"Vedanta Ltd Q4 & FY 2019 Results Conference Call"

May 07, 2019

MANAGEMENT: **MR. SRINIVASAN VENKATAKRISHNAN – GROUP CEO, VEDANTA LIMITED**
MR. ARUN KUMAR – GROUP CFO, VEDANTA LIMITED
MR. SUNIL DUGGAL – CEO, ZINC INDIA
MR. AJAY DIXIT – CEO, OIL & GAS, VEDANTA LIMITED
MR. AJAY KAPUR – CEO, ALUMINUM & POWER, VEDANTA LIMITED
MS. DESHNEE NAIDOO – ZINC INTERNATIONAL
MR. ABHIJIT PATI – CEO, JHARSUGUDA SMELTER, VEDANTA LIMITED

MS. RASHMI MOHANTY – HEAD, GROUP INVESTOR RELATIONS, VEDANTA LIMITED

Rashmi Mohanty: Good evening to all present here with us joining us through the webcast and on the audio call. I am Rashmi Mohanty, Head, Group Investor Relations for Vedanta. Thanks for joining us today to discuss our Fourth Quarter and Full Year Results for FY'19.

We have here with us our Group CEO -- Srinivasan Venkatakrishnan (Venkat); our Group CFO – Arun Kumar, three of our business CEOs – Sunil Duggal from Zinc India, Ajay Dixit – Oil & Gas and Ajay Kapur from Aluminum and Power. On the call we are joined by Deshnee Naidoo from Zinc International and Abhijit Pati who is the CEO of our Jharsuguda Smelter

We will be referring to the presentation that is available on our website and for the audience here a copy is kept on the table. We will begin with an update from Venkat and Arun on the operating and financial performance and then open it up for Q&A. Venkat?

S. Venkatakrishnan: Thanks, Rashmi. Good Evening, Ladies and Gentlemen. Very pleased to be here with all of you and particularly a formidable team of colleagues here to present Vedanta's Limited Fourth Quarter and Full Year 2019 Earnings.

Before we go into the slide show, if I can start putting out some highlights:

Safety is something which is very close to our heart. Very pleased to say that we had a fatality free fourth quarter across our businesses.

Our work in the area of environment, sustainability and community progress further during the quarter and you will see that in some of the slides in the presentation.

Our operating and financial performance was stronger in the fourth quarter when compared to the third quarter as guided on volume, cost, margins and even profit after tax.

Our zinc underground production went up 29% YoY at Hindustan Zinc and Lead went up by about 18% and bear in mind that it's Hindustan Zinc first year of full underground operations and having had some mining background myself, the ramp up in underground has been truly spectacular.

We commissioned our Gamsberg mine in South Africa which is currently ramping up, a not well appreciated commodity within our portfolio because we do not take credit for that in our cost is silver. We achieved record production and it was up 22% YoY, close to producing around 700 tons and that took us to being a top-10 global silver producer and with the growth trajectory we will be reaching top-3 silver producers in the world. This is the first time company in India has reached the top-10 league of silver producers. Our Oil and Gas production was up 2%.

Turning to our Aluminum business; our Alumina production increased 24% YoY, our Aluminum production rose 17%. Thanks to our interventions. And the cost of production in the fourth quarter fell below $1,800 a ton. And I remember in the first two calls we had, the debate was how soon can we get the cost below $2,000. We are at below $1,800 a ton.

The turnaround in our Electrosteel business is evident by 17% increase in steel production and more than doubling of EBITDA per ton when you compare it to last year.

Profit after tax in the fourth quarter was up 6% as compared to the same quarter last year. Our growth projects in the key businesses are tracking very well and capital expenditure was within guided range, showing the strict control we have in capital allocation.

It is all about land positions and resource. We grew our resource base across our key businesses.

We continue to deliver industry-leading dividends, whilst maintaining a strong balance sheet, thanks to our strict capital allocation. In fact, businesses have to earn their money before they spend it, and there is more to come in each of the businesses next year and beyond.

Now, turning to the commodity market:

The commodity prices saw a downward trend in the first half of last year, reflecting concerns around global growth, especially due to trade tensions between US and China but we saw a rebound in the first calendar quarter of 2019. The rebound and the increase therein reflected supply concerns, progress in trade negotiations between US and China and the fiscal stimulus in China. We expect the prices to remain volatile but with an upside potential from the possibility of tighter than expected environmental policy, slower than expected easing of commodity specific supply bottlenecks. Oil prices have also risen since the start of the year amidst production cut by OPEC and other producers and supply disruptions elsewhere in the world.

With that overview, let me go into our performance for the year and starting with Safety and Sustainability: While we had a fatality free quarter, this unfortunately came on the back of nine previously reported accidents which is regrettable. Zero harm for us is a continuous journey and we have embarked on further strengthening our safety processes and ensuring that safety of all of our employees and our business partners and contractors is the first priority above anything else. What we are targeting is safe production. In this regard, we are focusing on three specific catalysts in our commitment to zero harm:

1. Firstly, visible first leadership where the expectation is that leaders and support personnel spend quality time in the field performing safety interactions, work place hazard reviews, making proactive hands-on safety interventions to create a culture of care. Once you have a culture of care, safety is automatic and a safe operation is the most productive operation.

2. Second, manage safety critical tasks well where the expectation is that the safety critical tasks are identified, critical competencies and controls are documented clearly in our statement of operating procedures and the task leader verify that these are in place every time before a work task is initiated.
3. And the third important catalyst given our outsource model is around business partner engagement. Ensure that our business partners from their CEO downwards are committed to zero harm and we treat them as employees for the purposes of safety.

Looking at our environment, energy and water management initiatives, savings and recycling, all of which remain a focus area. We reduced our energy consumption by 1.3 million gigajoules and water consumption by 2.4 million cubic meters.

We are also happy with the progress we are making on the green house gas emission intensity which was lower by about 17%, well ahead of our target of reaching 16% reduction by 2020 against 2012 base oil.

Our many sustainable initiatives are driven by a fundamental approach of converting waste to wealth. The company recycled 93% of high volume, low effect waste. At Hindustan Zinc, we use 60% of our tailing as space fields for oil replacement in our underground mine. We also used an old tailings dam and we expect to install 38 MW of solar farm energy.

Turning to Corporate Social Responsibility:

As a responsible corporate citizen, besides the many environmental initiatives, we continue to positively impact the local communities we are connected with and here the focus is children and women.

We are happy to share that we opened the 500th Nandghar last quarter. Our sports initiatives including football academies are a great way to identify and develop young talent and instill a sense of discipline and self-worth in the youngsters we train. We opened 350 bed state-of-the-art medical center in Raipur, the only specialty hospital in Central India and it has treated more than 4,000 patients to-date. These are just few illustrations. And for the year in question, our CSR spend on a consolidated basis was 309 crores which is around 3% of our profit after tax.

In the last few years, our businesses have been driving technology projects to not only improve productivity and efficiency but also using it to develop safe and sustainable processes and there are a number of examples of it. For example, at Gamsberg, I am sure some of you have actually been to the site. The team uses state-of-the-art collision awareness system to prevent accidents. Our SK mine, the most advanced in our Hindustan Zinc portfolio, we are proud to have developed automated machines for continuous mining and remote control LHD for overhauling purposes. We have some of the most modern enhanced oil recovery programs being implemented or piloted at our oil field at Barmer.

