Equity Research Report

Vedanta Limited

Promoter shareholding ka 100% pledge.

About The Company

Vedanta Ltd ek diversified natural resources conglomerate hai jo mining se lekar processing aur final product selling tak poori value chain ko control karta hai. Company ka business aluminium, zinc–lead–silver, copper, oil & gas, power, iron ore aur steel jaise cyclical aur infrastructure-linked sectors me spread hai. Vedanta ki presence sirf India tak limited nahi hai; balki South Africa, Namibia, Ireland, Liberia, UAE, South Korea aur Taiwan jaise international geographies me bhi company ke operations hain. Overall revenue ka lagbhag 65% India se aata hai, jabki baaki contribution Malaysia, China, UAE aur other overseas markets se aata hai, jo business ko geographic diversification deta hai.

Vedanta ka largest segment aluminium hai, jo 9M FY25 me ~38% revenue contribute karta hai. Company India ki largest primary aluminium producer hai, jiska ~46% domestic market share hai, with 2.4 Mn tonnes smelting capacity aur Odisha me 3.5 MTPA alumina refinery. FY25 me aluminium sales volumes FY24 se thode weak rahe, jo demand softness ya product mix change ka indication dete hain. Iske bawajood, Vedanta value-added aluminium products par focus badha raha hai, jisme alumina expansion, Jharsuguda smelter addition aur rolled products capacity doubling shamil hai, jo long term margins ke liye positive hai.

Zinc, lead aur silver business (24% revenue) Vedanta ka ek strong cash-generating segment hai, jisme Hindustan Zinc ke through India ke zinc market ka ~75% share aur globally strong reserve base hai. Zinc International operations South Africa aur Namibia me located hain. FY25 me volumes me softness dekhi gayi, mainly operational issues aur ore grade variability ke kaaran, lekin Gamsberg Phase-2 expansion aur roaster capacity addition se medium term me volume recovery expected hai.

Copper business (~15% revenue) largely conversion margin aur trading driven hai, jisme FY25 me volumes me sharp decline raha. Is segment me volume volatility directly profitability ko impact karti hai. Oil & gas segment (~8% revenue), jo Cairn India ke through operate hota hai, stable crude price realizations ke bawajood production decline face kar raha hai ye key concern hai, lekin high cash generation is segment ko overall portfolio ke liye important banati hai.

Power, iron ore aur steel/ferrochrome segments combined milkar diversified earnings provide karte hain, lekin ye segments cyclical nature ke hain aur infra demand, tariffs aur regulatory factors par depend karte hain. Power business me recent acquisitions aur tariff improvement FY26 se earnings visibility ko support kar sakte hain.

Overall, Vedanta aggressively capacity expansion, brownfield projects aur downstream integration par focus kar raha hai, jiska objective lower cost structure aur higher EBITDA per tonne achieve karna hai. September 2023 me announced demerger plan jisme Vedanta ko 6 separate listed entities me split kiya jayega company ke liye ek potential value unlocking trigger maana ja raha hai, kyunki isse investors ko pure-play exposure, better capital allocation aur sum-of-parts valuation ka benefit mil sakta hai.

Stock Data (as on Dec 24, 2025)	
Nifty	: 26,139
52 Weeks H/L (INR)	: 600/362
Market Cap (INR Crs.)	: 2,33,900
Outstanding Shares (Crs.)	: 391
Dividend Yield (%)	: 7.27%
NSE Code	: VEDL

Compounded Profit Growth	
10 Years	: 22%
5 Years	: 2%
3 Years	: -10%

Compounded Sales Growth	
10 Years	: 8%
5 Years	: 13%
3 Years	: 5%

Return On Equity	
10 Years	: 15%
5 Years	: 24%
3 Years	: 23%

Shareholding Pattern (as on Sep 30, 2025)	
Promoters	: 56.38%
FIIs	: 11.08%
DIIs	: 16.25%
Government	: 0.06%
Public	: 16.09%

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Q2 FY26 Earnings Conference

- Global tariff disputes, Middle East aur Europe ke conflicts, sharp commodity price volatility aur early monsoon–planned shutdowns jaise headwinds ke bawajood, management ne H1 FY26 ko "volatility ke beech resilience aur record performance" ka phase bataya, jahan Vedanta ne apna best-ever H1 deliver karke execution strength prove ki. Aluminium ($2,285–$2,736/t) aur zinc ($2,521–$3,019/t) prices me wide swings ke beech bhi company ne Q2 EBITDA ₹11,612 cr aur H1 EBITDA ₹22,358 cr achieve ki, jo YoY basis par 12% (Q2) aur 8% (H1) growth ko reflect karta hai. CEO ka clear message hai ki FY26 Vedanta ka strongest year hoga, jisme India consolidated EBITDA $6bn+ cross karega, jo FY22 ke all-time high se bhi zyada hoga.

- Financial performance ke level par, Vedanta ne record Q2 aur record H1 revenue report kiya—Q2 me ₹39,218 cr aur H1 me ₹76,652 cr—jabki EBITDA margin 34% par pahunch gaya, jo better commodity pricing, marketing premiums, FX gains aur continuous cost efficiencies ka result hai. Pre-exceptional PAT ₹5,026 cr raha, lekin TSPL mega matter ke ₹1,407 cr provision aur SEPCO settlement ke baad reported PAT ₹3,479 cr par aa gaya, jahan SEPCO settlement ka strategic benefit demerger process ko unblock karna raha.

- Segment-wise dekha jaye to aluminium clear star performer raha, jisme EBITDA ₹5,532 cr (+33% YoY) aur 35% margin record production aur aggressive cost optimization se driven tha. Zinc India (HZL) ne ₹4,434 cr EBITDA ke saath 54% margin deliver kiya, supported by record mined metal, silver contribution aur 5-year low cost structure, jabki zinc international operations me Gamsberg turnaround ne volumes aur costs dono me meaningful improvement dikhaya. Oil & gas segment me production decline ke bawajood operational efficiencies ne EBITDA margins ko ~44% par sustain rakha, aur management Q3 se production stabilization ka guidance de raha hai.

- Returns aur balance sheet front par, ROCE ~26% tak improve hua, net debt/EBITDA 1.37x par aa gaya, AA rating reaffirm hui aur ₹21,481 cr ki strong liquidity buffer maintain rahi, jabki interim dividend ₹16/share ke saath YTD shareholder return ~13% raha. Parent Vedanta Resources level par high-cost debt refinancing, maturity extension aur ICL repayment plan ne refinancing risk ko materially reduce kiya, jahan management ka stance hai ki VRL ab stable "autopilot mode" me operate kar raha hai.

- Operationally, aluminium Vedanta ka primary growth engine bana hua hai, jahan record production, Q2 me $943/t margin aur forward guidance ke hisaab se H2 me hot metal COP <$1,650/t aur power cost <$500/t hone se margins aur improve hone ki clear visibility hai. Zinc India me silver earnings ka 40%+ contribution aur zinc international me cost-down trajectory earnings stability ko support karti hai, jabki power business me merchant capacity scaling aur recent acquisitions FY26 se profitability ko drive karne wale hain.

- Overall, ongoing capex cycle, aluminium cost-down roadmap, zinc international scale-up aur demerger ke final leg—jiske liye management confident hai ki regulatory hurdles largely resolve ho chuke hain—Vedanta ke liye near-to-medium term me earnings visibility aur value unlocking ka strong setup create karte hain, jabki oil & gas production stabilization aur select IBC outcomes key watch-outs bane rahenge.

