"Vedanta Limited Q4FY2015 Results Conference Call"

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Moderator Ladies and Gentlemen, Good Day and Welcome to Vedanta Limited Q4FY2015 Results Conference Call. As a reminder, all participants' 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 an operator by pressing '*' and then '0' on your touchtone telephone. 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 Thank you operator. Hello! Ladies and Gentlemen. This is Ashwin Bajaj, Director of Investor Relations. As you know now our company has been renamed Vedanta Limited very recently and I would like to welcome you for our Results Call for the Fourth Quarter and Financial Year 2015. 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 Safe Harbor Language on Page #2 of the 'Presentation.'

From a management team, we have with us our CEO -- Mr. Tom Albanese; our CFO – Mr. D.D. Jalan; and we also have Mr. Mayank Ashar and Mr. Sudhir Mathur from Cairn India, Mr. S.K. Roongta and Mr. Abhijit Pati from our Aluminum and Power business and Mr. Kishore Kumar from our Iron Ore business. With that I will now hand over to Tom.

Tom Albanese: Thank you, Ashwin and Good Evening, Ladies and Gentlemen. I am pleased to welcome you to the Fiscal Year 2015 Earnings Call for Vedanta Limited, our new united and aligned identity, which positions us to create value for both our domestic and our global stakeholders as a diversified natural resources group of companies. The resource sectors, as you all now, witnessed a challenging year due to the decline in commodity prices and slower demand from China. We at Vedanta Limited are fully equipped to navigate this downturn and have been implementing a series of initiatives to reduce capital and OPEX to maintain financial strength during this period of weaker commodity prices while preserving a strong resource position and a portfolio of assets with attractive long-term growth prospects.

As Ashwin said, we will work off the slide presentation which is on the website and so let me start with the review of Fiscal Year 2015 Performance Highlights on Slide #3: First of all, on Safety, it was the best year we recorded in the last several years with a significant decrease in in our loss time injury frequency rate and enhanced safety focus across the organization. I believe some of the programs we have implemented over the past year are beginning to bear fruit. Notwithstanding that, it was a tragic year as we lost five of our colleagues, which is five too many - unacceptable. We continue to strive for culture of zero harm eliminating those fatalities.

On the environmental side, we continue to make significant investments in the building having spent Rs.338 crores on environmental protection measures in the last three years. During the year, we have made significant contribution of Rs.28,000 crores to the Indian exchequer in the form of taxes, duties, royalties and profit petroleum benefited over 3 million people to our community development program.

Please move on to Slide #4: Operationally, we have had a good year, with record production at Zinc India, Copper India, Aluminum, and Alumina, resumption of iron ore production at Karnataka and normalization of oil and gas operations after plant maintenance shutdown in the second quarter. Positive momentum is continuing into the fiscal year 2016 with a ramp up of the new aluminum smelters and expected start up of Goa Iron Ore. Financially, of course, our EBITDA was impacted by decline of oil prices, but we did achieve strong free cash flow of Rs.3425 crore after CAPEX and underlying attributable profit after tax of Rs.5060 crore and reduced the gross debt by Rs2800 crore.

The board has approved the final dividend of Rs.2.35 share taking the full year dividend 26% higher at Rs.4.10 per share in line with our focus on greater shareholder returns.

Of course, we recorded a one-time non-cash impairment charge of Rs.19,956 crore, largely related to the Cairn India acquisition goodwill, on account of a steep fall in crude oil prices. On the Cairn India tax matter, the group is pursuing multiple legal options and have filed the notice under the UK-India Bilateral Investment Treaty and move to the Delhi High court.

So if I can I would like you to move on to the Slide #5 please: A year ago, I made a list of priorities and I believe we made some strong progress on these strategic priorities over the last one year. The volumes are ramping up across all our businesses, Iron Ore production at Karnataka has started and the idle Aluminium & Power capacities are being brought on line. We continue to focus on expeditious ramp up of our new aluminum potlines, the Chotia Coal mine, EOR and gas production at Cairn and underground production at Zinc India apart from participating in the government auction processes for developing captive coal and bauxite. We have optimized OPEX and CAPEX across our businesses and reduced gross debt by Rs.2800 crore in Fiscal Year 2015. We will continue to focus on maintaining positive free cash flows effectively financing upcoming maturities and reducing the net gearing on a medium term. We have been able to achieve substantial synergies and savings from the consolidation of group structure and remain focus on delivering the US$1.3 billion of identified marketing and procurement saving. The small part of which, about US$50 million were delivered in fiscal year 2015. We will continue to evaluate various options to further simplify the group structure for the benefit of all stakeholders. This year we have seen a substantial decline of fatalities as I have mentioned, and improvement in water and energy consumption, and continue to work towards preserving our license to operate by adopting world-class sustainability standards and practices. This year, Zinc India added a net reserve in resource of 10 million tonnes. The Gamsberg Zinc project was approved and the construction will commence shortly. We have focused on the phased development at Gamsberg and identifying next-generation of resources at Barmer Hill near the satellite fields in Rajasthan. A central exploration mining group is being created to achieve synergies even as we optimize our oil exploration program. With all that we are committed to deliver superior returns to shareholders and to maintain or increase the dividends.

Move please to Slide #6: Vedanta's diversified business model and low cost portfolio of assets gives us resilience to manage the commodity market volatility as we are witnessing now. We have been consistently generating industry-leading EBITDA margins due to a suite of world-class and low cost assets in zinc, oil and gas, and iron ore. As we all know, EBITDA margins are a function of volatile commodity prices and our EBITDA margins declined in the fourth quarter in line with the fall in commodity prices. We are focused on optimizing our cost to maintain our market leadership. And in our Aluminum and Power assets, we are currently operating in the second quartile and positioned to substantially improve their costs and contribution to EBITDA as we ramp up the new capacities and build the captive material linkages.

As one of the most important indicators of long-term value generation, our return on capital employed - ROCE in fiscal year 2015 was well above the median of our diversified global peers. In this year, we expect substantial contribution to come from $6 billion of Aluminum and Power assets, which were idle so far and committed to increasing returns for our shareholders.

