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July 19, 2026 ₹200

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**BUSINESS
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VEDANTA'S \$20-BN BET

POST A COMPLEX RESTRUCTURING OF THE GROUP INTO FIVE DISTINCT IDENTITIES, ANIL AGARWAL HAS UNVEILED AN AMBITIOUS INDIA PLAN. CAN HE PULL IT OFF?

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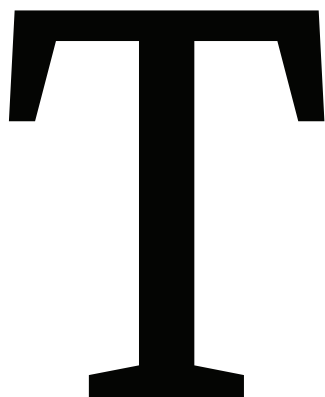
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“India expected to become self-sufficient in metals”

Non-Executive Chairman, Vedanta Limited & Founder, Vedanta Group, on the historic demerger, the vision for the company, and more

BY KRISHNA GOPALAN



There must be a handful of countries that Anil Agarwal has not visited but his favourite place remains *aamchi* (our) Mumbai. In his expansive home in South Mumbai’s Colaba, just around the corner of two bustling landmarks—the Gateway of India and the Taj Mahal Hotel—Agarwal is unusually calm after months of hard work that culminated in a successful restructuring of the group into five distinct entities.

Dressed in a suit and slip-ons, he gently moves around in the large sofa.

The conversation slips in and out of business. With a slight smile, he picks out key events from the past, links them to the present, and attempts to paint the future. Through all this, he does not even pause for a glass of water. In earthy Hindi laced with humour and common sense, Agarwal makes his point clear; that for his group, India is where the action is.

Agarwal, who came to Mumbai from Patna in the mid-1970s with a box and a dream, has been seen the natural resources story up and personal. That ability to grasp the global picture and then determine a business opportunity in India can come only from years of experience. At 72, the Non-Executive Chairman, Vedanta Limited & Founder of Vedanta Group, is excited about how much more the company can do. Excerpts from a conversation with *Business Today*:

Q: What makes this moment so important for Vedanta?

A: This is a victory for everyone. Today, the whole world is looking at India very positively. Nothing is



more important than economic development and we are at the forefront of that.

Natural resources are of huge strategic advantage to India. For whatever there is above the ground, there are attractive PLI schemes and India is generally self-sufficient. Now, it is about what lies below the ground, and a lot of that is imported.

I am a geologist by practice, and it is obvious that India has everything—gold, diamonds plus a strong historical background. I understand this since it's the only thing I have done. I started with non-ferrous scrap and then moved to copper smelters, copper rods, before taking over government-owned

“This will be a difficult journey for India, be it on oil and gas or bauxite. At the end of it, we are speaking of brick-and-mortar businesses. We lose foreign exchange in natural resources and that must change”

companies (Balco and Hindustan Zinc).

There were a lot of failures along the way, but it only made me stronger like Dara Singh. A lot of it is because of my courage and the support I got from many people.

Let's be clear about one thing. This will be a difficult journey for India, be it on oil and gas or bauxite or anything else. At the end of it, we are speaking of brick-and-mortar businesses. We lose foreign exchange in natural resources and that must change. We are confident that Vedanta is well-positioned to do all this.

Q: You have created scale in businesses over time. Is that one of your strengths even today?

A: We started manufacturing aluminium with a capacity of 1,00,00 tonnes per annum. Now we are at

“In aluminium, we will make alloys and reduce costs by at least 20%. In each business, costs will reduce and production will increase”

3 million tonnes, and the plan is to move to 6 million tonnes. Think about it. We have increased our capacity by 60 times and there is still a shortage! In zinc, we began with 2 million tonnes and hit 1.1 million tonnes. Now, we want to get to 2.2 million tonnes. Coming to silver, it was imported, but now we will be self-sufficient. Just look at the fertiliser opportunity in Rajasthan, where we have rock phosphate and sulphuric acid. We are looking to build India's largest fertiliser plant there.

Critical metals are super important. A lot of work is being done at HZL. Plus, we have taken mines for rare earth. We need support for all this. I am seated in a Ferrari at the start of the line waiting to take off. Our future is linked to natural resources. There are a few players today and we need a lot more.

