"Vedanta Limited Q2 FY25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Vedanta Limited Quarter 2 Financial Year '24-'25 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 "*" then "0" on your touch-tone phone. Please note that this conference is being recorded. Participants connected on Webcast link may change the quality settings to 1080p to watch the proceedings on best quality.

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, Yashashree. Good evening everyone, and welcome to Vedanta Limited's Q2 FY '25 Earnings Conference Call. I am Prerna. I am the Deputy Head, Investor Relations and Company Secretary for Vedanta.

On behalf of the entire team, I would like to thank you for joining us today to discuss our financial results and business performance. The transcript of this call will be made available on Vedanta Limited's website. The 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; Mr. Ajay Goel – our CFO; Mr. Ajay Agarwal – President (Finance). We have Charanjit Singh who joins us as our Group Head Investor Relations. We have also leaders from some of our key businesses. Mr. Sunil Gupta – CEO, Jharsuguda and COO, Aluminum business; Mr. Anup Agarwal – CFO, Aluminium Business; Mr. Chris Griffith – CEO, Base Metals business; Mr. Hitesh Vaid – CFO, Cairn Oil and Gas.

Please note today's entire discussion will be covered by the cautionary statement slide on the Presentation Slide #42. We will start with the update on our "Operational" and "Financial Performance" followed by the Q&A session.

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

Arun Misra: Good evening, everyone. Thank you for joining today's "Quarterly Business Performance Update".

I am pleased to address you today to share Vedanta's 2nd Quarter and First Half of FY '25 performance. The first two quarters of FY '25 were marked by growth and operational excellence with a strong commitment to sustainability.

As a global industry leader, ESG is at the core of our operation. And as you are aware, we have partnered with Serentica Renewables to secure 1,826 Megawatts of renewable energy power delivery agreements. Serentica's ambitious goal of adding 17 to 20 Gigawatts of renewable energy capacity by FY '30 aligns with our vision.

In the 2nd Quarter, Zinc India expanded its renewable energy commitment by an additional 80 Megawatts, bringing our total group commitment to 1,900 megawatts. Both Zinc India and our Aluminum businesses have already begun utilizing renewable energy. We are determined to extend this initiative to all our businesses in the coming quarters, steadily moving towards our goal of net zero carbon emission.

We successfully hosted the third edition of the Delhi Half Marathon, an event dedicated to support the cause of run for zero hunger. I am thrilled to announce that our collective efforts have made a strong impact. Together, we have raised 10 million meals to support children and animals in need through Anil Agarwal Foundation.

Our commitment to ESG is recognized globally. We are proud to announce that we have once again secured a top three ranking in S&P Global CSA assessment for the year. This marks our second consecutive year of this achievement, highlighting our strong ESG practices and reporting.

Now coming to Quarter 2 FY '25 Key Highlights:

Moving on to Quarterly Performance:

I am pleased to report a strong Quarter 2 performance marked by operational excellence. Our quarterly EBITDA increased by 44% year-on-year to 10,364 crores. We have delivered our all-time high first half EBITDA of Rs. 20,639 crores, up 46% year-on-year.

Our EBITDA margin increased by 9% from a robust 25% in 2nd Quarter of last year to an industry leading 34% in 2nd Quarter of the current fiscal driven by our structural cost reduction initiatives and operational efficiency.

Our profit after tax before exceptional increased by 230% year-on-year to 4,467 crores.

Moving on to operational performance. Vedanta's Aluminum and Zinc operations continued their industry leading cost positioning, consistently ranking in the top quartile and decile of the global cost curve respectively.

The aluminum business achieved its highest ever quarterly and half yearly production of 609 KT, up 3% year-on-year and 1.205 million ton, up 3% year-on-year respectively. Our quarterly cost of production is lower by 4% year-on-year. Despite rising alumina market prices globally, we maintain hot metal costs flat sequentially demonstrating the strength of our assets, our operational and buying efficiencies.

Hindustan Zinc achieved its highest ever 2nd Quarter mined metal and refined metal production at 256,000 tons and 262,000 tons respectively. We have delivered lowest first half cost in the last 4 years with 2nd Quarter FY '25 Zinc India cost of production being $1,071 per ton. Going forward, we are on a clear trajectory to achieve the lowest full year cost of production in our last four years of operation.

In the Zinc International business, Gamsberg Mine delivered a strong 21% quarter-on-quarter increase in MIC production, reflecting significant progress in operational stability and efficiency. We anticipate MIC production to normalize by the end of this fiscal year, and we are confident in achieving 230,000 tons of total MIC production for the full year in our Zinc International business.

Our Iron Ore business faced some external challenges in the first half of this current fiscal. Bicholim Mine in Goa was unable to dispatch ore due to lack of transportation permits in the first quarter. Heavy rainfall further impacted production in the 2nd Quarter. However, we have now secured the necessary transportation permits, and Goa mining operations are now running at or above our stated capacity. With these developments, we are confident of achieving our annual production guidance of 11 million tons per annum from the iron ore business in FY '25.

Regarding growth projects, after delivering a strong performance in the first half of the year, we are optimistic about continued growth and opportunities that lie ahead.

In aluminum, the ramp-up of Lanjigarh Refinery's Train 1 is progressing well. The current total production run rate is 3 million tons per annum as we speak as against 3.5 million tons per annum capacity. We expect to fully ramp-up Train 1 by December 2024. We are also on track to commission Train 2 in Quarter 3 FY '25, with full ramp up expected by quarter 1 of FY '26.

