

|                 |   |
|-----------------|---|
| Estimate change | ↑ |
| TP change       | ↑ |
| Rating change   | ↔ |

| Bloomberg             | VEDL IN       |
|-----------------------|---------------|
| Equity Shares (m)     | 3910          |
| M.Cap.(INRb)/(USDb)   | 2996.7 / 32.6 |
| 52-Week Range (INR)   | 770 / 362     |
| 1, 6, 12 Rel. Per (%) | 31/72/68      |
| 12M Avg Val (INR M)   | 5368          |
| Free float (%)        | 43.6          |

#### Financials & Valuations (INR b)

| Y/E March         | 2026E | 2027E | 2028E |
|-------------------|-------|-------|-------|
| Sales             | 1,735 | 1,861 | 1,993 |
| EBITDA            | 529.2 | 599.3 | 643.9 |
| EBITDA margin     | 30.5  | 32.2  | 32.3  |
| APAT              | 226.2 | 226.3 | 254.4 |
| Adj. EPS (INR)    | 57.8  | 57.9  | 65.1  |
| EPS Gr (%)        | 66.4  | 0.0   | 12.4  |
| BV/Sh. (INR)      | 137.4 | 173.9 | 217.5 |
| <b>Ratios</b>     |       |       |       |
| Net D:E           | 0.8   | 0.4   | 0.1   |
| RoE (%)           | 47.6  | 37.2  | 33.2  |
| RoCE (%)          | 30.6  | 31.4  | 30.4  |
| Payout (%)        | 37.0  | 37.0  | 32.9  |
| <b>Valuations</b> |       |       |       |
| P/E (x)           | 13.3  | 13.3  | 11.8  |
| P/BV              | 5.6   | 4.4   | 3.5   |
| EV/EBITDA (x)     | 8.3   | 7.1   | 6.4   |
| Div. Yield (%)    | 2.8   | 2.8   | 2.8   |
| FCF Yield (%)     | 7.6   | 9.9   | 11.3  |

#### Shareholding Pattern (%)

| As On    | Dec-25 | Sep-25 | Dec-24 |
|----------|--------|--------|--------|
| Promoter | 56.4   | 56.4   | 56.4   |
| DII      | 15.4   | 16.3   | 15.6   |
| FII      | 12.2   | 11.2   | 12.1   |
| Others   | 16.0   | 16.1   | 15.9   |

FII includes depository receipts

**CMP: INR766**

**TP: INR810 (+6%)**

**Neutral**

**In-line earnings supported by favorable prices and better volume; strong near-term outlook**

#### Consolidated result highlights

- Vedanta Limited (VEDL) reported a consolidated revenue of INR467b (+19% YoY and +17% QoQ) against our est. of INR435b, driven by higher LME, better volume, and forex gains in 3QFY26.
- Consolidated EBITDA stood at INR152b (+37% YoY and +33% QoQ), against our est. of INR143b, driven by lower costs and favorable LME. EBITDA margin for 3QFY26 stood at 32.5% compared to 28.6% in 2QFY26 and 28.4% in 3QFY25.
- APAT for the quarter stood at INR79.7b (+125% YoY) vs our est. of INR56.7b.
- In 9MFY26, revenue stood at INR1,243b (+11% YoY), whereas EBITDA was INR365b (+18% YoY) and APAT rose 44% YoY to INR145b.
- Net debt stood at INR606b as of Dec'25, translating to net debt/EBITDA of 1.23x in 3QFY26 vs 1.40x in 3QFY25.

#### Segmental result highlights

##### Aluminum:

- VEDL produced 620kt of aluminum, registering a growth of 1% YoY and flat QoQ, whereas the alumina production from Lanjigarh refinery grew 57% YoY and 22% QoQ to 794kt in 3QFY26.
- As expected, revenue came in line at INR169b (+10% YoY and +8% QoQ), whereas EBITDA grew 55% YoY and 27% QoQ to INR70b vs our est. of INR71.5b in 3QFY26.
- Aluminum's cost of production (CoP) stood at USD1,674/t, down 11% YoY and 8% QoQ during the quarter.

##### Zinc India (HZL):

- During 3QFY26, revenue stood at INR110b (+28% YoY and QoQ), which was 10% above our estimates. The growth was driven by favorable commodity prices and volume recovery.
- EBITDA came at INR61b (+35% YoY and +36% QoQ) against our estimate of INR54b during the quarter. EBITDA margin stood at 55.1% in 3QFY26 vs 52% in 2QFY26 and 52.2% in 3QFY25. The increase was primarily led by favorable metal prices and the lower cost of production.
- Zinc CoP (ex-royalty) stood at USD940/t in 3Q (-10% YoY and -5% QoQ), led by lower power cost, increased by-product NSR, and better volume output offsetting the higher mine development cost.
- APAT stood at INR39b (+46% YoY and +48% QoQ) vs our est. of INR34b.
- Mined metal for the quarter stood at 276kt (+4% YoY and +7% QoQ), driven by higher ore production.

- Refined metal production stood at 270kt (+4% YoY and +9% QoQ) in 3QFY26, driven by the commissioning of Chanderiya & Dariba debottlenecking projects, along with a ramp-up of 160ktpa roaster at Debari.
- Refined zinc production was 221kt (+8% YoY and +10% QoQ), while refined lead production stood at 49kt (-11% YoY and +9% QoQ) due to lower pyro plant availability. Salable silver production declined 1% YoY and increased 10% QoQ to 158kt, in line with lead production.

#### **Zinc International:**

- Mined metal production rose 28% YoY and flat QoQ to 59kt, driven by higher milled tons and better lead grades.
- Revenue stood at INR13b (+24% YoY and +5% QoQ), whereas EBITDA came at INR4.2b (+17% YoY and +11% QoQ), led by better volume and favorable prices. CoP grew 38% YoY and 11% QoQ to USD1,632/t in 3QFY26.

#### **Copper:**

- Copper cathodes production stood at 45kt, flat YoY and 12% QoQ in 3QFY26.
- Revenue stood at INR86b (+49% YoY and +31% QoQ), led by favorable LME, while reported EBITDA loss was INR160m in 3QFY26, against the loss of INR130m in 2QFY26.

#### **Iron Ore:**

- Iron ore sales stood at 1.3mt, down 19% YoY (+86% QoQ), and Pig iron sales rose 9% YoY (-11% QoQ) to 230kt in 3QFY26.
- Revenue stood at INR19.5b (+5% YoY and +35% QoQ), while EBITDA came at INR2.8b, down 24% YoY (+163% QoQ), during the quarter.

