



FINANCE REVIEW



Executive summary:

We had a strong operational and financial performance in FY 2023 amidst the challenges faced due to macroeconomic uncertainty. The Company continues to focus on controllable factors such as resetting cost base through diverse cost optimisation initiatives, disciplined capital investments, working capital initiatives, marketing initiatives & volume with strong control measures to ensure safe operations across businesses within framed government and corporate guidelines.

In FY 2023, we recorded an EBITDA of ₹35,241 crore, 22% lower YoY with strong double digit adjusted EBITDA margin¹ of 28%. (FY 2022: ₹45,319 crore, margin 39%). This was mainly due to slip in commodity prices at Aluminium, Lead and Silver and headwind in input commodity prices, partially offset by rupee depreciation, improved sales volume at zinc, aluminium and copper coupled with strategic hedging gains.

Higher sales volumes resulted in increase in EBITDA by ₹641 crore, driven by higher volumes at zinc, aluminium and copper partially offset by reduced sales volume at Oil & Gas and Iron & Steel.

Market factors resulted in decrease in EBITDA by ₹9,512 crore. This was primarily driven by input commodity inflation, decrease in the commodity prices, partly offset by rupee depreciation

Gross debt as on 31 March 2023 was ₹66,182 crore, increase of ₹13,073 crore since 31 March 2022. This was mainly due to the increase of debt at VEDL Standalone and temporary debt at HZL partially offset by reduction of debt at TSPL & ESL and receipt of inter-company loan from VRL.

Net debt as on 31 March 2023 was ₹45,260 crore, increased by ₹24,281 crore since 31 March 2022 (FY 2022: ₹20,979 crore), mainly due to dividend payment and capex outflow partially offset by cash flow from operations and working capital release.

The balance sheet of Vedanta Limited continues to remain strong with cash & cash equivalents, of ₹20,922 crore and Net Debt to EBITDA ratio at 1.3x well within the approved capital allocation framework (FY 2022: 0.5x)

¹ Excludes custom smelting at copper business.

Consolidated EBITDA

EBITDA decreased by 22% in FY 2023 to ₹35,241 crore.

(₹ crore, unless stated)			
Consolidated EBITDA	FY 2023	FY 2022	% change
Zinc	19,408	17,695	10%
- India	17,474	16,161	8%
- International	1,934	1,533	26%
Oil & Gas	7,782	5,992	30%
Aluminium	5,837	17,337	(66%)
Power	851	1,082	(21%)
Iron Ore	988	2,280	(57%)
Steel	316	701	(55%)
Copper	(4)	(115)	-
FACOR	149	325	(54%)
Others	(86)	23	-
Total EBITDA	35,241	45,319	(22%)

Consolidated EBITDA bridge:

(₹ crore, unless stated)	
Consolidated EBITDA	% change
EBITDA for FY 2022	45,319
Market and regulatory: (9,512)	
a) Prices, premium/discount	(4,573)
b) Direct raw material inflation	(9,984)
c) Foreign exchange movement	5,296
d) Regulatory changes	(251)
Operational: (1,977)	
e) Volume	641
f) Cost and marketing	(2,618)
Others	1,411
EBITDA for FY 2023	35,241

a) Prices, premium/discount

Commodity price fluctuations have a significant impact on the Group's business. During FY 2023, we saw a net negative impact of ₹4,573 crore on EBITDA due to slip in commodity prices.

Zinc, lead and silver. Average zinc LME prices during FY 2023 increased to US\$3,319 per tonne, up 2% YoY; lead LME prices decreased to US\$2,101 per tonne, down 8% YoY; and silver prices decreased to US\$21.4 per ounce, down 13% YoY. The cumulative impact of these price fluctuations decreased EBITDA by ₹387 crore.

TC/RC in Zinc International Business during FY 2023 increased to US\$245/dmt up 148% YoY, decreased EBITDA by ₹645 crore.



Aluminium: Average aluminium LME prices decreased to US\$2,481 per tonne in FY 2023, down 11% YoY, this had a negative impact of ₹5,732 crore on EBITDA.

