“Vedanta Limited Q1 FY17 Results Conference Call”

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MANAGEMENT: **MR. TOM ALBANESE – CHIEF EXECUTIVE OFFICER, VEDANTA LIMITED**
MR. D.D. JALAN – CHIEF FINANCIAL OFFICER, VEDANTA LIMITED
MR. SAMIR CAIRAE – CHIEF EXECUTIVE OFFICER, DIVERSIFIED METALS, INDIA, VEDANTA LIMITED
MR. ABHIJIT PATI – CHIEF EXECUTIVE OFFICER, ALUMINUM, VEDANTA LIMITED
MR. SUDHIR MATHUR, CAIRN INDIA LIMITED
MR. SUNIL DUGGAL – HINDUSTAN ZINC LIMITED
MR. KISHORE KUMAR, IRON ORE – VEDANTA LIMITED
MR. AJAY DIXIT – POWER, VEDANTA LIMITED
MR. ASHWIN BAJAJ – DIRECTOR, INVESTOR RELATIONS, VEDANTA LIMITED

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Vedanta Limited Q1 FY-'17 Earnings 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 for an operator by pressing '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashwin Bajaj. Thank you and over to you, sir.

Ashwin Bajaj: Thanks operator. Hello! Ladies and Gentlemen. This is Ashwin Bajaj -- Director of Investor Relations. Thanks for joining us today to discuss our results for the first quarter of FY'2017. On this call, we will be referring to the presentation that is available on our website. Some of the information on today's call maybe forward-looking in nature and will be covered by the disclaimers on Page #2 of the Presentation.

From our management team, we have with us our CEO -- Tom Albanese; our CFO – D.D. Jalan. We also have several of our business leaders; we have Samir Cairae -- CEO of Diversified Metals, India; Abhijit Pati from Aluminum; Sudhir Mathur from Cairn India; Sunil Duggal from Hindustan Zinc, Kishore Kumar from Iron Ore and Ajay Dixit from Power.

With that, let me hand over to Tom.

Tom Albanese: Thank you, Ashwin and Good Evening, Ladies and Gentlemen. Pleased to welcome you to Vedanta Limited's Result Call. As we started this fiscal year, we did see significant improvement in commodity prices, investment sentiment which has been beaten down in 2015 had turned more positive towards the sector. Among the commodities we are involved with, Zinc and Silver has grown up materially in the last three months. I am consistent in my belief strong fundamentals for Zinc and expect Zinc prices to remain strong in the near future.

The Chinese economy is so important as you know for our sector continues to pose fairly steady growth. The second quarter GDP in line with market expectations of 6.6%. Fiscal stimulus has provided the government to support growth in China. I do believe the lows we witnessed early in Calendar 2016, hopefully, will be the trough for the commodity markets and recovery we will be seeing now is here at least to stay.

At Vedanta, we have used the current market volatility to our advantage as we optimize operating and capital cost. This improvement in commodity prices comes at a very opportune time which is ramping up our capacities in Aluminum, Iron Ore and Power. Zinc and Oil contributed 60% in the first quarter. EBITDA in both commodities performed well in the quarter.

Now, I would like to review the Q1 Performance and update how we are: First, if you may, move over to the slide on "Safety and Sustainability" and as always I will start with the slide. On safety, unfortunately, I have to report the loss of one of our colleagues in the first quarter due to a fatality. As an organization, despite all the work we have had this and I am personally, hugely, saddened and disappointed with this. We are committed to attain our objective of "Zero Harm" which is integral part of our strategic priorities and we have taken a number of initiatives including training line managers on risk identification and mitigation measures, implementation of safety performance standards and safety leadership drives through assuring “Zero Harm.”

Moving on to the next page of First Quarter Results Highlights: In operations, we had a strong quarter in terms of ramping up line capacities in Aluminum, Iron Ore and Power. At Aluminum, BALCO smelter and the first line of Jharsuguda smelter are nearing completion and we have commenced ramp up at the second line in July. In Goa for Iron Ore, we have maintained a monthly production run rate of 800,000 tonnes per month in the first quarter. At TSPL, we have had the third unit operationally ready and that unit is expected to be capitalized in the second quarter.

Let me take a moment here to show the impact of ramping up of our line capacities on our EBITDA mix: As you look at the chart on the top right hand of the page, our EBITDA is getting more balanced among commodities as we ramp up the non-Zinc parts of the business. Mangala EOR production maintain its upward trajectory and Rajasthan production remains stable during the quarter. Zinc India production was lower in the first quarter as per the mine plan and as we had guided as we have evacuated more waste than ore in that quarter. We do expect the full year production to be higher than the previous year as the second half will be substantially higher.

We delivered EBITDA of Rs.3543 crores with a strong margin of 32%. Cumulative cost of marketing savings under $1.3 billion program stand at $340 million. We reduced our gross debt by Rs.600 crores to Rs.77,752 crores.

As stated earlier, group simplification remains the strategy priority. In line with this we announced to revise the final terms of the merger on the 22nd of July and we expect to complete this transaction by the first quarter of calendar year 2017.

Moving on to the next slide: We have continued to focus on strong free cash flow generation. During our fiscal year 2016 results, we showcased to ramp up potential for fiscal 2017.

Let me present an update of where we stand in our commitment at the end of the first quarter: We are ramping up the pots by both Jharsuguda and BALCO Aluminum as I have said that we expect it to be capacity of 1 mt per year run rate by the end of the year. At Goa, we have already achieved 40% of the allocated capacities in our first quarter. So we should be able to meet our full year guidance of about 8 mt between Goa and Karnataka. Please be mindful that the mining activities come to a halt in Goa during our current season.

Power sales were higher during the first quarter in TSPL and at BALCO we have capitalized BALCO-II IPP unit and the TSPL-III unit is expected to be capitalized in the second quarter. With this ramp-up, there are continued focus on OPEX and CAPEX, we are well positioned to deliver significant EBITDA in fiscal year 2017 and we are on track to generate strong free cash flow and delever the balance sheet.

I would like to talk again about the Vedanta-Cairn merger and the revised and final terms.

Last week, the boards of Vedanta Limited and Cairn India have approved the revised and final terms while taking into account prevailing market conditions and underlying commercial factors. We believe that the completion of this transaction will help for creating long-term sustainable value for all sets of shareholders. We expect the Vedanta Limited Shareholder Meeting to take place on 8th of September, while that of Cairn India will occur shortly thereafter on 12th of September. The notice of the meetings will be sent out to shareholders in due course.

As you can see from this slide, Vedanta's well-diversified portfolio of Tier-I assets have enabled delivery of stable margins over the years.

Strategic rationale for merging Cairn and Vedanta remains highly compelling. It has been demonstrated on the slide, the diversified resource companies have delivered superior returns to shareholders compared with Oil & Gas pure plays. A detail timeline which we have also had last week is available in the appendix and we expect the transition to close during the first quarter of calendar 2017.

As we did say last week, Vedanta has been improving its businesses, particularly those a year ago which would up pulling the rate. Now, with these results demonstrating the ramp up of Aluminum, Power and Iron Ore businesses, we have a much stronger portfolio and certainly the merger will be beneficial for both sets of shareholders.

