

# Sesa Goa / Sterlite Industries \*

10 October 2012

## Production Data for 2QFY13

Vedanta Resources reported 2QFY13 production data for its various segments like zinc, iron ore, copper, aluminium, crude oil and power generation. Key highlights are as follows:

**Zinc - India segment:** In line with its guidance, Hindustan Zinc (HZL) reported mined metal production of 190,000tn for 2QFY13, a drop of 9% YoY and a growth of 2% QoQ. Due to lower mined metal production, HZL reported 17% YoY and 3% QoQ drop in integrated zinc metal production at 153,000tn. However, custom route zinc metal production stood at 10,000tn compared to nil production in 2QFY12 and 4,000tn in 1QFY13, which restricted the overall fall in zinc production to 12% YoY, while it was up 1% QoQ. Integrated refined lead production was up 41% YoY due to ramp-up at Dariba lead smelter, but down 17% QoQ due to lower mined metal production. Integrated silver production jumped 63% YoY due to ramp-up at Sindesar Khurd mine, while it was up 1% QoQ as well. Custom route silver output jumped multi-fold from 77,000ounce to 366,000ounce. HZL maintained its FY13 guidance to achieve higher zinc production from a year ago despite weak performance in the first-half. HZL expects Rampura underground mine and Kayar mine to start production in FY14.

**Zinc - international segment:** The company reported flat performance compared to the quarter in the corresponding period a year ago, while it was up 8% QoQ at 114,000tn. However, the company maintained its FY13E guidance of 400,000tn, implying 180,000tn of output in 2HFY13 compared to 220,000tn output in 1HFY13.

**Oil and gas segment:** Cairn India (CIL) reported a 22% YoY growth in average daily crude oil output at 207,245boepd, largely driven by Rajasthan fields, while it was flat QoQ. However, due to higher output from Rajasthan (where the company has high working interest), working interest production jumped 30% YoY and 2% QoQ to 129,431boepd. CIL has given guidance of achieving output target of 240,000boepd by the end of FY13E, but it has regulatory approval for only 200,000boepd.

**Iron ore segment:** Sesa Goa reported a very dismal performance with 88% YoY and 93% QoQ fall in iron ore volume to 0.2dmt, while production was down 64% YoY and 88% QoQ at 0.4dmt, largely due to the mining ban in Karnataka and restricted ore movement in Goa. However, the company achieved strong growth in pig iron and met coke production due to commissioning of new facilities. Pig iron production was up 30% YoY and 110% QoQ, while met coke output was up 28% YoY and 30% QoQ.

**Copper segment (India and Australia):** Sterlite Industries (India) reported flat production growth in copper cathode, YoY as well as QoQ. Mined metal production in Australia was 6,000tn compared to 5,000tn in 2QFY12 and 7,000tn in 1QFY13. The company has synchronised 80MW from its captive power plant last week, which should increase the volume from 3QFY13 onwards.

**Aluminium segment:** BALCO continues to operate at a rated capacity as the company achieved 5% growth in aluminium production at 63,000tn, YoY as well as QoQ. Aluminium production continued to remain robust at Vedanta Aluminium (VAL) with 47% YoY and 8% QoQ growth. Alumina production was down 10% YoY and 6% QoQ due to low availability of third-party bauxite. The company has indicated that it is evaluating the option to shut down alumina refinery in case the bauxite shortage continues. However, the management has indicated that it is not likely to exert any significant pressure on costs as captive alumina costs continue to remain high due to long haulage and lower grade of bauxite.

**Power segment:** Sterlite Energy reported a 53% YoY jump in power sales to 1,940mu, while it was flat QoQ, which led to overall 42% YoY and 1% QoQ jump in total power volume.