Oil & Gas: The average Brent price for the year was US\$96 per barrel, up 18% YoY. This had positive impact on EBITDA by ₹1,183 crore.

Iron & Steel: Higher realisations positively impacted EBITDA at ESL by ₹771 crore.

b) Direct raw material inflation

Prices of key raw materials such as imported alumina, thermal coal, carbon and coking coal have increased in FY 2023, negatively impacting EBITDA by ₹9,984 crore, primarily at Aluminium, Zinc and Iron & Steel business.

c) Foreign exchange fluctuation

Rupee depreciated against the US dollar during FY 2023. Stronger dollar is favourable to the Group's EBITDA, given the local cost base and predominantly US dollar-linked pricing. The favourable currency movements positively impacted EBITDA by ₹5,296 crore.

Key exchange rates against the US dollar.

	Average year ended 31 March 2023	Average year ended 31 March 2022	% change	As at 31 March 2023	As at 31 March 2022
Indian rupee	80.27	74.46	7.8%	82.16	75.59

d) Regulatory

During FY 2023, changes in regulatory levies such as Renewable Power Obligation etc. had a cumulative negative impact on the Group EBITDA of ₹251 crore.

e) Volumes

Higher volume led to increase in EBITDA by ₹641 crore by following businesses:

HZL (positive ₹1,153 crore): In FY 2023, HZL achieved metal sales of 1,032 kt, up 7% YoY and silver sales of 714 tonnes up 10% YoY

ZI (positive ₹385 crore): In FY 2023, ZI achieved MIC sales of 273 kt, up 22% YoY

Aluminium (positive ₹141 crore)

Partly offset by:

Cairn (negative ₹761 crore) and Iron and Steel (negative ₹333 crore)

f) Cost and marketing (-₹2,618 crore)

Higher costs resulted in decrease in EBITDA by ₹3,167 crore over FY 2023, primarily due to increased cost, partially offset by higher premia realisations at Aluminium business.

g) Others

This primarily includes the impact of strategic hedging gains, partially offset by inventory adjustments during the year.

Income statement

(₹ crore, unless stated)			
Particulars	FY 2023	FY 2022	% Change
Net Sales/Income from Operations	1,45,404	1,31,192	11%
Other Operating Income	1,904	1,541	24%
EBITDA	35,241	45,319	(22%)
EBITDA margin ¹ (%)	28%	39%	-
Finance Cost	6,225	4,797	30%
Investment Income	2,851	2,341	22%
Exchange Gain/(Loss)	(492)	(235)	-
Exploration Cost Written off	(327)	-	-
Profit before Depreciation and Taxes	31,048	42,627	(27%)
Depreciation and Amortisation	10,555	8,895	19%
Profit before Exceptional items	20,493	33,732	(39%)
Exceptional items ² : credit/(expense)	(217)	(768)	-
Taxes ³	5,770	9,255	(38%)
Profit after taxes	14,506	23,710	(39%)
Profit after taxes (before Exceptional Items)	14,449	24,299	(41%)
Minority interest	3,929	4,908	(20%)
Attributable PAT (after exceptional items)	10,574	18,802	(44%)
Attributable PAT (before exceptional items)	10,521	19,279	(45%)
Basic earnings per share (₹/share)	28.50	50.73	(44%)
Basic EPS before exceptional items (₹/share)	28.36	52.02	(45%)
Exchange Rate (₹/US\$) – Average	80.27	74.46	8%
Exchange Rate (₹/US\$) – Closing	82.16	75.59	9%

1. Excludes custom smelting at Copper business

2. Exceptional Items gross of tax

3. Tax includes tax benefit on exceptional items of ₹274 crore in FY 2023 (FY 2022: tax benefit of ₹178 crore)

4. Previous period figures have been regrouped/rearranged wherever necessary to conform to current period presentation

Revenue

Reported record revenue for the year was ₹1,45,404 crore, higher 11% YoY. This was primarily driven by higher volumes at copper, zinc and aluminium, strategic hedging gains and rupee depreciation, partially offset by slip in commodity prices majorly of aluminium, copper, lead, and silver.