Like to move to the next page, our strategic priorities remain the same as those we have previously communicated. We are progressing well in the outlying ramp up of Aluminum, Power and Iron Ore. Apart from these three businesses, Zinc and Oil operations have been stable over the quarter and continue to contribute significant portion of the group's EBITDA.

As I mentioned on the previous slide, we remain focus on optimizing CAPEX and OPEX to generate strong free cash flows and we have reduced our gross debt by Rs.600 crores to Rs.70,000 crores. We remain committed to simplification of the group structure and we expect to complete the merger with Cairn in the current financial year.

Speaking of Finance, let me turn it over to D.D. – our Chief Financial Officer who will go through the financial section of this report.

D.D. Jalan: Thanks, Tom. Good Evening to you, Ladies and Gentlemen. As highlighted by Tom, we saw positive momentum in commodity prices in the current quarter, especially Zinc where fundamentals are strong and Zinc prices is likely to remain strong in future too. However, commodity prices were suppressed compared to corresponding quarter in FY'16.

Before I take you through the numbers, let me inform that as prescribed by Ministry of Corporate Affairs, we have implemented Indian Accounting Standard, i.e. Ind AS from 1st April 2016, the previous quarter numbers are also based on Ind AS. I will further explain the key changes due to Ind AS in the subsequent pages.

We have generated EBITDA of Rs.3,543 crores. Despite lower commodity prices year-on-year we have maintained strong EBITDA margin of 32% driven by continued focus on operational performance, that is cost saving program and volume ramp-up. Our net profit before exceptional item has increased to Rs.1,157 crores compared to Rs.747 crores in the corresponding quarter. Attributable net profit rises to Rs.615 crores quarter-on-quarter. Gross debt continues to come down and while reported number is Rs.600 crores as Tom also mentioned lower; however, in reality it is lower by Rs.4,600 crores. This is because of temporary increase in borrowing of Rs.4,000 crores at Zinc India due to mismatch in maturity of investment and dividend payout which will get liquidated in the coming quarters.

Moving to the Next Slide: You can see on this chart our continued and relentless focus on cost saving and market initiatives program resulting into savings of Rs.250 crores.

On volume side, lower volume at Zinc India as per mine plan announced earlier broke the negative absorption variance; however, given our full year guidance, reiterated during Zinc India results makes this again a timing variance only.

Our Iron Ore business restarted strongly and achieved run rate of 1 mt per month at Goa. This contributed Rs.300 crores as you can observe from the slide. Lisheen reached mine closure on completing its mine life during H2 of FY'15.

To sum up, strong operational deliver help the healthy EBITDA margin but was more than offset by significant drop in LME and headline premia which along with other uncontrollable factors impact adversely as can be seen. More details on our cost initiatives are on the next page.

Moving to the Next Slide: I am happy to share that we have achieved cumulative saving of $340 million so far, that is Rs.2,200 crores during last 15-months compared to the cost base of FY'15. Based on current run rate and ideas in pipeline, we are quite confident of achieving our stated saving target of $1.3 billion at least six months ahead of the schedule plan of FY'19. As you can see, our cost saving program touches all business sectors while we have seen significant saving from Aluminum and Power sector. As you are aware that these are net commercial efficiency productivity and adoption related savings and do not take into account any commodity inflation and deflation.

Moving to the next slide on Ind AS: As informed in the beginning, we have implemented Ind AS from 1st April 2016. Under Ind AS, investment income is recognized on accrual basis unlike iGAAP where income is recognized in the month of maturity resulting in timing difference. Rs.336 crores pertains to this accrual; however, foreign currency loss in oil & gas business driven by rupee depreciation impacted adversely Rs.325 crores. Other differences are in goodwill amortization accounting, overburden cost accounting and treatment of certain exploration expenses, deferred tax asset together impacted net profit positively by Rs.140 crores. As you can observe, we have a marginal impact on a quarterly basis.

Moving to the next slide on Income Statement: I think the slide is self-explanatory.

I would just like to add that our overall borrowing cost stands at about 8% during Q1 and we had generated healthy post tax return of about 8.5% on the investment income. The tax rate was slightly higher at 26% which is likely to be above 20% for the year.

Moving to the next slide on Net Debt: As explained earlier, the accounting for investment income on the basis of actual realization under iGAAP had resulted in cumulative unrecognized income of about Rs.7,000 crores, which is a significant opening balance sheet adjustment for us. Our opening cash now is reinstated to Rs.59,000 crores. This now represents the true picture of our cash balance and strength of the balance sheet.

As regards the free cash flow for the quarter, we saw some temporary working capital build-up of Rs.1600 crores which is expected to correct in the coming quarter and have added back Rs.3350 crores from the operations. CAPEX is in line with earlier guidance and is being wisely invested in high return projects in Zinc and our Oil & Gas business. While majority of our CAPEX in Aluminum sector has already been spent, some ramp-up CAPEX is being spent in current to take the volume to 2.3 mt p.a. progressively thus unlocking the potential for higher level of cash flows as capacity ramp up. Dividend and DDT is driven by disbursement of special dividend announced at the year end of March ’16 by Zinc India.

Moving to the Next Slide: We are quite comfortable on credit metrics and liquidity. We have repaid most of the intercompany loan to Vedanta plc and the outstanding intercompany loan as on date is $370 million. We have committed to delever our balance sheet and we are moving in that direction. We remain focused on generating free cash flow and delever through internal accruals as our business ramp up in an improving commodity price environment and through working capital initiatives. We expect our net debt-EBITDA ratio to come down from 1.7:1 to 1:1 in a short-term period. Our outstanding debt maturities for FY’17 comprises of $1.4 billion of short-term debt which gets rolled over on maturity and $0.5 billion of term debt. Repayment of $1.4 billion is expected to be met through internal generation and rollover/replacement with the term debt. Along with this, extending the maturity profile of the debt remains a key focus area and we continue to work on the same. The liquidity for the group remains strong at $7.7 billion of cash and cash equivalents along with a billion dollar of undrawn committed lines of credit.

Thank you once again and request Tom to take you through Business Review Section.

Tom Albanese: Thank you, D.D. Let me first start by talking about the Zinc and little bit on the Silver markets. As you know, I have been talking about the strong fundamentals for Zinc at least a year. I am happy to say continue to believe Zinc still strong among the metals deck. Along with Zinc, we are fortuitously seeing that Silver shown very strong run in the calendar year 2016 so far. So going through the slide, as you can see the global cost curve, Hindustan Zinc operates at the low decile in the cost curve and not with that this cost is reflected before the Silver bi-product credits. Post the silver by-product credits, those cash cost will further reduce by approximately $650 per tonne. So again, for our purpose, we do not include Silver as the by-product credit. Some in the industry do. So just in terms of apples-to-apples it would be closer to $650 per tonne.

Refined Zinc in our opinion, I think most of the markets would continue to remain in deficit. This deficit will show improvement in demand and continuing inventory from the LME and the Shanghai warehouses. So, as you can see, the Zinc inventory is a 6-year low and this has helped the significant improvement in Zinc prices.

