"Vedanta Limited Q1 FY19 Results Conference Call"

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Moderator: Good day, ladies and gentlemen, and a very warm welcome to Vedanta Limited Q1FY2019 Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's briefing session. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Rashmi Mohanty. Thank you, and over to you, ma'am.

Rashmi Mohanty: Thank you, operator and a very good evening, ladies and gentlemen. I am Rashmi Mohanty – Head (Group Investor Relations), Vedanta. Thanks for joining us today to discuss our first quarter results for FY2019.

We will be referring to the 'Presentation' that is available on our website.

From our management team, we have with us our Group CEO -- Mr. Kuldip Kaura; our Group CFO -- Mr. Arun Kumar; we also have several of our business leaders with us on this call; Sudhir Mathur from Oil & Gas; Sunil Duggal from Hindustan Zinc; Deshnee Naidoo from Zinc International; Samir Cairae and Ajay Dixit from Aluminum and Power; Naveen Singhal from Iron Ore and Steel; and P Ramnath from Copper India.

Let me now hand it over to Mr. Kaura to provide an "Update on the Company's Operational Performance." Mr. Kaura.

Kuldip Kaura: Thank you, Rashmi. Good Evening, ladies and gentlemen. I am pleased to welcome you to Vedanta Limited's Q1 Earning Conference Call. Operationally, this has been a good quarter. We are ramping our production across our business segments and in Q1 we made good progress. Volume ramp up from our underground mining operations at Zinc India and at our Aluminum business continued at a good pace. We see further visibility on our oil production targets. We also completed the acquisition of Electrosteel during the quarter; however, we did have a few setbacks as we started FY'19 with the shutdown of our iron ore operations at Goa and copper smelting operations at Tuticorin. At Goa, given our commitment to the region and the considerable impact on the local economy because of the shutdown, we continue to engage with the government for resumption of mining operations.

Regarding the Tuticorin operations, we have filed an appeal before the National Green Tribunal, Principal Bench challenging the rejection of renewal of CTO and closure of the existing plant. Our copper smelter is among the best copper smelter in the world in terms of operational performance and environment practices and the plant uses the best-in-class technologies. We will continue to engage with the relevant stakeholders on this matter.

We also delivered strong set of financials. I am happy to report that Q1 EBITDA was Rs.6,529 crores, 31% higher YoY with the stable margin of 34%. Net debt/EBITDA remain strong at 1.1 post payout of dividends and the Electrosteel acquisition. We remain excited about our portfolio of businesses as the fundamentals for metal, oil & gas and other natural resources in India continue to be strong. Our commodity prices despite some pullback in metal prices recently, especially zinc and copper on account of global trade war concerns and the appreciating dollar, we feel that prices will stabilize in the medium-to long-term.

Slide on Safety and Sustainability: Vedanta remains focused on zero harm, zero waste and zero discharge, but regrettably three fatalities at our businesses overshadowed our health and safety efforts in Q1. Let me assure you that all of us in our executive team are committed to our safety goal and to bring Vedanta to the best HSE performance in the resources sector. We are focusing on enhanced visible leadership on the ground, risk management and use of digital technologies to make the workplace safer and have taken some notable initiatives on training in this quarter.

Digital projects on access control and geo-tagging have been launched on a pilot basis and shall be replicated across the organization. Our focus in our environment practices continue to save energy and water and we remain committed to our FY'19 targets. We also institutionalized surveillance program of our tailings dams at all Indian sites readying them ahead of monsoons.

Finally, on the community front, we started operating the recently established cancer hospital in Naya Raipur, which offers comprehensive, modern and high quality medical care.

Moving on to our Businesses' Operational Updates: Zinc India -- MIC during the quarter was 212,000, lower by 17% from our last quarter. From this quarter, HZL transitioned to fully underground mining. This was completed in a safe manner and underground outputs ramped up by 7% QoQ from 197,000 tons in Q4 to 212,000 tons in Q1. Metal production was generally in line with availability of mined metal. The ramp-up of Rampura Agucha mine will be accelerated with the recent commissioning of additional ventilation systems and mid-shaft loading platform. Our cost of production ex-royalty was higher QoQ due to lower volume, maintenance shutdown cost and impact of resettlements.

