“Vedanta Limited

Q2 & Half Year FY26-'27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to Vedanta Limited's Second Quarter and Half Year FY26-'27 Earnings Conference Call. From the management side, we have with us Mr. Charanjit Singh, Group Head, Investor Relations; Mr. Arun Misra, Group CEO; and Mr. Ajay Goel, Group CFO.

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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Arun Misra for his opening remarks. Thank you, and over to you, Mr. Misra.

Arun Misra: Good afternoon, everyone, and thank you for joining us. We recorded another strong quarter for Vedanta. EBITDA doubled year-on-year to INR 9,938 crores and the margin improved to nearly 60% from 49%, driven by strong operational performance, lower costs and higher commodity prices. Revenue grew 57% year-on-year to INR 25,812 crores and PAT increased 151% year-on-year to INR 6,202 crores. With pre-capex free cash flow of INR 5,803 crores, our net debt-to-EBITDA ratio now stands at 0.1x.

Coming to business segment operations. Zinc India delivered another record quarter. Mined metal production increased 5% year-on-year to 271 KT, while refined metal production rose 7% to 264 KT, supported by Smelter debottlenecking initiatives. Silver production reached a record 173 tons, up 20% year-on-year. Importantly, zinc cost of production declined 29% year-on-year to $703 per ton, driven by better mined grades, higher metal production and stronger byproduct realizations.

Zinc International delivered 53,000 tons of mined metal during the quarter. Black Mountain Mine produced 7.1 KT MIC with stabilization of plant operations. Encouragingly, Gamsberg Phase 2 has started its operations, positioning the business for a step change in volumes in the coming quarters.

FACOR delivered a resilient Q2FY27 performance, generating EBITDA of $8 million, a 267% increase year-on-year. Ferrochrome production increased 26% year-on-year to 24 KT, as chrome ore production reached 50 KT, up 6% year-on-year. The business continues to benefit from 100% captive ore sourcing, which significantly strengthens its cost position versus external procurement.

In copper, we achieved the highest ever quarterly cathode production of 46 KT, up 15% year-on-year. At our Fujairah operations, sales were impacted by supply chain disruptions arising from the closure of Strait of Hormuz, although operations have since normalized, and we expect quarterly run rates to improve to 20,000 tons and more by Q3FY27.

Beyond our operating assets, we continue to strengthen Vedanta's future resources base through the acquisition and advancement of critical mineral blocks across India. Today, the group has secured 11 critical mineral blocks covering commodities such as Manganese, Graphite,

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Vanadium, Cobalt, Tungsten, Nickel and rare earth elements with exploration progressing across multiple blocks. These assets position us well to participate in India's growing critical minerals ecosystem while creating a strong pipeline of future growth opportunities and enhancing long-term resource security.

On growth capital expenditure, we invested INR 1,135 crores during the quarter across our priority projects. Key progresses include the commissioning of Gamsberg Phase 2, continued development of 250,000 tons per annum integrated Zinc smelter at Debari, expansion of FACOR's ferrochrome capacity to 450,000 tons per annum and ongoing execution of our copper rod plant in Saudi Arabia, where construction is progressing and commissioning is targeted for Q3 FY27.

Additionally, at FACOR, the 75 MVA furnace expansion remains on track for commissioning in second half of FY28, while a favorable Odisha High Court order for the Katasahi mine supports the planned restart of mining operations in second half of this current fiscal. These projects will provide visible growth over the coming years.

Sustainability remains integral to our strategy. Our renewable round-the-clock power capacity reached 592 megawatts. Greenhouse gas intensity improved to 3.36 tons of CO2 equivalent per ton of metal from 3.93 last year.

At Zinc India, renewable energy constituted 27% of power consumption, while our alloy business achieved 100% renewable power sourcing. We also continued creating meaningful social impact, benefiting over 9 million women and children and supporting nearly 0.5 million families through skilling initiatives.