**Note:** \* Production details has been given for the combine entity 'Sesa sterlite', which include Cairn India also.

**Giriraj Daga**

 giriraj.daga@nirmalbang.com  
 +91-22-3926 8168

**Sesa Goa**  
**HOLD**
**Sector:** Non-ferrous

**CMP:** Rs173

**Target Price:** Rs191

**Upside:** 10%

**Sterlite Industries**  
**HOLD**
**Sector:** Non-ferrous

**CMP:** Rs102

**Target Price:** Rs115

**Upside:** 13%

## Exhibit 1: Segment-wise details

	2QFY12	1QFY13	2QFY13	YoY (%)	QoQ (%)	1HFY12	1HFY13	YoY (%)
<b>Zinc - India ('000tn)</b>								
Mined metal content	210	187	190	(9.5)	1.6	398	377	(5.3)
<b>Refined zinc</b>								
Integrated	185	157	153	(17.3)	(2.5)	376	310	(17.6)
Custom	0	4	10	0.0	150.0	2	14	600.0
<b>Total</b>	<b>185</b>	<b>161</b>	<b>163</b>	<b>(11.9)</b>	<b>1.2</b>	<b>378</b>	<b>324</b>	<b>(14.3)</b>
<b>Refined lead</b>								
Integrated	17	29	24	41.2	(17.2)	33	53	60.6
Custom	0	2	3	0.0	50.0	0	5	0.0
<b>Total</b>	<b>17</b>	<b>31</b>	<b>27</b>	<b>58.8</b>	<b>(12.9)</b>	<b>33</b>	<b>58</b>	<b>75.8</b>
<b>Silver (in '000ounces)</b>								
Integrated	1,584	2,552	2,587	63.3	1.4	3,088	5,139	66.4
Custom	0	77	366	0.0	375.3	0	443	0.0
<b>Total</b>	<b>1,584</b>	<b>2,629</b>	<b>2,953</b>	<b>86.4</b>	<b>12.3</b>	<b>3,088</b>	<b>5,582</b>	<b>80.8</b>
<b>Zinc - international</b>								
Zinc -refined	37	36	37	0.0	2.8	76	73	(3.9)
Mined metal - BMM & Lisheen	77	70	77	0.0	10.0	157	147	(6.4)
<b>Total</b>	<b>114</b>	<b>106</b>	<b>114</b>	<b>0.0</b>	<b>7.5</b>	<b>233</b>	<b>220</b>	<b>(5.6)</b>
<b>Oil and gas</b>								
<b>Production (boepd)</b>								
Rajasthan	125,251	167,146	171,801	37.2	2.8	125,189	169,486	35.4
Ravva	36,185	32,589	28,614	(20.9)	(12.2)	36,997	30,591	(17.3)
Cambay	8,508	7,228	6,830	(19.7)	(5.5)	8,680	7,028	(19.0)
<b>Total</b>	<b>169,944</b>	<b>206,963</b>	<b>207,245</b>	<b>21.9</b>	<b>0.1</b>	<b>170,867</b>	<b>207,105</b>	<b>21.2</b>
<b>Working interest production (boepd)</b>								
Rajasthan	87,676	117,002	120,261	37.2	2.8	87,633	118,641	35.4
Ravva	8,142	7,333	6,438	(20.9)	(12.2)	8,324	6,883	(17.3)
Cambay	3,403	2,891	2,732	(19.7)	(5.5)	3,472	2,811	(19.0)
<b>Total</b>	<b>99,220</b>	<b>127,226</b>	<b>129,431</b>	<b>30.4</b>	<b>1.7</b>	<b>99,429</b>	<b>128,335</b>	<b>29.1</b>
<b>Total (mboe)</b>								
Gross	15.63	18.83	19.07	22.0	1.3	31.27	37.90	21.2
Working interest	9.13	11.58	11.91	30.4	2.8	18.20	23.49	29.1
<b>Iron ore</b>								
<b>Production (dmt)</b>								
Goa	0.7	3.4	0.4	(42.9)	(88.2)	4.6	3.7	(19.6)
Karnataka	0.5	0.0	0.0	(100.0)	-	0.9	0.0	(100.0)
<b>Total</b>	<b>1.1</b>	<b>3.4</b>	<b>0.4</b>	<b>(63.6)</b>	<b>(88.2)</b>	<b>5.5</b>	<b>3.7</b>	<b>(32.7)</b>
<b>Sales (dmt)</b>								
Goa	0.8	2.8	0.2	(75.0)	(92.9)	4.0	3.0	(25.0)
Karnataka	0.7	0.0	0.0	(100.0)	-	1.8	0.1	(94.4)
<b>Total</b>	<b>1.6</b>	<b>2.9</b>	<b>0.2</b>	<b>(87.5)</b>	<b>(93.1)</b>	<b>5.8</b>	<b>3.1</b>	<b>(46.6)</b>
<b>Production ('000tn)</b>								
Pig iron	63	39	82	30.2	110.3	126	121	(4.0)
Met coke	65	64	83	27.7	29.7	128	146	14.1
<b>Copper</b>								
Mined metal (Australia) ('000tn)	5	7	6	20.0	(14.3)	11	13	18.2
Copper - cathodes (India) - ('000tn)	87	88	87	0.0	(1.1)	161	175	8.7
<b>Aluminium</b>								
Alumina – Lanjigarh ('000tn)	228	218	205	(10.1)	(6.0)	451	423	(6.2)
<b>Aluminum production ('000tn)</b>								
Vedanta Aluminium	91	124	134	47.3	8.1	203	259	27.6
BALCO	60	60	63	5.0	5.0	121	123	1.7
<b>Total</b>	<b>151</b>	<b>185</b>	<b>197</b>	<b>30.5</b>	<b>6.5</b>	<b>324</b>	<b>382</b>	<b>17.9</b>
<b>Power generation</b>								
SEL (mu)	1,267	1,938	1,940	53.1	0.1	2,404	3,879	61.4
BALCO 270MW (mu)	387	338	346	(10.6)	2.4	811	684	(15.7)
HZL wind power (mu)	94	182	188	100.0	3.3	200	370	85.0
<b>Total electricity sales (mu)</b>	<b>1,748</b>	<b>2,458</b>	<b>2,474</b>	<b>41.5</b>	<b>0.7</b>	<b>3,415</b>	<b>4,933</b>	<b>44.5</b>

