

August 26, 2024

Vedanta Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs Crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term – Unallocated limits	1,847.00	1,847.00	[ICRA]AA- Rating Watch with Developing Implications / [ICRA]A1+ Rating Watch with Developing Implications; outstanding
Long Term-Fund Based-Term Loan	1,653.00	1,653.00	[ICRA]AA- Rating Watch with Developing Implications; outstanding
Commercial Paper	2,500.00	2,500.00	[ICRA]A1+ Rating Watch with Developing Implications; outstanding
Total	6,000.00	6,000.00	

*Instrument details are provided in Annexure-I

Rationale

In a recent ruling, the Hon'ble Supreme Court of India upheld the state governments' power to tax mineral rights and mineral-bearing lands under Entries 49 and 50 of List II in the Constitution's Seventh Schedule. On August 14, 2024, the Supreme Court ruled that states have the discretion to decide on the retrospective application of the tax. However, any tax demand will not impact transactions conducted before April 1, 2005. In case of retrospective tax demand, payments will be spread over 12 years, starting from April 1, 2026. Additionally, interest and penalties on demands for the period before July 25, 2024, will be waived for all assesses. The states are yet to come out with their decision on imposition of such retrospective tax.

ICRA will assess the impact of the Supreme Court ruling on Vedanta Limited given that it is involved in mining operations and take appropriate action when further clarity emerges from the states with respect to taxation of mineral rights following the Supreme court ruling.

Please refer to the following link for the previous detailed rationale that captures the key rating and their description, liquidity position, rating sensitivities and key financial indicators: [Click here](#).

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Non-Ferrous Metals (Primary Producers) Oil Exploration & Production Power - Thermal
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of VDL, including entities as mentioned in the Annexure II. ICRA has also considered the total debt and financial expenses of Vedanta Resources Limited (Parent) to calculate the adjusted leverage and coverage metrics of VDL. ICRA understands that the interest and principal servicing of VRL's debt remains highly dependent on VDL's cash flows. ICRA also understands that there is no legal recourse to VDL with respect to VRL's debt obligations.