We remain on track to achieve our 1.2 mt MIC target in FY'20. FY'19 is an important year for us as the gap in our production on account of closure of open cast operations will be filled with ramp-up at our underground mines. Our underground mine production will increase progressively every quarter and we are confident of reaching our guidance of surpassing last year's record production and will target 1.2 mt MIC run rate as we exit this year. Major milestones on shafts are on schedule and mill commissioning at SK and Zawar are expected in second half of the year.

I am pleased to inform that we have received environment clearance from MoEF for expansion of ore production at SK from 4.5 mt to 6 mtpa, enabling us to accelerate the production. Phase-1 of our strategic vision to grow our zinc lead output from 1.2 mt to 1.35 mt is in the planning and evaluation stage.

Moving to Zinc International, production was low at 25,000 tonnes mainly on account of plant maintenance shutdown at Skorpion during the quarter which was partially offset by improved recoveries at BMM. The lower production volume and Skorpion maintenance shutdown expenses also increased the CoP for the quarter, but we remain on track for our full year cost guidance. At Skorpion, Pit-112 ore mining and metal production is expected to ramp up from Q2 with higher production expected in second half of the year. Going forward, all production at Skorpion will be from Pit-112.

At Gamsberg, almost 100% of pre-stripping work has been completed. About 0.5 mt of ore stockpile has been built. The crusher has also been commissioned and crushed ore stockpile is currently being readied. Mill commissioning activities have started and we are expecting the first commercial concentrate production in September after a minor delay due to fatality at the site. We continue to work towards full year production of 100,000 tons.

I will now hand over to our Oil & Gas CEO, Sudhir Mathur to speak about Q1 performance. Sudhir?

Sudhir Mathur: Thank you, Mr. Kaura, and good evening to you all. Let me start-off with the performance for the quarter. We are progressing well to deliver the FY'19 target of 200,000-250,000 bpd. With more wells being brought on line, our average gross production across assets was 195,000 bpd, 3% higher QoQ. The execution of various growth projects involving capital expenditure of over 2.3 billion has commenced. We have seven drilling rigs on site, which we shall ramp-up to 14 rigs by Q3. MBA infill, EOR Polymer and ASP Projects are on track. Two wells have been bought online. This will increase to around 16 wells by Q2.

The year has seen a substantial jump in our gas production driven by two factors: One, the GIGL pipeline is expected to be bought online in Q2, which shall enable us to increase gas production by 50%. Second, the work on the gas terminal has commenced. In the interim, we shall be deploying early gas production facilities to double the gas production by Q4. We are progressively increasing the liquid handling capacity at the Mangala processing terminal to produce incremental volume.

At Aishwariya Barmer Hill, our first tight oil projects, the first oil is expected in Q3. We are also investing in exploration. Rajasthan exploration campaign consists of 7 to 18 wells, is well on track for spud. The Rajasthan tight oil appraisal, drilling for four tight oil fields is planned for the second half of FY'19. Beyond Rajasthan in KG offshore, the first well of the two well exploration campaign has spud in April '18. We are looking to make significant additions to our current acreage under the government's open acreage licensing policy. We have bid for all the 55 blocks on offer. The award is expected in the second quarter.

Thank you, and back to you, Mr. Kaura.

Kuldip Kaura: Thank you, Sudhir. Coming to Aluminium, Aluminium division continued the strong production trajectory from last quarter and delivered record volumes of 482,000 tons and an improved of $425/ton in Q1. The key focus in this segment is on cost and improving realization. During our FY'18 results in May, we have guided to $120 to $170/ton savings in our aluminum CoP YoY by optimizing controllable cost and elimination of one-off while excluding impact of market factors.

