VEDANTA

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NUVAMA FLASH

Entering into unrelated business

Vedanta (VEDL) has emerged as the highest bidder to acquire Jaiprakash Associates' assets under NCLT by agreeing to pay INR170bn. We note that the deal is not yet final as the committee of creditors is likely to take around two months to finalise the resolution plan.

Assuming it goes in VEDL's favour, NCLT approval is needed, which could take 8–10 more months before upfront amount of ~INR40bn needs to be paid. We believe VEDL's focus will stay on core businesses (power) and it is likely to monetise other assets in due course. Getting into unrelated businesses at this point of time when priority should be deleveraging is a cause of concern. We await finalisation of resolution plan to account for it in our estimates; retain 'BUY'.

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	446
12 month price target (INR)	601
52 Week High/Low	527/362
Market cap (INR bn/USD bn)	1,742/19.7
Free float (%)	49.9
Avg. daily value traded (INR mn)	3,878.2

SHAREHOLDING PATTERN

	Sep-24	Jun-24	Mar-24
Promoter	56.38%	56.38%	56.38%
FII	11.15%	12.02%	11.45%
DII	16.33%	15.45%	16.35%
Pledge	99.99%	99.99%	99.99%

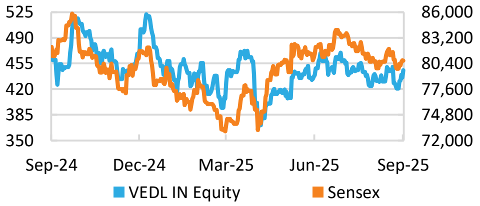
FINANCIALS (INR bn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	1,437.3	1,529.7	1,618.7	1,744.7
EBITDA	352.0	423.4	533.3	609.6
Adjusted profit	42.4	149.9	181.0	230.1
Diluted EPS (INR)	11.4	38.3	46.3	58.8
EPS growth (%)	(59.9)	236.4	20.7	27.1
RoAE (%)	4.1	36.5	41.4	44.8
P/E (x)	37.3	11.1	9.2	7.2
EV/EBITDA (x)	6.7	5.6	4.3	3.6
Dividend yield (%)	11.8	10.1	5.9	5.9

CHANGE IN ESTIMATES

(INR bn)	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	1,618.7	1,744.7	0.0	0.0
EBITDA	533.3	609.6	0.0	0.0
Adjusted profit	181.0	230.1	0.0	0.0
Diluted EPS (INR)	46.3	58.8	0.0	0.0

PRICE PERFORMANCE



Highest bidder to acquire Jaipraksh Associates' portfolio of assets

VEDL has emerged as the highest bidder to acquire Jaiprakash Associates' (JAL) assets under NCLT by agreeing to pay INR170bn. We note that the deal is not yet final as the committee of creditors is likely to take around two months to finalise the resolution plan. Assuming VEDL wins, it needs to pay ~INR40bn upfront (post-receiving NCLT's approval, which can take another eight–ten months after plan finalisation) and the remainder within five years from that juncture. This asset shall be housed under VEDL (assuming demerger happens before NCLT approval). We understand the company will disclose its plan of action related to this acquisition once the committee of creditors finalises the resolution plan, likely in two months.

VEDL likely to focus on core assets; rest can be monetised

JAL's asset portfolio mainly comprises ~4,000 acres of land at Delhi-NCR, 2,200MW thermal power (under Jaiprakash Power in which JAL has a 24% stake), ~10mtpa cement plant, 0.72mtpa urea plant, five hotels and EPC businesses. We understand VEDL is likely to focus on power plant (synergy with existing business) while rest can be monetised in due course. Though asset value is likely to exceed INR170bn, it needs to be developed before monetising, which may take 1–2 more years post-acquisition. Also, we understand the bid is unconditional. Hence, if any liability (ongoing litigation with Yamuna Expressway Industrial Development Authority on past unpaid dues) arises, it will be borne by VEDL. We believe VEDL will be able to fund the acquisition, but are unconvinced by rationale to acquire the group of assets.

Not good strategy to acquire this asset; VEDL's valuation to suffer

We consider this event negative for minority shareholders even if the assets prove to be lucrative in future in case they get monetised. Getting into unrelated businesses at this point of time when the priority should be deleveraging is a cause for concern. In the demerged entity, it will house this asset under Vedanta Limited only where funding the entire INR170bn will be difficult. However, we believe that the company can monetise some of the assets quickly, which could aid the balance sheet in not getting bloated. Despite this, culmination of the transaction is likely to restrict any re-rating of the stock amid improved fundamentals of existing operation.

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