Let me take this opportunity to state again that Vedanta is uniquely positioned and one of the largest diversified natural resource businesses in the world. We are a significant player in the commodities that we are present in and each of the commodities have a leading global demand. Our businesses benefit from abundant mineral resources that India and Africa have to offer. And this is with pride we share that we are a significant contributor to some of these reserves. Of the zinc reserves, our Zinc India business contributes to more than 70%. Similarly, we have 25% share in our 4.5 barrels of oil reserves in India. And you can imagine our contribution to the silver reserves of the country, we account for virtually 95% to 98%. These are all set to grow over time.

And so there is no more exciting economy in the world than our own here in India, as the economy remains one of the fastest growing supported by strong macroeconomic fundamentals. If we combine the enormous economic growth potential of our country, together with vast untapped and underexplored resources, this provides us with the massive opportunity. The substantially low per capita consumption of key metals presents Vedanta with a unique opportunity to provide the vital commodities the country needs.

Against this backdrop, we are naturally pleased to see a renewed focus by the government on the mining sector as an engine of economic growth. It is National Mining Policy, (NMP) launched during the year aims to increase mineral production by over 200% and to reduce India’s trade deficit in minerals by 50% in the next seven years. NMP introduces a more effective and meaningful policy with more transparency and better regulation enforcement. Pro-inclusive growth ambition of any country requires a pro-business environment and NMP will encourage private sector participation in exploration, development and production. We have offered our suggestions to the high-level committee, appointed by NITI Aayog in its deliberations on a new pathway for regulatory framework for mining.

In a similar way, we welcome the landmark policy reforms in the oil and gas sector amidst raising domestic output, cutting imports whilst also providing a smooth transition to cleaner fuels. And therefore, it is exciting to see that we have a strong pipeline across our businesses to capture the opportunities available to us. All the projects are stress tested to deliver at least (+20%) returns of conservative commodity price assumptions.

The medium-term Brownfield opportunities in our business are as follows: If you look at Hindustan Zinc, we are expanding to reach target capacity of 1.2 mtpa this year, moving to 1.35 mt in the next phase and eventually to 1.5 mt.

With Zinc International at Gamsberg, we target to achieve 250,000 tons capacity in the first phase, moving up to 450 in the second phase and then eventually to 650. So you can imagine the scale of Zinc International as a percentage of Hindustan Zinc’s production. It is close to 50-60% of it.

Growth projects in oil and gas continue to progress well to enhance the production volumes in pursuit of our vision to contribute to around 50% of India's crude oil production.

In aluminum, the ramp up of our vast line in Jharsuguda to take production capacity to 2.3 mt is in progress, supported by ramp up of captive alumina production, and that eventually wraps up to 2.7 and then 4 with the final objective of 3 mt integrated aluminum production for the business.

On Steel, we are aiming to achieve hot metal production of 1.5 mt this year, rising to around 2.5 to 3 mtpa, and we will cover this later on in the presentation.

Operations at our iron ore business in Goa remain suspended through the year. We stay continuously engaged with the central and the state government but importantly the people who are impacted by lack of mining in Goa to resume production given the benefit to all of the stakeholders.

At Sterlite Copper, we continue to engage with the government, the relevant authority, the courts and all stakeholders to enable a safe and supported restart of our operations at Tuticorin.

Now, let us come to Strategy:

I will summarize in this section, reminding you of our five key strategic priorities to drive long-term value for our stakeholders:

1. Firstly, Ethics, Governance and Social License to Operate. That is the foundation of any business. We will continue our journey towards zero harm by ensuring greater levels of safety and ever gentler impact on the environment and resources and even greater inroads into delivering healthcare, education, skills and quality of life where it is needed in our community.
2. Second is all about ground positions and reserves and resources. With focused exploration to augment our long life, low cost assets, by improving our land positions, growing our resources, converting resources to reserves in our business, thereby more than offsetting depletion and bringing onstream more discovery to extend our already long mine lives.
3. Third, continued track of delivering value added growth. If you look at what the company has achieved in over a decade in terms of growth trajectory, it is truly spectacular and here the focus is on the three key businesses which accounts for 90% of our EBITDA, namely, zinc, lead and silver, oil and gas and aluminum.
4. Fourth, strict capital allocation and balance sheet focus. As managers of the business, we will follow ruthless and strict capital allocation, keeping the balance sheet in sharp focus. Balance sheet is proactively managed with the business having earned their

capital before spending and Arun will articulate where our debt levels are relative to our EBITDA position which is very-very comfortable.

5. Finally, it is all about delivering the best out of your assets base. With the best team and the means to focus on operational delivery and having the right management and teams in place to deliver what we want. Asset planning, execution, operational excellence, cost control and reduction, productivity enhancement, improving realization, risk mitigation, use of technology, innovation and digitization and most importantly - constantly benchmarking ourselves against the best, the best-in-class and trying to exceed that will enable us to sweat our assets better and deliver enhanced performance.

With that, I will request Arun to cover the financial performance of the company.

Arun Kumar: Thanks, Venkat and good evening, everyone. I will start by sort of repeating this. This has been a strong year for the company where all our businesses delivered on the growth investments. Gamsberg zinc came on stream, Zinc India underground volumes ramped up, more than making up for the open cast of last year. We entered the elite club of top silver producers in the world with record silver production. Robust turnaround of the Electrosteel post acquisition and constantly improving cost structure in the aluminum business.

Last but not the least, 35 new wells hooked up in the oil and gas business as well as the gas bridge project just about coming on online anytime now.

We also expect and hope the copper smelter to restart sometime during this year. These are fundamental building blocks for our growth in each of our businesses and that in place and I expect to see them contribute to the bottom line going forward.

Some key highlights for the quarter and the year: EBITDA of Q4 was at Rs.6,330 crores which is about 6% up sequentially while over 4Q 2018 it was down 19%, all of it is attributable to price, the copper smelter shutdown or one-off accounting reversals in last year. Full year was around Rs.24,000 crores flattish excluding copper and one also the base year yet robust margin of 30%. Strong end to the year's cash with the free cash flow post CAPEX of Rs.11,550 crores, up 47% and also strong closing balance of cash of about Rs.39,000 crores sort of liquidity as you can see.

Venkat alluded to this. Net debt-EBITDA continues to remain strong at around 1.1x. ROC is around 13%. We believe could strengthen further with the growth blocks in place that we just discussed. Contribution for the year to the exchequer was significantly higher at about 42,500 crores, last year was about 33,000 crores.

With the strong close to Q4, we believe we are geared up to strong volume growth and a competitive cost position looking ahead in FY'20.

We have a detailed income statement in the appendix but few key updates I might just cover out here. Depreciation charge below EBITDA. For Q4 and also full year was driven by growth CAPEX and is higher this year, thanks to the impairment reversal which happened at the end of last year in the oil and gas business. For FY'20, I see that continuing in the same run rate of the Q4, probably slightly elevated level as we keep capitalizing more and more of the growth spends.