#### **Valuation and view**

- VEDL's 3QFY26 operational performance came largely as expected, supported by better volumes and favorable LME prices. We increase our FY26 revenue, EBITDA, and PAT estimates by 4%, 3%, and 22%, factoring in the strong earnings in 3QFY26. We also increase our FY27/28 EBITDA estimate by 5%, led by a stronger near-term outlook.
- Capex plans are progressing well and will likely lead to further cost savings. Management targets to maintain strong growth in earnings, led by the upcoming capacity, which will produce higher VAP products. VEDL remains firm on its deleveraging plans, and going forward, higher cash flows will support both its expansion plans and deleveraging efforts.
- **The stock currently trades at 7x EV/EBITDA and 4.4x P/BV on the FY27 estimate. We reiterate our Neutral rating on the stock with a SoTP-based TP of INR810.**

**Quarterly performance – VEDL Consolidated (INR b)**

| Y/E March                      | FY25         |              |              |              | FY26         |              |              |              | FY25           | FY26E          | FY26         | Vs.<br>3QE<br>Est.% |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|--------------|---------------------|
|                                | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4QE          |                |                |              |                     |
| <b>Net Sales</b>               | <b>357.6</b> | <b>376.3</b> | <b>391.2</b> | <b>404.6</b> | <b>378.2</b> | <b>398.7</b> | <b>466.5</b> | <b>491.8</b> | <b>1,529.7</b> | <b>1,735.2</b> | <b>434.6</b> | <b>7.3</b>          |
| Change (YoY %)                 | 6.0          | 10.1         | 10.1         | 13.9         | 5.8          | 5.9          | 19.3         | 21.6         | 10.1           | 13.4           |              |                     |
| Change (QoQ %)                 | 0.7          | 5.2          | 3.9          | 3.4          | (6.5)        | 5.4          | 17.0         | 5.4          |                |                |              |                     |
| <b>EBITDA</b>                  | <b>99.5</b>  | <b>98.3</b>  | <b>111.0</b> | <b>114.7</b> | <b>99.2</b>  | <b>114.0</b> | <b>151.7</b> | <b>164.4</b> | <b>423.4</b>   | <b>529.2</b>   | <b>143.2</b> | <b>6.0</b>          |
| Change (YoY %)                 | 54.9         | 46.3         | 30.2         | 30.8         | (0.3)        | 16.0         | 36.6         | 43.4         | 39.1           | 25.0           |              |                     |
| Change (QoQ %)                 | 13.4         | (1.2)        | 13.0         | 3.3          | (13.5)       | 14.9         | 33.1         | 8.4          |                |                |              |                     |
| As % of Net Sales              | 27.8         | 26.1         | 28.4         | 28.3         | 26.2         | 28.6         | 32.5         | 33.4         | 27.7           | 30.5           | 32.9         |                     |
| Finance cost                   | 22.2         | 26.7         | 24.4         | 25.8         | 20.3         | 21.1         | 21.8         | 20.0         | 99.1           | 83.1           |              |                     |
| DD&A                           | 27.3         | 27.0         | 26.8         | 29.9         | 28.2         | 28.7         | 27.3         | 29.4         | 111.0          | 113.5          |              |                     |
| Other Income                   | 9.3          | 13.0         | 6.8          | 7.6          | 9.9          | 6.0          | 7.4          | 5.5          | 36.8           | 28.7           |              |                     |
| <b>PBT (before EO item)</b>    | <b>59.3</b>  | <b>57.7</b>  | <b>66.6</b>  | <b>66.6</b>  | <b>60.5</b>  | <b>70.2</b>  | <b>110.1</b> | <b>120.5</b> | <b>250.1</b>   | <b>361.3</b>   | <b>101.6</b> | <b>8.3</b>          |
| EO exp. (income)               | -            | (18.7)       | -            | -            | -            | 20.7         | 2.2          | -            | (18.7)         | (22.9)         |              |                     |
| <b>PBT (after EO item)</b>     | <b>59.3</b>  | <b>76.3</b>  | <b>66.6</b>  | <b>66.6</b>  | <b>60.5</b>  | <b>49.5</b>  | <b>107.9</b> | <b>120.5</b> | <b>268.8</b>   | <b>270.0</b>   |              |                     |
| Total Tax                      | 8.3          | 20.3         | 17.9         | 17.0         | 16.0         | 14.7         | 29.8         | 39.4         | 63.4           | 99.8           |              |                     |
| % Tax                          | 14.0         | 26.6         | 26.8         | 25.5         | 26.4         | 29.7         | 27.6         | 32.7         | 23.6           | 37.0           |              |                     |
| <b>PAT before MI and Asso.</b> | <b>51.0</b>  | <b>56.0</b>  | <b>48.8</b>  | <b>49.6</b>  | <b>44.6</b>  | <b>34.8</b>  | <b>78.1</b>  | <b>81.1</b>  | <b>205.3</b>   | <b>238.6</b>   |              |                     |
| Profit from Asso.              | -            | -            | -            | 0.0          | -            | (0.0)        | -            | -            | 0.0            | (0.0)          |              |                     |
| Minority interest              | 14.9         | 12.5         | 13.3         | 14.8         | 12.7         | 16.8         | -            | (0.0)        | 55.5           | 29.5           |              |                     |
| <b>PAT after MI and Asso.</b>  | <b>36.1</b>  | <b>43.5</b>  | <b>35.5</b>  | <b>34.8</b>  | <b>31.9</b>  | <b>18.0</b>  | <b>78.1</b>  | <b>81.1</b>  | <b>149.9</b>   | <b>209.0</b>   |              |                     |
| <b>APAT</b>                    | <b>36.1</b>  | <b>29.5</b>  | <b>35.5</b>  | <b>34.8</b>  | <b>31.9</b>  | <b>33.5</b>  | <b>79.7</b>  | <b>81.1</b>  | <b>135.9</b>   | <b>226.2</b>   | <b>56.7</b>  | <b>40.7</b>         |
| Change (YoY %)                 | 319.5        | 504.8        | 76.2         | 121.8        | (11.7)       | 13.4         | 124.8        | 133.0        | 175.6          | 66.4           |              |                     |
| Change (QoQ %)                 | 129.8        | (18.2)       | 20.2         | (1.8)        | (8.6)        | 5.0          | 138.3        | 1.8          |                |                |              |                     |

