



“Vedanta Limited Q3 FY17 Results Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Vedanta Limited Q3 FY17 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing ‘*’ followed by ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashwin Bajaj. Thank you and over to you, sir.

Ashwin Bajaj: Thanks, operator and Good Evening, Ladies and Gentlemen. This is Ashwin Bajaj, Director of Investor Relations. Thanks for joining us today to discuss our results for the third quarter of FY2017.

On this call, we will be referring to the presentation that is available on our website. Some of the information on today’s call maybe forward-looking in nature and will be covered by the disclaimers on Page #2 of the Presentation.

From our management team, we have with us our CEO -- Tom Albanese and our CFO -- Arun Kumar. We also have several of our business leaders with us; we have Abhijit Pati from Aluminum; Sudhir Mathur from Cairn India; Sunil Duggal from Hindustan Zinc; Kishore Kumar from Iron Ore; Deshnee Naidoo from Zinc International and Ajay Dixit from the Power business.

With that, let me hand over to Tom. Over to you, Tom.

Tom Albanese: Thank you, Ashwin and Good Evening to some of you and Good Afternoon to others. I am very pleased to welcome you to Vedanta Limited’s Third Quarter Results Call.

I assume you will see slides; I will start off with the introduction. We have seen further improvement in the commodity prices in the last quarter and we continue to see this strength. After five years of YoY decline, 2016 was the first year where prices have ended up higher than they were at the start. We are beginning to see the start of some latent supply coming across some of the commodities; however, this newly added capacity will be restricted as companies are not yet committing to large CAPEX. Next year will probably see some more supply driven story in our sector barring any macroeconomic shocks. Until we begin to see large capital inflows back into the sector, we will probably continue to see tight markets and supportive market prices. We have also noted the Chinese recent efforts to restrict excess capacity of steel and aluminum which will help the sector. Vedanta benefits directly from these strong prices as zinc is now above 2,900 and oil has been over \$50 a barrel for some time. We drive over 65% of our EBITDA from both of these commodities. Ramp up of aluminum, power, iron ore also progressed well during the quarter contributing significantly to EBITDA and EBITDA growth.

So with that let me take you through our Third Quarter Performance: As always I will start with Safety and Sustainability: While we have had zero fatalities in third quarter, I am deeply saddened to state that recently one of our construction projects in Hindustan Zinc, there were four fatalities in a contractor crane lifting operation at the SK mill project. Unfortunately for Vedanta Limited has led to five fatalities on year-to-date basis. We have been working very-

very hard on fatality elimination and have to say this accident has been a set back to the collective hard work to deliver on zero harm. But, we are still moving forward and it is the tragedy to work very hard to learn from and sure it would not happen again. We will continue to make ourselves a safe and a better company.

As we move onto the operations, we continue with our production ramp up across our portfolio. At Zinc India, we delivered the highest ever ore and mined metal production. At aluminum, while progress has been slower than estimated due to some pot outages which I will talk about, the third line of Jharsuguda-II smelter has commenced ramp up in December 2016 and is progressing well. While on the power side of TSPL, we have had availability of 77% during the quarter.

In our Cairn Oil & gas business, the Mangala EOR continues excellent performance. Additional production from polymer injection increased further from 52,000-55,000 bopd.

For Iron Ore, we achieved our full year production cap with both Goa and Karnataka in January and we have been granted an additional 3 mt allocation in the Goa business which we expect to be complete during this current quarter.

Talking about the Financial Highlights: Our EBITDA and profit after tax has been the highest in the last eight quarters with robust EBITDA margin of 39%. On cost savings, we continue our focus on reducing cost and a strong culture of cost control continues to be required to assist in further savings especially when many of the easy wins have already been taken. I am happy to say we delivered cost and marketing savings of over 545 million in the last seven quarters and are ahead of our plan to deliver 1.3 billion over that four year period we have talked about. We have had strong free cash flows during the quarter and reduced our gross debt in the quarter by over Rs.1,800 crore.

I would also like to highlight at the parent company level, Vedanta Resources Plc, we completed a very successful bond issuance in January, raising \$1 billion. This is part of the endeavor to extend maturities at the Plc level. This issue received strong demand and it was oversubscribed 3 times. The Vedanta Group continues to maintain strong access to the capital markets and diversified funding sources.

Finally, on Group Simplification: The merger with Cairn India was approved by all sets of shareholders in September 2016 and we expect the transaction to complete in the first quarter calendar year 2017, that is the current quarter we are in.

Moving on to Commodity Mix: This slide is a good reminder of the benefit of world-class low cost diversified portfolio especially during the periods of market volatility we have seen now for more than 10-years. We have seen strong EBITDA and EBITDA margins despite a slump in prices from this global supply glut, which as I said earlier is increasingly being whittled away. This is driven by favorable mix of our commodities particularly toward base metals and oil with higher zinc and oil contribution where prices have been stronger compared to some of our other

commodities particularly the bulks. Our basket of commodities has risen by 57% since the beginning of last calendar year.

Looking at our assets, our assets are well invested and we continue to apply disciplined capital allocation and continuously optimize our spend. Most of the CAPEX for aluminum and power are now behind us. We have also made good progress on our zinc projects. Among the remaining projects, majority of it is for Zinc India is 1.2 mt per year expansion and the 250,000 tonne per year Gamsberg project, which are both well appreciated during the strong fundamentals in zinc. These zinc projects along with the ramp-up of aluminum and power will deliver the majority of the growth in the near-term. The group will focus on delivering long-term value for all shareholders by continuing to allocate capital to the most compelling growth opportunities across the group.

Because zinc is such a good story, I would like to spend a little bit more time doing a deep dive on zinc. I have been talking about strong fundamentals for zinc over the past year now and we continue to believe zinc still looks strong and the strongest among the metal pack. Along with zinc, silver also had a strong run on the calendar year 2016. If you can see from this slide, if you see on the global cost curve, Hindustan Zinc operates at the lowest quartile of the cost curve. Note also that this is even before silver byproduct credits. If we were to take the silver byproduct credits into account, these cash cost will further reduce to about \$560/ton.

Concentrate markets have a deficit and Tc/Rcs have reached a decade low as smelters are finding difficult to source concentrate post closure of mines. So we would expect the refined zinc to also remain in deficit and this deficit combined with a gradual increase in demand and strong inventory from LME and Asian warehouses which are now at 6-year low.

Talking a bit about India: I came here 3.5-years ago because I felt the India story was compelling and I still think that is the case. I do see the development agenda on the minds of the Indian government complimented with steady reforms as announced in this year's budget. Together with the growing population in India and the trends of increasing urbanization, this is expected to translate into increasing metals demand. So, we believe India is a position similar to that of China in the early 1990s although we would recognize that pathway going forward will certainly be different than China story over the past 10-years.

Looking at the chart in the right hand side of this page, which shows the trend of metal demand with increasing GDP per capita and extrapolating India's position, we believe there is a significant metal demand potential and again some good period to double digit growth in the coming years in a decade or two. If we combine the enormous economic growth potential of the country together with the vast untapped and under explored resources, this provides Vedanta with the massive opportunity. We are ideally placed to take advantage of this opportunity and consolidate further on this position.

