



“Vedanta Limited  
Q4 FY '24 Earnings Conference Call”  
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LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Vedanta Limited Quarter 4 Financial Year 2024 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Prerna Halwasiya, Deputy Head Investor Relations and Company Secretary, Vedanta Limited. Thank you, and over to you.

**Prerna Halwasiya:** Thank you, Yashashri. Good evening, everyone, and welcome to our quarter 4 and year-end earnings call for FY '24. On behalf of the entire Vedanta team, I would like to thank you for joining us today to discuss our financial results and business performance. The transcript and audio of this call will be made available on our website. The financial statements, press release and presentation are already available on our website.

Today from our leadership team, we have with us Mr. Arun Misra, our Executive Director; Ajay Goel, our Chief Financial Officer; Ajay Agarwal, President, Finance, we also have leaders from a couple of our key businesses, Mr. John Slaven, CEO, Aluminium business. Steve Moore, Deputy CEO, Oil and Gas; and Hitesh Vaid, CFO, Cairn Oil & Gas.

Please note that today's entire discussion will be covered by the cautionary statement on slide number 2 of the presentation. We will start with an update on our operations and financial performance, and then we'll open the floor for Q&A.

Now I would like to hand over the call to Mr. Arun Misra.

**Arun Misra:** Thank you, Prerna. Good evening, everyone. Thank you for joining today's quarterly business performance update. Before sharing the quarterly performance, I would like to share that continuing on our ESG journey, Vedanta has been rated A - in CDP water rating and rated B in CDP climate change compare this to the industry average of rating of C, whereas Hindustan Zinc has been rated A- both in CDP Water and CDP Climate ratings. Also, along with Vedanta being ranked third and Hindustan Zinc being ranked first position in S&P Global Corporate Sustainability Assessment 2023. Our Vedanta Aluminum has also been ranked first in S&P Global Corporate Sustainability assessment 2023.

Moving on to quarter 4 FY '24 performance. We delivered a revenue of INR34,937 crores, almost same as last quarter with an EBITDA of INR8,969 crores, up 3% quarter-on-quarter, while protecting our margins by significantly reducing our costs across all our business segments. Aluminum and zinc continue to be among the lowest cost producers globally, consistently ranking in the first quartile and the first decile of the global cost curve, respectively.

Moving on to the annual performance. We exited the year with second highest ever annual revenue of INR1,41,793 crores and EBITDA of INR36,455 crores with EBITDA margin of 30% in spite of moderate commodity cycle, purely driven by total cost optimization to the tune of about INR10,000 crores year-on-year.

On operational performance, this financial year has been a remarkable year for Vedanta. Aluminium business delivered highest ever annual production of 2.37 million tons, with impressive cost reduction of 23% from the previous year. Hindustan Zinc has set a new benchmark as the world's third largest silver producer with an all-time high annual silver production of 746 tons. Zinc India also recorded highest ever mined metal of 1.08 million tons and highest ever refined metal of 1.03 million tons, with annual costs down 11% year-on-year.

Iron ore Karnataka has recorded highest ever annual sales, which is up 19% year-on-year also achieved highest ever annual production at value-added business, up 19% year-on-year. At ESL Steel also, we achieved highest ever annual crude steel production of 1.39 million tons, up 8% year-on-year driven by debottlenecking and improved operational efficiency. Looking forward, financial year '25 promises significant growth across entire business portfolio. In aluminum, we have already expanded the Lanjigarh refinery capacity to 3.5 million tons per annum with the commissioning of Train 1 of 1.5 million tons per annum. We are on schedule to commission Train 2, which will add another 1.5 million ton per annum in quarter 2 of FY '25 with a full ramp-up anticipated by the end of this fiscal year.

BALCO expansion to 1 million ton per annum is also making steady progress. These projects position us to achieve our targets of producing 90% value-added aluminum products and alloys securing 100% captive alumina and coal supplies, 3 million ton per annum of aluminum production with a strong margin of \$1,000 per ton, generating in excess of \$3 billion EBITDA.

In Zinc India, following successful commissioning of Fumer plant and the mill revamping, we are geared to commission 160,000 tons per annum roaster plant in quarter 3 of this fiscal year and 5.1 lakh ton per annum fertilizer plant in quarter 2 of next fiscal year.

We have produced 700 tons of alloy from our Hindustan Zinc alloy plant and are ready to ramp up the capacity further. In Zinc International, with one of the world's largest zinc deposit is poised to deliver significant value, Phase 2 expansion project is running under full swing and is expected to ramp up by quarter 2 of financial year '26.

In iron ore, during the quarter 4 financial year '24, we operationalized the Bicholim mine in Goa of 3 million ton per annum capacity, making the commencement of first mining operation in Goa region in nearly 6 years. Our target for next year is producing 12 million ton per annum of iron ore in our iron ore business and the value-added business production is estimated at 1 million ton per annum.

In ESL Steel, the expansion to 3.5 million ton per annum is on track for completion in Financial year '25 with the VAB expansion to 1 million tons per annum at IOB and ESL still together will be able to produce overall 4.5 million tons per annum of steel and pig iron in our facilities.

In Oil & Gas, moving forward, with growth capex of USD400 million in financial year '25, we remain committed to drilling more infill wells, maximizing resource recovery and discover more resources for future growth by focused development and exploration. In power, we are proud to have supplied one of the largest units of commercial power to our national grid. Furthermore, synchronizing unit 1 of 150-megawatt Meenakshi power plant along with securing financing for

Athena takes us a step closer to delivering on our goal of supplying 5 gigawatt of commercial power within next 2 years.