Investment income for Q4 and FY'19 is higher mainly due to the mark-to-mark gains of nearly about Rs.715 crores net of FOREX. On treasury investment made by our overseas subsidiary, Cairn Hydrocarbon CHL through a purchase of the economic interest in the structured investment in the underlying Anglo-American shares that we discussed quite in detail in the last quarter, is partially offset by lower investment corpus post dividends in Q3. Investment income should continue at current levels as per our guidance for FY'20 which is sort of 7% return on the cash portfolio, of course, it will be subject to mark-to-mark on the entire portfolio wherever is underlying debt, SMP or the structure that we have invested in, both will mark-to-mark. Otherwise, the general return is about 7%.

On the finance cost line in Q4, pretty much in line with the guidance. FY'19 will largely be driven by full year impact of the acquisition debt of Electrosteel. In FY'20, the average cost of the debt book will continue to be around 8.2, 8.5% depending on where the yield curve is. Objective will be to absolutely reduce the debt number as well, the already low debt number. With increasing surplus cash earning from all three key businesses and I repeat, surplus earnings from all the three key businesses including aluminum, zinc and oil and gas, all post funding the growth CAPEX.

The fourth item would be tax, the last line below EBITDA. The tax rate before exceptional items and DDT for the year was around 28% but closer to 30% if you exclude the mark-to-mark gains on the interest line. As you know that overseas entity is really not subject to tax. Broadly in line with the guidance that we had given at around 30% and next year FY'20 we retain the same guidance of around 30-32%. So it starts tending towards maximum marginal rate.

Moving on to the next page, on the EBITDA bridge, the sequential EBITDA walk is perhaps a relevant page this time which sort of showcases the progress we made during the Q4, in general the second half of the year. The Q3 EBITDA adjusted to LME and currency is around Rs.5,600, 5,700 crores. Compared to that we have delivered as you can see on the right side of this chart, volume as well as cost driving the EBITDA up by nearly Rs.1,000 crores to land around Rs.6,330 crores.

The cost drivers are primarily aluminum, I am sure Ajay Kapur will talk a lot about it in the Q&A Session as well as some cost in Zinc India also got taken out as the underground started stabilizing in second half of the year.

Volume reflects increasing output in Zinc International. A full year stable sort of an output in steel or a full quarter output I would say. We cover this in detail on the previous page as well.

Strong close to Q4 across our businesses sort of augurs very well for a stronger FY'20. If I have to draw attention to Page #30 of the guidance chart, it is there with you all, presentations have been circulated, you will notice that we made some key guidance out here for your benefit. Volume increase of nearly 12% at Zinc India. Sunil already spoke about in the Hindustan Zinc results. He has indicated circa million tons finished zinc, lead.

Zinc International up by nearly 2.5x actually, driven really by Gamsberg coming onstream and also Skorpion as per the mine life. I understand some of you here visited Gamsberg as part of our investor visit as well and saw for yourself the ramp up underway.

Silver was significantly up is the other guidance that we had given, closer to 750-800 tons for next year as against 670 tons this year, so that is another handsome increase of anywhere up to 15-20%.

Oil and gas volumes again up 10% approximately. Steel volumes on a full year basis up 26%, that is because of the full year impact coming as we have ramped up at the end of FY'19 to 1.5 mt and you get the full year benefit of it next year.

Important to remember, in steel also, the compounding effect of the EBITDA margin, right, because if you see the margins also exited about 140 and if you do a full year guidance versus a full year FY'19 margins should also be up nearly 15%, so it could have a compounding effect here.

Iron Ore Karnataka sales should be up about 25% albeit on a small base in FY'20. That is a guidance that we have given.

On the cost side, importantly, aluminum hot metal cost are guided down, almost 9% on an average versus FY'19. That is again all that we do there, just maintain your Q4 run rate and I am sure Ajay and the team can get better, but from a guidance perspective, it is pretty much maintaining the Q4 run rate that we exited. Zinc India in the vicinity of about $1,000, holding quite well out there. These are all EBITDA positive for the company and the focus of the management team will hence be on execution. While we do not guide on prices, we do expect the prices to be around the current level. There will be ups and downs. Tight demand/supply balance in zinc continues with low inventory. Oil is supported by geopolitical dynamics and aluminum more or less led by China demand.

Moving on to the next page, on this EBITDA bridge which is pretty much for the full year EBITDA, as I mentioned FY'19 was about 4% lower, rounded off to about 24,000 crores as compared to FY'18. As I mentioned earlier, excluding pretty much price, copper shutdown and one-off it was flattish. Much of the volume gains and there were volume gains were offset by structural cost inflation in aluminum. Thanks to alumina prices and some related to coal but all of which have been largely corrected as we exited Q4. The guidance which I covered in detail should give us significant confidence and I hope reassurance as well as we start delivering FY'20.

Moving on further to the next page on net debt, as you can see we have generated a cash of around 11,550 crores from operations, round about 45% to 50% of our EBITDA full year working capital was positive with good relief from tax balances both direct, indirect where we collected a lot of refunds. Gross working capital initiatives we ran a company-wide working capital optimization program and further controls on the stock levels. We will discuss on the CAPEX bar here more on detail in the next page but important to mention that CAPEX for the year was within the guidance. Broadly, one can conclude that the dividend payouts were funded by surplus cash flows CAPEX requirements and the resultant increase in net debt is pretty much the acquisition debt. And of course, the acquisition debt will in turn get supported by the expected increase in steel EBITDA in FY'20 and we talked about the multiplier effect of both volume and margin out there, thus keeping track with its investment case as well the steel side.

Moving on, broadly displaying the fact that we have a strong financial returns profile, our focus on balance sheet management continues. We had refinanced our FY'19 maturities well in advance in H1 itself. Also, thanks to the global operational performance, cash flows and excellent banking relationships, we were able to effectively refinance and sort on navigate some of the choppy capital markets in second half of last year.

The average maturity of term debt consistently remains about three years on a rolling basis with the strategy in place to further improve it in the coming year in FY'20. We have been able to hold our average borrowing cost at a little over 8% for the whole year. Our investments are also rated Tier-1 by CRISIL and with the evolving market situation the portfolio is being monitored tightly and on a continuous basis. As I mentioned, our relationship with the banks and capital markets participants remain strong and we continue to further widen and deepen our axis of that.

Moving on to CAPEX page, our capital allocation strategy is a disciplined distribution towards achieving the overall objective of maximizing shareholder returns, delevering the balance sheet and invest in the next phase of growth projects. Over the years, we prudently allocated the capital as well basically in zinc ahead of the curve now giving strong returns as the prices are pretty good in the last 18-months and next 12-months outlook going forward with the Cairn merger we are de-levered as well and now we are investing back in the growth projects in the oil and gas sector which as you would observe on this page will be the biggest spend segment for FY'20.

Iron and Steel will also see some investments primarily at Electrosteel when we start expanding. Our CAPEX over years have been largely self-funded and we continue with that even during FY'19 and no reason to believe otherwise in FY'20 everything will come from the cash flow that we generate.

All the projects have hurdle rates of 15%, 20% Venkat as well mentioned it. And next year just to call a number out, the number is about $1.4 billion. That is the CAPEX that we are guiding. Primarily again in oil and gas and zinc we also retain an optionality there within the 1.4 because there are a few projects that we are looking at in aluminum and bauxite as well.

