

‘Need uniform policy for below-the-ground sector’



Metals and mining giant Vedanta Resources is set for a historic restructuring that will see the \$18 billion conglomerate split in four. In an exclusive interview with Saket Kumar, Sudheer Pal Singh and Asit Ranjan Mishra in New Delhi, Vedanta founder and Chairman **Anil Agarwal** discusses the motivation behind the exercise, and explains why he thinks India’s mining industry needs an overhaul. Edited excerpts:

Do you think India could have avoided the energy shock caused by the West Asia crisis by having the right policies?

■ I do not want to analyse the situation. There are enough resources in India but companies should be encouraged to come to India to invest. We have to do exploration like it is done in America where big companies make investments on discoveries. The government should keep the regime absolutely self-certified. If companies do not follow rules, there should be penalty, but before starting exploration, they should not need anything. You have barren land, somebody wants to put a hole in the ground and see what lies beneath, let him do it.

For the below-the-ground sector, there has to be only one policy instead of multiple policies. The focus should be on preserving the environment. There should be stringent norms on air quality, water quality, and soil quality. If a company flouts those norms, it should be punished. Make norms and let the work begin.

Vedanta is headed for demerger and strategic repositioning. Can this transition happen without the group becoming financially stretched again?

■ I have built difficult businesses, whether it is oil and gas, copper, aluminium, zinc or silver. India never thought of producing many of these at scale. Somebody has to do things differently and take risks. Our first priority is governance and transparency. In my 40-year career, I have never defaulted on a single payment or failed to repay a bank loan on time. In business, sometimes you have liquidity and sometimes you do not. You have to restructure and recoup value, especially in India where there are many other challenges. As a son of the soil, we love to work in India and we want to make in India.

What are some of your larger plans going forward for the demerged businesses?

■ We will invest \$20 billion in 2-3 years, which will generate \$50 billion in revenue. Because of this investment, our aluminium capacity will increase to 60 million tonnes (mt), and zinc will increase from the current 1 mt to 3 mt. Today, we

Anil Agarwal on

DEMERGER AND RESTRUCTURING:

Meant to unlock \$20 bn investment & \$50 bn revenue

EASE OF DOING BUSINESS:

Investors, when scared, will move elsewhere

MULTIPLE BATTLES WITH GOVT: Let us sort out disputes and move forward

MINING POLICY:

Need for long-term leases with incentives

TUSSLE WITH ADANI OVER JAL:

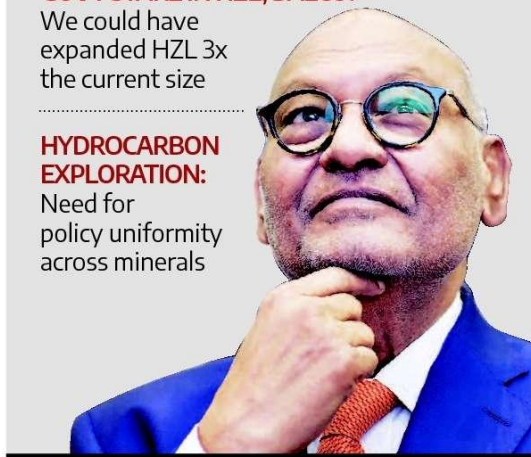
Not pursuing Jaypee anymore

GOVT STAKE IN HZL, BALCO:

We could have expanded HZL 3x the current size

HYDROCARBON EXPLORATION:

Need for policy uniformity across minerals



make 700 tonnes of silver; we will manufacture 3,000 tonnes of silver in future. For fertilisers, we will start a plant with a capacity of 1.5 mt. Through recycling, we will extract 7 critical minerals, including rare earths. As a result of this demerger, all the independent management teams will start thinking on their own. Value-wise, the potential will increase 4-5 times. The country also needs it. Employment will increase. Downstream manufacturing will also increase. The process of demerger will happen by next month, and people will get shares too by then.

GOVT SHOULD FOCUS ON SCALING MINERAL OUTPUT 10 ►

Govt should focus on scaling production of minerals: Agarwal

You said somebody has to take the risks. In the context of hydrocarbon and other mineral exploration, do you think the risks taken by you have been rewarded?

■ India has enough hydrocarbon resources. There is enough oil and gas beneath our soil to support India's demand, perhaps even create a surplus. The world looks at India as a market to produce. The most important thing is exploration and ease of doing business. Just as we go around the world to buy oil and accord importance to producing nations, we must extend the same importance, comfort and encouragement to companies that are willing to explore and produce in India. The hydrocarbon sector must receive support and backing like many other sectors. Some stakeholders do not want India to produce more domestically. It is up to us to make the sector attractive for entrepreneurs. Exploration should be made easier and companies should be given operational flexibility. For existing operators, short-term leases create uncertainty as banks and shareholders do not support investments under such conditions. We need long-term leases, ideally for the life of the asset, and uniform policies for all minerals. The government always retains the power to intervene if needed, but companies should be

given a long rope, incentives and encouragement.

Do you think there are unnecessary regulations that curb investor interest, and more needs to be done to ensure ease of doing business?