BALCO smelter expansion is advancing steadily with all equipment orders fulfilled and installations under advanced stage. These developments along with some volume debottlenecking projects will enable us to reach a production capacity of 3.1 million tons per annum of aluminum with 90% comprising value-added products and alloys.

In Zinc India, 160,000 tons per annum roaster at Debari and 0.5-million-ton fertilizer plant are processing as planned with final commissioning targeted in the last quarter of this current fiscal and 2nd Quarter of the next fiscal respectively.

Zinc International is one of the largest Zinc deposits globally. Our Phase 2 expansion project is in full swing with full ramp-up expected during FY '26.

In FACOR, I am happy to announce that we have received environment clearance for our underground mine expansion and 300 kilo ton per annum Ferrochrome capacity. With this, we are on track to become the India's largest Ferrochrome producer.

In power, this fiscal year will mark the full commissioning of Meenakshi Power Plant 1,000 Megawatts. Our Board has also approved the project CAPEX of 5,209 crores for 1,200 Megawatts Athena Power Plant. As you are aware, we have already secured Rs. 3,900 crore in project financing in this project. With this, we are well positioned to generate 5 Gigawatts of commercial power within the next 18 to 20 months.

Looking ahead, we remain committed to delivering an outstanding performance in FY '25 driven by our robust project pipeline and strategic investments. Our integration and growth projects are progressing smoothly, and we anticipate achieving these milestones within the next 9 to 12 months.

Our focus on cost reduction has been a cornerstone of our profitability. Through our structural interventions and initiatives, we have significantly reduced our cost of production over the past 12 to 15 months, and we are confident in our ability to continue this trend in the coming quarters.

Our demerger process is also progressing well, with the first NCLT hearing successfully completed.

In summary:

We have continued our strong performance, building on the momentum from the first quarter. We are proud to report our highest-ever first-half EBITDA of Rs. 20,639 crores in this year. The second half of this year will be a transformative period, as our major projects come online and ramp up going by the historical trends, where the first half typically accounts for 40% of the total annual EBITDA. We anticipate achieving our highest-ever annual EBITDA in FY '25 by delivering the remaining 60% in the second half.

In Vedanta, we remain committed to our long-term vision of sustainable value creation. By focusing on our strategic priorities and leveraging our unique capabilities, we are well-positioned to capitalize on emerging opportunities and deliver sustained growth.

Over to you, Ajay.

Ajay Goel: Thank you, Arun, and good evening, everyone. This quarter stands out as the most remarkable one, with considerable advancement in our corporate actions, robust financials, and highly effective operations.

I am very pleased to announce that we have achieved our highest-ever H1 EBITDA of 20,640 crores, a 46% growth Y-o-Y, and 2nd Quarter EBITDA of 10,364 crores, with a 44% Y-o-Y growth. This is driven by structural and sustainable cost optimization and supported by favourable prices. The Y-o-Y comparison focuses on core performance and excludes the one-time gain from Cairn arbitration that we recorded Q2 of last year.

In this quarter, our PAT before exceptionals is INR Rs. 4,467 crores reflecting 230% growth Y-o-Y. So, I repeat, it is a 230% growth Y-o-Y, and with the addition of exceptional items, our PAT reported reached 5,603 crores.

Let us now turn to a few of the Financial Highlights for 2nd Quarter:

Revenue for 2nd Quarter at 37,171 crores, 10% growth Y-o-Y. EBITDA 10,364 crores marking a 44% growth Y-o-Y. EBITDA margin at 34%, an increase of 900 basis points Y-o-Y, which is an industry benchmark.

Our net debt to EBITDA ratio further improved to 1.49x, the best in the last six quarters for Vedanta. Also, our ROCE stands at 23%, up 152 basis points Y-o-Y, and finally, the free cash, flow, pre CAPEX at 8,525 crores, reflecting a 50% growth Y-o-Y.

Moving on briefly to balance sheet and debt. I am happy to report that our net debt as of September end has declined to 56,927 crores marking a reduction of 4,400 crores versus Q1. So, this is sequential.

We finished the quarter with a liquidity position of 21,509 crores, reflecting an increase of 30% both Y-o-Y and quarter-on-quarter with an average maturity at 3 years.

On corporate actions in July, as you have noted, we have raised about $ 1bn / 8,500 crores via QIP, which is the largest issuance in metals and mining in our country. The funds from the QIP will deleverage Vedanta Limited, thereby reducing interest costs by over Rs. 1,000 crores annually.

In August, we further augmented our capital base by raising $400 million through offer for sale for Hindustan Zinc Limited. And finally, all this has been well noted by rating companies and ICRA has raised our long-term rating from AA- to AA and CRISIL revised its outlook to watch with positive implications while reaffirming our AA- rating.

On VRL, I like to highlight the significant progress in deleveraging our parent company Vedanta Resources Limited, VRL. Over the past 2.5 years, we have reduced debt by $4.7 billion, bringing it down to $4.8 billion, which is the lowest level in the decade. I repeat, the VRL debt at $4.8 billion is the lowest over a decade. In H1 of the current year, which is April-September, VRL debt has come down by a billion. So, we are ahead on our commitment of 3 billion over three years. So, we are doing more and we are doing early.