Move please to Slide #7: This chart shows the underlying production growth of the group since fiscal year 2004 in copper equivalent terms. We have grown at a rapid pace in last decade, we are poised to maintain the industry-leading growth rate as our capacities in our Aluminum, Power, Iron Ore, Zinc, and Silver all ramp up over the next few years, amounting to copper equivalent growth of 66% over fiscal year 2015. The majority of these investments have already been made on these low cost assets and hence we expect substantial contributions to EBITDA and cash flows from this production growth with minimal CAPEX requirements.

If we can, I can move to Slide #8 please: The drop in commodity prices and the reform agenda of the new Indian government are creating a positive environment for investments in growth to pick up in India. Greater headroom for interest rate cuts, package of insurance, coal and MMDR Bills, and the government's focus on disinvestment program, financial inclusion, infrastructure funding and ease of doing business have led the IMF, World Bank to revise Indian GDP growth outlook to 7.5% in 2015. Specifically, the priorities outlined by the Government of India in terms of giving a boost to manufacturing through the "Make in India" Program, housing andelectricity for all, building of smart cities and improving the rail and road connectivity, all augur well for metal consumption in the present and the future in India. Of course, India's recovery is still in its early stages, but it was encouraging to see a 10% demand growth in some of our products. Now this demand growth would include imports of scrap coming in to reflect the total increasing consumption of these individual metals in India over the course of the past year. At Vedanta, we are aligned and well positioned to contribute to the government's vision and feel like this agenda when complemented with the balance transparent and stable policy formulation is likely of these as to the 7% plus GDP growth scenario over the next few years. So with that I will now hand over to our CFO – DD Jalan to go through our financial review. DD, over to you.

DD Jalan: Thanks, Tom. Good Evening Ladies and Gentlemen. Moving to Slide #10. I am happy to share our results in today's challenging business environment as we go through a low commodity price cycle. We had seen drop in oil prices by almost 50% in a quarter; the average oil price in Q4 '15 was $54 against an average price of $108 in Q4 '14. Given this background, Rs.4000 crore of EBITDA in Q4 was reasonably a good number. EBITDA was affected by a one-time charge of Rs.270 crore on provisioning for a power tariff dispute and a one-time exploration write-off of Rs.280 crore at Ravva. Excluding this one-time time items, EBITDA would be over Rs.4,500 crore. We are also ramping up some of our operations of Aluminum and Iron Ore during the year, thus partly mitigating the impact of low commodity prices. We continue to push the debt down, preserve cash and contain gearing at the same level. EPS pre-exceptional was credibly flat given the background. I will also talk more about the non-cash exceptional item later in my presentation.

Moving to Slide #11: We did exercise control over the apparent controllable item on this page. We must note that those controllables had what I would term 'regulatory headwinds' in the form of higher royalty and contribution to the District Mineral Fund due to the new MMDR changes and coal scenario which got worse during the year when e-auctions dried up, forcing us to buy power or imported coal, both of which cost us nearly Rs.1,000 crore. Oil volumes were low on account of plant shutdown early in the year. However, there is room to do better and that exactly is our focus which we shared earlier this year in the Capital Markets Day that is to drive multimillion dollar savings through a dedicated procurement and commercial savings program just kicked off internally and what Tom also mentioned just now. We realize about $50 million of savings through this program.

Moving to Slide #12: Lower depreciation on account of technical study of useful life of various assets in our Metals, Mining and Power businesses, brought down the charge by Rs.865 crore thereby offsetting the lower investment income, which is purely timing, where investment income in FMP is accounted for on maturity as per accounting standard. Our underlying return on investments was better than FY14 at around 9% though lower in Q4, again because of the timing as I mentioned. Finance cost is a result of initiatives taken to reduce, coupled with low interest rate environment. Tax rate at 16% was in line with our forecast. Attributable profit improved -- thanks to better performing Aluminum and Copper business on our standalone basis. We held the bottom line on pre-exceptional basis.

Moving to Slide #13, we took Rs.19,180 crore one-time non-cash charge toward acquisition goodwill pertaining to the oil and gas business and Rs.281 crore of Australian mines. Further, Sri Lanka exploratory asset of Rs.505 crores has also been impaired given the commercial non-viability of the find. The impairment was triggered by the steep fall in crude oil prices. We have considered $60 for the current year and increasing to $84 by 2020 and thereafter 3% p.a. while arriving at our DCFs. After impairment charges, the lower goodwill on books also will result in reduction in amortization charge by Rs.800 crore p.a. going forward. We are fully in compliance to financial covenants with sufficient headroom. I would also like to emphasize that impairment charge does not affect our operating or earning capacity.

Moving to Slide #14, our maturity profile is fairly and evenly distributed. The immediate FY16 maturity of 1.9 billion is mostly short-term loan taken at relatively low cost in the path to drive overall finance cost down, but now with the lower interest rate expectations, we are actively considering refinancing this progressively into longer-term instruments. Source of funding continues to be diverse with multiple options to drive cost down. Our strong balance sheet reflects 7.4 billion of cash and cash equivalents. We are committed to improve our cash availability further by improved business performance and continuous review and control of our CAPEX spends.

Moving to Slide #15, given the low oil price regime, we have revised spend target at Oil and Gas business from 1.2 billion to 0.5 billion during the current year. We have also rephased Gamsberg, Skorpion project and revise CAPEX spend target to $80 million from $250 million earlier. Our full year CAPEX has thus been cut to about $1 billion against $2 billion estimated earlier. Our continuing emphasis on CAPEX reviews prioritization will help deleverage even in a tough commodity price environment.

Next slide to summarize: We believe that our strong focus on generating healthy cash flows from operations, discipline around CAPEX spend, driving volumes and minimizing cost and further group simplification would be fundamental financial pillars around which we will continue to strengthen and de-lever our balance sheet. Thank you and with this I will hand it over to Tom back.