Let me provide you an update on this. In Q1, we have achieved about $50/ton of the saving, driven mainly by improvement of power plant operating parameters, elimination of pot revival one-off and reallocation of cell relining expenses. We have started receiving high quality Odisha bauxite through OMC for our Lanjigarh refinery and this will be a third of our bauxites requirement this fiscal. Alumina production of 325,000 tons this quarter was lower QoQ due to temporary issues in the bauxite handling unit; however, we are on track to ramp up production to 1.5-1.6 mt this year with increase in Odisha bauxite.

On coal, the focus is on increasing linkages through tranche-IV auction and improving the materialization of current linkages.

We are also improving the power plants operating parameters and GCV loss elimination. With these key cost drivers, we retain the savings target for the year.

On the marketing side, we continue to focus on improving net premiums by progressively increasing value-added production from 43% of total sales in this quarter to 59% exit rate in Q4.

Electrosteel: During the quarter, we completed the acquisition of Electrosteel under the IBC process. We see this acquisition at an attractive pricing to be a strategic fit to create an integrated iron and steel business. We will consolidate the financials of ESL for a 10-month period in this fiscal. The ESL plant is located in Bokaro, which is in the vicinity of major raw material sources, including our proposed Jharkhand iron ore mines which are only about 250 Kms away from the asset. The plant currently has a hot metal capacity of 1.5 mt and a design capacity to go up to 2.5 mt with additional CAPEX. It produces long steel products, wire rods, rebars, DI pipes, billets, etc., In the last financial year, the asset produced around 1 mt of output at an EBITDA margin of $55/ton. It has been a little over a month since the completion of the transaction and we are in the process of integrating it within our group. Our plan in the near term is to stabilize production from the asset and to strengthen its various functions such as commercial and marketing, while simultaneously working on ramping up production to its full current capacity of 1.5 mtpa. Once this is complete, we will be able to substantially improve EBITDA from current levels. This will get us ready for the next phase, which is the expansion to 2.5 mt. In parallel, we continue to work on our plans in Jharkhand mines, which will help create further value with the synergies that are possible.

In summary, Vedanta is on a transformational journey with significant growth across its businesses. The key enablers for driving this growth are the use of technology and innovation to drive best-in-class and low-cost operations, skill development and global experience leadership to steer the project delivery with sustainability at the forefront.

To summarize, Zinc India is on track to gradually ramp up and is targeting 1.2 billion ton MIC run rate at the end of this year. Gamsberg will ramp up in an accelerated manner once commercial production starts in September. Aluminum ramp-up is on track and we are targeting $120 to $170 savings on FY2018 average excluding market factors as per previous guidance.

Oil & gas development projects are in the execution phase and production ramp up will continue progressively. Electrosteel acquisition has been completed and integration is underway. We have maintained our guidance for FY'19 across our business segments with key growth milestones coming up in the upcoming quarters, we expect the performance to progressively improve as we advance through the last nine months of this financial year. Over to "Arun to provide the Finance Update."

Arun Kumar: Thanks, Mr. Kaura. Good evening, everyone. As outlined by the CEO, the quarter saw the company deliver on growth projects with Zinc India, Gamsberg at Zinc International, oil projects as well as oil output making good progress.

Some key highlights for the quarter: EBITDA growth of 31%, robust margins in the 35-40% which we have always indicated in the past. Guidance on volume, cost remains unchanged, see the appendix. No change in the full year tax rate, interest income percentage, depreciation trend guidance as indicated in the May results call. Third highlight would be the healthy ROCE at about 16%, up over last year by 110 basis points reflecting improved asset earning. With that, the other balance sheet indicators of net debt-to-EBITDA continues to be robust at around 1.1x. The attributable PAT and EPS is up marginally. It is a play of mark-to-mark on investments and cancelations as we go below the EBITDA.

Finally, on the income statement in the appendix, only two points worth mentioning, is a one-time charge of certain commitment charges on the finance cost lines, interest income impacted by the mark-to-mark given the adverse movement in the yield curve. No change however in the full year tax rate, investment return, income percentage as indicated in the May results call.

