

CMBI Credit Commentary

Vedanta resources (VRL): Further increase in Vedanta Ltd (VED) stakes

VRL further raises its stakes in VED to 69.7% from 65.2%, funded with loan facilities of USD800mn (USD250mn at VRL, USD400mn at Twin Star and USD150mn Vedanta Netherlands) from Standard Chartered Bank. The gradual increase in stakes in VED is not a surprise after the failed privatization attempt late last year. This, albeit not as efficient as the privatization, helps address the structural issue of significant cash leakage to minority shareholders of VED for any cash upstreamed. The gradual increase in stakes in VED, coupled with the upcycles of commodity prices, help considerably improve VRL's cash flow although the debt-funded acquisitions of VED stakes could heap more repayment pressure over the longer-term. For VEDLN curve, we prefer short-dated VEDLN'22 and 23s. We also prefer VEDLN 13.875%'24 which is secured by the stakes in VED.

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Polly Ng 吴宝玲
(852) 3657 6234
pollyng@cmbi.com.hk

Wilson Lu 路伟同
(852) 3761 8918
wilsonlu@cmbi.com.hk

James Wen 温展俊
(852) 3757 6291
jameswen@cmbi.com.hk

CMBI Fixed Income
fis@cmbi.com.hk

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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