About the company

Vedanta Limited, VDL, incorporated in June 1965 by Mr. Anil Agarwal, is a subsidiary of Vedanta Resources Limited. It is headquartered in Mumbai, India. Vedanta has a diverse portfolio of assets among Indian and global companies involved in metals and minerals such as zinc, silver, lead, aluminium, copper, nickel; oil and gas. There is a traditional ferrous vertical including iron ore and steel and a power vertical comprising coal and renewable energy. The company is now foraying into the manufacturing of semiconductors and display glass. The Group is among the largest producers in aluminium and zinc segments, commanding a strong market position in India.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount Rated (Rs Crore)	Current (FY2025)		Chronology of rating history for the past 3 years						
			Aug 26, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Unallocated limits	Long/short term	1,847.00	[ICRA]AA- Rating watch with developing implications / [ICRA]A1+ Rating watch with developing implications	30-May-24	[ICRA]AA- Rating watch with developing implications / [ICRA]A1+ Rating watch with developing implications	-	-	-	-	-	-
				16-May-24	[ICRA]AA- Rating watch with developing implications / [ICRA]A1+ Rating watch with developing implications	-	-	-	-	-	-
Fund Based-Term Loan	Long Term	1,653.00	[ICRA]AA- Rating watch with developing implications	30-May-24	[ICRA]AA- Rating watch with developing implications	-	-	-	-	-	-
				16-May-24	-	-	-	-	-	-	-
Commercial Paper	Short term	2,500.00	[ICRA]A1+ Rating watch with developing implications	30-May-24	[ICRA]A1+ Rating watch with developing implications	-	-	-	-	-	-
				16-May-24	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term – Unallocated limits	Not applicable
Long Term-Fund Based-Term Loan	Simple
Commercial Paper	Very 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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term/Short-term – Unallocated limits	NA	NA	NA	1,847.00	[ICRA]AA- Rating Watch with Developing Implications / [ICRA]A1+ Rating Watch with Developing Implications
NA	Long Term-Fund Based-Term Loan	NA	NA	Up to FY2032	1,653.00	[ICRA]AA- Rating Watch with Developing Implications
Yet to be placed	Commercial Paper	NA	NA	NA	2,500.00	[ICRA]A1+ Rating Watch with Developing Implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Name	% of Shareholding	Consolidation Approach
Thalanga Copper Mines Pty Limited (TCM)	100.00%	Full Consolidation
Bharat Aluminium Company Limited (Balco)	51.00%	Full Consolidation
Desai Cement Company Private Limited	100.00%	Full Consolidation
ESL Steel Limited	95.49%	Full Consolidation
Ferro Alloy Corporation Limited (Facor)	99.99%	Full Consolidation
Hindustan Zinc Alloys Private Limited	64.92%*	Full Consolidation
Hindustan Zinc Fertilizers Private Limited	64.92%*	Full Consolidation
Hindustan Zinc Limited (Hzi)	64.92%	Full Consolidation
MALCO Energy Limited (Mel)	100.00%	Full Consolidation
Vedanta Zinc Football & Sports Foundation	64.92%*	Full Consolidation
Hindmetal Exploration Services Private Limited	64.92%*	Full Consolidation
Sesa Mining Corporation Limited	100.00%	Full Consolidation
Sesa Resources Limited (SRL)	100.00%	Full Consolidation
Talwandi Sabo Power Limited (TSPL)	100.00%	Full Consolidation
Vizag General Cargo Berth Private Limited	100.00%	Full Consolidation
Zinc India Foundation	64.92%*	Full Consolidation
AvanStrate Inc (ASI)	51.63%	Full Consolidation
Cairn India Holdings Limited	100.00%	Full Consolidation
AvanStrate Taiwan Inc.	100.00%	Full Consolidation
Western Cluster Limited	100.00%	Full Consolidation
Bloom Fountain Limited	100.00%	Full Consolidation
Amica Guesthouse (Proprietary) Limited	100.00%	Full Consolidation
Namzinc (Proprietary) Limited	100.00%	Full Consolidation
Skorpion Mining Company Proprietary Limited (Nz)	100.00%	Full Consolidation
Skorpion Zinc Proprietary Limited (Szpl)	100.00%	Full Consolidation
THL Zinc Namibia Holdings (Proprietary) Limited (VNHL)	100.00%	Full Consolidation
Killoran Lisheen Mining Limited	100.00%	Full Consolidation
Lisheen Milling Limited	100.00%	Full Consolidation
Lisheen Mine Partnership	100.00%	Full Consolidation
Vedanta Lisheen Mining Limited	100.00%	Full Consolidation
Cairn Energy Hydrocarbons Limited	100.00%	Full Consolidation
Black Mountain Mining (Proprietary) Limited	74.00%	Full Consolidation
AvanStrate Korea Inc	100.00%	Full Consolidation
Monte Cello BV (MCBV)	100.00%	Full Consolidation
THL Zinc Holding BV	100.00%	Full Consolidation

Name	% of Shareholding	Consolidation Approach
Vedanta Lisheen Holdings Limited	100.00%	Full Consolidation
Fujairah Gold FZC	100.00%	Full Consolidation
Gaurav Overseas Private Limited	50.00%	Equity Method
Madanpur South Coal Company Limited	17.60%	Equity Method
Goa Maritime Private Limited	50.00%	Equity Method
Rosh Pinah Health Care (Proprietary) Limited	69.00%	Full Consolidation
Gergarub Exploration And Mining (Pty) Limited	51.00%	Full Consolidation
Roshkor Township (Pty) Limited	50.00%	Equity Method
THL Zinc Ventures Limited	100.00%	Full Consolidation
THL Zinc Limited	100.00%	Full Consolidation
Sesa Iron & Steel Limited	100.00%	Full Consolidation
Vedanta Displays Limited	100.00%	Full Consolidation
Vedanta Aluminium Metal Limited	100.00%	Full Consolidation
Vedanta Base Metals Limited	100.00%	Full Consolidation
Vedanta Iron and Steel Limited	100.00%	Full Consolidation
Vedanta Semiconductors Private Limited	100.00%	Full Consolidation
Vedanta Copper International VCI Company Limited	100.00%	Full Consolidation
Meenakshi Energy Limited	100.00%	Full Consolidation

**Wholly owned subsidiary of Hindustan Zinc Limited*

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Vikram V
+91 40 6939 6410
vikram.v@icraindia.com

Sumit Jhunjunwala
+91 33 7150 1111
sumit.jhunjunwala@icraindia.com

Devanshu Gupta
+91 124 4545 321
devanshu.gupta@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.