In this financial year, we'll be fully commissioning Meenakshi power plant. In FACOR, we exited last financial year with a run rate of 110,000 tons per annum capacity will further ramp up the production to 150,000 tons per annum in financial year '25. In summary, FY '25 is going to be a transformative year for Vedanta with completion of most of our growth projects. For this, we are allocating an estimated \$1.9 billion of growth capex. This strategic investment reflects our determination to drive transformative growth for all our stakeholders.

With the recent surge in commodity prices, particularly aluminum, zinc and silver, we are going to unlock tremendous value. Our low cost and world-class assets across businesses, coupled with strong financial position and commitment to ESG, position us perfectly to capitalize this opportunity from rising demand and unlock exceptional growth for all of our stakeholders.

In conclusion, as we welcome the new financial year, we'll carry forward the current momentum with the knowledge that each milestone we achieved is a stepping stone towards greater success. We believe that this is going to be our historical best-ever year in terms of volume, revenue, cost and bottom line. We also believe looking at the macroeconomic trends and analysts' consensus, current northward movement of commodity cycle will continue helping us in this effort.

This year, will also be historical in terms of commissioning of many of our large projects, including the world's largest alumina refinery in Lanjigarh, expansion at BALCO to 1 million ton per annum, expansion at ESL Steel to 3.5 million ton per annum, which not only impact favorably in our input costs, but will also help us increase VAP percentage in a big way.

Our transformative cost focus will continue, that will optimize cost across all our portfolio by 10% to 20%. We continue to see increase in demand, especially in domestic markets in double digits across our portfolio, especially in aluminum, where the likely growth may cross 15%. We are uniquely positioned in this optimistic environment that our production and most of the consumption are in the same geography that is India, which is recording highest ever growth among all emerging economies.

Across our portfolio, we will also add about 10% additional capacity by aggressive debottlenecking efforts and asset optimization. We have invited all of you to visit our marquee operational sites in Jharsuguda, SK mines and Barmer. I am sure you will be pleasantly surprised to see our global best quality assets.

Our journey thus far has been remarkable but the path ahead is even more promising. Together, we will continue to push the boundary, redefine excellence and create lasting value for all our stakeholders. Thank you, and over to Ajay.

**Ajay Goel:**

Thank you, Arun, and good evening, everyone. I'm very happy to provide an overview of our financials for the fourth quarter and for the full fiscal FY '24. Capitalizing on our momentum from the last couple of quarters. Our teams have achieved impressive financial performance, evidenced by highest ever annual volume and substantial cost savings across our key businesses, which ultimately led to strong financial results.

Speaking of the full year first, I'm very happy to share that we have delivered second ever highest annual revenue and EBITDA of INR1,41,793 crores and INR36,455 crores, respectively, despite a downward trend in pricing.

This delivery stems from volume augmentation and cost compression through structural changes. Furthermore, our EBITDA margin improved by 240 basis points to 30% and RoCE again by 240 basis points to 23% in comparison to FY '23. For fourth quarter, our singular focus was on operational excellence and cost management. It has helped us deliver yet another good quarter.

Few of the key highlights for the quarter are. Our consol revenue remains steady quarter-on-quarter at INR34,937 crores amidst lower LME and the fluctuation in exchange rates. We achieved fourth quarter EBITDA of INR8,969 crores, marking a 3% increase quarter-on-quarter with a margin improvement of 75 basis points quarter-on-quarter. We also could generate robust free cash flow pre-capex of INR9,948 crores, with a substantial increase of 131% quarter-on-quarter.

Our debt has reduced by INR6,155 crores quarter-on-quarter. I will repeat at Vedanta consol level, we deleveraged in the current quarter by INR6,155 crores quarter-on-quarter. It also led to improvement in net debt-to-EBITDA ratio from 1.7 in the previous quarter to 1.5 as of March and fourth quarter.

Let me move to EBITDA bridge. EBITDA increased by 3% quarter-on-quarter, majorly due to increased volumes stemming from enhanced operational efficiencies and cost reduction despite lower LME. Moving to debt bridge. In the fourth quarter, our net debt reduced by INR6,155 crores from December '23, reaching to INR56,388 crores primarily driven by strong cash flows from operations and working capital release.

In terms of the balance sheet, our commitment to a disciplined allocation of capital is evident from prioritizing, maintaining a robust balance sheet, sustaining healthy payout ratio with good dividend yield. As of March '24, we held a healthy cash and cash equivalents amounting to INR15,421 crores, which marks an increase of 21% quarter-on-quarter.

I would like to highlight the significant progress our holdco, VRL has made in reducing its debt, having deleveraged by 1.6 billion during the last fiscal year. Further, I'd also like to highlight that we have deleveraged VRL- our holding company by 3.7 billion over the last 2 years, bringing down its debt at holdco from 9.7 billion to 6 billion as of March '24.

As we usher into a new fiscal FY '25, let me reemphasize a few things. We are well positioned to sustain the current momentum. And this year will mark our historical peak in terms of volumes, revenue, cost efficiency and bottom line, which will be strongly benefited by ongoing upward trajectory of pricing cycle. In FY '24, we allocated 1.4 billion to growth capex, bringing several projects close to completion.

Consequently, now we are allocating and committing 1.9 billion capex in FY '25, which will not only positively impact our input costs but will also enable a substantial increase in realization addition to higher value for it. Moreover, we foresee robust demand growth, particularly in the

domestic market with double digits across our key businesses. We are engaged with analysts and investors over the last few weeks. There has been significant inbound interest from marquee, domestic and foreign investors.

