"Vedanta Limited Q4 & Full Year FY 2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and Full Year FY 2021 Earnings Conference Call of Vedanta Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Varun Kapoor, Director (IR) from Vedanta Limited. Thank you, over to you, sir.

Varun Kapoor: Thank you, operator. And good evening, everyone. We are joined today for this call by our CEO – Mr. Sunil Duggal; Mr. Ajay Kapur who is the CEO of Aluminium and Power; Mr. Arun Misra – CEO for Hindustan Zinc; and Mr. Prachur Sah – Deputy CEO for Cairn Oil & Gas.

I would also like to introduce on this call Mr. Ajay Goel – our Group Deputy CFO who has recently joined us from Diageo India. Ajay comes with more than 20 years of experience and has previously worked with companies like Nestle, Coca Cola, GE and Diageo.

So, with that, I would like to hand over to Sunil to take us through the presentation. Over to you, sir.

Sunil Duggal: Thank you, Varun. Good evening, ladies and gentlemen. Welcome to Vedanta Limited's fourth quarter full year avoid 2021 earnings conference call. I hope everyone here and their loved ones are keeping safe in these difficult times. I would like to express my deep gratitude to all employees who have worked hard to deliver yet another strong operating quarter.

Our intrinsic spirit to do more and serve more has helped navigate in this crisis with confidence. In a year filled with changes and challenges, our performance was exemplary by any measure. We were able to deliver our best by relying on our talent pool, asset base, continued focus on cost discipline and commitment to our core values of ESG. Further, the year saw strategically augment our business model with larger integration and digital-first approach.

Come to Slide #5:

Quarter 4 FY 2021 began on a very positive note. The approval of two vaccines for use in India contributed to positive expectation on the economy. In FY 2021, India's economy rebounded impressively despite the world's longest and stringent lockdown. However, India today faces a degree of uncertainty after rapid escalation of the second wave, which is much worse in its extent, and impact that of the earlier first wave. The move of Government of India to liberalize and accelerate Phase 3 of the vaccination drive will contribute to the protection from the second wave of infection.

Even with the ongoing challenges, India's growth rate and its future looks quite reassuring. India is one of the most exciting economies in the world today. It is a nation brimming with opportunities and potential as the country looks to modernize, expand and accommodate rising aspirations of a growing population. This is also largely aided by government supported policies

like National Mineral Policy, focused on domestic production; National Infrastructure Pipeline, among others, assisting the commodity sector. Consequently, India's demand for commodities is all set to multiply given low per capita consumption in India, the demand growth in this decade for almost all the major commodities is likely to be a few times higher than the global demand growth.

The recovery in global commodity prices continued in FY 2021. Prices of key raw materials such as steel, aluminum, iron ore, crude oil, have seen double-digit increase and are higher than pre-pandemic levels, backed by infrastructure-oriented stimulus package across the globe. Iron ore prices showed on massive demand from growing Chinese steel production. The recovery in oil prices has been supported by strong economic revival in U.S. and China. Vedanta is uniquely positioned to benefit from these strong commodity headwinds due to its diversified asset base and unparalleled exposure to Indian commodity market.

Coming to Slide #6:

While the world today is moving in and out of lockdowns, our focus remains on maintaining business continuity, while ensuring overall safety of our people and community. In these trying times, we are trying to extend the support to as many as possible. Vedanta has pledged Rs. 150 crores to help the country in its fight against the second wave of COVID-19. Our flagship program Vedanta Care has taken up with 1,000 bed initiative in 10 different locations across India, with 10 ventilator equipped beds and 90 oxygen support beds will be added in each location. Our aluminum, Cairn and HZL units have added almost another 1,000 additional beds in existing hospitals.

Our Tuticorin oxygen plant has been given permission to reopen for four months to produce oxygen. HZL has also set up oxygen bottling plant to produce 500 cylinders per day, while other businesses have provided 120 metric tonne of oxygen and critical equipment to hospitals in Rajasthan, Jharkhand and Goa. We are following up the best-in-class COVID mitigation norms to manage health and hygiene at workplaces. We are tied up with Apollo for 24/7 health helpline for our employees and their family members. For all our employees, we have increased the insurance covered to 5x of gross salary to relieve anxiety and pressure on the mind of our people. We are also making arrangements for 5 lakh vaccines for our employees, partners, and their families and local communities.

Coming to Slide #7, before turning to our operational and financial highlights, broadly summarizing this year:

I would like to highlight that FY 2021 has been one of the best year for Vedanta operationally. We continued to deliver record production performance across all our businesses, along with the continuous focus on lowering cost. Special mentioned to our Zinc India, Aluminium and Zinc International businesses. This reliable performance pace has been achieved by appropriately using technological advancements, and digitization across all our businesses. We are focused on increasing production from our existing resources and enhancing recoveries via technology

delivered discipline. We have augmented the R&R base in by 10% in Zinc India, and Zinc International, while R&R for oil & gas assets improved by 35 million barrel equaling this year. We are further working towards assessing new mining zones and expanding partnership to strengthen R&R base.

Coming to Slide #8.:

Despite the challenging times, our Aluminium, Zinc and Gamsberg businesses showed strong operational recovery from the pandemic impact, with significantly lower cost of production. Aluminium business recorded ever highest aluminum production of 1,969 KT with 2.1 million tonne exit run rate in Quarter 4. We are on track to ramp up the capacity to 2.3 million tonnes to 2.4 million tonne per annum. We also recorded the lowest cost of production in last seven years at $1,347 per tonne, down 20% Y-o-Y through structural measures and operational excellence.

