

May 27, 2026

Vedanta Aluminium Metal Limited: Rating upgraded; removed from watch with developing implications; Stable outlook assigned

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debenture	2,600.00	2,600.00	[ICRA]AA+ (Stable); rating upgraded from [ICRA]AA; rating removed from watch with developing implications; Stable outlook assigned
Non-convertible debenture	400.00	400.00	[ICRA]AA+ (Stable); rating upgraded from [ICRA]AA; rating removed from watch with developing implications; Stable outlook assigned
Total	3,000.00	3,000.00	

*Instrument details are provided in Annexure II

Rationale

ICRA has removed the long-term rating of Vedanta Aluminium Limited (VAML) from watch with developing implications, following greater clarity on the allocation of assets and liabilities under the ongoing demerger scheme of Vedanta Limited as well as the support framework across group entities. ICRA has also upgraded the rating and assigned a Stable outlook to the long-term rating.

The rating action factors in ICRA's expectation that VAML's financial profile will strengthen further in FY2027, following the strong improvement seen in FY2026 owing to a sharp increase in aluminium prices globally. On the London Metal Exchange (LME), aluminum prices remained firm during FY2026 with an average of \$2,771/tonne, around 10% higher compared to the previous fiscal. The prices have continued to be elevated in the current fiscal so far and are expected to remain firm in the near term, given the global supply-side constraints and the ongoing geopolitical situation. The elevated prices are expected to support VAML's credit profile.

The cost structure, on the other hand, is expected to remain steady, which coupled with favourable LME prices is likely to translate into a healthy OPBDITA/tonne of more than \$1,250/tonne in FY2027. The sales volumes are also expected to increase with the commissioning of Bharat Aluminium Company Limited's (BALCO) smelter and value-added product (VAP) capacity. Supported by the improved profitability, the coverage metrics are expected to remain strong with a total debt to operating profit (TD/OPBDITA) of less than 1.5 times and interest coverage of around 7.0 times in the near to medium term, improving from 1.7 times and 6.4 times, respectively, in the previous year.

The rating also factors in VAML's strong business profile, supported by its large operating scale, the integrated aluminium smelting operations and the cost-efficient production profile. VAML would also benefit from a diversified customer base across the domestic and export markets.

Post demerger, ICRA expects the relatively stronger cash-generating entities within the Vedanta Group to support the Group's dividend requirements, with the flexibility to fund the same from other group entities as well. ICRA also expects the intra-group support among entities within the Vedanta Group to continue, if required. However, VRL's cash flow requirement has come down significantly owing to a reduction in its leverage as well as elongation of the maturity schedule, leading to significant reduction in its debt servicing obligations in the next two years.

The Vedanta Group's ¹ credit profile is also expected to strengthen in FY2027, building on the considerable improvement witnessed in FY2026. This has been supported by a sharp increase in base metal prices, thus supporting the financial risk profile of the Group, which reported an OPBDITA of \$6.7 billion in FY2026. Even after considering the proportionate consolidation of HZL, the OPBDITA still remained healthy at \$5.7 billion in FY2026 compared to \$3.8 billion in FY2025. Accordingly, the Group's adjusted net leverage (post the proportionate consolidation of HZL) improved to 2.3 times in FY2026 and is expected to further moderate to less than 2.0 times, going forward.

The Group's financial flexibility has also strengthened drastically, resulting in a sharp improvement in the average interest cost by ~200 bps in FY2026. The recent debt sanctions at sub-8% interest rate further demonstrate an improvement in the Group's financial flexibility. Going forward, a timely closure of any refinancing requirement either at VRL or other entities in the Vedanta Group will remain a key monitorable.

The rating is also supported by the Group's diversified metals portfolio spanning zinc, silver, lead, aluminium, copper and nickel. The Group also has a healthy presence in oil and gas, ferrous metals including iron ore, and independent power producer (IPP) projects. The large scale of operations with a healthy market share in the domestic aluminium and zinc businesses and the cost-efficient operations in the domestic zinc and oil and gas segments strengthen the Group's operating profile.

