Vedanta poised for 16% annual growth in pre-tax earnings through FY28 on volume ramp-up: Report

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Mining conglomerate Vedanta is likely to deliver a 16 per cent compound annual growth in EBITDA (pre-tax earnings) through FY28, driven by new capacity additions and rising volumes across aluminium, zinc and power, brokerage Nuvama said.

Recently commissioned assets, lower aluminium costs and stable commodity prices underpin the company's earnings trajectory.

"Vedanta's focus on demerger, delivery and deleveraging (3Ds) is on course to pay off, supported by tailwinds of commodity prices. The likely favourable outcome by NCLT in December 2025 (demerger likely by Q4FY26-end), and removal of overhang (not buying JP Associates) are additional triggers," Nuvama said in a note. "We expect EBITDA to increase at a CAGR of 16 pe cent over FY25-28E on the back of lower aluminium CoP, aluminium and zinc volume growth and higher commodity prices."

Consolidated net debt is likely to fall to Rs 61,000 crore by end-FY27.

Vedanta management has reiterated that ongoing expansion projects remain the key driver of earnings. The company has invested USD 0.9 billion in growth capex in H1 FY26 and is on track to meet its upgraded full-year guidance of USD 1.7-1.9 billion.

Vedanta is demerging its business into five separate listed entities, thereby giving investors an opportunity to invest in a commodity of their choice. This will help in unlocking value by improving valuation of companies such as aluminium, steel and power.

According to Nuvama, Vedanta's 1,600-MW power plant, 1.5 million tonnes alumina refinery and 4,35,000 tonnes aluminium smelter were commissioned by the end of Q2 FY26, with benefits expected from Q3.

Key upcoming projects include a 200,000-tonne expansion at Zinc International and a 600-MW power plant slated for commissioning by H1 FY27. Vedanta's power business also received earnings visibility after signing a 500-MW PPA with the Tamil Nadu discom.

The brokerage said it is factoring in FY26-28 volume CAGR of 6 per cent in aluminium, 29 per cent in Zinc International and 18 per cent in power, with cost of aluminium production expected to fall by about USD 192 per tonne to USD 1,630 by FY28.

It has assumed FY27-28 average LME prices of USD 2,700 per tonne for aluminium, USD 2,850 per tonne for zinc and USD 40 per ounce for silver.

Nuvama forecasted robust EBITDA (earnings before interest, taxes, depreciation and amortisation) growth across Vedanta's core segments. The power business is expected to post a 51 per cent EBITDA CAGR over FY25-28, aided by commissioning of the 1,000 MW Meenakshi power plant in Andhra Pradesh and 600 MW of the Athena project in Chhattisgarh.

Zinc International EBITDA is projected to grow at 40 per cent CAGR, with volumes rising to 410,000 tonnes by FY28. The aluminium business is expected to report a 25 per cent EBITDA CAGR, supported by higher LME prices and structural cost reductions from increased captive alumina, coal and bauxite.

Global brokerage [JP Morgan] recently echoed this optimistic outlook, projecting a stronger H2 FY26 for [Vedanta] on the back of a sharp rise in LME prices and lower alumina costs. It highlighted Vedanta's high dividend yield and improving earnings trajectory, though it noted that risk-reward appears balanced at current valuations. The firm added that Vedanta's aluminium expansion and vertical integration should deliver further cost benefits.

Vedanta expects several major projects to be commissioned over the next two years, including expansion of the Lanjigarh refinery to 6 million tonnes, smelter capacity to 3.1 million tonnes and a doubling of value-added steel capacity to 2.8 million tonnes. PTI