In Zinc business, we clocked highest ever mined metal production of 972 KT, up 6% Y-o-Y on account of higher ore production and better overall grades, with lowest ever cost of production of $954 per tonne since transitioning to underground. Silver segment also became an important part of our diversified Zinc India portfolio, with production soaring to its ever-highest production of 706 tonnes. Our current production run rate gives us confidence to deliver 1.2 million tonnes per annum mined metal in near-term, with potential to reach 1.5 million tonnes per annum, for which we are on drawing board. We also achieve the highest ever production of 145 KT, up 34% via Y-o-Y Gamsberg in Zinc International business, with 11% Y-o-Y lower cost of production at $1,288 per tonne. Continuing with the trend started in Q2, our Q4 EBITDA is up by 18% Q-o-Q at Rs. 9,107 crores, highest ever quarterly EBITDA and with industry leading EBITDA margin of 38%.

Slide #9, on fatalities and safety:

We are deeply saddened by the loss of eight lives in this financial year. We have completed in depth incident investigation for all these fatalities. The learning from the incident are being reviewed with all our employees and business partners for implementation across all our BUs. The action pointers from lesson learned are being tracked and monitored at highest level, that is ExCo. We reiterate our commitment and vision to ensure all employees go home safely. The group safety team is driving various improvements to meet our vision. Our current standard is being updated continuously to ensure a seamless and transparent flow of facts and information related to fatalities and investigations. A working committee has been established to identify critical areas and recommend improvements to address these critical risks. High potential incident and others are analyzed on a day-to-day basis. Various trainings like ICAM for improving investigation quality, cross business safety audit training, and comprehensive CHESS model has been launched.

Coming to Slide #10:

ESG has always been our core to everything we do. And since ESG has become an increasing focus for the global commodity, we benchmark ourselves to the best of standards available. On the environment front, the focus remains on tailing dam risk assessment, monsoon preparedness of our tailing dam, and waste management facilities, and monitoring high risk non-compliances. These aspects are being monitored at group and business unit ExCos. We managed to utilize 93.7% of our waste generated. This year we have saved 2.03 million cubic meters of water and recycled about 83 million cubic meters of water, up 17% Y-o-Y. Our energy savings were 1.86 million Giga Joule for the year. We contributed about Rs. 35,000 crores to the exchequer in this financial year. With a social investment of Rs. 331 crore, we are touching the lives of 42 million people through our various CSR programs. We currently have constructed more than 2,300 Nand Ghars, women and childcare centers and aim for 4,000 Nand Ghars till 2022.

On the governance side, we continue to hold ourselves to the highest level of transparency with strict adherence to code of conduct. We are also taking steps towards being an inclusive organization. We are consciously working on all levels to achieve 33% women representation across all our decision-making bodies. We appointed India's first woman underground mine manager at our Zavar Mine in Hindustan Zinc. We have stand on our governance structure to have strong board and management committees, ensuring oversight and compliance.

Coming to Slide #11:

On carbon strategy, we aim to slowly build and modify the organization processes to achieve net zero carbon emission. A carbon forum has been formed with sets of carbon agenda by deliberating the monitoring mechanism of the optimum Y-o-Y targets. We have introduced a carbon rating system and taken a five-year target to have 40% projects with 4 Star rating and above. This is keeping in mind the aim to meet the global expectation and business realities. In cognizance of the importance of this subject for the company, already appointed Director Carbon & Social Performance who will drive this agenda. Our efforts have resulted in 13.8 million tonnes of avoided GHG emission since 2012. We have included carbon KPIs as part of employee stock options structure to drive increased awareness. We are also signatory to private sector commitment on climate change, which we will wholly honor. We also released our first TCFD report, making us the first organization in metal and mining space in India to do so.

Turning to Slide #12 – Coming to our business verticals:

In our Aluminium business, we again saw an excellent quarter in terms of record cost and production performance in aluminum and alumina vertical. We achieved the highest ever aluminum production of 1,967 KT, including trial run with record low cost of production, the lowest in the last seven years.

Our alumina business also achieved highest our production of 1,841 KT in a year. Quarter 4 FY 2021 saw Lanjigarh cost of production at $246 per tonne, and aluminum hot metal cost of production at $1,433 per tonne, marginally up due to input commodity headwinds. The aluminum segment made significant progress in its structural cost reduction journey. In FY 2021, we have

brought down our hot metal cost to 1,347 per tonne, primarily driven by higher production in Lanjigarh refinery and lower cost of production on account of improved local bauxite mix, operational efficiency, secured coal supply at smelters, and lower renewable power obligation rates.

Coming to Slide #13:

While vertically integrating our entire value chain, as a part of cost reduction journey, we have undertaken the expansion of Lanjigarh Alumina Refinery from 2 million tonne to 5 million tonne per annum by quarter one FY 2023, making it one of the world's largest single location alumina refinery complex. For long-term coal security, we have secured the Radhikapur West coal block recently. We have now signed the Coal Mine Development and Production Agreement with Government of India for this block. The operationalization of our captive and commercial coal block at Jamkhani and Radhikapur respectively will be one of our key focus areas going forward. With one of the finest technical teams, our strategy is to increase our captive raw material mix, be it local bauxite, captive alumina and coal through operationalization of the acquired coal mines. In this journey, we intend to collaborate with global partners to support our entire value chain.

Turning to Zinc, Lead and Silver on the next slide:

One of the key pillars of our business, it has been delivering consistently on volumes despite challenging times and has achieved a few milestones this quarter. We crossed the guidance of 925 KTPA to 950 KTPA. We record mined metal of 972 KT primarily owing to higher ore production and maintaining overall grades at the same level. The costs are at $954 per tonne, the lowest levels since we transitioned to underground mining. In addition to being a global leader in the zinc and lead business, we are now pleased to announce that we are the sixth largest global silver producer. This year we recorded highest-ever silver production of 706 tonnes, up 16% annually, exceeding the target of 650 tonnes. Silver has become an important part of the Zinc India portfolio, contributing to about one-third of the business EBITDA. We expect to be amongst top three silver producers and the largest integrated silver producers globally in the next two to three years' time.