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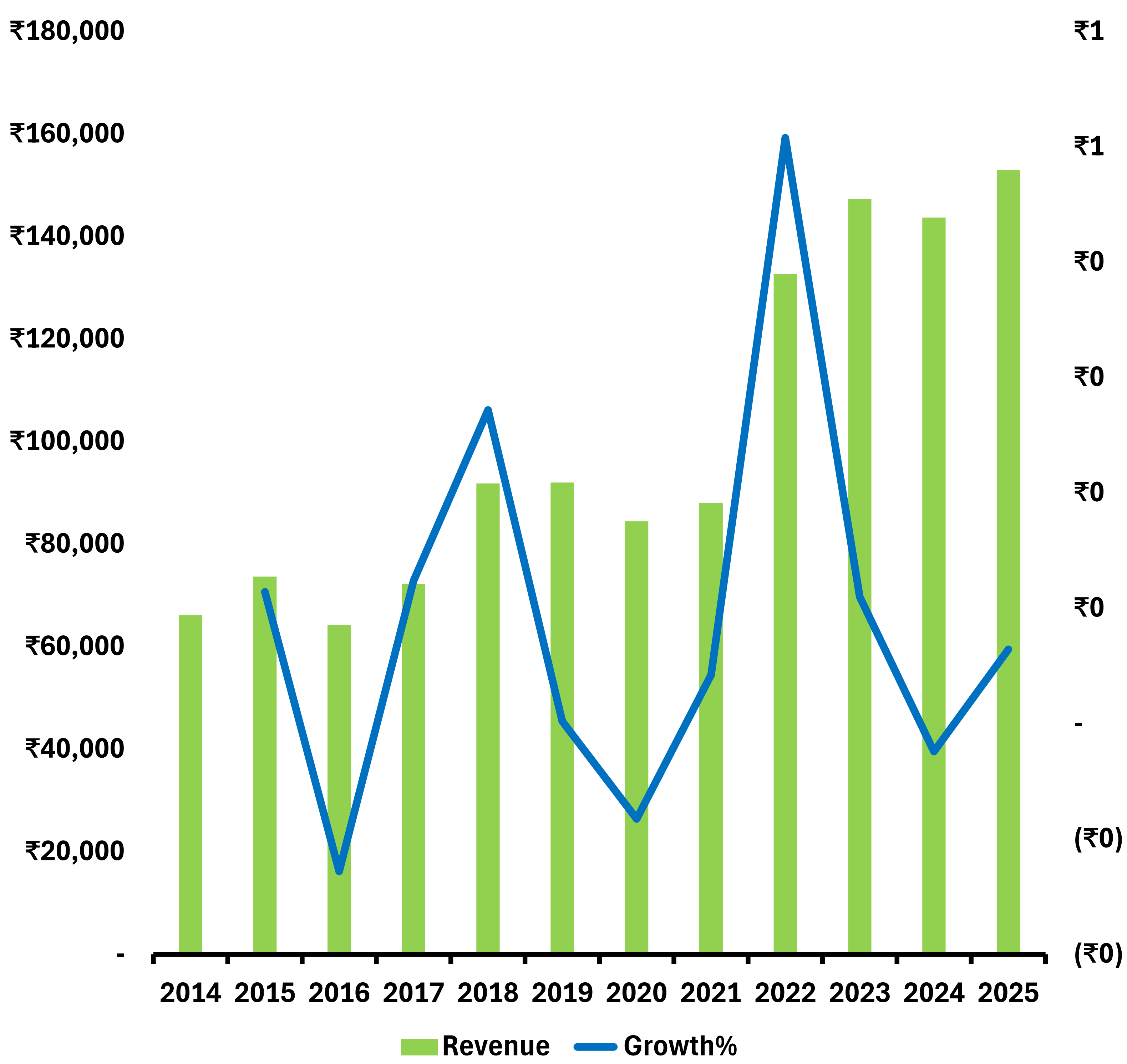
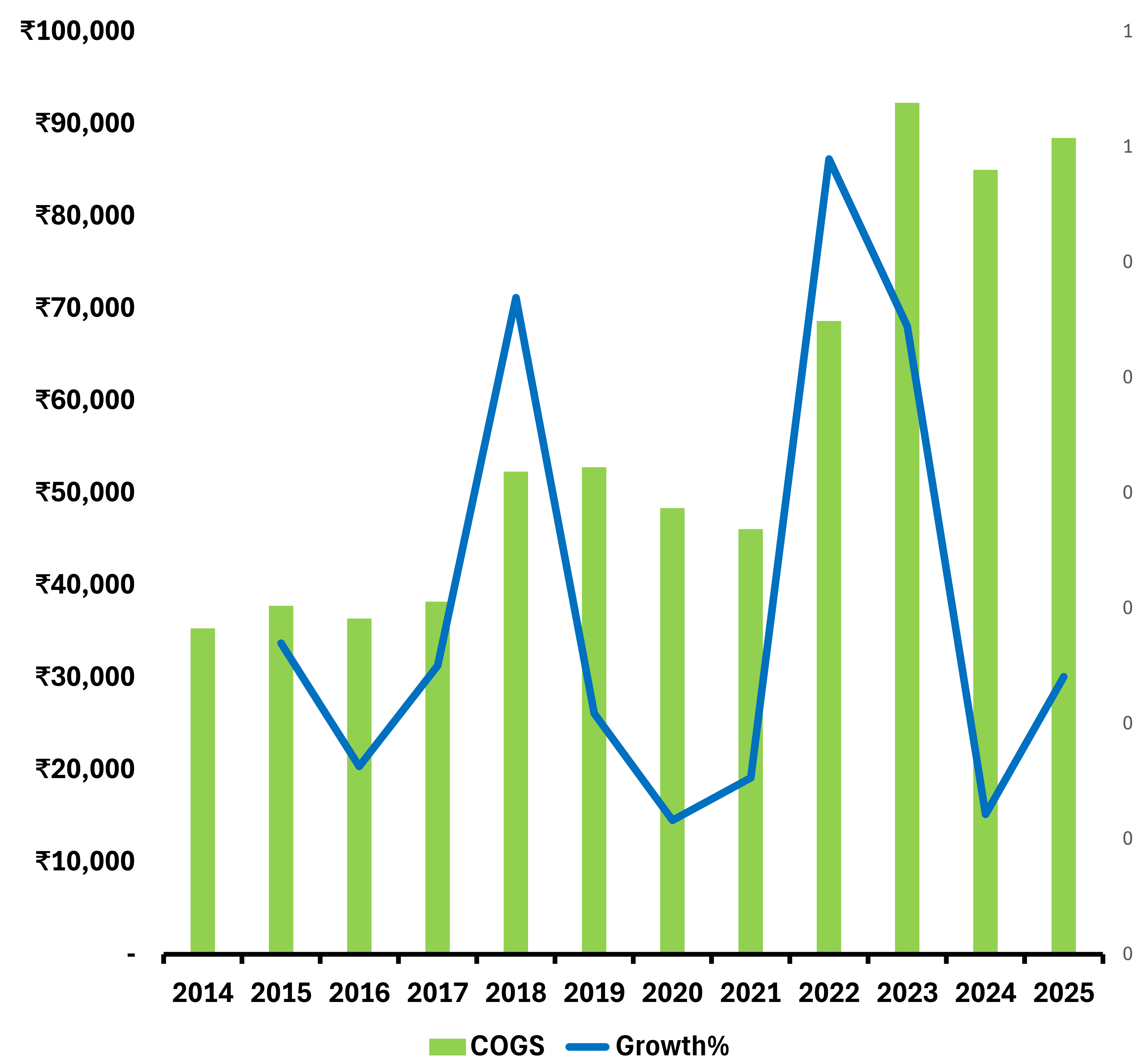
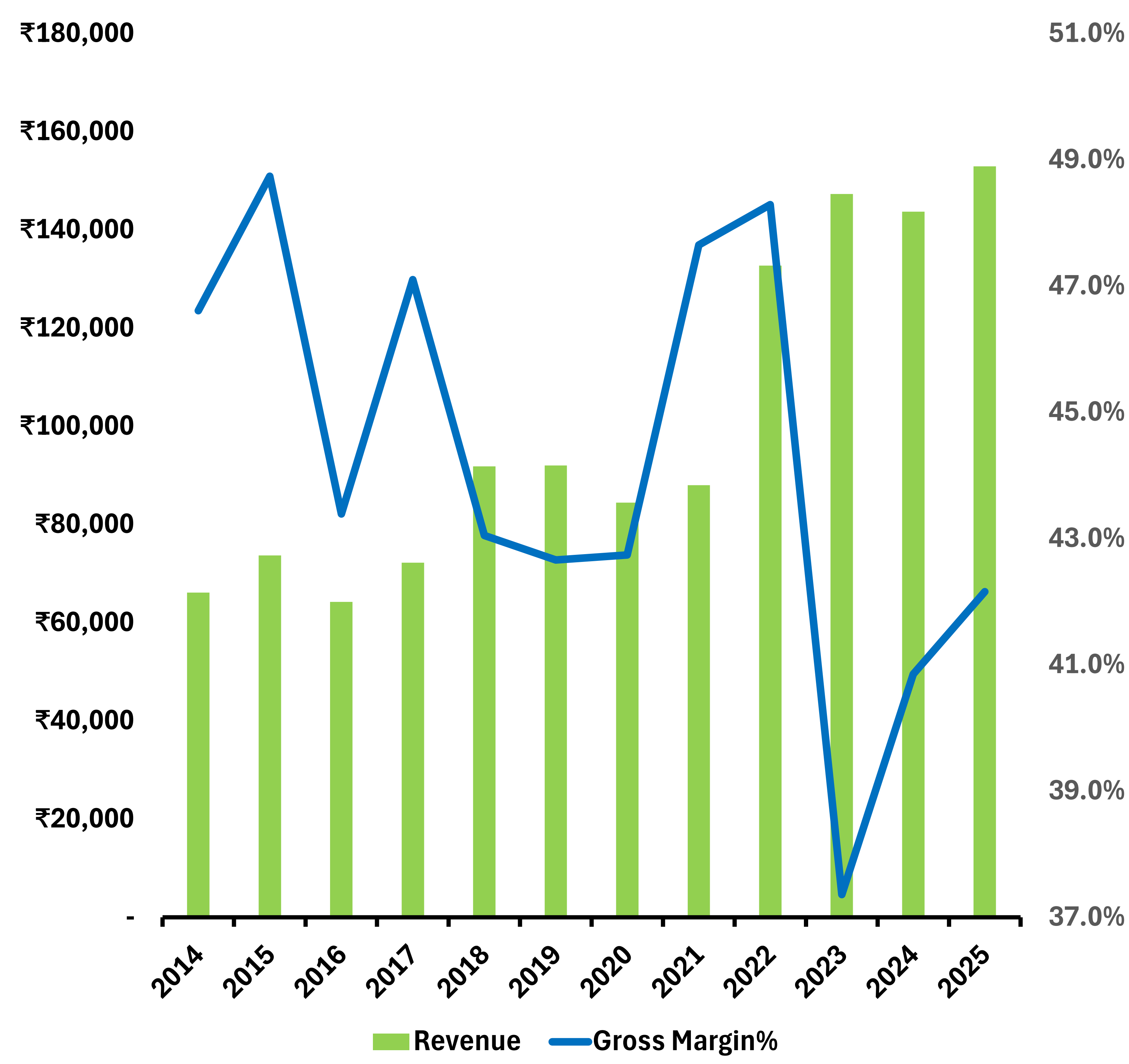