To conclude, the delivery of yet another quarter with EBITDA of approximately INR10,000 crores reflects the quality of our assets, disciplined execution and continued focus on cost leadership. With a strengthened balance sheet, industry-leading margins and multiple growth projects progressing well, we remain well positioned to deliver sustainable value for all our stakeholders. Thank you.

I now hand over to Ajay.

Ajay Goel: Yes. Thank you, Arun, and good evening, everyone. I'm happy to report a record quarter for Vedanta Limited following the demerger. Strong operational execution, positive prices and continued cost management enabled us to deliver a record EBITDA and robust free cash flows. More importantly, we continued to strengthen the balance sheet by further deleveraging while maintaining strong liquidity and financial flexibility.

Now starting with the financial performance, and practically on every single metric, it's a record number. We carried the Q1 momentum firmly into second quarter. Revenue grew by 57% Y-o-Y to a record INR 25,812 crores. EBITDA more than doubled, up by 106% Y-o-Y to our highest ever INR 9,938 crores. EBITDA margin expanded to record about 60% without copper business, reflecting quality of our assets and focus on cost management. PAT rose by 151% Y-o-Y, again to a record INR 6,202 crores.

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Now in terms of the growth, it is self-funded, and we are building capacities. Our operations generated free cash flow pre-growth capex of INR 5,803 crores in second quarter and about INR 10,215 crores in H1. We continued to invest on our strategic growth projects with capex amounting to INR 1,135 crores during Q2 and INR 2,283 crores during our first half.

At Zinc International, Gamsberg Phase 2 was commissioned during the quarter, increasing total MIC capacity to almost 500 KTPA. At FACOR, commencement of ore extraction from Ostapal underground mine makes an important milestone towards strengthening long-term ore security and supporting future expansion.

I'll move on now to growth pipeline and which will also provide next leg of value creation. Looking ahead, we continue to advance a portfolio of value-accretive growth projects across businesses while maintaining a disciplined approach to allocation of capital and returns. At Zinc India, we remain committed towards our 2 MTPA production ambition, supported by 250 KT Debari smelter expansion and Rampura Agucha tailing reprocessing plant.

At Zinc International, we are committed to achieving 1 MTPA MIC production and cost in top quartile. At FACOR, we are progressing our road map to expand ferrochrome capacity from 145 KTPA to 500 KTPA. And finally, at Copper International, the 125 KTPA copper rod plant at Saudi Arabia remains on track for commissioning in Q3, while plans for an integrated copper value chain at KSA continues to advance. We are also continuing to build our future-facing mineral portfolio with 11 critical mineral blocks, of which 5 blocks are already under exploration.

Moving on to the balance sheet. Strong cash generation drove further deleveraging. Net debt reduced by INR 4,624 crore in Q2 and by INR 9,584 crore in first half. Now net debt is down to INR 3,675 crores. With this, the leverage net debt-to-EBITDA is now 0.1x, amongst the best in the industry. Now Vedanta Limited is on track to turn net cash positive during the coming quarter, which is Q3. We continue to reward shareholders with the first interim dividend of INR 5 per share during the quarter.

Maybe a quick word in terms of the parent company, Vedanta Resources. So at parent Vedanta Resources, VRL, we made meaningful progress in strengthening the balance sheet and optimizing liquidity profile. In H1 of the current fiscal, we raised 2.15 billion through international bond issuance and secured another 1.85 billion of syndicated term loans. VRL stand-alone net debt now stands at about 5.2 billion at an average borrowing cost of about 7% with average maturity extended to over 4.5 years.

The VRL rating remains at a decadal high, both S&P and Fitch at BB with a stable outlook and Moody's at Ba3 with positive outlook. In conclusion, Vedanta Limited today is focused operating company with multiple growth engines, Hindustan Zinc, Zinc International, Ferrochrome, Copper, Port and Nicomet. Together with an emerging critical minerals portfolio, they will decisively shape our next phase of growth. Our model is very simple. We generate strong cash, reinvest to expand capacities and reward shareholders.