Tom Albanese: Thank you, D.D. Refer to Slide #18: In Oil & Gas average gross production for 2015 was lower at about 211,000 boepd, largely on account of plant maintenance activity, the Mangala processing terminal at Rajasthan in the second quarter. However, we did see a pickup in the offshore fields at Ravva and Cambay in their production growth. In the Rajasthan block, the Aishwariya field crossed a production of 30,000 boepd in the third quarter and Barmer Hill and Satellite Fields, though in their own early stages of development, they achieved an exit production rate of 5,000 barrels of oil per day. Rajasthan OPEX in 2015 was $5.80 per barrel, higher on account of higher crude processing cost and well maintenance cost. In terms of projects, we achieved the first polymer injection in Mangala, debottlenecked MPT’s fluid handling capacity, and completed the Mangala ASP pilot spending of about 1.1 billion of CAPEX. The management committee approved the Raag Deep Gas Field development plan for 100 million cubic standard feet per day and production and work on execution, planning and contracting of that is underway. As we said we would, be e working on, we achieved positive cash flow post CAPEX despite the lower oil prices and large CAPEX spend and in March we announced to revise CAPEX some 500 million for 2016 as DD mentioned, to align the work program for this new crude oil price reality. Our efforts are currently focused on reengineering projects and renegotiating contracts to further improve the viability of our operations. Despite, the dramatic decrease in the oil price, Cairn managed to add gross 2P reserves of approximately 16 million barrels of oil equivalent. Completing the testing of the drilled H11P and prospective 2C in seismic activity would be among our primary resource focuses for exploration of fiscal year 2016 with the objective to eventually add to our contingent resource inventory. Just want to comment that our reserve reporting is somewhat constrained by the PSC term to 2020. While we are confident that we will get the extension from a regulatory perspective, we cannot book those reserves beyond 2020 at the moment. We do plan to scale up polymer injection to full Mangala field by the end of fiscal year 2016 and also evaluating the ERO feasibility at Bhagyam. The RDJ gas production is expected to increase to 25 million cubic feet per day during 2016 from 16 million cubic feet per day in fiscal year 2015. Overall, in fiscal year 2016, we aim for the minimum to maintain the fiscal year 2015 Rajasthan production levels of 176,000 boepd with the potential upside of higher production from the Barmer Hill, Satellite Fields and Gas.

Move on to Slide # 19: Zinc India had a year as we said of record mine production and profitability. The mine development rates also improved better positioning for the transformation ultimately to full underground mining activity. The cost remained in the lowest quartile and for fiscal year 2016 we expect the production to be higher although the first quarter fiscal year 2015 will be slightly lower than the full year average, that is just because of mine planning. The costs will remain stable even as we go deeper in the mines. Silver production is expected to improve to 350,000 to 400,000 tonnes in line with expected increase in silver grade at the SK mine. We remain ahead of schedule with the expansion of SK mine. The shaft sinking at Rampura Agucha mine to extend the underground ore production to 6 mtpa is slower than the original plan and we are reinforcing contractor resources to speed up the work.However the initial work on expansion of the open pit life to 2020 has already commenced and this will derisk the mined metal volumes as we transition to underground. Enactment of the Mines and Mineral Development Regulation or MMDR Amendment Act 2015 does provide continuity for our mining leases to at least 2030 with Rampura Agucha lease extended till 2030, the SK lease till 2045 and the Kayad lease till 2048. The act also bring transparency in grant of mineral concessions via auctions and reduce disputes. However it can potentially future increase payments to government by up to 100% of the current royalties on account to the possible contribution to the District Mineral Foundation. We are again in discussions with all the governments with respect to that. Royalty rates for Zinc and Lead in India are 10% and 14.5% respectively, which are the highest in the world even before these additional contributions and much higher compared to other base metals. A significant additional royalty of up to 10% for Zinc and 14.5% for lead can potentially make several low grades and deeper deposits economically unviable and maintenance of the strategic review of some of those mines. So we are therefore hopeful the governments will rationalize the contribution to the DMF in its notification.

Moving to Slide #20, Zinc International: At Zinc International, the production was lower predominantly due to lower production from Lisheen as it nears the end of its life in middle of fiscal year 2016 and unplanned disruption at Skorpion due to the fire incident in January. For those same reasons, the fourth quarter CoP was higher at 1500 MT. The fiscal 2016 production will be lower at 220,000 tonnes of Lisheen, plans as scheduled to ramp down and costs will remain at current levels as the stripping ratios increase at the Skorpion mine in deeper levels. The 250,000 tonnes p.a. Gamsberg project CAPEX has been rephased and we do expect to break ground by the end of the second quarter with the first ore production in fiscal year 2018. We do now anticipate the Skorpion life mine will now be extended by two years from fiscal year 2017 to fiscal year 2019 by deepening the current ore pit and accessing recently identified higher grade resources. This ore from the mine will feed the Skorpion refinery till fiscal year 2020 under which it will be fed completely by the ore from Gamsberg.

Moving to Slide #21 please: In Aluminum, we had record level production from the refinery and the smelters that we started up the BALCO-II and Jharsuguda-II smelters during the second half. Cost of production was higher at $1775/MT due to higher alumina cost and the coal e-auction costs. In the fourth quarter, we witnessed improved e-auction volumes and hence softer domestic coal prices in line with the international coal price movements. On the metal side, we have been very mindful of the international conditions and we as others have noted the Chinese exports of aluminum semis have been progressively rising through the year causing the premium to drop steeply from the highs seen during the first half of fiscal year 2015. The recent proposal by the Chinese government to withdraw tax on aluminum semi exports if implemented could lead to additional potential supply coming into the market, leading to further pressure on premiums including here in India. We are focusing on increasing the percentage of value added product in our sales to protect our margins with the strong focus on reducing cost, especially at our higher cost BALCO operation. Additional pots from BALCO-II and Jharsuguda-II smelter will be ramped up from May and our production is expected to exceed 1 million tonne in fiscal year 2016 with the cost of production of $1650/MT to $1700/MT within that range. The BALCO 1200 MW power plant is under ramp up as we speak and we expect to commission one commercial unit and one captive unit of 300 MW each within the first quarter of fiscal year 2016.