Additionally, in the current quarter, we refinanced at Vedanta Resources $1.2 billion bonds. Of this, the last tranche came at 9.99% yield. Overall, this refinancing is 3% lower cost resulting in annual savings of over Rs. 300 crores.

With VRL's ongoing deleveraging and other actions such as refinancing, the parent company will have a single-digit cost in the near future with interest obligations at VRL will be covered through brand fees while the principal will be financed through a routine dividend. This will ensure that VRL in future is self-funded.

On demerger, the demerger as you may have noted in its final stages with the shareholders and the creditors meeting planned in coming months, set to unlock significant value and enhance our leadership in critical minerals.

In Summary:

Our EBITDA for the first half at group level stands at about 2.6 billion. Historically, our second half has accounted for about 60% of our annual performance. So, we expect a similar trend in the current year.

Besides the linearity between H1 and H2, there are other key businesses such as Zinc International, Iron Ore and Steel. They will see an improved momentum in the coming months.

As you have noted, several major capital projects are set to reach completion across key business segments, and our growth momentum will further carry forward into next fiscal.

We will have a monthly EBITDA run rate of more than 650 million as we close FY '25, the current year. Given these developments, one may expect an even stronger EBITDA in FY '26 next year. We will share further guidance on our FY '26 outlook later in the year.

In Conclusion:

I like to reaffirm our commitment to three key areas, which is business delivery, deleveraging, and demerger. Thank you. And with this, I hand over to the operator for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Amit Dixit from ICICI. Please go ahead.

Amit Dixit: Congratulations for a good set of numbers in a very trying quarter, I would say. Couple of questions from my side. The first one is essentially on aluminum cost. So, if I look in this quarter, the hot metal cost is $1,734 per ton. Our guidance for the year is lower, but alumina cost has surged. So, what confidence we have in meeting the aluminum cost guidance in this backdrop?

Ajay Goel: Our Aluminum CFO, Anup Agarwal to respond.

Anup Agarwal: So, thank you, Ajay. So, Amit, to your question now, so you would have seen even in this quarter now while the aluminum cost has been higher, you will see that on the power and the other costs, we have shown a lower number. Going forward, the near-term opportunity lies in Lanjigarh expansion. The work that we have done on our assets, that will give us further reduction in terms of the power costs and the operational efficiencies.

So, Amit, what we have done is we have kept the target the same, $1625 to 1725. In H1, we have done 1725, and we believe that in Quarter 3 and Quarter 4, we will be back to the lower cost levels, which will maintain our cost guidance at the same levels.

Amit Dixit: No, the question was more in the line because alumina prices have surged in the recent times. So, maybe the inventory that you might have had for imported alumina would have kept the cost a little bit lower in Q2. But going ahead in Q3, when that complete impact will hit us and coal mines are still some way away. So, that's what I was wondering that how can you maintain the alumina cost at the similar level as Q2?

Anup Agarwal: So, Amit, let me reiterate. You are right. See, the alumina prices have increased, bought out alumina. Let me reiterate that as we go into Q3 and Q4, Lanjigarh ramp up is coming into the field. Arun ji mentioned that our present run rate is somewhere around 3 million tons, almost 30%, 35% higher than what we have done in the first two quarters. So, the cost opportunity lies in Lanjigarh ramp up.

As I mentioned on the power side, the first two quarters we have done major repairs and maintenance. We will now have the benefit of it where you will see almost $40, $50 lower. So, Amit, basically we will see bought out alumina prices- this will be higher, which will be to an extent or mostly offsetted by power costs and the other costs. And of course, on the alumina, let me also tell you that not all our contracts, bought out contracts are market linked or the API current cost linked. There are also some contracts which are linked to Aluminium and that will give us the benefit.

Amit Dixit: The second question is on oil and gas. So, is it possible to give some more detail about the progress of ASP injection in Mangala well pad? We have taken some write back of impairment that we took earlier. So, how much more impairment can we write back based on the current progress? In particular ASP injection progress would be something that I am looking for. And also, whether we expect this decline in Mangala oil field, MBA oil field rather to be arrested in this year?

Ajay Goel: So, let me start with the first, the Cairn impairment part and request my colleague Hitesh Vaid, Oil and Gas, CFO, to comment on volume one. So, as you know, Amit, in terms of impairment exercise across the business verticals between the carrying value on the balance sheet and future cash flows, this exercise is quite routine and is semi-annual. We do it at least twice in a year. So, it is part of the same process, September and March end.

Now for enhanced oil recovery Vedanta Oil and Gas has commenced injection of ASP in few select fields in Mangala field. Now this program of injection of ASP is working out well. It will also proliferate increase to other areas. This has led to accounting for higher resources in the entire valuation model. That is one part.

Secondly, as we know, while looking at the valuation of an asset, there are dozen other factors. Example remains the cost of capital, tax rate, discount to Brent, gas prices, all of those. Looking at all the factors, we have taken an impairment reversal in the current quarter. Now while making a provision, one has to be conservative and when we write back a provision, we are doubly conservative. So, the entire writeback has a tinge of conservatism on writeback. And in terms of the volume, I will request Hitesh Vaid, CFO, to comment.