Over the last few months, our stock price has surged to 2 years high. I would like to reiterate that we are well on our path to meet delivery, deleveraging and demerger as we have committed in FY '25. Thank you. I hand over to operator for Q&A.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Ashish Kejriwal from Nuvama Wealth Management. Please go ahead.

**Ashish Kejriwal:** Congratulations on the good set of numbers in this environment. A few questions just to get a sense on our status on different things like status on steel plant sale, where we are in the vertical split of the businesses and especially in the coal blocks where we are? These are the three questions. And then I can go for some detailing, debt peaked out for us or not.

**Arun Misra:** So Arun Misra here. Let me address the strategic sale of our steel plant asset. Yes, it is still under consideration. And of course, there are certain regulatory clearances which are yet pending, and we are very hopeful considering the advance that we have been able to make in the last quarter that in this quarter- first quarter of this fiscal itself, all the regulatory clearances will be over. So then perhaps, the transaction if it were to happen, it could happen at that time.

**Ashish Kejriwal:** So at the outset, sir, what could be our outer limit in that?

**Arun Misra:** I wouldn't say there's an outer limit. It is under consideration and the moment it is anywhere between quarter 1, quarter 2, if the clearances are over and the buyers are ready, it should happen. On the vertical split, I will ask Ajay Agarwal to brief. Ajay?

**Ajay Agarwal:** Thanks Arunji. So on the demerger part, Ashish, you would recall during our meeting as well, I have informed you that all the questions which were raised by both NSE and BSE has been appropriately resolved. The only thing which is pending now is to get the NOC from the lenders for us to file the application with the NCLT. That's a step two in our milestone.

I'm happy to let all of you know that on the lender NOC as well, we have started to receive few of the NOCs from the private lenders. And from the PSUs, the discussions are on, and we are very confident to get a few of the NOCs by the end of this month, and the rest will also follow start of the next month. I hope that answers your question, Ashish.

**Ashish Kejriwal:** Sure. So sir, we are maintaining our CY'24 and guidance of this vertical split of the businesses?

**Ajay Agarwal:** Absolutely. We are very strongly confident about achieving this milestone.

**Arun Misra:** And on the issue of coal mines for our aluminum sector, Jamkhani coal mines produced 2.1 million tons in last year and is slated to produce more than 2.6 million tons in the coming fiscal year. Radhikapur coal block, it is likely to start in quarter four of the current fiscal year. Its environment clearance is in place. Forest clearance, Stage 1 has been obtained. Now the compliances of Stage 1 is being done. After that the Stage 2 clearance will be obtained.

On the Kuraloi mine, environment clearance is recommended, forest clearance Stage 1 is in progress, likely commissioning again in quarter four of financial year '25, that's current fiscal year. And Ghogharpalli, allocation has been done. It's likely to come into line in financial year '26, that's next fiscal year.

**Ashish Kejriwal:** And sir, Ajay, this is for you. Are we still reiterating that our debt has peaked out in FY'24? And all of the ongoing expansion will be funded through internal accruals as well as the dividend payment which can help in deleveraging parent's debt?

**Ajay Goel:** No. Absolutely, Ashish, and we met last -- we made one more commitment that beyond the existing deleveraging of 3.7 billion. We will be further deleveraging by 3 billion over three years. And if you simply look at our guidance value and transpose with the spot LME, EBITDA will be no less than 6.5 billion.

So over the next three years, cumulatively, our EBITDA to be almost 20 billion plus and with the cash flow, 7 billion to 8 billion. That cash is sufficient to meet our needs for the capexes in India at the same time paying dividend. So both Vedanta Resources and Vedanta Limited will deleverage over the next three years.

**Moderator:** We have our next question from the line of Indrajit Agarwal from CLSA. Please go ahead.

**Indrajit Agarwal:** I have a couple of questions. Can you please highlight the cash outflow, broad cash outflow either for debt repayment or royalty payment due in the next 3 months and 12 months, both at Vedanta Limited level and on the parent level?

**Ajay Goel:** Yes, sure. So if I start, Indrajit, first with the Vedanta Resources. And as you have seen beyond the deleveraging in the current fiscal, sometimes in January, we also went for debt restructuring. Hence, the need for money at Vedanta Resources in the current fiscal is about 1 billion to 1.1 billion, out of which maybe a small portion in fact is required in the first quarter. It's about 620-odd million, including the interest cost.

How do we plan to service this? As you know, the brand fee is payable in the first quarter, contractually have been paid in line with the last year. Now dividend is a Board matter. But if I look at our historical numbers and pay even a smaller dividend, so net-net in the prior fiscal for the Q1, a combination of the brand fee and a normalized dividend will be sufficient to meet the obligation at Vedanta Resources about 1-1.1 billion.

Speaking of Vedanta Limited, at Vedanta standalone, the maturity is about 1.5 billion out of which a very small portion is in the first quarter. Most of the maturity at Vedanta Limited are fully secured. We have secured loans. Hence, refinancing is an option. Additionally, as I mentioned with the current outlook of the pricing and our guidance on the volume and cost at VEDL will have sufficient cash to manage any maturities. So net-net in terms of our capex and the maturities will be managed mostly in-house, no new debt need to be raised on the current levels.

**Indrajit Agarwal:** So in your current interaction with lenders, is there any sharp difference between the current cost of borrowing versus what the refinancing cost would come through at Vedanta Limited level?

