



Stock Idea Note - Vedanta Ltd

Company Overview

Vedanta, led by promoter Anil Agarwal, is one of India's largest natural resources companies with operations across zinc, silver, copper, ferrochrome and critical minerals. The company supplies to industries such as infrastructure, construction, automobiles, renewable energy, electronics, defence and manufacturing across both domestic and global markets. India contributes 65% of revenues, while the balance comes from international operations and exports across markets such as China, UAE, Malaysia, Korea and Japan. Zinc is primarily used for galvanising steel in buildings, bridges and automobiles. Silver demand is increasingly coming from solar panels, electronics and electrification, while copper products are supplied to cable and wire manufacturers and ferrochrome is used in stainless steel production. The core of the business is its 61% stake in Hindustan Zinc, one of the world's largest integrated zinc-lead-silver producers with over 1.2 million tonnes of annual mined metal capacity and 1 million tonnes of refined zinc capacity. Vedanta operates ~170kt copper cathode capacity along with copper rod manufacturing facilities across India and Fujairah, UAE. Internationally, the company also operates zinc mining assets in South Africa. Effective 1st May 2026, Vedanta completed a landmark demerger into five independent companies. The residual Vedanta entity now becomes a focused zinc-silver-copper-critical minerals business, while the Aluminium, Oil & Gas, Power and Iron & Steel businesses will list separately by Q1FY27. The restructuring simplifies the business, improves capital allocation flexibility and creates clearer earnings visibility going forward.

Investment Rationale

Demerger removes conglomerate discount and improves margin visibility

Vedanta historically has traded at a persistent conglomerate discount because investors buying exposure to one commodity cycle simultaneously had exposure to several unrelated businesses with different risk profiles, leverage levels and capital requirements. An investor bullish on aluminium also had to take exposure to oil & gas, power and iron ore, while investors wanting exposure to zinc and silver had to carry lower-margin businesses like copper. The demerger effective 1st May 2026 fundamentally changes this structure, with each of the five entities now operating independently with its own management, capital structure and dividend policy. The residual Vedanta entity becomes a focused zinc-silver-copper-critical minerals business anchored by Hindustan Zinc. The restructuring also improves profitability visibility and capital allocation flexibility. Earlier, Vedanta's copper business had to pay a 3% fee to the group's parent company. This worked for high-profit businesses like zinc, but weighted on low-margin business like copper. So a large part of copper profits was getting eaten away by this fee. After the demerger, the fee for the copper business has been reduced to 0.75%, which should significantly improve copper profitability going forward. Also earlier, a large part of the cash generated had to be transferred to the parent level within a fixed time period within the group level obligations. Post the demerger, this requirement has been removed, giving management more flexibility to use cash flows for dividends, expansion plans and debt reduction based on business needs. More importantly, once the four demerged entities list separately by Q1FY27, each business is expected to attract its own investor base and valuation framework, which could unlock meaningful value compared to the earlier conglomerate structure.

Elevated commodity prices and demand dynamics could drive sustained margin expansion

The setup for residual Vedanta remains favourable as silver, zinc and copper prices have already seen a strong rally and the key drivers behind this remain intact. Silver prices continue to benefit from rising demand from solar panels, electronics and electrification, while zinc prices remain supported by strong galvanising demand and limited global concentrate supply. Copper demand is also steadily rising due to transmission, renewable energy and EV-related investments. As these sectors continue to expand globally, metal realizations are expected to remain supportive over the medium term, which should directly benefit Vedanta's earnings and profitability. More importantly, Vedanta's integrated business model allows a large part of higher metal realizations to directly flow into margins and profitability. With captive mines, smelters and power assets already in place, operating leverage remains strong when commodity prices stay elevated. This was visible during FY26 where continuing operations revenue grew 47% YoY in Q4FY26, while EBITDA grew faster at 51% YoY, reflecting the strong operating leverage in the business. Margins in Vedanta's India zinc operations remained among the strongest globally, supported by integrated operations and one of the lowest production cost structures in the industry. The setup is expected to improve further as the Gamsberg mine expansion in South Africa ramps up over the next few years. The project is expected to significantly increase volumes while lowering unit costs through scale benefits. Additional zinc expansions and declining financing costs should further support margin expansion and earnings growth going forward.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	331
Target Price (INR)	387
NSE Symbol	VEDL
BSE Code	500295
Bloomberg	VEDL IN
Reuters	SESA.BO

