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BofA Global Research remains positive on Vedanta on improving credit profile, attractive valuation

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Synopsis
Despite allegations from a US short seller, Bank of America maintains a positive outlook on Vedanta's securities. Reduced holding company debt and lower interest costs contribute to this favorable assessment. BofA anticipates decreased debt servicing needs and a reduced reliance on dividends for Vedanta Resources, making its securities attractive compared to peers.

Global research firm Bank of America (BofA) Global Research has maintained a positive recommendation on securities issued by Vedanta, citing reduced holding company liquidity risk, cheaper debt, and lower reliance on dividends in the future.

The firm's report follows allegations by a US-based short seller against the Vedanta Group, which the conglomerate has strongly rejected.

BofA has said in the report that a recent third-party report (Viceroy report) reiterated **Vedanta Resources Ltd**'s known structural subordination, reliance on dividends to service debt, and changes in senior management.

"Even so, the holding company's liquidity risk has been reduced with a reduction in debt to USD 5.3 billion by end of financial year (FY) 2025, driven by dividends from its majority-owned **Vedanta Ltd**, and a 12 per cent stake sale in the latter (ownership reduced to 56.4 per cent as of FY25), and lower repayments (USD 450-650 mn per annum) over the next three years," it said.

It also noted the moderation in interest cost at **Vedanta Resources** to 11 per cent in FY26 from 14 per cent in the last financial year.

BofA estimates a reduction in Vedanta Resources Ltd's debt servicing needs.

"We estimate the holding company's FY26 debt service need will reduce to USD 1.1 billion, compared to USD 1.8 billion in FY25. Also, the dividends requirement will be lower at USD 800-900 mn in FY26," the firm said in its report on Tuesday.

Vedanta Resources had raised 485 million dollar by selling 2.63 pr cent in Vedanta Ltd in the previous fiscal year.

While Vedanta Resources continues to focus on deleveraging, free cash flow at its subsidiary Vedanta Ltd is also expected to improve. BofA expects Vedanta Ltd's higher free cash flow to reduce dependence on debt and stake sales.

The yield curve on securities issued by Vedanta Resources, its subsidiaries look attractive.

"Vedanta Resources Finance II PLC curve looks to us attractive compared to regional and emerging market (EM) peers," BofA added.

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