Move on now please to Slide #22: The PLF on power at 2400 MW Jharsuguda power plant was at 39%, unfortunately due to continued lower demand and evacuation constraints. We expect the PLF to increase gradually starting in the first quarter of fiscal year 2016 as we start ramping up the parts at Jharsuguda-II smelter. At TSPL, the first 660 MW were capitalized in December 2014 and it is currently running at 85% availability. The second and third unit is expected to start in the first half of fiscal year 2016. We expect to have a margin for approximately one rupee per unit once all the three units have stabilized.

Moving on to Iron Ore: At Karnataka, mining has started in February with production cap of 2.3 million tonnes per annum and have remained engaged with the authorities to relax this cap. We will begin sales in the first quarter of fiscal year 2016 under the e-auctions route. At Goa, an interim capacity of 5.5 million tonnes of saleable ore has been granted to us and we are now engaged with the state and central government authorities to get the remaining approvals and we would hope to start mining after the monsoons this year.

And then finally although it is not last but least, because it is most profitable of all these businesses on the slide - Copper India. The copper smelter in India had a record production run taking full advantage of the higher TC/RC and the sulphuric acid prices which were reasonably good. Global TC/RCs for the calendar year 2015 was settled at higher levels compared to calendar year 2014, and we expect to realize about US24 cents per pound for fiscal year 2016.

Moving on to Slide #23: To summarize, our strategic priorities remain unchanged, the focus on sustainability, discipline capital allocation of Zinc, Oil and Gas, driving operational performance, ramping up production of free cash flows, continuing to de-lever and simplification of the group structure while developing the next-generation of resources. Recognizing the current commodity price environment we are implementing the series of initiatives to reduce capital and operating cost across all of our businesses to maintain financial strength and the strong balance sheet. With continued focus the momentum on increasing production and controlling our cost, we aim to keep delivering superior returns for our shareholders - certainly was evidenced by our increase in our dividend rate year-on-year. And with that operator, like to now open the floor for questions.

Moderator Ladies and Gentlemen, we will now begin the question-and-answer session. The first question is from Ruchit Mehta of SBI Mutual Fund. Please go ahead.

Ruchit Mehta: Three years back at the time of the merger, there were certain assumptions that went into the valuation of Vedanta Aluminium, which were primarily related to the acquisition of captive sources of bauxite and which led to sort of a premium valuation given to VAL, and at that time, we had counted that was the reason why the VAL premium was there. As we revalued Cairn on our books, do we similarly need to relook at the VAL acquisition premium sitting on the balance sheet? If so, when would such an exercise happened? And if a combination of write-off of this as well as write-off of VAL premium, we need to raise equity at some point in time to shore up our balance sheet?

Tom Albanese: I will just start and then I will just maybe ask DD to talk about in more detail, but I think as we would look with all our assets, we look at them regularly for their asset valuations against the reported book values. And I just want to emphasize that would certainly include the Aluminum business. The key factors for the Aluminum business besides market prices would be the expected ramp-ups both of the smelting and the alumina and I think we were reasonably encouraged by both our progress on ramping those up during the course of last year and the anticipated ramp-up during the course of 2016. In addition we made good progress at the federal government level in Delhi with respect to the expected environment approvals for our expected ramp-ups of the alumina refining, all and important part of that. Now, we will be watching very closely during the course of the year how effective we are at first of all bringing the laterite into captive feedstock and also to the extent that Odisha government auctions bauxite how successfully we are in that particular case. But DD, maybe talk more technically if you can.

D.D. Jalan: Mr. Mehta, basically, as far as our process goes, we check all the assets where we think that there would be sign of weaknesses, we do the carrying value test every six months in September as well as in March. So that is the process. And as per that process, we consider even the value of our Aluminium business also for the impairment testing and the testing of the carrying value and we see that there is a sufficient headroom available as far as the aluminum business is concerned based on the model what we have prepared.

Ruchit Mehta: So you still think that within a reasonable timeframe, you would have bauxite in place and if so, could you share with us what is your expected timeline now on getting bauxite in place, whether be 1-year, 2-year, 3-year…?

Tom Albanese: What we said is if you can go back to the more detailed Aluminum Presentation at Capital Markets Day - that still stands today and that is we would expect to see first of the laterites coming into our production profile during the course of the upcoming fiscal year and we would then expect to see that we have a number of bauxite opportunities through Odisha, some are currently within our portfolio, some we would expect to see opportunistically as we would expect the MMDR regulation to lead to bauxite auctions. I think it is pretty clear with states seeing how much money came into their coffers with coal auctions that they are incentivized to proceed expeditiously with other auctions and certainly in Odisha we would expect that to be the case with bauxite.

Moderator: Thank you. The next question is from Pinakin Parekh of JP Morgan. Please go ahead.

Pinakin Parekh: Thank you very much. My first question is on Aluminum. If I look at the guidance of the cost it is basically $1650 to $1700 and FY15 blended cost of production was roughly $1755. Now, this is a year where there would be large smelting ramp up both at Jharsuguda and BALCO, so there should be start-up cost but even as building in that, the company is guiding to a cost reduction. So can the company help us more with how the key elements of cost of alumina, bauxite, power should trend down from where we are currently?

Tom Albanese: I will start by just talking a little bit about last year, but I would ask Mr. Roongta and Abhijit Pati who is just stepping in as CEO of Aluminum to go through that in more detail, so, maybe Abhijit Pati be ready to follow up on that question. But if we look at the last fiscal year, we had a period of time particularly in summer you will recall the coal supplies were quite scarce and e-auction volumes actually disappeared for a while. So, we had a pretty big increase in our overall cost to coal, with that a corresponding increase in our cost to power. Unfortunately, we saw that settle out over the course of the fourth quarter of last year and we would hope that we would not see a repeat of those kind of shortages this summer. But Abhijit can you go through that in more detail please.