With that I can just wrap up and say that we continue to allocate the capital prudently, focus on cash flows through increasing volumes and lowering costs thus funding robust shareholder returns, that is the bottom line.

With that hand it over back to Venkat.

S. Venkatakrishnan: Thanks Arun. We saw three large businesses which represent 90% of the group's EBITDA achieve significant milestone, which gives us a very strong foundation in terms of our near-term targets that we have set for these businesses.

Starting with zinc, lead and silver, as I said, we are very pleased with the transition to underground mining has gone very well and production went up from an underground mining point of view by 29% and silver shot up by 22%. And I am very optimistic about our SK mine and the silver production coming out of SK mine, which shot up 22% rising to around 800 tons next year and making its way towards 1,000 tons. What we are looking at building is on this success in 2020 to achieve mined metal design capacity of 1.2 mt and further ramp up in silver production that we outlined. As these volumes go up, coupled with our own cost reduction efforts, we expect the unit cost in the businesses to come down also.

Our growth projects are progressing well to achieve this and these include in very simple terms, ways to mine more, shaft commissioning to haul and hoist more, refine more through additional mills, extract more silver through Fumer project and make our operations sustainable through paste fill plants. The Zinc India business is a great example of using innovation, technology and planned execution to achieve sustainable growth. In fact, most of these plants except to have been bought on stream in a pretty flawless manner.

Turning to Zinc India, we are equally pleased that we are replicating the success at our flagship Gamsberg project in South Africa which has got an abundant resource. We achieved the milestone in December where we shipped the first parcel of concentrate and we are now ramping to its target MIC capacity of 250,000 tons. And as I said in the last call the focus here is to address all of the teething issues so that once you have achieved the full ramp up then it starts to operate in a steady manner.

This new age fully automated digital mine will be the catalyst for that regions development and a significant contributor to Vedanta's earnings over the 9-12-months. And certainly in 2019 going into 2020 when you take Zinc International, Hindustan Zinc together we are cementing ourselves to becoming the largest producer of zinc in the world with the lowest cost and a suite of long-life assets.

Now moving to oil and gas, we have an optimum portfolio mix here across the oil and gas lifecycle. During the year, our production sharing contracts for Rajasthan and Ravva blocks have been extended for a period of 10-years subject to certain conditions. At the end of March, we had ramped up the development rigs to 11. Our early production facility to ramp up gas volumes by 90 million scuffs, which is around 15,000 barrels of oil and gas equivalent per day is being commissioned and will gradually be ramping up volumes from that source as well.

And in continuation of our efforts to enhance our resource base, we have issued a global tender inviting bids for end-to-end integrated contracts for the 41 blocks that we have been awarded under OALP and we were also awarded two development fields under the DSF Round-II in Assam and the KG basin.

We continue to work on many growth projects across a rich set of opportunities covering enhanced oil recovery, tight oil, tight gas and exploration and appraisal prospects. As part of the strategy, we will continue to have an integrated partnership model with some of the global oilfield service companies. The internal rate of return with each of these projects have to cross 20% of $40 per barrel price. With 11 rigs at site, we are witnessing significant increased activity levels in the field which requires a fair amount of integration. The number of wells shall almost double from the current 500 to over 900 over the next two years.

Our disciplined low cost operating model with cutting edge technology adoption shall enable us to increase production and achieve world-class recovery rates.

Our exploration efforts are focused on adding to our resource base. The step change in production comes from new discoveries. Both the wells drilled in KG offshore block have been declared as discoveries. We are evaluating the data to plan the way forward in this block. In Rajasthan, we have awarded integrated contract for drilling around 7 to 18 exploration wells.

In Ravva, we have awarded the integrated contract for exploration and development for 9 to 16 wells. The campaign in both these blocks is expected to start in the second quarter of the current fiscal year.

Beyond this, the acquisition of the 41 exploration blocks has made us the largest private acreage holder in India. In the current quarter, we will evaluate the techno commercial bids to award exploration and appraisal contracts through as I said the integrated partnership model. And all of these projects are at the back of the world-class resource base with gross 2P reserves and 2C resources of 1.2 billion barrels. Our exploration and appraisal efforts are focused on adding to the resource base. And all of our development efforts are focused on increasing production to the target level of around 270,000 to 300,000 barrels of oil and gas equivalent per day. As the Group CEO, I tend to be the integrator, the businesses are very federal, so my job is to ensure that we keep our social license to operate and drive the ESG and also have visibility around long life and exploration efforts. So these are two things which will be driving very-very hard.

Turning to aluminum, we are very happy to report that we have proved some of the skeptics wrong and we achieved record metal production of 1.96 mt. I remember doing the first set of calls and road shows, people said that they have heard the story before so many times, are we going to get to below $2,000 a ton. Our alumina refinery ramped up strongly this year and achieved a peak run rate of 1.8 mtpa as local bauxite sourcing ramp up during the year. Half of our refinery’s bauxite requirement for Q4 was met from these local sources.

On costs, we faced some headwinds in the first half of 2019 as you are well aware, but we are encouraged as a result of many structural changes that we have put in place. In the business we have managed to reduce the overall costs. The cost of production in Q4 2019 was $1776 a ton, significantly lower compared to the previous quarters which was around $2,200 to $2,300 a ton.

Over the last year, we have shared with you our target to get to cost of production of $1,500 a ton. We are enthused to share that we have significant structural improvements in the aluminum business which makes me believe that this target is achievable. We will see volatility in the interim of course, but the trajectory for the cost reduction has been set. How do we achieve that? The production volumes for aluminum has been enhanced to 2 mt.

Let me take up each of our input commodities individually. Our alumina sourcing will be a mix of own alumina and imported alumina. The Lanjigarh refinery has been ramped up and achieving a peak exit rate of 1.8 mtpa. We plan to ramp this up further in stages to 2.7 mtpa with a further ramp up to 4 mtpa in the medium term. This year we also started getting dispatches of local bauxite. We expect the local bauxite to meet a third of our requirements for the year. Further, bauxite security has been ensured through a long term contract with EGA.

We saw repeated headwinds on coal supply during the first nine months of the year. However we ended the year successfully with coal inventory of more than 10-days at most of our plants. For this year, with 3.2 mt of coal secured in transfer auction along with our previous linkages and our own captive Chotia mine, we have increased our coal security to around 72%. We have set Ajay Kapur an ambitious target of increasing the security to 90% through participation in auctions of coal mines and more linkage options. Further initiatives on logistics, long-term contracts on carbon are also being worked upon.

On the market side, the focus remains to sell more domestically and increase the proportion of value-added products thereby improving margins.

Turning to Electrosteel which is a successful turnaround story, production has ramped up to 1.2 mtpa with an exit run rate of hot metal of 1.5 mt and EBITDA margins of around $122 a ton.

The business achieved record volumes, EBITDA and free cash flow with an industry leading margin of around 19%. The plan ahead is to ramp up eventually to the design capacity of 2.5 mt backed by iron ore mines in Jharkhand, and supported by a diversified value-added portfolio at the front end.