Over to Silver: We have seen Silver prices increasing by more than 50% from the lows of late-2015. As the Silver prices moved up, the Gold and Silver ratios gravitated closer to its long-term trends.

Moving specifically to Operations in Zinc India: Mined metal for the quarter in the next slide was lower at 127,000 tonnes as per the mine plan, refined Zinc was lower in line with mined metal. This is consistent with the guidance we would have given you previously. Silver production has increased 20% over the first quarter of fiscal year 2016 due to higher contribution as the SK mine continues to ramp up. This goes in line what we mentioned during fiscal 2016 for the mine sequence in Rampura Agucha mine where first half was expected to be significantly lower than second half, and within the first half the second quarter would be higher than the first quarter. That remains our prognosis for the year.

On the Projects side, Rampura underground shaft has been up and sunk to 900 mtrs with ultimate depth of 950 mtrs and the expansion in the SK mine is running ahead of schedule and we are working to further expand that mine to 4.5 mt per year capacity. The Kayad mine expansion is nearing completion with the capacity of 1 mt per year. We would expect fiscal year 2017 production to be higher than the previous year with the second half is expected to be much stronger. Silver production will improve further in the current year and we would expect to produce 475-500 tonnes of Silver during the year. The Zinc cost of production will remain stable; however, between quarters we will have a swing adversely proportioned to the various volumes and that we have each of the individual quarters.

If we move to the next slide, Zinc International: The first quarter production was lower primarily due to the closure of Lisheen mine which has been longed and flagged; however, the other two mines perform well in the quarter with Black Mountain production which recorded highest in this acquisition. As we guided earlier, cost of production was lower at $1167/ton due to our cost savings initiative. We are forecasting the EBITDA guidance of 170,000 to 190,000 tonnes of production for the year; however, we would expect overall year cost of production at about $1200/ton.

I like to spend a little bit time talking about the Gamsberg project and the photo on the slide would reflect the Gamsberg Project. Pre-stripping is well underway. As you can see from the photo, we have evacuated by 8 mt of waste to-date. We are on schedule to meet the first ore in early calendar 2018 and ramp up the full capacity of 250,000 tonnes in the 9 to 12-months thereafter. Gamsberg is expected to come on stream in a deficit Zinc constraint market and will draw generally strong returns for shareholders.

Moving to the Oil & Gas: I am pleased to share the world's largest polymer injection program is now maintained at 400,000 bopd. Mangala EOR program has increased to an average of about 42,000 bopd at the back of enhanced well performance and new wells coming online. Water-floor OPEX in Rajasthan was brought down by 38% over the past six quarters to $4.40/barrel. The good part is while maintaining the polymer injection, in maintaining the target level, we have been successful in reducing the blended OPEX and we have been able to reduce our polymer flood OPEX by about 25% from earlier guidance.

In an earlier call, we spoke to you about encouraging results we received both in terms of better productivity and cost reductions… this was on the natural gas side. Based on our improved initial well rates and reservoir characterization we now estimate the ultimate recovery pass from the RDG field to be higher by almost 26%. This increase has a gross recovery potential including condensate from 74 million boe to 86 million boe till 2030. Higher expected recovery along the cost efficiencies has also improved our expected rate of return to 25-30% from 20% earlier. We would look to ramp up the gas production in a phased manner as we expect ramp up of production to 40-45 mmscfd by first half of calendar year 2017 from current levels of 28 mmscfd and also production of 100 mmscfd by the first half of calendar year 2019.

We have been pleased with the engineering work to improve the economics for the polymer flood in Bhagyam and Aishwariya fields. We project the operating costs have been revised down by 25-30%. We would expect to submit Aishwariya EOR FDP for 15mmboe in the current quarter. Further, we look to submit the revised Bhagyam EOR FDP 45mmboe through joint venture partner in the first half of calendar year 2017. As we look at the development of Aishwariya Barmer Hill, the waste heat recovery of 20 to 30 million barrels of oil to 2030, we are planning to do in a phased manner to derisk the overall investment. Technical and commercial discussion with the joint venture partner is in advanced stages and we envision first oil in the current fiscal year for the stages maybe developed compound mineral monetization at the current oil price.

For fiscal 2017 we expect production in Rajasthan to remain broadly flat at the fiscal year 2016 level and we have routine maintenance planned in latter half of September of this year. We maintain our capital plan of $100 million for the year; however, retain the level to increase CAPEX if the oil price further improves during the year although with the other projects I would anticipate that the capital guidance in 2018 ultimately will be higher than that in 2017. We have been seeing Brent stabilizing over the last few months, although it is weaker in the past two weeks and we have also been looking at various options for growth options which include RDG, polymer flood of Bhagyam and Aishwariya and Aishwariya Barmer Hill fuel formation.

We move to the next slide of Aluminum, I will just share some updates on Aluminum. The ramp up has been progressing well. The capacities which were idle for several years are now ready to run at full capacity. We started ramping up the first line at Jharsuguda-II on the 1st of April which is now nearing completion. We started ramping up our second line in July. At BALCO, about 80% of the pots are operational as we speak and our exit production rate at the end of the first quarter was 1.1 mt p.a.

We have recommenced our second stream at Lanjigarh refinery and we are now producing about 275,000 tonnes in the quarter and we will progressively ramp up Alumina production to 1.4 mt per year as we move through the year. Aluminum cost of production stands at $1481/ton, it is higher due to an increase in power cost. Power cost did increase during the quarter due to the clean energy cess as the government double the cess on thermal coal during 2016 budget. Apart from that power cost also increased due to power purchases from the grid to the power outages, the wet smelter and waste and the water storages. We have had some shortages of water, high end risk, so that has affected power in the latter part of the quarter, although with the rains that has been now mitigated. Although power costs had gone up, we are seeing improved availability of coal in the country that bode well for our future cost of power production.

On the outlook, we are on course to deliver our full year production guidance of 1.2 mt of Aluminum. We started ramping up the second line of Jharsuguda in July and further ramp up of the third line is expected in the fourth quarter of fiscal year 2017. BALCO 325,000 smelter should be ramped up by the second quarter. We would be hopefully operating at 1.7 mtpa equivalent run rate by the end of the year.

Now, I would direct to the EBITDA margin per tonne chart. Look at pretty similar to what we presented at the full year results, the increase in power cost we saw in the quarter which we believe had a lot of one-offs, those offset by higher LME and we maintain our EBITDA of over $200 per tonne of Aluminum.

Moving over to couple of little bit of power in the Aluminum discussion. At TSPL, two units operated and its availability is 72% in the first quarter. At TSPL, all the units are running efficiently and we expect all units to be running at availability of 80% in the fiscal year 2017. We expect to have a margin of Re.1 per unit from TSPL. PLF of 2400 MW at Jharsuguda power plant is continuing to be low on account of lower demand. That will be mitigated as we progressively ramp up the pot lines at Jharsuguda. Overall we expect the Power segment to deliver higher volumes in fiscal year 2017 as the third unit of TSPL is capitalized and the plant delivers its full potential.

Our outlook on Coal, domestic coal we see higher imports coming from Coal India. It certainly has relieved the situation compared to a year ago and virtually we do not see any coal imports through our Power business units that are operating Aluminum plants.