Abhijit Pati: I think yes, the ramp up is certainly will help us to further rationalize the cost. So far as the cost component is concerned, yes, at this particular time, we are around 1755 level and which has definitely moved out compared to the last year, but the two positive factors which is coming in which will also further help us to reduce the cost – one is there that the laterite which is coming into the system, sometimes in this fiscal year, maybe second half of this fiscal year, we will also given positive, you know the dimension so far as alumina cost is concerned. This particular year we were able to see a better coal realization cost. So I think the BALCO as in sector also have to significant move of our own coal block. Chotia will also start getting into the system so that will also give a good amount of the opportunity factor so far as the cost of power is concerned in BALCO. If you really see that overall sector cost is really vitiated because the only reason that there was a very high cost of production at the BALCO level. So that is what I think our move is. This will be positively impacted so far as the BALCO power cost is concerned. And we are also able to see that there is a clear migration from a present level of say alumina of around $689/MT, which will certainly move to a level of around say $616/T in Q4 over the last three quarters. And similarly, we have this tremendous focus so far as the other efficiency parameters are concerned. We are also driving significantly the cost as you understood from Mr. Tom that the buying and commodity cost is significantly around 30% of the buying overall the group which is resting on to the aluminum sector itself. So, that will also give a boost so far as the carbon cost is concerned. So collectively, these positive factors will certainly reduce the cost of what we have today at a level of around $1755 level. So that we are having a clear clarity that how to drive this cost structure going down to this level. Now, let me also tell you one thing that so far as the ramp up is concerned, we need to understand that any ramp up at the initial stage certainly will have a start-up cost in-built. So that anyway is a part of the capitalization but nevertheless the moment you get into the normalizations, the cost structure improved dramatically because your fixed cost get spread over, over the volume which you generally produce. So, we are not very concerned because the only positive things will come because your volume will significantly move up. What we are projecting in this year is around 0.9 million tonne of last year production to get into around 1.4 million tonne of the sector production. So that itself will boost the rationalization of the fixed cost over the sector. So, these are something which will drive significantly the cost down so far as this financial year is concerned.

Tom Albanese: I would just like to add that I think over the years, Abhijit has been very successful in bringing the cost down and running efficient business at Jharsuguda. So, we are going to be asking him to put the equal level of focus in energies and bringing the unit cost down at BALCO, it is the high cost unit within our business and particularly as these lower physical premiums it’s going to be quite critical for us to bring those BALCO cost down closer to Jharsuguda. And finally, as you see, Abhijit will be focusing quite a bit on first, ramping up the refinery from a million ton per year, regulatory and then to something closer to 2 million tonnes as we have the environmental permits to do so and then get bauxite for that. So, a lot of weight on your shoulders, Abhijit, but I am confident you are going to do it.

Pinakin Parekh: Thank you . The environment appraisal committee had recommended approval for expansion to 2 million tonnes the refinery a few months back, but so far we have not seen the approval come through from the environment ministry. Has the company heard of anything from the ministry, are there any more stumbling blocks left before the receipt of the approval?

Tom Albanese: I keep asking Mr. Roongta that question all the time. Maybe Mr. Roongta, you can provide an answer.

S.K. Roongta: Environmental approval committee have already recommended the case. We have a small case of diversion of land of about 28 hectares in refinery that final process is on at Bhubaneswar which we are expecting any time in the month of May and thereafter this approval will be formally given. So there are no hurdles and we expect it to get this environmental approval sometime in May or latest within the first quarter of this year.

Tom Albanese: But we remain ready to ramp up operations within the existing facility with that approval.

Moderator: Thank you. The next question is from Chirag Shah of Barclays. Please go ahead.

Chirag Shah: Just a quick follow up from the last question that we had. Can you just elaborate on what are the assumptions going into the Alumina refinery production or volumes that you have for the next year and production that you expect from the Chotia mines, what are these assumptions going into the $1650 cost of production that we are expecting? #2, on the Skorpion mine extension, I was hoping to understand how would the cost move going forward as we proceed towards deepening of the current open pit mines?

Abhijit Pati For the refinery expansion, we are targeting a volume of around 1.6-1.7 million tonnes in this year which is equivalent, in the last quarter of this particular year we will be operating the refinery at 2 million tonnes capacity. So, we must understand this particular production ramp-up is mostly on to the debottlenecking process, and all these debottlenecking process projects are absolutely on cards, these are all completed, we are just waiting for this particular formal clearance as indicated by Mr. Roongta, that is the process we are talking about. So we do not really foresee any of the hindrance so far as the capital allocations are concerned or so far as the project navigations are concerned, we are extremely clear that this will certainly get in**.** Yes, obviously, roughly around 3-4 lakh tonnes of laterites which has been already budgeted to get into out of 1.6-1.7 million tonnes of the refinery production is concerned. So that is the overall number. So far as the cost is concerned, it is not very significant way that laterite will give in this year the cost advantage because you will try to understand this is the initial phase of the mining and quantity is also quite small because we will be starting the mining and getting this laterite into the system. So, in this particular year, that is not very significant the cost drivers so far as the refinery cost is concerned. But so far as the volume is concerned, yes, definitely, there is a proper plan and we do not foresee any of the hurdles to get into that numbers because everything is in our hand and everything is in the place to drive these numbers. So Mr. Roongta, for the Chotia coal mine please.

Chirag Shah: Before we go there, as regards the bauxite availability is concerned, we do not foresee a problem going to 1.7-1.8 million tonnes this year?

Abhijit Pati This year bauxite is very-very marginal quantity and if you see our business plan exercise, it is purely the plan is resting onto the laterite, because that is what we have been giving the focus and that is quite in an advanced stage. And as Mr. Tom has indicated, lateral part of this year it will be solely onto the bauxite. Solely on laterite, a very nominal quantity of the bauxite we have factored in but that does not really give any sort of spread so far as the volume is concerned.

S.K. Roongta: Just to add on this bauxite, we are going to source larger quantity of bauxite from domestic sources in the current year as compared to last year because some of the smaller mines have got opened now post MMDR. So that will also help the mix and that should also help in driving the alumina cost down. On Chotia mine, there is a PRC of 1 million tonne and we expect to start the mining operation sometime in June after the statutory approvals and we hope to produce 1 million tonne in the current financial year.

