

### From Research Desk

- *Fundamentals*
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What we have given on 20th June'17

Stock	Industry	Recommendation	CMP	Target	Stop loss	
VEDL	MINING & MINERALS	Buy above 240	240	310	210	Target Achieved

Now what we expect?... Rally likely to continue

Stock	Industry	Recommendation	CMP	Target	Stop loss	Time Horizon
VEDL	MINING & MINERALS	Fresh buy above 320 ( Holding long from 240)	306	500	240	3-6 month

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## Vedanta Recommendation: Carry

Vedanta Resources plc. is a global diversified metals and mining company with its headquarters in London, United Kingdom. It is the largest mining and non-ferrous metals company in India and has mining operations in Australia and Zambia and oil and gas operations in three countries.

Its main products are copper, zinc, aluminium, lead, iron ore and petroleum. It is also developing commercial power stations in India in Odisha (2,400 MW) and Punjab (1,980 MW). The company is principally owned by Indian billionaire Anil Agarwal through Volcan Investments, a holding vehicle with a 61.7% stake in the business.

Vedanta is listed on the London Stock Exchange and is a constituent of the FTSE 250 Index.

Stock Info	
BSE Code	500295
NSE Code	VEDL
CMP	306
Face Value	1.0
Market Cap(Cr.)	113,244.32
Beta	1.31
Book Value	106.76
EPS	22.53
PE Ratio	10.12
52 Week High	310
52 Week Low	157.90

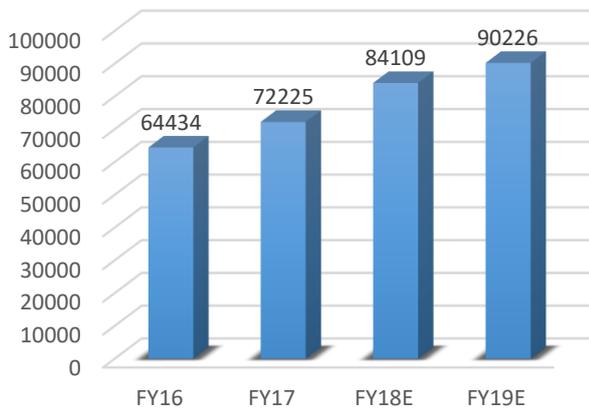
### Results

- Vedanta reported a subdued set of Q1FY18 numbers wherein EBITDA and PAT were below our estimates
- Gross income from operations were at 19342 crore. After adjusting for excise duty, net operating income was at 18285 crore (up 26.7% YoY, down 18.8% QoQ, estimate: 18648 crore)
- EBITDA came in at 4874 crore (up 39% YoY, down 33.7% QoQ), lower than estimate of 5603 crore.
- Resultant EBITDA margin came in at 26.7% below estimate of 30.1% (Q4FY17: 32.5% and Q1FY17: 24.7%).
- EBITDA during the quarter was impacted by lower than-expected performance from Hindustan Zinc and operational outages at aluminium [Vedanta Aluminium (VAL)] and power operations [Talwandi Sabo Power (TSPL)]
- PAT came in at 1525 crore (up 124% YoY, down 48.7% QoQ)

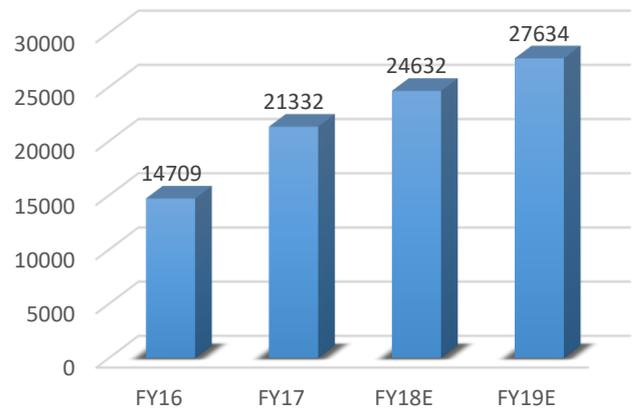
Share Holding Pattern (%)		
Category	No. of shares	Percentage
Promoters	251,696	0.01
Foreign Institutions	483,135,141	16.30
Foreign Promoters	1,863,458,132	62.85
General Public	158,664,704	5.35
Financial Institutions	140,999,366	4.76
Others	246,511,068	8.31
NBFC and Mutual Funds	67,689,876	2.28

Peer Comparison				
Name	Cmp	Market Cap	Sales Turnover	Net Profit
Coal India	241.80	150,095.15	289.88	14,500.53
Vedanta	305.55	113,578.87	36,663.26	11,068.70
NMDC	126.50	35,767.78	8,828.14	2589.14
Guj Mineral	140.30	4,941.72	1,536.55	324.33
Moil	362	4,471.78	989.84	305.83