With that I will now hand over to Arun Kumar who will take you through the "Financials." Arun, over to you.

Arun Kumar:

Thanks, Tom and Good Evening, everyone. I am glad to reiterate that our business performance is largely on track with the earlier guidance and market expectations. The QoQ growth is driven by a continued ramp up of new capacities, client volume uplifters for mine plants and relentless focus on cost savings that Tom also alluded to with the resulting efficiencies. Commodity prices definitely helped. We continued to firm up towards the latter half of Q3 and remain strong right through the new calendar year thus far reflecting some of the better global demand expectations and supply side constraints with volume increase coming handy in global supplies. The current quarter EBITDA, EBITDA margin and attributable PAT, all the three profitability indicators are the highest in the last 8-quarters. EBITDA stands at Rs.6,002 crores, 29% higher QoQ reflecting the second consecutive almost 30% QoQ sequential growth, also reflects 83% growth over the same period last year. The margins at 39.3% reflected 60 basis points increase sequentially on the back of better performance from Iron Ore, Zinc India. Attributable profit after tax was up significantly at Rs.1,866 crores, 49% up QoQ and almost 4.5times YoY. This reflects the operating leverage, higher EBITDA being generated from already invested capital expenditure. The current volume ramp ups will continue into the first half of FY'18 and some of the ongoing projects like Zinc India Underground, Gamsberg and the developing optionality in oil & gas will start delivering thereafter and into FY'19. Free cash flow post CAPEX was Rs.1,800 crores during the quarter and cumulative nine months was Rs.4,400 crores.

During the quarter, gross debt reduced by around the same amount Rs.1,800 crores, primarily on account of the short-term loan taken by Hindustan Zinc to pay the special dividend earlier in the year which was repaid in this quarter. Leverage ratios continue to be strong with net debt-to-EBITDA at 0.7 on consolidated basis.

Moving to next page on the EBITDA bridge: As compared to the previous quarter, EBITDA is up Rs.1,400 crores. Importantly, two-thirds of this was on account of volume, cost saving, marketing saving, basically operations and one-third from the strong commodity prices and the market factors. Higher volume contributed about Rs.950 crores in EBITDA primarily on account of 44% of higher mined metal production at Zinc India, higher post monsoon volume at Iron Ore, Goa and ongoing volume ramp up at aluminum and power. Oil and gas volumes reflect largely the impact of the plant shut down at Mangala surface facilities during Q3.

Few updates on the Cost Savings Initiatives as we move on to the next page: The progress report on our cost saving program now at US\$545 million cumulative on FY2015 base was ahead of the original target to achieve US\$1.3 billion by FY2019, we should be ahead by about six months.

As outlined in our last earnings call we have made progress in our logistics, techno commercial, QA, QC, supply chain and supplier optimization verticals. We put in place several measures to upscale our commercial talent and strengthen the program framework to make savings generation a continuous process. To reiterate the reported saving is on total cost and ownership basis and completely excludes any market movement in terms of change in spend on account of inflation or deflation.

Moving onto the Income Statement of the next slide: The page is fairly self-explanatory. I would like to make a few points here. On the finance cost, the blended cost of borrowing for Q3 was 8.3%. We expect this to lighten in Q4 and going forward as we refinance our debt based on the strength of our improving credit profile and in general lowering interest rate environment. On other income, we generated healthy post tax 8.14% in the period even as we continue to invest in high quality paper. The depreciation for FY17 would be marginally lower as compared to FY16 on account of low volume at Cairn India offset by capitalization of the aluminum and the power units. Tax rate around 20% for the quarter excluding DDT in line with our earlier guidance and sort of expected to remain around this level for the year. Attributable net profit of course was 1,866 with an EPS of 6.3/share. The strengthening performance from businesses like iron ore, aluminum and power reflect in the better attributable PAT, now at 63% as you see the minorities are 37%, thus helping the strong EPS delivery.

On the next page, we can spend a minute on the net debt walk before walking through the debt profile. We generated healthy free cash flow of Rs.1,800 crores which help delever further. Net debt down by about Rs.500 crores net of interim dividend payments. During the quarter, some amount has gone into working capital investment, which is primarily driven by the ramp up requirements in our aluminum and power sector and some period end inventory in zinc and aluminum.

We expect to unwind most of the inventory increases and add to some working capital efficiency playing out in the next quarter. CAPEX spend is strictly in line with guidance, continues in growth projects in zinc sector and project and creditors payments for the ramp ups. The guidance for FY18 given in the half year with the optionalities in oil & gas and a few other growth projects continue to hold.

Quick snapshot of our debt profile on the next page. The FY17 debt maturities are basically short-term facilities which are rolled over with low interest rates. With improved liquidity in capital markets and benign interest rate scenario, the company access long-term funding at attractive rates through its bond issues during the quarter, the last issue being at 7.5% coupon. The positive momentum of the international markets and liquid domestic bond market, significantly tighter bond yields, ongoing strong relationship with the lending banks and improving credit ratings together supported by better cash flow generation helped us remain confident to achieve our plans to delever, to refinance at lower costs and term out the debt maturities which is our strategy to manage the debt. We repaid about US\$0.3 billion intercompany loan during the quarter. With that the balance is down to about US\$100 million, which is also repaid in January. Now, there is no outstanding intercompany loan as of date. Liquidity for the group remains strong with \$7.9 billion of cash and cash equivalents and about 0.5 billion of undrawn lines of credit.

Further, just as an update, the global bond markets opened strongly this year. Our parent company accessed the market for USD1 billion bond issue, 5.5-year tenure at a coupon of 6.375%. Proceeds were used primarily for offering a simultaneous tender offer of the 2018 and 2019 outstanding bonds.

Moving onto the summary page on “Financial Priorities.” Summary stays consistent, focus on generating increasing free cash flows with disciplined capital allocation, delevering the balance sheet with strong liquidity and smart refinancing, consistently delivering on cost savings and completing the merger in this quarter, continue to remain our key financial priorities.

We also expect to finalize and announce our dividend policy following the completion of merger with Cairn India by the end of this quarter.

Thank you all and back to Tom for the “Business Section.”

Tom Albanese:

Thanks, Arun. So I will start with Zinc India, that is Hindustan Zinc. Mined metal for the quarter was at 276,000 tons, 44% higher sequentially in line with our mine plants of previous guidance. Refined metal production was higher by 38% sequentially. We have also built up some mined metal inventory during this quarter.

Coming to our ongoing expansion projects, we recently received environmental clearances for expansion of two of our mines. In December, environmental clearance of 4.5 mtpa ore production and 5 mtpa mill was received for the SK mine. Environmental clearance was also received for 4 mt per year ore production and mill at Zawar in January. At the SK mine, we are on track to expand this mine from 3.75 mt to 4.5 mt, in line with head gear erection completions scheduled by the end of fourth quarter, casting of shaft collar and head gear foundation was completed during the quarter. Recently, we commissioned a new 1.5 mtpa mill and that was commissioned in a record time of 14-months.

