Credit Appraisal Note

Company Profile

Introduction	– Vedanta Limited ("VEDL"), a subsidiary of Vedanta Resources Limited, is a leading global natural resources conglomerate operating across India, South Africa, Namibia, Liberia, UAE, Korea, Taiwan, and Japan. It is headquartered in Mumbai, India. – Incorporated on 08 September 1975, Vedanta Limited is engaged in exploring, extracting, and processing minerals and oil & gas. The company is listed on NSE and BSE in India. – Vedanta has positioned itself as a leading natural resources and technology conglomerate, focusing on large-scale expansion in India with operational excellence benchmarked to global standards.
Core Products and Services	– Exploration, production, and sale of zinc, lead, silver, copper, aluminium, iron ore, and oil & gas. – Commercial power generation, steel manufacturing, and port operations in India. – Manufacturing of glass substrate in South Korea and Taiwan.
Primary Revenue	– India accounts for ˜65% of total revenues, followed by Malaysia (9%), China (3%), UAE (1%), and others (22%). – Zinc, Lead & Silver contribute 25% of revenues. – Oil & Gas contribute ˜9% of revenues. – Aluminum Business contributes ˜39% of revenues. – Power Segment contributes ˜4% of revenues. – Iron Ore Segment contributes ˜5% of revenues. – Copper Business contributes ˜12% of revenues. – Other Businesses contribute ˜6% of revenues.

Manufacturing Facilities	– Refinery and captive power plant at Lanjigarh, Odisha. – Smelter and captive power plants at Jharsuguda, Odisha. – 2 bauxite mines with a capacity of ˜2 MnTPA and a coal mine with a capacity of 1 MnTPA via BALCO. – Refinery and rod plant at Silvassa with a 133,000 MT blister/secondary material processing plant, a 216,000 tpa copper refinery plant, and a copper rod mill with an installed capacity of 258,000 tpa. – Copper mine in Tasmania, Australia (under care and maintenance).
Corporate Offices	– Registered office: 1st Floor, 'C' wing, Unit 103, Corporate Avenue, Atul Projects, Chakala, Andheri (East), Mumbai-400093, Maharashtra. – Headquarters: Mumbai, India. – Significant office locations: New Delhi, India.
Research and Development	– Implemented a low-capex process for jarosite modification for its use in the cement industry. – Increased the current efficiency of the Zinc Electrowinning process and improved the quality of HG grade Zinc in the manually operated zinc cell house. – Developed online sensors for measuring O2 levels in the outlet gases from zinc roasters. – Developed flotation reagent to improve lead and silver recovery at Sindesar Khurd Mines. – Developed a new process to recover precious metals from anode slime in the Copper business, successfully commissioned and ramped up at the Fujairah unit. – R&D activities in the Copper business include debottlenecking, backward integration, and process improvements for quality, cost optimization, and recycling. – Artificial Intelligence and Machine Learning-based smart fuel optimization project under the digitalization initiative in furnaces, estimated to reduce 3,554 tCO2 eq./year. – Developed a 100% recyclable packaging solution for copper rods, providing protection under adverse climate conditions.

PROMOTER BACKGROUND

Key Executives	– **Anil Agarwal**: Non-Executive Chairman with extensive experience in the natural resources sector, leading Vedanta since its inception. – **Akhilesh Joshi**: Re-appointed for a 2nd and final term of 2 years effective from 01 July 2022 to 30 June 2024. Extensive experience in mining and metals. – **Padmini Sekhsaria**: Re-appointed for a 2nd and final term of 2 years effective from 05 February 2023 to 04 February 2025. Expertise in corporate governance and strategic planning. – **DD Jalan**: Re-appointed for a 2nd and final term of 3 years effective from 01 April 2023 to 31 March 2026. Proficient in financial management and corporate strategy. – **Nicholas John Robert Walker**: CEO - Oil & Gas Business, appointed as SMP with immediate effect from 27 January 2023. 30 years of international experience in technical, commercial, and executive leadership roles.

Key Issues

- **Climate Change and Decarbonisation**: Vedanta's operations are likely to be affected by rising regulatory changes and investor demands aimed at limiting or reducing GHG emissions. This will lead to higher costs for fossil fuels, penalties for emissions exceeding permitted limits, and increased administrative costs for compliance monitoring and reporting. For instance, the Carbon Border Adjustment Mechanism will be applicable to our Aluminium as well as Iron and Steel business. The Company would need to potentially pay additional taxes for imports into countries implementing CBAM. Also, CBAM could increase the Company's risk exposure due to decreased market access. Vedanta recognises that transition towards a low carbon economy has resulted in increased demand for low/zero carbon metals. Vedanta can leverage its expertise and resources to tap into these opportunities while at the same time reducing its carbon footprint. Strategies for mitigating these risks include aligning climate targets with SBTi's 2-degree scenario, reducing GHG emissions intensity by 20% by FY 2024-25 from a FY 2020-21 baseline, developing a Scope 3 emissions reduction roadmap in FY 2024-25, and launching low carbon products.
- **Workplace Health and Safety**: Neglecting the health and safety of Vedanta's employees can lead to significant risks. Ensuring a safe working environment is crucial to avoid accidents and health hazards, which can result in operational disruptions, legal liabilities, and reputational damage. Vedanta's approach includes stringent safety protocols, regular training programs, and continuous monitoring to mitigate these risks.
- **Recoverability of Disputed Trade Receivables in Power Segment**: As of 31 March 2024, the value of disputed receivables in the power segment aggregated to Rs. 673 crore. Due to short supply or non-supply of power due to transmission line constraints, orders received from Orissa State Electricity Regulatory Commission (OERC), and disagreements over the quantification relating to aforementioned disputes or timing of the recovery of receivables, the recovery of said receivables is subject to increased risk. Some of these balances are also subject to litigation. The risk is specifically related to receivables from GRIDCO. These receivables include long outstanding balances and are also subject to counterparty credit risk.
- **Claims and Exposures Relating to Taxation and Litigation**: The Group is subject to a large number of tax and legal disputes, including developments in the DGH arbitration matter in the oil and gas segment, vendor arbitrations/termination of contract, mining royalty demand, income tax disallowances, and various indirect tax disputes. These have been disclosed/provided for in the financial statements based on the facts and circumstances of each case. Significant management judgement is involved in assessing the exposure of each case, thus increasing the risk of adequacy of provision or disclosure of such cases.
- **Accounting and Disclosure of Related Party Transactions**: The Company has undertaken transactions with related party, Vedanta Resources Limited (VRL), its intermediate holding company, and its affiliates, including among others payment of brand and strategic management fee, agency commission, obtaining guarantees, and payment of consideration thereof. Accounting and disclosure of such related party transactions has been identified as a key audit matter due to the significance of such transactions, risk of such transactions being executed without proper authorizations, and risk of material information relating to these transactions not getting disclosed in the financial statements.

Key Strengths

- **Robust Financial Position**: Vedanta Limited has demonstrated a strong financial position with equity capital consistently maintained at Rs. 372 crore from Mar 2019 to Mar 2024. The company has substantial reserves, peaking at Rs. 72,712 crore in Mar 2014 and standing at Rs. 30,350 crore in Mar 2024. Borrowings have been managed prudently, with long-term borrowings at Rs. 50,633 crore and short-term borrowings at Rs. 36,060 crore as of Mar 2024.
- **Operational Excellence**: Vedanta's operational efficiency is evident from its consistent sales growth, peaking at Rs. 39,822 crore in Mar 2022. The company has maintained a strong operating profit margin (OPM), with a high of 35% in Jun 2021 and a stable 28% in Jun 2024. The focus on cost management is reflected in the material cost percentage, which has been optimized to 27.37% in Jun 2024.
- **Strategic Capital Allocation**: The company has strategically allocated capital towards fixed assets, with gross block assets increasing from Rs. 116,325 crore in Mar 2014 to Rs. 177,874 crore in Mar 2024. Investments in plant machinery have been significant, reaching Rs. 128,168 crore in Mar 2024, ensuring enhanced production capabilities.
- **Sustainability and ESG Focus**: Vedanta has a strong emphasis on sustainability, aiming for net water positivity by 2030 and net carbon neutrality by 2050. The company has implemented various ESG initiatives, including water stewardship projects and decarbonization roadmaps, to enhance its environmental performance.
- **Innovation and Digitalization**: Vedanta has embraced digitalization for operational excellence, implementing initiatives such as computer vision-based particle sizing analysis and the Smart Logistics Project. These innovations have led to significant improvements in operational efficiency and cost reduction.
- **Strong Market Position**: Vedanta is a leader in the natural resources sector, with a diverse portfolio including Aluminium, Zinc, Silver, Oil & Gas. The company benefits from its low-cost, long-life assets and strong management team, positioning it well to capitalize on market opportunities.
- **Recognition and Awards**: Vedanta has been recognized as a Kincentric Best Employer for two consecutive years, highlighting its commitment to employee empowerment and sustainable business practices. The company has also received accolades for its people practices and leadership.