- Ajay Goel:** Given our size, Indrajit, and our historical engagement with the multiple lending cohorts, be it PSU bankers, be it Indian private bankers or international bankers, we've got deep engagement, be it in India or in I think across the world in London. If you look at recent borrowings, I can point out to one lending through PFC, almost INR4,000 crores for 11 years at about 10.5%. So all ongoing discussions, any refinancing will be done at a lower cost than the previous one. Not only deleveraging, including the cost of funding will come down in the current fiscal.
- Indrajit Agarwal:** And my next question is on bauxite availability from OMC. Any progress on that? What is the status? Are we getting sufficient bauxite? What kind of timelines we can look at for that?
- Arun Misra:** Bauxite on OMC contract is in place, I will ask Sunil or so bauxite is in place. And our own Sijimali mines that we are going to start, that forest clearance Stage 1 is due. Once Stage 1 is done, then we will be getting the environment clearance and also we'll start our own bauxite mine. Further, maybe, John, if you are there, anything you would like to add?
- John Slaven:** Arun, thanks very much. We continue to get bauxite from OMC as per the agreed contract with them. It is producing at full approved capacity and we are getting great materialization from the mine to the refinery, so it's meeting a part of our full requirements. But as you mentioned, we're really looking forward to ramping up Sijimali in the second half of this year, which will enable us to avoid further procurement from some overseas bauxite.
- Moderator:** We have a next question from the line of Vikash Singh from PhillipCapital. Please go ahead.
- Vikash Singh:** I just wanted to understand that since we are demerging our business, a bulk of our debt is in the stand-alone business, while the stand-alone business current EBITDA probably would not be sufficient enough. So in terms of debt redistribution, can you give us some insight that how this stand-alone debt would be redistributed among the other companies?
- Arun Misra:** I request my colleague, Ajay Agarwal, to respond.
- Ajay Agarwal:** See, insofar as demerger regulations are concerned, it is quite sacrosanct to say that all the debt will get allocated across each of the demerged entity in the ratio of the assets in which the asset gets allocated amongst the six different demerge entities. So there is very less leeway for any one of us to really play with a project to be a tax-neutral demerger. So basis the regulation, we have apportioned the debt across the six entities. And based on this formula, we have gone to the lenders for the specific approval.
- Vikash Singh:** Understood, sir. Second question pertains to our oil and gas business, while the realizations and volumes are lower, operating performance had been pretty good. So am I missing something because sequential also, there was a significant improvement.
- Arun Misra:** No. What has been achieved is in spite of decline in production, the cost management has been very good. So the target of keeping the cost between \$14 to \$15 per barrel has been achieved. Further, Steve, anything you'd like to add?
- Steve Moore:** Yes. Just like to add that we've also really focused on keeping the production as high as possible and growing it in the fields where we have the highest margins. So although we've seen



production fall in some areas, the areas where we make the biggest margins, we've actually seen production increases or very stable production. So that has helped the return on the production that we've been making. .

**Vikash Singh:** Understood. Just one clarification. The \$3 billion debt repayment in Vedanta Resources, which you're talking about, this is exclusive of the Zambian basically Konkola Copper Mine stake sale, right? If that happened, then it would be over and above that or is overall basically...?

**Ajay Goel:** So just to clarify, the number I quoted for the Vedanta Resources, that 1.1 billion requirement in the current fiscal, it is Vedanta Resources. There's no debt requirement for KCM. And any funding needs for KCM will be self-funded from the ore from the mines.

**Vikash Singh:** No. Sir, actually my questions pertain to that there was a lot in the media circle that we wanted to sell part of the stake in the mine. So the three-year plan of 3 billion debt repayment in Vedanta Resources cumulatively, does that number include your internal calculation on stake sale also or that is over and above? This 3 billion is entirely from the internal repayment or dividend repayment from the Vedanta Limited, that's what I want to understand.

**Ajay Goel:** Sure. Understand. That 3 billion is purely organic cash flows. From the operating cash flows, we will be deleveraging the VRL and the group over the next three years' time. Any actions strategically will be incremental over these numbers.

**Vikash Singh:** Understood sir. That's all from my side and all the best for future. Thank you.

**Moderator:** Thank you. We have a next question from the line of Rashi Chopra from Citigroup. Please go ahead.

**Rashi Chopra:** Just coming back to the same question on the liability in Vedanta resources the 1.1 is long-term debt. The interest amount is separate over and above this?

**Ajay Goel:** That's correct. So almost 0.6 is interest, so 1.1 plus 0.6 about circa 1.7 is the need at Vedanta Resources.

**Rashi Chopra:** Okay. And what about the ICL, the 450 million?

**Ajay Goel:** That is internal, Rashi, I mean, almost 417 so between the Vedanta Limited and Vedanta Resources, net it becomes a wash. So if VRL pays which they will as scheduled in December, we get cash flow at Vedanta Limited. .

**Rashi Chopra:** Sure. So that's still scheduled for December '25.

**Ajay Goel:** That's right.

**Rashi Chopra:** Secondly, the BALCO expansion when is that scheduled for? like which quarter of this year?

**Arun Misra:** The BALCO expansion is scheduled to be commissioned by the third quarter of this year.

**Rashi Chopra:** And lastly, what is the retained earnings at the moment at the Vedanta level?

**Ajay Goel:** At Vedanta, it is INR1,500 crores. At zinc, it is about INR4,000 crores. So as on the first April at the year beginning we as a group has a INR5,500 crores as RE balances. I also like to point out, Rashi, if you look at our EBITDA numbers, we don't guide in terms of EBITDA.

But as I mentioned if you simply transpose the spot LME with our guidance on production and the cost, EBITDA will be no less than 6.5 billion. With that, almost 2.5 billion will be the PAT number. So net-net, 2.5 billion to 3 billion will be the reserves in the current fiscal in case we are leaning towards the ceiling in event of dividend.