For the next slide on Iron Ore, we maintained a positive momentum from previous quarter. Goa production continued 800,000 tonnes per month and Ore sales in the quarter were 2.6 mt, of which Goa contributed 2.1 mt. Operations at Karnataka produced 800,000 tonnes in the June quarter.

The chart in the right side of the page shows how we are increasing production sequentially. Iron Ore operations start in the third quarter of fiscal year 2016 and within six months we scaled our operations up to 800,000 tonnes per month run rate. We do continue to be engaged with respective governments for allocation of higher volumes or an increase in the cap because we would be expecting that 5.5 mt per cap will be completed sometime probably in the third quarter and we certainly would have the ability to ship more and certainly the market seems like our material.

Pig Iron business remains strong in the quarter producing 180,000 tonnes and contributing Rs.47 crores and EBITDA in first quarter. We maintain the production outlook for the year of 5.5 mt at Goa and 2.3 mt at Karnataka.

Over the past couple of quarters, we have talked about good production from Copper India and again if you look to the next slide you will see that Copper India's performance remain strong for the quarter with strong spot TC/RCs. We do have a plant maintenance shutdown of 3-days in the second quarter which is expected to enhance smelter efficiency and the production outlook for fiscal year 2017 remains at 400,000 tonnes. At Tuticorin, power PLF remains low due to lower demand; however, as mentioned in previous calls, we get compensated 20% of the contracted rate for any offtake below 85%.

If I can go to the summary slide, and I said a little bit this already, we will state that we will continue to focus on the disciplined ramp up of our capacities at Aluminum, Power and Iron Ore in fiscal year 2017. This additional capacity will generate additional EBITDA and free cash flow and this will be enable to further deleveraging. The resources sector on balance perform well with commodity prices strengthen in the first quarter and with Zinc and Silver prices further strengthening, but we are not letting it get to our heads. We think volatility is here to stay; however, we do remain committed to delivering lower cost and continued cost optimization. We have a strong financial profile which will fuel strengthen with our business priorities and increasing production.

Lastly, on our stated strategic priority of group simplification, we announced the revised and final terms for merger with Cairn India last week and we believe this transaction will deliver long-term sustainable value enhancement to our shareholders. With this transaction, we believe that it is truly a case for future rerating to long-term value creation potential that all shareholders will benefit from and I do believe that merger is a win-win for both sets of shareholders.

With that, now operator, we will be happy to take questions. As we had in the past, I will usually take the first shot at the question and direct it to those business units CEOs that are participating in the call. Thank you. Over to you, operator.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Anshuman Atri from Haitong Securities. Please go ahead.

Anshuman Atri: My question is regarding the power operations. How much of external volumes can we expect and what kind of utilization from the Jharsuguda power plant we can expect once we ramp up for internal aluminum consumption?

Tom Albanese: We have one of the 600 MW units on IPP to the state distributing company and the other three are on plant for CPP. So as we ramp up those three units, we will be obviously producing some extra power which basically we need to be flexible in the delivery because we do not expect that is going to be available for retail purposes as we ramp up. So with that I would expect that we will be seeing a fair amount of spot business but that will be progressively diminishing as the pot lines ramp up. With that, Ajay, maybe you can talk about it more in detail.

Ajay Dixit: As Tom said, we have one unit of IPP and three units as you see in the presentation which were earlier IPP has been converted to a captive power plant. Based on the ramp up plan which has been presented, we are progressively consuming more and more power internally and these units will get fully loaded to a reasonable plant load factor of more than 85%.

Anshuman Atri: Second question is on Iron Ore. So how much progress have we made in getting higher volumes permit from the government since the last I discussed this in the call?

Tom Albanese: Kishore will take this, but just a quick point and just a reminder that we are subject to a cap in the total Goa district, of which we have been allocated based upon our percentage production before the shutdown four-five years ago, we were allocated 5.5 mt, though our overall production is restricted to 5.5 mt and it can go up either with an increase in the total cap or an increase in the allocation and I think Kishore team are working on both – one is within the State of Goa and the other is within the court. But Kishore, may be you can go in more detail.

Kishore Kumar: As Tom has mentioned, the case in Supreme Court is to enhance the overall cap both for Karnataka as well as Goa and current hearing is going on. So I would expect that sometime in the end of this quarter we can expect some decision by the Supreme Court in terms of relaxation of the cap. You must be also aware that the expert committee appointed by the Supreme Court has actually recommended the increase in cap from 20 mt to 37 mt for Goa. Having said that the state government also has allocated for the current limit of 20 mt, state government is able to only execute about 16-17 mt of execution capacity on the ground. So there are still about 3-4 mt which are still lying unallocated by the state government and we have been discussing the matter with state government that should our production get over by end October-November of the third quarter, would they be in a position to give us additional allocation. So both these things are work-in progress and you can have a little bit more clarity about this in the next call.

Anshuman Atri: D.D., can we get the breakup of this fair value on adjustments of Rs.7,000 crores which is on the account this new Ind AS?

D.D. Jalan: It is basically I think like in case of Indian GAAP which was the erstwhile GAAP, the income was recognized when it got realized and whereas in case of Ind AS like IFRS we can recognize income as and when it accrues. Since most of the investments are there in FMP where the income gets accrued periodically. So I think this is a better accounting principle and this shows a fair basis of income what gets accrued. If you are looking at breakdown, about 4,300 in Hindustan Zinc and 2,700 in Cairn.

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

Pinakin Parekh: Two questions from my side: The first question is on the Aluminum business. The cost of production did increase this quarter given the power cost increase, but the overall guidance for FY'17 remains at $1400 per ton which would imply that over the next nine months the COP should materially be lower than $1400 for us to achieve that average COP. So what are the assumptions behind that COP reduction going forward? My second question is on the TSPL power unit. The availability on Unit-1 and Unit-2 did fall from 86% to 72% on QoQ basis. So essentially what drove that and how should we look at it going forward?

Tom Albanese: I want to start the first one, maybe just by then Abhijit handle that. We have given earlier guidance of $1400 to hot metal. Sometimes it is mixing and matching of hot metal versus dollar in cost including casting. So I think Abhijit can explain the difference between those two. I would point out that the number of these power issues in the first quarter were non-recurring, we had some black-outs that we had to incur some power penalties to address that. So we will be seeing those being resolved as we go forward. But the pressure is both on Abhijit and on Ajay; Ajay has got to deliver the lower cost power for the Aluminum and then we have to look at the total Aluminum picture, but with that Abhijit, why do you not talk about how you expect to deliver the guidance for the full year?