At Zawar, the mill expansion is progressing well and planned to be completed by the first quarter of fiscal year 2018. The associated power and infrastructure projects are on track to be completed by the end of this financial year. Our production is ramping up as the year progresses and mined metal and silver volumes for the year will be higher than the previous year. We are on track of reaching 1.2 mt of annual capacity of mined metal by fiscal year 2019 with all of our expansion projects progressing satisfactorily.

Going further field to Zinc International: Third quarter production was lower mainly due to increased upstream material handling challenges to treat wetter than anticipated ore at our Scorpion mine in Namibia. Cost of production moved up given lower volumes at Scorpion and we continue to work toward the Scorpion pit extension and anticipated to commence in the first quarter of fiscal year 2018, this is expected to extend the mine life by 2-years.

In terms of Outlook, our production guidance for the year is 160,000 tons, with the cost of production for the fourth quarter of this year estimated at US\$1,200 to US\$1,250/ton. In line with our commitment to deliver growth through this global zinc deficit, we are excited about our Gamsberg project. I was just over at the project site last week and I am pleased with the progress that I saw on the ground. Prestripping is well underway. Major mining, plant and infrastructure contracts have been awarded. I am glad to say that over 75% of the budgeted capital is already committed as we speak.

First ore from Gamsberg is expected by mid-calendar year 2018 and ramp up to full capacity of 250,000 tons in 9-to-12 months thereafter. Gamsberg is expected to come on stream in a zinc deficit market and expect to generate strong returns for shareholders.

In our Cairn business, our core fields continue to deliver long expected lines with gross production across assets of 182,000 boepd. Mangala EOR delivered 55,000 bopd in the third quarter due to polymer injection as against the 52,000 bopd in the second quarter. This performance needs to be viewed in the context of routine planned maintenance shutdown undertaken at the Mangala processing terminal in November. Our blended operating costs for Rajasthan is \$6.3/barrel for the quarter, which was higher compared to \$5.8/barrel in the previous quarter on account of lower production volumes and some expenses related to the plant shutdown activities.

Our Raageshwari gas project is progressing as per plan. As part of Phase-1, all the 15 wells are under hydro-frac program and they have been brought underline. On Phase-1 production will increase to about 40 to 45 million standard cubic feet per day by the end of the first half of fiscal 2018, which will further increase to 100 million standard cubic feet per day by the first half of calendar year 2019.

Currently, our spot sales have been temporarily suspended due to technical issues between the gas transporter and the buyers. We are concurrently closely engaged with the stakeholders who address this issue and hope for resuming sales at the earliest. Based on the excellent results of the Mangala EOR, we are confident of enhancing production from Aishwariya and Bhagyam also through the polymer injection program.

Speaking about our exploration activities outside Rajasthan, we have resumed exploratory drilling with the commencement of the drilling campaign in contiguous basins at Palar-Pennar in February. We are excited as we target three different play types and these plays have proven to be successful in the contiguous KG and Cauvery basins. Drilling program is expected to be complete before the monsoons in April 2017.

Speaking about Aluminum, while our volumes are ramping up, progress has been slower than expected. We had a power outage in the second quarter which impacted the first line of the 1.25 mtpa Jharsuguda-II smelter. Separately, this line was affected by transformer failures in mid-January. These were new transformers and just being in the process of being commissioned and assessment is ongoing to determine the cause of that failure. Fortunately, we had no injuries from those incidents; however, we are very disappointed and working towards stable running of those operations. Rectification work is in progress with 60 pots currently operation in the first line and full ramp up expected by the first quarter of fiscal year 2018.

Regarding the other lines in Jharsuguda #II, second line has been fully ramped up while the third has commenced ramp up in December 2016, expect to be fully ramped up by the second quarter of fiscal year 2018.

At BALCO II, the rectification work is progressing well with 257 pots currently in operation and full ramp up expected by the first quarter of fiscal year 2018. We do expect to produce between 1 and 1.1 mt excluding trial run production in fiscal year 2017 and exit with a run rate of about 1.4 mt of stabilized production.

On realizations, we benefited from higher aluminum prices during the quarter. MJP premiums retained similar to second quarter levels at \$75/ton. However, we have noticed an increase to \$98/ton during the month of January. We did deliver strong EBITDA margin over \$340/ton which is the highest we have seen in the last seven quarters.

Our hot metal cost for the quarter was \$1,429/ton and the sequential improvement was due to lower power costs partially offset by higher import prices for alumina. The full impact of our higher import prices for aluminum will only be realized in the fourth quarter as we carry inventory which has partially softened the impact this quarter. We estimate hot metal cost of production in the fourth quarter to be between \$1,450/ton and \$1,475/ton, higher from the previously guided \$1,400/ton primarily due to alumina costs.

Moving to Alumina production, we have now debottlenecked the capacity of 1.7 mtpa to 2 mtpa at the Lanjigarh refinery and we estimate the total production of fiscal year 2017 to be about 1.3 mt.

At BALCO, our bauxite mines are currently operational and we expect to exit the year at 2.2 mt run rate at the end of fiscal 2017.

We continue to work with the Odisha State Government on the allocation of bauxite and the commencement of laterite mining and we have been recently seen some encouraging developments in bauxite that we hope will drive expansion in Lanjigarh.

Now, let us talk about Power. At TSPL, the four plants are now commissioned and we have achieved availability of 77% and we target availability of 80% for the fourth quarter. At our BALCO 600 MW plant, the PLF was 55% due to the weak spot power market; however, we have long-term PP&As for about 60% of the 600MW capacity which is being substantially met and serviced.

With respect to Coal Sourcing, we have been reducing our dependence on imported coal at BALCO and Jharsuguda despite increasing coal requirements of smelter ramp ups. In fact, during this quarter, we sourced all of our coal requirements at these locations domestically, and this trend is likely in the coming quarter as well despite smelter ramp ups at both locations. So further along with declining e-auction prices, our own weighted average coal costs have moved lower in the past few quarters and we certainly remain relatively unaffected by the volatile international coal prices. Our coal prices are going down while the international prices as you know have risen quite substantially over the past 6-months.

Moving onto Iron Ore, which did achieve our production cap of 5.5 mt at Goa and 2.3 mt at Karnataka in January. As we said earlier, we are engaged with the respective state governments for higher allocation and we got incremental allocation of 3 mt in Goa for fiscal year 2017. We are currently viewing how optimally the incremental allocation can be used. We are also engaged with the Karnataka government for further allocation. Discounts for low grade iron ore did go higher due to increase in coking coal prices and that seemed to remain relatively sticky and probably will remain so as long as the high cost coking coal inventory is still being cleared at the steel mills. Our pig iron production was strong at 154,000 tons, 5% higher than the previous year; however, the margin was low due to low market prices.