Thank you, and over to operator.

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Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Ashish from Leo Capital.

Ashish: Sir, on Vedanta, am I audible? Hello.

Charanjit Singh: Yes, Ashish, please go ahead.

Ashish: Yes, yes. Perfect. What is likely to be the dividend policy for of the company going forward? Will you be fully dividending out all the dividends received from Hindustan Zinc? That would be my first question.

Ajay Goel: So our dividend policy, in fact, which has been adopted by the Vedanta Board post demerger is in public domain. And there, we made two changes. So earlier for Vedanta Limited, we had a minimum commitment of at least a 30% PAT being paid as dividend, which now has been made more flexible. Now the Board can decide how much they want to pay as a dividend.

The second requirement earlier was that Zinc dividend will be a pass-through compulsorily. Again, that requirement is now more flexible. So now it is up to the Board. Having said that, our commitment has been, we, as a group, Vedanta Limited, other companies paying between 3% to 5% as dividend yield. And with that, the parent company will keep deleveraging by at least 0.5 billion on every single year basis.

Ashish: Got it. And on the second question, what sort of economics are there for the international Zinc business expansion that is underway? What sort of capital investments would that take? And what sort of costs and EBITDA do you expect to -- expect at current market prices? What likely is the payback period?

Arun Misra: Vedanta Zinc International, current capex that has been spent is for the Phase 2 expansion, which is the expansion of the mine as well as new concentrator, the concentrator has been commissioned. So that is the current status. Going forward, they have to go to underground mine and then also put up a smelter as well as increased capacity of concentrator, if they have to become a 1-million-ton player.

Roughly, looking from past capex expenditures of Hindustan Zinc, this amount of money that would be needed for growing to 1 million ton will be anywhere from INR80,000 crores to maybe INR100,000 crores.

Moderator: Next question is from the line of Indrajit Agarwal from CLSA India.

Indrajit Agarwal: Three questions. First, Ajay, if you can help us how much is the repayment at VRL, both debt repayment and interest for the rest of FY27 and in FY28?

Ajay Goel: Yes, sure, Indrajit. So for the current fiscal in the second half, the interest obligation at Vedanta Resources is almost 200 million. So it's 0.2 billion. And we also got to fund KCM, about 100 million. So overall, in the second half, VRL requirement is 300 million. And how do we want to fund it? It will be done mostly by dividend. And that amount will lead to deleveraging. So the

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debt of 5.2 billion opening at the year beginning remains 5.2 as on the first half. And any more payment from India side will do deleveraging.

Now FY28, we should look at it from 3 viewpoints. So we got 1 billion of Citibank bridge financing. That matures in July next year. But we target to refinance that sometimes latest by end of January. So the 1 billion will be fully refinanced, again, a combination of bonds and other revenues.

Secondly, the interest cost of Vedanta Resources next year will be almost 400 million, and that will be fully met by the brand fees that the 5 companies pay to Vedanta Resources. The third cohort remains the routine loans, again, 400 million and our KCM obligation, 300 million total 700 million, which will be met through payment of dividend.

So in summary, 1 billion bridge loan from Citibank will get refinanced by January. Interest will be equal to the brand fee. If not, brand fee is more interest cost and loans and the KCM obligation by dividend. With that, one can assume VRL next year will delever by almost 0.5 billion to 0.7 billion.

Indrajit Agarwal: Second, ex of Hindustan Zinc, what kind of capex can we see at Vedanta Limited in rest of FY27 and in FY28?

Ajay Goel: Total capex guidance we have for the current fiscal is about INR6,500 crores and out of which a very significant portion, in fact, comes from Zinc only. So maybe almost INR2,000 crores...

Arun Misra: INR2,000 crores...

Ajay Goel: Will be the capex mostly in Zinc International and a small amount also in Ferrochrome. So INR4,000 crores in Zinc India and the balance INR2000 crores - INR2,500 crores between Ferrochrome and Zinc International.