Key Strengths

- **Revenue Growth**: Vedanta Limited (VEDL) demonstrated a robust revenue trajectory with sales figures escalating from Rs. 28,412 crore in June 2021 to Rs. 35,764 crore in June 2024. Despite fluctuations, the company maintained a positive growth trend with a peak of Rs. 39,822 crore in March 2022.
- **Operational Efficiency**: The company exhibited strong operational efficiency with Operating Profit Margins (OPM) ranging from 19% to 35% over the period. The highest OPM of 35% was recorded in June 2021, while the lowest was 19% in June 2023.
- **Cost Management**: VEDL managed its costs effectively, with material costs as a percentage of sales fluctuating between 25.82% and 32.66%. Employee costs remained stable, averaging around 2.13% of sales.
- **Profitability**: The company maintained a solid profitability profile with Net Profits peaking at Rs. 7,261 crore in March 2022. However, there were periods of decline, notably a net loss of Rs. 915 crore in June 2023.
- **Capital Structure**: VEDL's equity capital remained stable at Rs. 372 crore from March 2014 to March 2024. The company's reserves showed significant fluctuations, peaking at Rs. 72,712 crore in March 2014 and declining to Rs. 30,350 crore in March 2024.
- **Debt Management**: The company's borrowings exhibited volatility, with total borrowings peaking at Rs. 87,706 crore in March 2024. Long-term borrowings increased from Rs. 1,179 crore in March 2013 to Rs. 50,633 crore in March 2024, while short-term borrowings also saw significant changes.
- **Asset Base**: VEDL's fixed assets grew from Rs. 4,136 crore in March 2013 to Rs. 92,551 crore in March 2024, indicating substantial capital investment. The gross block of assets increased to Rs. 177,874 crore by March 2024.
- **ESG Initiatives**: The company has made significant strides in ESG, including achieving net water positive status and committing to net zero carbon emissions by 2050. Initiatives such as the plantation of 7 million trees by 2030 and the development of biodiversity projects underscore its commitment to sustainability.
- **Governance and Risk Management**: VEDL has a robust risk management framework, with quarterly reviews and a structured risk matrix. The company's governance practices have been recognized with awards such as the 'Golden Peacock Global Award for Excellence in Corporate Governance 2022.'

INDUSTRY RISK

- **Project Delivery Shortfalls** : Shortfall in the achievement of stated objectives of expansion projects, leading to challenges in achieving stated business milestones. This includes both existing and new growth projects. Mitigation measures include setting up a project management organisation cell at a Group level, conducting geo-technical audits by independent agencies, and engaging global engineering partners for life of mine planning and capital efficiency analysis.
- **Access to Capital** : The Group may be unable to meet its payment obligations when due or may be unable to borrow funds in the market at an acceptable price to fund actual or proposed commitments. A sustained adverse economic downturn and/or suspension of its operations in any business, affecting revenue and free cash flow generation, may cause stress on the Company's ability to raise financing at competitive terms. Mitigation measures include proactive refinancing initiatives, building a pipeline for long-term funds, maintaining good relations with banks, and regular discussions with rating agencies. CRISIL and India ratings maintained ratings at 'AA' with the outlook revised to negative from stable.
- **Commodity Price Risk** : The Group is exposed to the movement of base metal commodity prices on the London Metal Exchange. Any decline in the prices of the base metals that the Group produces and sells will have an immediate and direct impact on the profitability of the businesses. The Group aims to sell the products at prevailing market prices. The commodity price risk in imported input commodity such as alumina, anodes, etc., for the aluminium and copper business respectively, is hedged on back-to-back basis ensuring no price risk for the business. Hedging is used primarily as a risk management tool and, in some cases, to secure future cash flows in cases of high volatility by entering into forward contracts or similar instruments.
- **Currency Exchange Rate Fluctuations** : The Group's assets, earnings, and cash flows are influenced by a variety of currencies due to the diversity of the countries in which it operates. Fluctuations in exchange rates of those currencies may have an impact on the financials. Although the majority of the Group's revenue is tied to commodity prices that are typically priced by reference to the US dollar, a significant part of its expenses are incurred and paid in local currency. The Group uses forward exchange contracts, currency swaps, and other derivatives to hedge the effects of movements in exchange rates on foreign currency denominated assets and liabilities.
- **Regulatory and Legal Risk** : Operations in many countries around the globe may be impacted because of legal and regulatory changes in the countries in which the Group operates, resulting in higher operating costs, and/or restrictions such as the imposition or increase in royalties or taxation rates, export duty, impact on mining rights/bans, and changes in legislation. Mitigation measures include setting up a Project Management Committee and Project Operating Committee to provide support to the outsourcing partner and address issues, and focussed efforts on managing production decline through infill wells across producing fields.
- **Supply Chain Disruptions** : The Russia-Ukraine conflict has heightened challenges due to high transportation and logistical costs, labour and material shortages, and increased prices. Mitigation measures include undertaking vertical integration projects, acquiring coal mines, securing linkages to reduce import dependence, and strengthening inbound logistics. Periodic vendor life cycle assessments are conducted to evaluate risks at every stage, and necessary actions are implemented accordingly.
- **Cairn-Related Challenges** : Cairn India has 70% participating interest in Rajasthan Block, the production sharing contract (PSC) of which was valid till 2020. The Government of India has granted its approval for a 10-year extension at less favourable terms, pursuant to its policy for extension of Pre-New Exploration and Licensing Policy (NELP) Exploration Blocks, subject to certain conditions. Ramp-up of production compared with what was envisaged may impact profitability. Mitigation measures include focussed efforts on managing production decline through infill wells across producing fields.

BRIEF FINANCIALS (Consolidated)

All figures in INR Cr.	FY20	FY21	FY22	FY23	FY24
Sales	84,447	88,021	1,32,732	1,47,308	1,43,727
EBITDA	20,743	27,318	44,824	34,431	35,312
PAT	-4,744	15,032	23,710	14,503	7,539
Total Equity Capital	372	372	372	372	372
Long-term borrowings	36,724	37,962	36,205	43,476	50,633
Non-current assets	1,20,614	1,17,089	1,19,130	1,34,870	1,38,883
Current assets	18,836	20,642	29,829	60,507	51,924
RoE (in %)	-8.38	23.63	31.82	15.51	7.17
Current Ratio	0.43	0.57	0.68	0.69	0.66

Quarterly Financial Data

All figures (in INR Cr.)	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24
Sales	38,945	35,541	35,509	35,764
Expenses	27,466	27,010	26,741	25,819
Operating Profit	11, 479	8,531	8,768	9,945
OPM (in %)	29	24	25	28
Other Income	1863	779	385	934
Interest	2,523	2,417	2,415	2,222
Depreciation	2,642	2,788	2,743	2,731
Profit Before Tax	4,105	8,177	3,995	5,926
Tax	111	30	43	14
Net Profit	-915	2,868	2,275	5,095
EPS	-4.8	5.42	3.68	9.7

Commentary on Financial Data

- **Improving Profitability**: OPM recovered to 28% in Q2 FY24, up from 24% in Q4 FY23.
- **Cost Management**: Expenses decreased from INR 27,466 Cr (Q3 FY23) to INR 25,819 Cr (Q2 FY24), suggesting operational efficiency improvements.
- **Profit Turnaround**: Net profit improved significantly from a loss of INR 915 Cr (Q3 FY23) to a profit of INR 5,095 Cr (Q2 FY24).
- **High Debt Burden**: Quarterly interest expenses exceed INR 2,200 Cr, indicating substantial leverage.
- **Irregular Tax Payments**: Unusually low tax outgo relative to Profit Before Tax warrants investigation into potential tax liabilities.

Peer Ratings

Company Name	Long Term Rating	Short Term Rating
Vedanta Limited	CRISIL AA-/Watch Developing	CRISIL A1+/Watch Developing
Coal India Limited	CRISIL AAA/Stable	CRISIL A1+
NMDC Limited	CRISIL AAA/Stable	CRISIL A1+
PEB Steel Lloyd India Limited	CRISIL BBB-/Stable	CRISIL A3
KIOCL		
GMDC		
MOIL		

Commentary on Peer Ratings

- **Strong Financial Profiles with Low Debt Levels:**Companies like Coal India, NMDC Steel, GMDC, and Lloyds Metals and Energy Limited (LMEL) exhibit strong financial health characterized by low or zero debt levels, robust liquidity positions, and strong credit metrics. Their minimal reliance on external debt reduces financial risk and supports their ability to fund operations and expansion projects internally, which is a positive indicator for credit ratings.
- **Exposure to Operational and Market Risks:** Large-scale capital expenditure plans in companies like Vedanta and LMEL introduce project execution risks, potentially affecting their financial stability if not managed properly. Vedanta also faces high leverage and refinancing risks due to substantial debt obligations.

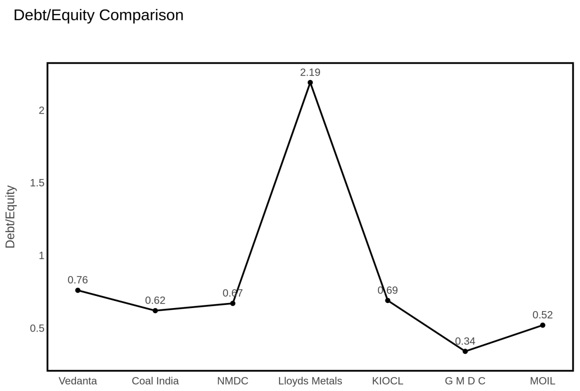
Balance Sheet Analysis

All figures in INR Cr.	FY20	FY21	FY22	FY23	FY24
Equity Capital	372	372	372	372	372
Reserves	54,263	61,906	65,011	39,051	30,350
Borrowings	66,226	59,187	57,669	53,583	80,329
Other Liabilities	70,045	66,915	63,549	74,981	69,703
Total Liabilities	1,80,737	1,83,496	1,93,947	1,89,455	1,88,118
Fixed Assets	86,127	88,002	89,498	90,483	92,551
CWIP	18,585	16,314	15,879	19,529	22,889
Investments	24,753	16,660	17,291	13,150	11,869
Other Assets	51,272	62,520	71,279	66,293	60,809
Inventories	11,335	9,923	14,313	15,012	13,001
Trade Receivables	2,697	3,491	4,946	4,014	3,607
Cash Equivalents	12,502	16,629	15,355	9,254	4,327
Short Term Loans	221	2,425	2,533	3,865	3,462
Other Asset Items	24,517	30,052	34,132	34,148	36,412
Total Assets	1,80,737	1,83,496	1,93,947	1,89,455	1,88,118