A lot of people in the US and Canada have got into it. We cannot look at the industry with a negative mindset. It's not bad to make money.

I am confident India will become self-sufficient in the time to come.

Q: What has been the rationale for the demerger of Vedanta Ltd at this point?

A: Five is better than one (laughs). If you look at power, this is only the start, and I promise you the best is yet to come. In metals, we are the only producers of manganese and nickel. Vedanta owns mines in South Africa and that puts us in a position of great strength. Our steel business will have a meaningful role if India needs to get to a capacity of 300 million tonnes per annum.

Q: What do you have to say about Vedanta's low-cost model?

A: Yes, there is a strong focus in this area, and we are very good at it. A big reason for that is that we put technology to very good use and that means getting 25-30% more from the same asset. We think far ahead of competition. Our approach is a combination of technology and human interface. Technology alone is a black box.

Technology gives me higher multiples and tremendous scale. We want to be in businesses where there is double-digit growth, with the investor at the forefront. We see a lot of healthy competition among companies; all are in the growth phase.

Q: Tell us a little bit about how you go about choosing a new business.

A: Our focus is on natural resources and beyond that, technology, will help existing businesses. There is no diversion for us at this point. The space is very clear—and that is natural resources.

Q: What is the broad vision for Vedanta businesses in India?

A: The story has just started. In aluminium, we will make alloys and reduce costs by at least 20%. In mining, we will use technology and sit in the control room. In each business, costs will reduce and production will increase.

Natural resources are our play, and with critical metals, the size and scale of the opportunity have never been bigger. This a period of great transformation at Vedanta. Listing the companies throws open multiple options to raise money. To me, this is a new Vedanta.

Q: How concerned are you about the uncertain geopolitical environment and its impact on the global economy?



A: You have to just focus on your work. There will be challenges of debt going up but that is a part of the story. When you put money in manufacturing, changes will take place on technology or regulation or anything else.

One must be ready for all this. From a debt point of view, we raised \$35 billion when there was no current account convertibility. It was our job to develop the Vedanta brand. We must create value and we have done that well. Vedanta is an ambassador in the international market.

Q: You have faced a big problem with the copper plant in Tamil Nadu. When do you expect production to start? (This plant is owned by Sterlite Copper, a Vedanta Group company. Housed in Thoothukudi, it has remained closed since May 2018. There were protests

“Our focus on natural resources and, beyond that, technology will help existing businesses. There is no diversion for us at this point”

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and a police firing incident that led to civilian deaths. Vedanta went legal with the issue and finally, the Supreme Court dismissed the review petition that sought reopening of the plant. The court’s view was that there were environmental violations).

A: Frankly, this is not the only issue on copper. Nobody wants copper production globally. It was the first copper smelter and now is not operational. I have learnt a lot from this development and also moved ahead. We have tried our best but that said, it is left to the government to decide.

As a responsible player, we have not defaulted on payment and I am hopeful something positive will emerge. At the same time, this is a very small part of all our Vedanta businesses. I can only say—let things happen when they have to. It is important to move on. **BT**

@krishnagopalan

THE NEW

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VEDANTA

ANIL AGARWAL IS READY TO WRITE VEDANTA'S MOST AMBITIOUS PLAN YET DELIVER?

BY **KRISHNA GOPALAN** • ILLUSTRATION BY **NILANJAN DAS/AI**



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WE CHOOSE DIFFICULT businesses, but they are also the right businesses to be in,” says Anil Agarwal.

Few sectors test that conviction like natural resources, where fortunes are shaped as much by commodity cycles and regulation as by operational execution. Agarwal, the founder of the Vedanta Group, has spent decades navigating both. Now, after restructuring Vedanta Ltd into five separate listed companies, he is preparing for his next big wager—a \$20-billion investment plan over the next three-five years, funded largely through internal cash generation.

Based in London, he makes time in Mumbai for a chat with *Business Today* on the eve of public listing of the new companies. This follows a demerger of Vedanta Ltd, the listed entity that he heads as the Non-Executive Chairman. The stated rationale is unlocking shareholder value, though reducing debt at Vedanta Resources—the holding company—is equally critical.

