Vedanta – JAL: Trophy Assets, Empty Pockets

Structurally unprofitable, margin dilutive, and entirely debt-funded. The JAL acquisition undermines Vedanta's demerger, deleveraging, and creditor protections

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September 17, 2025 – "Demerge" and "Deleverage" have been Vedanta Resources Limited's (VRL) repeated promises to creditors. The JAL acquisition for ₹17,000 crore ($1,989m) represents the exact opposite: a trophy asset that disregards those commitments.

We have reviewed JAL's financials, VEDL's obligations under the scheme of arrangement, and the likely impact on both VEDL and VRL. Our analysis shows that the acquisition is structurally unsound, credit negative, and will further subordinate existing creditors.

- JAL has no synergies within its own operating divisions or with any of Vedanta's operating units. VEDL nevertheless intends to retain JAL amid a (preposterous) demerger scheme in which it intends to spin off non-core assets.
- JAL is unprofitable, with a 6% EBITDA margin in FY25, negative EBIT, and net margins of -29%.
  - Pro forma consolidation shows negative EBIT contribution, margin compression, and no meaningful tax shield.
- Even if it was brought into VEDL debt-free, JAL cannot generate sufficient cash flow to meet ₹13,200 crore ($1,544m) of staggered Scheme obligations over five years. This must be funded by VEDL.
  - JAL's largest division, construction, is heavily exposed to lumpy state contracts and is suffering from declining margins.
  - JAL's cement and power operations are structurally loss-making. They are NPV negative.
  - The real estate portfolio is tied up in luxury golf-related developments and legal disputes. It is an illiquid legal hellscape.
  - Hospitality is the only consistently profitable JAL segment, but far too small to offset group losses.
- Over the five-year period, JAL will require approximately ~₹18,600 crore ($2.1b) in addition to the initial ~₹3,800 crore upfront payment in direct support from VEDL simply to meet its obligations under the scheme of arrangement.
- VEDL's free cash flow cannot sustain its own cash needs, let alone a ₹17,000 crore ($1,989m) commitment to JAL's creditors.
  - With dividends and brand fees already financed by borrowing under VRL's direction, the JAL commitments can only add to this unnecessary debt burden for minority holders.
  - Asset monetization is unrealistic, with non-construction fire-sale recoveries of only ~₹3,000 – ₹5,000 crore ($351m – $585m) due to assets that are illiquid, encumbered or structurally loss-making.
  - The acquisition diverts liquidity from VRL's deleveraging program and casts doubt on its $1.2b KCM commitment, which will now need to be funded by debt.
- Market participants attribute the transaction to Anil Agarwal personally, underscoring promoter-driven priorities over creditor protections.

Without creditor intervention, Vedanta will finance this acquisition entirely with new debt, eroding leverage, weakening liquidity, and subordinating creditors across both Vedanta and VRL. Creditors should act now to protect their position.

Segment Breakdown – JAL today

JAL's operations are diverse but not synergistic. Unlike a traditional conglomerate structure, its divisions do not cross-subsidize or reinforce one another. Instead, each unit is capital-intensive, low-margin, and dependent on external funding. This is one of the fundamental problems that led to its insolvency in the first place.

Construction

The construction/engineering segment is JAL's largest in terms of revenue. The division's specialization is hydro-power projects, dams and highways located in India, Bhutan and Nepal. While significant, the division's performance and metrics have been declining.

Construction Segment (₹ crore)	FY25	FY24	FY23	FY22	FY21
External revenue	1,605	2,116	2,665	2,439	2,477
EBIT	37	201	105	133	610
Margin	*2.3%*	*9.5%*	*3.9%*	*5.5%*	*24.6%*
Assets	4,827	5,717	6,176	6,182	5,872
*Return on Assets**	*0.6%*	*2.7%*	*1.3%*	*1.7%*	*8.1%*
*Assumes 22% tax rate					

Figure 1 – Construction Segment Performance

The division's contracts are also lumpy, high-risk commitments, ill-suited to VEDL's current situation, which is defined by short-term liquidity gaps.