Hitesh Vaid: So, ASP has been one of our key projects which we have been trying to implement. What we have done is we have started injecting in a couple of well pads in Mangala. In parallel, we have also awarded a contract for large-scale execution across a cluster of Mangala well pads. So, while the current injection has already started and we have started seeing some gains in the next 3 to 6 months, the larger project is also on where we will start injecting in around 15 to 18 months' time across all the well pads.

So, ASP is one project which we were talking about, now it is being executed on the ground. And of course, as we have said earlier, the ASP project is going to lead to an increased recovery of around 10%, which will translate across India, it leads to an increased recovery of more than 200 to 250 million barrels. So, that project now is on the ground running, and we will start seeing some reversal of the decline which we have seen in the past. But this is one part of the story as far as oil and gas business is concerned.

So, beyond the ASP as well as the infield wells which we are drilling to manage decline, what we are also doing is on the East Coast, we are working on a five-year exploration campaign and that we intend to start somewhere in March. On the West Coast, we are again starting a drilling campaign from December 2024 onwards. The rig is being mobilized, and that program targets five infill wells.

In addition, we have a DSF field in the West Coast, Cambay, which we had acquired some time back. So, we are trying to put that also into production, which will happen once we complete this 5-year program, there will be a continuous drilling program to get that also in line.

In parallel, what we are also trying to do, I mean one of the most exciting prospects which we have is our Deepwater East Coast prospect. We are looking for partners. It has material volume. We believe it is in excess of 5 TCM and that's why our plan is to spud the well in a year's time. We have 3-4 discoveries in that block. So, we are trying to monitor that discovery as well as bringing the new partners who can help us with further exploration. So, that's the whole story. But yes, the ASP injection, which is the key, we have already started, and we will start seeing gains from the project.

Moderator: Thank you. We will take our next question from the line of Ashish Kejriwal from Nuvama Institutional Equities. Please go ahead.

Ashish Kejriwal: Sir, again my question is also on aluminum. You said that we can overpower the rising alumina price by reducing power cost or increasing our aluminum volume. But even after that, one thing is how our power cost will reduce $40-$50 when either you are saying that FSA power will increase or e-auction prices are on a higher side?

And secondly, in terms of alumina, when you are talking that we have delivered around $813 per ton cost in this quarter, so do you think that we can manage going forward also with the help of captive alumina as well as you mentioned that we have a contract also in alumina? So, this mathch, if you can explain in detail which can give us a comfort or confidence on maintaining our guidance of overall 1725$/t, that will be great, sir.

Anup Agarwal: Hi, Ashish. Anup on this side. So, Ashish, first let me come to the power cost. As I said in the first two quarters, we have done major repair and maintenance in our assets and when you will look at it, there will be a cost to the tune of $40-$50 which has gone in the cost. And to your question on the coal, both the linkages and our captive coal constitutes around 85% of our total coal consumption and in MCL, e-auction premiums are nil. So, you will see that is what gives us the confidence that once the monsoon is also over, we will get the better coal grade and the coal cost will be $50-$60 lower. So, that is one point.

The second point on your question on the alumina, so I agree that maybe a month or two we may see a higher alumina cost, but as I said that as we go forward in the Q3 and Q4, the Lanjigarh expansion, I will reiterate that we are running at a capacity of 3 million tons, that is a run rate of 3 million tons, and we will also start commissioning the Train 2 in the month of December.

So, as we exit the year now, we will almost be at a run rate of you can say 4 million tons with our coal, alumina, and of course some long-term contract at a lower price, as I said, we believe that Quarter 4 cost would offset if at all some cost inflation is there in the Quarter 3. So, that is what gives us confidence that we should be able to meet the 1725-1750 guidance, what we have given.

Ashish Kejriwal: So, you mean to say that we are already, so October month also we have run at a run rate of 3 million tons in alumina plant. This is as of today you are saying.

Anup Agarwal: So, Ashish, let me tell you, see, and I will reiterate what we said in the last call also, that we have been running with some shared infrastructure, okay. Those shared infrastructure were in terms of red mud handling system, alumina handling system and the bauxite handling system. So, in the month of October, one of those have come into line. That is the red mud. We will have the alumina handling system coming into line this month, the first mid-half and that is where the capacity has gone up to 3 million tons. So, the current capacity as we are running today is at 3 million tons.

Ashish Kejriwal: Secondly on coal blocks, because we have been hearing it for last one year now, we are on the verge of commissioning of this coal block. So, is it able to understand when can we expect now and where we are actually on receiving the approvals?

Ajay Goel: So, our Aluminum sector COO – Sunil Gupta is on line. I request Sunil to comment on the question.

Sunil Gupta: For the coal block like the Kuraloi coal block is in the advanced stage now. We are on the verge of getting the forest clearance. We have already done the public hearing and everything is done. We have started acquiring the land also. Government land is already allotted. CA land is already allotted. So, Kuraloi coal block we are expecting first quarter of '26, it will get operationalized and which we are trying to ramp up by third quarter of '26.

The Radhikapur, we have already got the forest clearance. We are in the process of land procurement there and which is also expected that we are trying to operationalize before first quarter of '26.

And for the Ghogarpalli, we have already got the vesting order from the government. We have started the approval process from the government, which we are targeting by 4th quarter of '26 it gets operationalized. We are on track in this.

Ashish Kejriwal: So, Radhikapur or Kuraloi, do you think that any further delay in that, any other thing which can struck us and this Q1 can become 4Q FY '26?