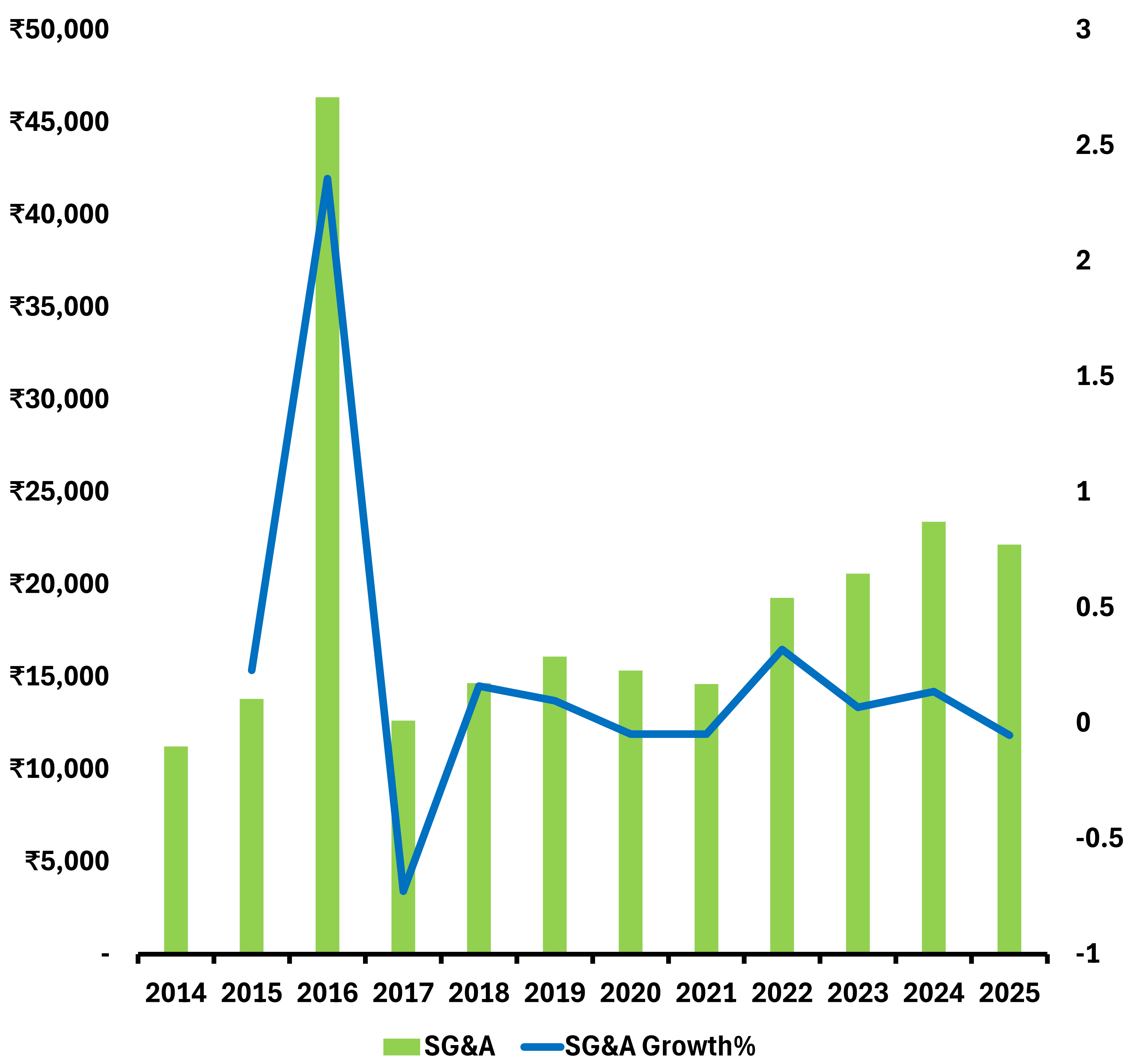
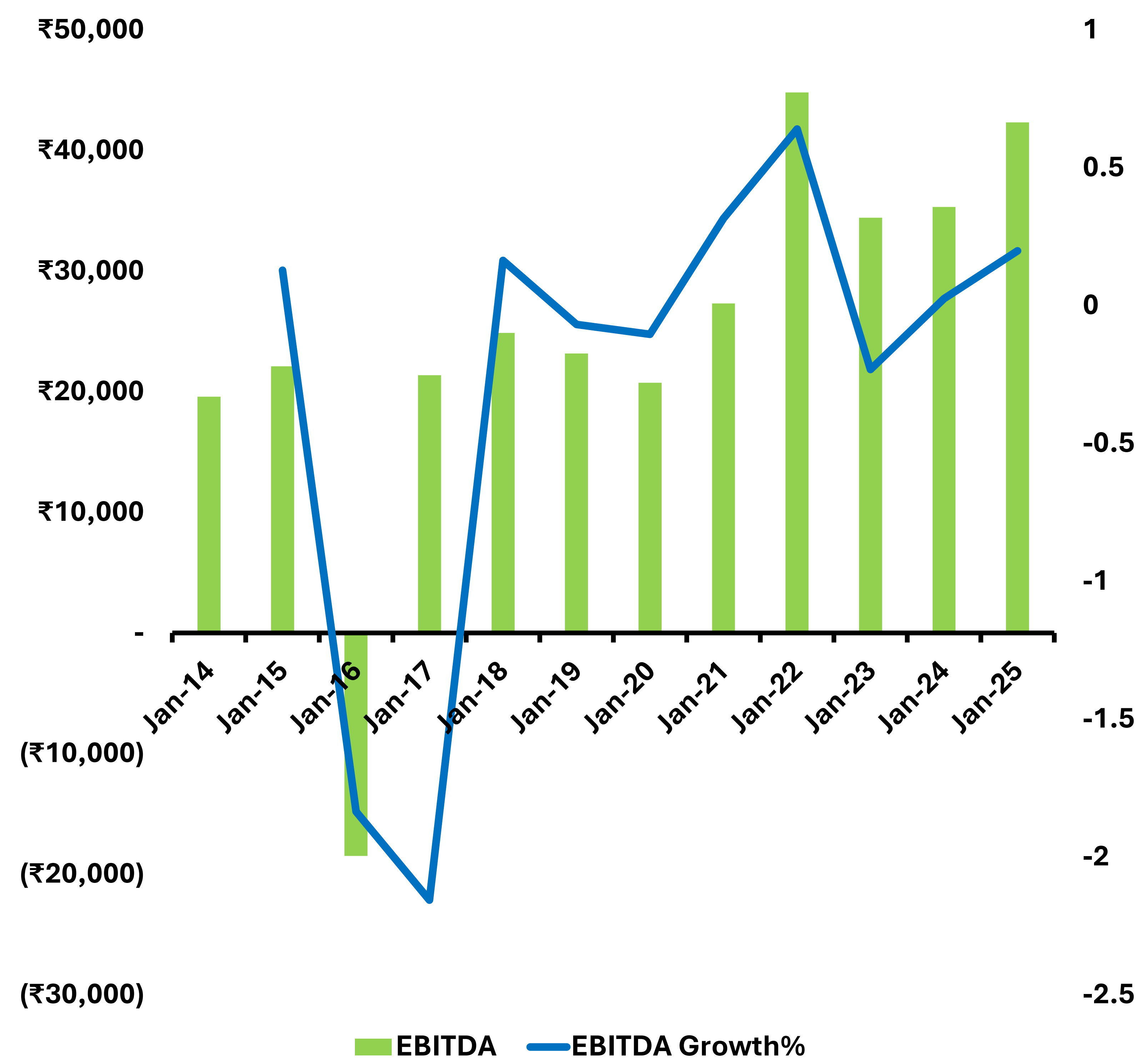
Financial Analysis











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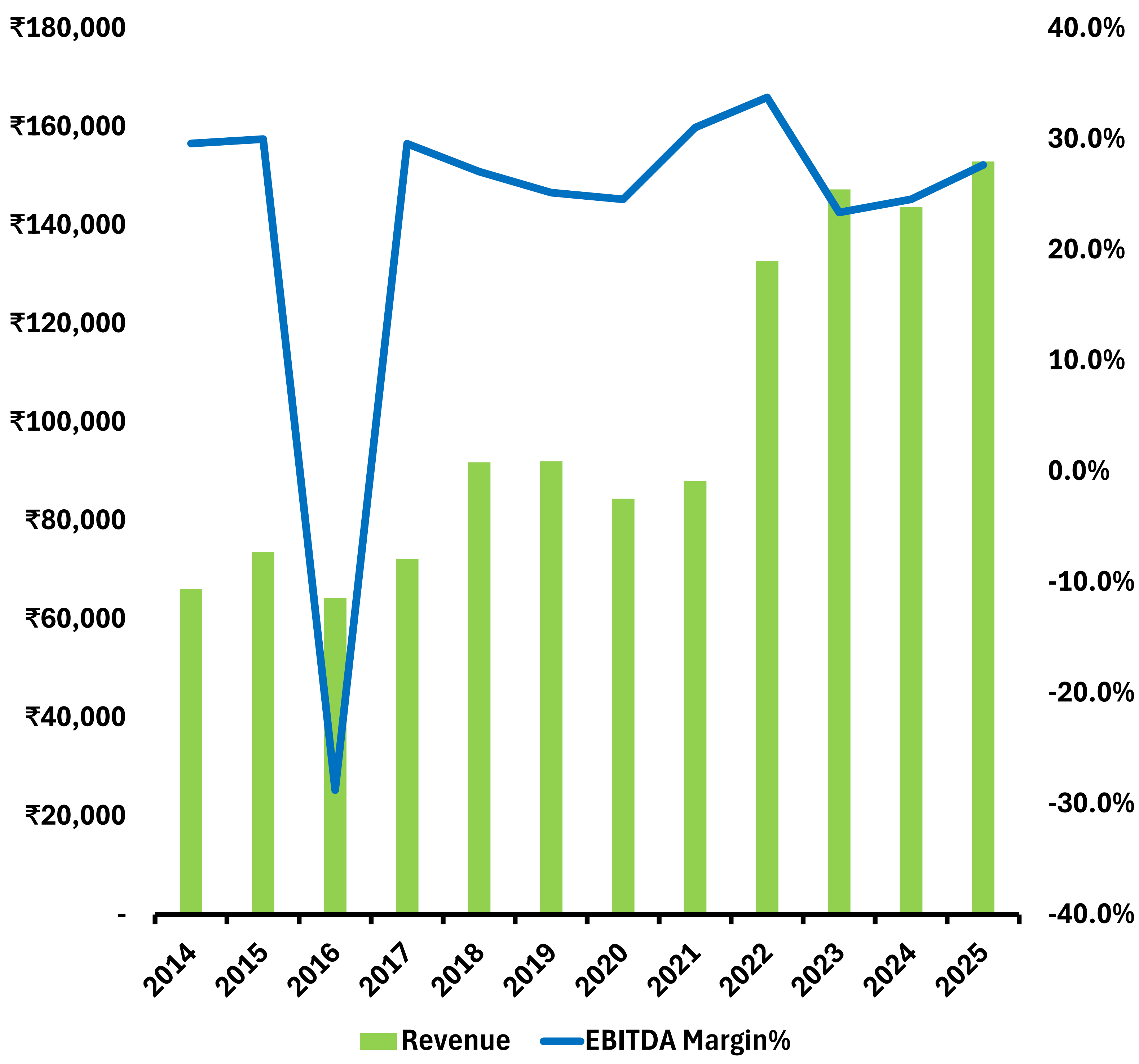