For our Copper India business at Tuticorin, Copper India production was stable in the third quarter with production of 102,000 tons. TcRc realizations for this calendar year 2017 is expected to be US\$0.21 per pound which is about 5% lower in the previous year. Our net cost conversion improved during the quarter due to stable acid prices. Tuticorin power plant PLF has been low due to lower overall PLFs. However, we are compensated @20% of the realization for any shortfall and offtake below 85%. We have been making progress on the various approvals for Tuticorin expansion and we are reviewing the expansion of the smelter at Tuticorin by further 400,000 tons p.a. and we should be able to provide an update of this in the coming months.

So in conclusion I would like to remind you of the company's strategic priorities which remain the same. We continue to focus up on the ramp up of our assets. We are generating increasing free cash flow and relentless focus on cost and managing working capital and we are delevering our balance sheet while we do that.

Simplification of the group structure continues to be a priority. We expect to complete the merger with Cairn by the end of this quarter. On completion of this merger, as Arun has said, we will expect to announce dividend policy for the merged entity. We remain committed in our efforts to achieve our objective of zero harm and creating sustainable value for all stakeholders.

So to close, we have a diversified portfolio of businesses, we are ramping them up, they continue to remain fundamentally strong and structural low cost benefiting in a rising market and we will continue to deliver superior value to our stakeholders throughout the cycle.

Thank you. With that, operator, we can now take questions.

Moderator: Ladies and gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Sumangal Nevatia from Macquarie, Please proceed.

Sumangal Nevatia: First question coming straight to the crucial event of Cairn merger. We have maintained March '17 deadline, which is now just 45 days away and pending court and ministry approval. Are we a bit ambitious here? I understand not much will change with one or two months delay. But if you can elaborate on the expected timelines for the individual approval, court and Ministry of Petroleum?

- Tom Albanese:** We have applied for approvals from the Reserve Bank of India and the Ministry of Petroleum. As per the recent change in the regulation, this scheme now requires an approval from the National Company Law Tribunal, the application for which had been filed. As you may recall that was originally a High Court approval requirement and balances administratively probably a little bit less complex. The NCLT does specialize in quick resolution of company law matters. So we do remain on track to get all the pending approvals and close the transaction by the end of this calendar quarter.
- Sumangal Nevatia:** So these three approvals are they been approached parallelly or it happens one after the other?
- Tom Albanese:** All three are basically parallel approaches.
- Sumangal Nevatia:** Next on Iron Ore division. I read a slight change in the volume guidance for the incremental volume in Goa. I guess it has changed from range of 2 mt to 3 mt mentioned in the production release to now 3 mt here. So, can you elaborate on the nature of this allocation for FY17 and can we expect similar allocation or some permanent increase in production quota for FY18, FY19 at Goa?
- Tom Albanese:** I guess I will start off with that and then I will ask Kishore to follow up. I think we should recognize that the allocation is a dynamic process, it is driven around everyone's expectation including the Government of India and the Government of Goa to meet the court total imposed cap. So that is a matter of watching how each of the producers are doing and then the allocations are granted accordingly. But the original 5.5 being based upon the pro rata we would have had before the closure of the mines in 2012 and recognition that not all the mines that were closed in 2012 were reopened in 2016.
- Kishore Kumar:** The allocation of this 3 mt was done by the government in order to achieve the 20 mt overall cap for the state. So some mining companies who came into production they were given this additional quota. Now going forward next year, what we can expect is that our case is pending before the Supreme Court, the expert committees report has been already submitted and it is pending hearing from the Supreme Court bench, where the cap itself is being asked for enhancement from 20 mt to 30 mt. So we are very hopeful that should come true in the new financial year. We will always work dynamically with the government to support whatever best possible in terms of ramping up the capacity of the next year's plan as well.
- Sumangal Nevatia:** This 3 mt is to all mining companies or it is only for Vedanta?
- Kishore Kumar:** No, as I mentioned, 20 mt is what was required and the other companies also have got additional allocations.
- Tom Albanese:** So to be clear though the 3 mt is specifically for Sesa Goa's operations. So our 5.5 is now 8.5.

- Sumangal Nevatia:** On the Aluminium division, now all three lines looks like will be fully commissioned or ramped up by second quarter of next year. So we could see a significant jump in aluminum volumes in FY18. Is it possible to quantifiable a ballpark range for aluminum volumes in FY18?
- Tom Albanese:** I will start off and maybe ask Abhijit to explain. If you look at the math of what we talked about, we would be starting off with a run rate about 1.4 mt and moving up to the lines that we are currently underway which there is one line left at Jharsuguda, that would be ramping up toward the end of the year to about 2 mt. So we will hit 2 mt somewhere in the course of fiscal year 2018, sooner the better of course and that we would then expect that in the absence of completing that final line that would be the run rate in the back half of 2018. Abhijit?
- Abhijit Pati:** Because that is the number because I think run rate in the next financial year should be at around 1.9 mt to 2 mt, that is the number.
- Sumangal Nevatia:** The fourth line in Jharsuguda, what CAPEX would be required, and if you can elaborate what all parameters have been evaluated to start the fourth line?
- Tom Albanese:** Because again what we have there as we said in the last call on this is that we have some primary power requirements and some backup power requirements. We hope that some of the power requirements can be tied to conversions of existing IPP to CPPs and then we will have to look at where we can get the backup power requirements. We will also be looking at our ancillary facilities and logistics for alumina, logistics for coal and, of course, whether we have sufficient coke producing and have coke plant capacity in the overall plant. So, we are currently going through the estimates of that right now and that will to extent that the last line that will drive whether we hit that 1.9 to 2 or something lower again will be based upon capital efficiency.
- Moderator:** Thank you. The next question is from the line of Jigar Mistry from HSBC. Please go ahead.
- Jigar Mistry:** Just to expand on the previous question, the 2 mt exit rate, Tom, the alumina bauxite generation capacity and coal, how does the current logistics look like -- do they look like it can support 2 mt as we stand today or new incremental CAPEX is required to even reach there?
- Tom Albanese:** I guess I will start off with that, but I like Abhijit to follow up too of course, but let us just say that we are at 2 mt per year run rate for aluminum. That means that we need to produce 4 million or purchase 4 million tons of alumina ideally will be in a completely balanced state. But if we do not have enough alumina we produce we can only buy it off the market. So that is not a constraint to the ramp up of smelters. Now, as we look at alumina, the objective is to essentially source more bauxite ourselves with our existing mines in Chhattisgarh, hopefully an arrangement with Orissa mining company in Odisha which we have been happy with the progress just over the past few months and that would give us justification to ramp up the Lanjigarh refinery which is currently at 2 mt per year run rate and we could take that up to 4 to 5 mt even 6 mt with the existing environmental approvals. So that means that once we have the bauxite, we can bring Lanjigarh up to meet that necessary requirement. Of course, on the power side, for 2 mt of aluminum absent the last pot line, we do have relatively nominal level for capital

for some transmission. But that is much for backup power as it is for primary power. Again, we have to have as much back up capacity as we have primary capacity. We have turned all of it as we will assume that one generator will be down at any point in time for regular maintenance and we just have to be ready to take down a second generator in the event of an emergency. So that we covered high level but Abhijit, is there anything else you want to say.

