How Vedanta’s Anil Agarwal bettered Warren Buffett in returns

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Pravin Palande June 20, 2025

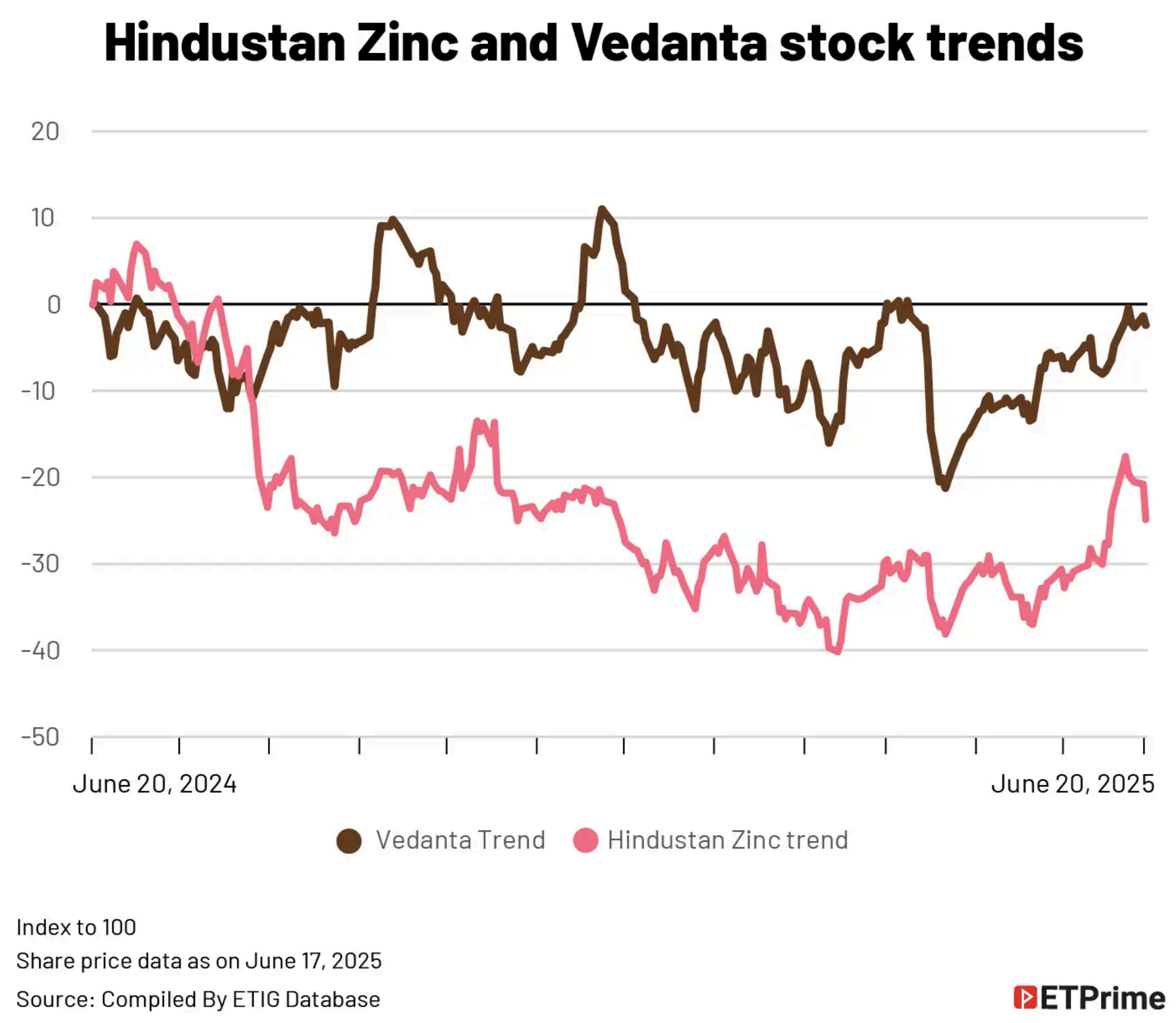
Vedanta founder Anil Agarwal is rustic. When it comes to running businesses, he can teach a lesson or two to management experts from the Ivy League. And that was on display this week.

When smart money managers are struggling to beat the index even over a long period, this entrepreneur from a small town proved yet again how staying the course in investment and managing companies with focus could be rewarding. In little more than two decades, he turned INR1,000 crore into INR70,000 crore (stake sale + dividends). That’s a performance better than Warren Buffett’s Berkshire Hathaway.

Vedanta recently sold 66.7 million shares of Hindustan Zinc for INR3,000 crore at a price of INR449 per share. This transaction represents 1.6% of Hindustan Zinc’s equity held by Vedanta. Prior to the sale, Vedanta held a 63.42% stake in the company.

This divestment has yielded substantial gains for Vedanta. Over the past 22 years, the company has earned an impressive annual return of 24% on its investment in Hindustan Zinc — well above the 15% CAGR delivered by the Nifty 50 during the same period. Vedanta's effective acquisition cost for these shares was INR39 per share, and after adjusting for stock splits, the cost basis drops to approximately INR3 per share.

“The stake sale is a clear win-win for Vedanta as it now gets liquidity support for its next expansion strategy without losing strategic control. By this sale, Vedanta gets capital flexibility and new investors get access to a solid metal company,” says Vinod Jhaveri, independent analyst at Pure Technicals.



To put this in perspective, Berkshire Hathaway, led by Warren Buffett, delivered a 20% annual return over the same period, compared to the 10% annualised return from the S&P 500. Buffett’s investment philosophy involves acquiring undervalued businesses — often at deep discounts to intrinsic value — and, when necessary, taking an active role in turning them around.