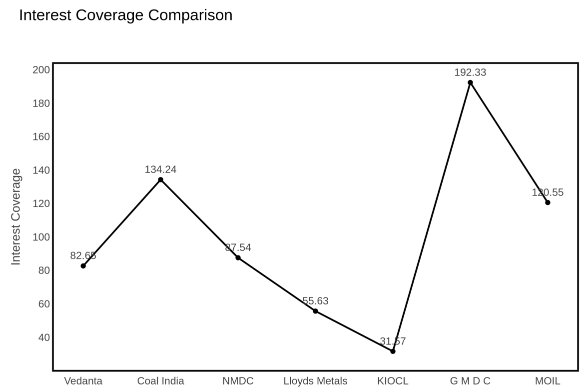
Commentary on Balance Sheet Analysis

- **Increased Financial Risk Due to Declining Reserves and Rising Borrowings:** Reserves have decreased substantially from Rs. 65,011 Cr in FY22 to Rs. 39,051 Cr in FY23 and further to Rs. 30,350 Cr in FY24. This marks a total reduction of Rs. 34,661 Cr over two years. While borrowings have escalated from Rs. 53,583 Cr in FY23 to Rs. 80,329 Cr in FY24, an increase of Rs. 26,746 Cr in one year. The simultaneous decline in reserves and increase in debt indicates a weakening equity base and heightened leverage, elevating the company's financial risk profile.
- **Liquidity Constraints Evident from Decreasing Cash Equivalents:** Cash and cash equivalents have fallen from Rs. 15,355 Cr in FY22 to Rs. 9,254 Cr in FY23 and further down to Rs. 4,327 Cr in FY24. This represents a decline of Rs. 11,028 Cr over two years. Reduced liquidity may impair the company's ability to meet short-term obligations and operational needs, increasing the risk of cash flow challenges.
- **Sustainability Concerns Over High Capital Expenditures Amid Financial Strain:** CWIP has grown from Rs. 15,879 Cr in FY22 to Rs. 19,529 Cr in FY23 and to Rs. 22,889 Cr in FY24, totaling an increase of Rs. 7,010 Cr over two years. Continued investment in capital projects during periods of declining reserves and cash may strain financial resources, raising concerns about the timing and funding of these expenditures.
- **Shift from Liquid Investments to Fixed Assets Affecting Asset Liquidity:** Investments have declined from Rs. 24,753 Cr in FY20 to Rs. 11,869 Cr in FY24, a reduction of Rs. 12,884 Cr over four years. The reduction in liquid investments in favor of fixed assets and CWIP may reduce the company's financial flexibility and ability to generate quick cash if needed.
- **Potential Over-Reliance on Debt Financing:** Borrowings constituted 28.3% of total liabilities in FY23 (Rs. 53,583 Cr out of Rs. 1,89,455 Cr). This proportion increased to 42.7% in FY24 (Rs. 80,329 Cr out of Rs. 1,88,118 Cr). The growing reliance on debt increases interest obligations and pressures cash flows, potentially affecting the company's solvency position.

Leverage Ratio



(a) Debt/Equity Ratio

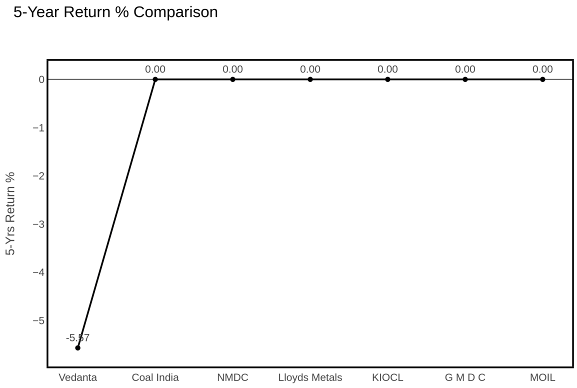


(b) Interest Coverage Ratio

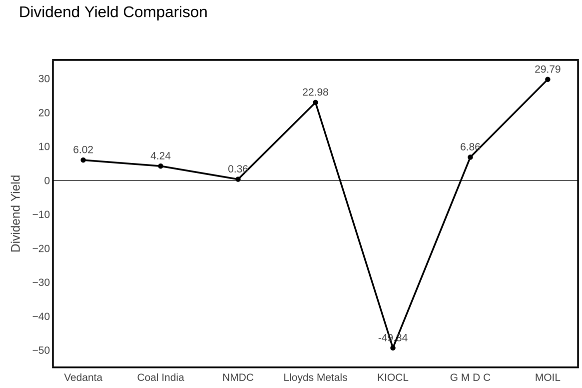
Commentary on Leverage Ratio

- **Potential Understatement of Leverage:** Vedanta's debt-to-equity ratio is 0.76, which appears moderate. However, the parent company, Vedanta Resources, carries significant debt. This raises concerns that Vedanta Limited may indirectly bear additional financial burdens, potentially increasing its actual leverage beyond the standalone figure.
- **Lower Interest Coverage Ratio Compared to Peers:** Vedanta's interest coverage ratio is 82.65. Peers like G M D C (192.33) and MOIL (120.55) have significantly higher ratios. Despite having a lower debt-to-equity ratio than MOIL (4.11), Vedanta's lower interest coverage suggests less efficient earnings generation relative to debt.
- **Earnings Susceptibility to Commodity Price Volatility:** Vedanta operates in the mining and metals sector, making it vulnerable to fluctuations in commodity prices. This can lead to volatile earnings, potentially impacting its ability to maintain an interest coverage ratio of 82.65 in less favorable market conditions.

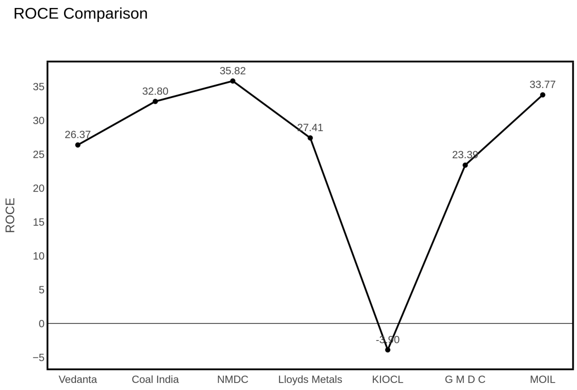
Performance Ratios



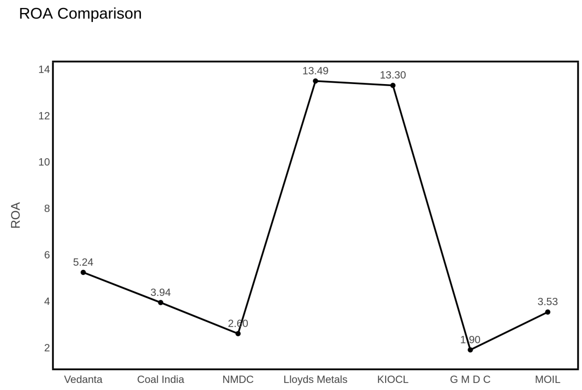
(a) Five Years Return



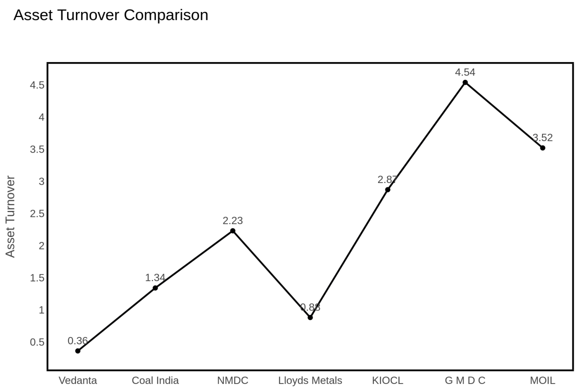
(b) Dividend Yield



(c) ROCE



(d) ROA



(e) Asset Turnover

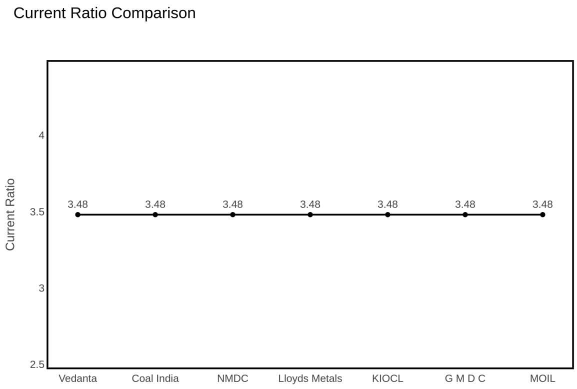
Commentary on Performance Ratios

1. **Negative Five-Year Return:** Vedanta has a five-year return of -5.57%, indicating a decline in its stock value over the past five years. In contrast, peers like NMDC and G M D C show positive returns of 15.27% and 6.90%, respectively. This negative return suggests potential long-term issues affecting investor confidence and company valuation.

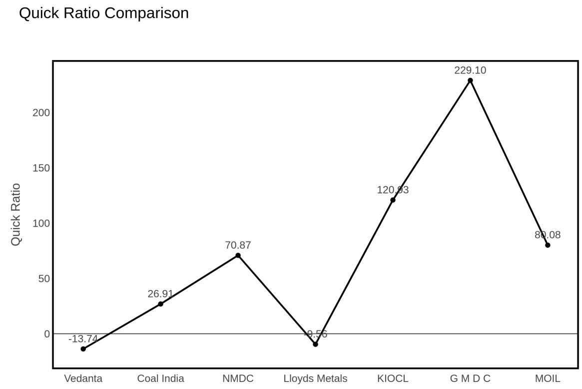
2. **Low Asset Turnover Ratio:** Vedanta's asset turnover ratio is 1.14, significantly lower than peers such as KIOCL (13.73), Lloyds Metals (5.64), and MOIL (5.55). A lower asset turnover implies that Vedanta is less efficient in utilizing its assets to generate revenue, raising concerns about operational efficiency.