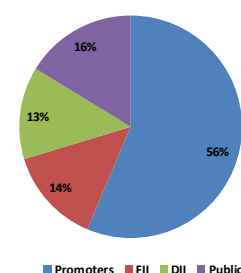
Key Data

Nifty	23,643
52WeekH/L(Rs.)	314/152
O/s Shares (Cr.)	391
Market Cap (Rs, Cr.)	1,29,453
Face Value (Rs.)	1

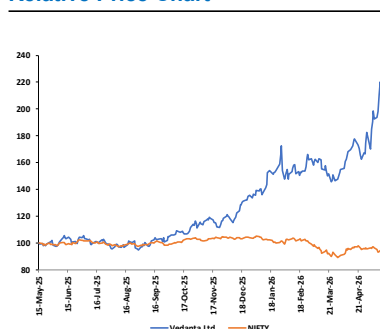
Average volume

3 months	2,57,74,162
6 months	2,12,02,400
1 year	1,52,50,890

Share Holding Pattern (%)



Relative Price Chart



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Valuation and Outlook

Vedanta's continuing operations now represent a focused zinc-silver-copper business where profitability visibility has improved materially after the demerger. Commodity prices across silver, zinc and copper are expected to remain supportive due to continued demand from electrification, renewable energy, infrastructure and EV-related investments, although the sharp rally seen during FY26 is unlikely to repeat at the same pace and therefore our revenue growth assumptions remain relatively moderate over FY27-FY29. However, earnings growth is expected to remain stronger than revenue growth as margins benefit from lower zinc production costs, improving scale efficiencies from the Gamsberg expansion in South Africa, improving copper profitability following the reduction in internal brand fees and lower financing costs. The company also benefits from integrated operations with captive mines and smelters already in place, allowing a larger part of higher metal realizations to directly flow into profitability. Strong internal cash generation should continue to support ongoing capex and gradual deleveraging without materially stretching the balance sheet. **Thus, we assign the stock a "BUY" rating. On the valuation front, we value Vedanta's continuing operations business at 9x FY27E earnings and arrive at a target price of Rs. 387, implying 17% upside from the current market price, with a 12-month investment horizon. Further reduction in the conglomerate discount following the demerger-led simplification of the business structure also supports our constructive outlook on the stock.**

Key Financials					
YE March (INR. Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	62,717	78,437	90,203	1,01,929	1,14,160
<i>Revenue Growth (Y-o-Y)</i>	-	25.1%	15.0%	13.0%	12.0%
EBITDA	18,578	23,184	28,865	33,127	37,445
<i>EBIT Growth (Y-o-Y)</i>	-	24.8%	24.5%	14.8%	13.0%
Net Profit	9,276	12,480	16,236	18,857	21,462
<i>Net Profit Growth (Y-o-Y)</i>	-	34.5%	30.1%	16.1%	13.8%
Diluted EPS	23.72	31.92	41.53	48.23	54.89
<i>Diluted EPS Growth (Y-o-Y)</i>	-	34.5%	30.1%	16.1%	13.8%
Key Ratios					
EBITDA margin (%)	29.6%	29.6%	32.0%	32.5%	32.8%
NPM (%)	14.8%	15.9%	18.0%	18.5%	18.8%
RoE (%)	17.3%	18.2%	19.1%	18.2%	19.0%
RoCE (%)	11.2%	19.2%	20.2%	19.2%	20.0%
Valuation Ratios					
P/E (x)	14.0x	10.4x	8.0x	6.9x	6.0x
EV/EBITDA (x)	10.6x	6.6x	6.5x	6.3x	6.0x
P/BV (x)	2.4x	1.9x	1.5x	1.2x	1.0x

Note: FY25 and FY26 financials represent only Vedanta's Continuing Operations post the demerger and exclude all discontinued operations/businesses. Similarly, FY27E-FY29E projections are also based solely on the Continuing Operations business of Vedanta.

Source: Company Reports, BP Equities Research



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Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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