Abhijit Pati:

No, I think Tom that is exactly in the line, if you really see even the today's production rate of 1.4 mt, we still need around 2.8 mt of the alumina, and presently if I see whatever has been presented at 1.3 mt of Lanjigarh production, still today there is a purchase capability of around 1.5 mt as an import. So obviously we do not foresee any of them create challenge so far as the 2 million guideline is there for the next year. It will move as a combination of improved ramp up capacity both in Lanjigarh as well as we will have the capability to handle the additional alumina from the outside. So that is so far as alumina is concerned, but bauxite is right, because Kodingamalli has been a good story for us, it has significantly moved in this month of January, so we hope to really start looking into first Odisha bauxite through the OMC route sometime in the next financial year. So that is a good story and positive story to really come in. So it will back significantly on to the bauxite part and parallelly the alumina. Coal is not a big fit, because as of today itself, the power is running to equivalent capacity of that. So, obviously, we do not foresee much of freight as logistic of the coal is concerned and the availability. Moreover, I think the point to be noted that the Coal India will also improve their production capability in the next year. So we do not foresee much of these three inputs coming into challenge on to really staying to the guideline of 2 mt target.

Jigar Mistry:

The second question is on power. So this quarter we saw almost 0% imported coal being used. Now, are the boilers designed to work on 100% indigenous coal or we were just using the imported coal inventory and should the global thermal coal prices stay high as they are now, we will likely see that percent increase to 5% or 7%?

Tom Albanese:

I guess high level, I would say the boilers at Jharsuguda and BALCO were configured for local domestic coal, and we actually had to blend it down when we have imported coal, but maybe, Ajay, you can be more explicit about that.

Ajay Dixit:

So our boilers are designed for a certain GCV which is fully available in India. But at times, since there is regulation that brings 80% of the linkage, we do buy also domestic coal by the auctions. Seasonally, the mines are sometimes not performing well and therefore they are delivering lower GCV or high ash content. So the imported coal is used only for blending it to improve the overall mix quality.

Moderator:

Thank you. Next question is from Pinakin Parekh from JP Morgan. Please go ahead.

Pinakin Parekh:

My first question is on aluminum. If I look at the ex-alumina cost of production, it has fallen from \$967-\$937/ton. Now as we move from run rate of 1.4 mt to 2 mt of aluminum production, how much should this non-alumina cost of production decline simply because of the smelters

hitting stable utilization levels? This assumes obviously that the input commodity coal prices and oil prices remain where they are. Can we expect material reduction in this cost of production?

Tom Albanese:

Maybe I will start, but maybe ask Arun to go through for little more detail, but again, as we ramp up, if we ramp up in the absence of ramping up Lanjigarh, we would see probably the cost of alumina rising because we rely more on the imported material, which is about \$60/ton higher than if we produce it ourselves, so per ton of alumina higher than we produce it ourselves, and then also as we ramp up, we have to buy marginal coal which is probably about the same as what we are buying now. But our coal conversion cost get lower, because we have higher PLF, so we have higher efficiencies within the power plants. So there is some offsetting factor on coal PLFs and coal efficiency. In the Aluminum side, I would say that we would have a lower cost of conversion and certainly lower carbon as we run everything to higher efficiencies and we get a higher efficiency ratio. By the way, if you look at our conversion costs, they benchmark very well with some of the best around the world in that particular space. I think the final part that we have to recognize is that as we ramp up, in the absence of growing domestic markets, that material has to go into the overseas markets. So you lose some of the premium that you would get if you are selling it in India as you move it overseas.

Arun Kumar:

Broadly, I would say that we have fixed costs of about \$150/ton. So you can imagine if 1 mt rate goes up to 2 mt, then you should get 50% of that has benefit. That is at a very high level. But what it does not include, which one has to really work out is, it will have the benefits of economies of scale, example, something like an auxiliary power consumption in the power plant, right, if it is 9.5% today, can it come down to 9.25% for example. So there will be other spin-off benefits because of economies of scale, it could be logistics also. So, there will be opportunities that will come up beyond the math that I just laid out.

Tom Albanese:

I guess finally, I would say that certainly as we ramp up, we will get also the benefits of cost of financing and everything else. So when you look at our slide, you will see that there is a negative path even at high LME prices right now. So the business, while it is generating positive EBITDA, from a purely financial perspective, it is not actually generating shareholder value because of the negative profit after tax. This is again I think one of the reasons why the entire aluminum industry in India remains vulnerable to continued imports of Chinese and other aluminum into the Indian market. And that is why I think we continue to discuss with the government, what can we do in terms of protecting the Indian producers across the board frankly at all running with negative profit after tax on standalone potline basis.

Pinakin Parekh:

My second question is going back to your comments you made in the beginning of the call which is that 2017 commodity prices have moved higher, there could be some latent supply coming from some of the mining operations. Now given the volume growth that Vedanta expects in zinc and aluminum and given that both these commodities are near multi-year high prices, the company has historically not looked to hedge any kind of production, but given where the dynamics are, is the company open to hedging some of its production or locking in at the current prices or would it maintain no hedging policy going forward?

Tom Albanese: Interesting, we had that subject come up at lunch today, I just want to say, it is good for a healthy debate when you are in a rising LME market. But my own position is the same as it has been for ten years down, actually back in the 1980s, I was a hedger in the marketing side, so I had some personal experience with the pros and the cons of hedging. But as long as the shareholders are investing in Vedanta for the purpose of riding the commodity cycle, my own view is that we are not in the business to be locking in long-term prices for LME, unless the business has quite exceptional reasons to do so.

Moderator: Thank you. Next question is from the line of Ravi Shankar from Credit Suisse. Please go ahead.

Ravi Shankar: Two questions; one was on post the Cairn merger, Vedanta would have accessed to around \$3.8 billion of cash. Now would it be used to deleverage at the standalone level or maybe set aside for dividend/buyback? I am asking this because the overall leverage levels are now getting in the comfortable zone, credit parameters are improving. So, just wanted to understand how the management approaches this?

Tom Albanese: I think first of all I would say we are never comfortable with the leverage, we want to continue to improve the quality of the balance sheet and we also recognize that as we went to the shareholders of both companies, it was on the basis that the combined balance sheet would be a more efficient one. The boards more flexibility to basically allocate to the best purposes and that would be essentially rating event, which is effectively seen at the positive vote that we had received in September. So I would expect the boards would look at that on what makes the most efficient sense. We also had said at the time of the merger vote that we saw that the combined company would be better positioned to pay dividends at diversified company than each of the individual companies, that is why we are looking at putting a dividend policy in place, post that because we do recognize that the shareholders as they should have expectations for dividend or again equivalent being a buyback as you just said.

Ravi Shankar: So it is de-leveraging followed by dividends. Is that how should I read that?

Tom Albanese: Look, I think it is going to be up to the boards to determine what is the most efficient at that time. Again, we will take into account market considerations when we do that. Arun, if you want to just add to that?