Sources: MOFSL, Company

| Y/E March                   | (INR b)     |             |             |             |             |             |              |              | FY25         | FY26E        | FY26        | Vs.<br>3QE<br>Est.% |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|-------------|---------------------|
|                             | FY25        |             |             |             | FY26        |             |              |              |              |              |             |                     |
| 1Q                          | 2Q          | 3Q          | 4Q          | 1Q          | 2Q          | 3Q          | 4QE          |              |              |              |             |                     |
| <b>Mine prodn. (kt)</b>     | <b>263</b>  | <b>256</b>  | <b>265</b>  | <b>311</b>  | <b>265</b>  | <b>258</b>  | <b>276</b>   | <b>291</b>   | <b>1,095</b> | <b>1,090</b> | <b>276</b>  |                     |
| <b>Sales</b>                |             |             |             |             |             |             |              |              |              |              |             |                     |
| Zinc refined (kt)           | 211         | 198         | 201         | 218         | 201         | 202         | 221          | 226          | 827          | 850          |             |                     |
| Lead refined (kt)           | 51          | 63          | 55          | 56          | 48          | 45          | 49           | 51           | 225          | 193          |             |                     |
| Silver (tonnes)             | 167         | 184         | 160         | 177         | 145         | 147         | 158          | 160          | 687          | 610          |             |                     |
| <b>Net Sales</b>            | <b>81.3</b> | <b>82.5</b> | <b>86.1</b> | <b>90.9</b> | <b>77.7</b> | <b>85.5</b> | <b>109.8</b> | <b>115.2</b> | <b>340.8</b> | <b>388.2</b> | <b>99.7</b> | <b>10.1</b>         |
| Change (YoY %)              | 11.6        | 21.5        | 17.8        | 20.4        | (4.4)       | 3.6         | 27.5         | 26.8         | 17.8         | 13.9         |             |                     |
| Change (QoQ %)              | 7.7         | 1.5         | 4.4         | 5.5         | (14.5)      | 10.0        | 28.4         | 4.9          |              |              |             |                     |
| <b>EBITDA</b>               | <b>39.5</b> | <b>41.2</b> | <b>45.0</b> | <b>48.2</b> | <b>38.6</b> | <b>44.5</b> | <b>60.5</b>  | <b>66.3</b>  | <b>173.9</b> | <b>209.9</b> | <b>54.3</b> | <b>11.4</b>         |
| Change (YoY %)              | 17.9        | 31.3        | 27.8        | 32.1        | (2.2)       | 7.8         | 34.6         | 37.6         | 27.3         | 20.7         |             |                     |
| Change (QoQ %)              | 8.1         | 4.5         | 9.1         | 7.1         | (19.9)      | 15.2        | 36.2         | 9.5          |              |              |             |                     |
| As % of Net Sales           | 48.5        | 50.0        | 52.2        | 53.0        | 49.7        | 52.0        | 55.1         | 57.6         | 51.0         | 54.1         |             |                     |
| Finance cost                | 2.6         | 3.0         | 2.9         | 2.5         | 2.4         | 2.6         | 2.0          | 2.4          | 11.0         | 9.4          |             |                     |
| DD&A                        | 8.4         | 8.8         | 9.1         | 10.1        | 9.1         | 8.8         | 9.5          | 10.0         | 36.4         | 37.4         |             |                     |
| Other Income                | 2.7         | 2.7         | 2.2         | 2.3         | 2.8         | 2.4         | 2.9          | 2.8          | 9.8          | 10.9         |             |                     |
| <b>PBT (before EO item)</b> | <b>31.1</b> | <b>32.1</b> | <b>35.3</b> | <b>37.8</b> | <b>29.9</b> | <b>35.4</b> | <b>52.1</b>  | <b>56.7</b>  | <b>136.4</b> | <b>174.0</b> |             |                     |
| EO exp. (income)            | -           | (0.8)       | -           | -           | -           | -           | 0.3          | -            | (0.8)        | 0.3          |             |                     |
| <b>PBT</b>                  | <b>31.1</b> | <b>31.3</b> | <b>35.3</b> | <b>37.8</b> | <b>29.9</b> | <b>35.4</b> | <b>52.3</b>  | <b>56.7</b>  | <b>135.5</b> | <b>174.3</b> | <b>44.7</b> | <b>17.0</b>         |
| Total Tax                   | 7.7         | 8.0         | 8.5         | 7.8         | 7.5         | 8.9         | 13.1         | 14.6         | 32.0         | 44.2         |             |                     |
| % Tax                       | 24.7        | 25.7        | 24.1        | 20.6        | 25.2        | 25.2        | 25.1         | 25.8         | 23.6         | 25.4         |             |                     |
| <b>Reported PAT</b>         | <b>23.5</b> | <b>23.3</b> | <b>26.8</b> | <b>30.0</b> | <b>22.3</b> | <b>26.5</b> | <b>39.2</b>  | <b>42.1</b>  | <b>103.5</b> | <b>130.1</b> |             |                     |
| <b>Adjusted PAT</b>         | <b>23.5</b> | <b>24.1</b> | <b>26.8</b> | <b>30.0</b> | <b>22.3</b> | <b>26.5</b> | <b>38.9</b>  | <b>42.1</b>  | <b>104.4</b> | <b>129.8</b> | <b>33.7</b> | <b>15.6</b>         |
| Change (YoY %)              | 19.4        | 39.4        | 32.1        | 47.4        | (4.7)       | 9.9         | 46.2         | 40.2         | 33.4         | 25.6         |             |                     |
| Change (QoQ %)              | 15.1        | (0.8)       | 15.1        | 12.1        | (25.6)      | 18.6        | 47.8         | 7.5          |              |              |             |                     |

Sources: MOFSL, Company

**Business-wise EBITDA performance (INR b)**

| Y/E March              | FY25        |             |              |              | FY26E       |              |              |              | FY25         | FY26E        | FY26         | Vs.<br>3QE<br>Est.% |
|------------------------|-------------|-------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|
|                        | 1Q          | 2Q          | 3Q           | 4Q           | 1Q          | 2Q           | 3Q           | 4QE          |              |              |              |                     |
| <b>EBITDA</b>          | <b>99.5</b> | <b>98.3</b> | <b>111.0</b> | <b>114.7</b> | <b>99.2</b> | <b>114.0</b> | <b>151.7</b> | <b>164.4</b> | <b>423.4</b> | <b>529.2</b> | <b>143.2</b> | <b>6.0</b>          |
| Copper                 | (0.6)       | (0.1)       | 0.0          | (0.5)        | (0.3)       | (0.1)        | (0.2)        | (0.1)        | (1.1)        | (0.7)        | (0.1)        |                     |
| Aluminum               | 44.4        | 41.6        | 45.4         | 46.6         | 44.6        | 55.3         | 70.2         | 76.5         | 178.0        | 246.7        | 71.5         |                     |
| Iron ore               | 1.8         | 1.4         | 3.8          | 3.1          | 2.0         | 1.1          | 2.8          | 3.0          | 10.1         | 9.0          | 2.3          |                     |
| Power                  | 2.8         | 1.9         | 1.3          | 1.3          | 4.6         | 2.3          | 1.3          | 3.4          | 7.4          | 11.5         | 2.7          |                     |
| Zinc-India             | 39.5        | 41.2        | 45.0         | 48.2         | 38.6        | 44.5         | 60.5         | 66.3         | 173.9        | 209.9        | 54.3         |                     |
| Zinc-International     | 1.9         | 3.8         | 3.5          | 4.0          | 4.2         | 3.7          | 4.2          | 4.9          | 13.2         | 17.0         | 4.2          |                     |
| Oil & Gas              | 10.8        | 11.7        | 12.0         | 12.1         | 12.7        | 10.3         | 9.9          | 12.2         | 46.6         | 45.1         | 10.2         |                     |
| Steel                  | 0.8         | (0.1)       | 1.5          | 1.5          | 1.3         | (0.7)        | (0.4)        | 0.5          | 3.7          | 0.7          | 0.5          |                     |
| Others                 | (2.0)       | (3.1)       | (1.5)        | (1.7)        | (8.6)       | (2.4)        | 3.3          | (2.4)        | (8.3)        | (10.0)       | (2.5)        |                     |
| Change (YoY %)         | 54.9        | 46.3        | 30.2         | 30.8         | (0.3)       | 16.0         | 36.6         | 43.4         | 39.1         | 25.0         |              |                     |
| Change (QoQ %)         | 13.4        | (1.2)       | 13.0         | 3.3          | (13.5)      | 14.9         | 33.1         | 8.4          |              |              |              |                     |
| <b>EBITDA Margin %</b> | <b>27.8</b> | <b>26.1</b> | <b>28.4</b>  | <b>28.3</b>  | <b>26.2</b> | <b>28.6</b>  | <b>32.5</b>  | <b>33.4</b>  | <b>27.7</b>  | <b>30.5</b>  | <b>32.9</b>  |                     |