**Rashi Chopra:** Got it. And just last question, sorry, on the transfer of the general reserves to the retained earnings at the Vedanta level. Is there any movement there on the lenders approval?

**Ajay Goel:** It is where it was last time and nothing significant I must point out. So nothing much on the Vedanta side. But there is progress in terms of zinc discussion and as you know we are done through all steps including approval shareholders. The second motion is also filed with NCLT. The hearing was done on 18th of April. It has been postponed to 17<sup>th</sup> of May and we hope this will get finished in the current quarter.

**Rashi Chopra:** Got it. Thank you.

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

**Sumangal Nevatia:** Thank you for the chance. First question on the aluminium business our volume guidance is very similar to this year. So we're not expecting any contribution from BALCO's expansion is one clarification there. And secondly, our cost also is around USD1,700 range which is what we've achieved in 4Q. So directionally, can we say that large part of the commodity deflation is already factored in our cost?

**Arun Misra:** As far as cost is concerned, we will continue the current drive. So the deflation is factored, but we will continue our current drive of cost reduction. In quarter 3, we had a cost of USD1,854. and in quarter 4, we reduced to USD1,823 and in the guidance we are talking about between 16 to 17 so maybe another USD100 or USD200 reduction in cost.

Whereas if you look at the BALCO expansion likely to come in quarter 3. First quarter will be stabilizing the new facilities and ramping up. So we expect if it happens so that incremental over and above the guidance that we are giving.

**Moderator:** Mr. Nevatia does that answer your question.

**Sumangal Nevatia:** Yes that's answers my first question. Second just want to reconfirm when is our brand fees contract expiring and when is it due for renewal?

**Ajay Goel:** The brand fee right now is a long-term agreement for 15 years. 2028 is expiry date.

**Sumangal Nevatia:** But the percentage the rate is, I guess, to be decided every 2 or 3 years, so I just want to know that expiry?

- Ajay Goel:** In the last revision of the last fiscal from 2% to 3%, it was blocked for next 6 years and hence the next revision will be due only in 2028, '29 unless the board wants to review earlier.
- Sumangal Nevatia:** Okay. Got it. Okay. So the board has the discretion to change the date, or prepone or postpone it?
- Ajay Goel:** Correct. But right now it is for next 6 years starting the last fiscal and in case the board want to change earlier, they have the discretion.
- Sumangal Nevatia:** And the ICL, which is outstanding, what is our sense on the time line? Currently, I think December 24 is the payout expected, but in the past we've pushed it several times. So just want to understand how are we looking at this ICL coming in December '24 expiry?
- Ajay Goel:** ICL has been getting paid on time. I think with the one board approval, only once it has been deferred by mutual agreement. The next, the sum is due in December it will get repaid on schedule.
- Sumangal Nevatia:** Understood. And lastly, on the steel business we are running at good utilization around 1.3 million, 1.4 million tons volume when the margins have been quite poor. So I mean, is there an issue with the - I mean, what are the key reasons our margins have been quite inferior versus the industry. So if you could just explain on that? .
- Arun Misra:** So on the cost side, although has been managed, the cost has come down, but our pig iron which is a substantial portion of the output did not face good NSR in the market. And that has squeezed the margin. However, that's why our DI plant expansion project that should get commissioned this time will add more value-added products and is likely to improve the margins going forward.
- Sumangal Nevatia:** Understood. And any rough sense on what is our expectation? Any broad range from the divestment of these assets?
- Arun Misra:** I didn't get you divestment of...
- Sumangal Nevatia:** Of the steel business.
- Arun Misra:** The broad range of how much would be the price of it you are asking?
- Sumangal Nevatia:** Yes.
- Arun Misra:** I'm afraid that I will not be able to disclose just now.
- Sumangal Nevatia:** But 1Q is this quarter and is where we are expecting to conclude.
- Arun Misra:** So you should see if we get the environment clearance in quarter 1, so then it will take some 3 to 4 months' time for transaction and all that, maybe in quarter 1 end or quarter 2 sometime in the middle.
- Sumangal Nevatia:** Got it. Thank you and all the best.

- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Couple of questions. Sir, first, a very basic one. You indicated that the debt will be apportioned in the ratio of assets. Sir, why should it be in the ratio of assets? Why not on the basis of cash flow? How should we understand this?
- Arun Misra:** Ajay, are you there?
- Ajay Agarwal:** Yes. I'm there. So why it needs to be on the basis of assets? It is largely driven under the income tax act given the fact that it will be a tax neutral demerger. For it to be a tax-neutral demerger you have to allocate all the assets, sorry, all the liabilities, especially the bank loans and borrowings basis the assets which is getting allocated across each of the businesses.
- But I take your point, obviously, the lenders will also consider when they give their NOC, whether the strong business, whether it has, each of the businesses which is getting demerged, whether it has strong cash flow or not for them to get comfortable in order to give the NOC. So be rest assured while the formula says that the debt will get allocated basis the assets being allocated across each of these businesses. Each of these businesses will have strong cash flow as well for it to meet both the asset coverage as well as the interest coverage ratio.
- Ritesh Shah:** Sir, you touched upon asset cover. So if hypothetically it get apportioned on the basis of asset what is the debt-to-EBITDA ratio that one would possibly look at for each of the segments? Because if I do the math on the basis of assets we are looking at debt to EBITDA potentially upwards of 5x. Is this something which is sustainable or will a lender be okay with it or is there something off and what I'm looking at?.
- Ajay Goel:** Well, the assets which they consider at the moment is the historic value, the value which is standing in the balance sheet is not necessarily the realizable value. And when we submitted our proposal basis which we don't believe that the asset cover -- sorry, the debt-to-EBITDA ratio will be around 5. Most of the lenders are fairly comfortable with the numbers which we have proposed to them. It will be in the range in which we are today. Some businesses maybe have the ability to take on larger debt, for example, power.
- And certain businesses, for example, the residual company, which will be Vedanta standalone which will house FACOR, Nicomet, and Hindustan Zinc may also have a slightly higher debt, but it has the capacity to really service not only the debt, but it will have a larger asset base as well. For example, Hindustan Zinc's entire equity will be in that company.
- Ritesh Shah:** Sure. This is helpful. Sir, my second question was, sir, we have indicated \$3 billion of repayment at the VRL level, including the interest component of servicing over the 3 years, what will that number be? Like if I assume like 13%, 14%, it will be like \$5.5 billion. How should we look at this number, including ICL and the interest cost?
- Ajay Goel:** See, when we see the need of the money at VRL - it is about \$1.6 billion, \$1.7 billion, including interest in the current year FY '25. This number in fact is a far lesser in the year next. So net-net, we say we'll be deleveraging about \$3 billion at Vedanta Resources.