JAL's construction segment has a 5-year average ROA of ~2.5%, trending heavily to the downside at 0.6% in 2025. **These assets must be significantly impaired.**

Cement

JAL's cement segment is extremely underutilized, operating at 5% of its capacity in FY25. There is negligible inter-segment revenue from the Construction division, reflecting a geographical mismatch between where JAL's cement operations are located and where it has won construction contracts.

Cement Segment (₹ crore)	FY25	FY24	FY23	FY22	FY21
External revenue	255	622	35	182	1,603
EBIT	(450)	(306)	(101)	(61)	(52)
Margin	*(176.1%)*	*(49.3%)*	*(286.5%)*	*(33.6%)*	*(3.3%)*
Assets	4,156	4,636	5,041	5,563	5,759

Figure 2 – Cement Segment Performance

Utilization has fallen from an already weak ~24% in FY21 to just ~5% in FY25. At these levels, the cement division's assets are effectively stranded, with fixed costs overwhelming any margin potential.

Cement Production vs. Capacity (MT)	FY25	FY24	FY23	FY22	FY21
Cement Production	350,027	1,477,447	506,591	2,181,403	2,209,003
Clinker Production	219,946	1,113,368	452,083	1,730,660	1,700,028
Cement and Clinker Sale	494,360	1,523,155	609,740	2,454,724	2,498,849
Total Operating Cement Capacity	10,550,000	10,550,000	10,550,000	10,550,000	10,550,000
Utilization	5%	14%	6%	23%	24%

Figure 3 – Construction Segment Production vs Capacity

These assets must be significantly impaired.

Real Estate

JAL's real estate division is consists of golf-centric luxury residential developments, luxury residential and the Jaypee Greens Sports City. Despite significant top-line growth, margins in the division are extremely volatile and we believe it functions more as a loss leader than the future of the business.

Real Estate Segment (₹ crore)	FY25	FY24	FY23	FY22	FY21
Revenue	835	982	843	287	266
EBIT	11	(84)	92	(149)	(174)
Margin	*1.3%*	*(8.6%)*	*10.9%*	*(52.0%)*	*(19.1%)*
Assets	19,716	19,119	18,694	17,573	16,635

Figure 4 – Real Estate Segment Performance

JAL have sunk ₹19,716 crore ($2,306m) into its real estate portfolio, however ~₹16,000 ($1,872m) has remained in development hell for years. Insofar as we know: VEDL's offer for JAL does not include commitments it must make to complete the development of these projects which have been sitting idle for over 5 years to derive any value from them.

These *uncompleted* developments make up 50% of JAL's entire balance sheet as of FY 2025.

CONSOLIDATED NOTE No. "8"
INVENTORIES

₹ Lakhs

	As at 31st March 2025	As at 31st March 2024
Raw Materials	826	1,757
Stock in Process	3,514	6,392
Finished Goods	1,984	2,338
Finished Goods in-transit	-	3,188
Stores and Spare Parts	29,980	32,860
Stores and Spares- in transit	-	47
Construction Materials	5,451	5,951
Food and Beverages	415	324
Projects under development	1,601,951	1,536,033
	1,644,121	1,588,890
Assets in Disposal Group Classified as Held for sale	(5)	(15,598)
	1,644,116	1,573,292

Figure 5 – JAL FY25 Annual Report

The division faces a significant legal dispute with the Yamuna Expressway Industrial Development Authority (YEIDA) who cancelled JAL's allotment of 1,085 hectares at the Sports City SDZ over JAL's stalled development at the site.

Yamuna Expressway Industrial Development Authority (YEIDA) vide its communication dated 12.02.2020 had conveyed its action relating to cancellation of the allotment of Land admeasuring 1085 Hectare (Core/Non-core area) located at Special Development Zone (SDZ), Sector -25, Sports City, Greater Noida allotted to the Company inter alia, on account of alleged non-payment of certain dues. The Company challenged the above order before Hon'ble Allahabad High Court. The Hon'ble High Court of Judicature at Allahabad vide Judgment dated 10.03.2025 in the matter of Jaiprakash Associates Limited v. State of Uttar Pradesh, Writ Petition 6049 of 2020, has inter alia: (a) upheld the cancellation order passed by YEIDA, which cancelled the allotment of YEIDA Sports City to JAL; (b) directed YEIDA as per its commitments to take over the housing projects and ensure completion of the same; (c) directed YEIDA to appoint a Nodal Officer, who should be a gazetted officer (or equivalent) to decide any issue regarding remaining amount payable by homebuyers; (d) directed YEIDA to make available necessary funds irrespective of the sum collected by it from the allottees, for timely execution and completion of the housing projects; and (e) directed that if any allottee chooses to withdraw from the project, the corresponding unit shall become available for sale by YEIDA and consequently, all refund claims shall be borne by YEIDA.