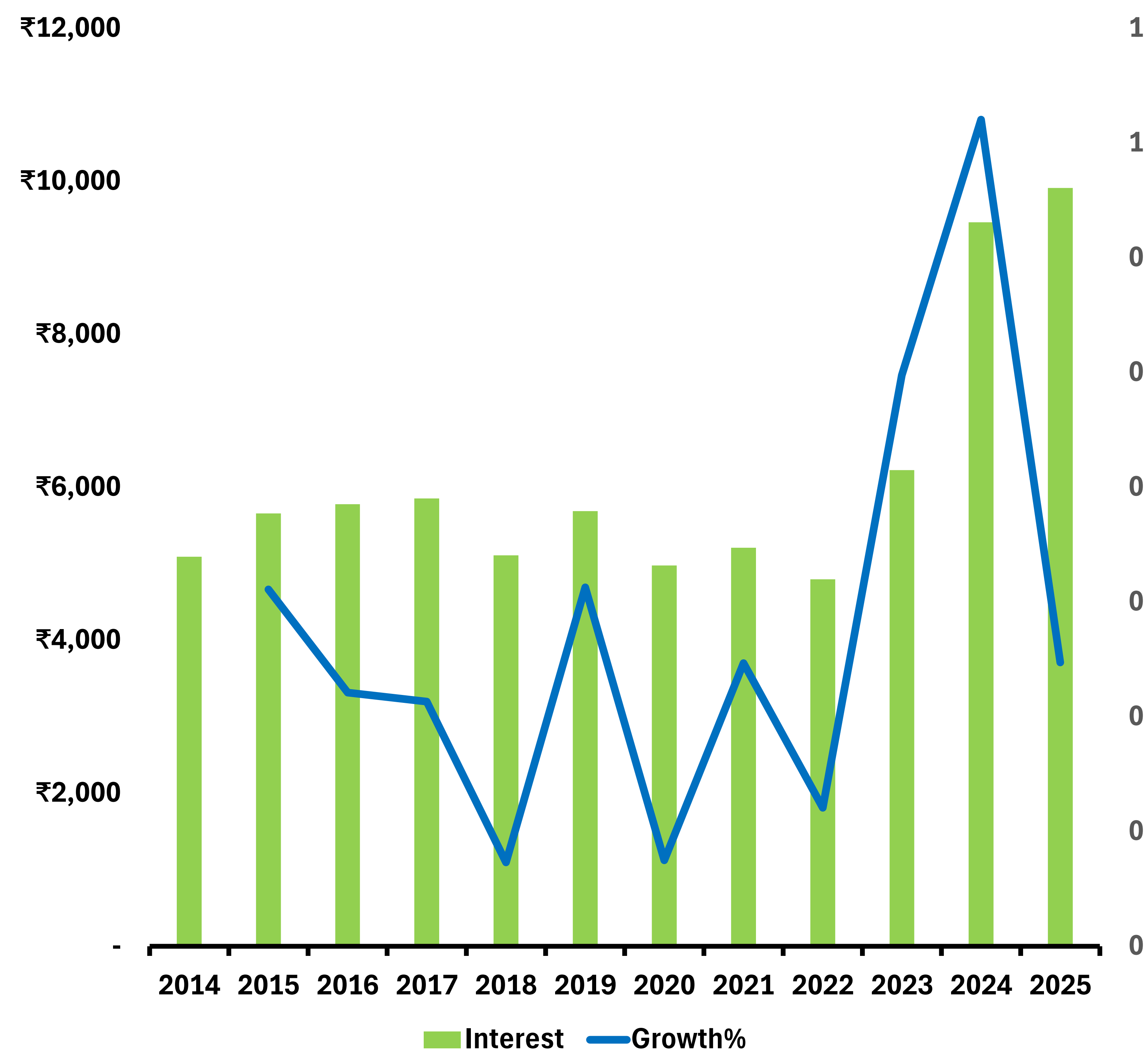

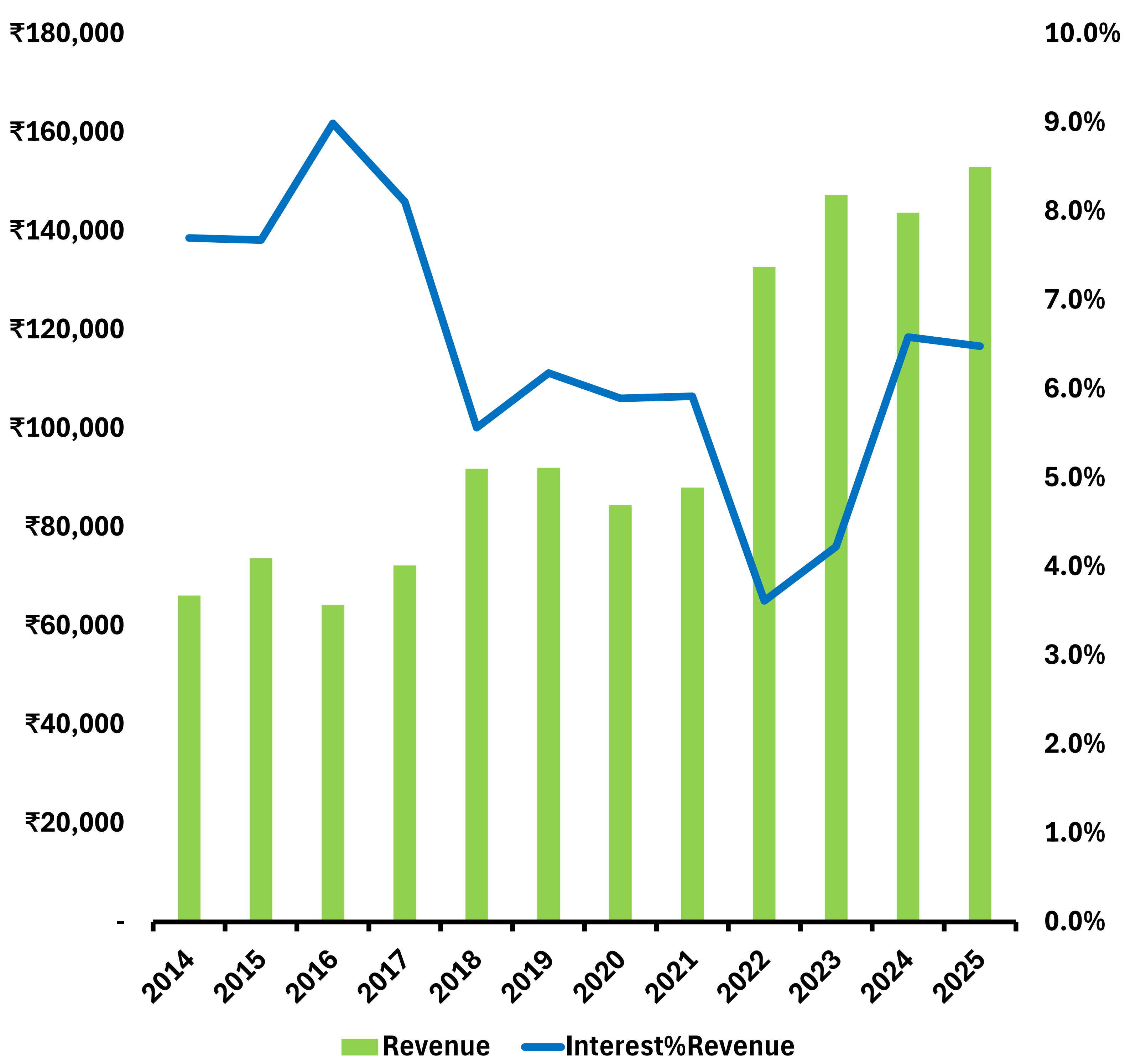

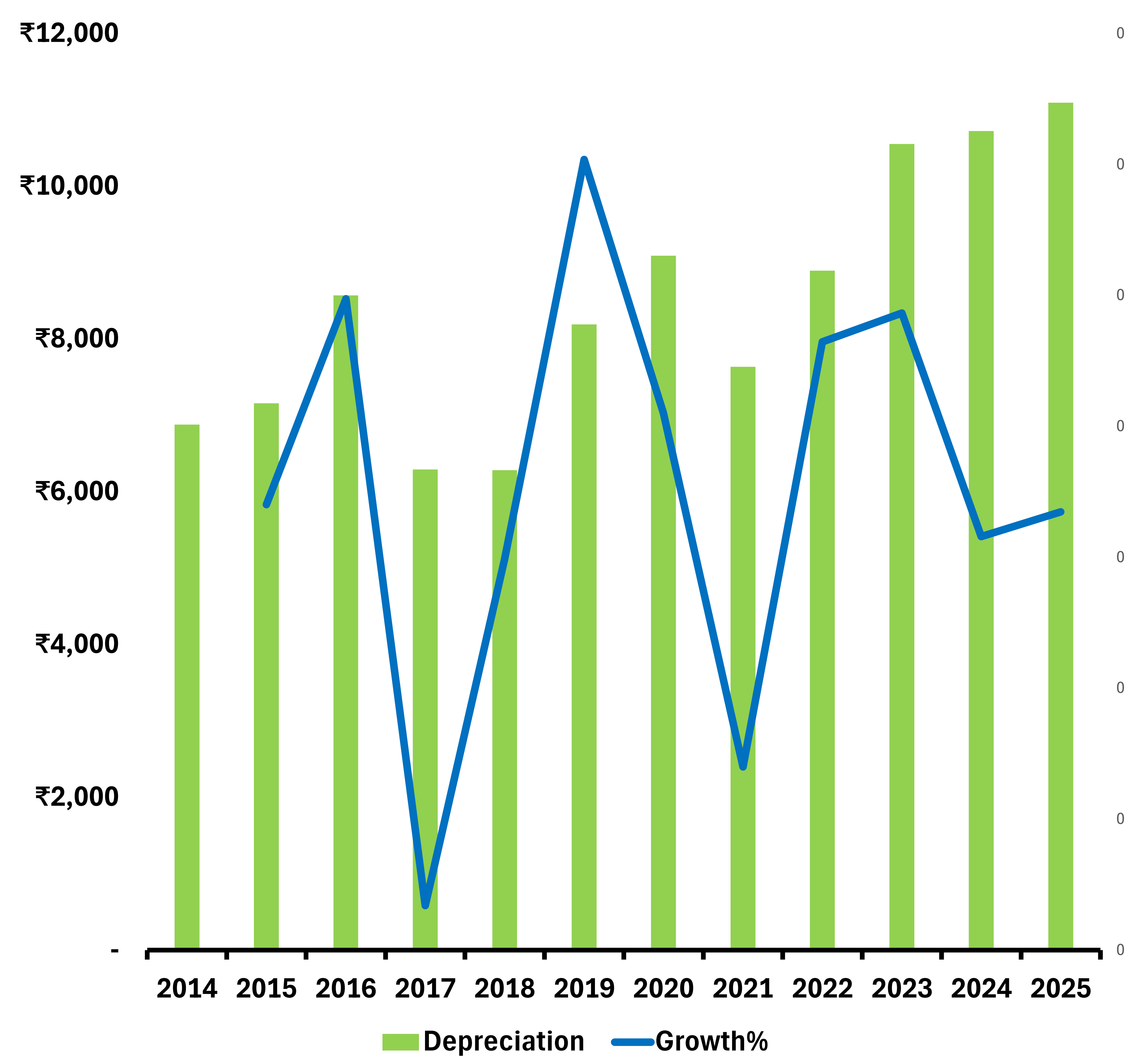

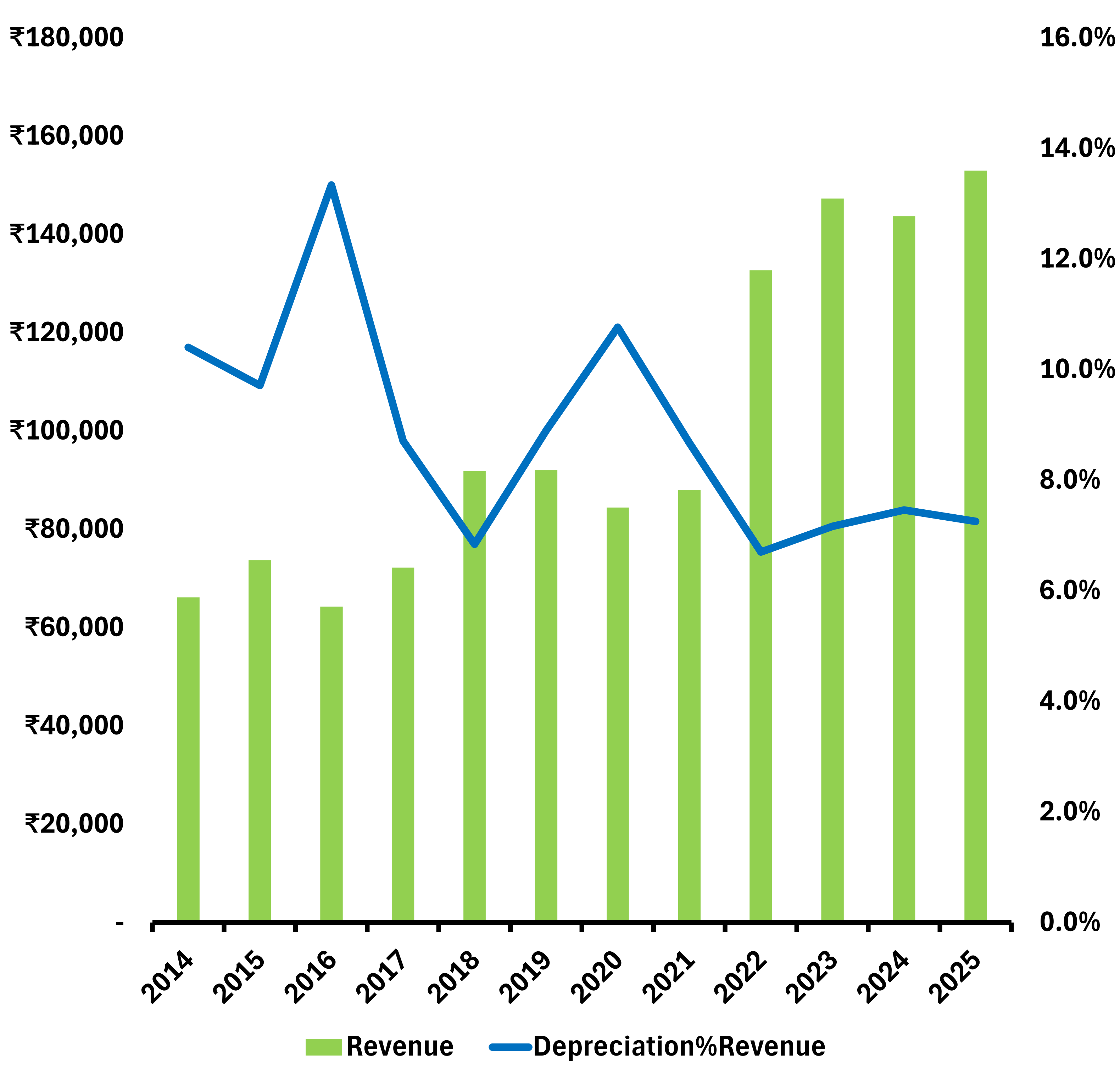