Next page on the EBITDA bridge… it is largely self-explanatory, but I will focus on the operational side. Volumes, Aluminum and Oil volume growth shored up, rest of the businesses offset each other with the adverse impact of the non-operational Copper India coming up as well. Zinc India though lower was largely in line with the mine plan in the absence of open pit at Rampura Agucha.

On the cost side, primarily on account of the volume-led absorption of the zinc businesses and changing coal mix in aluminum with more imports and auction coal, the others were mainly impacted by the power import in aluminium and the catch up on account of Zinc India, the long-term settlement signed with the direct and the indirect labor. But it is not abnormal, but higher than the accounting estimate. Both these expenses should cease in Q2, so largely can be considered as a one-time in Q1.

On the final page on the debt maturity profile, the company has been very proactively managing its maturities of long-term debt with all of FY'19 largely refinanced. The company continues to enjoy good access to various sources of liquidity, be it bank or bond market, raised around Rs.10,000 crores of debt this quarter largely for refinancing the year maturities while also part funding the Electrosteel acquisition. Not much of an update otherwise this quarter on the credit rating, they continue to be solid. The gross debt was constant to March levels while the net debt was up, primarily driven by the acquisition of Electrosteel as well as converting some of the working capital trade finance products to loan funding as we also highlighted at the end of fourth quarter. We continue to have around Rs.35,000 crores cash on hand.

Rashmi Mohanty: Operator, we can now take in the questions.

Moderator: Sure, ma'am. Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Anshuman Atri from Premji Invest. Please go ahead.

Anshuman Atri: My question is regarding the Aluminium segment. There are reports of getting bauxites form Guinea through an arrangement as well as from the local Odisha bauxite. So, can we expect sharper ramp up of alumina production for backward integration going forward? On coal, you are seeing more and more coal which you are getting domestically which is leading to lower power cost. So, how do we see the overall coal integration for Vedanta as an entity and on this bauxite?

Kuldip Kaura: So, as we said, we have started receiving bauxite from the Odisha mines and we are ramping up these mines and the logistics arrangement, and this ramp-up will result in supply of about one-third of our bauxite requirement this year from this mine, and this figure obviously going forward will keep on improving as we continue to ramp up the mine at a higher rate. The second action which is also happening at the Lanjigarh refinery is that we are ramping up our production to its capacity throughput rating which will enable us to produce 1.5-1.6 mt this year, but this number will also improve to 2 mt in near future after that. So, both these factors will reduce our dependence on imports of alumina as well as bauxite and thereby impact our cost substantially. As regards coal, we continue to work with the coal mines a) to improve the GCV losses, where we have some success already and b) to improve our materialization as per our linkages, and in case of Jharsuguda, we also try to get additional linkages for our captive units. So, both these factors, along with the better performance of our power plants in terms of specific consumption and also PLF, reduce or eliminate power imports altogether, all these factors actually will lead to significant reduction and the number which I was quoting about $120 to $170 rates.

Anshuman Atri: Sir, was there any arrangement for bauxite supply from Guinea?

Kuldip Kaura: We are importing bauxite from the EGA and that is in standard long-term contract.

Moderator: Thank you. We will take the next question from the line of Anuj Singla from Bank of America-Merrill Lynch. Please go ahead.

Anuj Singla: Sir, following up on the bauxite thing, now what kind of cost savings can we expect from this maybe on alumina or aluminum front given that obviously the transportation cost as well as the quality of this bauxite is going to be much better I guess?

Kuldip Kaura: We can slice and dice this number of $120-$170/ton this year, the numbers are really a combination of bauxite input plus ramp up of our alumina refinery plus of course savings because of the power plant operations. But overall, there will be obviously substantial savings because of the logistics cost reduction and the other input costs.

Anuj Singla: The pricing for these contracts, these are long-term, or they are index-based, what is the kind of pricing mechanism here?

Kuldip Kaura: Samir, would you like to respond to this?

Samir Cairae: Odisha bauxite, OMC, as you know, the government policy driven by auction; and of course the bauxite which you get from Guinea, etc., are based on indexes which move. The bauxite which we get from OMC is on auction which is driven by the Government of India.