Agarwal is known for his ambition and tenacity. It’s no different this time. He believes each of the five listed entities—Vedanta Aluminium, Vedanta Iron & Steel, Vedanta Oil & Gas, Vedanta Power and Vedanta Ltd—can become a \$100-billion revenue company.

The ambition is underpinned by a portfolio of market-leading businesses. Hindustan Zinc Ltd (HZL) is the world’s largest integrated zinc producer and commands nearly 74% of India’s primary zinc market. Vedanta Aluminium is India’s largest aluminium producer and the third-largest globally, backed by a fully integrated operating model. Vedanta Oil & Gas is the country’s largest private sector crude oil producer with a strong asset base, while Vedanta Power is the



METAL IN INDIA Molten state of aluminum filler metal

THE SCALE

➤ **A \$20-billion investment plan over the next 3-5 years would be funded through internal cash generation**

➤ **Vedanta Iron & Steel benefits from strategically located assets near key raw materials and ports**

➤ **Anil Agarwal believes each of the five listed entities can become a \$100 billion revenue company**

➤ **The copper business has a diversified asset base across markets where demand remains strong**

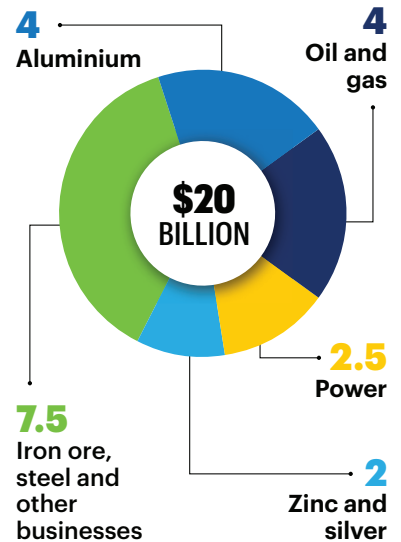
➤ **Vedanta Oil & Gas is the largest private-sector crude oil producer with a strong asset base, while Vedanta Power is the fifth-largest private thermal power producer**

➤ **The five independent listed entities give the parent company the option to monetise stakes. Selling stake is difficult for a bigger entity**



WHERE WILL THE \$20 BILLION GO

Capex (in \$billion)



SOURCE INVESTOR PRESENTATION

fifth-largest private thermal power producer. Vedanta Iron & Steel, meanwhile, benefits from strategically located assets near key raw materials and ports, while its copper business has a diversified asset base across markets where demand remains strong. The strengths of these businesses are complemented by an improving commodity cycle.

Can Agarwal succeed at his new gambit, considering that he is in a highly cyclical business that is also full of regulatory minefields?

A TOUGH CODE TO CRACK

Natural resources entail patience, perseverance and the ability to accept bad news at any point. “For any business here, there is a ten-year gestation. One just has to be at it,” says Agarwal.

Despite the complexity of the business, Agarwal speaks in simple, direct terms. He agrees there is a demand-supply gap. “That is our sweet spot. Not many people can come in and play this game,” he says. To

highlight the point, he talks about metals. “Globally, there are no more than 15-20 players. India has five-six (metal players). The fact is that not all metal companies last.”









Agarwal, on multiple occasions, through the conversation, emphasises how India competes well in the global markets. “Just look at our costs in aluminium, zinc, steel, power and steel. Nobody can beat us on any of this,” he says.

Agarwal believes natural resources can easily propel a nation’s growth. “We have seen how the US, Middle East and Australia have gone about it. Our time has come,” he says quite firmly.

According to Rakesh Arora, Managing Partner, Go India Advisors and a long-time industry tracker, the decision to demerge Vedanta Ltd could be driven by debt at Vedanta Resources. That has reduced from \$8.9 billion (in FY22) to \$4.7 billion at the end of FY26. Arora thinks that is “meaningful deleveraging”, even as Vedanta Ltd’s own net debt to EBITDA (earnings