Arun Kumar: No, balanced capital allocation, that is really what the bottom line is.

Ravi Shankar: Moving on to the CAPEX side of business, so we have around \$0.8 billion of CAPEX for the next year. Now, does that include the copper CAPEX on Tuticorin and do you see upside risks to that now that we are in a different environment?

Tom Albanese: Let me just maybe talk a bit about capital, because what we said about capital so far is that we would expect capital to be about the same next year as it was this year with some of the operations on sort of running the same as they were this year. That is primarily continuing the expansion project at the Hindustan Zinc underground and building the Gamsberg project which

we already guided to and some of the aluminum things that we have just been talking about. In addition, we said that \$800 million had about \$100 million of CAPEX for the Cairn business which we would anticipate rising to about \$250 million with some of the projects that we are currently discussing with our joint venture partner, ONGC. So actually that \$800 million is closer to \$1 billion, taking in the additional expected spending for Cairn into account. Now, in our guidance previously, with that number, we excluded Tuticorin refinery expansion. We said that that is something that we are still working on and if we get the requisite approvals and we hope for the board, we would expect that could be coming in during the fiscal year 2018 and some money would be probably adding into the budget for there, but to recognize that is a multi-year project. In addition, I think we also have flagged the fact that this would not include any expansion at Lanjigarh, and obviously the sooner we get access to bauxite, the sooner it is in our best interest to reduce our exposure to the seaborne alumina and start expanding that facility which of course also would be a multi-year expenditure.

Ravi Shankar: Tom, just to clarify, the CAPEX on the refinery expansion is already included in 1 billion number that we now see more or less?

Tom Albanese: No, to be clear, it is not included, but you will see in our package, we provided some estimates of the expected cost to complete which is not included in the \$800 million number.

Moderator: Thank you. Next question is from Dhaval Doshi from PhillipCapital.

Dhaval Doshi: Sir, one specific question with regards to the PPA that we have with Odisha SEB. In one of the earlier calls, it was mentioned that we are discussing with them to discontinue this PPA and convert this into the CPP for the fourth line of our smelter at Jharsuguda. So can we have an update specifically on this?

Abhijit Pati: I think regarding the fourth unit which is basically in discussion more for conversion into the CPP, yes, so we have already appealed to the government of the Odisha, but as of today, they are in a very, very initial state of that now. So you will appreciate one point, because this is an IPP which has been serving for the state for a couple of years in last 10-years. So obviously there is some paraphernalia which need to be opted. So, we are actively engaging with the Government of Odisha. As of today, it is very initial stage, that much at least we can comment.

Dhaval Doshi: So can we safely assume at least not for a year or so, any timelines on that or it is too early?

Abhijit Pati: Timelines are already there in our mind, because we are working on at least to realize this event into the next financial year, that is the broad timeline in our mind, but nevertheless we have to push it and there are a couple of activities where is there to be performed.

Tom Albanese: You can assume that management is approaching that with the proper element of urgency.

- Dhaval Doshi:** So secondly, with regards to the alumina and the bauxite sourcing, for FY'18 is concerned, so first with regards to bauxite, what percentage of bauxite are we assuming which will come from the mines at BALCO and how much could come in from the Kodingamalli mine in FY18 if any?
- Tom Albanese:** I will start by just saying that I think in my comments earlier, I said that we would be finishing the year hopefully at about 2 mt per year run rate and that would be meeting approximately 30% of the needs if we were running Lanjigarh at 2 mt per year, using the 3:1 ratio for our bauxite. So we would hope to increase the BALCO bauxite beyond 2.2 mt per year. ideally, I would like to see BALCO producing at least half of the feed rate for Lanjigarh at 2 mt per year alumina capacity.
- Dhaval Doshi:** The bauxite supplies from OMCs are how much could that be in FY18?
- Tom Albanese:** I think it would be premature for us to give a number or a date on that because we are still in active discussions.
- Dhaval Doshi:** Secondly, on the alumina sourcing, so any update on the discussions with Nalco. Media reports were stating that we are in active discussion and we could start getting some amount of alumina from Nalco in the next financial year?
- Tom Albanese:** I think Abhijit, I would like you to comment on that, but I just would start by saying that from a logic standpoint, Nalco, selling it in the overseas market and then having transportation costs and everything else, and that is buying it in the overseas market bearing transportation costs, everything else is wholly inefficient. It is like producing tomatoes, sending them halfway around the world and buying tomatoes from the same place and sending them back. So I think the Minister of Mines has said the exact same thing. So I think it would be good for certainly Vedanta, good for Nalco and good for India for us to eliminate that kind of wasteful effort.
- Abhijit Pati:** No, I think we are actively getting engaged with NALCO, this is one progress I think all of you must appreciate that last couple of years, we have been tapping on Nalco alumina, but I think this year, government is very positively responding that including the municipal level. So we are hopeful in that case, but as you know, there are a lot of approvals required from the Nalco side that is need to be cleared at their board level. So there are a couple of events which need to be performed over there. As on today, in nutshell, we are active in the discussion and we look forward to get a positive outlook in this.
- Dhaval Doshi:** So from what we understand, the finalization of the annual contracts tenders for Nalco, couple of tenders have been delayed and there are news that Vedanta will be allowed to participate in that subject to ICs or is this true or?
- Abhijit Pati:** No, I must say these are all very perceptual based, because yes, there are a couple of tenders where they have not yet really taken a date of, but that presently does not have a direct linkage in the relation so far as the alumina getting by the Vedanta from Nalco. So that is really on the perception based.

- Moderator:** Thank you. Next question is from Amit Dixit from Edelweiss.
- Amit Dixit:** My question is that what would be our weighted average cost of debt at the moment?
- Arun Kumar:** I just covered it in my talk track; it is about 8.3%.
- Amit Dixit:** Second question is on the coal sourcing mix. Have we started sourcing from the linkages and if so how is the sourcing mix between e-auctions and linkages at the moment and how is it going to pan out in FY18?
- Ajay Dixit:** So we just started after signing our FSA contract. So the linkages which we achieved about 3.2 mt in BALCO and about 2.8 mt in Jharsuguda. So we just started sourcing it. But, as you know, the total requirement of coal in Jharsuguda is close to about 25 mt to 30 mt, and in case of BALCO, it would be around 14 mt. So the percentage from different plant location obviously varies little differently. But, I would say it is a significant step which we have achieved in achieving our good cost position when this linkage which we acquired close to 6.2 mt in the last long-term linkage.
- Amit Dixit:** So we have started sourcing from the linkages, that is what you are saying, right?
- Ajay Dixit:** Yes.
- Tom Albanese:** Third quarter was about a quarter of our total coal was through linkage, right?
- Amit Dixit:** Yes, that is right.
- Ajay Dixit:** Close to about 20%.
- Amit Dixit:** 20% of the 6.2 was sourced, right?
- Ajay Dixit:** No, 6.2 means mtpa. So it just started sometime in November-December. So obviously then month-by-month, the cumulative numbers would go up.
- Amit Dixit:** So by what time, we will see the entire 6.2 million sourcing, when it will hit the exit rate of 6.2 mt?
- Ajay Dixit:** No, it is cumulative for a year. So you can say on an average per month basis, that is how the coal deliveries would happen subject to the seasonal variation of the mines. It is a five-year contract and per year we are going to get 6.2 mt.
- Moderator:** Thank you. Next question is from Anshuman Atri from Haitong Securities.
- Anshuman Atri:** My question is regarding the Iron Ore business. How do you see it in the next three years as to whether Vedanta will restrict itself to Goa and Karnataka or if the new auctions come in how do you see the volumes going up in this particular segment and if the Karnataka government is

going to auction new mines, so will Vedanta be also open to a steel plant which it was earlier planning by taking certain approvals, how do you see this iron and steel business?