Now do the broad math, we are paying a brand fee give and take out \$0.4 billion every single year that means about \$1.3 billion, \$1.35 billion over 3-year time frame. And if you pay the normalised dividend almost \$1.8 billion to \$2 billion, it will make \$3 billion of dividend at Vedanta Resources plus give and take, \$1.5 billion is a brand fee. Total cash organically between brand fee and dividend will be almost \$4.5 billion. And if you reduce from their interest cost, still almost \$3 billion is left for deleveraging. So the combination of the brand fees, the routine dividend will be sufficient to meet target of \$3 billion deleveraging over 3 years and at Vedanta Resources.

**Ritesh Shah:** That is helpful. And just last two bookkeeping questions. Have we got into hedges into any of the segments like historically, we have done this. So are we taking any commodity call? Are we getting into any hedges?

**Ajay Goel:** Very much Ritesh in fact, risk management on the pricing is a continuous process -- and you're right, we hedged a couple of years ago. And it proved to be a good measure. We gained more than 0.5 billion on the hedging part. Recently, we have begun to hedge knowing the pricing is moving upward. We made a small beginning almost 120 KT almost a 5% volume for Aluminum has been hedged.

The average pricing is about \$2,550 per ton. Similarly for in case of zinc, a small quantity, almost 30 KT has been hedged in the current year, about 2-2.5% of the volumes at average pricing of \$2850. So we've made the beginning and looking for tracking it as the market progresses. Now I also like to point out, if you look at the forward curve for most pricing, it is showing all contango, which means everybody believes the pricing of all commodities will keep going northwards and hence, hedge, not to hedge will be a continuous process.

**Ritesh Shah:** Sure. If you permit, just last question. I think a couple of quarters back, we had indicated a number of \$7.5 billion of EBITDA. I think it's said in the last presentation as well. Would it be possible for you to give a segmental breakup over here, Aluminum Zinc, Oil & Gas and Power, the top four ones?

**Ajay Goel:** So Ritesh, in our analyst meet, investor meet in mid of March, we indicated about the 6 billion EBITDA for the current fiscal. That number was given almost six weeks ago. And thereafter, as you would agree, the pricing has taken a big northward trend. That should continue. And one can look at our guidance of volume and the cost. If you take a midpoint of that and it transpose with the spot price -- in that case, the EBITDA is about 6.3, 6.4 billion.

And if you also look at the pricing uptick, one can reach towards 7 billion. That's the math. If you like, we can share with you offline the breakup by businesses. You can write to Prerna Halwasiya, please.

**Ritesh Shah:** Sure. This is helpful. Thank you so much. All the very best, thank you.

**Moderator:** Thank you. The next question is from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

**Pallav Agarwal:** Yes. Good evening, sir. So I have a question on the copper smelter impairment that we have taken. So have we only written off part of the total value so the carrying value I think as per notes to accounts was something like INR1,681 crores. But we've impaired only about INR746 crores. So is the balance – other balance assets like can they be sold? Or can they use somewhere else?

**Ajay Goel:** Yes, as you know, the accounting needs to follow the conservative as a basic principle. And given the recent ruling, which we have gone for now review petition, from accounting viewpoint, we have taken an impairment charge. Now there are three, four components.

Land has not been revalued. So we keep the land as the original cost, which means in future, that can be only an upside. So the remainder assets, be it property plant equipment, inventory and rest all you've gone for valuation by the third-party expert. In that case, the market value of those assets has been retained, rest has been impaired.

So in summary Pallav, from impairment viewpoint Tuticorin there'll be no further downside in future irrespective of what the outcome is of that asset.

**Pallav Agarwal:** And also just on the steel business. So I think ESL has a captive iron ore mine. So I'm guessing the recent -- I mean, the EBITDA loss was probably because of coking coal prices. So coking coal prices coming down, can this turn back into a positive EBITDA in the coming quarters?

**Arun Misra:** Yes. Obviously, the coking coal prices start coming down and at the same time, the DI plant pipe plants get commissioned, so they're adding more MSR to the margins to the products then of course, it will turn profitable. There is no reason why it should not.

**Pallav Agarwal:** Yes, sir, because I mean selling an asset at an attractive valuation which is not...

**Arun Misra:** See, the strategic call. The strategy is in Vedanta, we would like to be in business of metal where we are counted among the top three in that business, right? Whereas in steel with a 3 million ton capacity, you would be on the bottom three of the business. Now would you like to be in a market which is such a small or let somebody else who has a much larger capacity make best use of it. So that's a strategic call we have taken.