Sources: MOFSL, Company



## Conference call takeaways

### Capacity update and expansion plan

- Aluminum expansion remains on track with Lanjigarh Train-2 (1.5mtpa) commissioned, bringing alumina capacity to 5mtpa. However, the 435ktpa BALCO smelter and 125ktpa billet line are currently ramping up.
- BALCO smelter ramp-up is underway with 20 pots operational, targeted to reach ~100kt production by Mar'26, and full commissioning over the next 3-6 months, bringing the total aluminum capacity to ~2.8mtpa, with debottlenecking aimed at ~3mtpa over 18 months.
- Zinc International's Gamsberg Phase-2 (~220ktpa) is ~90% complete and scheduled for commissioning next quarter.
- The power segment expanded capacity by 1.3GW in 1HFY26, bringing the operational capacity to 4.2GW, with commissioning of the second 600MW unit at Athena expected to lift capacity further by 1HFY27.
- Coal expansions are progressing, with the Kuraloi coal mine commissioning targeted in 4QFY26 and Gogharpalli coal mine expected to commence operations in 1QFY27, supporting fuel security and cost optimization.
- VEDL reiterated its FY26 growth capex guidance of ~USD1.7b, having already spent ~USD1.3b in 9MFY26, implying a front-loaded capex profile for the year.
- Management reaffirmed that the current capex plan remains fully funded through internal accruals, without compromising deleveraging targets or the demerger timeline.
- Capex continues to be prioritized toward aluminum upstream and downstream expansions, zinc capacity additions, merchant power growth, and oil & gas field development, aligned with near-term earnings visibility and long-term scale benefits.

### Guidance

- VEDL remains on track to achieve its alumina volume guidance of ~3mt for FY26.
- Management guided that 4QFY26 performance will further increase QoQ, driven by higher operational run rates across aluminum, zinc, power, steel, and oil & gas. This will position VEDL to deliver a lifetime-high EBITDA of USD6b for FY26 (surpassing the earlier guidance as on 1H).

- Aluminum CoP to remains positive, with alumina costs expected to decline by ~USD25/t in 4Q, while a net USD50-60/t QoQ reduction in hot metal costs will be partially offset by planned power plant maintenance.
- For power business, the company reiterated Athena to operate at structurally higher PLFs, supported by contracted capacity and improving demand. However, Meenakshi will continue to scale up under short to medium-term PPAs.
- Zinc International volumes and recovery trends remain aligned with full-year guidance, with Gamsberg Phase-2 expansion.
- The aluminum business reported its lowest hot metal cost at USD1,674/t, lower than the FY26 guidance range of USD1,700-1,750/t, driven by a USD110/t QoQ reduction in power costs post captive power plant maintenance.
- VEDL has hedged ~10% of FY26 aluminium volumes at ~USD2,625/t, ~9% of zinc volumes hedged at ~USD3,000/t, and ~10% of silver volumes hedged at ~USD45/oz, limiting near-term downside risk.

### Other highlights

- The company received NCLT approval for its demerger scheme in Dec'25, with the certified order received in Jan'26, and the effective date targeted as Apr'26, followed by listings of the demerged entities in the same quarter.
- It implemented Ind AS 105 demerger accounting in 3QFY26, with aluminum, oil & gas, and iron & steel businesses now disclosed separately.
- Management reiterated that the demerger remains on track without any impact on capex, deleveraging, or growth plans, and confirmed that recent asset acquisitions will not delay timelines.
- The average cost of borrowing declined to below 9% in 3Q, with management guiding for further reduction through refinancing and maturity optimization.
- Post-demergers, total net debt of ~USD6.7b will be allocated largely to the aluminum and power businesses, while oil & gas and iron & steel are expected to remain largely debt-free.
- Inter-company loan repayments remain on track, with ~USD417m outstanding, incl. ~USD150m due in Jan'26 and ~USD200m due in May'26, both expected to be repaid on schedule.

### Hindustan Zinc – Key management commentary

#### Performance guidance

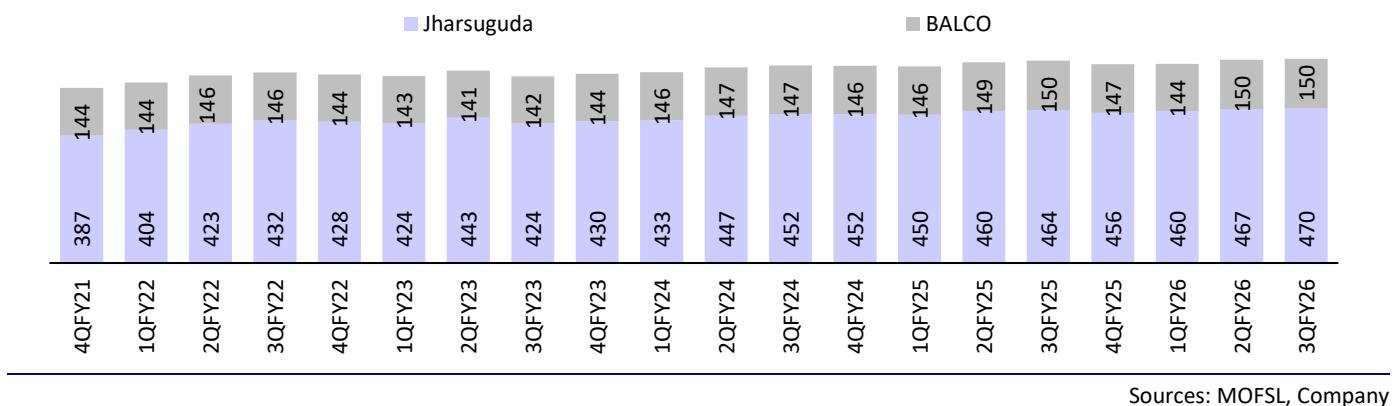
- The company reiterated its refined metal guidance to 1,075-1,100ktpa and expects to achieve its silver output guidance of 680t ( $\pm 10t$ ) for FY26.
- In 4QFY26, management anticipates silver volumes to improve QoQ, driven by the resumption of capacity post shutdowns, favorable weather conditions, and operational improvements.
- HZ expects further cost improvement to USD950-975/t by 4QFY26, supported by higher renewable-energy usage and better ore grades.
- Renewable energy contributed 20% of total power in 3QFY26, and the company expects to reach 25% by FY26 end.
- With the upcoming wind power capacity, the company expects the RE share to increase to 35-40% in FY26 and ~70% in FY27. The commissioning of battery storage is expected to lead to an incremental annual saving of INR2.5-3b.

- Silver surged to an all-time high of over USD93/toz in Jan'26, driven by continued supply constraints and improved demand for industrial use and investment purpose.
- For 3QFY26, the company hedged 47kt of zinc and 55t of silver, which were squared off within the quarter. For 4QFY26, 53kt of zinc is hedged at USD2,900/t and 68t of silver at USD39/toz, executed in Jun-Jul'25. For FY27, the company has hedged 66kt of zinc and 56t of silver at USD58/toz.
- Grades comparison – 7.3% during 3QFY26 and 7.4% during 3QFY25. Grade for overall 9MFY26 was 7.4%.
- For next year, management anticipates to continue operating in a lead-plus-zinc mode, especially if zinc prices remain stable at around USD3,200-3,300/t. Management indicated that it could have switched to a lead-heavy mode if zinc prices were lower and silver prices higher, making it more economical to produce silver and less zinc, while lead quantity would remain constant.