VEDANTA OLD STRUCTURE



 <p>ALUMINUM Largest capacity with integrated coal, bauxite mines and an alumina refinery</p> <table border="1"> <tr> <td>Lanjigarh refinery</td> <td>Jharsuguda smelter</td> </tr> <tr> <td colspan="2">Balco (51%)</td> </tr> </table>	Lanjigarh refinery	Jharsuguda smelter	Balco (51%)		 <p>OIL AND GAS India's largest private sector crude oil producer</p> <table border="1"> <tr> <td>Cairn Oil & Gas</td> <td>Avanstrate Glass (51.6%)</td> </tr> </table>	Cairn Oil & Gas	Avanstrate Glass (51.6%)	 <p>ZINC & SILVER One of the largest fully integrated zinc-lead players globally</p> <table border="1"> <tr> <td>Hindustan Zinc (64.9%)</td> <td>Zinc International (100%)</td> </tr> </table>	Hindustan Zinc (64.9%)	Zinc International (100%)	 <p>POWER One of the largest private sector power generators</p> <table border="1"> <tr> <td>TSPL (100%)</td> </tr> </table>	TSPL (100%)
Lanjigarh refinery	Jharsuguda smelter											
Balco (51%)												
Cairn Oil & Gas	Avanstrate Glass (51.6%)											
Hindustan Zinc (64.9%)	Zinc International (100%)											
TSPL (100%)												
 <p>STEEL & FERROUS One of the largest private sector exporters of iron ore</p> <table border="1"> <tr> <td>Sesa Iron Ore</td> <td>Sesa Coke</td> </tr> <tr> <td>ESL Steel (95.5%)</td> <td>WCL</td> </tr> </table>	Sesa Iron Ore	Sesa Coke	ESL Steel (95.5%)	WCL	 <p>COPPER One of the largest Indian private sector exporters of iron ore</p> <table border="1"> <tr> <td>Sterlite Copper</td> </tr> </table>	Sterlite Copper	 <p>ELECTRONICS BUSINESS Aim to be the first Indian manufacturer of semiconductors</p> <table border="1"> <tr> <td>Vedanta Semicon</td> </tr> </table>	Vedanta Semicon	 <p>NICOMET (NICKEL) Capacity of 7,000 tonnes</p>			
Sesa Iron Ore	Sesa Coke											
ESL Steel (95.5%)	WCL											
Sterlite Copper												
Vedanta Semicon												

*VEDANTA RESOURCES HELD 62% STAKE IN VEDANTA LTD, THE INDIAN LISTED ENTITY

SOURCE INVESTOR PRESENTATION

before interest, taxes, depreciation and amortisation) ratio (the ability to pay off debt through its earnings) is at 0.95x and below 1x for the first time in years. It was 1.61x in FY24 before dropping to 1.2x in FY25. "The pressure valve has clearly been released. The demerger's role in the debt story is now forward-looking rather than being crisis-driven," he says.

Now, five independent listed entities give them more options to monetise stakes, as opposed to being part of a larger conglomerate. "Selling 5% of Vedanta Aluminium or Hindustan Zinc is far easier than selling 5% of a diversified Vedanta," says Arora. To him, holding company debt is a structural overhang, and the demerger is the best way to retire it.