The Company through RP has filed a Special Leave Petition bearing number 9497 of 2025 (SLP) before the Hon'ble Supreme Court (SC), challenging the aforesaid judgment and inter alia seeking a stay on the aforesaid judgment as an interim relief. Please refer to the notes to Financial Statements in this regard.

Figure 6 – JAL FY25 Annual Report

According to the Financial Express, Dalmia Bharat valued the impact of this dispute at ~₹2,000 crore ($234m) and discounted its bid for JAL accordingly if the land dispute was not settled[1].

These assets must be significantly impaired.

[1] https://www.financialexpress.com/business/industry-adani-offers-unconditional-rs-12600-cr-bid-for-jaiprakash-associates-dalmia-front-runner-but-with-caveats-3906368/

Hotels/Hospitality

JAL's hotel division represents the Company's most readily monetizable asset. Hotels are the only division to record both top-line growth and stable margins over the past 3 years.

Hotels/Hospitality Segment (₹ crore)	FY25	FY24	FY23	FY22	FY21
Revenue	421	361	353	189	92
EBIT	92	73	79	13	(23)
Margin	*21.9%*	*20.3%*	*22.3%*	*6.9%*	*-24.5%*
Assets	747	780	773	755	754
Cap rate	*9.6%*	*7.3%*	*7.9%*	*1.3%*	*-2.3%*

Figure 7 – Hotels/Hospitality Segment Performance

JAL tried to sell the Hotels division in 2018 but was met with a lack of interest. Initially set for ₹2,500 crore ($293m), the price was lowered to ₹1,500 crore ($176m) but the sale was ultimately unsuccessful. The Economic Times reported that bidders valued the division at ₹800 crore ($94m)[2].

We believe these assets are fairly priced.

Other

Through its investments and subsidiaries, JAL also operates coal mines, hydroelectric and thermal power plants. Thermal and hydroelectric plants are subject to long-term PPAs with various state utilities.

Power Segment (₹ crore)	FY25	FY24	FY23	FY22	FY21
Revenue	(0)	1	-	-	4
Profit ex finance costs	(133)	(38)	-	-	(6)
Assets	1,613	1,724	1,755	1,813	1,872

Figure 8 – Power Segment Performance

[2] https://economictimes.indiatimes.com/industry/services/hotels-/-restaurants/jaypees-hotel-assets-fail-to-draw-investor-interest/articleshow/63278713.cms

JAL Devil in the Details

JAL is unprofitable. Even before finance costs, its normalized EBIT was negative in FY25, and on a consolidated basis the group's margins were also negative. This chronic lack of profitability suggests that the acquisition is unlikely to generate meaningful returns for Vedanta within the decade.

Vedanta has stated it will fund the resolution with ₹3,800 crore ($445m) upfront and ₹2,500 – 3,000 crore ($293m – $351m) annually from internal accruals. It will then incur significant interest expenses on the borrowings it must make to satisfy these outflows.

Yet our five-year model shows that this is unlikely as JAL cannot even meet its own financial obligations, being severely free-cash-flow negative.

