CMP: ₹ 545 Target: ₹ 650 (19%) Target Period: 6 - 12 months **BUY**

December 15, 2025

Firm non-ferrous prices to lift earnings prospects...

About the stock: Vedanta Ltd (VEDL), a subsidiary of Vedanta Resources, is diversified natural resources conglomerate with presence across aluminium, zinc-lead-silver, oil and gas, power, iron ore, steel, ferroalloys, and copper.

- Operating India's largest primary aluminum metal capacity ~2.8 MTPA. Also enjoys leadership position in zinc and lead domains with mined metal capacity of ~1.2 MTPA and 4th largest silver producer globally.

Investment Rationale

- **Robust non-ferrous prices to support performance ahead:** Non-ferrous metals namely Aluminium and Zinc have showed tremendous strength in the recent past and are up ~7% and 13% respectively on QoQ basis for Oct-Dec'25 period. This is amidst their structural demand drivers as well as supply-led disruptions. Aluminium as per industry reports is expected to remain deficit in 2026 as well which shall further drive its prices higher. Meanwhile, ongoing supply constraints could sustain higher silver prices in 2026. Vedanta given its size as well as incremental capacities coming on stream in near to medium term is best placed to play upon this rising non-ferrous metal prices. Its subsidiary Hindustan Zinc will benefit from rising silver prices (up 32% QoQ) given it is India's largest silver producer with ~800 MT of refining capacity. Notably, higher silver prices directly enhance profitability, as silver is a by-product with minimal processing cost, thereby supporting earnings for both Hindustan Zinc and Vedanta Ltd.

- **Aluminium- Capacities expansion and value-added products to drive growth:** VEDL is on the path of capacity expansion at its aluminium division with recent commissioning of 435 KTPA smelting capacity at BALCO. Moreover, debottlenecking at Jharsuguda, will lift total smelting capacity to ~3.1 MTPA by FY28E. Commissioning of 1.5 MTPA Lanjigarh alumina refinery enhances captive integration and lowers alumina costs, amidst its overall aim to augment alumina capacity to 6 MTPA, backed by bauxite and coal mines. Additionally, a sharper focus on value-added products, is expected to drive premium realisations. With this, aluminium revenue at VEDL are expected to grow at 12% CAGR over FY25-27E, with EBITDA/tonne rising to ~$1,283 by FY27E (vs ~$870 in FY25).

- **Healthy Cash flow generation & controlled leverage of B/S:** VEDL has generated strong cash flows (CFO >₹30,000 crore since FY22), enabling deleveraging, with Net Debt/EBITDA improving to 1.37x as of Sep'25 and targeted at ~1x by FY27, supported by healthy organic growth. Despite historically high dividend payouts, robust FCFF generation is expected to sustain a forward dividend yield of ~6%. With well charted growth trajectory at its other verticals namely Zinc India, Power & Steel, etc., we expect EBITDA at VEDL to grow at a CAGR of 25% over FY25-27E.

Rating and Target Price

- We remain positive on Vedanta given the robust non-ferrous prices, strategic expansion at aluminium and zinc India, controlled leverage on B/S, return ratios >20%, attractive dividend yield of ~6%. We retained our **BUY rating** on Vedanta with SOTP based revised target price of **₹650**.

vedanta transforming for good

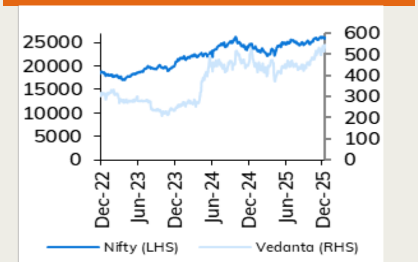
Particulars

Particulars	₹ crore
Market capitalisation	2,13,095
Total Debt (FY25)	73,853
Cash & Investment (FY25)	20,749
EV (₹ crore)	2,66,199
52 week H/L (₹)	546 / 362
Equity capital (₹ crore)	391
Face value (₹)	1

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	56.4	56.4	56.4	56.4
FII	12.0	11.2	10.6	11.1
DII	15.5	16.4	16.5	16.3
Other	16.1	16.1	16.6	16.3

Price Chart



Recent event & key risk

- **Sharp rise in non-ferrous metal prices. LME Aluminium prices touched 3 years high, while LME Silver prices at multi year highs.**
- **Key Risk:** (i) a sharp decline in LME aluminium, Zinc and silver prices and its impact on earnings (ii) delay in commissioning of new capacities impacting near term volume targets.

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Key Financial Summary

Key Financials ₹ crore	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Total Op. Income	88,021	1,32,732	1,47,308	1,43,727	1,52,968	12.9%	1,73,227	1,97,599	13.7%
EBITDA	27,318	44,824	34,422	35,198	42,343	15.4%	54,059	66,492	25.3%
EBITDA Margins (%)	31.0	33.8	23.4	24.5	27.7		31.2	33.7	
Net Profit	11,602	18,802	10,574	4,239	14,988	NA	17,217	25,588	30.7%
EPS (₹/share)	31.2	50.5	28.4	11.4	38.3		44.0	65.4	
P/E	17.5	10.8	19.2	47.8	14.2		12.4	8.3	
RoNW (%)	19.6	29.6	27.2	10.4	32.9		40.1	45.2	
RoCE (%)	13.8	24.5	18.7	18.8	21.2		26.7	32.5	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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