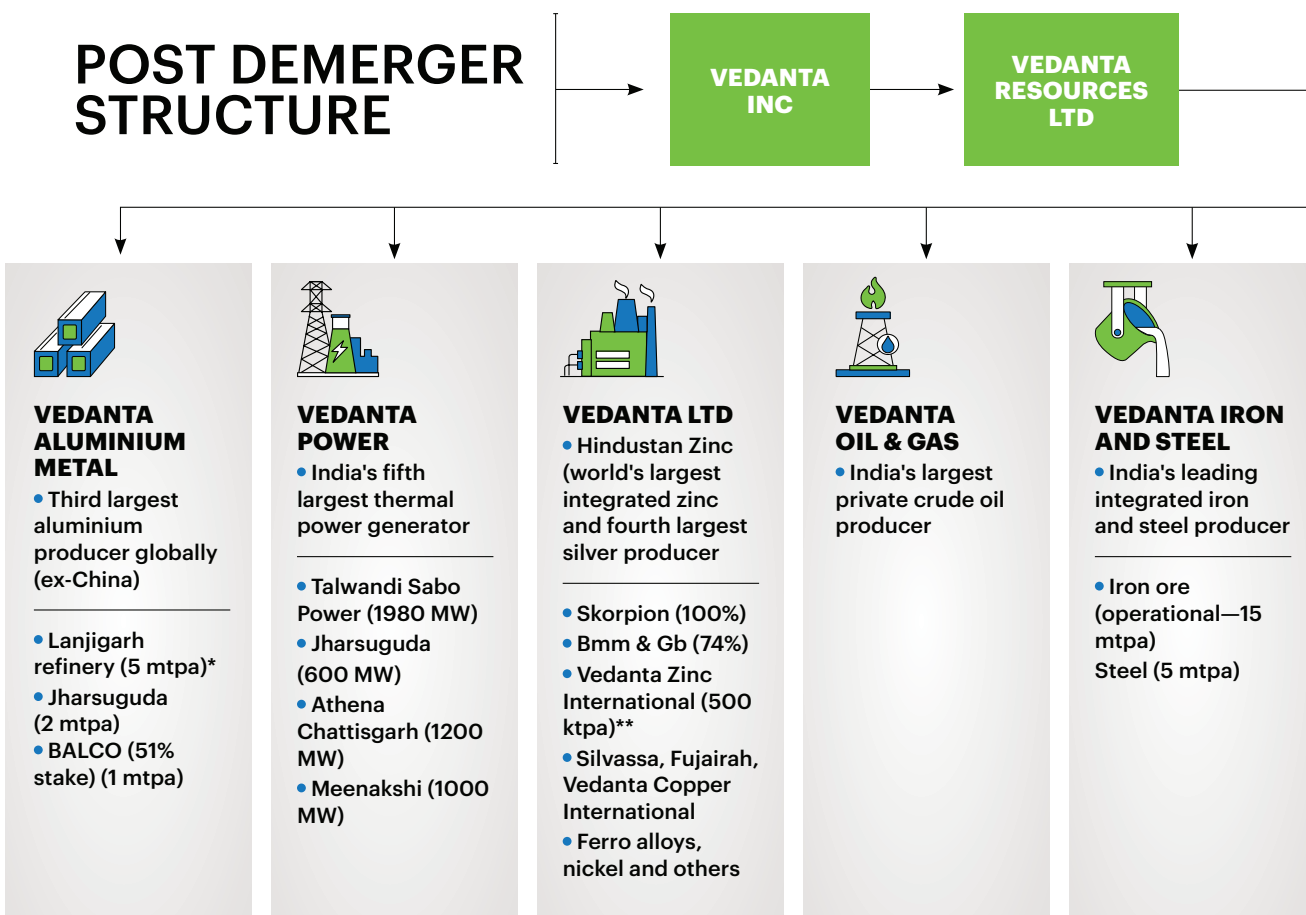
For Vedanta Resources, dividends from the five companies are critical for debt servicing. In short, the companies doing well will help reduce, even eliminate, the debt.



RAKESH ARORA
MANAGING
PARTNER,
GO INDIA ADVISORS

“The demerger’s role in the debt story is now forward-looking rather than being crisis-driven. Selling 5% of Vedanta Aluminium or Hindustan Zinc is far easier than selling 5% of a diversified Vedanta”

POST DEMERGER STRUCTURE



*MTPA—MILLION TONNES PER ANNUM **KTPA—KILO TONNES PER ANNUM; VEDANTA RESOURCES HOLDS A 56.4% STAKE IN EACH OF THE FIVE COMPANIES

GETTING TO THE CORE

Vedanta has kept a close watch on its cost structure, which has helped it improve margins and better withstand industry shocks. “Today, India competes in the world market. Be it aluminium, zinc, silver, power or steel, we have the lowest cost,” says Agarwal.

Nickel, he points out, is not made in India. He plans to set up a phosphate fertiliser plant in Rajasthan. That is logical for two reasons. Rock phosphate, a key raw material for fertiliser production, is mostly produced in Rajasthan. Additionally, zinc smelting generates sulphur dioxide, which can be converted into sulphuric acid, a critical input for fertilisers.










Costs have been a key driver of Vedanta's growth. Agarwal credits much of that to the ability to get the most out of technology. This is most evident at HZL, which is among the world's lowest-cost zinc producers. Its strategic advantage comes from high-grade mines

and captive power. According to Arora, the cost of production was \$903 per tonne in the last quarter of FY26, around 30-35% below the global average. The launch of EcoZen (low-carbon zinc produced entirely using renewable energy) has added a premium layer to its realisations. The zinc business continues to deliver EBITDA margins of over 50%.