Abhijit Pati: First of all, yes, going forward we need to stretch definitely nearer to $1400 or sub-$1400 level. The basic gain which will come because our second half is heavily loaded, both the ramp up, the volume has particularly for metal as well as refinery, if you see that refinery cost structure significantly will move out because in Q1 it was around $292 and going forward we are talking about around 1.4 mt of the production coming out from refinery with the cost structure of sub-$250. So that is exactly which will drive the Alumina cost lowering compared to what has happened in Q1. Obviously in the power front, there are some unexpected events which have happened, as Tom has explained during presentation because there were some high import power which has come on account of blackout as well as the water crisis which has definitely mitigated now and we are expecting a much more reliable you know the operations going forward and with substantial amount of the saving optimization cost coming out of the coal. So this will also significantly drive the power component of that. As you know, going forward, as the volume goes up and obviously there are fixed components which will also get optimized properly because the fixed cost component will get positively impacted in Q3 and Q4. So we are able to see that reality that we will be in a position to definitely touch base the numbers which we have only targeted for in FY'17. Moreover, one more dimension I would like to bring that cost structure of refinery will also be further positively impacted in the second half of this year sometimes in Q3 end of Q4 where we start getting our laterite, some kitty of the laterite which will also fall in the place. So, this will be a combined effort which will come in.

Tom Albanese: With that, Ajay, can you talk on TSPL maybe first quarter versus second quarter expected business and the capitalization we expect in August of generating Unit-III?

Ajay Dixit: What we are seeing as a percentage availability going down it is because we have to mandatorily take maintenance shutdown which incidentally is falling within the current quarter. So that is the reason why it is down, but it is a percentage availability finally committed is over and average of the whole year and this unit is now back after completing scheduled maintenance procedure and is now available at close to 95% for last practically three-four weeks. So, while we will average out, we will definitely say this availability factor getting covered up because we had a mandatory shutdown in this Q1 to be taken.

Pinakin Parekh: Has the company won any of the linkage auctions for the CPP units that Coal India has been conducting over the last few days?

Tom Albanese: Ajay, I know you have been in the midst of that. So why do you not just go over that? I am not sure this is public information. So treat it accordingly. What are you saying, Ajay?

Ajay Dixit: I can say we are favorably placed and let the auction get completed and the results will be announced. So we stated that, but we are keenly participating and progressing well.

Moderator: Thank you. The next question is from the line of Ravi Shankar from Credit Suisse. Please go ahead.

Ravi Shankar: I wanted to know, one, given the debt standalone has increased by around 32 billion sequentially. Any sense on how this can go up in the quarters ahead given that Aluminum ramp up is going to be a continuous function all throughout? Secondly, on Copper, what has contributed to the lower EBITDA? It is down almost 18% whereas output is at similar levels versus fourth quarter it is sequentially down at the cost of the net COP has actually risen.

Tom Albanese: We have D.D. to take the first one, then I will ask Samir to handle the second one.

D.D. Jalan: Ravi, as you very rightly said that debt at the standalone unit has gone up mainly because of the ramp-up and whereas our overall emphasis is on deleveraging. So even though there will be some amount of more CAPEX which will be needed, at the same time we think that the standalone debt will not be improving by end of the year and we will be able to delever that.

Samir Cairae: On Copper, there were some issues on the production side. So we lost some production because the shutdown which we had taken got extended by three or four days. So that was one factor, but that is a one-off and that will be made up in the subsequent quarters. Apart from that, the TC/RC is a bit lower as of now, about 10% as compared to last year.

D.D. Jalan: Lower EBITDA is basically because ADNOC has come down, that is how the sulphuric acid realization which is a bi-product, that has substantially fallen down during this quarter.

Samir Cairae: If you compare Q4 FY'16 versus this quarter clearly the TC/RCs are down by 10%. So if you take the lower production but which I said is a one-off which will be made up. So that is not a big issue, but TC/RC is a little lower by about 10% and little lower realizations on asset. But I think as a business we are confident that over the year we will make it up.

Tom Albanese: The asset lower realization affects cost of production.

Ravi Shankar: So this remains at Rs.2,000 crores year sort of an EBITDA run rate?

D.D. Jalan: That is the guidance we gave and yes, that is where we are still committed to that, yes.

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

Abhishek Poddar: First question is on the Aluminum side. I understand that three pot lines are getting started. For the fourth pot line you have mentioned it is on evaluation stage. But assuming that at some point of time if you decide to start it, where are you going to get power for that, what is the options available given this entire 1800 MW will be used in three pot lines? That is first.

Tom Albanese: I think I will start with that one and then Abhijit got a big part of what he has been thinking through or he is planning. If you go back to a year ago, I would have talked about the fact that we have four pot lines that need to be commissioned. The first pot line has the fewest degree to difficulty being that we just had to get the IPP-CPP conversion which still a lot of work at that time and then sequentially focus on that we will have some slightly higher degree of difficulty for pot line #4, we are the second one to tackle and then progressively through the third and the fourth pot line. So that has been then part of our approach is to tackle the one pot line at a time, overcome those particular degrees of difficulties, address where we might have infrastructure handling, capacities we need to fill or we have train power transmission or power generating. So we are pretty confident on the first two and we are pretty close to solving all the items for the third and I think the fourth has still gotten us a few works in progress. So maybe Abhijit, you can give that in more detail.

Abhijit Pati: I think Tom, you have mostly covered the area because first two lines have seen already because that was a significant move for conversion to captive power plant and we are able to at least do on time the ramp-up and we are confident that we are going ahead and closing that. Third line is definitely in advanced stage. There are a couple of issues of the transmission and some issues of other power configuration yet to resolve, which we are in advanced stage to close that. So obviously we are talking about third line, maybe see the feasibility of ramping up from the Q4 of this financial year. The fourth line is definitely a line as Tom explained where our configuration there are a couple of transmission activities and projects which is ongoing which will get completed. So we are evaluating that option to finish up the transmission line, getting some additional power and please try to understand one thing that there are always an internal improvement of the power generation is always on card because we have been improving our efficiencies and generating additional power out of that. So there are a couple of things going on as evaluation, transmission, modernizations and everything, including the power source. So that is a level we are today and in a required time we will certainly come back to you and tell that what exactly we are planning to do for fourth line.

Tom Albanese: Certainly, from my perspective and I am sure D.D. will say the same thing, does not it do anyone any good, have a pot line idle. So we are working very hard to find a solution and being pragmatic about it as quickly as we can.

Abhishek Poddar: Mr. Jalan, there in the presentation you have mentioned that in July you have paid $0.6 billion to Vedanta plc. So how has that been funded? Second is do you also plan to pay $0.4 billion in the rest of this year?

D.D. Jalan: Definitely, I think as I mentioned that the outstanding amount of intercompany loan is $370 million, so that will be repaid within this financial year, and like in the past I think most of the intercompany debt repayment has been either from the internal accruals or from the working capital initiatives what we have put in place. So that way I think maybe everything has been smooth.

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

Sumangal Nevatia: A couple of questions I will ask one-by-one; firstly, on Alumina. If you can just explain what are the current spreads on production versus outside purchase and how do we expect it to change once laterite mines come from third quarter onwards?

Tom Albanese: I think Abhijit handle that. Of course, we have had quite a bit of volatility in seaborne Alumina prices and we were pointing as well it was definitely more expensive to purchase it, at that time we ramped up our production, another point where seaborne alumina prices drop quite a bit and we have ramped down the alumina production capacity to single line, now we are in a place where it is in our best interest to produce as much Alumina as we can. So Abhijit, maybe you can talk about that.