EBITDA and EBITDA Margin

Second highest EBITDA for the year was ₹35,241 crore, 22% lower YoY. This was mainly due to slip in commodity prices at Aluminium, Lead and Silver and headwind in input commodity prices, partially offset by rupee depreciation, improved sales volume at zinc, aluminium, and copper coupled with strategic hedging gains.

We maintained a strong double digit adjusted EBITDA margin of 28% for the year (FY 2022: 39%)

Depreciation and Amortisations

Depreciation for the year was ₹10,555 crore compared to ₹8,895 crore in FY 2022, higher by 19%, due to increase in ore production at Zinc India and higher depletion charge at Oil & Gas business.

Net Interest

The blended cost of borrowings was 7.8% for FY 2023 compared to 7.9% in FY 2022.

Finance cost for FY 2023 was ₹6,225 crore, 30% higher compared to ₹4,797 crore in FY 2022 mainly on account of increase in average borrowings.

Investment income for FY 2023 stood at ₹2,852 crore, 22% higher compared to ₹2,341 crore in FY 2022. This was mainly due to interest received on income tax refund, mark-to-market movement and change in investment mix.

Exceptional Items

The exceptional items for FY 2023 were at ₹(217) crore, mainly on account of SAED partly offset by impairment reversal in ESL & WCL.

[for more information, refer note [36] set out in P&L notes of the financial statement on exceptional items].

Taxation

Tax expense for FY 2023 stood at ₹5,770 crore (FY 2022: ₹9,255 crore). The normalised ETR is 30% as compared to 28% in FY 2022 due to change in profit mix.

Attributable profit after tax (before exceptional items)

Attributable PAT before exceptional items was ₹10,521 crore in FY 2023 compared to ₹19,279 in FY 2022.

Earnings per share

Earnings per share before exceptional items for FY 2023 were ₹28.36 per share as compared to ₹52.02 per share in FY 2022.

Dividend

Board has declared total dividend of ₹101.5 per share during the year.

Shareholders' Fund

Total shareholders fund as on 31 March 2023 aggregated to ₹39,423 crore as compared to ₹65,383 crore as of 31 March 2022. This was primarily net profit attributable to equity holders earned during the year partially offset by dividend paid during the year.

Net Fixed Assets

The net fixed assets as on 31 March 2023 were ₹1,15,273 crore. This comprises ₹17,434 crore as capital work-in-progress.

Balance Sheet

Our financial position remains strong with cash and liquid investments of ₹20,922 crore.

The Company follows a Board-approved investment policy and invests in high quality debt instruments with mutual funds, bonds and fixed deposits with banks. The portfolio is rated by CRISIL which has assigned a rating of "Tier I" (meaning highest safety) to our portfolio.

Gross debt as on 31 March 2023 was ₹66,182 crore, an increase of ₹13,073 crore since 31 March 2022. This was mainly due to the increase of debt at VEDL standalone and temporary debt at HZL partially offset by reduction of debt at TSPL & ESL and receipt of inter-company loan from VRL.

Gross Debt comprises term debt of c.₹54,543 crore, working capital loan of c.₹2,733 crore and short-term borrowing of c.₹8,906 crore. The loan in ₹ currency is 90% and balance 10% in foreign currency. Average debt maturity of term debt is ~c. 3.4 years as of 31 March 2023.

CRISIL and India Ratings at AA with negative outlook.



Key FY 2023 outcomes

Revenue

₹1,45,404 crore

11% YoY ↑

EBITDA

₹35,241 crore

22% YoY ↓

EBITDA margin¹

28%

Gross debt

₹66,182 crore

Net debt

₹45,260 crore

Cash and cash equivalents

₹20,922 crore

ROCE

~ 21%

PAT (before exceptional and
one-time gain)

₹14,449 crore

41% YoY ↓

Free cash flow (FCF)
post-capex

₹18,077 crore

Contribution to the
exchequer

~₹73,486 crore

Historic dividend

₹101.5 per share

Net Debt/EBITDA

1.3x

Note 1: excluding custom smelting at Copper Business