■ If an investor is scared, he will move to other places (to invest). Our youngsters should start an industry and take risks. Rather than looking for a horse to bet on, they should become the horse themselves. We have to create that atmosphere, and it is the government who creates that atmosphere. When we discuss our issues with government officials and ministers, they understand and listen to us. It is not good to blame anyone. It is important that we have production, and production will happen only with entrepreneurs. Big investments and production work will be done by big companies. The government auctions mines (such as iron ore mines), sometimes to smaller companies, with high auction premiums. The government should not be revenue-minded. The focus should be on huge production of minerals like oil, iron ore or coal. An entrepreneur will participate in auction and invest money when the policy is very liberal which includes self-certification and a trust-based economy, and this government can do it. There is no better government I have ever seen as far as business is con-

cerned. If you have to increase steel production, you have to bring in bigger companies that could invest billions of Dollars.

Are you suggesting mineral auctions should focus on big-sized mines?

■ The work of exploration and discovery of minerals is for smaller companies. The job of bigger companies is to start a plant of 200 million tonnes capacity. In the world, there are big mining companies like BHP, RIO, and Vale. We should have such companies in India, too. These days, the government is talking to industrialists. We will have to recognise the contribution of industrialists. Today, globally there are many private corporations backed by lakhs of shareholders. They choose the CEO, and if he does not perform, he is fired. Bring that system here.

How do you look at the critical mineral space where many small companies have bagged mines at high premium?

■ Critical mineral mining is a very difficult job. It is a research-based job and must be done by big companies. The government has done the auctions. If 100 mines have been auctioned in India, not even 5 percent have been opened. Success in critical minerals will require involving companies with proven capabilities.

NCLAT has rejected Vedanta's



Anil Agarwal, chairman, Vedanta Resources

OUR DEPENDENCE ON GOLD IMPORTS IS ALMOST 100%. GIVE ME THAT BUSINESS, AND THAT DEPENDENCE WILL END IN 5 YEARS

plea against the selection of Adani group's bid for Jaiprakash Associates Ltd. What is your plan of action now?

■ We are not pursuing, Jaypee anymore.

What is the status of the ongoing talks with the government on the residual stake sale in Hindustan Zinc and Balco?

■ Everyone can have their own good opinion. My opinion is that we should not ride two boats at the same time (the public sector and the private sector). The private sector

cannot move forward as long as the public sector remains. There is an agreement that the government will mandatorily give us 100 per cent share of HZL and BALCO. We also gave a call option, but there was no progress. We have a 49 per cent share in BALCO and we are making big investments. We could have expanded Hindustan Zinc three times its current size, and also the Aluminium business (BALCO). The government can take the initiative and send a positive message to the industry.

What problem do you see if the government has a stake in the companies?

■ If there is no privatisation, we have to ask them for everything, such as if we want to increase production, or if we want to go for demerger, because they are also a part of the company. We are the largest revenue provider to the government to the tune of ₹60,000 crore. We are the largest employer, too. When we took over Hindustan Zinc, there were 6,000-7,000 people working in the company. Today, 40,000 people are working in it. Similarly, the number of people working in Balco has risen from 6,000 to 30,000-35,000.

In the oil and gas E&P (exploration and production) sector, the government says it has taken many big steps to make it easier

for investors. Vedanta being present in this space for long, do you think it has worked?

■ It does not work in one day. You have to consistently keep making the effort and doing production. You have to prepare your people (entrepreneurs) for it and encourage them. It takes time as it is a big job. Who am I to give suggestions? But I am a sufferer. I have seen that if a lease is given for five years, neither the bank nor the shareholder gives money. Because of this, a wrong message is sent to the industry.

Vedanta is seen to be constantly in tussle with the government, whether it is on residual stake in HZL, Balco or issues with Cairn.

■ Whatever dispute is there, let us just sort it out. We can not afford to continue with disputes. It should be like how it is done in America – put the penalty (for any offence), but finish the dispute. Let the productivity continue and productivity is going to come from entrepreneurs only. I am in love with this government for sure. What Amit Shah has done for West Bengal, what Mr Modi has done worldwide, India gets so much respect because of him. We are sending 50 per cent of the revenue generated from natural resource businesses outside. To resolve this, the public sector must be privatised. You have to privatise the defence sector, where the money and technology will come. I am ready to give a test

for my country. Our dependence on gold imports is almost 100 per cent. Give me that business, and that dependence will end in 5 years. I have the experience. I can do it.

Hasn't Vedanta faced significant protests in the past? Niyamgiri is an example.

■ See, we are in a democratic country. We have to resolve this and see what is good and what is bad for us. There should be self-certification. Land allotment should be all digital. Locals do not create problems. It is also not done by the government. It is done by NGOs that want to make money. We all have to come together. If we do not make aluminium and copper in India, we will keep importing them. But we do not have to flout the environmental rules.

Vedanta had a partnership with Foxconn, which did not work out. Do you have plans now to enter the semiconductor business?

■ We bet on ten different things. Even if we get it right at one, it is enough. And if we do not get it right, we do not get disappointed. Wherever we see an opportunity, we try. Semiconductor is important for the country, but at this point in time, we have no such plans. We have our 3-4 core businesses, and we are focused on that only. If we see an opportunity (for semiconductor) coming, we will evaluate.