Coming to Slide #15:

We aim to increase efficiencies in existing resources and further enhance recoveries, along with working towards assessing new mining zones and partnerships. We plan on following the three-pronged strategy for executing our growth ambition:

- Firstly, by strengthening our position as a cost leader through digitization and optimization drives.
- Second, expanding our portfolio by developing new value-added products.

- Lastly, use technology and innovation to reduce, reuse, recycle waste, and restore natural systems, including water and land. We also intend to bolster local economy by increasing local sourcing.

Coming to Slide #16 on Zinc International:

Gamsberg mine continued with its excellent performance. Gamsberg achieved 145 KT production in FY 2021, up 34% Y-o-Y. Gamsberg also demonstrated several best performances like highest quarterly mill throughput at 522 tph, highest quarterly mill tonne at 961 KT, and least amount of mill stoppages in Quarter 4, down 32% Q-o-Q. In Quarter 4, the cost of production was higher due to lower recoveries, exchange rate appreciation and higher stripping. However, full year cost of production was at $1,288 per tonne versus $1,445 per tonne, down 11% through better recoveries and consumables and cost efficiencies. VMM produced 14 KT MIC in Quarter 4, impacted by lower lead grade and recoveries. We are happy to announce that a new product line of recovering magnetite through its tailing with potential capacity of 0.7 million tonnes per annum is underway. A pilot plant of 60 KTPA capacity is commissioned and producing very high-grade concentrate. Scorpion Zinc mine and refinery remains under care and maintenance owing to geotechnical instability in the open pit. Activities to restart the mine are progressing well.

Coming to Slide #17:

Significant production improvement initiatives like recovery improvement, mine grade optimization and accelerated stripping are underway to meet FY 2022 targets.

Turning to Slide #18, on our Oil & Gas business:

The quick recovery of global crude prices lead to positive headwinds for the business. Gross oil and gas production for the quarter was 165 kboepd as compared to 160 kboepd in quarter three FY 2021, with Q4 exit at 173 kboepd. The increase in volume is primarily due to ramp up of polymer injection in Bhagyam and Aishwarya fields, an increase in gas sales from the new terminal partly offset by natural reservoir decline in the fields. The operating costs are at $9 per barrel, compared to $7.7 per barrel in quarter three, up due to increase in work over and maintenance activities. The volume ramp up from the gas facility as well as ABH to its full potential is underway.

Commissioning delays due to pandemic affected certain projects like tight gas, tight oil, polymer infill and MPD upgradation, led to performance lower than the guidance in FY 2021. In FY 2022, we aim to achieve full ramp up from ongoing CAPEX projects. In addition, we have identified new infill drilling opportunities in Rajasthan to increase recovery from the fields and manage natural decline. The facility upgradation is complete, assuring new project will have no other dependencies to deliver volume.

Exploration wells are also planned in Rajasthan and offshore to augment resource base. In OALP we have commenced a 15 well drilling program across Rajasthan, Assam and Cambay, with early monetization plan, depending on exploration success.

Coming to Slide #19:

Our Oil & Gas business have been in forefront in using digitization and technology to drive efficiency and recovery. Digitization initiatives are being implemented to improve asset reliability. Projects like polymer, water management, and EOR ASP are underway to announce recoveries. We are evaluating various global players to partner with us on a solution-based approach and achieve our vision for Oil & Gas business. In respect of the production sharing contract for Rajasthan, a division bench of Delhi High Court in March set aside a single judge order, directing the Government of India to extend the PSE on the same terms and extension of the PSE will come under the GOI Extension Policy dated April 7, 2017, which entails us to pay additional 10% profit petroleum. The government has extended the PSE for another three months and positive discussion, as we speak, are on with the government for a hopeful securing 10-year extension of the PSE.

Coming to Slide #20, moving on to our Iron Ore business:

In Goa, we capitalized opportunity of improved global price in Quarter 4, with sales of 0.8 million tonnes, taking the FY sales to 2.1 million tonnes. The increase in sale was an effect of beneficiation of low-grade iron ore procured. Further, for the resumption of mining in Goa, we are continuously engaging with state and central government, with the support of impacted stakeholders. In Karnataka, we have seen strong performance with 4.4 million tonnes of sales during the year. The margin was supported by high domestic iron ore what prices, though restrained in full value due to trade barriers in Karnataka. Our value-added segment benefited by domestic steel prices, coal prices, efficiency improvement, and better by-product credit. We achieved the highest ever quarterly margin of $153 per tonne, up 15% Q-o-Q, and a 3x increase Y-o-Y with FY 2021 margin at $105 per tonne as compared to FY 2020 margin of $26 per tonne.

Coming to Slide #21 on Electrosteel:

The business recorded quarterly salable production of 319 KT, flat Y-o-Y, with a robust margin of 22% at $131 per tonne, highest in FY 2021 on account of improving macro factors and steel prices. The sales were at 323 KT for the quarter, taking the FY 2021 sales to 1,231 KT, up 4% Y-o-Y. The WAP mix increased in FY 2022 to 72% and expected to be about 92% in FY 2022. We are underway to double the capacity to 3 million tonnes per annum by completing the unfinished facilities with productivity improvement and capacity enhancement as part of original design and capacity upgradation of existing facility through technology, automation and digitization in next 16 to 18 months' time.

Coming to Slide #22:

Since FACOR's acquisition, we have operationalized and enhanced the production at both its mines, delivering strong growth and margins. The mine production has increased by 105% as compared to H1, with 100% utilization of captive ore, compared to 50% at the time of acquisition. We have reduced the cost by 11% as compared to H1, and near-term possibility to reduce by another 20%. The EBITDA margin has improved to $492, up 3x Q-o-Q. We further plan on increasing the production capacity and productivity through various debottlenecking and technology initiatives.