ICRA also notes that major capital expenditure projects in the aluminium business are nearing completion, and the full benefits are expected to improve the operating profile of the entity, going forward. The capacity expansion of its alumina refinery and the expected commencement of the captive coal/bauxite blocks in the next few quarters are likely to enhance the company's cost competitiveness and partially hedge the profits against the volatility in raw material prices. Further, the BALCO smelting capacity has been enhanced by 0.435 million tonnes per annum (mtpa) in September 2025, increasing the consolidated smelting capacity to 2.8mtpa. While the benefits from the commissioning of these facilities have already started to materialise, VAML would be better placed to withstand the shocks during cyclical downturns once the entire backward integration capex is completed.

Further, in July 2025, VAML announced its plan for a ~Rs. 1.3-lakh-crore greenfield aluminium smelter project in Odisha. ICRA understands that this capex remains at a discussion stage and no capital commitment has been made so far. Alongside, the Vedanta Group also has large capex plans in the copper and international zinc segments, though not yet been approved by the Board. The project phasing and capital outlay along with the funding mix will remain a monitorable.

The rating, however, remains constrained by the inherent exposure to commodity price volatility and regulatory risks. Any significant decline in global demand, resulting in a sharp correction in metal prices, will remain a key monitorable. Further, while the Group's total debt position improved in FY2026, the overall adjusted net debt (external) remains elevated at \$12.5 billion. VRL's total debt position stood at around \$5.2 billion in FY2026 vis-à-vis ~\$5.7 billion at the end of FY2024. While VRL's refinancing risk has come down significantly in the last few years supported by the elongation of the debt maturity profile, any stress at VRL could impact the financial flexibility of the Vedanta Group and would remain a key monitorable.

The Stable outlook on the long-term rating reflects ICRA's expectations of a continued healthy operating performance, backed by favourable outlook on base metal prices in the near to medium term, leading to strong profits and cash accruals. The Group's credit profile will be supported by the healthy cash flow generation from diversified businesses, strong financial flexibility and execution capabilities. In addition, Group's commitment to undertake any large debt-funded capex in a calibrated manner while maintaining its debt metrics at prudent levels also support the Stable outlook.

¹ While analysing Vedanta Group, ICRA has consolidated the profiles of entities including VAML, Vedanta Limited (ex- HZL), MALCO Energy Limited, Talwandi Sabo Power Limited and Vedanta Iron & Steel Limited along with total debt and financial expenses of Vedanta Resources Limited to calculate the leverage and coverage metrics of the Group. In addition, ICRA has considered the proportionate share of expected earnings and leverage of HZL consolidated financials in the overall group profile.

Key rating drivers and their description

Credit strengths

Favourable price-cost dynamics driving material improvement in financial risk profile – Favourable domestic aluminium demand, elevated LME aluminium prices and sustained cost optimisation initiatives kept VAML's financial performance strong in FY2026, with the aluminium segment reporting healthy OPBITDA of around Rs. 25,500 crore. LME aluminium prices remained firm in FY2026 with an average of \$2,771/tonne, ~10% higher than the previous fiscal. Aluminium prices are expected to remain supported in the near term, given the global supply-side constraints and the ongoing geopolitical situation.

The cost structure, on the other hand, is expected to remain steady, which coupled with the favourable LME prices is likely to translate into a healthy OPBDITA/tonne of more than \$1,250/tonne in FY2027. With healthy profitability, the coverage metrics are expected to remain strong with a TD/OPBDITA of less than 1.5 times and interest coverage of around 7.0 times in the near to medium term, improving over a TD/OPBDITA of 1.7 times and interest coverage of 6.4 times in the previous year.