### Capacity update/capital allocation

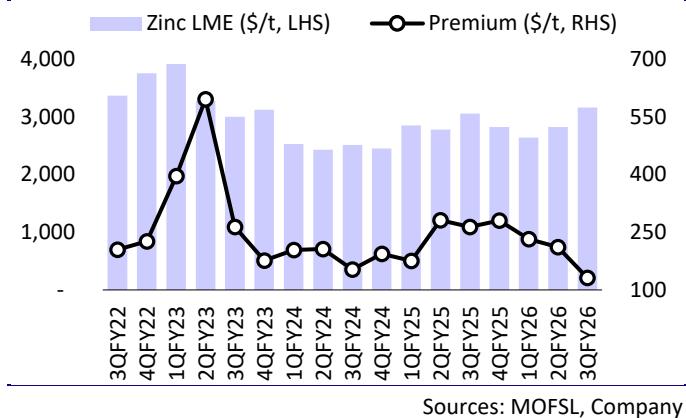
- Total growth capex for the full year is projected to be ~USD300m, with USD180m already spent as of Dec'25. Management guided a maintenance capex of USD350-400m for FY27 and USD90-100m in 4QFY26.
- The combined investment plan of INR160b includes INR120b for the 250ktpa integrated capacity expansion, with target completion by 2QFY29 and INR38b for the 10mtpa zinc tailings project by 4QFY28.
- For 250ktpa capacity expansion, the company commence the groundwork and site mobilization and completed 50% of detailed engineering. This expansion plan also includes mined capacity from 1,180ktpa to 1,510ktpa, for which the company has appointed a mining partner.
- For the Zinc Tailings Reprocessing Plant, the company has commenced the groundwork and appointed a tech, engineer, and construction partner.
- HZ completed debottlenecking at Dariba Smelting Complex in 2Q. Debottlenecking at the Chanderiya Lead Zinc smelter was commissioned in 3QFY26.
- The 510kt DAP/NPK fertilizer plant at Chanderiya is in progress and will be commissioned by 1QFY27.
- The hot acid leaching plant for lead (27mtpa) and silver (6ktpa) recovery from smelting waste at Dariba will be completed by 4QFY26. These projects will enable higher refined metal and silver production in the coming years.