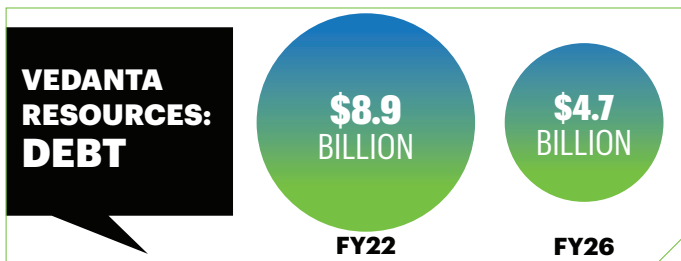
In FY26, the aluminium business reported costs of \$1,752 per tonne, the lowest in five years. At Bharat Aluminium Company (Balco), costs fell 23% year-on-year (from \$2,313 to \$1,792 per tonne), driven by the allocation of captive coal. Vedanta's vertically integrated model and ownership of quality mineral assets underpin its cost advantage.

Raj Gaikar, research analyst, Samco Securities, says cost leadership is uneven across businesses. “It is emphatic in zinc, solid in aluminium and less proven in steel and power,” he says.

EBITDA ACROSS BUSINESSES

BUSINESS	FY25	FY 26	% CHANGE
 ALUMINIUM	17,798	25,502	43%
 ZINC	18,686	23,377	25%
 OIL AND GAS	4,664	4,350	-7%
 POWER	737	1,623	120%
 IRON ORE	1,006	1,007	0.10%
 FERRO ALLOYS	40	191	378%
 STEEL	522	164	-69%
 COPPER	-112	-48	-
 OTHERS	200	-189	-
TOTAL	43,541	55,977	26.56%

NOTE FIGURES IN ₹CR SOURCE ANNUAL REPORT



Scale has a role to play. For instance, HZL has about 75% of the primary market and is among the largest integrated zing companies globally. In the case of aluminium, Vedanta is up against Hindalco (its strength lies in downstream and the global Novelis business), while Nalco has an advantage in both raw materials and costs, though it scores low on scale.

Vedanta enjoys the clearest scale and low-cost advantages in aluminium production. A report by Kotak Institutional Equities on Vedanta Aluminium, published after its listing, says it has 62% share by capacity in India. In a global context, according to the report, Vedanta's capacity of around 2.9 million tonnes per annum (mtpa) places it among the top producers worldwide. "It is poised to be the third-largest player in the world (ex-China) after the commissioning of around 0.4 mtpa Balco capacity. This would place it behind only Rusal (4.1 mtpa) and Rio Tinto (3.4 mtpa) among global ex-China aluminium producers," says the report.

But one area of concern is oil and gas, and it became evident in FY26, with a 16% production decline in its flagship Rajasthan block. Arora believes it is a problem that no cost efficiency can offset. The business also had to deal with the government rejecting Vedanta's application for extension of the contract in Gujarat's Cambay basin block. "In this segment, ONGC's scale and government relationships remain decisive advantages, and Reliance is the dominant private sector operator. The strategic opportunity from new OALP (open acreage licensing policy that now allows companies to freely select and apply for exploration blocks) is real but is a 2028-30 story at the earliest," he says.

BREAKING IT DOWN

The big question now is the \$20-billion capex planned over the next three to five years across businesses and the ability to fund that through internal cash generation. "It is a genuine stretch, though not uniform across the group. It has a tilt towards oil and gas and aluminium at about

\$4 billion each,” says Gaikar.

Aluminium and zinc generate cash through cycles, making internal funding possible. “However, oil and gas must arrest field decline (depletion) before it can self-fund a ramp-up, while power and steel offer thin margins relative to their ambitions,” he explains. The remaining \$12 billion capex would include \$2.5 billion in power, \$2 billion in zinc and silver, and \$7.5 billion in iron ore, steel and other businesses.

According to Arora, the \$20-billion translates into \$4-7 billion per year. As things stand, internal cash generation, according to Arora, covers the capex target for the current fiscal. “For FY28-30, one would assume the capex will be driven by commodity prices and internal accruals. Apart from the alumina expansion in India, along with backward integration into bauxite and coal and zinc expansion in Gamsberg (the last one is in South Africa), most of the other projects are on the drawing board,” he says.

