Markets

Mining Billionaire Agarwal Moves Closer to Breaking Up His Empire

Anil Agarwal *Photographer: Aaron M. Sprecher/Bloomberg*

By Anto Antony
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Takeaways NEW Hide

Indian billionaire Anil Agarwal is planning to break up his metals-to-energy conglomerate Vedanta Ltd. to reduce its $11 billion debt and give more attention to different businesses.

Summary by Bloomberg AI

The demerger will allow the group to list each of its key businesses, providing new funding sources and increasing financial transparency, and Agarwal believes that growing demand for critical minerals will add to the allure of his companies.

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Indian billionaire Anil Agarwal is inching closer to finishing a long-planned breakup of his metals-to-energy conglomerate Vedanta Ltd., a move aimed at trimming the group's $11 billion debt pile and giving greater attention to different businesses.

While prices of aluminum, zinc, and copper have given up the heady gains of 2024, the 71-year-old tycoon is betting that a simpler structure for the sprawling group and growing demand for critical minerals will add to the allure of his companies even as the specter of a global recession looms.

The overhaul will allow the group to list each of its key businesses: aluminum, oil & gas, power, iron & steel, along with the publicly traded core company Vedanta. The demerger could provide new funding sources and increase financial transparency across the group, according to Bloomberg Intelligence analyst Mary Ellen Olson.

“The time for growth is now as demand is strong, supply is tight, and we’re positioned in the right markets,” Agarwal said in a recent video interview from his London home, adding that most of the materials mined by his company are locally consumed. The billionaire said that this makes Vedanta less vulnerable to potential disruptions in global supply chains arising from US President Donald Trump’s tariff measures.

Vedanta is also expanding the gamut of its operations by winning rights to mine critical minerals like nickel, chromium, platinum, and cobalt in India through November auctions. The global demand for these and other metals that are key to energy transition remains high and will give the group the next fillip of growth, Agarwal said.

Middle East and Africa

Agarwal has long dreamed of building an empire that spans continents and competing with the ranks of the world’s largest diversified miners, including Rio Tinto Group and BHP Group Ltd.

The group plans to spend more on overseas projects and is doubling on investments in the Middle East and Africa. Vedanta is set to invest $2 billion in copper-processing facilities in Saudi Arabia – one of the largest by a foreign firm – as the oil kingdom aspires to build its metals and mining industries significantly.

“Saudi not only has good geology but strong local consumption too,” Agarwal said, adding that “funding is never a problem for a project like that.”

According to local government estimates, Saudi Arabia has untapped resources, including phosphate, copper, gold, and bauxite, worth as much as $2.5 trillion. About a third of its investments in the country will be funded through internal accruals, and for the rest, the group will seek project financing, Agarwal said.

The company is currently seeking funds to develop mines in Africa, too. The Konkola Copper Mines in Zambia, which it controls, has a major copper deposit and cobalt reserves, according to Vedanta.

The financing options being weighed range from a billion-dollar bond offering, "off-take financing, or sale of a minority stake to global investors, for which there is significant demand," Agarwal said.

Cutting Debt

Vedanta shares dropped about 7% this year in Mumbai trading amid a slump in commodities prices. Other than economic growth woes, weighing on investor sentiment is the company's $6.2 billion debt, the upshot of an acquisition spree since the turn of the century that includes stakes in Bharat Aluminium Co. and Hindustan Zinc Ltd.

Over the last two years, Agarwal has been on a drive to cut leverage and push back repayment deadlines on the group's borrowings. The plan is to halve it over the next three years.

The group will be cautious about loading up on debt as it chases growth for each demerged unit, he said. All existing shareholders of Vedanta will receive one new share in each of the newly listed entities against each share they own in the parent company.

"There is no need for a stake sale to reduce our debt at the parent company level, and neither are there any plans to sell our stakes in any of the demerged entities," Agarwal, who started as a scrap metal dealer and has weathered cash crunches and government friction, said. Each listed company can look at issuing fresh shares to raise funds for expansion, he said.

The so-called debt to earnings before interest, taxes, depreciation, and amortization ratio – a financial metric that measures a company's ability to pay off its debt obligations – for Vedanta has to be brought down to 1 from the current 1.4 and maintained, according to him.

Over the years, Agarwal has been grooming his daughter Priya Agarwal Hebbar to take over from him as the head of the conglomerate. A psychology and film studies graduate from the University of Warwick, the 35-year-old is the chairwoman of Hindustan Zinc and is on the board of Vedanta.

Priya Agarwal Hebbar *Photographer: Kanishka Sonthalia/Bloomberg*

“The group’s future is very focused on transition and critical minerals, and that is where the company will go,” Hebbar said.

– With assistance from Sanjit Das