Tom Albanese:

I will start with my perspective and then Kishore to talk about it. We were participating in the Karnataka auctions, we were outbid by very high bids as traded to NSRs, so we could not compete competitively against steel mills who were looking for captive sources. So that will cause us to evaluate how we are persuading auctions on going forward basis. Certainly both Kishore and I are on the way to Jharkhand tomorrow for the purpose of their investment fair. We have got a project that we would like to consider for iron ore and also value add component which both Kishore and I will be speaking with the Chief Minister in Jharkhand about over the next few days. So that is something we would keep our eyes on. With respect to steel, from my perspective, we definitely look at that on the merits of it as a financial proposition. Kishore, anything else you would like to add?

Kishore Kumar:

I think most of it is covered, but just I may add is that the auctions this year are going to be significantly larger in terms of its quality of the assets coming up. So let us remain committed that expansion of iron ore business will carry on assuming that the auctions come up in Eastern sector as much the C category mines came up in Karnataka. So, we will remain focused on the opportunity that will arise.

Anshuman Atri:

Just related to this, on the auctions which are coming up next year, so what kind of minerals will Vedanta be interested in -- is it open to gold mines or any other mines which is valuable or will it stick to whatever is the current business in which Vedanta is operating?

Tom Albanese:

We have formed a new unit called VedEx or Vedanta Exploration which operates independent of the business units, really looking for the broad range of Greenfield exploration opportunities through India including auctions as India continues to progressively open up its huge mineral potential to non-state owned companies. We have already participated in a couple of auctions, some like the gold auction in Chhattisgarh, we were successful on, there are businesses that we were not successful on. So, I would say that we will keep our eyes on any of them that come up and put our technical resources in assessing the geologic potential and then bringing the commercial teams to basically oversee the auctioning process. In terms of our engagement with the government, we are continuing to engage with the government to expand their auctioning process, in particular, commenting that many of the auctions we have seen so far have done very small tracks of land that would not be large enough to actually create enough critical mass, to create a meaningful size operation. So when the tracks have been too small, we have tended to stay away from those and we find many of those auctions have actually failed. So hopefully when they come back the second time around, they will expand the size on the track.

Anshuman Atri:

The other question is regarding the duties. So we have seen government acting very swiftly in terms of steel duties, but the base metal duties have been there for long under discussion. So what do you expect this MIP for aluminum, copper or other base metal to be implemented?

Tom Albanese: Certainly from my perspective, I have been involved myself personally as has Abhijit in quite a number of engagements with both the mine ministry and also the revenue secretary and the revenue ministry with respect to protecting the interests of the aluminum producers with the same energy that the steel produces have been protected. We have seen an enormous increase in imports for scrap and other aluminum into India so that the market penetration in the aluminum sector is close to 50-50 of imports versus domestic product, wherein steel is a much lower market penetration, I think it is like 15-20%. So actually, the aluminum industry is in greater need of import protection than even the steel industry. As I said earlier, we are currently running with negative after tax, profit after tax margins in this business. So if I were owning the shop around the corner, I will just barely keep my head above water and that is how the government should look at the entire aluminum sector.

Anshuman Atri: Is there any timeline do you expect to be done in the next six months?

Tom Albanese: I think we would have liked to have seen it happen in the budget, but we did not see it.

Moderator: Thank you. We will take the next question from Ruchit Mehta from SBI Mutual Fund. Please go ahead.

Ruchit Mehta: Could you just let me know that for fiscal '18, what do you estimate would be your requirement of your payment of dividends to meet Vedanta PLC's cash flow needs?

Tom Albanese: I guess this is Vedanta Limited call, not Vedanta Plc call. We will have our Vedanta Plc call in about two weeks, which would probably be more appropriate for that call than this. But I think you can assume that to the extent that Vedanta Plc is looking for funds that are primarily coming through the dividend, equivalent the Indian buyback mechanism which would benefit all the shareholders of Vedanta Limited and certainly that would be a consideration as the board would be looking at what the dividend policy for Vedanta Limited should be.

Moderator: Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.

Sanjay Jain: I have two questions; first is on BALCO. On Slide #35, you mentioned that Korba-II smelter, the total production is 38 KT which was actually 52 KT, that includes the trial production. So I was wondering why this production has come down? I am actually looking forward to an increase from this side.

Tom Albanese: As you know, we had production failure in BALCO which we have guided, we had said back in September of last year '16 and that took part of the expanded line out of production leading to quarter-on-quarter drop, and we are actively working to rectify that, we would hope to have that complete in the first calendar quarter of 2018. So, we would see that we will be in full production from the first fiscal quarter of 2018... we expect that in full 100% capacity.

- Sanjay Jain:** Second question is on capital allocation. Actually, if you look at Hindustan Zinc, like we have been continuously accumulating huge amount of cash, of course, we did it a special dividend recently, so that is quite welcome to see that, but still we are generating tremendous amount of cash and it is actually getting accumulated, and if we see returns on that, because in the fixed deposit it is going down in India, interest rates are going down because of that, and if you see that post tax yield and if you compare with the cost of equity of Hindustan Zinc, we are actually destroying value for the shareholder at Vedanta Limited. That is one part. At the same time, apparently, you might say that this question does not pertain to Vedanta Limited, you should ask that in the Plc, but the point is that you just mentioned right in the beginning that we have raised about \$1 billion at 6.375, that is a dollar interest rate. So within the group like we are not making optimal decision in capital allocation, this is what I see?
- Tom Albanese:** I think first of all, I would say that Hindustan Zinc has a quality problem in terms of that cash balance as you have said, and certainly the Board of Hindustan Zinc is always considering what is the proper balance sheet. As you know, we are in the middle of expansion, but at these high zinc prices, we have been generating increasing cash balances even with the largest non-state owned special dividend in the history of Indian corporates. So you can assume that that is something being considered.
- Sanjay Jain:** When I had asked this question in the Plc call about how the debt at Plc level would be prepaid, I was told that it will be prepaid by the dividends, but we just raised \$1 billion of long-dated debt and that is contrary to what was mentioned to me in the previous call in the Plc?
- Tom Albanese:** Again, I will say that that is probably better for the Plc call, but to be clear of what I said in my comments earlier today and what we said at the time of the bond issuance that was specifically for the purpose of terming out the debt and we had dual objective that our CFO at the time D.D. Jalan had said a year ago, which was that we will de-lever and term out the debt and that we intend to do both at the PLC level this year.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.
- Ritesh Shah:** My first question is on Hindustan Zinc. Sir, there have been market news flow regarding potential stake sale. So what is your thought on this and is the company ready to offer its stakes to pay a premium to the last number that we had quoted to the Government of India?
- Tom Albanese:** I guess I will make a comment. Maybe Sunil Duggal, I think, the CEO of Hindustan Zinc is on the call, he could also say something. From my perspective, what we see with respect to the Government of India's intentions is what we see in the newspaper. So I think that there have been some recent communications through the media of what they are thinking of doing. I cannot comment on that until we get more clarity ourselves. I will say that from my own perspective... I will let Sunil to add his comment that, the Government of India has been a very welcome partner to Hindustan Zinc and very supportive members of the Board of Hindustan Zinc and supportive of the success and participating in the success of Hindustan Zinc over the past several