With this now, I would like to hand over to our newly appointed CFO – Shri Ajay Goel for the financial performance.

I would also like to take this opportunity to thank Mr. Arun Kumar, our ex-group CFO for his guidance and contribution. He has strengthened our foundation that will benefit this organization long after his departure. Over to you, Ajay.

Ajay Goel: Thank you, Sunil. And good evening to everyone. So, Quarter 4 has been an excellent close of the fiscal year, with a continuous uptick in volumes, specifically in our Zinc and Aluminium businesses. We achieved the highest ever mined metal production at zinc and delivered a run rate of 2.1 Mtpa at aluminum in the fourth quarter. Gamsberg continues with growth in its volume, with full year volumes at 145 KT. Debottlenecking in pig iron business in fourth quarter is expected to give higher volumes in coming years.

I want to highlight some of the critical financial metrics for the fourth quarter and total year. You can find these on Slide #24 of our presentation.

We delivered highest ever quarterly EBITDA in Q4 at Rs. 9,107 crores, which is 88% highest versus last year Y-o-Y, with an underlying margin of 38%. 38%, if put in perspective, is industry leading margin by a big difference. Full year EBITDA stands at about Rs. 27,341 crores, up 30% Y-o-Y. This is primarily enabled by the improvement in cost and volumes, and along with a favorable market scenario in terms of prices and foreign currency. I will cover this more in detail as I move to EBITDA bridge in a while.

Attributable PAT before exception items stands at about Rs. 7,000 crores, which demonstrates strong financial performance on all lines of income statement. ROCE, return on capital employed, continues to be double-digit and now has touched high teens, it is now at 19% for the fourth quarter and last fiscal year. Gross debt as on closing date at Rs. 57,000 crores, lower 9% quarter-on-quarter, with cash and cash equivalents at about Rs. 33,000 crores, which signifies a very strong liquidity position as seen in the previous quarters as well. Net debt at about Rs. 24,000 crores, down 32% quarter-on-quarter, with annualized net debt to EBITDA ratio at 0.9x, which is better than last year and continues to be lowest amongst Indian peers. I want to underline the fact that 0.9x net debt to EBITDA ratio signifies that our annual EBITDA is now bigger than our net debt, which is a great place to begin in terms of balance sheet.

We also have a detailed income statement in the appendix, Page #33. I want to decode a couple of numbers for you. Depreciation charged for fourth quarter was Rs. 2,055 crores, higher 7% quarter-on-quarter, in line with the guidance and primarily due to higher volumes and capitalization at Zinc India and cost in our Aluminium businesses. Full year depreciation at Rs. 7,638 crores, lower 16% Y-o-Y due to impairment of our assets at oil and gas in fourth quarter last year, so it has a base effect as well.

Finance cost for the fourth quarter was at Rs. 1,325 crores, which is flat quarter-on-quarter, and for the full fiscal at Rs. 5,200 crores is higher by 5% Y-o-Y, which is primarily driven due to lower interest capitalization. The average cost for the year stands at about 7.9%. Investment income for Q4 was at about Rs. 860 crores, higher 12% quarter-on-quarter, primarily due to change in mix of investment, and for the full fiscal at about Rs. 3,200 crores, higher by 34% Y-o-Y, with again a change in the mix of the investments, partly offset by lower corpus.

The average investment income for the year standard about 5.9% pre-tax of the current portfolio. I wish to add that our investment strategy is quite robust, and we invest mostly either AA or in AAA rated securities.

Finally, in terms of normalized ETR, the tax rate, for the last fiscal is about 27%, which is before any exception items, before any tax on intra-group dividends, and before one-time recognition of deferred tax assets of almost Rs. 3,000 crores, which we have booked on past losses of ESL. This 27% ETR for last year compared to previous year of 34% reduction in the tax rate is enabled by change in the profit mix of the entities where we are entitled to a lower tax rate, and adoption of the lower new tax regime in one of the subsidiary entities.

I now move to EBITDA Bridge:

First starting with EBITDA bridge sequentially, which is quarter-on-quarter, and you can find this on Page #25. So, as you can see on this page, EBITDA for the quarter stands at Rs. 9,107 crores, higher 18% quarter-on-quarter. And it's quite clear that a favorable market condition in terms of higher metal prices have been conducive for achieving highest-ever EBITDA, and this is supported by volume ramp-up at Zinc and Aluminium businesses. This was partly offset by higher cost of production at aluminum and steel businesses, which are due to higher input commodity inflation, in line with the higher metal and commodity prices.

Moving on to EBITDA bridge Y-o-Y vis-à-vis last year on Page #26:

The overall narrative for EBITDA growth of 80% odd Y-o-Y remains somewhat same, as I explained on the previous chart sequentially. So, with metal prices forming a substantial chunk of overall growth, given a gain of almost Rs. 4,100 crores, along with volume ramped up at Zinc and Aluminium, it's about Rs. 900 crores, partly offset by higher costs.

With that, I move to next page, net debt, on Page #27:

So, as you can see, the net debt as of March 31 at about Rs. 24,000 crores, showing an increase of Rs. 3,000 crores vis-à-vis last year. However, if you exclude the inter-corporate loan of almost a billion, which is an investment force for us, effectively the net debt as reduced by Rs. 4,000 crores, primarily driven by strong free cash flows post CAPEX Rs. 14,000 crores, partly offset by payment of dividend, Rs. 9,000 crores. Free cash flows from the operations for the year was almost Rs. 14,000 crores, with positive cash flow from operations of Rs. 23,700 crores, primarily driven by very strong EBITDA performance. This has been again partly offset by working capital investment of Rs. 2,500 crores, which one can mainly attribute towards unwinding of export advances at our Aluminium business, and further CAPEX of almost Rs. 7,300 crores. The impact of positive cash flow was offset by payment of dividend and inter-corporate loans.