3. **Relatively Low Return on Assets (ROA):** With an ROA of 6.02%, Vedanta lags behind companies like MOIL (29.79%) and Lloyds Metals (22.98%). This lower ROA indicates that Vedanta is generating less profit per dollar of assets owned, pointing to potential inefficiencies in asset management and profitability.

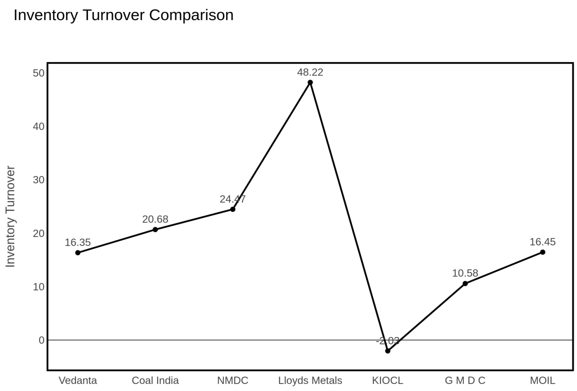
Activity Ratios



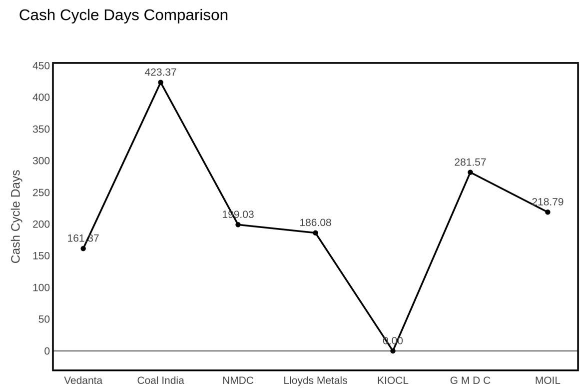
(a) Current Ratio



(b) Quick Ratio



(a) Inventory Turnover



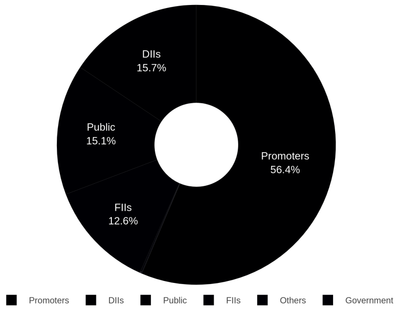
(b) Cash Cycle Days

1. **Liquidity Risks:**
   - **Low Current Ratio:** Vedanta's **current ratio is 0.36**, substantially below the standard benchmark of 1.0 and the lowest among its peers. For comparison:
     - **NMDC:** 2.23
     - **Lloyds Metals:** 0.88
     - **KIOCL:** 2.87
     - **GMDC:** 4.54
     - **MOIL:** 3.52
   - **Quick Ratio Discrepancy:** Although Vedanta's **quick ratio is 0.76**, which is higher than its current ratio, it still trails behind peers like MOIL (4.11) and KIOCL (4.42).
   - **Implications:** The low current ratio indicates that Vedanta has only **Rs. 0.36 of current assets for every Rs. 1 of current liabilities**, suggesting potential difficulties in meeting short-term obligations without additional financing or asset liquidation.
   - **Action:** Consider requiring collateral or guarantees to mitigate the risk associated with Vedanta's low liquidity ratios.

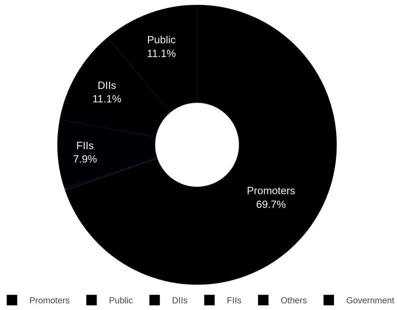
2. **Working Capital Inefficiencies:**
   - **High Cash Conversion Cycle (CCC):** Vedanta's **CCC is 82.98 days**, meaning it takes nearly **83 days to convert its investments in inventory and other resources into cash flows from sales**.
   - **Peer Comparison:**
     - **NMDC:** -15.58 days (negative CCC)
     - **KIOCL:** -3.09 days
     - **MOIL:** 10.51 days
     - **GMDC:** 8.64 days
     - **Lloyds Metals:** 36.09 days
   - **Implications:** Vedanta's CCC is significantly higher than the industry average, indicating cash is tied up in operations for an extended period, which can strain liquidity and cash flow.
   - **Action:** Recommend that Vedanta implements strategies to reduce its CCC from **82.98 days** to closer align with peers like MOIL (**10.51 days**) or even achieve a negative CCC like NMDC (**-15.58 days**), through optimizing inventory levels, accelerating receivables collection, and negotiating better payment terms with suppliers.

3. **Financial Reporting Anomalies:**
   - **Unusual Ratio Relationship:** Vedanta's **quick ratio (0.76) is higher than its current ratio (0.36)**, an atypical scenario since the quick ratio excludes inventory and is usually lower.
   - **Implications:** This discrepancy may indicate:
     - **Negative or Minimal Inventory:** Uncommon for a mining company.
     - **Misclassified Assets or Liabilities:** Potential accounting errors or aggressive financial practices.
   - **Action:** Conduct thorough due diligence to verify the accuracy of financial data, particularly concerning current assets and liabilities, and assess the quality of earnings.

Ownership Structure



(a) Shareholding Data 2024



(b) Shareholding Data 2022

Commentary on Ownership Structure

- Promoter shareholding decreased from 69.69% in Dec 2021 to 56.38% in Jul 2024. This significant reduction in promoter shareholding can be attributed to strategic divestments and potential dilution events. The annual report indicates that the company has been actively engaging with major shareholders and optimizing capital allocation, which may have necessitated the reduction in promoter stakes to improve liquidity and attract institutional investors.
- FII shareholding increased from 8.67% in Dec 2021 to 12.61% in Jul 2024. The increase in Foreign Institutional Investors (FII) shareholding reflects growing confidence among international investors in the company's strategic direction and financial health. The annual report highlights the company's efforts in maintaining a strong balance sheet and proactive risk management, which likely contributed to this positive trend.
- DII shareholding increased from 10.84% in Dec 2021 to 15.65% in Jul 2024. The rise in Domestic Institutional Investors (DII) shareholding suggests enhanced interest from domestic funds and financial institutions. This trend aligns with the company's disciplined capital allocation and focus on organic growth, as detailed in the annual report.
- Public shareholding increased from 10.56% in Dec 2021 to 15.11% in Jul 2024. The increase in public shareholding indicates a broader base of retail investors, possibly driven by the company's consistent dividend policy and transparent governance practices. The annual report mentions initiatives to improve shareholder engagement and satisfaction, which may have bolstered public confidence.
- Number of shareholders increased from 7,15,446 in Dec 2021 to 17,81,268 in Jul 2024. The substantial growth in the number of shareholders reflects the company's successful efforts in expanding its investor base. The annual report outlines various initiatives for shareholder engagement and satisfaction, including the registration of email IDs, PAN, and bank mandates, which likely contributed to this growth.
- Promoter shareholding decreased from 62.86% in Mar 2017 to 56.38% in Jul 2024. Over the longer term, the reduction in promoter shareholding indicates a strategic shift towards a more diversified ownership structure. This trend is consistent with the company's efforts to optimize capital allocation and maintain a strong balance sheet, as highlighted in the annual report.
- FII shareholding decreased from 16.30% in Mar 2017 to 12.61% in Jul 2024. Despite the recent increase, the overall decline in FII shareholding over the longer term suggests a period of reduced international investor confidence, possibly due to macroeconomic factors or sector-specific challenges. However, the recent uptick indicates a recovery in sentiment, supported by the company's strategic initiatives and financial performance.
- The overall trends in shareholding patterns reflect a strategic shift towards a more diversified and institutionalized ownership structure. The company's efforts in optimizing capital allocation, maintaining a strong balance sheet, and proactive risk management have attracted both domestic and international institutional investors, while also expanding the retail investor base. These changes are indicative of a robust and resilient financial strategy, positioning the company for sustainable growth.

Subsidiary and JV Information:

	Name of the Subsidiary	**Date of creation of interest**	**Nature of interest / % of shareholding**	**Location**
Subsidiaries	Hindustan Zinc Limited (HZL)	1966-01-10	˜65%	Udaipur, Rajasthan, India
	Cairn India Holdings Limited (CIHL)	2006-08-21	100%	Gurugram, Haryana, India
	Bharat Aluminium Co. Limited (BALCO)	1965-11-27	51%	Korba, Chhattisgarh, India
Joint Ventures	– The Company has joint operations within its Oil and gas segment and participates in several unincorporated joint operations which involve the joint control of assets used in oil and gas exploration and producing activities. The Company accounts for its share of assets and income and expenditure of joint operations in which it holds an interest. Liabilities in unincorporated joint ventures, where the Company is the operator, is accounted for at gross values (including share of other partners) with a corresponding receivable from the venture partners.			