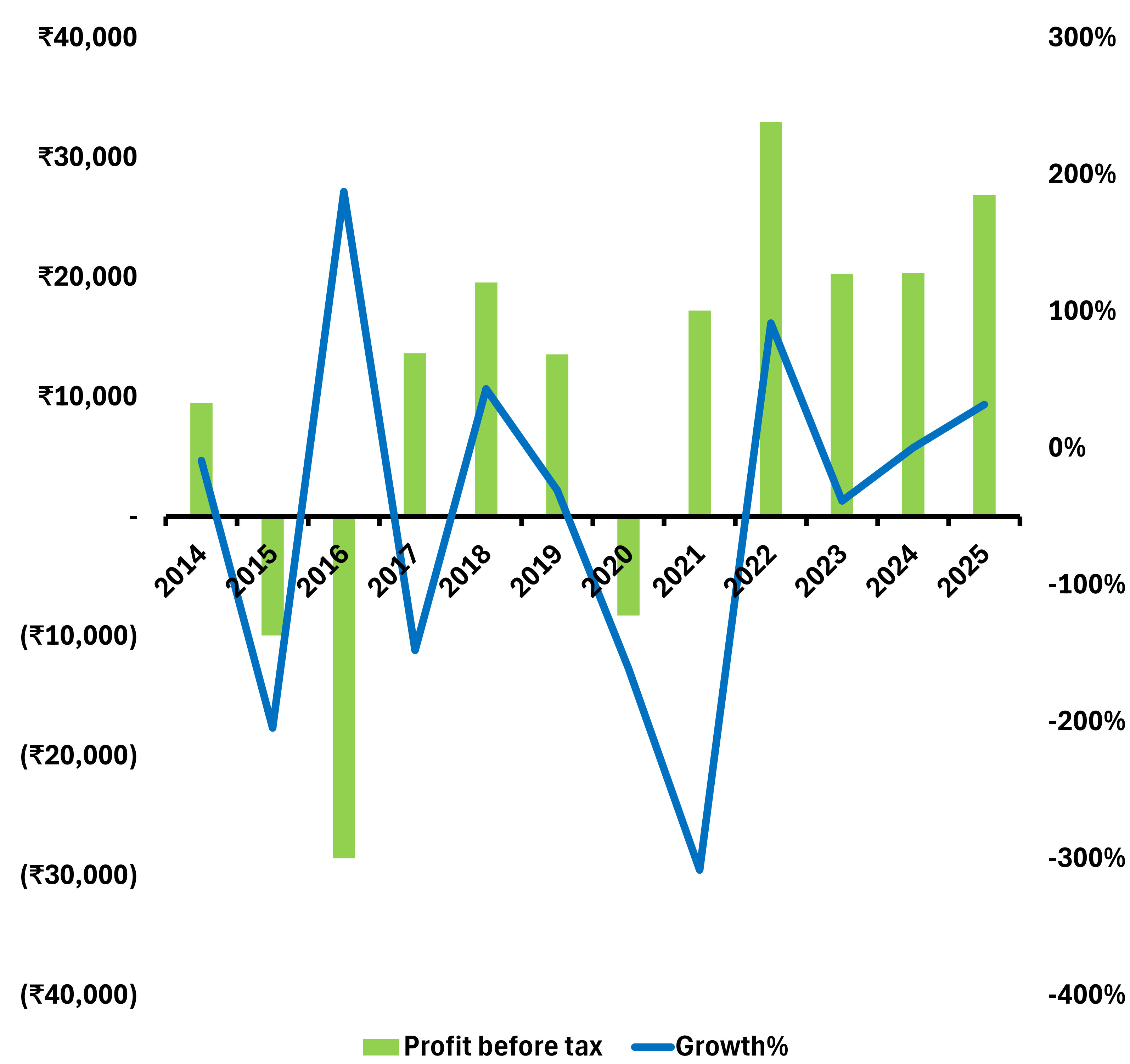

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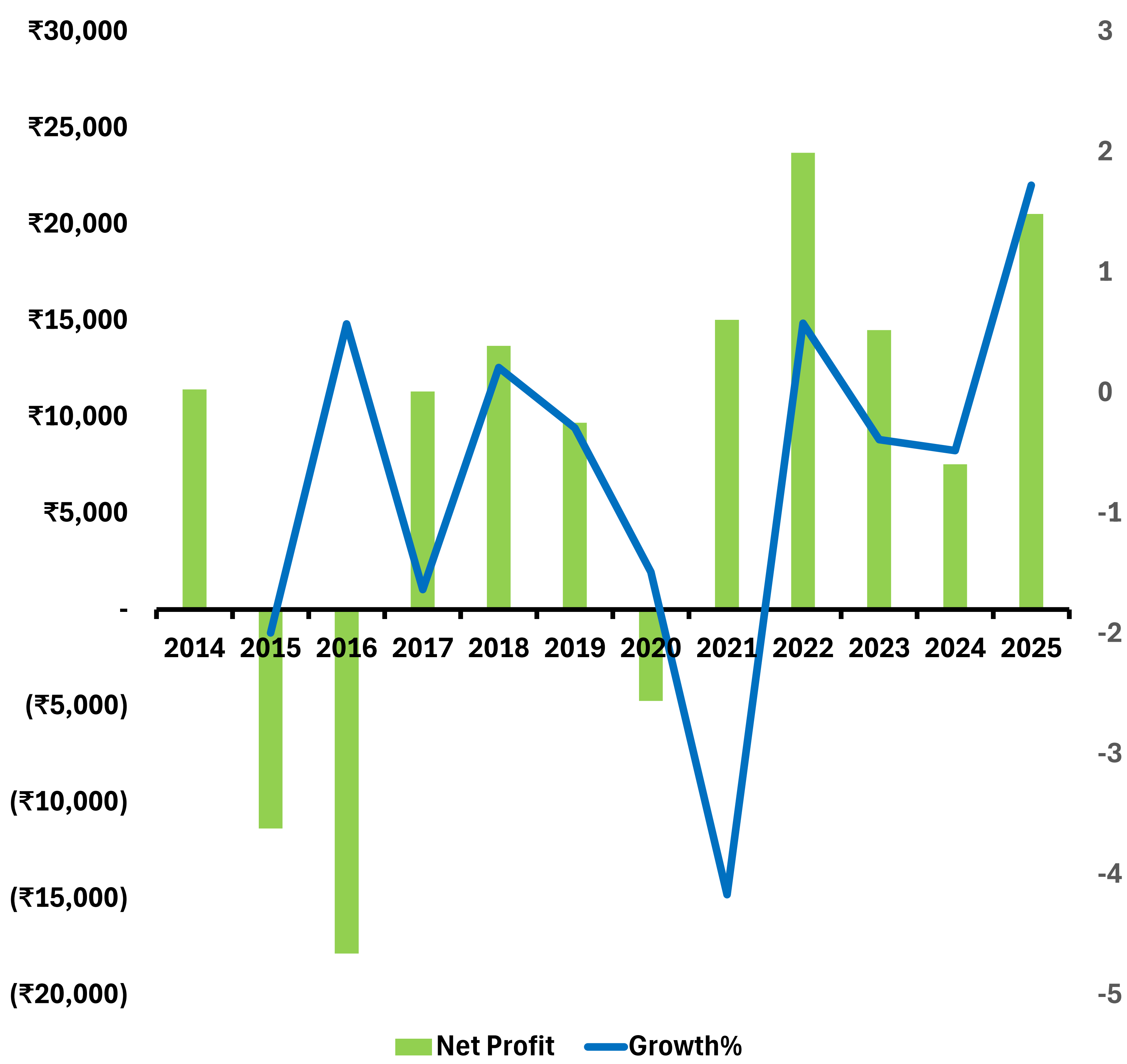