Tom Albanese: On Skorpion, we had already planned in 2016 to begin a heavier level of stripping and that was largely on the basis of the original mine plan and you may recall we had purchased some additional equipment at Skorpion last year to put that into place. That additional stripping next year will help us move toward that new push back pit. In addition, as we look at the larger number of tonnes, we are certainly focusing on what we could do to improve our overall pit practices and then optimize the mine plan better to reduce the unit cost per tonne of rock move to mitigate the effect on the unit cost, to give you one example, what we have been hauling the waste to one side of the pit, the total haul this is about 5 Kms and with this change overdoing is we are actually changing our pit configuration, change our waste configuration to reduce the 5 Kms to 1 Km, so again that is providing some offsetting effect. So, if we go back to Slide #20, we would expect that as we deep in the pit, that will still hold us within that expected cost of production in the $1400-1500 range as mines go deeper. I think realistically, over the next couple of years, you can see a lot of the resources at the bottom of the pit, you may have some years along the way where they go higher and then when we get into the main ore body they will go lower. So there will be some timing or some smoothing effects to get to that point over the rest of the mine life.

Moderator: Thank you. The next question is from Bijal Shah of IIFL. Please go ahead.

Bijal Shah: I have two questions: First, starting with Aluminum. This MMDR Bill has been passed now. So, when do you see some mine actually coming up for auction in Odisha and should we expect something really to see in FY16 itself or as of now there is really not a some clarity on this thing?

Tom Albanese: Mr. Roongta, why do you not go ahead with that, this is a bit speculative from our own assumptions on this, but certainly from my perspective, I would hope to see the auctions taking place over the next two quarters, how quickly they can get into production will be depending on location resources, engineering and permitting requirement.

S.K. Roongta: Post this amendment to the MMDR Act, government has already notified the draft rules for auctioning for the stakeholders to give their comments and last date is getting over for the comments of the stakeholders. So we expect that government may notify the final rules for auctioning by end of this month or maybe sometime in the first week of May and thereafter it will be left to the state governments to really move ahead with actual auction process, which of course, may take some time, but we certainly expect the auction process to be initiated within this financial year. And as Tom said, it cannot be said with any certainty at this moment as to when you can expect production from the mines which are auctioned, but auction process per se will certainly start this year. That is our expectations.

Bijal Shah: A small follow-up on that; now the draft auction rules talk about the fact that before something is put on auction, the state government has to get all the approvals and also determine all the land rights which locals might have. So, can it actually really postpone this entire thing because determining all the land rights into the mine and also taking all the anticipatory approval, that itself might take 1-year, so auction can start only next year, is it a possibility?

S.K. Roongta: I do not think so it will take that long and there will be a clarity about what kind of pre-approvals state government will have to see. The indication from the state governments are also to the fact that they will like to start the auction process as early as possible so that the benefit will start accruing to the state governments and that is the indication we are getting from respective state governments that they would certainly be geared up to start the auction process within this financial year.

Bijal Shah: One small follow-up again on that is what happens to Raikal in this, now it has to come through auction or we have some claim on that even now?

S.K. Roongta: As far as Raikal is concerned, the act amendment provides that wherever there are prospecting license given and they are subsisting, rather PL holder will have a right to get the ML. So the ball is in the court of government of Odisha and they are considering that aspect. So, in that case, if they recognize it and it does not have to go through auction route.

Bijal Shah: After this goodwill write-down, so just want to understand that what is the long-term oil price assumption we have now?

D.D. Jalan: Bijal, basically, what we have done, we have considered the phased different oil prices for different years, like it is starting from $60 for current year and going up to $84 in FY19-20 and then after that we have provided escalation of 3%. That is how we have built up the model.

Tom Albanese: Its not a straight-line where the first two years are relatively **flattish** rises from there.

Moderator: Thank you. The next question is from Naveen Gupta of Goldman Sachs. Please go ahead

Naveen Gupta: Just a couple of house-keeping questions: For a 59% stake in Cairn India, where you have taken a $3 billion write-down, can you just help us understand what was the average acquisition price in your books before the write-down? And after you revise valuation, what is the average price per share of Cairn reflect?

D.D. Jalan: Basically, we had acquired the total investment in Cairn India was computed as 54,000 crores, out of Rs.54,000 crores, Rs.35,000 crores was considered as goodwill, so almost 50% is now provided for and balance is lying in the books.

Naveen Gupta: Also, can you share us for the balance Rs.18,000 crores roughly of goodwill on your balance sheet, under what assets is that Rs.18,000 crores?

D.D. Jalan: This is basically if we just try to look at it will be iron ore assets and it will be Zinc International assets largely these two cluster of assets.

Naveen Gupta: I believe you will have VAL also in there. Is it possible to split it between three assets?

D.D. Jalan: Basically, if we just try to look at iron ore including the western cluster that will be something around Rs.2,200 crores and then the assets of Zinc International will be somewhere around Rs.1100 crores, there will be some value which will be for BALCO and for Hindustan Zinc at the time of original acquisition, that is around Rs.300 crores and Rs.180 crores respectively.

Naveen Gupta: And the balance is basically for only Aluminum business? This just holds to about Rs.4,000 crores. You have still balance Rs.14,000 crores?

D.D. Jalan: VAL does not have any goodwill per se, just to quell your question, I just repeat again, Cairn has got balance of Rs.13,600 crores, iron ore business has got Rs.2,200 crores, Zinc International asset has got Rs.1,200 crores, and there are certain values which are assigned to Hindustan Zinc and BALCO.

Naveen Gupta: On BALCO's cost of production, the cost was down about $200 in the quarter, whereas VAL's cost of production was down about $50 on a quarter-on-quarter basis, so if you can just help us understand the higher fall in production cost at BALCO?

Tom Albanese: It is almost entirely related to the high cost of coal procurement and power procurement in the second and third quarters of last year, BALCO was hit much harder by those coal shortages in Jharsuguda, but tell me if I need further elaboration, Abhijit.

Abhijit Pati No, I think Tom, absolutely right explanation, because that is the true difference so far as the operations are concerned, rather it is at par so far as operational efficiencies are concerned, it is purely the power cost followed by the purchasing power in the last two quarters due to the coal issue, so that has really vitiated this difference.

Moderator: Thank you. The next question is from Anshuman Dey of ESIB. Please go ahead.

Anshuman Atri: My question is regarding the power operations. What is the current coal mix and how will it change in the next year?

Tom Albanese: Mr. Roongta, can you maybe take a stab at that, maybe break it up between linkage, e-coal, imports, anything else you want to cover year-on-year?