Abhijit Pati: I think spread is like what we have been feeding to the refinery production is domestic as well as our Chhattisgarh alumina which is coming in and plus we have import. Import was in the Q1, bauxite import was in the tune of around 25% level. Now, going forward the laterite coming in, I must also remind once the laterite, what we have considered is only a very less percentage which is around 5% of the total feet, because knowing very well this mine needs to get developed and the mining start within a progressive manner. So ideally speaking that our entire strategy for the refinery production of sourcing this bauxite from the different sources and getting into the COP down to less than $250 level. Going forward with the increased production of refinery we will try to at least also intensify the domestic supply. Our focus will be definitely on to the domestic supply including the reserves and mines what we have for the BALCO. So we are also on that particular activity to intensify the production from there. We will try to also maintain the same level of the import going forward to see that the refinery can feed with equal amount of 1.4 million tonnes of calcine alumina production. But ideally speaking, the strategy is very clear that we continue to focus on refinery cost going down to 250, down below to another $20, $30 reduction with optimization of the source and import dependency will continue to be there around 20-25% going forward. So that is the plan as of now. Next year obviously going forward another parallel actions we have initiated as you know and we have been very actively engaged with the Government of Odisha for the OMC bauxite supply and there are certain amount of advancements which has taken place and we would like to see that those kind of positive results comes maybe sometime in next end of this financial year so that going forward we will be in a better position to supply the refinery with domestic source.

Sumangal Nevatia: Just to summarize, currently, our production cost is still higher than what we are purchasing from outside and we plan to reduce to close to $250?

Abhijit Pati: Yes, because $292 was the cost of production of refinery in Q1 and Q2 we are projecting $250. So there is a significant reduction of $32 by way of the mix and the refinery efficiency improvement. Going forward in Q3, Q4, definitely there will be a focus of further reduction of the cost at refinery level.

Tom Albanese: I think Abhijit, these will point out that you are carrying into this quarter a fair amount of high cost older bauxite that you had to work through. If you look at marginal economics, it was better to be producing alumina during this period.

Sumangal Nevatia: Second question on Iron Ore. If you can give some color on state production run rate versus the cap of 20 mt ? Secondly, in case the cap increases to 37 mt, what is our expectation of increase in cap for us versus 5.5 mt currently?

Tom Albanese: I will ask Kishore to answer that, but I just want to balance the conversation by saying that our percentage of whenever the cap is driven by what other operators are doing. So it is a dynamic process driven by the overall level production which of course also been driven by market pricing. So higher the iron ore price, more people will be operating, all the iron ore price POP will be operating. But with that Kishore, over to you.

Kishore Kumar: This 20 mt cap was allocated based on ECs of the respective companies and it was proportionately distributed to all the iron ore operators. So our share of 5.5 mt on 20 mt was actually the proportion of the EC. Now, as Tom mentioned, some of the mining companies who have got the EC have not been producing and some of them have as you know forest area has been now redefined. So, those things have actually brought down the total effective production from 20 mt to about 16.5 mt. So in reality, the cap allocation is of 5.5 mt on base of 16.5 mt. Now, going forward 20 to 37 journey is also going to have two stages – it will actually go from 20 to 30 without any further investment in infrastructure because the expert committee has given open blanket that of 30 mt the current infrastructure is good enough. To go from 30 to 37, there is a need for a road corridor to be built and which of course I am happy to say the state government has taken it very actively that we will construct the road corridors sooner the monsoon is over. So we are more bullish that 30 mt should be operational by end of this year while 37 mt should certainly be operational for the next financial year. But having said that, our share of this 30 or 37 mt will continue to be little dynamic, it will continue to be wavering depending on which mining companies are able to come forward in production and cost. Those things in matter of detail we will get to know more closer to time and the additional ECs are allocated.

Sumangal Nevatia: On the Zinc International business, what is the current mine life left for Skorpion and BMM, so just wanted to understand how the production will dip in FY'18 and '19 without the Gamsberg project?

Tom Albanese: You might recall six months ago when Zinc prices were done about $1600-1700 a ton, we had deferred the work on the last cut back on Skorpion pit. By doing so, anticipates the production winding back by about the middle of calendar 2017, so the next fiscal year. Obviously, these Zinc prices, we are beginning to reevaluate whether we could actually bring a campaign of stripping in there and basically get ourselves in a position where we can mine that next cutback as the existing cutback begins working out of the system. Those economics and the project evaluation is still underway. At the same time, we are doing the same thing in Black Mountain where we had clasped the Black Mountain operations to the most profitable parts of the ore body with a shorter mine life longer than Skorpion at low prices and we are currently evaluating our degrees of freedom for basically doing additional work in what are probably the less accretive areas so we can extend Black Mountain and possibly we can even expand Black Mountain with some judicious exploration. So we are looking at all that. While we also have this aggressive ramp up of Gamsberg, I am quite confident as we proceed over the next 12-months that we will end up with a plan that we will continue to be find in additional tonnes of Skorpion maybe Black Mountain while we ramp up Gamsberg in accordance with this plan. That is part of our overall thinking about where are the Zinc prices traveling and how can we be opportunistic and flexible. But our objective this year has been to reduce our cost of Zinc production, maximize our cash from the Zinc international operations so we can use much of that cash from those operations to finance the first year Gamsberg construction.

Moderator: Thank you. The next question is from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.

Sanjay Jain: Sir, want to know what is our intercompany loan to Cairn outstanding as on date on the book value and on the mark-to-mark value?

D.D. Jalan: Sanjay, the intercompany loan between Cairn and Vedanta is $1.25 billion and that is what is the amount outstanding and that is rolled over for I think as we covered in the last calls also which is rolled over for another two years' time.

Sanjay Jain: There will be accrued interest as well on that because we are calculating under Ind AS the value of investment, similarly, we should also value liability based on Ind AS. So what will be that number?

D.D. Jalan: Sanjay, the interest keeps getting paid on its maturity and I think the accounting of FMP is different and then the loan accounting is different and loan gets accounted for and it is shown as liability till it is paid. Basically, as per the terms, entire interest is being paid as and when it is due.

Sudhir Mathur: That is for every quarter-end.

Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam Holding. Please go ahead.

Bhavin Chheda: Sir, we are headed for a strong second half as we see the cost in the Aluminum is coming down and Zinc would be strong. Any particular number you would like to give guidance on what kind of net debt number we should see as we approach March?

Tom Albanese: Of course, as you know, we do not give financial guidance, we do not have your assumptions of what metal prices are. So I think you can make an assumption that the production guidance is as it is, cost guidance is as it is, certainly we have provided guidance on CAPEX and you can work of that and you can also recognize that and what we said that will bring you an outcome that probably reasonably consistent with what we are thinking about.

D.D. Jalan: Just to add that, Bhavin, this time we have given the guidance that on overall basis at Vedanta Limited, we expect that our net debt-to-EBITDA ratio to come down to 1:1 from 1.7:1 in short-term. I think that is the direction in which we are moving and obviously with the very strong performance of commodity and strong operational performance we expect to achieve that.

Bhavin Chheda: Last thing was on the PLF at power plant particularly the Jharsuguda 2400 MW and also BALCO new 600 MW. Because now the coal availability does not seem to be an issue in India now, so, when can we see a significant ramp up on the PLF?