**Pallav Agarwal:** Okay. And in terms of Zinc International, we, I think, have been probably behind the guidance in terms of production and cost. So when can we actually start seeing a significant improvement over there?

**Arun Misra:** Significant improvement I didn't get you properly.

**Pallav Agarwal:** I think in terms of volume guidance and in terms of profit...

**Arun Misra:** On the Zinc International?

**Pallav Agarwal:** Yes, yes, on the Zinc International.

**Arun Misra:** Okay. So currently, there was a timing gap in overburden removal and ore production. And so they missed targets for overburden removal for last few quarters, which has resulted in lack of

production from their front. Currently, they will continue at the current rate of about 33, 30 to 35 KT MIC in a quarter from first quarter, ending the year at about 65-70 KT-- 65 KT MIC. So this year, as we see, they're likely to produce between 160 to 180 KT of MIC.

**Pallav Agarwal:** Okay. Yes, sir thank you. That's it from me.

**Arun Misra:** Thank you.

**Moderator:** Thank you. The next question is from the line of Kunal Kothari from Centrum Broking. Please go ahead.

**Kunal Kothari:** Thank you very much for the opportunity. Sir, can you please explain what led to the sharp decline in the working capital requirement?

**Ajay Goel:** One of the focus areas Kunal in the last 6-odd quarters have been in terms of managing the working capital. And we've done multiple changes, structurally so. If you see the fourth quarter alone, the number of working capital days has come down by almost, to 77 days which is for Vedanta historical best over last all the years.

So we could compress almost all the components. So in the INR2,700 crores lower working capital, almost 900 is receivables and the balance 1,800 plus is from inventory. So it is the sale of inventory at the year-end and the lower debtors. Net-net, over the last 6-odd quarters, our working capital is lower by more than 1 billion. So it is structural, and that will continue.

**Kunal Kothari:** So largely, the reduction is coming from which segment, Aluminum, Zinc or other segment? The contribution is largely from this segment?

**Ajay Goel:** It is across, for sure, Aluminium has played a bigger role. But across the businesses, be it Aluminum, Oil & Gas and Zinc as well it is across.

**Kunal Kothari:** And can we expect further reduction in working capital? Or is it the optimal level that one can assume for FY '25 going forward?

**Arun Misra:** No. So from 75 days of sales, we have an internal target to take it to close to 65 days of sales. But yes, that will put a lot of pressure on operations and also seeing the logistics like many of the shipments, if they have a cycle time of three months to six months. So there are challenges in that, but we believe that we -- this is -- although it is ever lowest, we can still go further down, and we'll continue to work in that direction.

**Kunal Kothari:** Got it. And sir, second question is largely all, most of our capex is getting complete in FY '25. Can you also share your view on FY '26, what capex that we are looking for and further as well?

**Arun Misra:** See, the way we work is while will be commissioning all these fast designed capex in this financial year -- this financial year will also see us going back to drawing board to look for further growth in all our businesses. Once that is done, the conceptual studies over somewhere in H2 of this year, we'll be able to tell you that what will be the kind of capex outlay we'll have to do for next month a year.

- Kunal Kothari:** Okay, sure. All the best, sir. Thank you very much.
- Moderator:** Thank you. We have a next question from the line of Amit Dixit from ICICI Securities. Please go ahead.
- Amit Dixit:** Good evening, everyone and thanks for the opportunity. Just a couple of questions from my side. If I look at Slide 33, where you have given the waterfall chart for Aluminum. Now in cost of production, power costs have gone up despite e-auction prices going down significantly in the quarter. So just wanted to understand whether it is the inventory effect and if so, then the coal cost should go down significantly actually in Q1 FY '25. Is it the correct assessment?
- Arun Misra:** Yes. John, would you like to comment on that? .
- John Slaven:** Yes, certainly. So in the quarter, we had two major overhaul events, which means that we are incurring higher costs for the maintenance events. And at the same time, we need to purchase power from third-party sources to supplement that. And that's higher than our internal generation costs. So those are the two big drivers for the increase quarter-over-quarter. In terms of our coal cost, the coal cost has continued to be around the same level quarter-over-quarter.
- Amit Dixit:** Can you please quantify the impact of these two outages on the coal cost this quarter?
- John Slaven:** Well, you'll see the number there, essentially \$20 per ton.
- Amit Dixit:** Okay. Got it. The second question is on Oil & Gas division. So while in oil and gas, despite our efforts at helpline of polymer injection and all, we have seen that the natural decline has somehow caused production to go down. And our current guidance that we have given 120 to 140 KBOEPD for this year against 118 what we have achieved. How do we intend to increase the production? Whether it will be closer to 130 or what would be the key enablers for it to reach 140?
- Arun Misra:** Steve, would you like to comment on this?
- Steve Moore:** Yes, certainly. Yes. So the key focus areas for this year are the gradual switchover from polymer injection to surfactant injection or just this month or later on this month because first batch of surfactant will arrive, the facilities are ready to go, and we'll start to inject surfactant through the reservoir, we'll see the water cuts fall and the oil production come up in Mangala. That's the first project.
- The second phase of this, we've just awarded the contract to build the plant. We'll see that coming in towards the back end or early next financial year. We also have a batch of infill project. This year has been largely looking back and making sure that we're planning to do the right activities, the activities that have the most impact for the dollars that we're spending.
- So we haven't done a huge amount of drilling this year. We're going to really start to -- we've just retendered for rigs. We're bringing in some new additional rigs increasing the number of drilling units and the number of wells. We've been looking at how to drill wells quicker and cheaper. We've retendered all of our drilling services contracts and we're also starting to focus



on a number of the discoveries that have been made from exploration over the last few years have been brought into production, largely with development techniques build in from Americas. We're also in the process of mobilizing because we had a little over the last 2 years of drilling offshore.