Source: Company, Nirmal Bang Institutional Equities Research

## Disclaimer

### Stock Ratings Absolute Returns

BUY > 15%

HOLD 0-15%

SELL < 0%

This report is published by Nirmal Bang's Institutional Equities Research desk. Nirmal Bang has other business units with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets. This report is for the personal information of the authorised recipient and is not for public distribution. This should not be reproduced or redistributed to any other person or in any form. This report is for the general information for the clients of Nirmal Bang Equities Pvt. Ltd., a division of Nirmal Bang, and should not be construed as an offer or solicitation of an offer to buy/sell any securities.

We have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time without notice.

Nirmal Bang or any persons connected with it do not accept any liability arising from the use of this document or the information contained therein. The recipients of this material should rely on their own judgment and take their own professional advice before acting on this information. Nirmal Bang or any of its connected persons including its directors or subsidiaries or associates or employees or agents shall not be in any way responsible for any loss or damage that may arise to any person/s from any inadvertent error in the information contained, views and opinions expressed in this publication.

### Team Details:

Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	+91 22 3926 8098 / 99
Hemindra Hazari	Head of Research	hemindra.hazari@nirmalbang.com	+91 22 3926 8017 / 18

### Sales and Dealing:

Neha Grover	AVP Sales	neha.grover@nirmalbang.com	+91 22 3926 8093
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 3926 8230, +91 22 6636 8832
Sudhindar Rao	Dealing Desk	sudhindar.rao@nirmalbang.com	+91 22 3926 8229
Pradeep Kasat	Dealing Desk	pradeep.kasat@nirmalbang.com	+91 22 3926 8102/8103, +91 22 6636 8831
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 3926 8100/8101, +91 22 6636 8830

## Nirmal Bang Equities Pvt. Ltd.

### Correspondence Address

B-2, 301/302, Marathon Innova,  
 Nr. Peninsula Corporate Park  
 Lower Parel (W), Mumbai-400013.  
 Board No. : 91 22 3926 8000/1  
 Fax. : 022 3926 8010