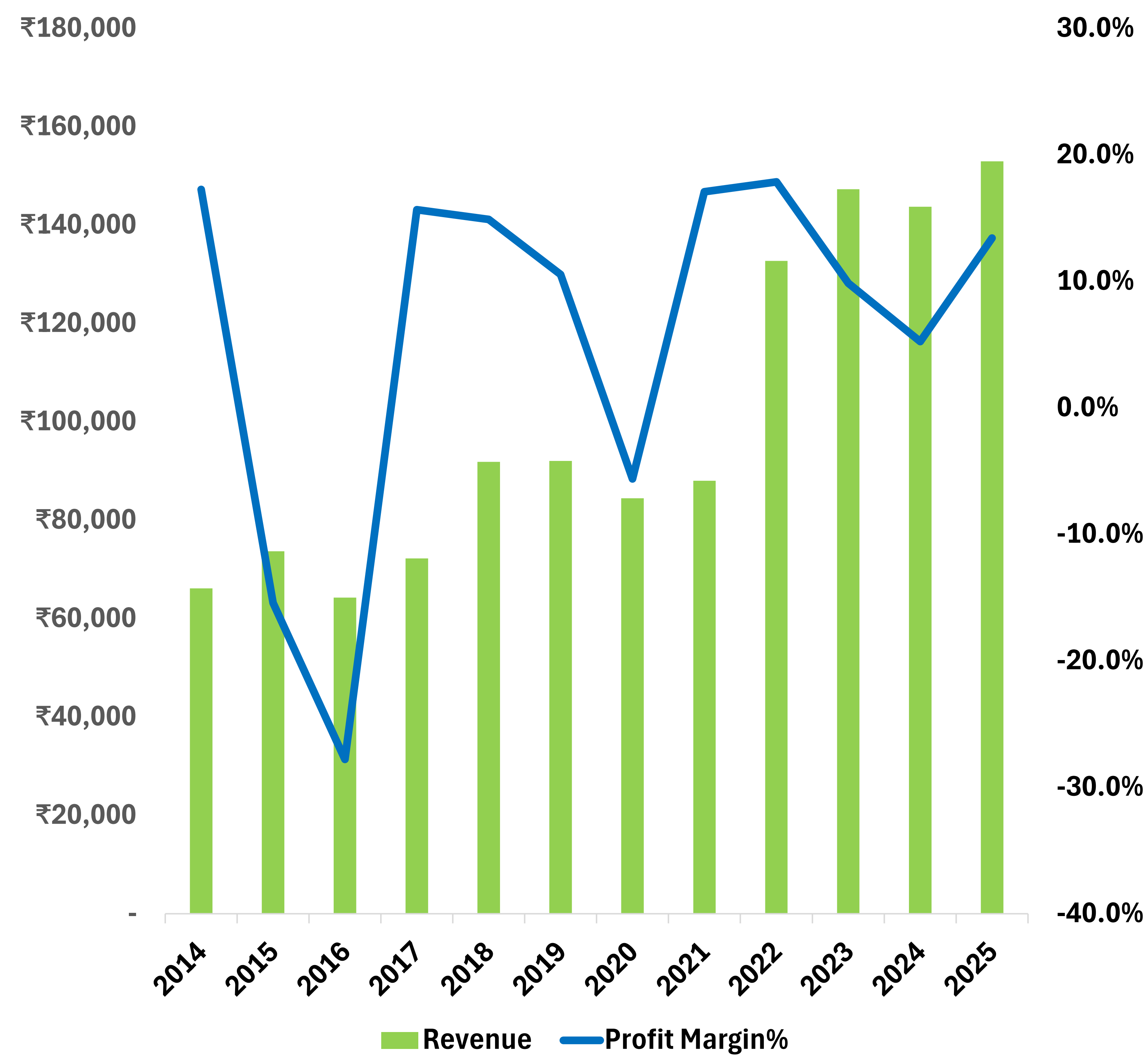

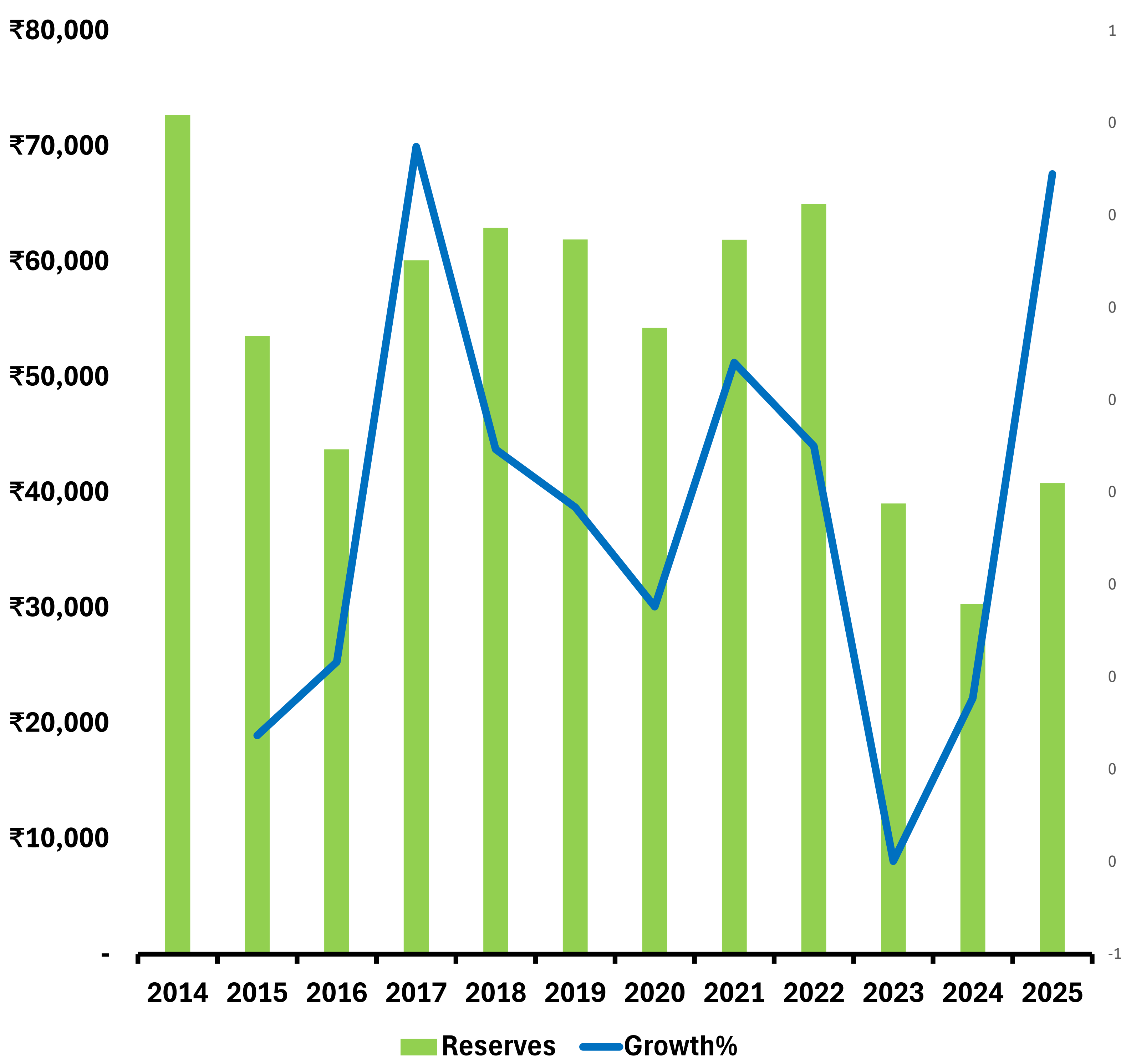

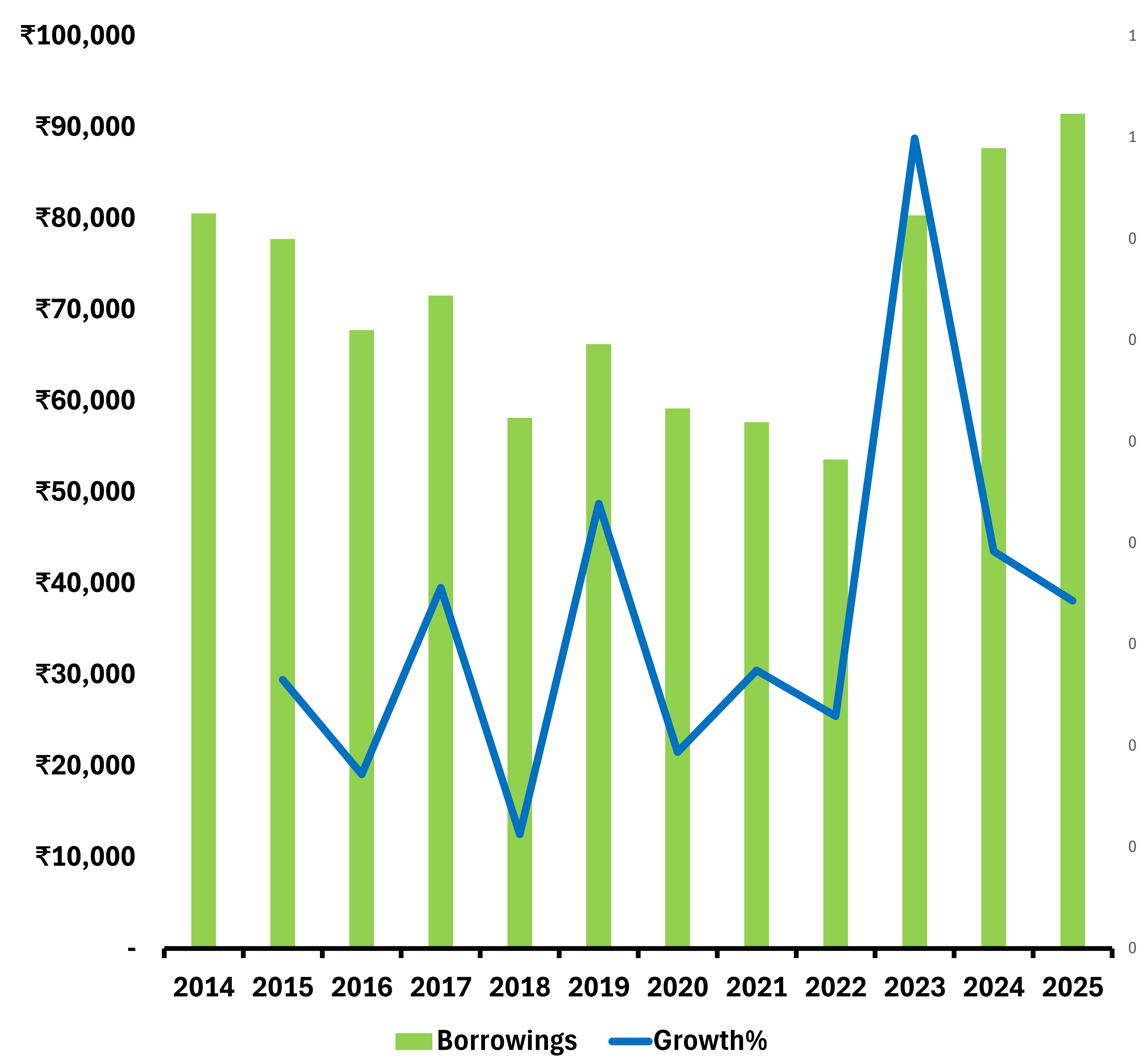

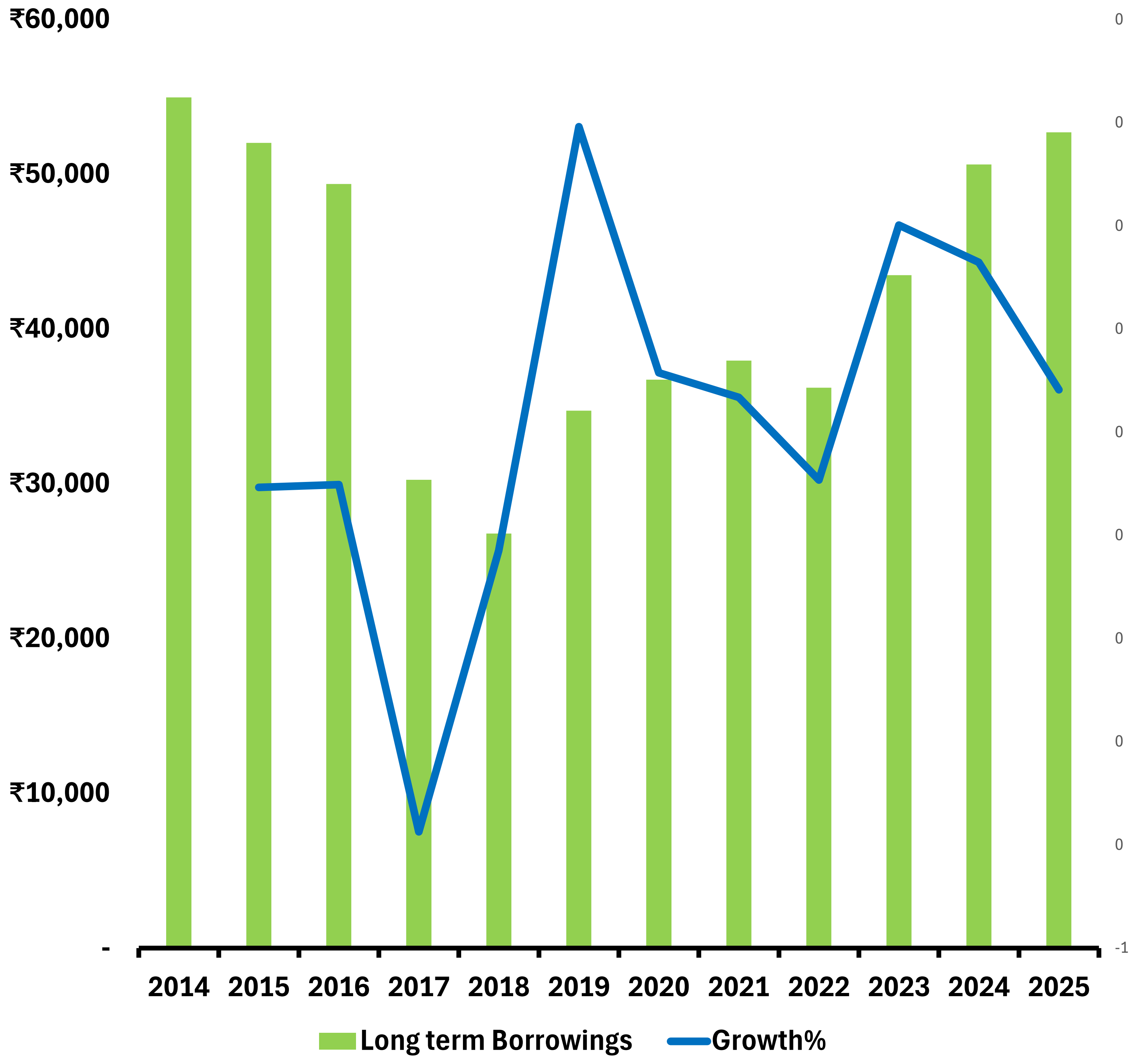

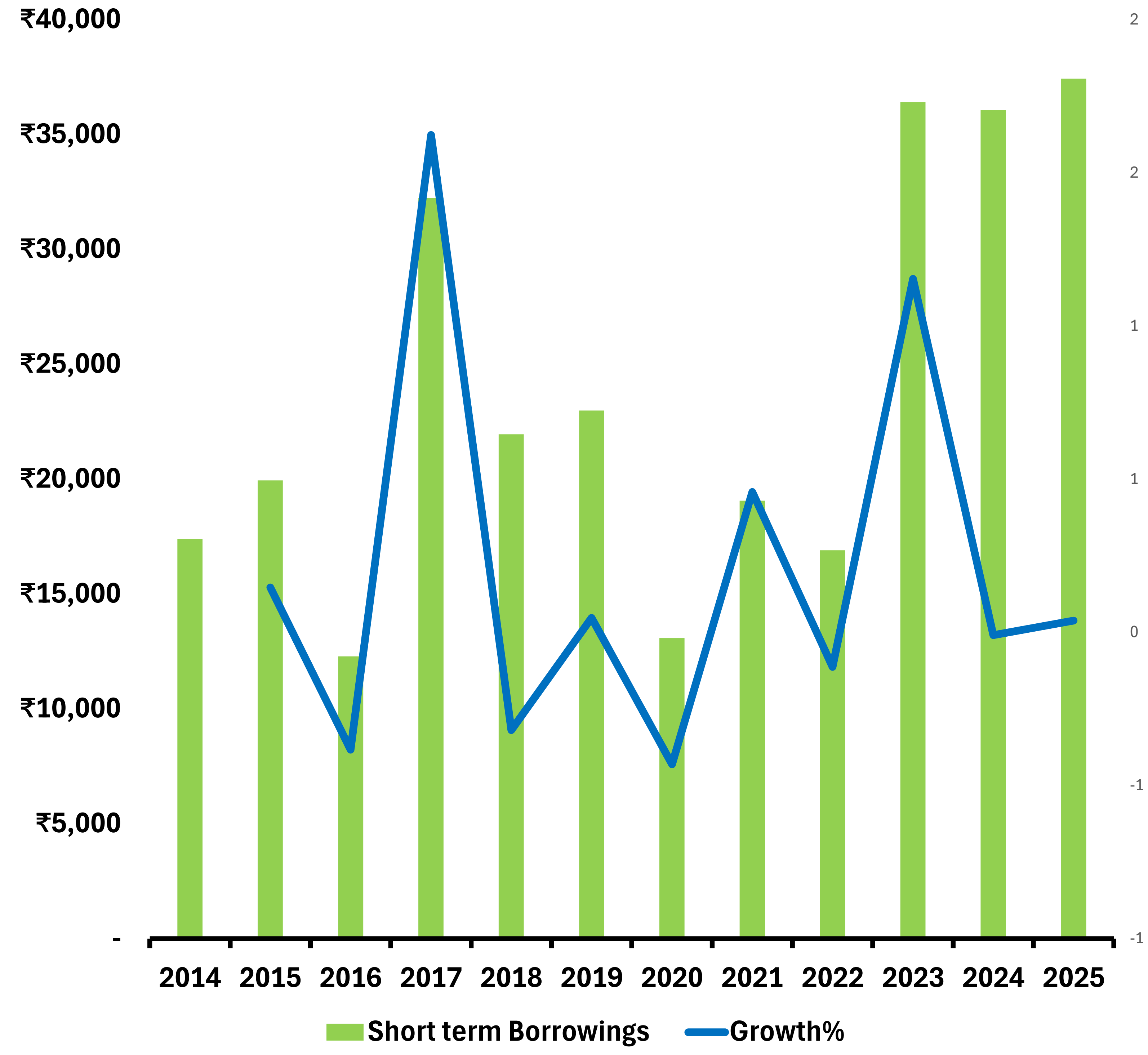

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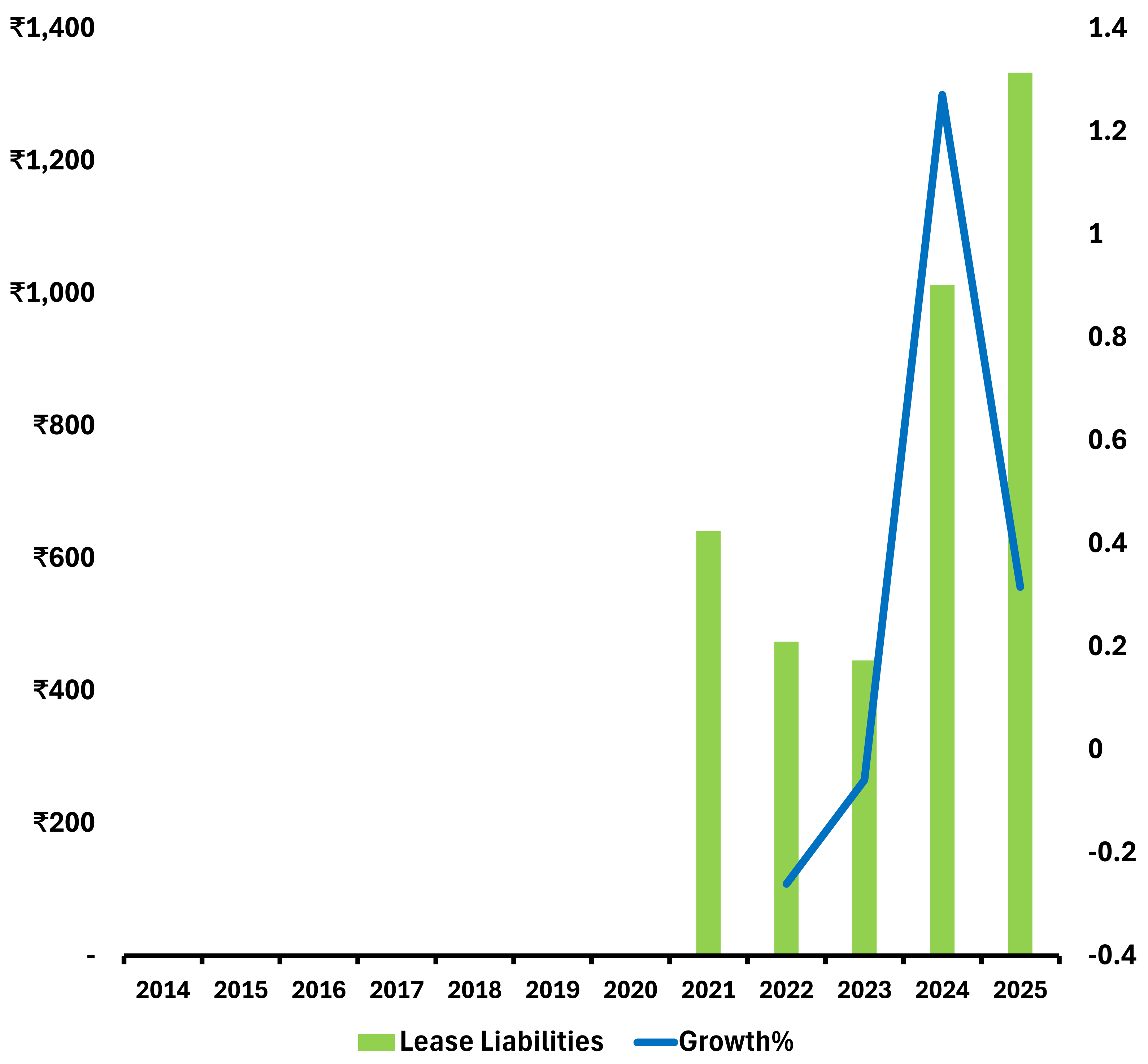