So we're taking advantage in Saudi Arabia, shedding some jackups we're going to bring either in 1, 2 or 3, maybe even 3 jackups. We've got a whole batch of wells to drill on the Cambay fields on the West Coast another field on the East Coast plus we're going to start to go after our DSF blocks both coasts as well and do tiebacks to the main facility. So activities are ramping up.

This will allow us to reverse the natural decline and see production start to increase. following year, we'll see even bigger -- should see even bigger increases, some of those longer-term development projects into fruition.

**Amit Dixit:** Okay thanks a lot for the elaborate explanation thank you and all the best.

**Management:** Thank you.

**Moderator:** Thank you. We have our next question from the line of Aditya Welekar from Axis Securities. Please go ahead.

**Aditya Welekar:** Yes, thanks for the opportunity so my question is on the recent run-up in prices. We have witnessed on aluminum and zinc. So given the backdrop that Fed may postpone its rate cuts and dollar may strengthen -- so what is driving this strength in prices? And do you think this is sustainable at the level of aluminium prices, which we have seen recently at \$2,600 per ton.

**Arun Misra:** So John, would you like to comment on the price remaining strong in the coming quarters?

**John Slaven:** What we are seeing in the quarter is impact.

**Moderator:** I'm sorry, sir, your voice is not clear.

**John Slaven:** I'll try that again. What we are seeing in the current months and probably over the next couple of months is an impact of decisions taken by the U.S. and the U.K. to ban import of Russian metal -- this is having an impact on the LME, the LME has imposed certain limitations on storing Russian metal in the LME warehouses and what metal can be taken out.

So I think all the market participants are trying to understand how that will impact supply and demand. and what we are seeing is elevated prices as a result of that. So that's playing out over the short term. As we look medium and longer term, what we are seeing is sustained strong growth in demand for the metal and constraints and ability to ramp up supply. So we maintain a positive medium- to longer-term outlook.

I'm not sure whether we're going to maintain the current levels -- and as Ajay mentioned, we are doing some initial hedging, but very small quantities because we do see contango in the market. We are expecting, as other market participants there are some continued strength in the market over the medium term.

- Aditya Welekar:** And my next question, continuing on the cost of production in aluminum division. So -- we have a near-term target of \$1,550 per ton on cost of production in aluminum. And I mean you have already touched based upon the guidance for FY '25. So is it the least which we can achieve or to achieve the \$1,550 per ton, it is contingent upon the operations of captive coal mines like Kurloi and Radhikapur, so once they get operational we will be able to get near the number of \$1,550.
- Arun Misra:** John, are you coming online?
- John Slaven:** I was going to answer, but I'm happy for you to do that too.
- Arun Misra:** Please go ahead. .
- John Slaven:** Okay. So obviously, the operation of our own coal mines will be probably the biggest driver of cost because we will be able to significantly reduce the cost of coal, but there are other drivers as well as we operationalize the Sijimali bauxite mine. We will avoid having to purchase imported bauxite. And as we ramp up Lanjigarh refinery, again, that will enable us to displace third-party purchases of alumina. And then the other major driver is as we move our overland logistics from road to rail that enables us to achieve further cost reductions.
- So it's that combination together with a whole range of operational performance improvement that will enable us to get that down.
- Aditya Welekar:** And my last question is on Power. So where are we with respect to the Minakshi and Athena with respect to their commissioning?
- Arun Misra:** So Meenakshi 150-megawatt is about to be commissioned. We are on that process. And on Athena, financing and all being taken care of, and it should also come in line sometime in the next financial year.
- Aditya Welekar:** Okay. Thanks a lot.
- Moderator:** Thank you. We have a next question from the line of Amit Lahoti from Emkay.
- Amit Lahoti:** Good evening. Thanks for the opportunity. Some of my questions have already been answered. So one on strategy around M&A with BHP looking to acquire Anglo American. And given that Vedanta was involved with Anglo American in the past, what are your thoughts around consolidation in the sector? And maybe more specifically on how Vedanta sees this in terms of strategy for international assets?
- Arun Misra:** No. So we are very focused on growing all our assets primarily in domestic market in India at the center of our international assets, if you look at, which is in South Africa, where our 30 million ton reserve that we have we need to grow that business. Currently, it is getting some challenges on overburden stripping but we'll continue that effort. KCM when it comes into operation, then we will be able to talk about whether -- how big it can be as far as copper is concerned.

It is one of the best copper assets in the world, and we are very sure that, that will be huge addition to our overall VRL cum Vedanta performance. But we are not really worried about consolidation in this field because we are in the metals where there is hardly -- we are either number 1 and number 2 in the domestic market and internationally, are number 1 or number 2 or number 3. So consolidation is not going to affect much.

**Amit Lahoti:** Sure. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we'll take that as a last question for today. I now hand the conference over to Ms. Prerna Halwasiya for closing comments. Over to you.

**Prerna Halwasiya:** Thank you. Thank you all for taking out the time to join us today. I hope we were able to answer most of your questions. In case you have any further questions, please feel free to reach out to me or my colleagues at the IR team. This concludes today's call. We look forward to reconnecting with you for the next quarter's earnings call. Thank you, everyone, and have a good day.

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