**Exhibit 1: Reported an all-time high aluminum production in 3QFY26**



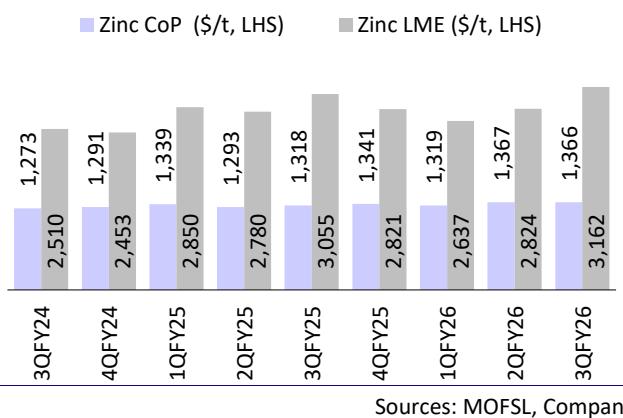
Sources: MOFSL, Company

**Exhibit 2: Premium moderated QoQ to USD131/t**



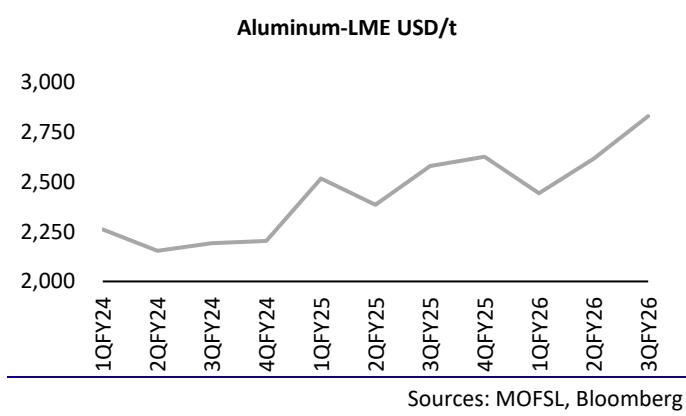
Sources: MOFSL, Company

**Exhibit 3: Reported Zinc's CoP flat QoQ**



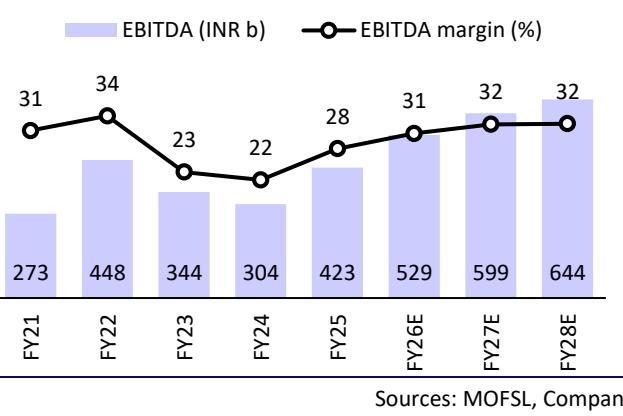
Sources: MOFSL, Company

**Exhibit 4: Aluminum LME spiked in 3Q**



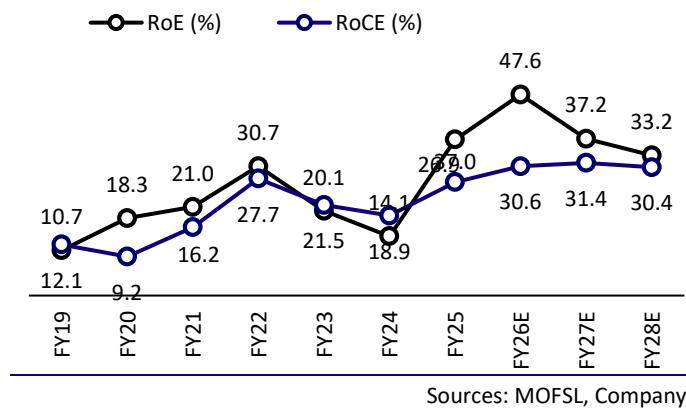
Sources: MOFSL, Bloomberg

**Exhibit 5: Consol. EBITDA expected to rise over FY25-28**



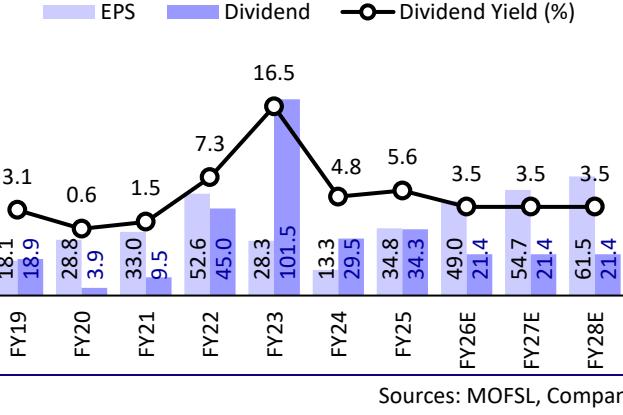
Sources: MOFSL, Company

**Exhibit 6: RoE and RoCE trends**



Sources: MOFSL, Company

**Exhibit 7: Dividend per share**



**Exhibit 8: Changes to our assumptions and key financials**

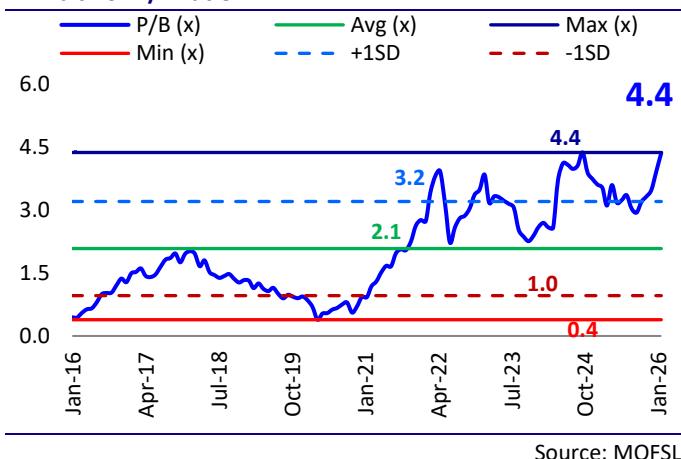
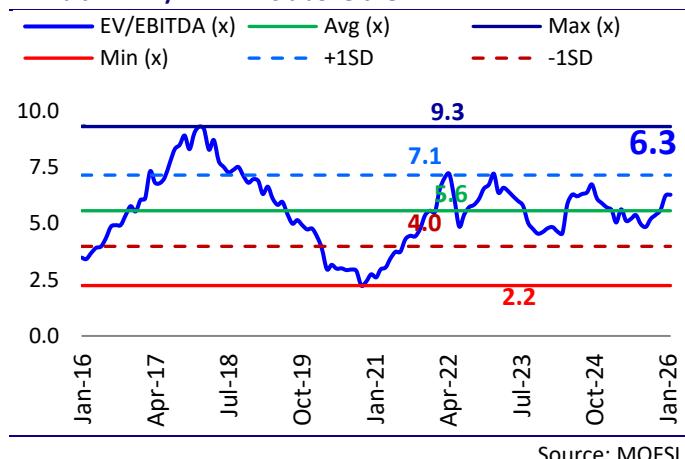
| Particular | Units | FY26E |       |          | FY27E |       |          | FY28E |       |          |
|------------|-------|-------|-------|----------|-------|-------|----------|-------|-------|----------|
|            |       | New   | Old   | % change | New   | Old   | % change | New   | Old   | % change |
| Revenue    | Rs bn | 1,735 | 1,666 | 4%       | 1,861 | 1,834 | 1%       | 1,993 | 1,968 | 1%       |
| EBITDA     | "     | 529   | 512   | 3%       | 599   | 570   | 5%       | 644   | 616   | 5%       |
| Adj PAT    | "     | 226   | 185   | 22%      | 226   | 212   | 7%       | 254   | 245   | 4%       |
| EPS        | Rs/sh | 57.8  | 47.2  | 22%      | 57.9  | 54.3  | 7%       | 65.1  | 62.6  | 4%       |

Sources: MOFSL, Company

**Exhibit 9: SoTP valuation**

| (INR b)                           | EBITDA<br>Sep'27E | EV<br>EBITDA (x) | EV<br>FY27E  |
|-----------------------------------|-------------------|------------------|--------------|
| <b>VEDL (ex-HZL)</b>              |                   |                  |              |
| Copper                            | (0.7)             | 4.0              | (3)          |
| Aluminium                         | 282.6             | 6.5              | 1,837        |
| Iron ore                          | 7.3               | 4.0              | 29           |
| Steel                             | 3.8               | 4.0              | 15           |
| Power                             | 14.5              | 4.0              | 58           |
| Zinc-Int                          | 16.3              | 4.0              | 65           |
| Oil & Gas                         | 43.0              | 4.0              | 172          |
| Sub. Tot.                         | 366.7             |                  | 2,173        |
| Less: Net Debt                    | 187               |                  | 293          |
| <b>Equity Value</b>               |                   |                  | <b>1,880</b> |
| <b>Hind. Zinc</b>                 |                   |                  |              |
| HZL                               | 268               | 10.5             | 2,813        |
| Add: Net Cash                     | 205               |                  | 205          |
| <b>Equity Value</b>               |                   |                  | <b>3,018</b> |
| <b>INR/share (HZL)</b>            |                   |                  | <b>720</b>   |
| <b>VEDL</b>                       |                   |                  |              |
| HZL@64.9% (15% Hold Co. discount) |                   |                  | 1,273        |
| VEDL (ex HZL)                     |                   |                  | 1,880        |
| <b>Equity value</b>               |                   |                  | <b>3,153</b> |
| Shares outstanding (b)            |                   |                  | 3.9          |
| <b>Target price (INR/sh)</b>      |                   |                  | <b>810</b>   |

Sources: MOFSL, Company

**Exhibit 10: P/B ratio**

**Exhibit 11: EV/EBITDA is above the LTA**


## Financials and valuations

| Income Statement (Consolidated)          |            |            |            |              |              |              |              |              |              | INR b        |
|--|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March                                | FY19       | FY20       | FY21       | FY22         | FY23         | FY24         | FY25         | FY26E        | FY27E        | FY28E        |
| <b>Net Sales</b>                         | <b>920</b> | <b>844</b> | <b>880</b> | <b>1,327</b> | <b>1,473</b> | <b>1,390</b> | <b>1,530</b> | <b>1,735</b> | <b>1,861</b> | <b>1,993</b> |
| Total Expenses                           | 689        | 638        | 607        | 879          | 1,129        | 1,085        | 1,106        | 1,206        | 1,262        | 1,349        |
| <b>EBITDA</b>                            | <b>231</b> | <b>207</b> | <b>273</b> | <b>448</b>   | <b>344</b>   | <b>304</b>   | <b>423</b>   | <b>529</b>   | <b>599</b>   | <b>644</b>   |
| DDA                                      | 82         | 91         | 76         | 89           | 106          | 107          | 111          | 114          | 125          | 132          |
| <b>EBIT</b>                              | <b>149</b> | <b>116</b> | <b>197</b> | <b>359</b>   | <b>239</b>   | <b>197</b>   | <b>312</b>   | <b>416</b>   | <b>474</b>   | <b>512</b>   |
| Finance cost                             | 57         | 50         | 52         | 48           | 62           | 95           | 99           | 83           | 92           | 90           |
| Other income                             | 40         | 25         | 34         | 26           | 29           | 26           | 37           | 29           | 35           | 48           |
| <b>PBT</b>                               | <b>132</b> | <b>91</b>  | <b>179</b> | <b>337</b>   | <b>205</b>   | <b>128</b>   | <b>250</b>   | <b>361</b>   | <b>418</b>   | <b>470</b>   |
| Tax                                      | 39         | -35        | 22         | 93           | 58           | 128          | 63           | 100          | 117          | 131          |
| Rate (%)                                 | 29.2       | -38.5      | 12.2       | 27.4         | 28.2         | 100.2        | 25.4         | 27.6         | 28.0         | 28.0         |
| <b>PAT (before EO)</b>                   | <b>94</b>  | <b>126</b> | <b>157</b> | <b>245</b>   | <b>147</b>   | <b>0</b>     | <b>187</b>   | <b>261</b>   | <b>301</b>   | <b>338</b>   |
| EO expense /Income                       | 3          | -170       | -7         | -8           | -2           | 76           | 19           | 23           | 0            | 0            |
| <b>PAT before MI and Asso.</b>           | <b>97</b>  | <b>-43</b> | <b>150</b> | <b>237</b>   | <b>145</b>   | <b>75</b>    | <b>205</b>   | <b>239</b>   | <b>301</b>   | <b>338</b>   |
| Minority interests                       | 26         | 19         | 34         | 49           | 39           | 33           | 55           | 30           | 74           | 84           |
| Share in Asso.                           | 0          | 0          | 0          | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| <b>PAT after MI and Asso.</b>            | <b>71</b>  | <b>-62</b> | <b>116</b> | <b>188</b>   | <b>106</b>   | <b>42</b>    | <b>150</b>   | <b>209</b>   | <b>226</b>   | <b>254</b>   |
| <b>Attrib. PAT (after MI &amp; asso)</b> | <b>67</b>  | <b>107</b> | <b>123</b> | <b>196</b>   | <b>105</b>   | <b>49</b>    | <b>136</b>   | <b>226</b>   | <b>226</b>   | <b>254</b>   |
| Change (YoY %)                           | -11.0      | 59.0       | 14.5       | 59.4         | -46.2        | -53.1        | 175.6        | 66.4         | 0.0          | 12.4         |