To conclude, Vedanta remains a great investment case. Our large-scale diversified portfolio with an attractive cost position in core businesses positions us very well to deliver strong margins and cash flows through the commodity cycle. We have positioned ourselves in base metals and oil, make our commodity mix particularly attractive. India is Vedanta's core market and one which has huge growth potential. We are strongly and uniquely positioned to benefit from this growth.

With our earlier investment driving our cash flows, we have a strong pipeline of self-funded high return growth projects to further solidify our premier position in our commodities. We are consistently striving to improve our operations, integrate our businesses and our value chain and optimize our performance through operational efficiencies and innovative technological solutions. Our operational performance coupled with the strong focus on optimization of capital allocation and a sharp focus on returns have helped us strengthen our financial profile. We have a proven management team here with good bench strength with a diverse and extensive range of sector and global experience who will ensure that operations are run efficiently and responsibly. And beyond operating and financial metrics, the two big purposes which we serve are giving back to the country the planet and the community and the country and importantly we are also in the task of producing business leaders, we catch them young and develop and groom them.

With that I would like to thank everyone. Given that you hear me often in the conference calls and the quarterly results, I am going to try and speak very little now in the Q&A and give you an opportunity to interact with the CEOs who are here and on the phone, and I will only supplement as and when needed.

So with those comments, hand-over to Rashmi.

Rashmi Mohanty: Thank you, Venkat. So we have audience on the audio call and on the webcast as well, but we will take a few questions in the live audience here, and then also switching to taking questions from the webcast audience.

Anuj: Hi, Venkat. This is Anuj, from Bank of America. So my question is on oil and gas. As you mentioned, significant portion of the incremental CAPEX is going down more than 50% last year as well and next year also we are targeting half. So, this segment has actually disappointed on the ramp up consistently. So this year also we were targeting around 220 barrels and we ended by 189 and the next year target is now 200 to 220 which is very subdued target versus the growth expectations were earlier. So what has gone wrong there? Secondly, what gives us the confidence that we will be able to achieve the 270 medium term target which we have and what happens to the half a million target which we had committed earlier.

Ajay Kumar Dixit: I would say if we take from 180 for 185 where we are today, if we have the slide again on the oil and gas, in a very simple terms what you see is a bottom production. This is a simple one where additional wells are getting added to be hooked up. So, these are the cases what you see. While drilling in this exploration this time we had to go much deeper in terms of the depth as well as we have drilled now horizontal well which is the first of its kind. Now this all has taken a certain amount of being reassurance to be done on what we are trying to do in the entire extraction of oil and going forward and these successes are now giving us confidence that this production what we are adding over here for adding more wells, would clearly give us and kick in over here for let us say from the second quarter we would get this close to about 20 what you will see at the bottom bucket. Then the development part if you see if you leave the ASP part, which is MBA ASP, other than this the rest of it is again close to about 80 to 90, and these are kicking in quarter wise in phases, and the MBA ASP is a pure big target which is going to give us more than 90, portion of it comes end of the year. So close to about 90 to 100 comes from this and these projects are in place, for example, if we take tight gas which is another big number over here about 45, we will start getting close to about 15 to 20 sometime in the month of August, and the balance sometime in December, January. So, the progress of these projects are on schedule. So, if you look at it this, therefore a close number which we are saying guidance exit rate of around 270 to 300 and an average of 200 to 220 is very clearly on track and visible with projects which are running on ground and as per schedule what we have seen. There has been rescheduling done based on the new type of wells, which we are now drilling more which are horizontal well which takes time. And therefore, it takes time also on the integration, and accordingly the surface facility coming up sometime in January and February. So, therefore the confidence level is very high, and the numbers will be achieved.

S. Venkatakrishnan: Just to get to 275,000, 300,000 a high level of confidence largely because I look at it in a couple of buckets -- The first bucket is existing production and here is around how you actually manage your decline management and there if you go back and look at what forecast decline rates were compared to now we have done much better. Secondly, in terms of well reservoir management and also bringing on stream additional liquid handling capacity and improving recoveries. That is one bucket. The second bucket is bringing on stream the various development projects, whether it is in terms of additional wells, hooking them on, then bringing on stream gas and also bringing on stream tight oil and tight gas projects as well. The third bucket is ASP which has been piloted and the recoveries will actually improve quite significantly. The fourth bucket in terms of step change is bringing onstream new discoveries closer to the infrastructure, so that they can be processed through the terminal and add to it, your offshore kicker coming in as well. All of these give us the comfort that 275,000 to 300,000 is within meeting range. You asked us about what went wrong. I think the thing is we probably should have estimated our integration probably better, and with these large projects you rather take your time, do a proper allocation of the contract rather than rush and give a contract and find that you have actually shot yourself in the foot. But now with those contracts going through, the proper mechanism, quite confident that getting through to 275,000 to 300,000 barrels of oil and gas equivalent is within shooting range.

Anuj: Just a follow-up. I am not going to hold you to that, but what is the timeline for 275,000 to 300,000 is a three year plan?

Ajay Kumar Dixit : That is what I just told you that we get close to about 210, 220 in the range at the start producing around 210 in the second quarter and around the third quarter, we go closer exceeding around 250, 260 and then we come to the fourth quarter around 270 plus exit rate. So the average is actually 200.

Pinakin: If you look at the balance sheet over the last two years, the net debt has spiked up, and the main concern investors have is the leverage at the parent Vedanta Resources. How should we look at dividend policy from here? It has been ad hoc. And to that extent would we increase leverage at Hindustan Zinc and Vedanta Limited to pay out higher dividend or will dividend be a function of only the free cash flow and nothing else?

Arun Kumar: I think our articulation of the capital allocation has been fairly consistent I would say in the last two years far from erratic. We have always said, we are going for the operating asset, right. Get the volume up, get the cost down. Of course, in the journey you would have a few bumps like the aluminum inflation, etc., but then that is also pretty much exited quite strongly if you see the Q4. So you have a strong operating asset. We have always been self-funding our growth CAPEX. Even last year Rs.24,000 crores roughly what about $3.5 billion in dollar terms, right, even with that we have probably generated close to about $1.7, $1.8 billion of free cash flow post CAPEX, which is at Rs.11,550 crores. The point I am driving here is after funding for a growth plan, price is not in our control, some aspects of inflation not in our control, post that we said the next walks off capital allocation is shareholder return and we have been very consistent with the dividend also. If you see the last three years, the average dividend per year would be in the range of Rs.18.5 to Rs.20.25 I guess which would give you pretty much consistently YoY. The timing could vary between the year, but fundamentally it has been fairly consistent. And the free cash flows are actually funded. It does take us into another very attractive sort of an investment vehicle from equity point of view is the dividend yield. Our dividend yield has consistently been between 7% and 8% in the last three years and amongst the private sector either the first or second in the NIFTY 50 and you know your NIFTY 50 yield is roughly about 1.8% on an average. So we have earned the way through growth and earnings that we have had, we have deployed probably in returning to the shareholders. And yes, we had a bolt-on acquisition which came in around July and it took us about seven, eight months to have a nice sustained turnaround, it is a nice sweet success quarter if you see in steel. And we ramped up to 140. We still do not have iron ore mine, that should come through and you can imagine competitor one is $184 exited. competitor two is $167, we are almost at $140. So can be a small capacity but reaching that. So that acquisition debt will start paying up in FY'20. So the debt has been sort of constant I would say subject to acquisition. Capital allocation policy is consistent. We are managing between the buckets of reduced gross debt for sure, manage CAPEX and then return to the shareholder, and the average dividend for the last three years has been almost in a range of (+/-5%, 7%). So I hope that helped answer the question.