However, much will depend on how the commodity cycle plays out. “A 10% rise in aluminium prices adds \$641 million to EBITDA—nearly double the \$278 million from zinc and well above the \$38 million from oil. Vedanta is overwhelmingly an aluminium and zinc player,” says Arora. The biggest tailwind will come from the current commodity cycle, where the outlook remains largely positive. “For Vedanta, it looks good, and there is a clear upside on white metals and ferrous,” says Deven R Choksey, Chairman and MD of wealth management and investment advisory firm DRChoksey Finserv.

Oil and gas is already a significant business. Through Cairn Oil & Gas, it accounts for about 25% of India’s crude oil production. While state-run players such as ONGC and Oil India are larger, those tracking the sector say Vedanta’s advantage lies in quicker decision-making and greater operational agility. The company is also looking to expand the business over the next few years.

The renewable energy story, says Choksey, can bring the company a huge upside.

A NEW FORAY



BIG DREAMS Listing of Vedanta's demerged entities

➔ **Ten days after listing four demerged businesses, Vedanta Ltd intimated the stock exchanges of the incorporation of a subsidiary, Vedanta Property Platforms. “It will serve as a strategic platform for undertaking real estate business and ancillary activities,” it said.**

In May, the Adani Group won the bid for Jaiprakash Associates (JAL) for ₹14,500 crore, after a tight battle with Vedanta. This despite the latter offering ₹17,500 crore.

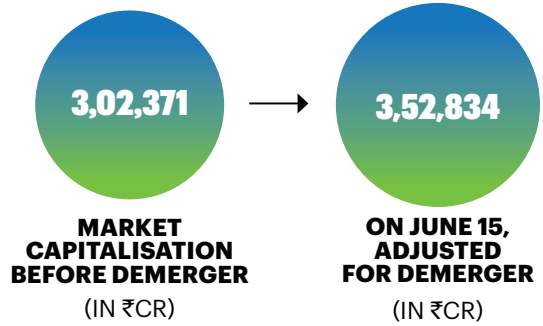
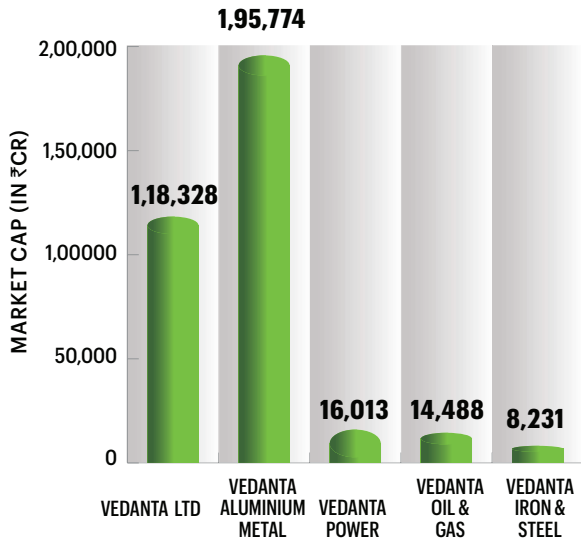
On the table were limestone reserves, large land parcels in the Delhi-NCR region, power capacity and the Buddh International Circuit. For the Adani Group, it synced

well with all its existing businesses.

In the case of Vedanta, there was a chance to enhance its power business and perhaps look at cement, given its existing commodity play. But the group’s greater interest, however, appears to have been real estate—a direction now confirmed by the incorporation of Vedanta Property Platforms. The business could unfold around monetising existing surplus land or look for newer opportunities altogether.

Given the infrastructure needed around land—smart cities for instance—Vedanta will have its hands full in a very competitive business.

VALUE CREATION



	GAIN IN VALUE	₹50,463 CR
	GAIN IN %	17%

AS ON JUNE 15; SOURCE NSE

A recent directive has mandated 20% domestic content in battery storage projects getting financial support from the government. “It is a huge plus for Vedanta since demand for nickel and manganese can really take off,” he explains.

If Agarwal is willing to back a big idea with capital, he is equally willing to step away when it no longer fits his priorities. In September 2022, Vedanta announced a \$19.5 billion semiconductor joint venture with Taiwan’s Foxconn. The plant was to start production in Gujarat in two years. Less than a year later, Foxconn, in a statement, said, “it will not move forward on the JV with Vedanta”, without citing any reasons. Reflecting on that, Agarwal says semiconductors are futuristic like critical minerals. “The potential is huge, and we looked at it from the base and wanted to set up a foundry (where integrated circuits and microchips are manufactured). We realised there is a lot of work to be done in our existing businesses and dropped the idea,” he elaborates.