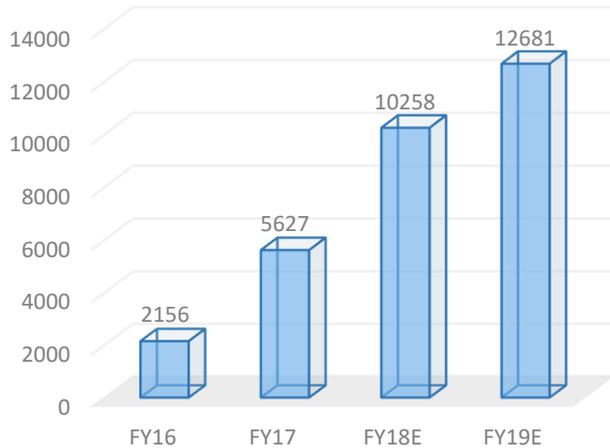
### Net sales



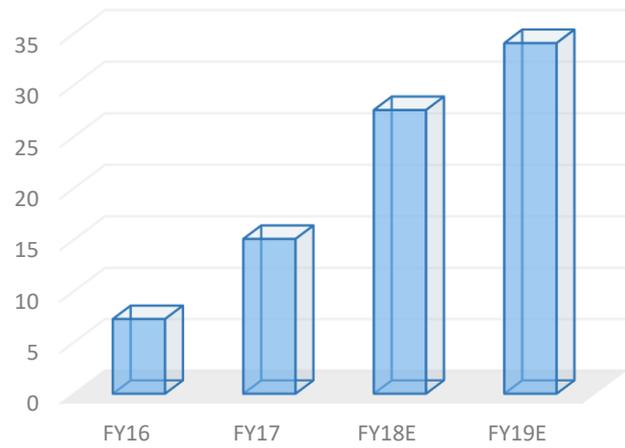
### EBITDA ( Crore)



### Adj Net Profit (Attrib)



### Adj EPS (|)



## **Investment Rationale**

- The increase in integrated zinc-lead production was in line with availability of mined metal, supported by smelter efficiencies. The integrated silver production increased primarily due to higher grade and volume from Sindesar Khurd Mine.
- The company has maintained the volume guidance for FY18 of ~950 KT (refined zinc-lead production) and 500 MT silver production. The dollar CoP (excluding royalty) in FY18 is expected to be marginally higher compared to FY17 based on current levels of coal and input commodity prices. For FY18, the management indicated that the tax rate is expected to be slightly higher than MAT.
- Rajasthan production is expected at 165 kboepd with further potential upside from growth projects.
- For FY18, net capex estimate is US\$250 million - 90% for development including EOR, tight oil and tight gas projects.

### **Gamsberg project**

- *The company has made significant progress at the 250 KT Gamsberg project. It is on target for first production by mid CY18 and on budget for a capex target of US\$400 million. The critical milestone of completion of the North Access Ramp has been achieved while northpit pre-stripping has been fully ramped up. With major contractors mobilised, site activities including civil, power lines and water lines are in full swing. Waste pre-stripping is progressing as per plan. The first phase is expected to have a mine life of 13 years.*

### **Other Highlights**

- *The company achieved a cumulative cost and marketing savings of US\$856 million over the last nine quarters*
- *The company is benefiting from competitively priced capital market instruments. The bank term loan interest has reduced 80-100 bps*
- *As of June 30 2017, cash & liquid investments are at US\$7.5 billion with undrawn committed lines of US\$1.1 billion*
- *The company awaits the final approval of Sebi for listing of the redeemable preference share*

### **Key takeaways from annual report**

- *Vedanta in its investment case explained its capital allocation plan, which is underpinned by world class assets and operational excellence to deliver strong, stable and long life cash flows.*
- *The company highlights its investment in growth oriented projects is nearing completion and will result in an even improved cash flow generation in years to come. The management as well as the board has emphasised that shareholder returns is the clear focus area.*
- *The company's cost saving programme, which is currently underway, has already achieved a cumulative savings of US\$712 million in the last two years and is progressing ahead of its original plan to achieve cost savings of US\$1.3 billion by H1FY19.*
- *The company operations remain fundamentally strong and generate superior free cash flows. The strong cost optimisation programme has also begun to yield result. Further, the consistent focus on deleveraging the balance sheet has led to reduction in gross debt and a net debt/EBITDA level of 0.4x (lowest/strongest among the Indian and global peer). Crisil upgraded the credit rating to Crisil AA/Stable, which underlines the focus on building a strong balance sheet.*
- *With its FY17 results, the company announced a dividend policy of 30% of attributable PAT (ex-Hindustan Zinc PAT) and a pass through of HZL's regular dividend. The dividend outlay during FY17 was at 21000 crore (comprising 7000 crore from Vedanta and 14000 crore by Hindustan Zinc).*
- *Vedanta contributed nearly 40000 crore in FY17 to the country's exchequer.*

## Technical Aspect



### **Past review analysis:**

In our previous research report, we strictly advise the traders to not initiate aggressive selling in VEDL as we have seen continuous consolidating in prices from at the beginning of third quarter. We have clearly mentioned for the traders to avoid short position at lower level and can make long position above 240, with stop loss below 210 on closing basis for upside target 310+++ mark.

Look what happen to it...skyrocketed and made a high of exact 310 which is also a 52 weeks high and gain of more than 70 points in just a month.

### **Now what we expect?**

- On weekly chart VEDL is forming inverse head & shoulder while RSI and MACD showing positive divergence which indicated upside momentum certain in it.
- VEDL is finding support at 240 and resistance above 320. On Weekly chart, VEDL is forming inverse head & shoulder having breakout point above 320.
- Two consecutive close or weekly close above 320 will see nonstop rally in VEDL till 500++ in a week to come.
- Daily 14 period RSI has turned up from near levels. As per the bullish high low theory of 40-70 levels, the daily RSI is expected to move up to 70-75 levels from the current reading of 67. This could mean Continuation of upside momentum in the stock price ahead possibly a breakout also this time.
- Traders don't go for aggressive or positional selling at all because trend looks positive and we expect rally to remain continue till 500+++mark in coming weeks. For positional trade, stop loss seeing below 240 on closing basis which is unlikely to breach in near terms.

**Recommendation:**

**Fresh Buy Vedanta (as holding long from 240 level) above 320 for the initial upside target of 500++ mark with stop loss below 240 on closing basis.**

**Disclaimer**

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