Pinakin: Sure. And the alumina expansion has been now optionality for two, three years. I mean, what is holding back the project from getting through -- is it regulatory approval? Is it bauxite? Is it capital, I mean how should we look at, will it expand in the future?

Arun Kumar: I think Ajay will handle. It is actually good news. We are going ahead.

Ajay Kapur: So first is you saw increase about one-fourth in the capacity. It comes because of our local bauxite sourcing through the government-owned Odisha bauxite where they already have a run rate of 3 million. We are confident that we will win some more mines in the vicinity and we have a very tight schedule to now look at immediately expanding by about a million. The team is working on it and I can only tell you that the way we have expanded in the last year or so, this should not be very long, I think I am looking at 24-month on a horizon.

Pinakin: Go from two to three?

Ajay Kapur: Two to three and then go to four.

Pinakin: And the three to four would be additional effective CAPEX. This is just the earlier CAPEX which was half completed?

Ajay Kapur: Absolutely. So we do it smart CAPEX.

Amit Dixit: Amit Dixit from Edelweiss. My question pertains to the note #8 in the account regarding the Volcan instrument. Just if you could reconcile in that how much we have to pay, how much we have already paid and how it is reconciled in balance sheet on our second liability side?

Arun Kumar: I will just talk in dollar million, so it sort of easier. Just above $500 million was a total instrument that we had mentioned during the Q3 call. Out of which as of year ending FY'19 we have paid up approximately $270 million. We probably have another $250 million to be paid up over the next four to five quarters so to say. And we did go through in a lot of detail during the call and post the call last time and very happy to report that you have taken note of note #8 and I have also covered it in my talk track that the underlying value did go up significantly and we have recorded mark-to-mark gains, cumulative gain is roughly about $130 million odd net of FX which is about Rs.900 crores odd between Q3 and Q4 but primarily in Q4. And on the balance sheet it is shown as cash and cash equivalents. So Rs.39,000 crores includes this $270 million or roughly Rs.2,000 crores that has been paid out, right. We do believe it is liquid but if you really want to strip it out then Rs.37,000 crores of cash and Rs.2,000 crores roughly of structured investment is how you look at it as given in the appendix.

Amit Dixit: Just a follow up question on this. You have said that total consideration is Rs.3,812 crores that you have paid in this year. Is it correct?

Arun Kumar: We said the total consideration is Rs.3,800 crores which is just above $500 million, out of which about you should say 55% has been paid out and the balance 45% in the next five quarters.

Amit Dixit: So when you say the fair value of investment is Rs.4,772 crores, so what does that include -- that include this $270 million that we have paid plus MTM gains?

Arun Kumar: Correct and the present value of the future payment. So it is a valuation methodology. The broad way to look at it is 25 million shares multiplied by approximately every pound of movement multiplied by 1.3 will give you dollar and the rupee.

Amit Dixit: Because the investors have been really wary of what is our rationale for acquiring this stake in Anglo, what is the end game like? I mean we all know the option is going to come for the maturity next year. So what will happen then?

S. Venkatakrishnan: I will answer that question and we outlined very clearly the rationale behind why the investment went in. It was purely because it was giving superior returns and with hindsight has shown that actually to deliver those returns here. As far as Vedanta is concerned, and Volcan actually is still holding the ownership of the shares and the voting rights. It has got nothing to do with Vedanta Group at all. So as far as we are concerned on April 20 and October 20, those structures will unwind and the money will come back to us. So there is not a game plan which involves the underlying shares as far as Vedanta is concerned.

Rashmi Mohanty: I will just take one question on the webcast audience and then come back here. The question is from Ritesh Shah from Investec. His first question is on Electrosteel 90% of the stake is with the Vedanta Star Limited. How do you look at the balance 10% residual stake -- are we looking to delist or buy out the minority?

Arun Kumar: It has actually been delisted and now it is in the process of merger with Vedanta Star Limited and there will be a formula based payout which is not more than $30 million, $40 million approximately to the 10% of the shareholder. So it is a pretty much procedural thing. The more exciting thing about Electrosteel and Vedanta Star really is about the ability to expand the volumes there with very marginal CAPEX and the multiplier effect I talked about in terms of the base year volume versus next year stabilized volume and the ramped up EBITDA at a full year level versus the average lower EBITDA of this year. So that should give good EBITDA growth or growth block for Vedanta in FY20.

Ritesh Shah: Is there any scope of moving the Gamsberg ore to feed the Indian Hindustan Zinc metal?

Sunil Duggal: I think this question was already asked in Hindustan Zinc call. We have no plan to move the concentrate to Hindustan Zinc because the smelters are located in the land locked area. So if we would have some smelter located at our port, we would have taken that call, #1. #2, we have a metal balance in Hindustan Zinc wherein we have the expansion coming up from our mines and we balance it with the smelter capacity. So we are debottlenecking the smelter as required to fill in the capacity coming from the expansion of the mines. But we definitely have a plan to put up a smelter at Gamsberg. We are evaluating that opportunity, but we will come at the right time to say that when our work will start and when we are ready to go.

Rashmi Mohanty: There is one more question from Ashish Kejriwal from IDFC. He has asked that the net debt has reduced significantly by Rs.126 billion QoQ to Rs. 270 billion. The EBITDA in Q4 was just Rs.63 billion. What could be the reason for the net debt reduction?

Arun Kumar: I think in the last quarter results we had guided that we will definitely have a good Q4 in terms of pulling back some of the working capital investments. We do see a lot of efficiency kick in, in the second half of the year as sales maximize and that is one prime reason why we have been able to achieve what we did. Now the good news is that the full year number is around $1.7 billion or Rs.11,500 crores of free cash flow post CAPEX, approximately about 45% to 50% of the EBITDA generation if you look at the last four years of trend you would find Vedanta consistently at that percentage. Whatever be the level of EBITDA given the price ups and down because we manage our whole cash flows that we leave enough on the table again to meet all the three requirements that I laid out earlier.

Ashish Kejriwal: Yes, so I think it is a continuation of the previous question only which were asked. So just to go back to the promoter entity, we are seeing almost $700 million of annual interest outgo is what they are faced with right now which has to be matched with the dividend payment from India, almost $1.6 billion, $1.7 billion. Given that they are 50% stake, now the cash of zinc is sort of Rs.16,000 crores and then we have some 4,000 crores, 5,000 crores left with Cairn. So we are approaching that level where even full cash out go from zinc is probably not enough to meet this sort of commitment. So what are we looking at -- are we looking at some sort of stake sale in zinc or debt in zinc? Something has to match up as to meet expectations at the promoter level, that is point #1. Point #2 on the Cairn side, 186 was the total production for this year. And if you can break it up between Rajasthan and the rest because what we are seeing is a natural decline in the Rajasthan field. This natural decline was supposed to be offsetted by the enhanced oil recovery to a certain extent which is not happening. So on what base are we adding the additional 90 kbpod and from the development projects and the base 40 from the new drilling projects, if you can just break that part a bit over the next two or three years? And the last question if I may just to refresh my memory, I think there has been a bit of tone down for FY'20 production as well as Zinc International is concerned, and FY'21 guidance have been given, but if you also take us through the FY'21 guidance because Skorpion will run out in FY'21, the 112 KT that you are showing in Skorpion. So, if you can also just briefly guide to the production that one should expect from Zinc International in FY'21?