Indrajit Agarwal: Very helpful. And lastly, any progress or update? I understand there are some unrest work still there. Middle East copper venture, any thought on that?

Arun Misra: So first part of that was the rod mill, which is about to be commissioned in quarter 3 of this year, 150,000. So that is for certain. On the mining, the licensing agreement is about to be signed. And following that, we are tying up for exploration, agency is being appointed. Maybe another 2 years when -- by that time, we should be able to start mining operations there. Smelter is no -- smelter is a certainty because that's something that can be done by importing concentrate as well as producing concentrate domestically in Saudi Arabia, both ways.

Indrajit Agarwal: So, capex for that will start in FY28 back half at the earlier stage.

Arun Misra: Absolutely, absolutely. Next year, next business plan year, we'll be able to announce some of capex how much, and I can guide you accordingly.

Moderator: Next question is from the line of Ashish Kejriwal from Nuvama Institutional Equities.

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Ashish Kejriwal: Sir, my question is from when we can start seeing capex on the next phase of growth in Zinc International, whether we will prioritize between Zinc or Copper? And second thing is in terms of Vedanta Resources debt, which is $5.2 billion, and we have been targeting it to reduce it to $3 billion. But unfortunately, we were not able to do that. So still our target remains the same? Or is there any change in that?

Arun Misra: So first part is Zinc International. We have to stabilize the expansion program for which already we have spent the money. Right now, the concentrator has to produce, and that will provide cash for their further growth. So I don't see that immediate any announcement for capex for 1 million ton. While we'll continue to work on the Board, there may be some pre-project expenses of investigation, consultancy and things like that. But otherwise, our first task for the next 3 to 6 months is stabilizing the current expansion and generating enough cash from the business.

Ajay Goel: On the second part, Ashish, in terms of the VRL plan. So, in the current year, the 5.2 billion remains 5.2 billion. And of course, there, the reason is very simple. We have to fund KCM, which we initially planned that through KCM IPO, it will be self-funded. Again, it's a question of time when KCM goes public.

Secondly, the entire 4.5 billion or, in fact, a couple of billions of the bond raising, the expense which are onetime are sitting in the current fiscal, but the benefit on the interest cost will be for next 8 years time. Now in the second half, as the remainder companies pay dividend, which again, they want to decide, we will be at about 4.6 billion or so in terms of VRL debt.

In the next 3 years, between 2028 and '30, one can safely assume by paying a 4% to 5% dividend, 0.5 billion to 0.7 billion will be deleveraging every single year. And over 3 years, this amount is almost 2 billion. So 3 billion target in next 3 years is absolutely intact.

Moderator: Next question is from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: I just have one question. I wanted to understand the unit economics for Phase 2 at Gamsberg. If you can share what would be the cost of production? And at the current level of Zinc prices, what sort of EBITDA we can expect hypothetically?

Arun Misra: So there -- see, we are targeting around $1,500 per ton at the current operating level. And once the recovery improves, the current recovery around 70%, once that goes up to 75% or 80%, then the cost may fall further closer to $1,300 per ton. As of now, 1,500 to 1,600 would be the cost of production.

Sumangal Nevatia: And what would be the volume ramp-up over the next 2 years?

Arun Misra: So right now, around 15 KT should go up to 30 KT over the next couple of quarters.

Ajay Goel: Sumangal, we have given the guidance for -- I'm talking of the entire this, that we will be closer to 500 at the MIC level in 2 years' time. So as we ramp up the Phase 2. So that's what is targeted. And what Arunji mentioned is, this targeted from a cost perspective by Q4 of this financial year…

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Sumangal Nevatia: Understood. So by next -- next year, second half, we are expecting almost full ramp-up. Is that the right understanding?

Arun Misra: Absolutely. That's correct.

Moderator: Next question is from the line of Ritesh Shah from Investec India.