FINANCIALS OF THE COMPANY

All figures in INR Cr.	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
Sales	84,447	88,021	1,32,732	1,47,308	1,43,727
Expenses	63,704	60,703	87,908	1,12,877	1,08,415
Operating Profit	20,743	27,318	44,824	34,431	35,312
Other Income	-14,932	2,743	1,832	2,625	5,239
Interest Expenses	4,977	5,210	4,797	6,225	9,465
Depreciation Costs	9,093	7,638	8,895	10,555	10,723
PBT	-8,259	17,213	32,964	20,276	20,363
Tax Rate	-43	13	28	28	63
Net Profit	-4,744	15,032	23,710	14,503	7,539
Earnings Per Share	-17.93	31.21	50.58	28.45	11.4
Dividend Amount	-22	30	89	357	259

Commentary on Company Financials

- Sales increased significantly from Rs. 84,447 Cr in FY20 to Rs. 143,727 Cr in FY24, reflecting a strong recovery and growth trajectory. This growth can be attributed to the company's strategic expansion in high-demand sectors such as aluminum, copper, and oil & gas, as detailed in the annual report. The aluminum segment alone saw a consistent increase in sales, peaking at Rs. 13,515 Cr in FY24, driven by robust demand and capacity expansions.
- Expenses followed a similar trend, rising from Rs. 63,704 Cr in FY20 to Rs. 108,415 Cr in FY24, indicating increased operational activities. The rise in expenses is partly due to higher raw material costs, particularly in the aluminum and oil & gas segments, where the cost of production increased by 25% due to higher brent prices and increased well interventions.
- Operating Profit saw a substantial increase from Rs. 20,743 Cr in FY20 to Rs. 35,312 Cr in FY24, showcasing improved operational efficiency. This improvement is reflected in the EBITDA margin, which increased from 24.5% in FY20 to 28.5% in FY24. The company's focus on cost optimization and operational excellence, particularly in the aluminum and oil & gas segments, contributed to this enhanced profitability.
- Other Income fluctuated dramatically, with a notable negative value of Rs. -14,932 Cr in FY20, recovering to Rs. 5,239 Cr in FY24, suggesting volatility in non-core income sources. The negative value in FY20 was primarily due to significant impairments and losses on financial instruments, as mentioned in the annual report. The recovery in subsequent years indicates better management of non-core assets and financial investments.
- Interest expenses increased from Rs. 4,977 Cr in FY20 to Rs. 9,465 Cr in FY24, indicating higher debt levels or borrowing costs. The annual report highlights that the company's net debt increased significantly, from Rs. 20,979 Cr in FY22 to Rs. 45,260 Cr in FY23, driven by strategic investments in capacity expansion and acquisitions. The interest coverage ratio, however, remained above the critical threshold, indicating manageable financial risk.
- Depreciation remained relatively stable, with a slight increase from Rs. 9,093 Cr in FY20 to Rs. 10,723 Cr in FY24, reflecting consistent capital expenditure. The company's ongoing investments in maintaining and upgrading its production facilities, particularly in the aluminum and oil & gas segments, are evident from the stable depreciation figures.
- Net Profit showed significant volatility, with a loss of Rs. -4,744 Cr in FY20, peaking at Rs. 23,710 Cr in FY22, and then declining to Rs. 7,539 Cr in FY24, indicating fluctuating profitability. The peak in FY22 can be attributed to exceptional gains from asset sales and favorable market conditions, while the decline in FY24 reflects increased operational costs and higher interest expenses.
- The EPS (Earnings Per Share) followed a similar volatile trend, from Rs. -17.93 in FY20 to Rs. 11.4 in FY24. The dividend payout ratio also showed significant fluctuations, peaking at 357% in FY23, indicating the company's commitment to returning value to shareholders despite the volatile earnings. The high payout ratio in FY23 was supported by strong cash flows from operations and strategic asset sales.

Financial Analysis

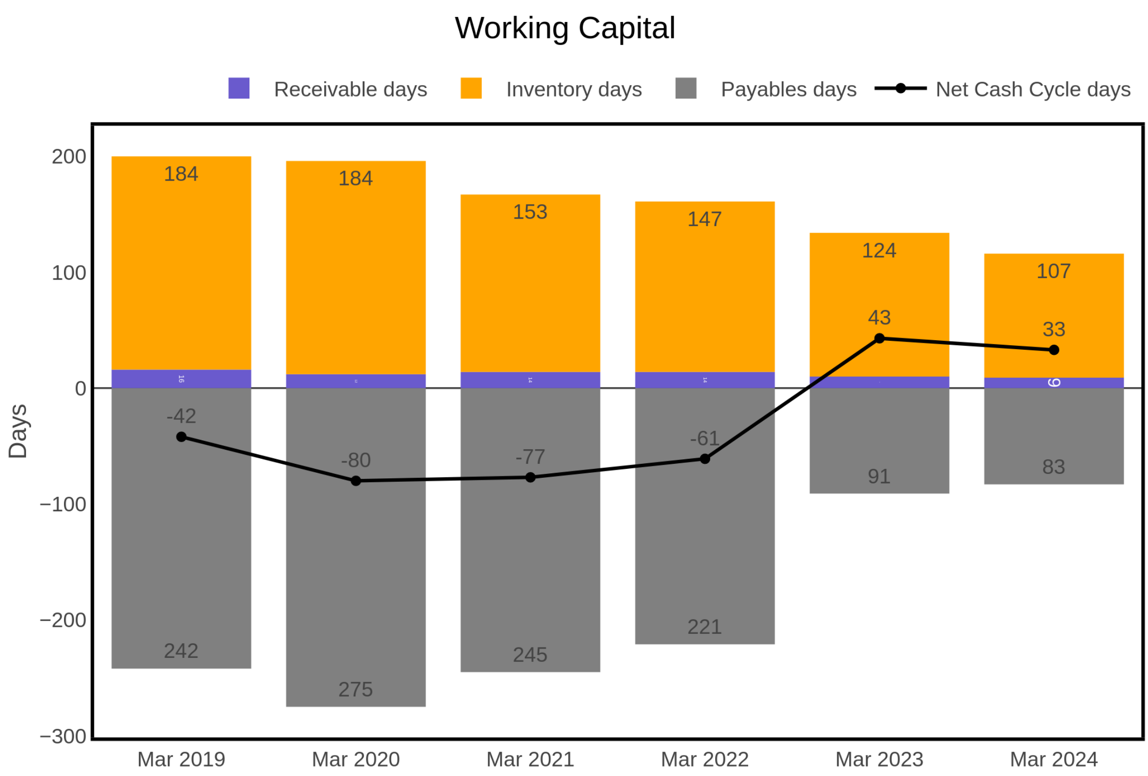
Debt Schedule

All figures in INR Cr.	FY20	FY21	FY22	FY23	FY24
Total Borrowings	59,187	57,669	53,583	80,329	87,706
Long-Term Borrowings	36,724	37,962	36,205	43,476	50,633
Short-Term Borrowings	13,076	19,066	16,904	36,407	36,060
Lease Liabilities	641	474	446	1,013	0
Other Borrowings	9,387	0	0	0	0
Total Liabilities	58,654	80,163	64,952	58,896	70,045
Non-Controlling Interest	17,112	15,138	17,321	10,004	11,347
Trade Payables	16,972	15,889	21,531	11,043	10,095
Advances from Customers	7,887	6,233	4,127	8,931	8,076
Other Liability Items	24,944	26,289	32,002	39,725	40,172

Debt Schedule Commentary

- **Substantial Increase in Total and Short-Term Borrowings:** Total Borrowings rose sharply from INR 53,583 Cr in FY22 to INR 80,329 Cr in FY23, marking an increase of approximately 50%. By FY24, this figure further escalated to INR 87,706 Cr. Short-Term Borrowings more than doubled between FY22 and FY23, jumping from INR 16,904 Cr to INR 36,407 Cr (an increase of over 115%), and remained elevated at INR 36,060 Cr in FY24. The significant reliance on short-term debt may indicate liquidity pressures or difficulties in securing long-term financing. This shift could expose the company to refinancing risks and interest rate fluctuations.
- **Sharp Decrease in Trade Payables:** Trade Payables decreased from INR 21,531 Cr in FY22 to INR 11,043 Cr in FY23, a reduction of nearly 49%, and slightly declined further to INR 10,095 Cr in FY24. This substantial decrease could suggest accelerated payments to suppliers, which might strain cash flows, or a reduction in procurement due to decreased production activity. It warrants examination of the company's operational efficiency and supplier relationships.
- **Consistent Increase in Other Liability Items:** Other Liability Items have steadily risen from INR 24,944 Cr in FY20 to INR 40,172 Cr in FY24, reflecting a growth of approximately 61% over five years. The continuous increase suggests accumulating obligations such as deferred payments, provisions, or contingent liabilities. Understanding the nature of these liabilities is crucial, as they may impact future cash flows and financial stability.
- **Fluctuations in Non-Controlling Interest:**Non-Controlling Interest dropped significantly from INR 17,321 Cr in FY22 to INR 10,004 Cr in FY23 (a decrease of about 42%), before rising to INR 11,347 Cr in FY24. These fluctuations may indicate changes in ownership stakes of subsidiaries, buyouts of minority interests, or restructuring activities. Such movements can affect the allocation of profits and losses, and signal strategic shifts in corporate structure.
- **Elimination of Lease Liabilities:** Lease Liabilities were reported at INR 1,013 Cr in FY23 but reduced to INR 0 in FY24. The disappearance of lease liabilities could result from terminating lease agreements, purchasing leased assets, or adopting new accounting treatments. This change may impact the company's asset base and depreciation expenses, and could have tax implications.

