

May 01, 2026

## Vedanta Aluminium Metal Limited: Rating assigned

### Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Non-convertible debenture	2,600.00	[ICRA]AA; rating watch with developing implications; assigned
Non-convertible debenture	400.00	[ICRA]AA; rating watch with developing implications; assigned
<b>Total</b>	<b>3,000.00</b>	

\*Instrument details are provided in Annexure II

### Rationale

The rating assigned to the non-convertible debentures of Vedanta Aluminium Limited (VAML) and the placement of the rating on watch with developing implications reflect the pending clarity on the allocation of assets and liabilities on the effective date (May 01, 2026), under the ongoing demerger scheme of Vedanta Limited, the post-demerger support framework across group entities and the resultant capital structure. ICRA will resolve the watch once adequate clarity emerges on these aspects.

The rating factors in the strong business profile of the aluminium segment of Vedanta Limited, which will be subsumed into VAML upon completion of the demerger process. The aluminium operation is 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.

The financial performance remains robust, as seen in FY2026, with the aluminium segment reporting healthy OPBITDA of around Rs. 25,500 crore, 48% higher year-on-year (YoY). This was driven by favourable domestic aluminium demand, elevated LME aluminium prices and sustained cost optimisation initiatives. LME aluminium prices remained firm during FY2026 with an average of \$2,771/tonne, around 10% higher compared to the previous fiscal. Aluminium 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. Consequently, the OPBDITA/tonne for the aluminium business improved to ~\$1,188/tonne in FY2026 and ICRA expects the profitability to remain strong in the near to medium term. The profitability is also expected to be supported by a steady improvement in the cost of production. With healthy profitability, the leverage and coverage metrics of VAML are likely to remain comfortable in the near to medium term, with the net debt/OPBDITA estimated at less than 1.4x in FY2027.

The ratings also consider the status of the entity being part of the Vedanta group, having 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 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 in 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 2.8 mtpa. While the benefits from the commissioning of these facilities have already started to materialise, VAML would be better placed to withstand the shocks during the cyclical downturns once the entire backward integration capex is completed.

The ratings, however, remain 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 net debt remains elevated at ~Rs. 64,077 crore (excluding VRL debt) at the end of FY2026. At VRL's level, the total debt position stood at around \$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 supported by the elongation of the debt maturity profile, any stress at VRL's level could impact the financial flexibility of the Vedanta Group and would remain a key monitorable.

## Key rating drivers and their description

### Credit strengths

**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 Bharat Aluminium Company Limited (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 nature of 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 ~\$1,188/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.

**Strong financial profile** - The financial performance remains robust, as seen in FY2026, with the aluminium segment reporting healthy EBITDA of around Rs. 25,500 crore. This was driven by favourable domestic aluminium demand, elevated LME aluminium prices and sustained cost optimisation initiatives. LME aluminium prices remained firm in FY2026 with an average of \$2,771/tonne, ~10% higher than the previous fiscal. The aluminium prices are expected to remain supported in the near term, given the global supply side constraints and the geopolitical situation. VAML's leverage and coverage metrics are likely to remain healthy in the near to medium term, backed by healthy profitability, with the net TD/OPBDITA estimated at less than 1.4x in FY2027.

**Status as being part of Vedanta Group** – The ratings also consider the status of the entity being part of the Vedanta group, having 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 cyclicality in metal industry** - While the Vedanta Group has a demonstrated track record in the metals and mining business, VAML's operation is exposed to the cyclicality inherent in volatile metal prices, which causes fluctuation 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** - While the healthy profitability in FY2026 improved the total debt position at the Group level, the consolidated net debt remained high at ~Rs. 64,077 crore (excluding VRL debt) 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. While, going forward, ICRA expects dividend outflows to the parent, VAML should 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.

## Rating sensitivities

**Positive factors** – The rating watch may be resolved once more clarity emerges on the allocation of assets and liabilities and the support framework across the group entities. Further, ICRA could upgrade VAML’s long-term rating if the company is able to achieve a healthy growth in earnings and cash flows, resulting in a sustained 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 arise in case of a lower-than-anticipated improvement in earnings, resulting in a deterioration of the consolidated credit metrics and liquidity profile. Also, any large debt-funded capex adversely impacting the leverage would be a credit negative. Further, the rating would remain sensitive to the credit profile of the overall Vedanta Group.

## Analytical approach

Analytical approach	Comments
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<b>Applicable rating methodologies</b>	<a href="#">Corporate Credit Rating Methodology Non-Ferrous Metals (Primary Producers)</a>
<b>Parent/Group support</b>	The rating considers VAML's status being part of the Vedanta Group <sup>1</sup> . The Group has a track record of extending timely financial support to its group entities, whenever a need has arisen.
<b>Consolidation/Standalone</b>	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 located 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 are 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, 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

<sup>1</sup> For assessing the credit profile of the Vedanta Group, ICRA has consolidated the profiles of entities including VAML, Vedanta Limited, MALCO Energy Limited, Talwandi Sabo Power Limited, Vedanta Iron & Steel Limited, given the strong strategic and financial linkages among the entities. ICRA has also considered the total debt and financial expenses of Vedanta Resources Limited to calculate the leverage and coverage metrics of the Group.

## Rating history for past three years

Current (FY2027)			Chronology of rating history for the past 3 years						
Instrument	Type	Amount rated (Rs. crore)	May 01, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
NCD	Long term	2600.00	[ICRA]AA rating watch with developing implications						
NCD	Long term	400.00*	[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 fall under regulatory purview of various Financial Sector Regulators (FSR) 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 fall under regulatory purview of various Financial Sector Regulators (FSR) 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 rating watch with developing implications
INE205A08020	NCD	20-02-2025	9.5%	20-08-27	540.00	[ICRA]AA rating watch with developing implications
NA	NCD*	NA	NA	NA	400.00	[ICRA]AA rating watch with developing implications

Source: Company; \*Yet to be placed

**Annexure III: List of entities considered for consolidated analysis:** In view of the demerger becoming effective on May 01, 2026, the list of entities considered for consolidated analysis is not available currently.

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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### Branches



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