| Balance Sheet (Consolidated)     |              |              |              |              |              |              |              |              |              | INR b        |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March                        | FY19         | FY20         | FY21         | FY22         | FY23         | FY24         | FY25         | FY26E        | FY27E        | FY28E        |
| Share Capital                    | 4            | 4            | 4            | 4            | 4            | 4            | 4            | 4            | 4            | 4            |
| Reserves                         | 619          | 543          | 619          | 650          | 391          | 304          | 408          | 534          | 676          | 847          |
| <b>Net Worth</b>                 | <b>623</b>   | <b>546</b>   | <b>623</b>   | <b>654</b>   | <b>394</b>   | <b>307</b>   | <b>412</b>   | <b>537</b>   | <b>680</b>   | <b>851</b>   |
| Total Loans                      | 835          | 757          | 686          | 534          | 665          | 722          | 746          | 731          | 716          | 701          |
| Deferred Tax Liability           | 10           | -40          | -36          | -7           | -26          | 75           | 97           | 97           | 97           | 97           |
| <b>Capital Employed</b>          | <b>1,621</b> | <b>1,435</b> | <b>1,423</b> | <b>1,355</b> | <b>1,133</b> | <b>1,218</b> | <b>1,381</b> | <b>1,520</b> | <b>1,722</b> | <b>1,962</b> |
| Gross Block                      | 2,176        | 2,182        | 2,411        | 2,542        | 2,744        | 2,888        | 3,013        | 3,105        | 3,216        | 3,304        |
| Less: Accumulated Depreciation   | 1,185        | 1,276        | 1,482        | 1,591        | 1,766        | 1,873        | 1,984        | 2,098        | 2,222        | 2,355        |
| <b>Net Fixed Assets</b>          | <b>991</b>   | <b>907</b>   | <b>929</b>   | <b>951</b>   | <b>978</b>   | <b>1,015</b> | <b>1,029</b> | <b>1,007</b> | <b>994</b>   | <b>949</b>   |
| Capital WIP                      | 222          | 168          | 139          | 142          | 174          | 203          | 309          | 375          | 452          | 541          |
| Investments                      | 49           | 1            | 2            | 2            | 5            | 10           | 16           | 16           | 16           | 16           |
| <b>WC. Assets</b>                | <b>723</b>   | <b>691</b>   | <b>729</b>   | <b>840</b>   | <b>721</b>   | <b>653</b>   | <b>645</b>   | <b>768</b>   | <b>927</b>   | <b>1,144</b> |
| Inventory                        | 132          | 113          | 99           | 143          | 150          | 130          | 145          | 177          | 190          | 203          |
| Account Receivables              | 77           | 58           | 66           | 82           | 65           | 60           | 61           | 77           | 83           | 89           |
| Cash and Bank Balance            | 365          | 372          | 331          | 327          | 219          | 152          | 207          | 282          | 423          | 620          |
| Loans and advances               | 149          | 148          | 232          | 288          | 286          | 311          | 232          | 232          | 232          | 232          |
| <b>WC. Liability &amp; Prov.</b> | <b>365</b>   | <b>333</b>   | <b>375</b>   | <b>580</b>   | <b>745</b>   | <b>664</b>   | <b>619</b>   | <b>645</b>   | <b>667</b>   | <b>689</b>   |
| Trade payables                   | 92           | 80           | 79           | 215          | 247          | 250          | 265          | 291          | 313          | 335          |
| Provisions & Others              | 273          | 252          | 296          | 365          | 498          | 413          | 354          | 354          | 354          | 354          |
| <b>Net WC. Assets</b>            | <b>358</b>   | <b>359</b>   | <b>354</b>   | <b>260</b>   | <b>-24</b>   | <b>-11</b>   | <b>26</b>    | <b>123</b>   | <b>261</b>   | <b>455</b>   |
| <b>Appl. of Funds</b>            | <b>1,621</b> | <b>1,435</b> | <b>1,423</b> | <b>1,355</b> | <b>1,133</b> | <b>1,218</b> | <b>1,381</b> | <b>1,520</b> | <b>1,722</b> | <b>1,962</b> |