Working Capital Movement



(a) Working Capital Days

Commentary on Working Capital Movement

- The Working Capital Days for Vedanta Limited have shown a marked improvement from -129 days in FY20 to -14 days in FY24. This significant enhancement reflects the company's strategic focus on optimizing its working capital management, as highlighted in their annual reports. The reduction in working capital days indicates better operational efficiency and effective management of current assets and liabilities.
- Debtor Days have decreased from 12 days in FY20 to 9 days in FY24. This reduction is indicative of improved credit control and collection processes. The annual report mentions initiatives to streamline receivables management, which have evidently borne fruit, reducing the time taken to collect payments from customers and improving cash flow.
- Inventory Days have decreased from 184 days in FY20 to 107 days in FY24. This substantial reduction points to enhanced inventory management practices. The company has likely implemented better demand forecasting and inventory turnover strategies, as suggested by the annual report's focus on operational efficiency and process improvements.
- Days Payable have decreased from 275 days in FY20 to 83 days in FY24. This reduction could be a result of the company negotiating better payment terms with suppliers or improving its liquidity position, allowing it to settle payables more promptly. The annual report's emphasis on maintaining strong supplier relationships and optimizing the cash conversion cycle supports this observation.
- The Cash Conversion Cycle has improved from -80 days in FY20 to 33 days in FY24. This improvement is a direct result of the combined effects of reduced debtor days, inventory days, and days payable. The company's efforts in enhancing operational efficiency and working capital management are clearly reflected in this metric, indicating a more efficient use of cash in operations.
- Return on Capital Employed (ROCE) has increased from 10

- The significant improvement in working capital management from FY20 to FY24 reflects better operational efficiency. The company's strategic initiatives, such as optimizing inventory levels, improving receivables collection, and managing payables more effectively, have contributed to this positive trend. The annual report underscores the importance of these initiatives in enhancing overall financial performance.
- Overall, Vedanta Limited's financial performance from FY20 to FY24 shows a clear trend of improved operational efficiency and better working capital management. The company's strategic focus on optimizing its cash conversion cycle and enhancing return on capital employed has resulted in stronger financial health and better positioning for future growth.

FIXED ASSETS OF THE COMPANY

All figures in INR Cr.	FY20	FY21	FY22	FY23	FY24
Fixed Assets	FY20	FY21	FY22	FY23	FY24
Land	2,900	3,100	3,215	3,497	3,853
Building	14,688	14,961	15,284	16,001	16,422
Plant & Machinery	1,04,514	1,09,870	1,16,073	1,21,131	1,28,168
Equipment	974	1,078	1,164	1,165	1,198
Furniture & Fittings	410	456	499	467	462
Vehicles	394	376	402	396	397
Intangible Assets	247	236	221	220	198
Other Fixed Assets	15,824	18,582	22,074	25,099	27,176
Gross Block	1,39,951	1,48,659	1,58,932	1,67,976	1,77,874
Accumulated Depreciation	53,824	60,657	69,434	77,493	85,323
Capital Work-in-Progress (CWIP)	18,585	16,314	15,879	19,529	22,889
Investments	24,753	16,660	17,291	13,150	11,869
Inventories	11,335	9,923	14,313	15,012	13,001
Trade Receivables	2,697	3,491	4,946	4,014	3,607
Cash & Equivalents	12,502	16,629	15,355	9,254	4,327
Short Term Loans	221	2,425	2,533	3,865	3,462
Other Asset Items	24,517	30,052	34,132	34,148	36,412
Total Assets	1,80,737	1,83,496	1,93,947	1,89,455	1,88,118

Commentary on FIXED ASSETS

- The fixed assets of the company have shown a consistent increase from Rs. 86,127 Cr in FY20 to Rs. 92,551 Cr in FY24. This growth is primarily driven by significant investments in plant machinery, which rose from Rs. 1,04,514 Cr in FY20 to Rs. 1,28,168 Cr in FY24. The increase in plant machinery value aligns with the company's strategic focus on capacity expansion and modernization, as detailed in the annual report.
- Land value has also seen a notable increase from Rs. 2,900 Cr in FY20 to Rs. 3,853 Cr in FY24. This rise can be attributed to the acquisition of new land parcels for future development projects and expansion of existing facilities. The annual report mentions ongoing projects and the need for additional land to support these initiatives.
- The value of buildings has increased from Rs. 14,688 Cr in FY20 to Rs. 16,422 Cr in FY24. This increment reflects the company's investment in infrastructure to support its growing operations. The annual report highlights several new construction projects and upgrades to existing buildings to enhance operational efficiency.
- Other fixed assets have seen a substantial increase from Rs. 15,824 Cr in FY20 to Rs. 27,176 Cr in FY24. This category includes various assets such as equipment, furniture, and vehicles. The significant rise indicates the company's efforts to upgrade and expand its asset base to support its operational needs. The annual report details several initiatives aimed at improving the company's asset base, including the acquisition of new equipment and vehicles.
- The gross block, representing the total value of fixed assets before depreciation, has increased from Rs. 1,39,951 Cr in FY20 to Rs. 1,77,874 Cr in FY24. This growth is a clear indication of the company's aggressive capital expenditure strategy aimed at expanding its production capacity and modernizing its facilities. The annual report provides insights into various capital projects undertaken by the company, including new plant installations and upgrades to existing facilities.
- Accumulated depreciation has also increased from Rs. 53,824 Cr in FY20 to Rs. 85,323 Cr in FY24. This rise is expected given the increase in the gross block and reflects the aging of the company's asset base. The annual report mentions the company's depreciation policy and the impact of new asset additions on the overall depreciation expense.
- The capital work in progress (CWIP) has fluctuated over the years, with a notable increase from Rs. 15,879 Cr in FY22 to Rs. 22,889 Cr in FY24. This fluctuation is indicative of the ongoing capital projects that are yet to be completed and capitalized. The annual report highlights several major projects that are currently under development, which contribute to the CWIP balance.
- Investments have decreased significantly from Rs. 24,753 Cr in FY20 to Rs. 11,869 Cr in FY24. This reduction is likely due to the company's strategic decision to reallocate funds towards capital expenditure and asset acquisition. The annual report discusses the company's investment strategy and the shift towards funding growth initiatives through internal accruals and asset monetization.

CASH FLOW ANALYSIS OF THE COMPANY

All figures in INR Cr.	FY20	FY21	FY22	FY23	FY24
Cash from Operating Activity	19,300	23,980	34,963	33,065	35,654
Profit from Operations	21,372	27,659	45,465	34,823	36,787
Working Capital Changes	-937	-1,571	-4,766	4,599	1,552
Direct Taxes	-1,135	-2,108	-5,736	-6,357	-2,685
Cash from Investing Activity	-5,925	-6,678	-2,243	-668	-13,676
Fixed Assets Purchased	-7,814	-6,886	-10,630	-13,787	-16,752
Fixed Assets Sold	145	168	325	133	195
Investments Purchased	-98,793	-75,160	-87,135	-1,11,289	-54,260
Investments Sold	1,06,416	83,330	86,848	1,15,244	55,859
Interest Received	830	2,035	1,868	1,674	1,678
Dividends Received	18	2	1	18	40
Other Investing Items	-6,727	-10,167	6,480	7,339	-520
Cash from Financial Activities	-15,547	-17,565	-28,903	-34,142	-26,092

Commentary on Cash Flow

- Cash From Operating Activity increased from Rs. 19,300 Cr in FY20 to Rs. 35,654 Cr in FY24, indicating improved operational efficiency. This improvement is likely driven by enhanced production capabilities and cost optimization measures, as detailed in the annual report. The company's focus on debottlenecking and operational efficiencies has contributed to this positive trend.
- Profit From Operations rose from Rs. 21,372 Cr in FY20 to Rs. 36,787 Cr in FY24, reflecting enhanced profitability. This increase aligns with the company's strategic initiatives to improve production efficiency and manage raw material costs, despite market volatility. The annual report highlights the company's efforts in securing raw material supplies and optimizing production processes.
- Receivables fluctuated significantly, from Rs. 462 Cr in FY20 to -Rs. 8,199 Cr in FY22, then stabilizing to Rs. 180 Cr in FY24, suggesting volatility in credit management. The annual report indicates that the company has implemented stricter credit policies and improved its receivables management, which has helped stabilize this metric.
- Inventory levels showed inconsistency, with a notable drop to -Rs. 4,373 Cr in FY22 and a recovery to Rs. 1,670 Cr in FY24, indicating supply chain adjustments. The annual report mentions that the company has undertaken several initiatives to mitigate supply chain risks, including vertical integration projects and strengthening inbound logistics.
- Fixed Assets Purchased increased from Rs. 7,814 Cr in FY20 to Rs. 16,752 Cr in FY24, highlighting substantial capital investments. This increase is part of the company's long-term strategy to enhance production capacity and operational efficiency. The annual report details significant investments in renewable energy and digitalization projects, which are expected to yield long-term benefits.
- Investments Purchased and Sold showed high volatility, with Investments Purchased peaking at Rs. 1,11,289 Cr in FY23 and dropping to Rs. 54,260 Cr in FY24, while Investments Sold peaked at Rs. 1,15,244 Cr in FY23 and dropped to Rs. 55,859 Cr in FY24, indicating dynamic investment strategies. The annual report suggests that these fluctuations are part of the company's strategy to optimize its investment portfolio and manage liquidity effectively.
- Net Cash Flow fluctuated from -Rs. 2,172 Cr in FY20 to -Rs. 4,114 Cr in FY24, reflecting varying cash management strategies. The annual report highlights the company's efforts to balance capital expenditures, debt repayments, and dividend payouts, which have influenced the net cash flow trends.
- The company's capital allocation policy emphasizes maintaining an optimal leverage ratio and maximizing shareholder returns. The increase in borrowings from Rs. 16,299 Cr in FY20 to Rs. 36,248 Cr in FY24, along with substantial repayments, indicates a strategic approach to managing debt and financing growth initiatives. The annual report outlines the company's disciplined capital allocation framework, which includes project capex, sustaining capex, and dividend policies.