S.K. Roongta: Our current coal mix is different at Jharsuguda and BALCO. We have a linkage coal at Jharsuguda but very little linkage coal at BALCO. So, we have about 40-45% of linkage coal at Jharsuguda and at BALCO, the linkage coal overall is just less than 10%. So that is the situation. Going forward, we are not getting any extra linkage coal as such, but we will have 1 million tonne of captive coal from the Chotia mine at BALCO and the import content will go up in the current financial year as compared to last year. Linkage will more or less remain at that level and extra coal has to come through e-auction and import.

Anshuman Atri: Will entire import be on spot basis or do we have any contracts for that?

S.K. Roongta: We have a contract directly with the mines and it is a medium-term contract with prices are linked to the indexes and that is how we are sourcing our single seam coal. We will continue to do direct purchase of coal from the miners.

Anshuman Atri: There was a news article which stated that Government of Karnataka has given a nod for mega steel plant to Sesa Sterlite. Is there any future plans for such expansion?

Tom Albanese: I will start with that first, Kishore, if you are on line you can follow up. I think this is on the Bellary side which I did take the opportunity to visit last year, we have to continue to do work on the engineering on that because we do see that as we ramp up our own iron ore production at Karnataka, we would like to have the option when the markets are ripe for us to be in the steel business, just like we are in Goa and so we will be looking at any time project as we go forward. Right now, we do not have enough iron ore within the existing leases to actually match with the kind of steel plants that will be in vision. So, a key part of this is actually substantially increase our own overall capacity of resources and production capacity in Karnataka. But, Kishore, anything else you like to add?

Kishore Kumar It is a bit premature at this stage, the government is mulling over auctions of several other mines as well in Karnataka. So in line with our beneficiation strategy, that could be a strategy that could work out along with this project at some stage. So, we are evaluating this very closely with the government in terms of an opportunity and it is not something that we have sort of cast in store in terms of a plan for development at this stage.

Anshuman Atri: So there are no timelines for it as of…?

Kishore Kumar: No definite timelines now.

Moderator: Thank you. The next question is from Sumangal Nevatia of Macquarie. Please go ahead.

Sumangal Nevatia: My question is with regards to iron ore business. During the last call, we were hopeful of government cutting the export duty. Unfortunately, during the budget there has been no change. So, is there any interaction, any understanding by the company? That is one. #2, at iron ore prices internationally have rebound recently. So as per your internal calculation, at what price are we comfortable will we make EBITDA-positive margins?

Tom Albanese: I will start by taking about the iron ore prices and maybe one comment on export duties and then maybe Kishore cover. If you look at in either today's or last month's iron ore price range where we can actually deliver positive margins by exporting, it goes through a combination of reducing our cost from our cost structure which would have been the case three years ago to also the export duty release and I think we need to see a combination of both of those. I have been involved with many interactions with senior level of government, which seem to give us comfort and confidence that they are hearing the issue regarding needing relief on the export duty, of course, the steel industry is probably whispering on the other side of that particular equation which is creating a bit of a challenge, that we do have to overcome. Our objective is to recognize that Goa ores are actually not as well suited for the Indian steel sector nor are that demand for the Indian steel sector. So exports is a win-win situation. That is the argument we are going to continue to make. In my view, the recent iron ore price rebound has to some extent evidenced through the announcements that BHP have made recently, a little bit of signs of life y in terms of the Chinese steel sector, but we have to be ready to work within a range that can we export iron ore at the prices we would have seen even a month or two ago and also need to recognize that the spread between higher grade ores and lower grade ores is actually widening in this period of time and what we are producing at Goa is generally in the lower end of that spectrum. But, Kishore, anything else you want to say?

Kishore Kumar: Tom, you covered all of it, but I think Sumangal, just to build on the duty front, both the Goa government as well as all the producers have made representations to the Ministry of Finance and we have given our representation with full conviction that there will be some opportunity in the near future for the government to consider our request as well the economics of this entire business even at the current ruling prices which is hovering around $40 FOB, it is not going to make economic sense to run the operation with 30% duty. So, at what stage of duty and what level of duty this is operable, that is one question in which we all obviously have asked for complete relief from the government, zero duty status, at the same time, as you know, Sumangal, that Goa is sitting with about close to 11 million tonnes of sold iron ore which has been taken by the government as part of the Supreme Court order and none of these ore is moving towards the domestic steel mills because of the reasons Tom mentioned, there are technical limitations within the country to consume the low grade iron ore and therefore, it will be in the interest of the country that the industry is restored back as well as allow us to export the cargo to other steel mills across the globe.

Sumangal Nevatia: Once we start producing from our laterite mines, what according to you will be the cost saving versus sourcing bauxite from outside, if you can just quantify that approximately?

Abhijit Pati So far as the laterite is concerned, you try to understand because it is in one form of in bauxite which has got something a very low content of the bauxite that is the form of the laterite. So what we typically talk about that as we can set on 47-48% of the content of purity of the bauxite via-a-vis 30-31%, so roughly you can say around 14-15% of the reduction as an impurity which basically carries into the laterite. So, that is what exactly will be the difference into the cost so far as the bauxite input vis-à-vis laterite input is concerned.

Moderator: Thank you. The next question is from Ritesh Shah of Investec. Please go ahead.

Ritesh Shah: Sir, if you could please give some more color on aluminum premiums and zinc premiums both domestically and internationally, and specifically for Aluminum how do you see things moving post 1st of May wherein the export rebates will be taken off by China?

Tom Albanese: I think first of all, aluminum premiums have dropped off quite a bit, they are over $400 a few months ago and they are now in the plus $200 range, we probably lost by $200 a tonne on the aluminum physical premiums, the same effect flow through the Indian market, in addition, biggest premiums are dropping so quickly, we have seen that a normal customer base, more reluctant take physical position. So, moving product in this market until the physical premium stabilizes has been somewhat of a challenge.