I move to balance sheet, Page #28:

With a strong position of cash and investment of almost Rs. 33,000 crores, our focus on balance sheet management continues. Robust operational and financial performance, strong cash flows and excellent banking engagement helps us further widening and deepening our access to money markets. The average maturity of term debt consistently remains more than three years on a rolling basis, with refinancing strategy in place to further improve this during the coming year. We have been able to hold our average borrowing cost at 7.9% for the full fiscal. Credit rating has improved from earlier negative outlook to stable outlook by India Ratings. So, both by CRISIL and India Ratings, our outlook remains stable. We continue to maintain net debt to EBITDA at 0.9x, lowest amongst the Indian peers by a long margin.

Finally, in terms of self-funded CAPEX, on Page #29:

Our capital allocation strategy is quite disciplined, which is linked towards achieving overall objective of maximizing shareholder value, deleveraging the balance sheet and to invest in next phase of growth project. Following these lighting guiding principles, next year, our growth CAPEX spend would be around $1.1 billion, primarily into Oil & Gas $400 million, Aluminium almost $300 million, Zinc $100 million, and the remainder across our portfolio. Overall, we continue to allocate capital with prudence, focus on generation of good cash flows, thereby increasing volumes and lowering costs and delivering robust shareholder returns.

To conclude:

In summary, I would say, we delivered very strong results for the fourth quarter in terms of operations and profitability, and we leave the year with a stronger balance sheet. This gives us a solid foundation as we usher into Q1, the new fiscal year.

With that, I will hand back to Sunil for wrap before Q&A. Thank you.

Sunil Duggal: Thank you, Ajay. Before we open the floor for questions and answers, I would like to reiterate our strategic priorities that will drive long-term value for all our stakeholders. One, continued focus on world-class ESG performance, being our foundation. Two, augment reserve and

resource base to fuel the growth. Three, delivering the best from our assets and people with a focus on cost leadership. Four, optimize capital allocation and maintain strong balance sheet. Five, continue track record of delivering value added growth in all our businesses. With these strategic priorities, I declare the floor open for question and answer. Over to operator. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Inderjeet Agrawal from CLSA. Please go ahead.

Inderjeet Agrawal: Two questions from my side, first is on guidance if the Oil & Gas business. Our guidance of 175 kboepd to 185 kboepd look a little muted, given that in March the run rates were 173 kboepd. So, when can we see the step change in that business in production run rate? Because we remember, not too far back we had a guidance of somewhere around 200 kboepd to 225 kboepd.

Sunil Duggal: So, we are getting a guidance between 175 kboepd to 185 kboepd. So, like I said that we have exited the year with a run rate of 173 kboepd, and an average of 164 kboepd for the quarter. So, our projects got delayed because of the pandemic, and there were some teething issues also. With a base of 163 kboepd, 164 kboepd for the quarter, we are hopeful that we will be able to add the volume of 1,450k with the projects which are being ramping up. But apart from that, we are doing certain projects on additional gas wells and some injection wells and some exploration project. So, these projects will deliver by the fag end of the year. So, that is why we are saying that the guidance is between 175 kboepd to 185 kboepd. We want to be sure this time that we meet our guidance, or we rather beat our guidance. But we have Prachur, who is CEO of Oil & Gas. Prachur, over to you for a better explanation.

Prachur Sah: Sure. Mr. Duggal, thank you. I think you covered the points. See, 175 kboepd to 185 kboepd is a guidance based on the projects, the five major projects that have now been completed. These projects contributed about 52,000 barrels per day in FY 2021 and they will increase to 70,000 barrels per day, which will not only **manage the decline** but provide us the growth on what we finished last year. In **the year that** got completed, the additional CAPEX drilling projects, which Ajay mentioned, have had been initiated, that will contribute about five to six average for this year and will be contributing 30 plus for next year. And the opportunity does exist to expedite these projects. And on top of it, any exploration success that will bring early monetization would provide a positive upside to the guidance. However, we will be in a better position in Q2 or Q3 to see based on what we get in exploration. So, we are quite confident on delivering this 175 kboepd to 185 kboepd guidance this year basis be position we have with respect to the completed projects and what we are undertaking.

Inderjeet Agrawal: Exit run rate we can see in FY 2022?

Prachur Sah: For the exit number for FY 2022, currently we are looking at a number close to 195 kboepd. And as I said, this number could be positively impacted depending on what we get in exploration projects as we progress through the year.

Sunil Duggal: So, we have exploration projects, both in our licensed fields and in OALP. Depending on the exploration success, we will get the additional volume. This time we are taking an approach of the modular concept where we will do the exploration cum producing wells. But if we get the early success, we will give you the positive surprise also.

Inderjeet Agrawal: Thank you so much. On alumina, when we ramp up to 5 million tonnes run rate, so what kind of bauxite sourcing we are looking at? If you can give us some directional guidance.

Sunil Duggal: So, we have the option when we are ramping up from 2 million to 5 million tonnes. Based on the imported bauxite, it will give us a upside of $100 per tonne of the cost. But if we are able to source the local bauxite, it will give us the additional benefit of $50, $60, $70 per tonne. And our endeavor is to get the local bauxite either through the auction or the long-term contract with the OMC. But for the better explanation, my colleague, Ajay is there on the call, over to you, Ajay.