Justification of Proposal

- Vedanta Limited has shown significant improvement in its working capital management from FY20 to FY24, reflecting better operational efficiency and effective management of current assets and liabilities.
- The company's Return on Capital Employed (ROCE) has increased from 10% in FY20 to 21% in FY24, indicating higher returns on capital employed due to better operational performance and strategic investments.
- Despite a significant increase in total liabilities from FY22 to FY24, the company has focused on securing long-term financing to support its capital expenditure and growth initiatives.
- The ownership structure has become more diversified, with increased shareholding from Foreign Institutional Investors (FII) and Domestic Institutional Investors (DII), reflecting growing confidence among institutional investors.
- Vedanta's financial performance from FY20 to FY24 shows a clear trend of improved operational efficiency and better working capital management, positioning the company for future growth.
- The company's fixed assets have shown consistent growth, driven by significant investments in plant machinery and infrastructure, aligning with its strategic focus on capacity expansion and modernization.
- Vedanta's cash flow from operating activities has increased significantly, indicating improved operational efficiency and better cash management.
- The company's leverage ratio has increased, reflecting higher financial risk, but it has also shown a strong ability to generate returns on capital employed and manage its debt effectively.
- Vedanta's performance ratios indicate efficient capital use and strong profitability, despite some challenges in asset turnover and liquidity.
- The company's credit ratings reflect a high degree of safety regarding timely servicing of financial obligations, although there are uncertainties due to ongoing restructuring and refinancing activities.

Recommendations

- Evaluate the company's ability to manage its increased leverage and ensure that it has a robust plan to manage its debt obligations effectively.
- Consider the company's improved operational efficiency and working capital management as positive indicators of its financial health and future growth potential.
- Assess the impact of the company's strategic investments and expansion plans on its long-term financial stability and profitability.
- Take into account the diversified ownership structure and increased institutional investor confidence as positive factors for the company's creditworthiness.
- Monitor the company's cash flow trends and ensure that it maintains sufficient liquidity to meet its short-term and long-term obligations.
- Review the company's credit ratings and consider the potential impact of ongoing restructuring and refinancing activities on its financial profile.
- Analyze the company's performance ratios to understand its capital efficiency, asset profitability, and overall financial health.
- Consider the company's strategic focus on capacity expansion and modernization as a positive factor for its long-term growth prospects.
- Evaluate the company's ability to generate returns on capital employed and manage its debt effectively, despite the higher leverage ratio.
- Take into account the company's strong profitability and efficient capital use as positive indicators of its financial health.

Concalls

Introduction	
Moderator Introduction	Ladies and gentlemen, good day and welcome to Vedanta Limited Quarter 1 Financial Year '24, '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.
Company Introduction	Vedanta Limited is a globally diversified natural resources company with operations in oil and gas, zinc, lead, silver, copper, iron ore, steel, and aluminum. The key executives participating in the call include Mr. Navin Agarwal, Vice Chairman; Mr. Arun Misra, Executive Director; Mr. Ajay Goel, CFO; Mr. Ajay Agarwal, President, Finance; Mr. John Slaven, CEO, Vedanta Aluminum; Mr. Hitesh Vaid, CFO, Cairn Oil & Gas; Mr. Chris Griffith, CEO, Base Metals; Mr. Steve Moore, Deputy CEO, Cairn Oil & Gas; and Ms. Prerna Halwasiya, Deputy Head, Investor Relations and Company Secretary.
Executive Summary	
Chairman's Remarks	The Vice Chairman, Mr. Navin Agarwal, highlighted the company's mission to become the world's leading and most sustainable producer of critical minerals. He emphasized the company's focus on capital efficiency, faster project execution, and superior returns for shareholders. Key highlights included a 47% surge in quarterly EBITDA to INR 10,275 crores, a significant boost in EBITDA margin to 34%, and a 54% increase in profit after tax to INR 5,095 crores. The company also achieved a 20% reduction in overall costs year-on-year. Vedanta's aluminum and zinc operations consistently outperformed industry benchmarks, ranking in the top quartile and decile of the global cost curve, respectively. The company is also a leader in sustainability, with high rankings in the S&P Global Corporate Sustainability Assessment. Vedanta's assets have a replacement cost in excess of $50 billion, and the company is poised to deliver $30 billion in annual revenue and $10 billion in EBITDA in the near term. Major growth projects are in advanced stages of development, with significant expansions in aluminum, zinc, oil and gas, iron ore, and steel operations.

CFO's Remarks	CFO Ajay Goel reported an outstanding start to the year with a 47% year-on-year growth in EBITDA to INR 10,275 crores and a 54% increase in profit after tax to INR 5,095 crores. The company achieved a 6% year-on-year increase in revenue to INR 35,239 crores. The EBITDA margin surged to 34%, reflecting a 948 basis points year-on-year increase. Free cash flow before capex was INR 4,371 crores, up 41% year-on-year. The net debt-to-EBITDA ratio improved to 1.5x from 1.9x year-on-year. The company raised $1 billion via QIP in July, which will be used to deleverage Vedanta Limited, significantly reducing interest costs by more than INR 1,000 crores annually. The parent company, Vedanta Resources Limited, has announced a further deleveraging of $3 billion over the next three years, with $650 million achieved in the first quarter.
Key Achievements	Key achievements include a 47% increase in quarterly EBITDA, a 54% increase in profit after tax, and a 20% reduction in overall costs year-on-year. The company also achieved high rankings in the S&P Global Corporate Sustainability Assessment, with Hindustan Zinc and Vedanta Aluminum ranking first in their respective peer groups. Major growth projects are in advanced stages of development, with significant expansions in aluminum, zinc, oil and gas, iron ore, and steel operations. The company raised $1 billion via QIP, which will be used to deleverage Vedanta Limited, significantly reducing interest costs.

Financial Performance	
Revenue and Profit	Vedanta Limited reported a 6% year-on-year increase in revenue to INR 35,239 crores for Q1 FY'24/'25. The company's quarterly EBITDA surged by 47% to INR 10,275 crores, and the profit after tax increased by 54% year-on-year to INR 5,095 crores. The EBITDA margin experienced a significant boost, increasing by 10% from 24% in Q1 FY'24 to 34% in Q1 FY'25. The company achieved a 20% reduction in overall costs year-on-year.
Segment-wise Performance	The aluminum business achieved a strong quarterly production of 596 kilo tons, coupled with an 11% reduction in cost year-on-year. Hindustan Zinc achieved its highest ever first-quarter mined metal and refined metal production at 263 KT and 262 KT, respectively. The Gamsberg mine witnessed a 19% increase in ore mined and a 25% increase in MIC production quarter-on-quarter. ESL Steel delivered a robust performance with crude steel production increasing by 10% year-on-year to 356 KT.
Cost Analysis	Vedanta Limited achieved a 20% reduction in overall costs year-on-year. The aluminum business saw an 11% reduction in cost year-on-year, despite rising alumina market prices globally. Hindustan Zinc is on a clear trajectory to achieve the lowest cost production in the last four years of operations, with a Q1 cost of $1,107 per ton. The company's cost optimization efforts are structural and sustainable, contributing significantly to the improved financial performance.
Financial Guidance	Vedanta Limited is committed to achieving a near-term target of $10 billion in annual EBITDA. The company has outlined significant capex plans, including $8 billion of growth capex in the next few years. Major growth projects are in advanced stages of development, with significant expansions in aluminum, zinc, oil and gas, iron ore, and steel operations. The company expects to achieve a production capacity of 3.1 million tons per annum of aluminum, with 90% comprising value-added products and alloys. Hindustan Zinc is exploring avenues to expand metal production to 2 million tons per annum in the near future. The company is also on track to achieve a production target of 12 million tons per annum of iron ore in FY'25.
Market and Economic Overview	
Macro Economic Environment	The global and Indian market trends indicate a mixed economic environment. While there has been a demand shock leading to slightly lower prices in the short term, the long-term outlook remains positive. The company expects a firmer aluminum price in the quarters ahead. The Indian economy continues to show resilience, and Vedanta Limited is well-positioned to capitalize on emerging opportunities.

Industry Trends	The metals and minerals industry in India is experiencing significant growth, driven by increased demand for critical minerals and natural resources. Vedanta Limited is focused on becoming the world's leading and most sustainable producer of critical minerals. The company is investing in value-added products and innovations to maintain its competitive edge. Regulatory changes and government policies are also influencing the industry dynamics, with a focus on sustainability and self-efficiency in natural resources.
Strategic Initiatives and Projects	
Major Projects	Vedanta Limited has several major expansion projects in advanced stages of development. The aluminum business is on track to achieve a production capacity of 3.1 million tons per annum, with significant investments in value-added products and alloys. Hindustan Zinc is exploring avenues to expand metal production to 2 million tons per annum. The oil and gas business is targeting a production of 150,000 barrels per day in the near term, with a vision to reach 300,000 barrels per day. The iron ore business in Liberia is projected to achieve an annual production of approximately 30 million tons. The ESL steel asset is expanding to 3.5 million tons per annum, with a potential to ramp up to 15 million tons per annum in the future.
New Products and Innovations	Vedanta Limited is focused on developing new products and innovations to drive future growth. The company has launched three low-carbon products: Restora and Restora Ultra in aluminum, and EcoZen in zinc. These products reflect the company's commitment to sustainability and reducing the environmental impact of its operations. The company is also investing in R&D initiatives and exploring new technologies to enhance its product portfolio and maintain its competitive edge.
Operational Highlights	
Capacity Utilization	Vedanta Limited is making significant efforts to increase production capacity across its business segments. The aluminum business is on track to achieve a production capacity of 3.1 million tons per annum, with 90% comprising value-added products and alloys. Hindustan Zinc achieved its highest ever first-quarter mined metal and refined metal production at 263 KT and 262 KT, respectively. The company is also expanding its iron ore production capacity in Liberia and Karnataka.