The credit profile of the Vedanta Group is also expected to strengthen in FY2027, building on the considerable improvement witnessed in FY2026. This has been supported by a sharp increase in base metal prices, which has contributed to a strong financial risk profile for the Group. The Group's adjusted net leverage improved to 2.3 times in FY2026 and is expected to further moderate to less than 2.0 times, going forward.

Established position in the domestic primary aluminium industry – VAML is one of the leading players in the domestic primary aluminium industry, with a dominant market share of 55-60% {including the capacity of BALCO} in domestic production. The large operating capacity lends significant economies of scale, enhancing the company's global competitiveness. As on March 31, 2026, the company's primary aluminium capacity stood at 2.88 mtpa. Further, VAML benefits from a diversified customer base across the domestic and export markets that provides stability to its revenue profile.

Healthy operating performance supported by integrated operations - VAML benefits from the low cost of production of Vedanta Limited's aluminium segment, with the smelters positioned in the first quartile position in the global cost curve. The alumina capacity has been enhanced to 5 mtpa in FY2026 from 2 mtpa, which is expected to meet a major portion of the Group's alumina requirement. In addition, the expected commencement of the captive coal/bauxite blocks in the next few quarters is likely to enhance the cost competitiveness and partially hedge the profits against the volatility in raw material prices. The operating profitability has been healthy and the OPBDITA/tonne for the aluminium business improved materially to ~\$1,158/tonne in FY2026, supported by an increase in aluminium prices and the integrated nature of the operations. The focus on value-added products would also support the operating profile of the entity, going forward.

Status as being part of Vedanta Group – The rating also considers the company's status as being a part of the Vedanta Group, having a diversified metals portfolio spanning zinc, silver, lead, aluminium, copper and nickel. The Group also has a healthy presence in oil and gas, ferrous metals including iron ore, and power IPP projects. The large scale of operations with a healthy market share in the domestic aluminium and zinc businesses and the cost-efficient operations of the domestic zinc and oil and gas segments strengthen the Group's operating profile.

Credit challenges

Exposure to price risks and inherent cyclicity in metal industry - While the Vedanta Group has a demonstrated track record in the metals and mining business, VAML's operation remains exposed to the cyclicity inherent in metal prices, which causes volatility in profitability and cash flows and increases the business risks. Nonetheless, VAML's competitive cost position mitigates the risk to some extent.

Vulnerable to regulatory risk – VAML's presence in the metals & mining businesses exposes it to industry-wide risks pertaining to Government policies on land acquisition, environmental and forest clearance, etc that may adversely impact its operations in case of any adverse ruling.

High leverage of the overall Group, including VRL, may lead to higher dividend outflows - Despite the improvement in profitability in FY2026, the Vedanta Group's overall leverage remains elevated, with the adjusted net debt high at ~\$12.5 billion at the end of FY2026. VRL's total debt position stood at ~\$5.2 billion in FY2026 vis-à-vis ~\$5.7 billion at the end of FY2024. While the refinancing risk at VRL has come down significantly in the last few years, any stress at VRL's level impacting the financial flexibility of the Vedanta Group would remain a key monitorable.

Environment and social risks

Vedanta Aluminium Metal Limited (VAML) is one of the largest aluminium producers in India, with integrated operations spanning alumina refining, aluminium smelting and captive power generation. The aluminium operations expose VAML to risks of strict regulations and necessitates investments in alternative, environment-friendly mining and smelting technologies. The metals and mining sector has a significant impact on the environment owing to high greenhouse gas (GHG) emissions, waste generation and water consumption. This is because of the energy-intensive manufacturing process and its high dependence on natural resources such as coal.

Social risks for entities in the mining and metals sectors manifest from the health and safety aspects of employees involved in mining and manufacturing activities. Casualties/accidents at operating units due to gaps in safety practices could lead to production outages and invite penal action from regulatory bodies. The sector is exposed to labour-related risks and the risks of protests/social issues with local communities, which might impact the expansion/modernisation plans. Also, the adverse impact of environmental pollution in nearby localities could trigger local criticism.