Anil Agarwal's investment style bears some resemblance to Buffett’s. He is known for his long-term vision and patience, often waiting years to unlock shareholder value. Agarwal strategically acquires businesses at low valuations, drives backward integration to cut costs, and, once profitability is achieved, scales aggressively. He has repeatedly applied this formula across sectors to fuel Vedanta’s growth.

This approach contrasts sharply with that of modern private-equity firms, which are adept at identifying and nurturing opportunities but seldom generate the kind of consistent 30% annual returns Agarwal has achieved. His success stems from bold, long-term bets made with his own capital, a global outlook, and an unwavering focus on wealth creation. Listing Vedanta on the London Stock Exchange was a strategic move that introduced global governance standards and attracted international investors, further strengthening the business.

The early years

Anil Agarwal began his entrepreneurial journey in the mid-1980s by founding Sterlite Industries, which initially focused on manufacturing jelly-filled cables. Recognising the strategic advantage of backward integration, he moved into copper production — the key raw material used in cable manufacturing.

In 1995, Agarwal acquired Madras Aluminium, a loss-making enterprise at the time. His appetite for value-driven acquisitions continued in 2001 when he acquired a 51% stake in Bharat Aluminium (BALCO) under the disinvestment programme initiated by the Atal Bihari Vajpayee-led government.

In 2002, then operating as Sterlite, Vedanta acquired a 26% stake in Hindustan Zinc. Agarwal went on to formally establish Vedanta Resources in 2003. Four years later, he acquired a controlling stake in Sesa Goa, then India’s largest iron ore producer, and subsequently merged it with Sterlite in 2012 to form Sesa Sterlite.

Under Agarwal’s leadership, Vedanta and Hindustan Zinc have emerged as global leaders in zinc and silver production. Hindustan Zinc is now the world’s largest zinc producer — an asset Agarwal secured with foresight and at an exceptionally low cost.

In 2002, Sterlite Industries submitted the highest bid of INR40.5 per share for Hindustan Zinc. In April that year, the company increased its stake by another 20% through an open offer at INR35 per share. A call option was exercised in November 2003, allowing Vedanta to acquire an additional 18.92%, taking its total shareholding in Hindustan Zinc to 64.92%.

In August 2024, Vedanta announced an offer for sale (OFS) of a 3.17% stake valued at INR6,500 crore, priced at INR486 per share. While this move was expected to reduce its holding to 61.75%, market sources suggest that Vedanta later repurchased shares from the open market, thereby increasing its stake back to 63.42%.

The growth path
Since 2003, Vedanta has received cumulative dividends of approximately INR68,000 crore from Hindustan Zinc. Adding the recent INR3,000 crore from the latest share sale, Vedanta's total cash inflow from Hindustan Zinc now stands at an impressive INR71,000 crore.

Between April 2000 and November 2003, Vedanta invested around INR1,000 crore to acquire a 64.9% stake in Hindustan Zinc. Today, the value of its remaining stake is estimated at INR11,600 crore —underscoring the outsized returns the company has generated from this investment.

Anil Agarwal's entrepreneurial journey began early. At the age of 19, he was already a successful scrap trader, collecting scrap from across India and selling it in Mumbai. By 22, he acquired Shamsher Sterling for INR16 lakh, using a combination of personal loans from friends, family, and banks. The company was involved in the manufacturing of enamelled copper.

It was through Shamsher Sterling that Agarwal came face-to-face with the challenges of running a manufacturing enterprise — from managing working capital and employee salaries to dealing with volatile raw material prices. These early struggles led to personal and professional setbacks, but Agarwal persevered, relying on meditation, composure, and a strong sense of self-belief. Over the next decade, he successfully ran Shamsher Sterling.

In the mid-1980s, he ventured into the telephone cable business with Sterlite Industries, which went on to set up India's first copper smelter.

As Vedanta expanded, however, its debt levels also rose significantly. The group currently carries a consolidated debt burden of approximately INR75,000 crore. The company intends to use the dividend inflows from Hindustan Zinc to service and reduce a portion of this debt.

Despite Vedanta's high dividend payouts, caution is being advised. Nikhil Gangil, founder and CIO of Intrinsic Value Equity Advisors, has warned retail investors against being lured by the recent dividend trends. Drawing a parallel with Gensol, he pointed out in a recent post on social media platform X (erstwhile Twitter) that Vedanta's promoter stake is 100% pledged, and the number of retail shareholders has surged from 9 lakh to 20 lakh in just one year — raising red flags around risk and governance.

What the future holds
Anil Agarwal has been grappling with this challenge for some time. While the returns from Hindustan Zinc position him as one of India's most astute investors and industrialists, his current focus is on enhancing capital efficiency at Vedanta, his flagship enterprise.

As Warren Buffett wrote in his 2020 annual letter, “Debt is a silent killer of wealth.” Notably, Buffett is not averse to using leverage — Berkshire Hathaway carries debt of approximately USD126 billion. However, the company maintains a conservative debt-to-equity ratio of 0.91:1. In contrast, Vedanta’s debt-to-equity ratio stands at 1.81:1, which is relatively high. Despite delivering a healthy return on equity of 27%, Vedanta must intensify efforts to deleverage and improve its balance sheet.

Buffett has traditionally focused on consumer-facing businesses with stable, predictable demand and low exposure to economic cycles. Agarwal, on the other hand, has built his empire in the highly cyclical and volatile commodities sector — a strategy that has exposed the business to significant fluctuations in earnings and cash flows.

To his credit, Agarwal acknowledges this structural vulnerability. While he has tightened control over the asset side of the business, the next critical step is bringing similar discipline to the liabilities side. Reducing leverage will be key to sustaining long-term shareholder value and financial resilience.

(*Graphic by Sadhana Saxena*)