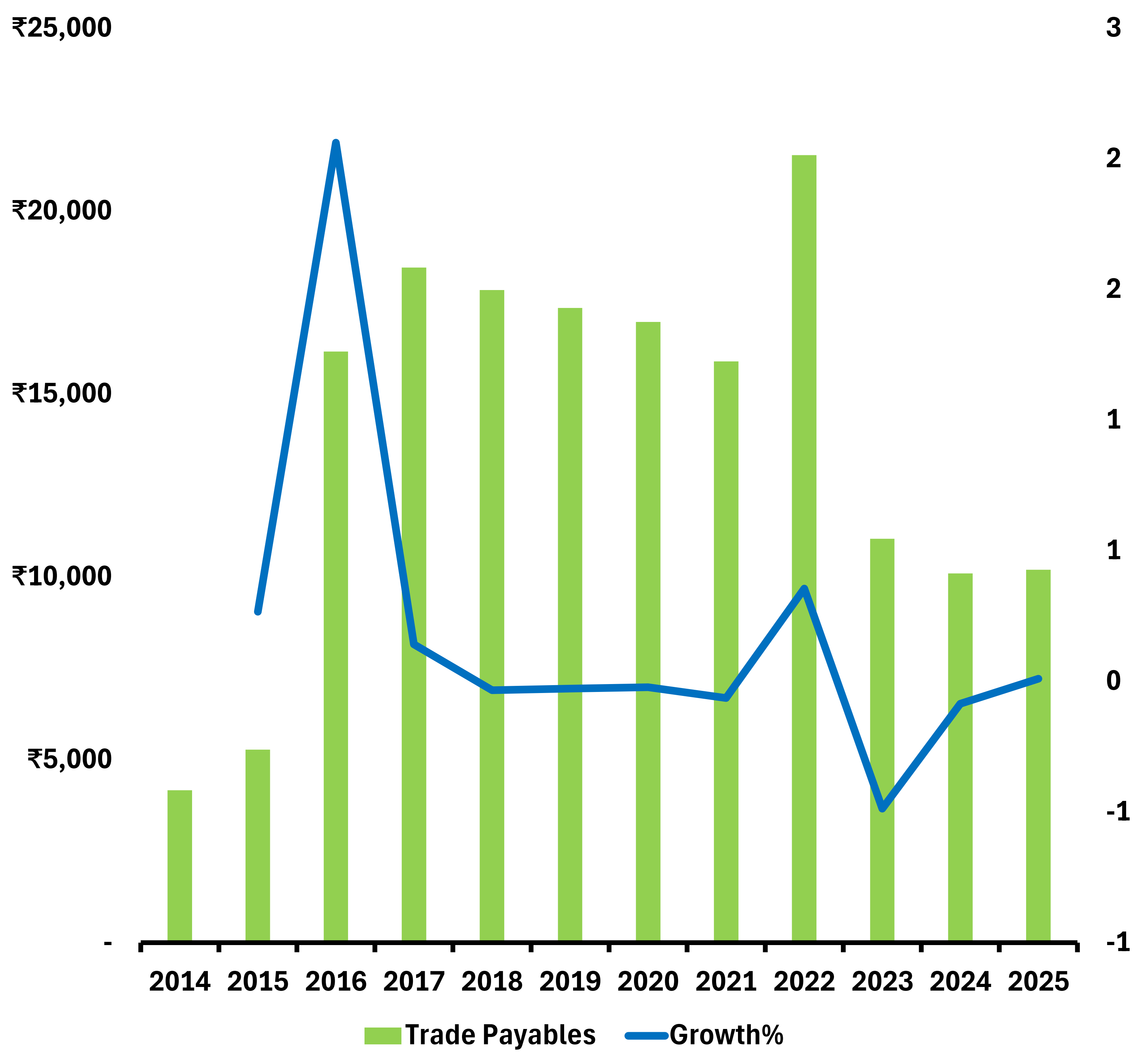

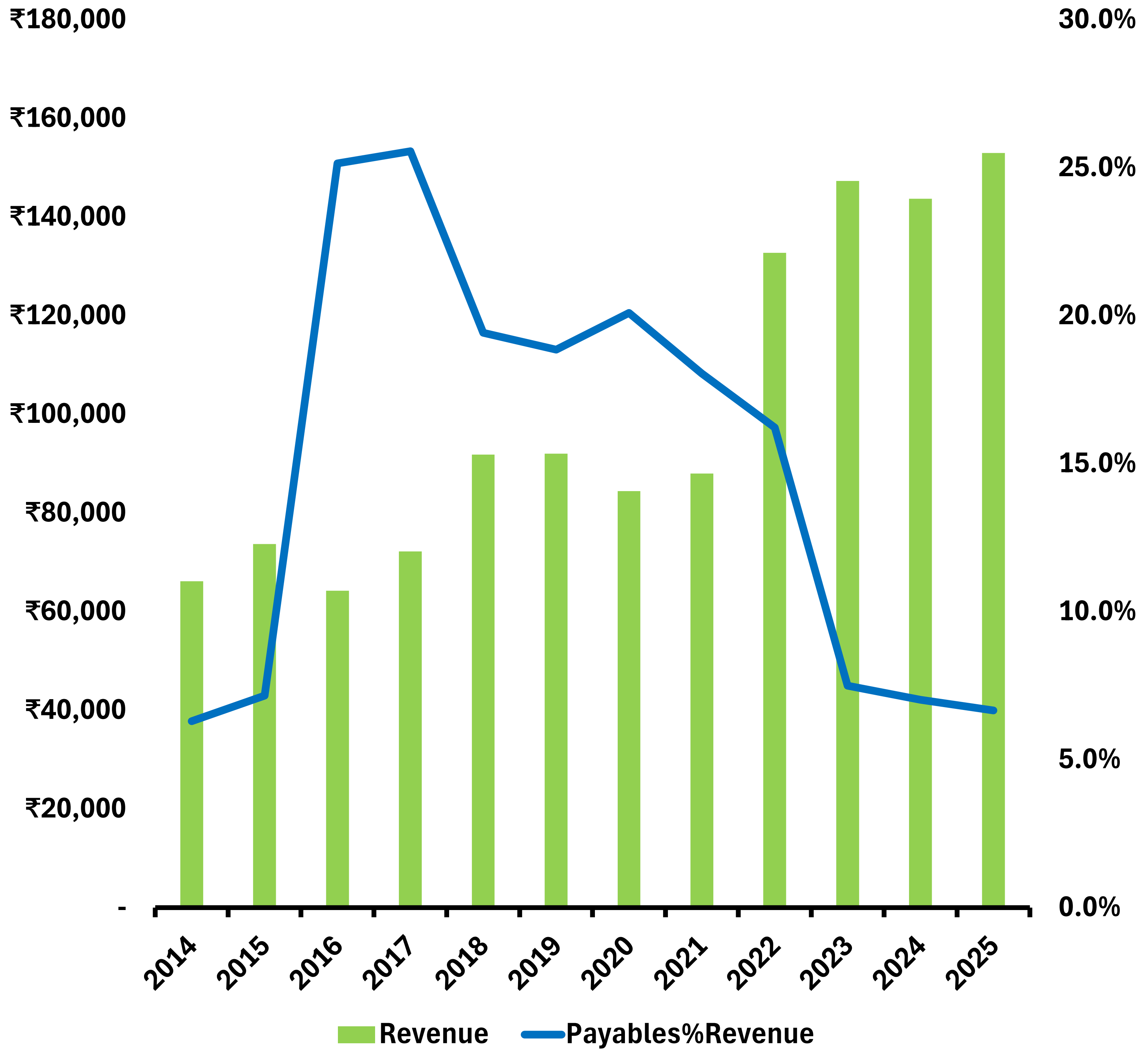

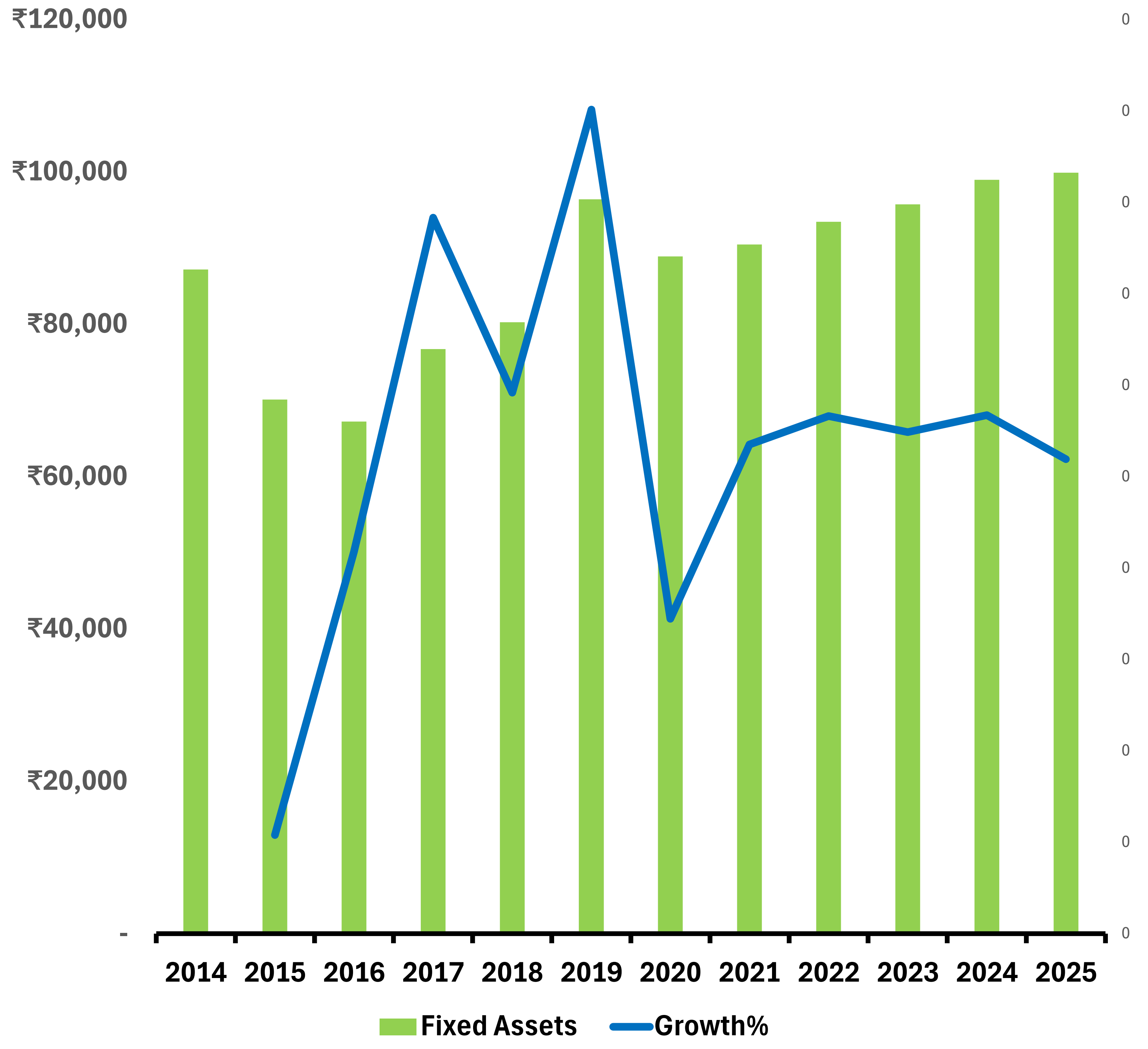

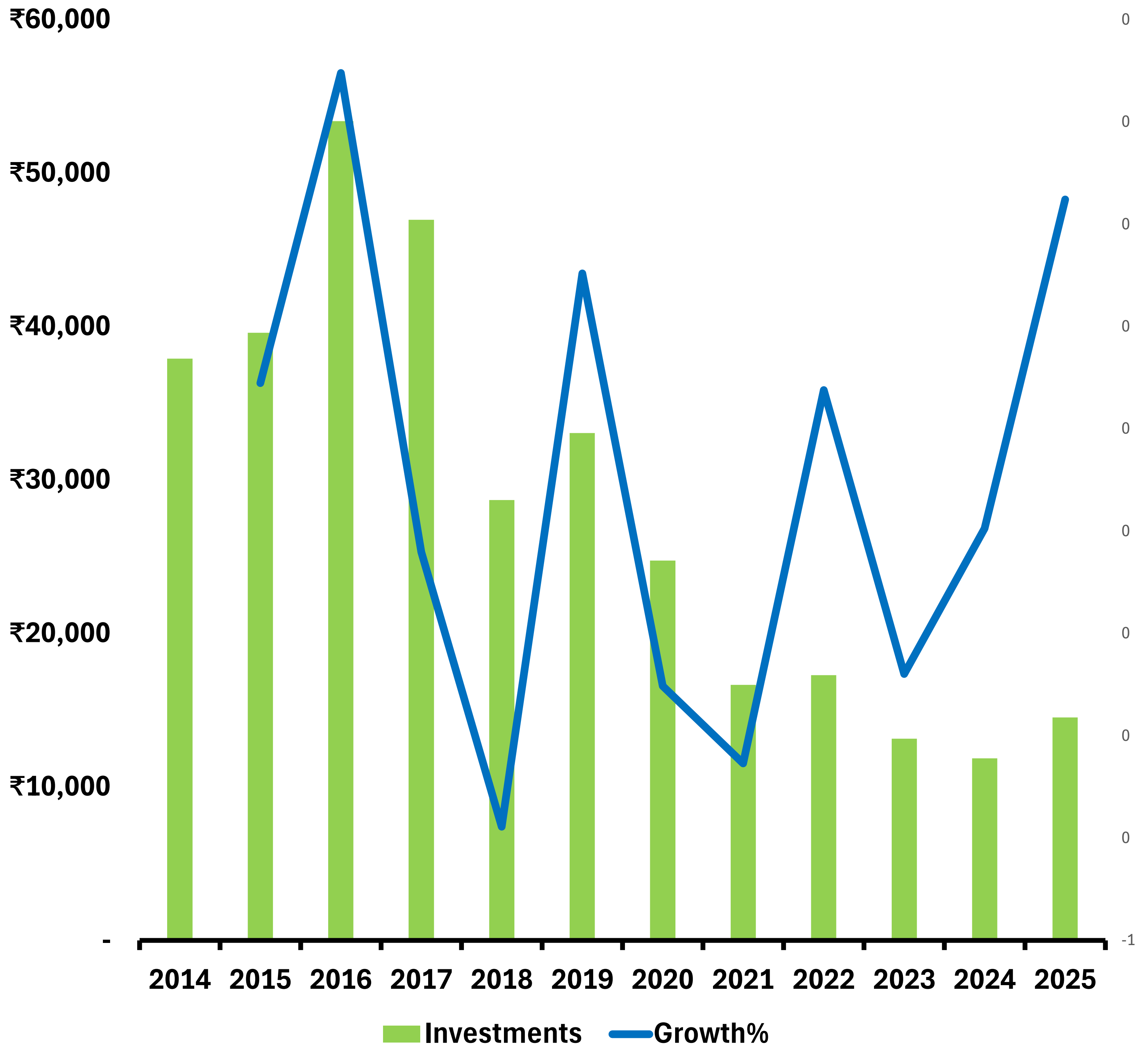

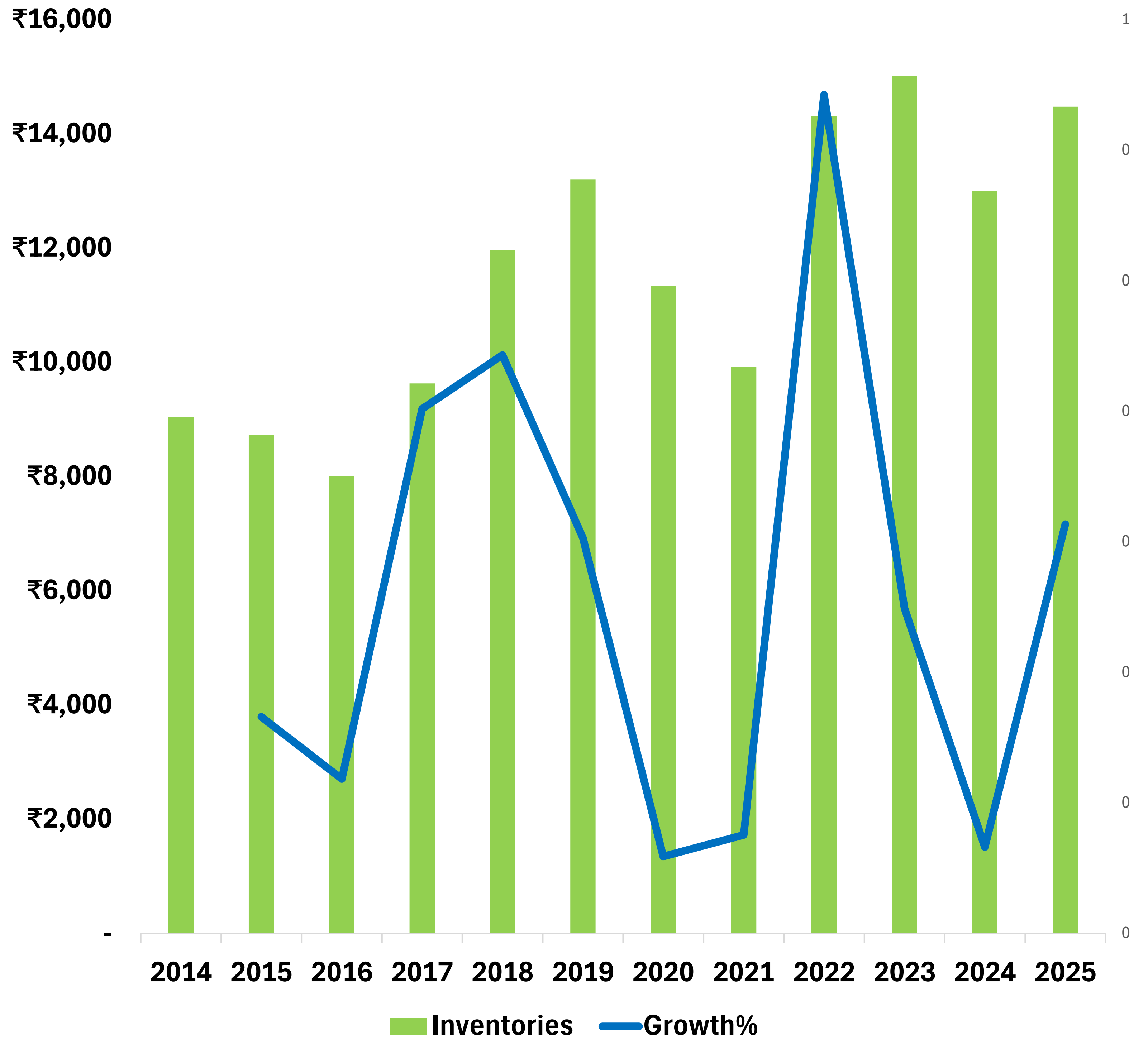

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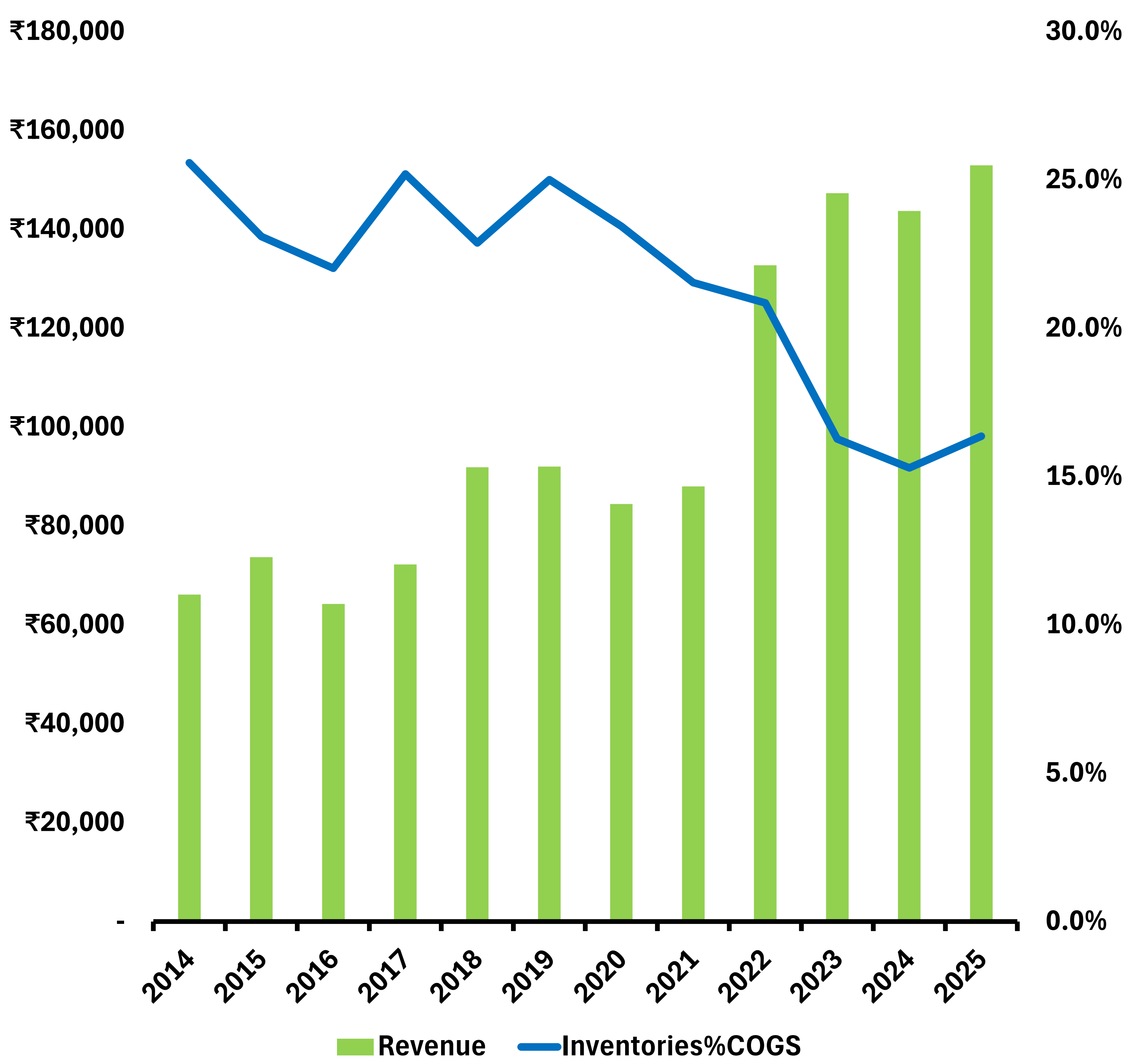