Sunil Gupta: Right now, I have, this is Kuraloi Mine, I am very, very clear that it will get started in the first quarter of '26. Radhikapur also, we are on track and only because of some election, central election, it got delayed, some process. Otherwise, it has picked up. So, I don't see any further delay in the opening of the coal blocks.

Ashish Kejriwal: And sir, lastly, about our demerger, where we stand, do we think that we can still manage to complete the process by FY '25 and/or there could be some spillover? Or is there a possibility that we get approval for all the companies and not for all and then we can't demerge all?

Ajay Agarwal: So, thank you for your question. We are very confident that this whole demerger process is the last leg of completion. And we are very confident that this will get done on or before 31st of March 2025. Our scheme is extremely flexible, and it allows us as and when each of these companies gets approval from NCLT and along with creditors and shareholders' approval, has the ability to get listed as and when we have the approval.

Moderator: Thank you. We will take our next question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: My first question is on Aluminum. So, during the quarter, we had an accident at Red Mud Pond at Lanjigarh. Just want to understand what was the impact? Is everything running regularly now? And what was the financial impact also of some compensation which we read in the news articles?

Sunil Gupta: So, for the Lanjigarh water pond breach, there is no impact on the operations. When it happened, we did not have any interruption in the operation. We are running our Lanjigarh plant as usual. There was only some part of the land which got affected, which has been already cultivated, and it has been given back to the villagers. We had already paid, we had already reimbursed some compensation as advised by the District administration. As such, there is no financial impact because of this pond breach.

Now, we have already taken steps to again repair this water pond. And IIT Roorkee has been engaged in that and we have already engaged one third party for the review of the design.

Arun Misra: Sunil, Arun Misra here. See, first clarification is, it is not the red mud pond. It is the in-process water reservoir. Again, these reservoirs are normally empty through the year. It gets filled up only in the monsoon. And this time, it was an unexpected rainfall over a short period of time that caused the overflow and caused the water to go out. That is when our people were so alert, it could be quickly checked in time. Whatever little damage to the paddy fields happened, that could be recovered. And now we are ensuring that what is the excess amount of rainfall water it can accommodate, to that account, we are putting global experts into the redesigning of these process water ponds. Normally, we don't need to increase the capacity, but we will ensure that, you know, last 50 years, as to the rainfall, we should be able to protect ourselves. And that is the kind of global standard we are trying to adopt now.

Sumangal Nevatia: Next question is on alumina production, full-year guidance. There has been cut versus what we had guided at the start of the year. So, just want to understand, is it because of delaying line to Train 2 or some other reason?

Anup Agarwal: Hi, Sumangal. See, as I said in the beginning that we were running with some shared infrastructure, you are right. So, we had some delays there and not helped by the unprecedented rain that we saw. But I think that is now behind us and Quarter 2, we will see almost 30%-35% better production compared to the H1. But yes, in the beginning of the year, the guidance that we had given, we are now revising our guidance slightly lower.

Sumangal Nevatia: And given that, so you commented that end of fourth quarter, we will be running at 4 odd million tons run rate. So, for next year, should we expect somewhere in the range of 4 to 5 million tons of production? I mean, what's our bauxite sourcing break up for that?

Anup Agarwal: Sumangal, so let me tell you, as I said, that we will start commissioning the Train 2 by end December- early January. And we expect that by June- July, we should be able to fully ramp it up. Okay. So, to that extent, the math, if you do, you will get where we will have the alumina.

Coming to the bauxite, and we said in the beginning that Sijimali, we are seeing a good traction now, and we expect that in quarter 1, next year, we should start the mine. And to the bauxite requirement, we feel that OMC and OMC is also expanding its mine. Between OMC, Sijimali and maybe some other sources we should be able to tie up the entire bauxite requirement for the next year.

Sumangal Nevatia: I just wanted some more, I mean, some details on the coal mine. So, Radhikapur FC2 was pending as far as I remember. So, have we secured FC2 for Radhikapur? And also, what is the status of Ghogarpalli? Is the mining plan or EC, FC been secured there?

Sunil Gupta: Coming to Radhikapur FC2 still is in process. We are targeting that within one-month time we get it. Ghogarpalli, like I said, we have already received the mining plan and land schedule. Now we have submitted for the approval to the government authorities.

Sumangal Nevatia: And for Sijimali, I think mining plan is approved, but what is the status of EC, FC at Sijimali?

Sunil Gupta: So, for the Sijimali already we have done the public hearing and the Gram Sabha hearing. We have applied for the FC1, and we are expecting that FC1 is we get by this month or by 15th of December. So, Sijimali is already on track. We have already acquired 800 acres of govt. land. So, this is the status of Sijimali block.

Sumangal Nevatia: If I may just squeeze in one more question on VRL, one is we had the ICL due, I think, by end of this year, December. So, are we on track to receive that outstanding intercompany loan from VRL? Number one. And number two, at $4.8 billion net debt, what is our interest obligation? And also, are we looking at ending this year lower or has there been some front ending of payment, I think, from a royalty perspective in the quarter? So, for this year, is it possible to guide what is the end target for net debt at VRL?