JAL FCF Repayment Model (₹ crore)						
Assumptions						
Base FCF pre-interest expense	(256)					
Year	**1**	**2**	**3**	**4**	**5**	**Total**
Repayments						
Bullet	2,500	2,500	2,500	2,500	3,200	**13,200**
Front-Loaded	3,000	3,000	3,000	3,000	1,200	**13,200**
FCF						
Base	(256)	(256)	(256)	(256)	(256)	**(1,278)**
Less: Interest expense @10% (bullet)	(276)	(551)	(827)	(1,102)	(1,448)	**(4,203)**
Less: Interest expense @10% (Front-loaded)	(326)	(651)	(977)	(1,302)	(1,448)	**(4,703)**
Shortfall (Bullet)						
Base Bullet less FCF	(2,756)	(2,756)	(2,756)	(2,756)	(3,456)	**(14,478)**
Accrual plus interest*	(3,031)	(6,338)	(9,920)	(13,778)	**(18,681)**	
*Does not include interest on interest						
Shortfall (Front-Loaded)						
Base	(3,256)	(3,256)	(3,256)	(3,256)	(1,456)	**(14,478)**
Accrual plus interest*	(3,581)	(7,488)	(11,720)	(16,278)	**(19,181)**	
*Does not include interest on interest						

Figure 9 – JAL FCF Repayment Model

Over the five-year period, JAL will require approximately ~₹18,600 crore ($2.1b) *in addition to* the initial ~₹3,800 crore upfront payment in direct support from Vedanta simply to meet its obligations under the scheme of arrangement.

This is not growth capital or expansion funding. It is a transfer of cash required just to keep the Company current on its commitments.

Asset monetization reality check

Any analysis of JAL's monetization potential is hampered by Vedanta's lack of market guidance on the strategic justification for this acquisition. We have spoken to former senior management, analysts and industry insiders: none could provide a cogent rationale for the transaction.

JAL's asset base is ill-suited to orderly disposals; any sales would almost certainly have to be of entire divisions, rather than carve-outs. Prospective buyers have already had the opportunity to bid through the IBC process, and public reporting indicates that Vedanta's resolution plan does not view asset sales as a funding source.

- **Hotels**: The most readily saleable asset, and the only segment showing reliable growth and profitability.
- **Power and coal**: Integrated and loss-making; long-term PPAs limit upside and buyer appetite.
- **Construction**: Buyer pool is shallow, and any sale would require lengthy approvals.
- **Inventories**: A large portion of JAL's balance sheet consists of projects in progress, which are not readily monetizable.
- **Cement**: Any disposal would likely fetch a price below book value, given prior failed bids.
- **Real Estate**: Burdened with legal disputes; Dalmia Bharat explicitly discounted its valuation by ~₹2,000 crore ($234m).

While there are market reports that Vedanta is exploring monetization of cement, hotels, and real estate, we do not view this as a credible path to meeting creditor repayments in either the short or medium term.

Lack of synergy

JAL's operations lack synergy both internally and with Vedanta's existing portfolio. Inter-segment transactions are negligible, with cost sharing limited almost entirely to administration.

The acquisition does nothing to address Vedanta's structural shortages of bauxite or coal, and JAL's small, loss-making power assets cannot be redirected to support Vedanta's operations. Nor is Vedanta a major consumer of cement, and without a long-rolling steel mill, it cannot meaningfully integrate JAL's construction business. In effect, the transaction adds complexity without creating industrial linkage.

The acquisition is also at odds with VEDL's demerger which was intended to streamline the Company and add liquidity to the balance sheet. **Instead of freeing up cash and separating non-core businesses, the JAL acquisition does the opposite.**

Impact on VEDL

Vedanta has stated it will fund the resolution with ₹3,800 crore ($445m) upfront, followed by ₹2,500–3,000 crore ($293m – $351m) annually over the next five years. Given the Company's lack of disclosure or credible guidance, a five-year forecast is beyond scope; instead, we assess the impact of the acquisition through pro forma consolidation of the most recent audited accounts.

Executive Director Arun Misra has confirmed Vedanta's dividend and brand-fee policy is set by the parent company's financing needs, and should therefore be considered non-negotiable. Even today, Vedanta is unable to cover maintenance capex, sustaining capex, brand fees, and dividends from operating cash flows. The addition of JAL only deepens this structural cash deficit.