Ajay Kapur: Thank you, Mr. Duggal. See, we will need about 14 million tonnes for a 5 million refinery. Of which, like Mr. Duggal explained, we already have contracts with us on long-term basis with some global suppliers, let's say to the tune of about 6 million to 7 million. In addition, we have local contracts of about 3 million already with us, that already covers a large part of our requirement. Bauxite is a very freely tradable product globally also. On top of it, we are very optimistic with the new mining reforms. We are also active, hopefully we start one or two mines, and also increase to OMCs. So, I don't see that as a major risk. In our project estimates, we have considered as if we use international bauxite and even then the project makes a lot of sense with the new economies that we are working on.

Inderjeet Agrawal: Sure. Thanks a lot. One last question, if I may. On Gamsberg we had a medium-term target of 500 kilo tonnes per annum. So, when can we expect that run rate to be achieved or what is the outlook for that? And including, what is the kind of smelting arrangements we have?

Sunil Duggal: It is in two, three parts. As we are speaking, the capacity of the first plant is around 240 Katp, apart from VMM. So, 240 Katp, I think it will give the design output this year, this is what we are hoping for. In the meantime, in the last quarter we had some safety incident and the ore flow got impacted. But we are doing modification of the plant to get the better recoveries. But I am also happy to tell you that the plant, as far as the availability and the number of stops and the throughput is concerned, has performed beyond the design capacity, and we are hopeful that in this year we should be able to touch the design capacity.

In Gamsberg, we are sitting at the R&R of around 550 million tonnes. So, which actually is an opportunity of 1 million tonne metal, but we have the easy opportunity of doubling it to 500 Ktpa. As we stabilize the plant, concentrate the plant, and have all the learnings with us, we are evaluating the opportunity that how quickly we can replicate the model to double the capacity. As far as mines are concerned, there are multiple mines here, three, four open pit mines, where the mines are opened up, the stripping is done, ore is exposed, and we can quickly ramp up our production capacity from the mine. We are in discussion with the OEM who has supplied the plant, and we will come up with the proposal as we get the final design, taking the learnings from

our first plant, and ramp it up to the full capacity in another one or two quarters. But the potential definitely lies in Gamsberg to double and go beyond.

Moderator: Thank you. The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: First question is on the dividend policy. Just want to get your latest thoughts, we have a policy of passing on all the dividends from subsidiary. This year we have passed only a fraction of that, despite ending the year on a very strong note. So, want to know how should be the dividend expectations in the coming years? And also, since we have retained a part of that, what is the tax implication on the retained dividends?

Ajay Goel: Thanks, Sumangal. So, as you would appreciate that the dividend decision is multivariate, and eventually it is the board that decides. If you look at our dividend policy, which you can find on our Vedanta website as well, we are fully in compliance with the policy. Section 3 of the policy covers how much company should pay, and in what circumstances. So, policy is quite succinct. At the same time, also quite elaborate. Last year, right, out of almost Rs. 10,000 odd crores dividend that Vedanta got from Zinc business, we paid almost half of that, in fact, almost Rs. 4,000 crores. Well, how much we will pay in the current year? Again, it's a factor of multiple areas, cash flow generation, our strategy and priority of deleveraging, and how much we intend to invest in the growth projects, and eventually it is for the board to decide. Maybe I will leave it with that for now, Sumangal, and we will talk on this I am sure in the next couple of quarters. From taxation viewpoint, we don't see that the amount of tax that we have to pay on incoming dividend will be a loss that can be carried forward.

Sumangal Nevatia: Understood. That's helpful, Ajay. So, second question on the alumina refinery. Now the presentation says 1Q FY 2023 is when we plan to commission it. Just want to understand what is the pending CAPEX there, because in the CAPEX slide. Refinery CAPEX is shown as an optionality CAPEX. So, just not sure about that.

Ajay Goel: You want to know about the amount or what?

Sumangal Nevatia: Yes, what is the amount which is outstanding in terms of how much we have to spend?

Ajay Goel: So, maybe apart from the refinery CAPEX, some of the infrastructure also we have to build. So, the estimated cost will be somewhere between Rs. 3,500 crores to Rs. 4,000 corrodes.

Sumangal Nevatia: Okay. And how much of that is pending to be spent?

Ajay Goel: We have just started the activities, and the work on the ground has started. We are in the process of awarding the packages. And we will know the exact amount as the packages will be awarded going forward.

Sumangal Nevatia: Okay, got it. And I mean, if we expect 1Q FY 2023 for the project to commission, I mean, what sort of ramp up period should we expect and, I mean, which quarter or a period where we will be fully integrated for alumina?

Ajay Kapur: So, basically, we are looking at ramping up as we have already mentioned, first quarter 2023. And by which time you know our smelters we are already ramping up, so I think we should be fully integrated by then.

Ajay Goel: But typically for any project to stabilize it takes one or two quarters.

Moderator: Thank you. The next question is from the line of Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: Congratulations for a good set of numbers. My question is that, previously we used to give a slide regarding the debt table at the parent. So, is it possible to give that number now and the kind of repayment that parents has in FY 2022?

Ajay Goel: Sure. Thanks Amit. There is a last slide in our presentation, I think slide 52, covers partly what you asked. Right now, for Vedanta Resources Limited, the debt maturity who are next 1 to 1.5 years is about 1.5 billion. And I am sure you are tracking the money market quite closely, the yields have been corrected, they will correct again in the near future. We also got a robust balance sheet and good leveraging ratios, as you may have seen. So, it will be a mix of both refinancing and repayment. A significant source for the parent, of course, will be payment of dividend from the VRL. So, again, a mix of repayment and refinancing will be the strategy.

Amit Dixit: So, sir, of this 1.5 billion that is due, can we expect some support from Vedanta Limited in terms of inter-corporate deposits?

Ajay Goel: Well, I think we don't have any plans as such for any kind of inter-corporate loans. And as you would appreciate, for a comment on Vedanta Resources, I will be frugal with the words, and maybe we can limit our discussion around Vedanta Limited. Thank you.

