Vedanta's FY26 Plan: Aggressive debt reduction meets bold capex push

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Vedanta aims to reduce debt, invest in growth capex, and focus on domestic market, insulating from global risks. | Photo Credit: REUTERS

Anil Agarwal owned Vedanta Ltd – the flagship company of group parent Vedanta Resources – is looking at an aggressive debt reduction while investing heavily in growth capex across verticals like alumina, zinc and oil and gas, this fiscal.

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According to Arun Misra, Executive Director, Vedanta Ltd, the conglomerate is looking at a 10 per cent decline in costs, and a growth of 10 per cent in production levels.

"For the fiscal we will look at a $1.5 – 1.7 billion capex at the group level, of which investments in Zinc India (Hindustan Zinc) are announced. The remaining goes across other sectors," Misra told *businessline*, indicating that the company would rely on its strong cash flows to ensure continuing capex.

Debt Reduction: A Clear Target

Vedanta's net debt-to-EBITDA ratio is down to 1.22x as of April 2025, a significant improvement over the 1.5x it reported in the year-ago-period.

Net debt stood at ₹53,251 crore for FY25, as against ₹58,338 crore the year before.

The plan is to cut debt by $0.6 billion in FY26 and further another $0.7–$0.8 billion in FY27 thereafter reaching a target of 1x ratio by FY27. The reduction will primarily be through the parent company, Vedanta Resources.

Parent Vedanta Resources aims to reduce debt by $2 billion over two years. It has already brought down debt by $4 billion from FY22 to FY25 (at $4.9 billion).

Risks remain

Dollar-denominated debt exposes Vedanta to currency fluctuations.

A commodity price slump or global rate hikes could complicate the timeline, but the company’s cash generation offers a solid buffer.

For FY26, the cash requirement is about $1.4 - 1.5 billion, including brand fees, dividends and small refinancing.

Misra explained, most of the businesses are in India, or cater to the domestic demand, for instance like zinc.

“So, we are not much impacted by global volatilities”, he said.

The company’s India-centric model (75 per cent Zinc India, 50 per cent aluminium business & 100 per cent Oil & Gas) insulates it from global tariffs.

Vedanta’s Zinc international business produces nearly 200,000 tonnes of concentrate which is sold in Asia and the Middle East and faces no major hurdles.

Capex: Betting on Aluminium and Zinc

The company had previously announced a $9.5 billion capital expenditure program, with $5.5 billion already spent, supporting strategic projects on volume expansion and backward integration.

Vedanta’s FY26 capex push includes expanding facilities at BALCO, and expansion of Lanjigarh (under Vedanta Aluminium) to hit 2.8 –3 million tonnes of value-added products by 2025. Lanjigarh will reach a full 5 million tonnes alumina capacity by this fiscal-end.

India’s 12 per cent annual aluminium demand growth promises more than a $1,000 per tonne margin.

Hindustan Zinc will continue to focus on cost optimisation via renewables.

Demerger and Market Focus

Vedanta’s demerger into four units (aluminium, zinc, oil & gas, power/steel) is progressing, with the company’s second motion application to NCLT set for mid-2025 and completion eyed by September.

The goal is to unlock value and streamline operations.

The process of transferring mining leases is part of the overall approval plan.

“We remain confident of the September 2025 timeline,” Misra said.