Tom Albanese: Ajay will take that but again just to remind you that our main objective on 2400 MW outside the 600 MW that is IPP is to be a sign for ramping up our pot lines and in the current spot business we are not making lot of money even opportunistically selling in the spot market even with lower coal prices. So, we will necessarily want to run all three of those units at full production just for the purpose of selling third-party power. But as we ramp up, we will be running all three of those units at full capacity to produce Aluminum. But with that, Ajay, I might have missed something.

Ajay Dixit: You are right, Tom, 2400 MW as I said earlier, we will be approximately more than 85% PLF as we ramp up. These are untied power and it does not make sense to sell in open exchange if the prices are not good and we need to pay it has dedicated to internal consumption for the pot line. As far as BALCO is concerned, half of the capacity of 1200 MW is an IPP and 400 MW is tied up, for that we are operating close to 50% and the balance 200 MW we are expecting to tie up and that would also go to the extent of 25%. Plant availability is there. We are expecting reasonable let us say contract to go from 60% to 85%.

Bhavin Chheda: On the Iron Ore mining cap in Karnataka, you spoke about the Goa increasing the limit. Can you update us on your Karnataka limit also – is there a consideration to increase that because we used to sell 6 million in Karnataka earlier, so we have lot of mining capacity there?

Kishore Kumar: Karnataka, the cap is 25 plus 5, total 30 mt cap and 5 mt is in the Chitradurga belt which is our mining cap where our EC is 2.29. There also the same consideration has been applied that the cap relaxation both the state government, PEMI ourselves, all of us have applied to the Supreme Court in terms of relaxing the overall limit and the 29 mt of production has been achieved by the Karnataka State. So State itself is pushing for the cap to be improved. Our application for 6 mt cap EC approval have also been submitted to the governments.

Moderator: Thank you. The next question is from the line of Ashish Kejriwal from Elara Capital. Please go ahead.

Ashish Kejriwal: Sir, my question is on Aluminum. If I am looking at Aluminum derived EBITDA per tonne, that is coming out to be 171 whereas the reported EBITDA is 207. So have we included any one-off item in EBITDA position?

Tom Albanese: Maybe Abhijit try on that one and D.D.? I am assuming you are taking 171 of the chart where we do the EBITDA walk, right?

Ashish Kejriwal: I have taken Rs.266 crores which has been given in the presentation as well as the sales volume of 233,000.

D.D. Jalan: Ashish, you are looking into two slides – one slide #23, the EBITDA of $207 is just from the Aluminum business and the number what you are looking on Slide #38 was for the segment and that segment includes Aluminum as well as surplus power from some of the power plant that is 1800 MW and 270 MW. So that is why that is a blended EBITDA number what you were looking into. So if you knock off the power which was there from the surplus power sale, then you will arrive at the same number and same figure.

Ashish Kejriwal: Second question is on Coal. We know that coal mix is going to change may be adversely for us because our linkage coal is going to expire. So my question is currently what will be the difference between your imported coal as well as e-auction coal – are we getting expensive imported coal or e-auction coal?

Tom Albanese: I think Ajay will cover that, but I think as I said earlier that for our Aluminum business is a year ago we would have thought we would be importing coal for them, we no longer see a need because of the increased domestic sourcing of imported coal. We would be continuing with some imports in our Tuticorin, MALCO and Hindustan Zinc just because of logistic proximity. But with that, Ajay, you can talk about it more in detail.

Ajay Dixit: You are absolutely, right, Tom. I can give indication that we have a clear plan that to cut down import to practically bear minimum, in Q1 our import came down from 23, 24% to 11% and in Q2 our intention is to make import zero.

Ashish Kejriwal: So our e-auction coal is cheaper than the imported coal?

Ajay Dixit: Yes, you would have seen in a newspaper that imported coal have hardened and prices have gone up. I would say auction coal we are able to get and production of Coal India has gone up. So, we are in a position to realize the domestic coal at a better rate than compared to imported.

Ashish Kejriwal: Thirdly, on our 660 MW power plant at Talwandi, we have already synchronized the plant in March and still we have not capitalized. So is there any issue on the demand side or what else could be the reason?

Ajay Dixit: Normally, between commercialization to synchronization there is a quarter gap. Incidentally, our synchronization was almost on the last day of March. So normally you would say in the first early half of the quarter and you get to the next quarter, but it will happen in this quarter.

Ashish Kejriwal: Obviously, our stated objective is to deleverage our balance sheet, but assuming any opportunity comes to buy assets abroad or in India, will we be open to that?

Tom Albanese: I think we have always been opportunistic, but as we also stated right now, our main objective is deleverage.

Moderator: Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: First, can you just tell us what is the impact of the interest capitalized on the Aluminum business based on the new policy that you adopted now?

D.D. Jalan: Rakesh, that is about Rs.130 crores for the quarter.

Rakesh Vyas: My second question is on the coal mix at Jharsuguda. Can you just highlight as to what it is now and what is the status of the linkage that we used to adjoin on this 2400 MW, has it moved to captive or non-IPP linkage?

Ajay Dixit: As I said in this area there is enough coal from MCL mines and as I already indicated in one of the earlier questions, government is also auctioning coal linkages and we are let us say favorably placed and you would be encouraged to see the results after the auction is closed.

Rakesh Vyas: I just wanted to get some clarity on, I think earlier we used to have a linkage based on the IPP status. Have we got the similar linkage now till the time that FSA expires on CPP status and has that changed the pricing at all?

Ajay Dixit: We had for one unit which is committed to Gridco a complete linkage and the materialization is normally in the ratio of 80% and for that one unit it is continuing. Three units which are converted to CPP, one unit was not having a linkage and the other units were already having reduced linkages which were expiring in June this year. So that is not impacting us now because if you see based on the revised CIL prices which have been announced as the revision of the prices even the IPP price have been increased substantially and the auction rates are not very far away from in any case if you are trying to buy on auction to the extent is 60-70%. So our mix has not changed significantly and I would say we are in a good range, but you are talking only of 2400 MW. We also have another plant of 1215 MW where our linkages are continuing, at present that is also contributing to major portion of our power requirements and the linkages of this plant which is the captive plant is up to 2019 and it continues.

Rakesh Vyas: Jalan, can you just highlight as to how much proportion of the debt is linked to bank base rate so something like that, who much is fixed interest rate?

D.D. Jalan: If we just try to look at, Rakesh, in the presentation there is a slide, in which we have given the breakdown of component wise what our loans are there and all the loan from bank that is all linked to their base rate and that will keep on moving when the base rate is moving. So if you just try to look at 39% of our loans are term loan where it is all linked to the base rate, 21% of the loan is through bonds where the rate is fixed and then there is 18% of the term loans that is the US dollar linked term loan where LIBOR is open and LIBOR keeps on changing. I think this is all is the composition of the overall debt.

Rakesh Vyas: 270 MW power plant at BALCO, so have we strategically decided not to utilize it at all given the efficiency levels and our requirement being lower than that?

Tom Albanese: Ajay, you can talk about the older facility at BALCO?