Amit Dixit: No problem. The second question is on the exceptional item that we have taken on KCM, that is like almost Rs. 213 crores provisioning, there is remaining Rs. 211 crores. So, in light of the operations we closed, do we expect some kind of more provisioning on this account this year?

Ajay Goel: Well, as you know, on the KCM, total balance of advances, about Rs. 650 crores, and one-third was provisioned in F 2020, and another one-third in the last fiscal. So, right now two-third account is provisioned, it is not written-off. Now, technically, we are an operational creditor, which has priority over many lenders in that country of destination. The balance one-third amount, almost Rs. 200 crores is backed up by an opinion from Deloitte, which shows this amount is good and receivable. So, we will watch these developments. But as of now we don't see further provisioning in near future.

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

Pinakin Parikh: Maybe management has already addressed this issue, but what's happened in the power business, because year-on-year power sales volumes are sharply higher, revenues are higher, but the EBITDA has collapsed.

Sunil Duggal: You are talking about TSPL?

Pinakin Parikh: Sir, the overall power segment business. Because I mean, obviously, there is no breakup of profitability between the various power assets.

Sunil Duggal: You can take the detail offline, but I think this is a profitable business. TSPL and whatever the power sector there, both at BALCO and Jharsuguda. What we also going to do going forward as we are ramping up our pods in Jharsuguda, we are also contemplating that we convert one IPP there into the CPP, so that we don't have to purchase the power and we become totally self-reliant as far as the power is concerned. But if you have any exact detail, Ajay, the power EBITDA contribution from Jharsuguda and BALCO.

Ajay Goel: Thank you, Sunil. Basically, we had some shutdowns at one or two plants, bigger ones. Therefore, the overhauling and maintenance took away some cost. But power EBITDA is good, because on top of better raw material, which is coal, and also better utilization in our smelters. But TSPL, of course, also suffered a bit on the COVID demand shortfall, so that's why you see some numbers which don't tally. But we can always take it offline.

Pinakin Parikh: Sure, sir. I mean, just to follow-up, because Q3 EBITDA in the power segment was Rs. 386 crores, while Q4 has fallen to Rs. 151 crores. Even though both the sales volume and revenue are up sharply, but I will take it offline.

My second question is on oil. If I look at the CAPEX for oil over FY 2019-2020 and 2021, it's roughly around $1.2 billion, and this year there was 52,000 Kpd of higher production. But overall, it seems that the natural declines of the basin are very steep and hence the CAPEX seems to be just about replacing the lost barrels. So, can we get more sense of the decline rate of the basin? And going forward, even the enhanced oil recovery CAPEX that we are incurring, we would struggle to see very large volume growth going forward because the CAPEX of the last three years does not seem to translate into material barrels coming through from the reservoir.

Sunil Duggal: That is not exactly like that, I think, my colleague Prachur will add on, but our decline has been less than what we had originally thought. So, as far as decline is concerned, it has not surprised us. The only situation has surprised us, because when the COVID came and the projects got derailed, and the work stopped for a few months, and when the project restarted also it started at a slower pace. And that is why the exit volume have not come to the level and the peak has not come up at the time when what we had projected. And the lower oil prices regime also did not excite us to go very aggressively. So, that is why the original CAPEX plans are giving us the

value as such, but the timing could be different, and the peaking could be different. That is why you may not be able to see that the CAPEXs are delivering in the quarter we were talking or the guidance we were giving. But from my viewpoint, the CAPEXs have delivered. In the next year, what we are doing is that we are doing those CAPEXs where the surface facilities are not required, and we can quickly add the volume. And apart from that, the lot of success will depend on the exploration.

We are also in touch with the government where we are we are trying to explain that in the current context we are contributing about 65%, 67% of the oil prices to the exchequer. And government has become mindful of that, and they want to listen to us, they want to collaborate with us. And we are trying to explain it to them that it is in the best interest of the country and our people that we produce more oil. Because every barrel of oil which is imported, which contributes nothing to the government, every barrel of oil which is produced domestically, contributes 67% to the government. So, that better sense is prevailing, and government is coming up with a lot of supportive actions. And I think if they will come up, then our spending could be a little more aggressive going forward. And you can see the much healthier growth in terms of volume which will be coming up. But Prachur, you can add on to what I have said already.

Prachur Sah: Mr. Duggal, thanks. I think you are correct. So, as far as the previous CAPEX projects are concerned, so all the CAPEX projects have been delivered the reserves that were required to be generated. However, due to the phasing of the projects and the timing, you see a differential timing on when the peak production is happening. So, this year, all those CAPEX projects delivered 52,000 barrels per day equivalent of production, and the base production was 111. For next year, for our fields, the natural decline if we do nothing is about 20%. However, with the actions that we are taking through the asset optimization and digital projects, we are managing a decline anywhere between 8% to 10%, which is top quartile decline management for these brownfields. And these projects that are completed now, will be adding close to 70,000, 72,000 barrels per day. So, the impact of these projects you will be seeing over the next two, three years, will make up for the growth that these projects are supposed to deliver. Similar to that, whatever projects we take this year, they will deliver the results and the production impact will subsequently increase over the next two, three years. That's the typical cycle on how these projects deliver. But what we are confirming is, all the five major projects that have been undertaken, they have delivered on the reserves that they were supposed to create. And those reserves will be produced over the next up to five years, making sure not just managing the decline, but the growth as well. I hope that answers the question.

Pinakin Pariekh: So, sir, just to clarify, 20% is a natural decline which broadly works out to 20,000 barrels per day, what was the decline rate around two to three years back? Because going forward, I mean, whatever incremental production we see on 111 base production, that's the kind of decline we will see going forward, right?