S. Venkatakrishnan: Why don't Arun take the first one, Ajay second and if Deshnee is on the call, she can take the third question.

Arun Kumar: I think fundamentally far from those thoughts that you are thinking about, again we have to ask the question in the first half in March '18 which go even back my cash balance has been more or less constant which really comes back to the point we had earlier that we are generating enough free cash flow post our CAPEX needs to do any shareholder rewards that we have to. And this is Vedanta Limited, so I am not going into detail from the parent side, but whatever little public information is available you would gather that. The annual servicing is around $350 to $400 million, right. So that is not much, and plus there is a separate asset where we also have Zambian mines and copper which directly roll into the parent. But I do not want to get into that. They also generate cash flows and have good potential out there. So multiple assets and it is a strong holding at that point of time and it enables us to access global capital. We just did a global bond issue and the biggest bond issuance by an Indian high yield name since August 2017. So that is the strength of Vedanta and Vedanta name globally. Between the parent and Vedanta Limited these is not a company which in the last 15-years has financed or definanced nearly $40 billion of global debt raising capital markets, and also gives us access to so many bank relationships, be it Far East, Mid East, Far West, Indian banks, private banks, etc., So I think we are in a good spot. The fundamental focus for us is really on those growth blocks on EBITDA, right. We did mention Electrosteel, we have big growth block even though small volume but the effect is big. ZI as you rightly observed and I am sure Deshnee will address it, Gamsberg goes from zero to nothing and Sunil's Zinc India simply has to grow even a Hindu growth rate is enough for him to generate big EBITDA. If you see what I mean and he has already guided 12% up in volumes and with that kind of margins with first docile cost of positioning, just look at the quality of this asset and more important than not is India needs a company like the natural resources company in the Indian subcontinent where one out of every four human beings live. There is no other company doing this kind of business. Yes, there are some other company, the power, the steel, there is automobile, etc., but natural resources play, fundamental resources that go into everything is a basic need of all of us. So I think that is what really drives us to deliver more and we have enough building blocks on our EBITDA and I do not think we dip into our cash reserves that way, I mean, they are all there for the rainy day, but having almost Rs.40,000 crores of cash reserve is fantastic I believe is probably the second biggest treasury in the country as well. So that is another data point. And this is after contributing nearly 43,000 crores to the exchequer, Government of India whether cess, royalty tax, indirect tax, dividend, etc., which again places us either at #1 or #2 in the country. So, I think all of us can feel good to have this kind of quality assets and that kind of cash flow speed to meet all our natural resources ambition for the subcontinent.

Ajay Kumar Dixit: So when we said about 200 to 220, the decline has been accounted for. Just I would reconcile again the number which I said in the beginning, the bottom production is close to about 25 and other than ASP I said is close to about 90 plus. So even if you consider another 20/25 decline and you add back, you reach an exit rate of about 270 plus. So, on an average therefore this number is considering the decline.

Rashmi Mohanty: Thanks, Ajay. Deshnee if you are on the call, can you take up the third question, "Guidance from ZI for FY'20 and then if possible some insight as to the next plan?"

Deshnee Naidoo: In terms of how to look at the Zinc International over the next two to three years Black Mountain continues to be a stable producer around at 70,000-odd tons of MIC level. In terms of Skorpion, you are absolutely right, Skorpion starts to ramp down in the next financial year. You will remember when we gave guidance on the put 112 pushback, we indicated that we had some 250,000 to 270,000 tons of zinc metal that we could get out of it. Last year's production took around 60,000- odd of that. So, we are left with around 200,000 tons of zinc metal between this year and next year. Of course, the plan is to accelerate that metal production this year, and then the balance tries and shorten the life for next year. So we have guided more on the ore production leading into metal for Skorpion this year. But between this year and next year, we want to produce just under 200,000 tons of zinc metal. As it stands, the plan with the Skorpion this year is around 120,000, 130,000 tons of zinc metal, and if you look at its Skorpion's performance over the last three years this will be one of its largest year or driven by the fact that we start to get into some double-digit grade pockets within this put. On Gamsberg, if you look at the entire project, we kept on talking about an average grade of 6% to 6.5%. So I look at Gamsberg in terms of how quickly I can ramp it up to 3 to 4 mt of ore from a run of mine point of view as early on as possible. In terms of how we planned this year, we get to close to that ramp up of 330,000 tons of ore treatment by the end of Q1. Because we continue to be in a lower grade regime than the average grade from now till the end of this financial year, we are therefore guiding around 180,000 tons to 200,000 tons of MIC, and then next year the grade does pick up, but yet again we will be able to treat 4 mt but still not be full average grade, and that is why next year we can look at maybe 220,000 to 230,000 tons of MIC for Gamsberg. I trust that answers the question and gives enough insight in terms of how we are looking at planning.

Rashmi Mohanty: We have a question from the audience on call.

Participant: If you can touch upon the additional resource potential in Swartberg, Kariba in terms of your phase-2, etc., just to give a long-term trajectory it will be good?

Deshnee Naidoo: Most exciting was international, and to the many analysts that visited us they saw this firsthand. Year-on-year our reserve and resource has grown by over 30%. So, we are now sitting at about 4 mt more of zinc metal just under 30 mt of zinc metal equivalent in our resource base. What we have done outside of proving up our resources in the last year we have also built confidence in terms of the project pipeline. So the phase-2 projects, which many of you will remember on Gamsberg is a doubling up of the puts, so we go from 4 mt to 8 mt of ore, and then another module of the plant is in feasibility, and in the course of this financial year we will be looking to approve that project and hopefully start. Venkat as well as Arun touched on the zinc refinery. That work that we want to complete this year because I mean if you are in a high TC market, it is always best to be in an industry where you are getting all of the benefit on metal. So Sunil and I are looking at that. But as Venkat said, we might be looking at ramping down the Skorpion mine and the plant within the next 18-months. But it does remain a little bit of metal under put 112, we need to figure out how smartly and safely to get it out. And there does remain Kariba project which is a JV with the neighboring trivalian mine sulfide based, so we are looking at how we can exploit that. So I think as Venkat and the Chairman like to say, at Zinc International, it continues to be sufficient water in the well and the task for the coming year is to look at how quickly we can get this into production into market. The thing as we are all seeing that that this business continues to be the highest potential in terms of step change for the group.

Rashmi Mohanty: Thanks, Deshnee. We have one question on the audio that we will take now.

Moderator: Thank you. That is from the line Vineet Maloo from Birla Sun Life. Please go head.