Ajay Dixit: This plant is very old and the specific coal consumption is extremely high. It makes sense only in case we are using it as a back-up facility, in case we have to take one or the other plants for mandatory shutdown on an overall basis, then for a brief time, rather than buying power from our side, it is cheaper to generate own through the 270 MW. So, it is just sitting as a backup as such in the good hot conditions that it can be made operational in a short time, and few hours and of course we are needing the backup facility. It does have a commercial sense on the back-up point of view rather than buying power from outside, but yes, we do not intend to run it continuous basis because it has caused detrimental.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: First question is how are we looking at the upcoming mineral auction across states? My second question is regarding the Baghmara mine in Chhattisgarh that we won, what is the economics that we are looking at and what are the timelines?

Tom Albanese: I will take both of those. We have been continued to be involved with the central government and also the state as I look at different auctions. For the most part, we are not paying lot of attention to the limestone auctions. We are particularly interested in base metal auctions may come up, gold auctions, we have looked at in some of the diamond things that have been coming through, some of them are very pretty small, and also bauxite which is probably our highest priority and certainly from our perspective we like to see the centre and the state governments put out more bauxite auctions given all the comments you have heard from Abhijit are in needful for more bauxite for Lanjigarh. So, we will continue to look at those. They are generally structured is on the basis of minimum work commitments or drilling plus say you beat against the royalty. So that effectively we got the gold auction and share is on the basis of that royalty. I would say for the most part, we are looking at these auctions not just on the basis of what has been found so far and published, but what our geologists think may also be there. So they would be pragmatic as much as the exploration target has basically buying a future mine. In Chhattisgarh, the stated resource that has been evaluated by the government back, in the 1980s was actually quite small and if all that is there, it is probably not size enough to interest to us. So we would be do some drilling to assess whether the geologic structure is conducive for larger well formation and that could be of interest to us. We have been working with the various permitting stakeholders' engagements in the nearby communities so that everyone knows what we are doing and saw transparent. We would hope to start that drilling as we come out of the wet season.

Ritesh Shah: So would you like to give any timelines or any numbers on how we have looked at the project, what I understand as we bid around 12% premium on the notified price, so how do we look at it?

Tom Albanese: That effectively 12% is NSR whatever the government NSR is. That would be something we would be paying upon successful decision on exploration and also development. I would anticipate that we will have at least a year of drilling and then we have at least sometime before we have to go through valuation engineering. These things as they are. If it is exceptional result, they may be faster but they are typically something you look at it as a 3-5-year timeline rather than 1-2-year timeline for actual first production.

Ritesh Shah: Just a follow-up question, sir you indicated on the bauxite auction. Would you be able to provide any idea on what is the quantum of bauxite auctions say in million tonnes that are up over say next three months or six months wherein we would also be bidding?

Tom Albanese: So far there has not been a lot that has been put in the bidding queue. That is why we have been encouraging the governments to do the necessary technical work so that it is out of the appropriate level of technical spec so they can auction it. That we would hope that be the case. But Abhijit, you may have more knowledge on that than I do.

Abhijit Pati: The bauxite auction expected volume was Government of Odisha is talking about is extremely very peanut one, because this is the only one mine which is coming up because which is at the Q2 level of exploration stage. As you know, there are 19-blocks which have been identified by

Government of Odisha and out of that only one block which is typically call as Balada near Koraput which is only 13 mt of the deposit which will be up running for the auction maybe sometimes end of this year or the first half of Q4. Apart from that, other 17-18 blocks are already expeditious and going on. They need to move it from the G4, G3 level to G2 and then all the auction again be done. So that is the overall scenario as of today. But having said like that, whatever the OMC already reserved, there are two mines which is part of the OMC, so there are pretty good mines having deposits of around 80 mt and another one is around 130 mt. So these two mines are also with the OMC and they are also moving ahead with certain amount of clearances to have their own exploration and mining over there by the OMC. That is the overall…

Tom Albanese: From my own perspective, those would be the ones that we would be looking at as the more priority opportunities for near-term captive bauxite for our Lanjigarh refinery.

Ritesh Shah: When we say we will be interested in the base metal auction, would it be done through Hindustan zinc or would it be done through Vedanta or both the companies can actually bid for the same block?

Tom Albanese: We do not want to bid against each other in order to create a conflict of interest. So I would say that will be the type of thing that we look at the respective teams and call for the right direction. Obviously, Hindustan Zinc is a Zinc business, so something came up as the Zinc orientation that would be considered and auctions in Rajasthan would be right in their back touch. So, we would be looking at some pretty simple basic criteria like that when considering.

Moderator: Thank you. The next question is from the line of Harsh Agarwal from Deutsche Bank. Please go ahead.

Harsh Agarwal: I had one question for Tom and one for Mr. Jalan. Tom, there was a story this morning about potential approach by Vedanta to Anglo-American for some sort of a combination with Hindustan Zinc. Would love to get yourself story on that? Then the question for Mr. Jalan was on the working capital which basically was a drag on the cash flows, I remember last year you had a big inflow and you are saying that half of that inflow that happen in FY'16 will reverse. I am assuming the reversal we have seen in the first quarter is basically part of that. If you could just confirm that it would be great?

Tom Albanese: If I could just comment as I expect every company from A to Z we comment to a story like that is they would typically change the part of their policy, they would not comment on media speculation, I think that is the case for us.

D.D. Jalan: Harsh, you are absolutely right, as I said at the time of my year end commentary that part of the gains on working capital will reverse but yet again today I announce that the Rs.1600 crores which was a drag on cash flow this quarter that is likely to be made up in the next quarter. So eventually I think maybe we expect the same working capital level which was there in March as far as Rs.1600 crores is concerned.

Moderator: Thank you, sir. I now hand the conference over to Mr. Bajaj for closing comments. Over to you, sir.

Ashwin Bajaj: Tom, any closing comments from you?

Tom Albanese: I just like to say that if I go back to what we said about a year ago and what we have done, we said we are going to increase our cash flow by a combination of cost reductions, production improvements and notably ramping up of those businesses that were fell underway. That is exactly what we have done, ramping up Aluminum, Iron Ore, Power, delivery on our cost objectives and again seeing that all the businesses are doing what they are supposed to be doing. If we look a year ago, we talked about to deliver the balance sheet and create basically more efficient cost of capital and I think you have seen exactly that is what we have been doing, if anything brings it down our total CAPEX spending and using as much cash we can, very strong cash flow from operations, particularly in fiscal year 2016 we have a strong on fiscal year 2017 for the purpose of delivering. Finally, we talked about the need to simplify the balance sheet. We announced a year ago the merger with Cairn, boards had agreed upon revised terms based upon commercial considerations and I have been very pleased with the media and basically some of the sell-side commentary since that point in time, that we look forward to that shareholder vote in September and I think we will have delivered also to our shareholders a simplified corporate structure over the next couple of quarters. So we laid out those strategic objectives. We have been delivering them. I do appreciate the fact that you have been staying with the company even for some tough times in the market, we are probably out of those tough times and now we are probably in a less subdued time, maybe not as exuberant as we would have been five years ago but certainly stronger than was a year ago. So, with that thank you for the call and your continued interest in the company.

Moderator: Thank you, sir. Ladies and Gentlemen, on behalf of Vedanta, that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.