'Vedanta promoters to maintain 50% stake in each of demerged entities': Anil Agarwal

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SECTIONS

'Vedanta promoters to maintain 50% stake in each of demerged entities': Anil Agarwal

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Synopsis

Vedanta Ltd's promoters will retain over 50% stake in its demerged entities to create focused companies that can capitalize on opportunities more efficiently. The demerger aims to unlock growth by empowering businesses with independent leadership while maintaining the company's high dividend yield culture.

Reuters

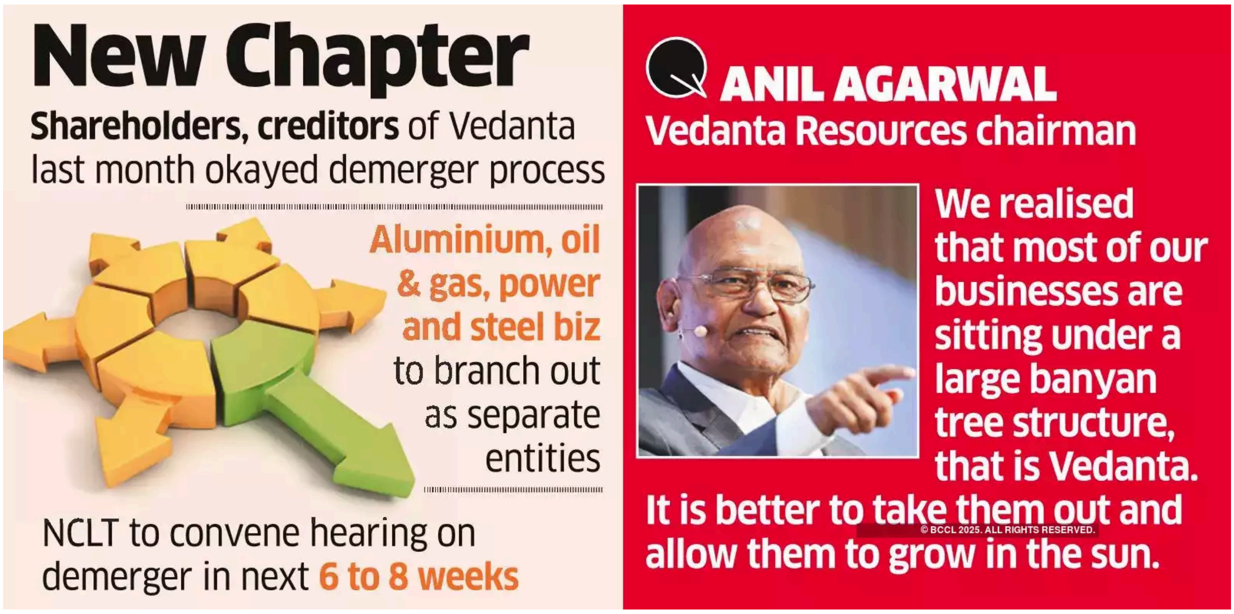
Mumbai: Vedanta Ltd's promoters will maintain over 50% stake in each of its demerged entities, as the focus remains on creating pure-play companies which will be better placed to capitalise opportunities, the group's chairman said.

The mining conglomerate is looking to demerge its businesses - aluminium, oil & gas, power and steel- as separate entities. At present, these businesses are subsumed within Vedanta Ltd, the Indian subsidiary of UK-based Vedanta Resources.

"We realised that most of our businesses are sitting under a large banyan tree structure, that is Vedanta. It is better to take them out and allow them to grow in the sun," Vedanta Resources chairman Anil Agarwal told ET during an interaction. There is no need for a stake sale for cutting debt at the holding company level, he said. "We are very comfortable with our shareholding levels and have no plans to pare down our promoter stake in any way. Equally, we have no plans to increase our stake in any of the companies that will be demerged," he said, explaining that the company is sufficiently funded to manage affairs through internal accruals. But it is open to selling the steel business if a "right price" is offered.

Vedanta Resources held a 56.38% stake in Vedanta Ltd at the end of the December quarter. The demerged entities will mirror this shareholding pattern.

The promoters have reduced their stake in Vedanta Ltd from nearly 70% two years ago and used much of the proceeds to ease their debt burden. Vedanta Resources currently has more than $5 billion in debt, which it plans to lower to $3 billion by fiscal 2026-27.



"The time has come for us to change our operating model. To unlock the next phase of our growth, we need to entrust our businesses to leaders who are empowered, independent and professional," said Agarwal, adding that this will allow for faster decision making. "If they want to dilute a small equity, they (management) can go ahead and dilute. They can take on debt. They will constantly be driving their companies towards stronger management, better products, better partners, and greater profitability." The shareholders and creditors of Vedanta last month approved the demerger process. "We now need to wait for the process to run its course," he said, adding that the demerger will allow each of these companies to have independent capital structures, with empowered and professional management teams and a "world-class set of assets".

Vedanta filed its application with the National Company Law Tribunal earlier in March seeking final clearance for the demerger. The tribunal will convene a hearing within six to eight weeks of the filing date and shares of the demerged entities will be listed once it clears the proposal. "I envision that each of these companies has the potential to become $100 billion enterprises," Agarwal said. "If you look at where we are headed as a global economy and the demand for such products owing to global growth and the energy transition, these companies and their products are the need of the hour," he said.

Vedanta is known for its high dividend yield, and this culture will continue across the demerged entities as well, Agarwal said. "I have always had in mind, that we should be one of the best dividend paying companies," he said. He foresees the demerged entities generating revenues of $40 billion over the next five years, with an operating profit margin in the range of 30-35%, as well as earnings before interest, tax, depreciation and amortisation of around $12-13 billion. It had an Ebitda of ₹31,924 crore (around $3.66 billion) in the nine months through December 2024.

Vedanta still has plans to sell its steel business if it gets the right valuation. "Our steel business is a profit-making company, with significant assets and great access to markets, and it is doing very well. If somebody were to come across and offer us the right price, which we believe is the true market price of the operations, we can still divest," said Agarwal.

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