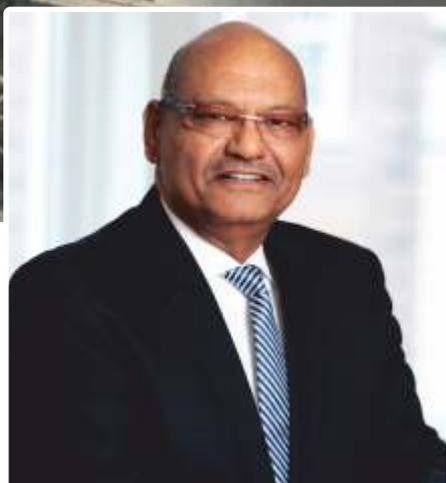


Vedanta may merge Hindustan Zinc, Cairn India: Anil Agarwal



Anil Agarwal is mulling merging cash-cows Cairn India and Hindustan Zinc into his flagship Vedanta group firm to create a global natural resources giant to rivals Rio Tinto or BHP Billiton. In an interview to PTI, Agarwal, the ebullient former scrap-metal dealer who became one of India's most prominent self-made industrialists, said consultants have been appointed to explore if it would make sense to merge the two firms into Sesa Sterlite.

"We have asked a consultant to look at it," he said. The consultant will see if it made sense to "keep oil and gas and energy companies separate or merge Hindustan Zinc, merge Cairn, so that we can have a company like BHP. That can be one model. It all depends on

shareholders... How value can be created, how smooth. We are open for merger if the recommendation comes," he said.

Sesa Sterlite, India's biggest zinc and aluminium maker, is laden with debt, Rs 29,769 crore as on March 31, 2014, while Cairn and Hindustan Zinc (HZL) are its cash generating unit. Sesa holds controlling stake in both firms. Cairn and HZL account for about 80 per cent of Sesa's pre-tax earnings. Insisting no decision has been taken on merger, Agarwal said Vedanta chief executive Tom Albanese, the former Rio Tinto boss whom he hired last year, is on board and whatever recommendations come, the decision will depend on those. While his firm's share buyback in Cairn met with poor response, the merger of HZL will depend on a similar proposal.

"Cairn should be another mini Exxon or a better Exxon, which is an Indian energy producer, an oil and gas producer which every citizen of this country should be proud of," he said. "We are producing at the moment 200,000 barrels of oil per day. I am looking to produce 3,00,000 bpd maybe in two to three

years. Also 100,000 barrel equivalent of gas. We need to put in between \$3-4 billion to make this investment," he said. To increase production the company needs a government nod and it is working on it. Stressing any country which does not produce more than 50 per cent of its energy needs cannot eradicate its poverty, Agarwal said, "We are the ambassador, we are the showpiece. We have increased production. We have given last year almost Rs 30,000 crore in terms of royalty and cess, which was not in their budget."

The company is now looking at the government to keep this as a showcase and keep policies very simple, transparent, so that the company can make more investment. "More than 80 per cent goes to the government. It is the biggest money spinner for the government. Keep things simple, give a lot of responsibility to us and we will fulfil those responsibilities. Simplifying the process is very important for us to taking it forward," he said.

On Coal blocks allocations, Agarwal said he has always been against allotment and was in favour of auctioning.