Anuj Singla: Sir, second question is on the net debt. During the quarter, we saw around Rs.6,100 crores of working capital adjustment, because of this, our net debt has gone up. Does that relate to the copper business, can you just clarify on that?

Arun Kumar: Yes, as I mentioned earlier, you see our net debt-to-EBITDA continues to be healthy 1.1x, which offers tremendous strength to the balance sheet and a good headroom from any point of view. The quarterly movement is fundamentally a combination of the Electrosteel acquisition and the working capital representing what I mentioned – some of the working capital products, more specifically the buyer's credit converted into term loans given the RBI actions during Q4 for the industry at large. So, that is broadly from a reconciliation point of view. The most fundamental thing of course being as I mentioned the ratio of net debt-to-EBITDA. I hope that answers your question.

Anuj Singla: Yes, sir, the second follow-up on this is actually, should we expect this to reverse in the ensuing quarters or this is like statistics kind of thing which we should expect, so the term loans are going to stay high and this is not going to go back into buyer's credit again?

Arun Kumar: So, actually, the company as such, we have rolled out a significant initiative. While some of this will definitely reverse, but more importantly, the company has embarked on a significant initiative of re-looking at working capital from ground zero. In fact, we have some global partners working with us to do global benchmarking in this and we have benchmarked ourselves to the best in the world, and if we have to be sort of what we term as a ruthless player in terms of being the most efficient to manage our working capital, we believe that there is tremendous potential of anywhere between $1-1.5 billion in terms of leaning the balance sheet, so the company will make progress during the year and drive some excellence into this whole vertical of working capital management. Having said that, a short answer to your question would be, yes, a lot of it we should see itself reverse during the subsequent quarters.

Moderator: Thank you. We will take the next question from the line of Sumangal Nivetiya from Macquarie. Please go ahead.

Sumangal Nivetiya: First question is on the Zinc International business. The Gamsberg mine, the restart or the commissioning has been delayed by almost three months, but we have maintained the full year volume at 100 KT. Now assuming six months of operations that gives you around 80% utilization on 250 KT capacity. Can you elaborate how the sharp ramp up would be achieved?

Kuldip Kaura: Earlier guidance for Gamsberg commissioning was around middle of this year, that unfortunately got slightly pushed back because as I was saying certain events and the accident there. From a mining point of view, the mine is fully operational, and we have a stockpile already built in, more than a month's stock and so it is really the concentrated commissioning and ramp up. Our Capital Day attempt is to make the ramp up faster and plan it better, and this time which we have got has also helped us in that direction. So, what we are saying really is that as a management team we are committed to do a faster ramp up and target close to 100,000 tons.

Sumangal Nivetiya: Second question was with respect to the aluminum cost of production. Now this is I think the first time where cost of production at VAL is almost equal to BALCO. So, just wanted to understand if higher cost of imported alumina is the main factor here? The second part of the question is the guidance for full year at $17.50 versus first quarter at almost $19.35. So, assuming that commodity price deflation does not happen, only from the cost saving with respect to bauxite and coal linkage, what sort of cost of production we could end FY'19 at?

Kuldip Kaura: As we were saying earlier in our discussion that assuming no impact because of the commodity prices of alumina and also the coal prices in the auction, if you see those as market dependent, our cost saving target is about $120-$170 per ton (in that range). As of now, we are making good progress and we are quite confident that we will hit this number.

Sumangal Nivetiya: With respect to the cost that BALCO and VAL being same, can you share what is the key reason -- is it because of higher cost of imported alumina being loaded at VAL CoP?

Kuldip Kaura: We can get into those kind of details, but as the overall aluminum, we had given you the numbers, I think that should broadly work for you.

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

Ritesh Shah: My first question is for Deshnee. Any specific update on the South African mining charter wherein we might need to reduce our stake in BMM and Gamsberg?