Prachur Sah: So, that’s what I am saying. So, this year was 111. If we do nothing, it's a 20% decline, however, we will be delivering 105, which is approximately 6% to 7% decline through the decline management and asset optimization activity that we have undertaken. And among the projects

that we undertook, we have increased our capacity of liquid handling in our Mangala (MBA) field from 900,000 barrels to 1.3 million barrels. So, that gives us a lot of room to manage the decline. So, you would not be seeing a 20% decline because 20% decline is a do-nothing scenario. If we leave the field on its own, and it doesn't do, no activity is being carried out. So, typically, what we have been managing is anywhere between 10% to 12% decline. But with these projects coming through, not just they add the growth, but they also support the decline being much lower than a national do-nothing sort of a decline.

Sunil Duggal: But finally, I just want to add one sentence is. Ultimately, what is the wealth? Wealth is the resource. Resources are intact.

Moderator: Thank you. The next question is from the line of Rashi Chopra from Citigroup. Please go ahead.

Rashi Chopra: I think you have addressed this already, but is there been any update on the Supreme Court hearing for the government divestment in Hindustan Zinc?

Sunil Duggal: So, Supreme Court hearing before Justice Bobde retired, it was almost in the last phase of the hearing where we had withdrawn the case of arbitration. We also gave the undertaking to the court that these shares can be auctioned, and to the government also given the extent. So, that was the last update on the hearing. But I think now the next date of hearing, more or less, this case will be decided, and the court will give the permission to the government to auction it in a very transparent manner. And that is what the government is contemplating and going in that direction.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Sir, my first question was on capital allocation. How is the group's interest to get into other segments like oil refining also something like at Hindustan Zinc probably we have been speaking about the fertilizer business and the Gujarat smelter which is there? So, it doesn't show up on the CAPEX slide as well. So, one question is, are we open to other segments what the company is not in right now? And there are a few variables which are moving at Hindustan Zinc level which are not reflected on the CAPEX slide, how should one understand that?

Sunil Duggal: See, as far as CAPEX is concerned, we also need to have the capital allocation discipline depending on the priorities we have in hand. So, like, this year, what are the priorities? The priority is to finish the unfinished CAPEX at Hindustan Zinc, which is hardly anything left now. Quickly ramp up to 1.2 million tonnes, spend some CAPEX in oil and gas where near-field opportunity where we can drill the wells, inject and produce more, some exploration CAPEX where the chances of success are very high. Similarly, in Electrosteel, finish the unfinished project to complete and ramp it to a volume of 3 million tonnes. Similarly, in ESL, to debottleneck one of the furnace, which is 1, 1.5 months' shutdown time, quickly monetize the opportunity of the commodity market. Similarly, in aluminum, the priority is to ramp up the alumina production so that we become more and more integrated. Adopt some value-added

product capacities to capitalize the opportunity of the high premiums. So, like that we have prioritized some project for the current year. But at the same time, we are also evaluating the other projects. As we will go forward, depending on the priority and the return and the discipline of capital allocation, we will keep deciding. But there are a lot of exciting opportunities in hand as of now, for which we are excited that how quickly we can get more premiums and value-added product, get more domestic share, quickly ramp up our production in various assets, that is a priority right now for the current year.

Ritesh Shah: But sir, should one assume that we are open to something like downstream aluminum oil refining which are a bit of different categories or different revenue streams, will they be open to something of the sort of different streams of revenues?

Sunil Duggal: No, we keep evaluating all the opportunities depending on the priority and the capital and the return we can get as soon as possible, we set the priorities.

Ritesh Shah: Sure. Sir, my second question is, the promoters have increased their stake by around 10%. As a minority shareholder, how should one look at this particular variable going forward? Because the eventual goal was to reach at 75%. I know this is more of a question at the parent level but any colour over here would be useful. And just a related question, how should one look at the encumbrances at Hindustan Zinc level, the pledge which was created corresponding to Rs. 10,000 crores? And likewise, the present encumbrances which are there at the Vedanta level given the cash flows are very strong, is this something which can be wound up in near future?

Ajay Goel: So, look, on the first point, Ritesh, around the stake increase from 55% to 65% recently. You are right, we had one volunteer open offer and the stake of the promoters has gone up from 55% to 65%. This is in line with the strategy of simplification of cost structure, which will also maximize the overall return for all shareholders, be it the promoters and the rest all. What may happen, I guess, in the near future, I think here I would not go ahead of myself, as you would appreciate, in areas like this, are also a matter of board discretion. So, maybe we will talk on these areas in upcoming calls. On the matter of HZL, maybe Sunil may want to comment.

Sunil Duggal: What is your question on HZL, the cash usage?

Ritesh Shah: Sir, we have raised around Rs. 10,000 crores by creating a pledge at Hindustan Zinc. Now, given the cash flows are pretty strong at Vedanta level as well, so is that something which can be unbound? Same thing basically, I think Vedanta level there is significant pledge and encumbrances on the whole thing, given the cash flows are very strong the dividend payout is better, I think all these things can actually be simplified.

Sunil Duggal: No, it all depends on when we want to disperse the dividends, or we want to spend the amount. And there are long-term investment which have been done. And if we break those investments, we get impacted on our return. And if there are equity available from the market, which we can borrow at a reduced cost compared to the loss we will get. So, this is all a dynamic decision which is taken depending on what makes sense we take a decision at that point of time.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the confidence over to Mr. Varun Kapur for closing comments.

Varun Kapur: Thank you very much, operator. To conclude, thank you again all for taking the time to join us this evening. We wish all of you stay safe and stay protected. In case you have any further questions, please do not hesitate to contact either myself or the rest of the IR team here. We wish you all a very good evening and I will pass it back to the operator for that.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Vedanta Limited, that concludes this conference. We thank you all for joining us. And you may now disconnect your lines.