VEDL/JAL/Merged Pro Forma Balance Sheet (₹ crore)	VEDL	JAL		Merged
	FY25	FY25	Pro-Rata Adj.	FY25
Non-current assets				
Property, plant and equipment	97,834	6,943		104,777
Capital work-in-progress	30,939	305		31,244
Intangible assets	2,071	2		2,073
Exploration intangible assets under development	2,957	-		2,957
Financial assets				
Investments	1,623	610		2,233
Trade receivables	2,451	1,594		4,045
Loans	1,799	-		1,799
Derivatives	-	-		-
Other financial assets	3,015	254		3,269
Deferred tax assets (net)	3,353	-		3,353
Income tax assets (net)	1,523	-		1,523
Other non-current assets	3,963	1,236		5,199
Total non-current assets	**151,528**	**10,944**	**-**	**162,472**
Current assets				-
Inventories	14,474	16,441		30,915
Financial assets				
Investments	12,909	-		12,909
Trade receivables	3,636	1,219		4,855
Cash and cash equivalents	3,993	600	(3,800)	793
Other bank balances	3,847	635		4,482
Loans	1,840	-		1,840
Derivatives	434	-		434
Others	6,727	1,640		8,367
Income tax assets (net)	88	5		93
Other current assets (incl. held for sale)	3,817	3,117		6,934
Total current assets	**51,765**	**23,658**	**(3,800)**	**71,623**
Total Assets	**203,293**	**34,602**	**(3,800)**	**234,095**
Non-current liabilities				
Borrowings	52,712	13,422	(222)	65,912
Lease liabilities	572	232	(232)	572
Derivatives	46	-	-	46
Payables	-	80		
Other financial liabilities	985	9,017	(9,017)	985
Provisions	3,223	99	(99)	3,223
Deferred tax liabilities (net)	13,043	85	(85)	13,043
Other non-current liabilities	5,384	112	(112)	5,384
Total non-current liabilities	**75,965**	**23,046**	**(9,766)**	**89,165**
Current liabilities				
Borrowings	21,141	4,535	(4,535)	21,141
Lease liabilities	761	308	(308)	761
Operational buyers' credit / suppliers' credit	16,293	-	-	16,293
Trade payables	10,195	2,097	(2,097)	10,195
Derivatives	279	-	-	279
Other financial liabilities	16,006	6,737	(6,737)	16,006
Other current liabilities	7,370	2,429	(2,429)	7,370
Provisions	372	836	(836)	372
Income tax liabilities (net)	1,158	-	-	1,158
Total current liabilities	**73,575**	**16,941**	**(16,941)**	**73,575**
Equity				
Equity share capital	391	491		
Other equity	40,821	(5,811)		
Equity attributable to owners of Vedanta Limited	*41,212*	*(5,320)*		
Non-controlling interests	12,541	(133)		
Total Equity	**53,753**	**(5,453)**		**71,355**
Total Equity and Liabilities	**203,293**	**34,535**		**234,095**

Figure 10 – VEDL/JAL/Merged Pro Forma Balance Sheet

- **Upfront payment:** The ₹3,800 crore ($445m) cash outflow materially stretches VEDL's already thin short-term liquidity. The Company will likely need new, higher-yield, short-term facilities to fund the payment.
- **Lender skepticism:** Indian banks have been reluctant to lend to VEDL for 3 years and are unlikely to fund JAL's staged payments.

VEDL/JAL/Merged Pro Forma Net Debt to EBITDA (₹ crore)			
	VEDL	JAL	Merged
Net debt	73,660	12,698	86,358
EBITDA	46,018	279	46,587
Net debt to EBITDA	1.60x	45.47x	1.85x

Figure 11 – VEDL/JAL/Merged Pro Forma Net Debt to EBITDA

- **Asset quality:** JAL's assets add bulk but not value; the additions are non-accretive and comprised largely of inventories, stranded plants, and illiquid real estate.