Liquidity position: Adequate

VAML's liquidity is expected to remain adequate, supported by its healthy anticipated cash flow from operations and its cash and liquid investments aggregating to ~Rs. 4,980 crore as on March 31, 2026. Against this, the company has a scheduled repayment of ~Rs. 9,800 crore in FY2027 on its existing debt. The company is expected to incur a growth and maintenance capex of ~Rs. 7,000 crore, on an annual basis, over the medium term. Going forward, ICRA expects the dividend outflows to the parent, VAML, to be able to meet its medium-term commitments from the robust cash flow from operations and still be left with a healthy cash/liquid investment surplus. The greenfield aluminium smelter project at Odisha is at a nascent stage and no capital commitment has been made so far and would remain a monitorable.

Rating sensitivities

Positive Factors - ICRA could upgrade VAML's long-term rating if the company is able to demonstrate a healthy growth in its earnings and cash flows on a sustained basis, resulting in a material improvement in its leverage and coverage metrics. Also, the rating would remain sensitive to the credit profile of the overall Vedanta Group.

Negative factors- Pressure on VAML's ratings could emerge in case of a significant deterioration in its earnings, or if any sizeable debt-funded capex/investment/acquisition results in an increase in the net debt/OPBDITA to more than 2.0 times on a sustained basis. Further any significant weakening of the credit profile of the Vedanta Group, with the adjusted net leverage increasing to over 2.5 times on a sustained basis, could also be a trigger for downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Non-Ferrous Metals (Primary Producers)
Parent/Group support	The rating considers VAML's status being part of the Vedanta Group ² . The Group has a track record of extending timely financial support to its group entities, whenever a need has arisen
Consolidation/Standalone	The ratings are based on the consolidated financial profile of VAML

About the company

Vedanta Aluminium Metal Limited (VAML) is a pure play aluminium company, formed pursuant to the demerger of the aluminium undertaking of Vedanta Limited. Post demerger, VAML houses the Group's entire aluminium value chain, including alumina refining, aluminium smelting and downstream value-added products. The company operates large integrated assets such as the Lanjigarh alumina refinery and aluminium smelters at Jharsuguda and BALCO (Korba), with a combined smelting capacity of around 2.88 mtpa and significant captive power linkages.

VAML also holds the Group's interests in captive bauxite resources, which is expected to strengthen the cost competitiveness over the medium term. With its scale of operations, high degree of backward integration and focus on value-added products, VAML is positioned as one of the largest and lowest cost aluminium producers in India.

Key financial indicators (audited)

In view of the demerger becoming effective on May 01, 2026, the audited financials (and key financial indicators) are not available for the entity.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

² While analysing the Vedanta Group, ICRA has consolidated the profiles of entities including VAML, Vedanta Limited (ex- HZL), MALCO Energy Limited, Talwandi Sabo Power Limited and Vedanta Iron & Steel Limited along with total debt and financial expenses of Vedanta Resources Limited to calculate the leverage and coverage metrics of the Group. In addition, ICRA has considered the proportionate share of expected earnings and leverage of HZL consolidated financials in the overall group profile.

Rating history for past three years

Current (FY2027)			Chronology of rating history for the past 3 years									
Instrument	Type	Amount rated (Rs. crore)	May 27, 2026		May 01, 2026		FY2026		FY2025		FY2024	
			ICRA Rating	Remarks	Date	Rating	Date	Rating	Date	Rating		
NCD	Long term	2600.00	[ICRA]AA+ (Stable)		[ICRA]AA rating watch with developing implications	-	-	-	-	-	-	-
NCD	Long term	400.00*	[ICRA]AA+ (Stable)		[ICRA]AA rating watch with developing implications	-	-	-	-	-	-	-