Deshnee Naidoo: Thank you for the question. I think the version of the mining charter we are dealing with is a much industry friendlier version than the amendment that was proposed a couple of months ago. So, we see that as an encouraging development. If you look at the way the charter is worded now, once empowered, always empowered means that we do not have to go and re-empower stake, should Exxaro exit from the asset, so that is also very encouraging. The move is to make sure that we have got more broad-based empowerment. So, if we are to look at any future transactions, it will be around communities and employees as opposed to getting a BU partner as a replacement to the current Exxaro structure. So, as a business, I am encouraged that the charter with the government is moving in the right direction. I do not see increased risk, in fact I see slightly minimized risk from the last time we had the conversation.

Moderator: Thank you. We will take the next question from the line of Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: Can you please throw some more light on Electrosteel, what kind of exit capacity utilization we can look at in FY’19 and FY’20?

Kuldip Kaura: As we were saying earlier, it is just about a month this unit is with us and we are integrating it, and first stage is 1.5 mt and then of course some improvements in overall product and marketing strategy, that is really the first stage; and then of course as the second stage it goes to 2.5 mt with some balancing equipment and additional CAPEX. So, maybe when we come back to you in the next quarter, we will have had time to understand the operation in much more depth and we will be able to give you then the right kind of guidance.

Amit Dixit: The second question is with respect to power cost in Jharsuguda. It has inched up quite sharply. So, what kind of power cost do you see going ahead in this year?

Kuldip Kaura: In power cost, basically, I think our power plant operations improvement should take place, I mean, certain power outages and substantial costs comes from in case we have to import power, otherwise our operations are improving, and going forward really our aim is to get our power cost around $550/ton, that is the kind of number we are really looking to achieve as we approach towards the end of this year.

Moderator: Thank you. The next question is from the line of Saumil Mehta from BNP Paribas. Please go ahead.

Saumil Mehta: While we agree that we have a pretty strong balance sheet, but given the NCLT assets what we have, Electrosteel and also news reports on Chhattisgarh, the GMR assets, how should we look at the balance sheet from net debt-to-EBITDA perspective -- is there a benchmark wherein at some point in time we will not breach that number irrespective of how lucrative the assets are?

Arun Kumar: I think it is a good question. Now, broadly if you see our philosophy and we used to talk a bit about it last year on capital allocation, fundamentally, run our assets ensure that ROCE inches up so that you produce a good quality set of cash flows and that has been our broad effort if you see in the last couple of years where we have ramped up across all our businesses and pretty much every dollar of capital employed today barring the few projects being executed is producing return, which is why the ROCE has also moved up to almost 15% to 20% range from what you have to be below 5% a few years ago. So, that kind of gives us a flexibility to not only keep strengthening the balance sheet – please remember that the net debt to EBITDA would also mean, the EBITDA is a variable factor, so as it keeps improving, the balance sheet strength obviously keeps improving further. After providing enough for self-funding our growth CAPEX, ensuring enough returns to the shareholders and reducing the gross debt where possible, the net debt rightly is not much of an issue. Any opportunistic acquisition like what we have done in the recent past, coming in at good IRRs and good return for the investors would be pursued definitely in the field around which we already operate as a diversified natural resources player. So, it should be looked at in that broader canvas and context. The net debt-to-EBITDA level has enough headroom here, but definitely one should broadly categorize it as AA, AA+ category corporate and higher is what we would always aim to be in.

Saumil Mehta: If I were to look at the overall balance sheet deleveraging, which has stopped a few quarters back because of some of the acquisitions, when should we see that again starting -- do we have any benchmark or timelines in place wherein maybe two or three quarters down the line we can see some sort of free cash flows?

Arun Kumar: I used to struggle to answer the question a year ago when it was asked, your net debt-to-EBITDA is already so low, right, what else will you deleverage further, which is when we mentioned that after taking care of this, any opportunistic cash will always be deployed. So, it is the same answer, there is nothing much to de-lever further at 1.1 net debt-to-EBITDA level. So, one should wisely invest into growth CAPEX and returns for shareholders which is absolutely where our focus is at this point of time.

Saumil Mehta: With respect to the $150 cost reduction what we are talking about in the aluminium business, can we broadly assume that the three buckets like alumina, coal cost and the other costs will have equal savings or you see one of the buckets getting higher share of that cost savings?