Abhijit Pati: I think this Chinese, the export taxes which has basically having some relaxation into the bars and rods but so far our information goes I think Chinese Aluminum is still the less attractive for its pricing compared to the international aluminum price. If you really see that the three year average of the aluminum price which is US dollar around 1900 per tonne while the average Japan premium is only USD293 per tonne. Thus all the international aluminum price is about USD 2190 per tonne, 4.8% cheaper than the China Shanghai three year average USD2300 per tonne. So in our mine if you see that additional volume with this whatever the Chinese marketing forecasting today with the relaxation in the export taxes, not very significantly dump into the volume so far as the world market is concern, so we do not forcesee much of the issue which is coming out of this, but nevertheless I think this is definitely an issue which need to be tackled but so far as the export tariff changes only applies to very small number of the aluminum product which account for merely around 14000 tonnes of export in 2014 last year, so that will go up to around 24000 level from the China so that is what is basically these issues of the Chinese export issue which you are talked about, but nevertheless the premium is definitely in sliding trend now but we expect as then the market vibration whatever it gives that over the months maybe another one more quarter we have to see this kind of the sliding of the premium. It will certainly stabilize and correct inventory and once the inventory is corrected fully maybe second half of this particular financial year, we can see again a stability in the premium so far as the aluminum is concerned.

Tom Albanese: I was just make one more comment on aluminum and then move to Zinc premium and that is, if you look at global aluminum production is about 53 million tonnes per year and I compares with Chinese production of that's 28 million tonnes per year and I compares with the Indian production of 2 million tonnes per year, If we began to see large leakages of Chinese Aluminum into the seaborne market it is likely to have some effect of cannibalizing the business in India much like steel exports from China end up cannibalizing the Indian steel producers and we are beginning to just watch this one closely may be the policy makers know that you could begin seeing the risk of some Chinese dumping into India and obviously the Indian Aluminum industry making some of the calls same calls for basically government action that you are seeing out of the Indian steel sector. So, we watched over that just looking around the corner that we re-enforces our need keep our production down and ramp up in this market with capital that we already we spent.

Moving onto the Zinc side, now we have seen a reduction in Zinc premium, nowhere near extensive as they have been reduced in Aluminum, but they stirred down from what would have been about 170 per tonne to something close 130 per tonne now.

Ritesh Shah: If you could provide some color on carbon prices or CP specifically you indicated that aluminum COP will go down and there is some benefit that will come from which carbon prices - any particular outlook over here

Abhijit Pati: So far as the carbon, the commodity prices have their for CP coke and pitch you have seen good amount of reduction in the last quarter of next last financial year, so we do not force the really further price going down of CP coke and pitch, nevertheless due to the you know the demand supply equations we are talking about is some reduction around we are expecting around 10% of the reduction of the CP coke price in the last quarter of this financial is expected, Pitch continued to be at the same level what we are today. I think basically what we are talking about a carbon reduction overall from a level of around say $260 per metric tonne in the month of April this particular current month, that I think it will further go down to a level of around 230, so roughly around $30 to $32 per tonne of the reduction in the carbon which is an basically driven by mostly on to the efficiency of the carbon, but not maturity by the commodity prices of CP coke and Pitch.

Ritesh Shah: Just last question Sir. How much of comfort do we have on sourcing of bauxite domestically and what is the costing that we are looking at vis-à-vis important bauxite?

Abhijit Pati: The availability of the domestic bauxite as Mr. Roongta has already outlined that is quite promising due to the mines are opening up for the auctions and others. And for your information for around 1.7 million tonnes to 2 million tonnes we are fully tied up so far as the domestic bauxite is concerned. So that is definitely availability point is positive. Price part we will certainly try to see may be a positive you know the variations may be last quarter of this particular financial year. So that way the bauxite will fall into the place.

Tom Albanese: I guess what we were talking about some of these important crucial components in aluminum just to remind you that we have laid out a pretty strong target for procurement savings. When you think about that how much of the total cost base in the aluminum business either processing coal or alumina or bauxite or caustic or coke and pitch. There are huge opportunities and we began to consolidate it and we began centralize this within the aluminum group and certainly a big part of that are expected procurement savings will be coming from improving the pricing but also the efficiencies of that material we are buying recognizing that we have got to compare those improvements against the change in the index.

Moderator: Thank you. Due to time constraints we will take our last question from Dhaval Doshi of PhillipCapital. Please go ahead.

Dhaval Doshi: Sir if you can just highlight about the coal availability currently as in the mines which have got auctioned a good amount of those mines are currently shut so our own requirement as well as the prior allottees everyone is sourcing the coal from the open markets. Are we really facing issues in terms of sourcing coal currently?

S.K. Roongta: Yes, you are right wherever ownership of the mine has changed those mines are not operational right now. But one good thing is that Coal India is putting up more quantity in the e-auction in the current quarter plus the import prices also have come down further and the port congestion which was there has eased to some extent not fully so taking both the factors into account higher e-auction quantity and higher import, the demand is getting met through these two measures in spite of some production not coming from captive mines.

Dhaval Doshi: So can we expect some of the cost reduction which has happened this quarter largely on account of lower coal cost and no power purchases, can that be reversed in Q1?

S.K. Roongta: No that should not happen because as I said that there enough availability of coal and we don't expect that we have to purchase power in Q1 of this year as compared to Q4 of last year.

Tom Albanese: It is fair to say we are in much better position as far as coal supply demand now what we were year ago.

Dhaval Doshi: Lastly, with regards to Gare Palma IV/1, I agree that the court proceedings are on but are we able to source or is there some kind of production which is currently happening out there or is it totally shut?

S.K. Roongta: As I said practically all mines where ownership has changes there are no production. In any case Gare Palma 4x1 there is no transfer to us as far as we know there is no production even by Coal India which is acting as a custodian at this point of time.

Tom Albanese: Just to remind you on that that our bid was 10x reserve bid so I guess I am a bit old fashioned whether it is buying Fine Art in London or used car in Texas. If the auction goes pass reserve prices should be closed and clean but we look forward to what the court says.

Moderator: Thank you very much sir. I would now like to hand the floor back to Mr. Ashwin Bajaj for closing comments.

Ashwin Bajaj: Thanks ladies and gentlemen for joining us and thank you operator. Please feel free to contact us, if you have more questions at investor relations. Thank you.

Moderator: On behalf of Vedanta Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.