Semiconductor business not to 'short circuit' Vedanta Resources credit profile

AGENCIES
CHENNAI, 19 SEPTEMBER

Diversified natural resources company Vedanta Resources Ltd's credit profile is not likely to be weighed down by the group's plans to make semiconductors, said S&P Global Ratings..

According to the global credit rating agency, Vedanta Resources' credit profile will not be weighed down by the group's $20 billion semiconductor manufacturing venture as the investment will be made outside of the company.

"The business (semiconductor) will be undertaken in a separate entity under Vedanta Resources' holding company Volcan Investments Ltd," it said.

Any potential credit impact of the planned investments in the semiconductor business will depend on the details of the funding plan, which have yet to emerge, the credit rating agency added.

"For example, we could watch out for any change in Vedanta Resources' dividend policy, to support servicing of any debt at Volcan for the semiconductor business. We believe Vedanta Resources will prudently manage its investments so that it does not put debt servicing at risk," S&P Global Ratings said.

According to the credit rating agency, the Vedanta Group's investments will also likely happen over a long period of time.

"Our rating on Vedanta Resources does not assume any material exposure by the company or its key subsidiary, Vedanta Ltd., to the semiconductor business over the next 12-24 months," it said.

Vedanta partnering with Taiwanese group Foxconn recently inked an agreement with Gujarat government to set up a semiconductor venture in the state.