Ajay Goel: Sure. Maybe I will start with the last one, Sumangal, and as you will recollect at the year beginning, we guided the market that the VRL debt, we further deleveraged $3 billion over three years, starting this year first April. And in the first half alone, we have deleveraged by a billion. Now, how much more we can do? As you know in the second half, the requirement is almost 220 odd million between now and December and plus interest almost equal value. We believe most of the second half requirement will be met through free operating cash flows. So, one may look at a number of more about 4.6 or so at VRL once the year is closed.

Secondly, in terms of ICL between VEDL and Vedanta Resources, the last tranche, almost 417 million is due towards year-end. It will get serviced as we come close near the maturity. The past couple of installments have also been serviced. So, we will address as it becomes due in third quarter.

Finally, in terms of interest cost, the second half requirement is almost 190 million, and we believe our next year requirement will be almost 550 to 600.

I also like to present the bigger picture for Vedanta Resources very briefly. So, the 4.8 requirement as of now has three components. It has bonds worth 3 billion. It has a billion worth of bank loans, and the remainder 850 is PCF, the private facility from Stan Chart. We will refinance all the bond stacks between November and January over next three months' time. The bank loans will get refinanced, repaid as and when they become due.

And finally, the PCF from Stan Chart, next installment is due sometimes in April. It will be addressed half 400 million by the brand fee in April. So, net net, overall by end of this fiscal or early Q1 next year, the cost of funding at Vedanta Resources will be single digit, debt give and take 4.5 billion. In that case, the interest obligations at VRL will be met through a routine brand fee. Hence, the operating profit and loss account at VRL will be self-funded.

With bond refinancing done in the last couple of months and more in the offing, the maturities at VRL going forward will be 700 million or so. And that principal agreement can be easily taken care of by a routine dividend with 5%-6% yield. Net net VRL starting next year will be self-funded in equilibrium, both P&L and the balance sheet.

Sumangal Nevatia: That's a great turnaround. So, thanks for this detailed explanation and congratulations on this. I am done with my questions.

Moderator: We will take our next question from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Couple of questions. First, I will just continue with VRL. Sir, just a clarification. When we see this $4.8 billion, is this including ICL and whatever we have outstanding on KCM? If not, including both these variables, what the number would be?

Ajay Goel: So, the 4.8, Ritesh, is the external debt. So, it does not include the inter-company loan. And when we speak of numbers of 4.7 deleveraging, it is all apple-to-apple. So, 4.8 plus 0.4, 5.2 is total debt.

Ritesh Shah: And do we, sir, have anything outstanding at Konkola Copper miness? I think there were some operational creditors which were taken care of and there was some initial incremental commitment of $1.2 billion over a few years. Is that a part of debt or something that we are looking at VRL level?

Ajay Goel: Yes, so the 4.8 includes everything, Ritesh. So, it includes everything.

Arun Misra: Also Ajay, we have got Chris who is our COO Base Metal. He can give you a better update on the operational status of Konkola Copper mines and the way forward. Chris?

Chris Griffith: Thanks, Arun. Just for the fundraising for a billion dollars over the next five years, that's still a work in progress. So, that doesn't add any debt to VRL. At some point in time, as we raise that to complete the investment, that will be debt at the KCM level, depending on where the investment comes from.

But perhaps I can just mention that, as you well know, we got the asset back in August. So, from September, where we started heating up the plant, we did just over 1 kilo tons of copper in September. October, we were already at 8 kilotons. This month, we should be at 9. We should be at a run rate of about 15 kilotons per month by the end of the financial year.

So, this year we should already in the eight months of production, produce around 80 to 90 kilotons of Copper and be at a run rate, an annual run rate of 150 kilotons already by the end of eight months of production. And that's kind of the level of production that we were producing before the liquidation five years ago. So, very rapid ramp up on the back of us taking over the production.

And as many of you know, this truly is one of the spectacular Copper ore bodies globally. So, as we finish the investment over the next five years of a billion dollars, that's on top of what has already been invested in KCM of $3 billion. So, low capital intensity investment, quick ramp-up in a high-grade long life ore body. So, as we are speaking to potential investors in KCM at the moment, so we are seeing lots of interest in this ore body. There is, of course, a lot of interest in Copper. There is a lot of interest in Zambia and an even more so fantastic interest into KCM. So, all round actually things are going very nicely, notwithstanding a couple of small hiccups, but really good rapid ramp up that's happening at KCM as we speak.

Ritesh Shah: Thank you so much for the detailed answer. Sir, just to come back to VRL, sir, just wanted to, can you highlight the maturity broadly for second half of this fiscal and next three years?

Ajay Goel: Sure. So, if you look at the second half between October through March, so October is what we are taking care of. What we need between now and the March end, the principal is almost 0.2 billion. It's about 220 million requirement and interest almost same number. The requirement at Vedanta Resources in the second half is almost $400 million. As I mentioned, we intend to address most of it through operating free cash flows and maybe a very small portion through refinancing. So, that's the requirement.

If you look at next year FY '26, the requirement is almost 820 million in principal and interest. So, give and take 1.2 billion, 1.25 next year. I would say the outer areas at '27, let us park for the moment, because we also intend to refinance the remainder bonds. In that case, the maturities will be de-cluttered and get flattened out.

Ritesh Shah: And sir, 27.

Ajay Goel: '27, as I mentioned, right now it is about 1.1 billion, but once we refinance the remainder bonds, it will come down to a sub billion. So, 0.4 in the current year second half, 820 next year and about 1.1 billion in FY '27.