Kuldip Kaura: Basically, it is alumina and power plant and coal, which is the two main buckets and as we said better operations which will avoid this pot revival cost, one-off cost of that nature. So, if we take everything together, fundamentally, it will be the power side which is actually the major part of the savings.

Moderator: We will take the next question from the line of Vinit Maloo from Birla Sun Life. Please go ahead.

Vineet Maloo: I have one question is about Aluminium segment. Can I know what was the cost of bought-out alumina during this quarter and do we expect this to come down based on current prices of alumina?

Arun Kumar: Yes, broadly, I think the cost of bought-out alumina keeps fluctuating with the index I have mentioned and really the management's focus is on ensuring that the $150 which is controllable cost as we define it, where in the first quarter it is close to about $35 to $50 that has been achieved, and in second quarter we find that inching to maybe touch $100 or slightly beyond, and that is where I'll probably pass it on to Samir if he has any broader comments to make while the alumina prices will keep going up and down. Samir?

Samir Cairae: I think on alumina imported, cost was around $490/ton landed, you can calculate what it would be FOB, but of course, we cannot give any guidance in the future because these are highly volatile prices as all of you are aware, if we focus on what is controllable, which is our own alumina production, and of course buying imported alumina as efficiently as we can rather than forecasting the price of that alumina, but currently for the Q1 that was the range about $490/ton.

Vineet Maloo: What was the number in Q4, how has that moved QoQ?

Samir Cairae: Q4 was around 500.

Vineet Maloo: So, it is on a downward trajectory?

Samir Cairae: Downward, but as I said, I do not think we are forecasting….

Vineet Maloo: I understand, I appreciate that. My next question is on the free cash flow part. In terms of net debt-to-EBITDA you said that you are fairly comfortable with and you do not see much further deleveraging. So, it is now a marked shift in your strategy, where virtually we should presume that all of the cash generation will be invested into these projects. Is that a fair understanding?

Arun Kumar: No, actually, let me again, clarify the understanding. If you look at the last three years of the trends of free cash flow if you may put it, last year broadly as a group we generated about $1.7 billion if you recollect the number, of course taking out some of the buyer's credit that we converted to working capital, number was closer to 1.1, but otherwise 1.7 on a base of $4.05 billion EBITDA, and the previous year was 1.5 on a base of 3.2 and the year before that was 1.7 on a base of 2.3. For us, free cash flow would mean and as we have guided in the past also, it is post growth CAPEX, so we self-fund our CAPEX, and what is left after that is for primarily meeting the objectives of either reduce your gross debt further or net debt if you so choose to; or returns to shareholders if the board decides as appropriate; or as opportunistic acquisitions, classic example being Electrosteel, where you have the opportunity to integrate your Jharkhand mine with ready-made steel asset probably returning EBITDA to capital in the ratio of 1:5 as in a five year simple payback, meaning an IRR of (+20%) that is creating better value for the shareholders, that is exactly how it will be. So, there is no hard and fast answer to the question, save and except that the free cash flow is post funding growth CAPEX and will be well-deployed towards these objectives including acquisitions if any, not with the objective to pursue acquisitions only.

Vineet Maloo: I understand, I am not questioning whether 1.1 is good enough or not, I am saying in the absence of any specific target of returning X amount of cash to shareholders and no further target of deleveraging, I must presume that it is growth projects which includes acquisitions, right, that is why I wanted to make sure?

Arun Kumar: I think all the objectives will be balanced, and I would only like to take this opportunity to highlight the fact that we have put in dividend policies in place which is both at Hindustan Zinc returning minimum 30% of its net profit and at Vedanta Limited, pass-through of Hindustan

Zinc plus 30% of the balance minimum which is a very progressive dividend policy if you look at it globally actually, and also given a strong dividend return to the shareholders, approximately 7.2% if you look at FY'18 average share price and the dividend paid. So, I will probably leave it at that. Balancing the objectives is critical …

Vineet Maloo: Partly in terms of returning cash to shareholders, are you also exploring options for buybacks like globally companies you are engaging in or you would say dividend is adequate for now?

