Vedanta Resources PLC

Indian conglomerate Vedanta to split in five next month

Chair suggests new entities could be worth as much as $50bn after deleveraging drive

Vedanta founder and chair Anil Agarwal says the split will create phenomenal shareholder value © Bloomberg

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Indian conglomerate Vedanta will break up into five listed companies early next month, according to founder and chair Anil Agarwal, who said the split would give the new units a "free hand to grow".

The Mumbai-listed group, which is one of India's biggest resources companies with an enterprise value of $37bn, has been working on the restructuring programme for several years, partly in an effort to reduce the debt load it has long struggled with, but has faced opposition from the Indian government.

"It will create phenomenal shareholder value," Agarwal told the FT, adding that the new companies "will have a free hand to grow" as independent entities.

Agarwal suggested the combined market capitalisation of the five companies would be much higher than the conglomerate's current $27bn level.

"People are saying that, comfortably, it should double," he said.

The new structure would create standalone listed companies for aluminium, zinc, oil and gas, steel and power, Agarwal said, adding that they would collectively have about $7bn in debt.

A private parent company controlled by Agarwal will retain about half the shares in each of the new entities, he added.

Vedanta has laboured for years under a heavy debt load, which stands at $11bn according to S&P Capital IQ.

Vedanta late last year overturned a legal challenge to its break-up plan from the Indian government, clearing the way for the split to proceed.

At a time when the war in Iran has triggered volatility and high energy prices, Agarwal called for India to increase its domestic production of oil and gas, saying the country's heavy reliance on imports is a vulnerability.

Vedanta's subsidiary Cairn Oil and Gas, one of the five units that will be spun out, aims to double its production within the next six years to reach 1mn barrels of oil equivalent per day.

Other Indian groups including state-controlled ONGC have also said they plan to increase their domestic drilling in response to high energy prices unleashed by the war in Iran. India imports more than 80 per cent of its crude oil and refined products, much of which comes from the Middle East.

Vedanta's share price remains close to a record high set in January, propelled in part by high commodity prices.

Its elevated value comes even though it recently lost out to Adani Enterprises in its effort to snap up the highly indebted Jaiprakash Associates, which has significant power generation assets, despite Agarwal's group tabling the larger offer.