Efficiency Improvements	Vedanta Limited is implementing several initiatives aimed at cost reduction and maximizing profit. The company achieved a 20% reduction in overall costs year-on-year, with significant cost reductions in the aluminum and zinc businesses. The aluminum business saw an 11% reduction in cost year-on-year, despite rising alumina market prices globally. Hindustan Zinc is on a clear trajectory to achieve the lowest cost production in the last four years of operations. The company's cost optimization efforts are structural and sustainable, contributing significantly to the improved financial performance.
Corporate Governance	
Board Activities	Vedanta Limited's board is actively involved in strategic decision-making and governance practices. The company has filed the demerger scheme application with NCLT, which is in the final stage of creating industry-leading focused entities with sharper investment propositions. The board is also focused on ensuring strong leadership and management to drive the company's growth and value creation.
Debt Management	Vedanta Limited is committed to a robust debt deleveraging strategy. The company raised $1 billion via QIP in July, which will be used to deleverage Vedanta Limited, significantly reducing interest costs by more than INR 1,000 crores annually. The parent company, Vedanta Resources Limited, has announced a further deleveraging of $3 billion over the next three years, with $650 million achieved in the first quarter. The net debt-to-EBITDA ratio improved to 1.5x from 1.9x year-on-year, reflecting the company's strong financial position.
Financial Guidance and Outlook	
Future Projections	Vedanta Limited is committed to achieving a near-term target of $10 billion in annual EBITDA. The company has outlined significant capex plans, including $8 billion of growth capex in the next few years. Major growth projects are in advanced stages of development, with significant expansions in aluminum, zinc, oil and gas, iron ore, and steel operations. The company expects to achieve a production capacity of 3.1 million tons per annum of aluminum, with 90% comprising value-added products and alloys. Hindustan Zinc is exploring avenues to expand metal production to 2 million tons per annum in the near future. The company is also on track to achieve a production target of 12 million tons per annum of iron ore in FY'25.
Market Outlook	The market outlook for Vedanta Limited remains positive, with significant growth opportunities in the metals and minerals industry. The company expects a firmer aluminum price in the quarters ahead, driven by increased demand and supply constraints. The Indian economy continues to show resilience, and Vedanta Limited is well-positioned to capitalize on emerging opportunities. The company's focus on value-added products and innovations will help maintain its competitive edge in the market.

Strategic Goals	Vedanta Limited's strategic goals include becoming the world's leading and most sustainable producer of critical minerals, achieving $30 billion in annual revenue and $10 billion in EBITDA in the near term, and expanding production capacity across its business segments. The company is committed to operational excellence, cost optimization, and sustainability. Major growth projects are in advanced stages of development, with significant expansions in aluminum, zinc, oil and gas, iron ore, and steel operations. The company is also focused on creating industry-leading focused entities through the demerger process, with sharper investment propositions and enhanced shareholder value.
Questions and Answers	
Investor Query	**Management Response**
What is the update on the aluminum division, including the commencement of mining in Radhikapur and Kurloi blocks and the second train of the alumina refinery?	The aluminum division is progressing well on growth projects, with the first train of the alumina refinery expected to be fully operational by Q3 FY '25 and the second train by Q1 FY '26. The commencement of mining in Radhikapur and Kurloi blocks is expected in Q1 FY '26.
Will the production from oil and gas increase in Q2 FY '25 due to the ASP injection at Mangala and the drilled infill wells?	The production from oil and gas is expected to remain flat in Q2 FY '25 at around 112,000 to 113,000 barrels per day. However, gains from the ASP injection at Mangala and additional infill drilling are expected in Q3 and Q4, with a target of 130,000 to 140,000 barrels per day by the end of the financial year.
Are there any further liquidity improvement measures planned besides cash flows?	Vedanta Limited has sufficient liquidity to manage debt and fund growth. The company raised $1 billion via QIP in July, which will be used to deleverage Vedanta Limited, significantly reducing interest costs. The company continues to evaluate strategic options for further liquidity improvement.
What is the status of the demerger process filed with NCLT?	The demerger process is in the final stage, with the scheme application filed with NCLT. The company expects the process to be completed successfully, creating industry-leading focused entities with sharper investment propositions.
What is the global aluminum cost curve for Vedanta?	Vedanta Limited is in the lowest decile of the global aluminum cost curve, with a cost of around USD 1,600 to USD 1,700 per ton. The company expects to maintain this position as it completes structural changes and ramps up capacity.
Have any strategic hedging measures been taken for aluminum and zinc?	Vedanta Limited has done strategic hedging for about 10% of its aluminum and zinc production for the year. The company will evaluate further hedging opportunities based on market conditions.

What is the status of the outstanding intercompany loan of USD 400 million?	The outstanding intercompany loan of USD 400 million is due in December and will be repaid as scheduled.
What is the latest timeline for the significant mines coming up, such as Ghogharpalli and Sijimali?	The significant mines, including Ghogharpalli and Sijimali, are expected to commence production in Q1 FY '26. The company is confident in achieving these timelines despite minor delays due to government approval processes.
What are the debt repayment plans for FY '25 at both Vedanta Limited and Vedanta Resources Limited?	Vedanta Resources Limited has a debt repayment requirement of $1 billion for the remainder of FY '25, which will be managed through refinancing, dividend payments, and strategic partnerships. Vedanta Limited has a debt repayment requirement of $1.2 billion for the remainder of FY '25, which will be managed through refinancing and operating free cash flows.
What is the status of the BALCO expansion?	The BALCO expansion is progressing well, with first metal expected in Q4 FY '25 and full ramp-up by mid-FY '26.
Closing Remarks	
Summary by Executives	The executives emphasized the company's strong financial performance, strategic growth initiatives, and commitment to sustainability. They highlighted the significant progress made in major growth projects and the company's focus on achieving $10 billion in annual EBITDA. The demerger process is in the final stage, and the company is confident in creating industry-leading focused entities with enhanced shareholder value.
Next Steps	Vedanta Limited will continue to focus on disciplined growth, operational excellence, and exploring opportunities along the value chain. The company will prioritize the completion of major growth projects, including the expansion of aluminum, zinc, oil and gas, iron ore, and steel operations. The demerger process will be completed to create industry-leading focused entities. The company will also continue its cost optimization efforts and focus on sustainability to drive long-term value creation for shareholders and stakeholders.

Recent News

Headline and Source	
News Title	Water Storage Breach in Odisha Impacts Agricultural Areas
Source	Vedanta Ltd News
Date	16 Sep 2024
Executive Summary	
Summary of the News	Vedanta Aluminium is addressing a breach in its water storage facility in Odisha, which occurred due to extreme weather conditions. The breach has impacted nearby agricultural areas, and Vedanta is actively working to mitigate further damage.
Impact on Company	The breach might affect Vedanta's operational output and local community relations. The company's quick response shows a commitment to managing the environmental and social impact.
Company-Specific News	
Financial Results	N/A
New Projects and Ventures	Vedanta plans to expand its nickel sulphate production to tap into overseas electric vehicle markets.
Product Launches and Innovations	Vedanta launched two new products for the power sector, focusing on electrical conductivity and conductor-grade wire rods.
Strategic Initiatives	Vedanta is expanding nickel sulphate production to meet growing demand from electric vehicle industries overseas.
Market and Economic Impact	
Industry Impact	Vedanta's focus on nickel sulphate production places it in a competitive position as the demand for electric vehicle components grows globally.
Economic Conditions	The expansion aligns with global shifts towards renewable energy and electric vehicles, providing a growth opportunity for Vedanta despite current economic challenges.

Stock Market and Investor Reactions	
Stock Performance	Vedanta's stock rose 2% following the demerger timeline update and news of its first dollar-bond issue, reflecting investor optimism.
Investor Sentiment	Investor sentiment remains positive due to Vedanta's successful bond issuance and its strategic plan to separate its key businesses.
Market Comparisons	Vedanta's stock performance has been stronger than its peers, benefiting from the clarity provided around its demerger and fundraising initiatives.
Management and Leadership	
Executive Statements	John Slaven, CEO of Vedanta's aluminium business, confirmed that the demerger of Vedanta's key businesses is on track and likely to complete by the end of FY25.
Leadership Changes	None
Board Decisions	Vedanta's board approved a third dividend of Rs 20 per share, bringing the total dividend payout for FY25 to Rs 13,474 crore.
Regulatory and Compliance	
Legal Matters	Vedanta Resources issued a 900*milliondollarbondtoprepayexistingdebtandstrengthenitsfinancialposition.*
Government Policies	Vedanta is urging the Indian government to negotiate with Japan and South Korea to remove nickel sulphate duties to boost exports.
Operational Developments	
Operational Updates	Vedanta is addressing a breach at its water storage facility in Odisha, caused by extreme weather, impacting local agriculture.
Supply Chain Issues	None reported.
Infrastructure Developments	Vedanta's display glass business is set to grow 10x after consolidating control of AvanStrate Inc.
Market and Consumer Trends	
Consumer Behavior	None reported.
Market Demand	Strong demand for nickel sulphate driven by the electric vehicle market.
Future Outlook and Projections	
Analyst Projections	Analysts predict strong future growth due to Vedanta's expansion into nickel sulphate and other strategic ventures.
Company Guidance	Vedanta is focusing on its demerger and increased nickel sulphate production for future growth.
Strategic Goals	Vedanta aims to capitalize on the growing electric vehicle market through strategic investments in nickel sulphate production.