There is no regret in his voice about what might have

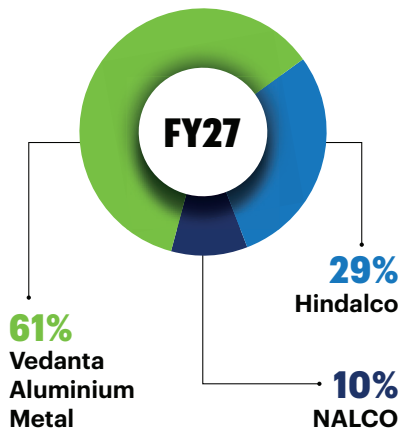


DEVEN CHOKSEY
CHAIRMAN AND MD,
DRCHOKSEY FINSERV

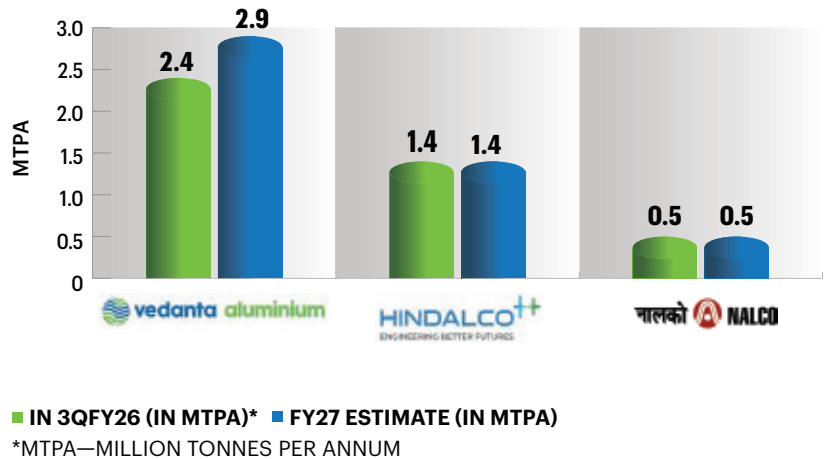
“The biggest tailwind will come from the current commodity cycle, where the outlook remains largely positive. For Vedanta, it looks good, and there is a clear upside on white metals and ferrous”

VEDANTA ALUMINIUM V/S OTHERS

MARKET SHARE



CAPACITY



SOURCE COMPANIES, KOTAK INSTITUTIONAL EQUITIES

been. “I really don’t think of it. The focus is very clearly on the five companies and what we can do with natural resources,” adds Agarwal.

WHAT LIES AHEAD?

There is a background to the recent demerger of Vedanta Ltd. In May 2020, its board approved a proposal of the promoter, Vedanta Resources, to delist the company. Through a postal ballot, over 90% of shareholders gave the green signal.

When the process began in October, it could not be completed after the company fell short (by 7%) of the threshold of 90% shares tendered by public shareholders. All this was in the midst of the pandemic when valuations across the market took a hit.

“The shareholders were unhappy with the delisting price (₹87.5 per share when the stock traded at ₹79.6) and voted against the proposal. The subsequent metals upcycle and recovery of the global stock market meant the delisting would have occurred at lower valuations,” says Shriram Subramanian, Founder and Managing Di-

rector of InGovern Research Services, a corporate governance advisory firm.

Since then, a lot has changed, driven by a desire to reduce the debt of Vedanta Resources, which is the rationale behind the high dividend payout from its Indian subsidiary. “One result of the demerger is that, in a worst-case scenario where a substantial portion of debt needs to be repaid at Vedanta Resources, the promoters can sell Vedanta Resource’s shareholding in any one or more of the demerged companies,” he explains.

As India steps up investments in manufacturing and infrastructure, Vedanta’s businesses are well placed to benefit. The demerger has also given the group a simpler structure at a time when reducing debt remains a priority. The bigger test, however, lies in execution. Delivering on a \$20-billion investment plan while maintaining cost leadership across businesses will determine whether Agarwal’s latest bet pays off. It is a story that investors will be watching closely. **BT**

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