* Yet to be placed

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026

ICRA-rated Instruments that fall under the regulatory purview of various Financial Sector Regulators (FSR) are as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other activities offered by ICRA that fall under the regulatory purview of various Financial Sector Regulators (FSR) are as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI

6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI’s grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debenture	Simple
Non-convertible debenture	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument’s credit rating. It also does not indicate the complexity associated with analysing an entity’s financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: [Click here](#)

Annexure II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE205A08038	NCD	20-02-2025	9.4%	20-02-27	2,060.00	[ICRA]AA+ (Stable)
INE205A08020	NCD	20-02-2025	9.5%	20-08-27	540.00	[ICRA]AA+ (Stable)
NA	NCD*	NA	NA	NA	400.00	[ICRA]AA+ (Stable)

Source: Company; *Yet to be placed

Annexure III: List of entities considered for consolidated analysis:

Name	% of shareholding	Consolidation approach
Bharat Aluminium Company Limited	51.00%	Full consolidation

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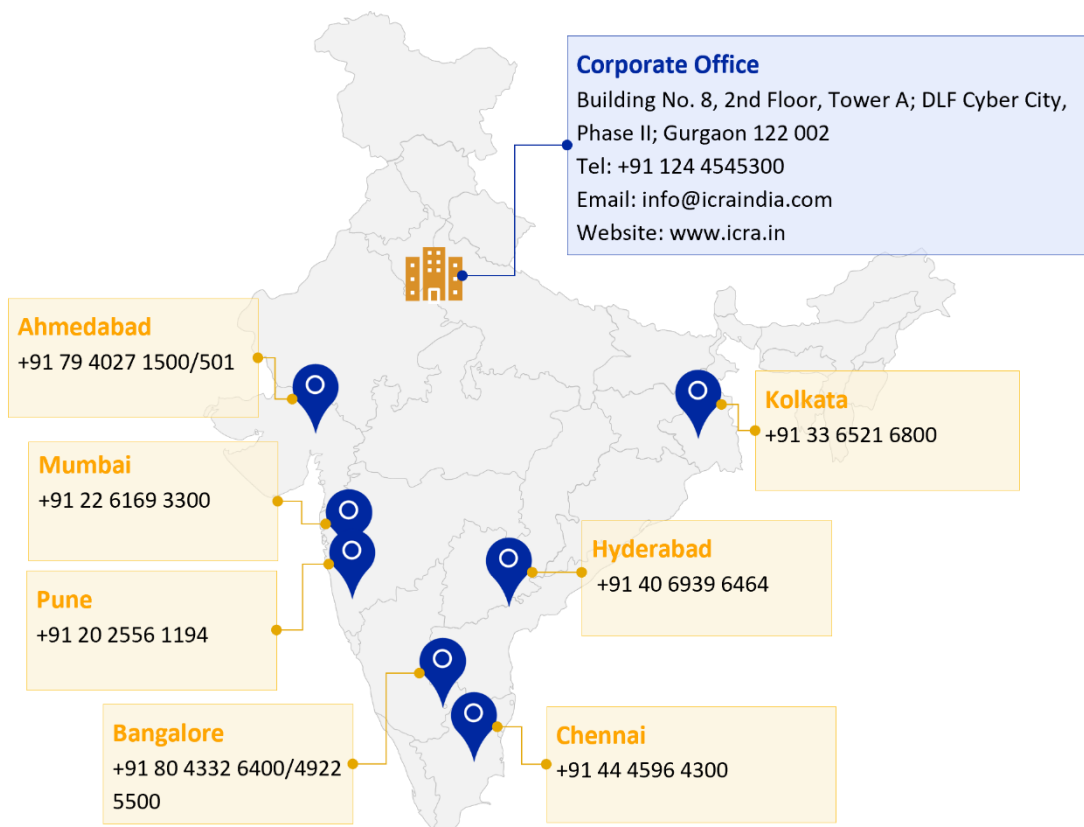
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