Ritesh Shah: This is useful. So, that was the first part of the question. Secondly, would it be possible for you to indicate broadly on what's happening on bauxite globally, specifically touching upon Guinea and why there is so much of hue and cry in the global bauxite market? How do you see this playing out over the next six to nine months? That's one.

And the second is very encouraging to see that our alumina refinery is ramping up well. But just wanted to understand what is the sort of comfort that we have on sourcing. Earlier we had indicated OMC can go from three to six. Where are we on that? And if possible, if you could quantify something on the pricing for OMC, imports and Sijimali whenever it comes?

Anup Agarwal: . So, Ritesh, first on the alumina, okay. So, as I said that we will be probably a 5 million run rate refinery as we end quarter 1 beginning of Quarter 2. Now, what you rightly said is around the bauxite, bauxite also I will reiterate that Sijimali will be started in say Q1. So, we plan to get whatever 4, 5 million or 3 to 4 million next year from there. You know that the peak capacity there is around 9 million.

OMC, if you would have picked it up know, they are already into the expansion mode. 3 to 4.2 they are already doing expansion, and from there, they will go to 6 million ton. So, between these two, we believe it's mostly, say, 85%-90% it should cater to our next year requirement. We also have some other domestic as well as some small tie-up with the Guinea which should cater the balance.

And coming to your issues what we have recently picked up in Guinea, so we are in touch with EGA who is our long-term supplier. We believe that it's a routine custom matter. Nothing to worry. In any case, we have a very small contract, say, around 10%-15% of our requirement, and they should be able to supply us.

And Ritesh, on a bigger picture, since everyone was talking about the alumina, let me reiterate, okay, a little bit on the aluminum picture. Now coming to the volume, we said that we will start commissioning BALCO end of this quarter. Probably by the middle of the next year we should be around 3-3.1 million tons with some debottlenecking done.

In the near term, as I said, the cost opportunity lies in alumina ramp-up at Lanjigarh, the power only from the assets and the efficiency part of it, the materialisation and whatever operational excellence we bring into it. With that, we believe the LME where it is, NEPs you have seen that quarter-on-quarter, we are growing in high teens, and we believe that with the increased VAP and the domestic sales, we should be doing closer to 300, 320 in Q1. If we do the math, at 2,600 LME, 300, 320 of NEP cost is 17- 1,800. We should be at $1,200 and multiplied by 3.1, a 4 billion business, maybe in the Quarter 2.

Ritesh Shah: That's encouraging. Goel sir, any hedge positions that we have across businesses right now? If you could quantify volume value, that would be great. Sure.

Ajay Goel: So, let me just cover two large businesses. Now starting with the Zinc business, Zinc India, the hedge quantity in the current year is about 150 KT and that covers almost 18%, one-eight percent of the volumes for the full fiscal. Out of 150 KT, 50 KT has already unwound in the first half and as of September end, about 100 KT remains outstanding. That's one. So, 150 is the hedge for the full fiscal, 50 has unbound, 100 remains outstanding. The hedge value is about $3,000 per ton in case of Zinc.

Now coming to Aluminum, the hedge quantity is about 190 KT, and that is about 8% volume on a yearly basis. The hedge price is about 2,580, give and take, $2,600 per ton. Out of 190, about 125 remains outstanding as on September end. So, 18% Zinc has been hedged in summary at about $3,000 per ton and about 8% Aluminum has been hedged at about $26,00 per ton.

Ritesh Shah: Also sir, can I squeeze one question?

Ajay Goel: Sure.

Ritesh Shah: Sir, as a last question, Goel sir, how are you looking at the capital structure for both Vedanta and Hindustan Zinc? I am asking this question in conjunction with the reducing promoter holding at both Vedanta as well as Hindustan Zinc.

The reason I asked is, I think the de-leveraging at VRL has progressed at a pretty good pace and still we are seeing some basically offloading from the promoters for both the entities. So, it gives a bit of a conflicting signal. So, how should one look at that particular variable?

Ajay Goel: So, I will say it is a bifocal, Ritesh, at least two dimensions. Firstly, in terms of structuring, holding of VRL as in promoters into Vedanta Limited, and we believe as a group with a current holding of 56.4%, we are quite comfortable. I don't think there is an intention right now to dilute more or acquire more. So, the current stake should continue.

One should also look at the current holding in the context of de-merger and as we all believe, there is a preponderance of opinion where everybody believes post-de-merger the value of the sums will be the parts will be more than the sum and hence maybe stake valuation post-de-merger perhaps will be more beneficial. So, we foresee the holding of VRL into VDL or VDL into Zinc in near future will not materially alter.

Secondly, on the debt side, again I like to also comment, at Vedanta Resources, our intent is to go down to 3 billion over 3 years starting the current fiscal. So, from current 5.8 at the year beginning will go down to 3 billion by end of 2027. At Vedanta Limited, since it is an operating company, it will not be appropriate to ascribe an absolute value in the growth environment, and hence one should look at net debt to EBITDA at Vedanta Limited. Right now at 1.49x, it is set to go down to less than 1x where EBITDA at Vedanta will be more than the debt.

So, in summary the holding structure will remain more the same in the near future, demerger being the context. Debt viewpoint, VR will be less than 3 billion debt. At Vedanta Limited. Net debt to Vedanta will be less than 1x.