## Financials and valuations

### Ratios

| Y/E March                     | FY19        | FY20        | FY21        | FY22        | FY23        | FY24        | FY25        | FY26E       | FY27E       | FY28E       |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>            |             |             |             |             |             |             |             |             |             |             |
| EPS                           | <b>18.1</b> | <b>28.8</b> | <b>33.0</b> | <b>52.6</b> | <b>28.3</b> | <b>13.3</b> | <b>34.8</b> | <b>57.8</b> | <b>57.9</b> | <b>65.1</b> |
| BV/Share                      | 167.5       | 146.9       | 167.4       | 175.8       | 106.0       | 82.6        | 105.4       | 137.4       | 173.9       | 217.5       |
| DPS                           | 18.9        | 3.9         | 9.5         | 45.0        | 101.5       | 29.5        | 34.3        | 21.4        | 21.4        | 21.4        |
| Payout (%)                    | 104.0       | 13.5        | 28.8        | 85.5        | 358.9       | 222.6       | 98.8        | 37.0        | 37.0        | 32.9        |
| <b>Valuation (x)</b>          |             |             |             |             |             |             |             |             |             |             |
| P/E                           | 42.3        | 26.6        | 23.3        | 14.6        | 27.1        | 57.9        | 22.1        | 13.3        | 13.3        | 11.8        |
| Cash P/E                      | 19.1        | 14.4        | 14.3        | 10.0        | 13.5        | 18.2        | 12.2        | 8.8         | 8.5         | 7.8         |
| P/BV (incl.-goodwill)         | 4.6         | 5.2         | 4.6         | 4.4         | 7.2         | 9.3         | 7.3         | 5.6         | 4.4         | 3.5         |
| EV/Sales                      | 3.7         | 3.9         | 3.7         | 2.4         | 2.2         | 2.5         | 2.3         | 2.0         | 1.8         | 1.6         |
| EV/EBITDA                     | 17.9        | 19.2        | 14.9        | 8.5         | 11.9        | 14.1        | 10.4        | 8.3         | 7.1         | 6.4         |
| Dividend Yield (%)            | 2.5         | 0.5         | 1.2         | 5.9         | 13.2        | 3.8         | 4.5         | 2.8         | 2.8         | 2.8         |
| <b>Return Ratios (%)</b>      |             |             |             |             |             |             |             |             |             |             |
| EBITDA Margins                | 25.1        | 24.5        | 31.0        | 33.8        | 23.4        | 21.9        | 27.7        | 30.5        | 32.2        | 32.3        |
| Net Profit Margins            | 7.3         | 12.7        | 14.0        | 14.7        | 7.1         | 3.5         | 8.9         | 13.0        | 12.2        | 12.8        |
| RoE                           | 10.7        | 18.3        | 21.0        | 30.7        | 20.1        | 14.1        | 37.0        | 47.6        | 37.2        | 33.2        |
| RoCE (pre-tax)                | 12.1        | 9.2         | 16.2        | 27.7        | 21.5        | 18.9        | 26.9        | 30.6        | 31.4        | 30.4        |
| RoIC (pre-tax)                | 12.3        | 10.0        | 18.3        | 33.9        | 24.6        | 19.9        | 27.9        | 34.5        | 37.4        | 38.8        |
| <b>Working Capital Ratios</b> |             |             |             |             |             |             |             |             |             |             |
| Fixed Asset Turnover (x)      | 0.9         | 0.9         | 1.0         | 1.4         | 1.5         | 1.4         | 1.5         | 1.7         | 1.9         | 2.1         |
| Receivable (Days)             | 30          | 25          | 28          | 22          | 16          | 16          | 16          | 16          | 16          | 16          |
| Inventory (Days)              | 52          | 49          | 41          | 39          | 37          | 37          | 37          | 37          | 37          | 37          |
| Trade payable (Days)          | 37          | 35          | 33          | 59          | 61          | 61          | 61          | 61          | 61          | 61          |
| <b>Leverage Ratio (x)</b>     |             |             |             |             |             |             |             |             |             |             |
| Current Ratio                 | 2.0         | 2.1         | 1.9         | 1.4         | 1.0         | 1.0         | 1.0         | 1.2         | 1.4         | 1.7         |
| Interest Cover Ratio          | 3.3         | 2.8         | 4.4         | 8.0         | 4.3         | 2.4         | 3.5         | 5.3         | 5.5         | 6.2         |
| Net Debt/EBITDA               | 2.0         | 1.9         | 1.3         | 0.5         | 1.3         | 1.9         | 1.3         | 0.8         | 0.5         | 0.1         |
| Net Debt/Equity               | 0.8         | 0.7         | 0.6         | 0.3         | 1.1         | 1.9         | 1.3         | 0.8         | 0.4         | 0.1         |

### Cash Flow Statement

| Y/E March                                  | FY19        | FY20        | FY21        | FY22        | FY23        | FY24        | FY25        | FY26E       | FY27E       | INR b<br>FY28E |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|
| EBITDA                                     | 231         | 207         | 273         | 448         | 344         | 304         | 423         | 529         | 599         | 644            |
| Non-cash exp. (income)                     | 11          | 7           | 18          | 6           | 4           | 64          | 10          | 0           | 0           | 0              |
| (Inc)/Dec in Working. Cap.                 | 21          | -9          | -30         | -48         | 46          | 16          | -7          | -22         | 3           | 3              |
| Tax paid                                   | -26         | -11         | -21         | -57         | -64         | -27         | -31         | -100        | -117        | -131           |
| <b>CF from Op. Activity</b>                | <b>238</b>  | <b>193</b>  | <b>240</b>  | <b>350</b>  | <b>331</b>  | <b>357</b>  | <b>396</b>  | <b>385</b>  | <b>485</b>  | <b>515</b>     |
| (Inc)/Dec in FA + CWIP                     | -89         | -77         | -69         | -105        | -138        | -168        | -169        | -157        | -189        | -177           |
| <b>Free Cash Flow</b>                      | <b>149</b>  | <b>116</b>  | <b>171</b>  | <b>245</b>  | <b>193</b>  | <b>189</b>  | <b>226</b>  | <b>228</b>  | <b>297</b>  | <b>338</b>     |
| (Pur)/Sale of Investments                  | 42          | 42          | 9           | 47          | 92          | 15          | -41         | 0           | 0           | 0              |
| Interest & Dividend Income                 | 9           | 8           | 20          | 19          | 17          | 17          | 24          | 29          | 35          | 48             |
| Investment in subsidiaries                 | -69         | -5          | 0           | 0           | -3          | -4          | -6          | 0           | 0           | 0              |
| Others                                     | 1           | -28         | -28         | 16          | 24          | 3           | 0           | 0           | 0           | 0              |
| <b>CF from Inv. Activity</b>               | <b>-105</b> | <b>-59</b>  | <b>-68</b>  | <b>-23</b>  | <b>-7</b>   | <b>-137</b> | <b>-192</b> | <b>-129</b> | <b>-153</b> | <b>-129</b>    |
| Equity raised/(repaid)                     | -1          | -1          | 0           | 0           | 0           | -2          | 84          | 0           | 0           | 0              |
| Debt raised/(repaid)                       | 77          | -87         | -96         | -27         | 149         | 47          | 40          | -15         | -15         | -15            |
| Dividend (incl. tax)                       | -118        | -14         | -91         | -193        | -411        | -205        | -212        | -84         | -84         | -84            |
| Interest paid                              | -60         | -53         | -53         | -53         | -55         | -98         | -105        | -83         | -92         | -90            |
| Others                                     | 0           | 0           | 65          | -16         | -24         | -3          | 0           | 0           | 0           | 0              |
| <b>CF from Fin. Activity</b>               | <b>-102</b> | <b>-155</b> | <b>-176</b> | <b>-289</b> | <b>-341</b> | <b>-261</b> | <b>-192</b> | <b>-182</b> | <b>-191</b> | <b>-189</b>    |
| Forex Adj.                                 | -1          | 0           | 1           | 0           | 0           | 0           | 0           | 0           | 0           | 0              |
| (Inc)/Dec in Cash                          | 29          | -22         | -3          | 38          | -17         | -41         | 12          | 74          | 141         | 197            |
| Add: Opening cash balance                  | 45          | 73          | 51          | 49          | 87          | 69          | 28          | 40          | 114         | 255            |
| adjustments if any                         | -1          | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0              |
| <b>closing cash balance</b>                | <b>73</b>   | <b>51</b>   | <b>49</b>   | <b>87</b>   | <b>69</b>   | <b>28</b>   | <b>40</b>   | <b>114</b>  | <b>255</b>  | <b>453</b>     |
| Bank Balance                               | 293         | 320         | 283         | 241         | 150         | 124         | 168         | 168         | 168         | 168            |
| <b>Closing Balance (incl bank balance)</b> | <b>365</b>  | <b>372</b>  | <b>331</b>  | <b>327</b>  | <b>219</b>  | <b>152</b>  | <b>207</b>  | <b>282</b>  | <b>423</b>  | <b>620</b>     |

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|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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