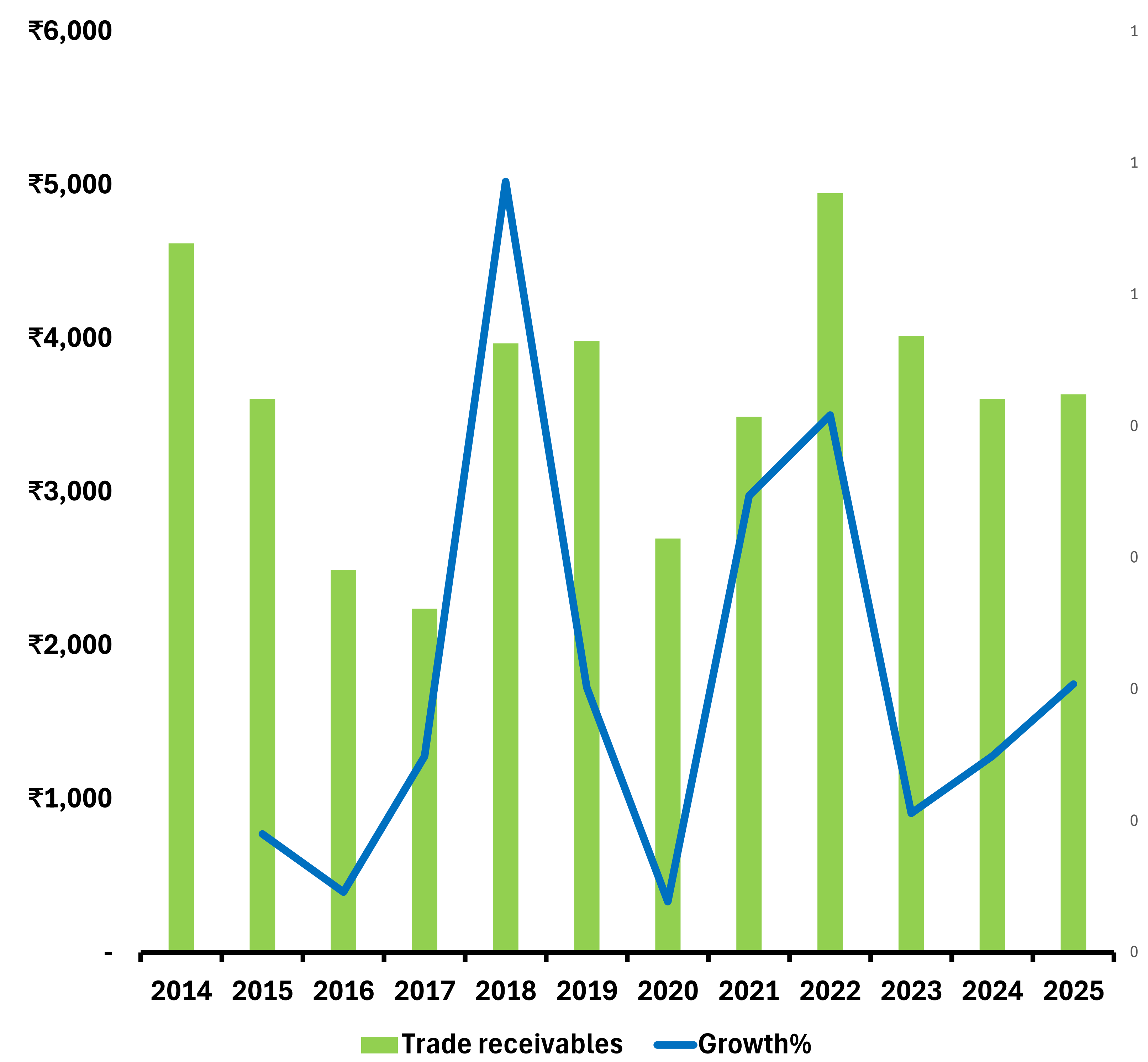

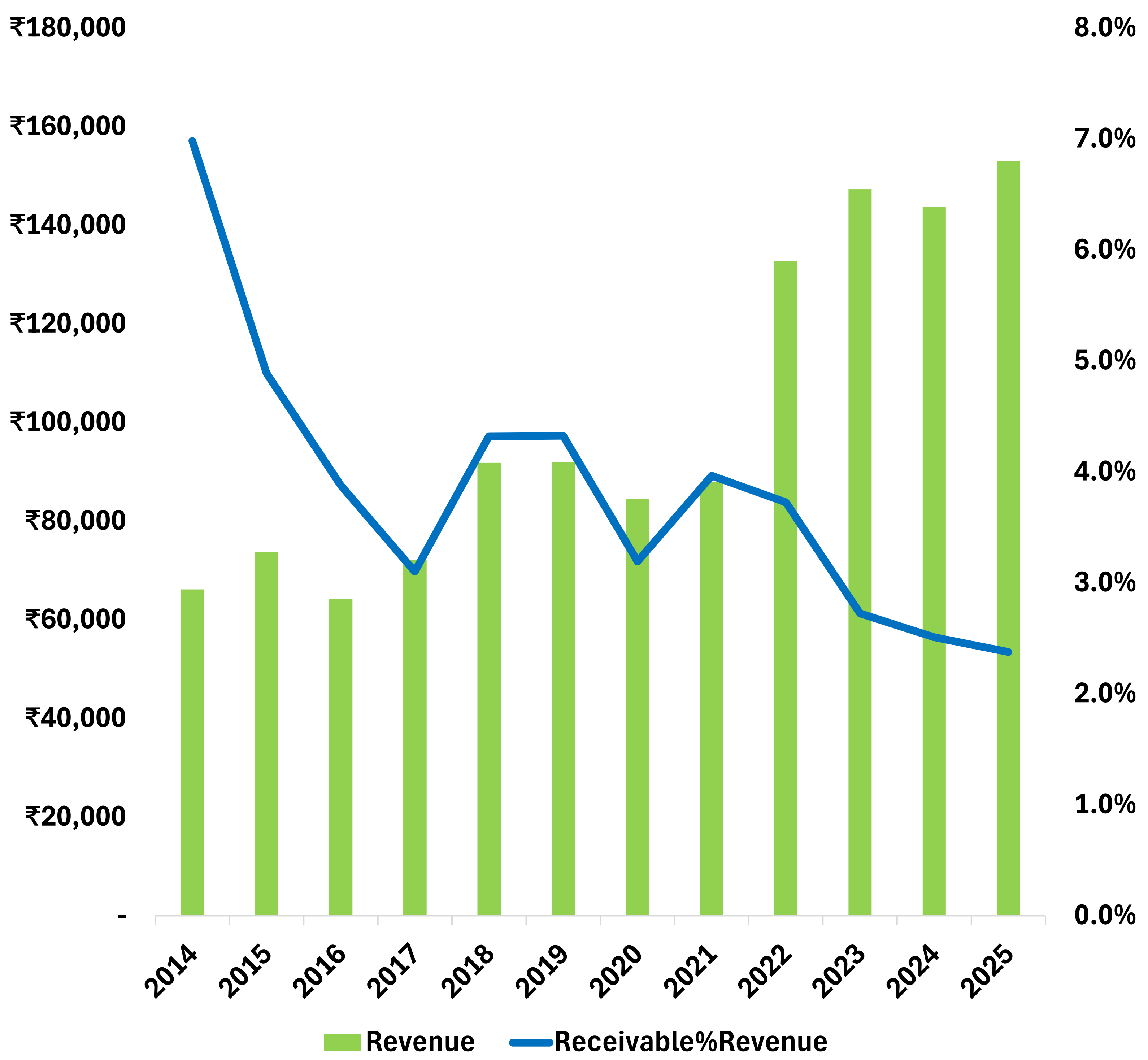

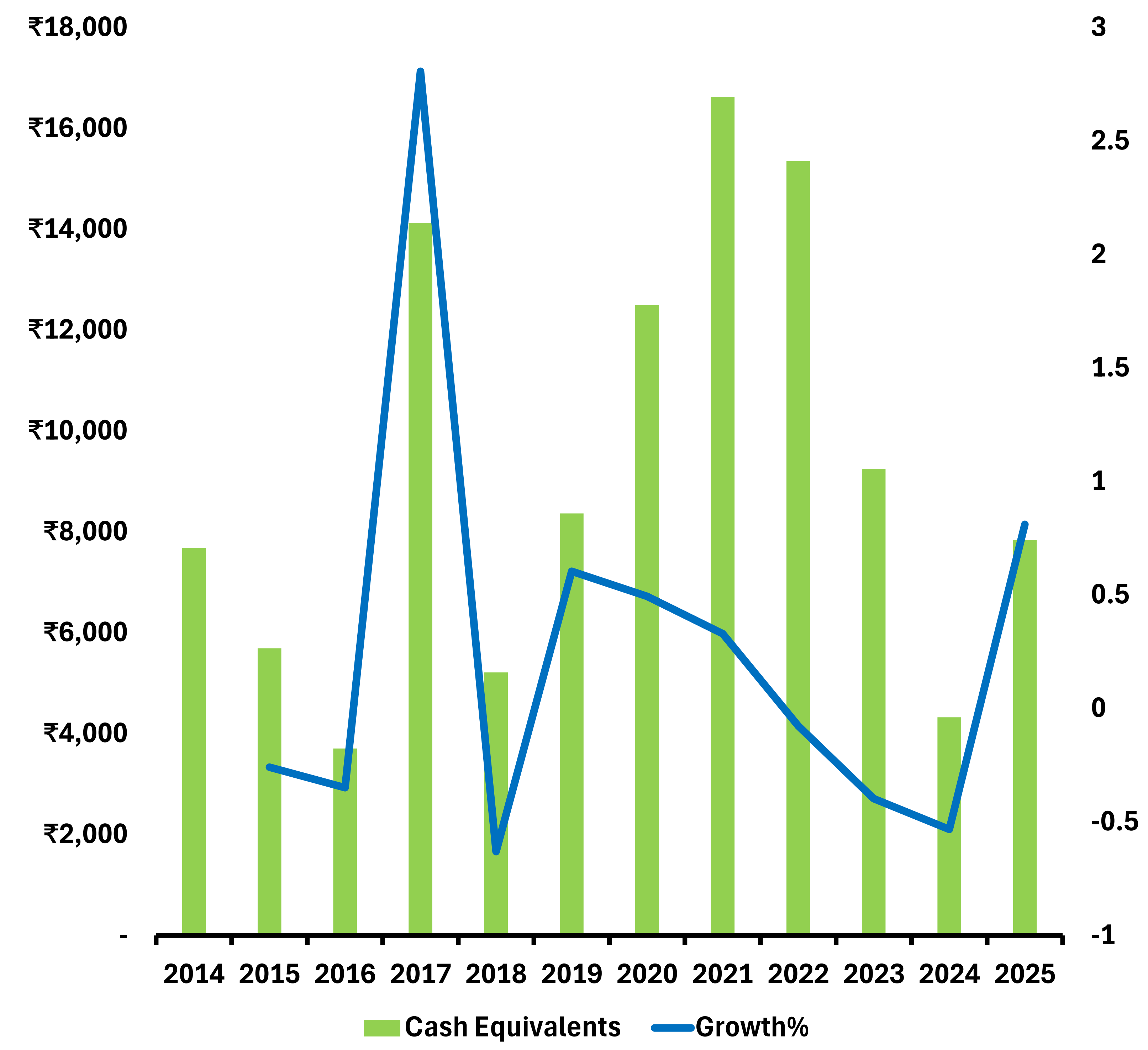

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COMMENTS

Vedanta Ltd Key Red Flags & Financial Stress Indicators

Vedanta Ltd ka current market capitalisation ~₹2.34 lakh crore hone ke bawajood, company ke fundamentals me kuch serious governance aur balance sheet related red flags clearly visible hain. Sabse bada concern promoter behaviour se related hai. September 2025 me promoters ki holding 56.38% hai, lekin is poori holding ka 100% pledge hona ek major alarm signal hai. Promoter pledge ka matlab hota hai ki promoters ne apne shares ko collateral ke taur par girvi rakha hai, aur agar market ya cash flow conditions kharab hoti hain, to forced selling ka risk directly share price par pressure create kar sakta hai. Isliye 100% pledge hona, especially ek large-cap company ke liye, extreme financial stress ka indication maana jata hai.

Is concern ko aur strong banata hai promoter holding ka sharp decline trend. December 2022 me promoter stake 69.68% tha, jo September 2025 tak girkar 56.38% ho gaya. Ye lagbhag 13% ka dilution hai, jo clearly indicate karta hai ki promoters gradually company se exit le rahe hain ya apni financial needs ke liye stake monetize kar rahe hain. Jab promoters high dividend ke through cash nikaalte hain aur saath hi stake kam karte hain, to market ise aksar low long-term promoter conviction ke signal ke roop me dekhti hai.

Financial statements me bhi stress dikh raha hai. Company ka interest cost aur depreciation lagataar increase ho raha hai, jo rising debt aur heavy capex intensity ko reflect karta hai. Saath hi, reserves continuously decline ho rahe hain, jabki borrowings lagataar badh rahe hain. Ye trend batata hai ki company apni growth aur payouts ko internally generated surplus se support nahi kar pa rahi, balki debt-funded model par zyada depend karti ja rahi hai. Rising leverage ke environment me, commodity downturn ya earnings volatility balance sheet ko aur weak bana sakti hai.

Sabse worrying aspect ye hai ki company jitna profit generate kar rahi hai, usse zyada dividend distribute kar rahi hai. Normally, high dividend positive lagta hai, lekin jab dividend free cash flow ke mismatch me ho, to iska matlab hota hai ki company ya to borrowed money se payout kar rahi hai ya future growth aur balance sheet strength ko sacrifice kar rahi hai. Is case me dividend payouts ko Vedanta Resources (parent) ke debt servicing ke context me dekha jaata hai, jisse ye perception strong hota hai ki listed entity ka cash upstream kiya ja raha hai, chahe minority shareholders ke long-term interest compromise kyu na ho.

Working capital front par bhi red flags visible hain. September 2025 me company ka inventory ₹17,237 crore par khada hai, jo capital-intensive business ke liye bhi kaafi elevated level maana ja sakta hai. High inventory ka matlab ho sakta hai demand slowdown, realizations pressure, ya inefficient inventory management, jo cash flows ko strain karta hai. Jab inventory high ho aur debt bhi rising ho, to liquidity stress ka risk aur badh jata hai.

Overall picture ye hai ki Vedanta ka business scale aur asset base strong hone ke bawajood, promoter actions, aggressive dividend policy, rising leverage, declining reserves aur high inventory levels ek saath milkar company ke financial health par serious questions raise karte hain. Ye red flags short term me share price volatility badha sakte hain aur long term me valuation discount justify karte hain, jab tak balance sheet deleveraging, promoter pledge reduction aur sustainable cash flow discipline clearly visible na ho.

Vedanta ek strong asset-heavy company hai, lekin current structure me minority shareholders ke liye risk-reward equation unfavourable dikhti hai, jab tak promoter behaviour aur capital allocation strategy materially improve na ho.

DISCLAIMER