years. So, we welcome their continued participation. But if they do choose to disinvest their interests in whole or part, certainly, we would look forward to working with them in a way which meets the needs of Hindustan Zinc, but also, of course, the Government of India's requirements.

Sunil Duggal: Nothing more to add on that, broadly, you have covered that they are the partners who work with us shoulder-to-shoulder and they have been supportive of all the initiatives and all the board matters. But I think there is no official discussion as such with them. So I think some statement you might have seen in the press is that government maybe evaluating at their own level.

Ritesh Shah: Sir, can you please elaborate what are the legal hurdles whatsoever, does it need AG approval, so where exactly is it stacked with us, Cairn is now, it is something that you will go through and this is the only thing which I can think of from a simplification point of view?

Sunil Duggal: Actually there is no discussion as such which has happened in the board or officially. So, I think we will evaluate these proposals and the legal requirement as it goes on. But there is some Supreme Court holding is there on the disinvestment as of now, but as the statement which has come from the ministry is such that, they are taking a legal view on that.

Ritesh Shah: In the earlier questions, you hinted towards value addition on the ferrous side. So are you also looking at the steel mills available on the block basically under different RBI schemes at this juncture? I do not want to give out the names, but is it something that is also on our radar?

Tom Albanese: I guess from my perspective, we have been primarily focusing on ramping up our existing business. We see that is the best use of capital because that is very capital-intensive. But as you can imagine that we have always been inquisitive about what is out there, but it has got a great value.

Ritesh Shah: Sir, should I read it as if like we are open to this asset effect on that right value to us?

Tom Albanese: We are always looking for value and our first priority right now is ramping up our existing fleet of smelters, power plants, mines and businesses around the group as we have articulated over the past 3-years.

Ritesh Shah: I was just looking at Val and BALCO EBITDA/ton on a sequential basis. BALCO's EBITDA/ton seems to have moved up sharply as against Val. Any particular reason for that? Is it a function of exports versus domestic sales or is it something that I am missing?

Tom Albanese: I will just ask Arun to comment a bit, but I first say that it is always good to have a bit of healthy competition and I would say that two years ago, BALCO was really struggling at what the management team at BALCO have done as they have been working very hard, they have been doing some restructuring, some tough decisions on the ground, they have got the benefit of probably an approved coal position which has helped them probably more proportionally there than at Jharsuguda and they have had some benefit of the BALCO bauxite. But I think it is good

for Abhijit and the team at Jharsuguda to be kept on their toes and see that healthy competition. But Arun over to you.

Arun Kumar: Nothing much to add, Tom. Yes, bit of competition is always healthy. BALCO, we must remember has set up its own captive power plant for the new line and that gives you efficiency in consumption as well in addition to what Tom laid out on linkage and some of the own bauxite.

Tom Albanese: Abhijit, would you like to comment being on the receiving end of that competition?

Abhijit Pati: No, no, I think it is a very healthy competition and both the units have been closely working on to that, there are some significant strategic, the benefit is there in BALCO as you explained, but nevertheless Jharsuguda also is catching up fast. So this whatever marginal differences you are able to absorb now perhaps may not be a very long lasting. So both the units will come up in a very fast manner to deliver the right kind of EBITDA.

Ritesh Shah: Last question on capital allocation. Are we looking to put on incremental capacities on downstream assets on the aluminum side?

Tom Albanese: I guess I will start by saying that over the past year, we recognized that the rolling mills at BALCO were inefficient and we actually took a difficult decision to suspend that production and make sure that we could restart it in a better market but with more efficient business and we did just that. So from our perspective, we do want to move away from selling ingot, we want to be selling more billet and other finished products, I am not sure we want to get into the manufacturing sector, but we have also actively encouraged the promotion of adjacent aluminum parks both at BALCO and Jharsuguda where we would like to see new industrial customers for plants next to ours. So we could be selling them basically hot metal rather than selling them ingot which would be more efficient for us and for the consumer. I think that Abhijit and the team are looking at what else we can do to put our existing casting capacity and our existing value add business into actually better utilization including moving some of the products in some of the international markets as we ramp things up and maybe Abhijit, you can talk about that.

Abhijit Pati: I think our focus is on our present and existing product profiles. You will appreciate we have a very large world class facilities for wire rod and billet. So first focus is there to really get a large value addition. Apart from that, last 1.5-years has been a good journey so far as the new product developments are concerned. There are PFAs which have been produced and foundry alloys which is very successful in BALCO as well as some configuration has been well tested and established. Apart from that, into the European and the US market, we have been penetrating significantly. Good part is that there are good acceptance in those markets so far as the billet is concerned. So our focus will remain there. But on the downstream part is purely focused on to the aluminum park where hot metal conversion route to the multi cluster, the producing unit across BALCO as well as Jharsuguda. That is the second thought based on that both the state governments we are very actively getting engaged and working together.

Moderator: Thank you. Ladies and gentlemen, that was the last question due to time constraints. I now hand the conference over to Mr. Ashwin Bajaj for closing comments. Over to you, sir.

Ashwin Bajaj: Yes. Thanks, operator. Tom, any closing comments from you?

Tom Albanese: Thank you. I think this was a good set of questions. I do think that across the board, we have rising levels of production, we are being very disciplined on our capital spending, we are continuing to focus on cost reductions and we see even more cost reductions on the way. We put this strategy in place during periods of difficult market conditions and since then, we have enjoyed rebound in market prices, equating to 57% of our total commodity basket YoY. So that has significantly improved the business leading us to quite attractive levels of overall EBITDA and profit after tax and certainly an improved trajectory that we intend to continue in the coming quarters. So again I personally think the markets are going to have some supply constraints as we go forward. It is probably not going to be exuberance like we would have seen ten years ago and our prices are still well below where they would have been 5-years ago. But at the same time, these are the markets that will allow the business to generate good returns, continue to de-lever and certainly reward the shareholders. For those on the call, our shareholders, thank you very much for your active participation.

Moderator: Thank you very much members of management. Ladies and gentlemen, on behalf of Vedanta Limited, that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.