

Strong earnings growth ahead for Vedanta

DEVANGSHU DATTA

Vedanta's (VEDL) Q2FY26 consolidated revenue and operating profit beat consensus estimates due to strong returns from aluminium. Apart from various capacity expansions that will come online within the next financial year, captive coal and bauxite mines will cut costs and boost margins.

Debt in parent Vedanta Resources (VRL) is expected to decline. Demerger and listing of the five demerged entities is expected by end-FY26. VEDL reaffirmed the Jaypee Group power asset acquisition will not affect deleveraging or demerger timelines.

VEDL reported consolidated revenue of ₹39,900 crore, up 6 per cent year-on-year (Y-o-Y) and up 5 per cent quarter-on-quarter (Q-o-Q), due to



higher London Metal Exchange (LME) prices and forex gains in Q2FY26. Consolidated operating profit was ₹11,400

crore, up 16 per cent Y-o-Y. The operating profit margin was 28.6 per cent against 26.1 per cent in Q2FY25.

Adjusted net profit was at ₹3,350 crore, up 13 per cent Y-o-Y and up 5 per cent Q-o-Q. An exceptional item of ₹2,070 crore was written off. In H1FY26, revenue was ₹77,700 crore, up 6 per cent Y-o-Y and operating profit was ₹21,300 crore (up 8 per cent), while adjusted net profit was flat at ₹6,500 crore.

VEDL produced 617 kilo tonnes (kt) of aluminium, a growth of 1 per cent Y-o-Y. Net sales stood at ₹15,670 crore, up 14 per cent Y-o-Y and 8 per cent Q-o-Q, while operating profit grew 46 per cent Y-o-Y and 24 per cent Q-o-Q to ₹5,530 crore. Aluminium's cost of production was \$1,826 per tonne (up 5 per cent Y-o-Y). In Zinc, Hindustan Zinc's (HZL's) revenue was at ₹8,550 crore, up 4 per

cent Y-o-Y and 10 per cent Q-o-Q. Operating profit was at ₹4,450 crore, up 7 per cent Y-o-Y and 15 per cent Q-o-Q.

The operating profit margin stood at 52 per cent in Q2FY26 against 49.7 per cent in Q1FY26 and 50 per cent in Q2FY25. Zinc cost of production (CoP) stood at \$994/t, down 7 per cent Y-o-Y. The adjusted net profit was ₹2,650 crore, up 14 per cent.

Mined metal stood at 258 kt, up 1 per cent Y-o-Y. Refined zinc production was 202 kt (up 2 per cent Y-o-Y), and refined lead was 45 kt, down 29 per cent Y-o-Y due to less availability of pyro plant.

Saleable silver production was down 22 per cent Y-o-Y to 144 kt, due to lower lead production.

At Vedanta Zinc International revenue was ₹1,240 crore, up 22 per cent Y-o-Y. Operating profit declined 1 per cent Y-o-Y to ₹370 crore, led by a rise in CoP by 24 per cent Y-o-Y to \$1,482/t in Q2FY26. Mined zinc production rose 38 per cent Y-o-Y to 60 kt. In copper, cath-

ode production stood at 40 kt, down 3 per cent Y-o-Y and 9 per cent Q-o-Q due to disruptions in raw material sourcing.

Revenue was ₹6,600 crore, up 4 per cent Y-o-Y, while reported operating loss was ₹13 crore in Q2FY26 against loss of ₹10 crore in Q2FY25 and ₹26 crore loss in Q1FY26.

In iron, ore production stood at 1.1 million tonnes (mt), down 19 per cent Y-o-Y on account of prolonged monsoon. Pig iron production rose 26 per cent Y-o-Y and 12 per cent Q-o-Q to 238 kt after debottlenecking of the blast furnace.

Revenue was ₹1,450 crore, up 6 per cent Y-o-Y and 9 per cent Q-o-Q, while operating profit declined 21 per cent Y-o-Y to ₹110 crore.

VEDL maintains capex guidance of \$1.7-1.9 billion for FY26, with \$0.9 billion already invested.

Hot metal cost was at \$1,826/t in Q2, versus \$1,765/t in Q1. The target is to reduce hot metal costs below \$1,650/t in H2FY26. Alumina cost is expected to

decline \$50/t with higher captive share.

The commissioning of Lanjigarh Train-2 (1.5mtpa) has started. At Zinc International, Gamsberg Phase-2 expansion (adding 220ktpa) will be commissioned by FY26-end. Meenakshi and Athena plants added a combined 1.3 Gw in H1, bringing total merchant capacity to 4.2 Gw.

Around 380 kt of aluminum (12 per cent of FY26 volume) is hedged at \$2,625/t, and 470 kt for FY27 (17 per cent) is hedged at \$2,600/t. VEDL has secured three new blocks, expanding its portfolio across nickel, chromium, cobalt, vanadium, potash, and manganese. The management targets net debt/operating profit of 1, down from 1.37 currently.

At VRL, debt is expected to decline from \$4.4 billion (September 2025-end) to \$3 billion over the next two years.

Cost of borrowing should drop below 8 per cent, (current 9 per cent). Analysts are looking at 20 per cent or higher earnings growth up to FY28.