Ritesh Shah: Sir, my first question is, how should we look at the promoters holding in different listed entities basically from a leverage standpoint, I think you explained it's quite comfortable position that we are in with the brand fees and payouts. But if one had to understand basically, how is the promoter looking at sales holding in the different entities, including Vedanta Aluminum, Vedanta stand-alone?

Ajay Goel: We made a statement, Ritesh, I think about a month ago or so that the promoter has no plan to make any more equity sale across the portfolio. And even earlier, our publicly announced policy remains that Vedanta Resources would like to hold at least a mathematical majority, 51%. So in near future across all 5 companies and VEDL to Zinc, we don't plan to make any sale in the future. That's in terms of equity. Now debt viewpoint...

Ritesh Shah: Sure. Go ahead, please.

Ajay Goel: Secondly, of course, now we don't report the VEDL console now post demerger. But if one has to take the VRL Inc. view on a console basis. Now the debt between Vedanta Resources, 5.2 billion September end and roughly 4.9 billion in Vedanta India, all the 5 companies. So right now, the debt has come down to almost 9.9 billion.

So, we have deleveraged at Vedanta Inc. level by more than 2 billion in the first half. And going forward, one may expect about 1 billion more deleveraging. In the current fiscal at VRL console level, we are looking at deleveraging by almost 3 billion. And across the portfolio, no plan to selling equity.

Ritesh Shah: Sure. That's helpful. Sir, my second question was, I just wanted to understand the hedging policy and the existing hedges that we have across different entities, whatever we can detail right now?

Ajay Goel: Hedging has been mostly for us tactical. I mean, now again, if I just think of the new Vedanta in terms of Zinc, Silver and Zinc International. So the open position is at about -- we have 18k of open position in Zinc India at about $3,600 per ton. Silver is a small amount. It's about 9 tons at about $68 per troy ounce. And Zinc International, again, about 75 KT. And there, the value is $3,300 per ton.

Ritesh Shah: Sure. This is helpful. And sir, you did indicate on FY28, I think interest you indicated 400. KCM was 100 and the balance 300, you indicated something I didn't get that. What was the number?

Ajay Goel: FY28, the way to look at Vedanta Resources, we have 1 billion worth of Citi bridge financing, which is falling due in July next year. But we intend to refinance that much ahead of time. So that let us take out of the way. The routine interest will be sub 400, less than 400. That will be

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fully met by the brand fee. So in that case, the operating P&L is self-funded. The routine loans are 400. KCM is in fact 300. So, 700, that will be met by dividend.

Ritesh Shah: Sure. And how will the numbers look like for FY 2029?

Ajay Goel: Well, the year thereafter, in fact, the interest will be about 300 and the principal is almost 500, so 800. Year 2 onwards, FY29, obviously, the brand fee will be covering interest and managing -- partly managing repayment. And if you keep paying almost 4% dividend, in that case, one can assume the deleveraging even organically will be 0.7 billion to 0.8 billion.

Ritesh Shah: Sure. This is quite useful. And just last question, specifically on the Saudi Arabia project. Is it possible to fast-track it given it looks quite an attractive proposition? So I just wanted to gather thoughts on how the management is actually looking at it. And if you could provide some details of the ore body or earlier, we did indicate that there could be certain incentives that could come from the local partner or government. Some color over there would be quite useful.

Arun Misra: So even now that Copper project is the success, unless we want it only to be a conversion business, that success depends upon making that business fully integrated. That will depend upon the exploration that we do on the mine that they are provided and also other fiscal incentives that the government will provide, which is for the better IRR of the project.

So, I think we will be able to come back to you with more information on the grade once we start drilling. As of now, we would have whatever is the indicated grade by the government, but we cannot base all our predictions on that.

Moderator: Thank you very much. Ladies and gentlemen, we'll take that as the last question. Thank you, members of the management. On behalf of Vedanta Limited, that concludes this conference. Thank you, everyone, for joining us, and you may now disconnect your lines. Thank you all.

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