VEDL/JAL/Merged Pro Forma Income Statement (₹ crore)			
	VEDL FY25	JAL FY25	Merged FY25
Income Statement			
Revenue from operations			
Revenue	150,725	5,796	156,521
Other operating income	2,243	-	2,243
Total revenue from operations	**152,968**	**5,796**	**158,764**
Other income	3,675	348	4,023
Total income	**156,643**	**6,143**	**162,786**
Expenses			
Cost of materials consumed	50,286	2,611	52,897
Purchases of stock-in-trade	184	21	205
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(1,448)	68	(1,380)
Power and fuel charges	22,599	1,999	24,598
Employee benefits expense	3,503	540	4,043
Finance costs	9,914	1,160	11,074
Depreciation, depletion and amortisation expense	11,096	577	11,673
Other expenses	35,501	716	36,217
Total expenses	**131,635**	**7,691**	**139,326**
Profit before share in profit of jointly controlled entities and associates, exceptional items and tax	**25,008**	**(1,548)**	**23,460**
Add: Share in profit of jointly controlled entities and associates	1	194	195
Profit before exceptional items and tax	**25,009**	**(1,354)**	**23,655**
Net exceptional gain	1,868	(1,477)	391
Profit before tax	**26,877**	**(2,831)**	**24,046**

Figure 12 – VEDL/JAL/Merged Pro Forma Income Statement

- **Earnings impact:** JAL is not accretive to VEDL's revenues or profits, even as it materially enlarges the group's balance sheet obligations.
- **Margin compression:** The acquisition dilutes VEDL's margins, as JAL's operations are structurally loss-making even before finance costs.
- **Tax inefficiency:** With JAL exiting IBC debt-free, the group gains virtually no tax shield from the acquisition.

The immediate impact on VEDL will be higher short- and long-term leverage. Indian banks have been reluctant to lend to VEDL for 3 years and are unlikely to fund JAL's staged payments.

What remains unclear is how the JAL acquisition will affect the Company's ongoing investment commitments. VEDL's expansion projects and core operations are already overstretched by liquidity pressures, and this acquisition risks further constraining its ability to fund growth or maintain assets.

Impact on VRL

The acquisition heightens uncertainty for VRL creditors, leverage will rise, liquidity will tighten, and financial policy will remain driven by the promoter's priorities rather than creditor protections.

- VEDL's ~₹17,000 crore ($1,989m) five-year commitment to JAL will divert liquidity away from brand fees and dividends, as creditor repayments must take precedence over VRL's deleveraging.
- This also casts doubt on VRL's remaining $1.2b funding commitment to KCM, which will require additional debt at the VRL level.
- Market participants have suggested the JAL acquisition was personally driven by Anil Agarwal, raising further concerns about whether VRL's deleveraging program will continue.

Creditor options

We remain uncertain where the value lies in the JAL acquisition for VEDL or VRL. There are no synergies within JAL or as part of VEDL. Setting aside the issues we have raised regarding VRL and VEDL in our previous reports, our view is that VEDL overpaid for JAL and has no plan for how to integrate it. At best, this can be seen as the Agarwal family buying some luxury real estate, golf courses and F1 tracks to put their name on.

The structure of the acquisition requires that VEDL makes these payments. JAL's creditors have effectively subordinated all VEDL and VRL's creditors.

Creditors should oppose the deal through any available channel:

1. **Veto:** VRL creditors hold an effective veto over acquisitions by Vedanta. While untested, this remains the most direct path to halting the JAL transaction.
2. **Reprice:** The scheme subordinates existing creditor claims, raising group risk. This justifies demanding a higher coupon on VRL borrowings.
3. **Ringfence assets:** JAL cannot fund its own commitments. Vedanta will be forced to draw on HZL and BALCO for support; creditors should ringfence these cash flows to protect their collateral and minority interests.
4. **Tighten covenants:** Vedanta already struggles to meet VRL's liquidity requirements from operations. Stronger covenants on leverage, restricted payments, and asset sales are necessary to safeguard creditor positions.

We have little confidence that these measures will change outcomes: VRL's governance structure lacks independence, and the group has a long history of disregarding stakeholder concerns whenever they conflict with Anil Agarwal's priorities.

Vedanta is not in a financial position to restructure JAL. Past acquisitions such as ESL and KCM demonstrate a consistent pattern of governance failures, operational underperformance and broken commitments to creditors. Dividend and capital allocation decisions remain driven by VRL's financing needs rather than business fundamentals.

Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Vedanta Resources, its affiliates, or any other entity to file a report with the appropriate regulatory body.

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