Moderator: Thank you. We will take our next question from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: Most of my questions are answered. I have two questions. One, on the reversal that we had on oil and gas business, is there any tax incidence on it, or is it just a book entry? Is there any cash tax impact of this?

Ajay Goel: So, we have to, of course, once we reverse a provision, Indrajit, we also create a deferred DTA on that one. So, it is only a book entry. There is no cash tax implications.

Indrajit Agarwal: That is helpful. And second is on your notes to account number 6 on the Avanstrate business where you have bought out the holding of Hoya. So, what was the outgo because of this? And you mentioned about you want to reorganize the capital structure. So, what could be the payout on this? What is the intent and CAPEX that we can have here?

Ajay Goel: So, right, AvanStrate used to be almost 51% holding until the remainder stake by our JV partner, Hoya, we bought, sometimes in the current fiscal. With Hoya stake buyback, our holding at AvanStrate, ASI, is almost cent per cent It's about 99%. The total payout is about 88 million, out of which 66 have been paid by sale of materials at ASI, AvanStrate. So, ASI was holding some metals, which have been locally sold and paid to Hoya out of 88. Balance 22 million is paid by ASI's holding company, CIHL. So, cash, 22, 66 is through metal sale.

Indrajit Agarwal: And you talk about strengthening the capital structure. So, if you can lay out some plans in the next 2-3 years, what kind of CAPEX can you see over there?

Ajay Goel: I believe the glass business will be a wonderful business. And right now, there are 4 large players globally. And Vedanta, post the entire stake acquisition, we want to recapitalize the business, rebuild the furnace more so in our Taiwanese operation. And that's more actions you will see in the current quarter. From an incremental profit viewpoint, this business has great potentials.

Secondly, as you have seen in terms of our domestic applications with the government on display side, between ASI: AvanStrate and VDL, the glass business will have great synergies in future.

Moderator: Thank you. We will take our next question from the line of Raashi Chopra from Citigroup. Please go ahead.

Raashi Chopra: I just wanted to reconfirm some of the numbers that you gave at the debt, for the debt at the parent level. Now the 220 million of debt and 220 million of interest payment is due for the remaining FY '25. In FY '26, you said that the loan amount due was 820 million and 1.1 billion in FY '27. Is that correct?

Ajay Goel: Yes, that is correct. So, current year second half, Raashi, the principal is 220, interest almost 200. Total requirement about 400. FY '26 next year, the principal loan is 820, and interest will be 550, so about 1.3. And FY '27, about 1.1 principal. And I will urge that, let us not look at right now FY '27. For Vedanta Resources, multiple refinancing of bond has taken place in the previous quarter and more will come, so the entire debt wall at Vedanta Resources will be far more decluttered in near future. But as of now, the number is 1.1 in FY '27.

Raashi Chopra: And essentially you said that in the repayment that you have, that the 4.8 billion has broken up, 3 billion is bond which you will refinance, 1 billion is bank loan which will be a mix of refinance and repayment, and 850 million is a private facility. So, out of that 850 million, that is due in April '25. Is that correct?

Ajay Goel: So, out of the 850, 400 is due in April, and that also is a link with a brand fee that is anyways due in April. So, out of 850, 400 gets paid in April and thereafter this loan also has make-whole clause, you know, the lock-in, which is set to end sometimes in August next year. So, we intend, and this is a high-cost debt, Raashi. So, we intend to repay this once make-whole gets over sometimes August next year.

Raashi Chopra: And just for FY '27 and FY '26, the 820 plus 550, what is the funding breakup for this, planned funding breakup? In the sense, how much is from brand fee, how much is dividend, etc.?

Ajay Goel: Well, it's a tad early, I would say, but if you look at brand fee, what you paid in the current year, FY '25, it is almost 400. Now, with the higher volume and hopefully the better pricing, that 400 can become 450 or thereabouts. So, almost half will be met through brand fee and the remainder will be dividends. So, as I mentioned, going forward, brand fee should be equal to the interest cost at Vedanta Resources. And with the flattened maturities, a routine dividend, whereby the receipt at VRL, give and take 750 million, should take care of principals. So, it will be a mix of brand fee and a normalized dividend next year.

Raashi Chopra: And at the India level, your repayment due for the remaining out of FY '25 was how much? And Vedanta India?

Ajay Goel: If I just speak of Vedanta Limited, standalone, so it is about 2,700 in current quarter and about 5,800 in the fourth quarter. So, total about 8,000 crores, a billion in the second half. Now, as you know, at Vedanta Limited, almost entire debt is secured. And with our current operating free cash flows, repayment and refinancing, knowing it is secured, is an option. So, VDL debt in terms of debt maturity servicing is far different than Vedanta Resources.

Raashi Chopra: And just lastly on Alumina, I just wanted to check that when you go to the run rate of about 3 million for Alumina, that would make you captive at about 60%-65%. So, for the remaining 35% or so, how much is spot? And you said you don't have much spot purchase. So, between spot and long-term, what is the split, very roughly?

Anup Agarwal: 60-40. 60 would be long term.

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

Prerna Halwasiya: Thank you, Yashashree. I would like to thank you all for taking time to join this call today. I hope we were able to answer most of your questions. In case you have any follow-up questions, please feel free to reach out to us. This concludes today's call. Thank you, everyone.

Arun Misra: Thank you.

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