td>Other Liabilities</td>
<td>66917</td>
<td>63551</td>
<td>74981</td>
<td>84383</td>
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<tr>
<td>Total</td>
<td>180737</td>
<td>183496</td>
<td>193947</td>
<td>190434</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>86127</td>
<td>88002</td>
<td>89498</td>
<td>90322</td>
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<tr>
<td>CWIP</td>
<td>18585</td>
<td>16314</td>
<td>15879</td>
<td>19690</td>
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<td>Investments</td>
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<tr>
<td>Other Assets</td>
<td>51272</td>
<td>62520</td>
<td>71279</td>
<td>67272</td>
</tr>
<tr>
<td>Total</td>
<td>180737</td>
<td>183496</td>
<td>193947</td>
<td>190434</td>
</tr>
</tbody>
</table>
Fundamentals

Company has ROCE of 23.8% and ROE of 20.4%. It trades at PE of 9.87x against Industry PE of 11.6x despite being market leader in many segments. Company has dividend yield 35.8%. Company has reported sales growth of 20% CAGR over last 3 years. Promoters holds 68.11% stake in company and has been increasing their stake in company consistently from 50.14% in FY20, FII – 7.48%, DII – 9.98%. Company also holds 64.92% stake in Hindustan Zinc Limited and 1.20% Sterlite Tech. Considering above points we expect this counter to reach target price of Rs. 375.
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