Vineet Maloo: My question is related to aluminum segment. I am on Slide #42 which shows aluminum profitability where your total realization is $2,010 per ton and your EBITDA per ton is $131, and the difference between them implied cost which is about $1,870, which is about $100 higher than our actual reported cost of $1,776-odd. I just wanted to reconcile the difference of about $100.

Arun Kumar: I think we do get your question but the IR team will come back to you offline on the exact reconciliation of the numbers, but broadly to make the point the guidance that we have given at 1725-odd in the appendix which typically is hot metal, we have been conservative there, and we also understand that we always have a premium of about $200, with increasing domestic share this year I think about three percentage points has gone up very much in the last two, three months actually as well as the fact the value added percentage is constantly going up. We exited last year at about 50% and we are already clocking 60-plus at this point of time. So that could add another $30 or so more to the top line. So any aluminum you take anywhere between 1750 to 1950 on an average in between, you add another 200, 230 and reduce 1750, 1775 that should be a conservative margin. I would say can we get to 350, 400 would be a nice target. And what is the potential of that business? Very easily 600 because as we have always been articulating and both Ajay and Venkat covered the bauxite supply, every ton of aluminum produces bauxite gives us about $300 benefit in the EBITDA actually. So the more and more as we convert during the year the cost should start gradually coming down. On a lighter note, I do hope Ajay has kept a lot of buffer in his guidance and he is going to beat it. But that is the direction of aluminum. Anything do you want to add Ajay?

Ajay Dixit: I think you have almost stated everything. The building blocks of coal because last year we had to pay heavily when coal was not available. Thankfully as was also mentioned by Venkat in his address, more than 10 days stock at all our site, our linkage and our assured supplies along with our own Chotia block is now upwards of 70. We would target reaching closer to run rate of 80, 85 end of the year. So that solves a big part of our cost. Second is alumina where I already spoke about 3 million run rate on the locally available bauxite, and in addition with EGA we have a long-term contract that should also further help us. I think these are the two big building blocks. Marketing and sales is something what Arun already mentioned. We are wanting to increase our domestic, which we can already see the run rate is much better and also the value-added products. So I think those are the building blocks.

Indrajit: Hi, this is Indrajit from Goldman Sachs. I have two questions: First on aluminum. What is the status of procuring alumina from Nalco, any update on that?

Ajay Kapur: So the matter is sub judice, High Court has appointed in our favor. It is under appeal at Supreme Court as of now.

Indrajit: On steel, our realizations have increased sharply quarter-over-quarter despite benchmark prices going down. So what has contributed to that?

Sunil Duggal: So one is the volume. Another is the IBRM material, so input cost has gone down and the coke prices also softened a bit. So a combination of the productivity product portfolio I would say has improved because over the time the pig iron percentage has gone down. So next year we have taken the smaller target. So the product portfolio improvement, IBRM prices, internal efficiency, coke prices. So a combination of that has improved demand.

Sumangal: This is Sumangal from Kotak. Two questions: One on this $500 million investment in Volcan. Now we did this in search of better yields in case the yield appear to still remain above market yield. Are we open to increases investment beyond the current $500 million or we are done with this instrument?

S. Venkatakrishnan: I will answer that question. We are done with it. That is what we said last time and it stays there.

Arun Kumar: A very quick clarification on the previous question, Page #25 the bars will talk about the hot metal cost in aluminum and exit was 1700, the average for the quarter was 1780-ish. Page 42 would talk about including conversion cost of 103. That gives you reconciliation of 130 on EBITDA margin, right.

Sumangal: Just one small bookkeeping. We have discontinued giving the buyer's credit. So if you could disclose that.

Arun Kumar: We will take your suggestion and we will definitely put in our footnotes soon on that. I mentioned last time, it is about a billion dollars, stays around that much, so there is no significant movement in almost four quarters I would say because just working capital employed sort of.

Moderator: The next question is from the line of Abhishek Poddar from HDFC Mutual Fund. Please go ahead.

Abhishek Poddar: First one is regarding the power cost in the aluminum segment. We are seeing 20% decline. I think in 3Q you had reported $793/ton in the power cost which has come down to 632. What has led to such a sharp decline in power?

Ajay Kapur: It is basically coming from our low imports. Earlier we did not have coal, so we had to import power which was at Rs.6 on an average. So I think that has been the key factor. And as I mentioned, our security from our linkage and other domestic sources and also own mine Chotia which almost went up to closer to 0.6 million this year, I think that added to the power cost.

Abhishek Poddar: So how do we see the sourcing in FY'20?

Ajay Kapur: FY'20, I think the direction is what we did last quarter, we should actually do better than that.

Abhishek Poddar: So imports will be minimal in that?

Arun Kumar: Yes, and if we can just help you with a couple of data points, I think we exited the year with almost two-thirds of linkage percentage, and thanks to the fourth round of coal linkage auctions which we started realizing in fourth quarter, plus the fact that you would remember we had bid in one a mine in BALCO Chotia that started producing. So you will have a full year impact of both of this as well as the fifth round of auctions scheduled for August 19. So structurally coal three-fourth, perhaps linkage security as Ajay elucidated and the balance would be spot and imports is required, but then they become very small, BALCO has almost reached design level of around $565, $550 in Q4 as exited, so pretty much a nice stick for BALCO.

Abhishek Poddar: And the last question is regarding the net debt breakup that you give in Slide #34 of the presentation. There is one item in Cairn India Holdings, where the net cash has gone up from 38 billion in previous quarter to 57 billion. What has led to that increase?

Arun Kumar: Cairn India Holdings is a operating entity at the end of the day and half of the Cairn business you would recollect sits in that. So exact reconciliation I am sure the team can get back. It is a nice question to have why is it going up. It will go up. The output is coming and the profit petroleum is going up there. So EBITDA has gone up in Q4. And as I mentioned earlier that includes the investment that we have made, which is roughly around 270 million or 2,000 crores approximately included in cash and cash equivalents.

Participant: At the end of the day the linkage supply is dependent on Coal India basically meeting its commitment, right. To that extent if we have a repeat of the first half of 2019, where the power demand shoots up and Coal India lag, then the cost guidance would again come under stress, right, I mean the linkages would not matter. That would be a fair assumption?

Ajay Kapur: I think you have already said the answer in your question. This volatility is very-very severe, but when I meet the people and I talk to Coal India did ever highest production this year at 7%. I think they are also well geared to go ahead. If you see overall coal stocks in the country across sectors, I am coming from cement and we were suffering there as well, but I hear now that there is a sufficient amount of coal available. So the risk remains, but I think it also happened because at one stage the government also went more for domestic at the cost of imported. You know that whole story. Now I think that mistake perhaps will not be committed. So I am more confident, more bullish on coal supply.

Participant: Given your experience in cement, if met coke consumption keeps on coming down and cement has been on met coke for so many years and they are forced to go to coal, does that tighten the situation further or…?

Arun Kumar: We buy in aluminum alone, close to 60,000 tons of coal every day. I mean, that is not the kind of coal cement sector can buy.

Rashmi Mohanty: Thank you everyone for joining us here in person, on the webcast, and on the audio call as well. As always if there are any follow-up questions, we are available, the IR team is here, and you can reach out to us. Thank you so much.

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