Arun Kumar: Yes, I think those are matters best left to the board, but if there are tax efficient ways of doing it, example a buyback over a dividend, one will always scan the possibilities for that. Idea is always to maximize what return we can provide to the shareholders if we can without a leakage on dividend distribution tax.

Moderator: Thank you. The next question is from the line of Palak Shah from Reliance Life Insurance. Please go ahead.

Palak Shah: Just a few questions; one is regarding the delisting of Vedanta PLC, are we looking to support our parent in the same?

Arun Kumar: The delisting is being driven by the parent of PLC, so there is no such link whatsoever. We understand from the news reports and the RNS release that the independent committee which is the Board Committee of PLC has studied the offer and has also recommended the same to the shareholders of PLC. So, that is exactly what we know and what we can share on this call, there is no such linkage to any parent.

Palak Shah: Are we trying to enter any new mineral ore or metal, if the parent Vedanta PLC looks to enter India, does it have the right to go on a standalone basis or it has to go through Vedanta Limited?

Kuldip Kaura: We have a fairly diversified portfolio of metals and our main focus is India and brownfield growth in most of these areas. There will always be opportunities, which we will evaluate as we go forward. Other opportunities like within our own businesses, for example, in terms of cobalt and areas like that which we will look at.

Palak Shah: Just my question was reference to in case if merchant mining in coal opens up in India, Vedanta PLC looks to acquire an asset on that basis, does it have the right to go on standalone basis or Vedanta PLC will acquire an asset through Vedanta Limited?

Kuldip Kaura: If the merchant coal mining opens in India, we certainly will be interested in that and we will like to obviously supplement our coal requirements via that route plus of course if there is any commercial possibilities. But maybe Arun, you can put some light on the second part?

Arun Kumar: I think Vedanta Limited has shaped up over the last couple of years if you see the simplification process that has happened. Sesa and Sterlite merger and Cairn and Vedanta Limited merger has created a behemoth which is a part of the BSE 30 as well as the NSE 50 in terms of India play diversified and only natural resources sector company in India. So, that is a primary vehicle of investment, capital creation, contribution to the exchequer, and that's the way to look at it primarily.

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

Sanjay Jain: This question is to Mr. **S**udhir Mathur regarding Oil & Gas business. First thing is that, is there any one-time adjustment in the revenue? Do you think the cost of production is inching up? So, the question is that where will it head to over the next few quarters?

Sudhir Mathur: There is no adjustment to the gross revenue at all. As far as cost is concerned, it has gone up marginally from QoQ but we expect it to be below $7 which is the long-term guidance we have given, but it is really a function of the work over rigs that are being used to bring more wells on line in production.

Sanjay Jain: Just a related thing, if I correctly remember, you mentioned that exit rate of the production was 200,000 bpd in the fourth quarter and we actually did less than that in the June quarter, so where is the slippage?

Sudhir Mathur: We had one shutdown in Ravva which is a mandatory shutdown which we take for maintenance, we lost a bit of production there, and Rajasthan, we are ramping up production as I mentioned. So, it remains pretty stable, we have added 3% on an overall basis coming also from the drilling program that we are doing from Cambay. As we mentioned that 16-wells will be online in Q2, which would be drilled and completed in Q2 from the current two wells, so that should add to the production in Q2.

Moderator: Thank you. We will take the next question from the line of Bhavin Chedda from Enam Holdings. Please go ahead.

Bhavin Chedda: Sir, in case of the copper business, we had the EBITDA loss. So, are we doing anything to reduce fixed cost there and any guidance on basically a fixed cost number or a loss number till the smelter restarts?

Arun Kumar: The copper business, the team is doing a very focused job at the ground level on seeing that the community contacts and the other programs continue. So, it is important to keep investing a certain amount of cost there. Having said that, the business is in the process of maximizing the EBITDA possible with the refinery in Silvassa because that is another asset that we have that we should remember, and then through either the anode route or blister route, there is always a potential to make $75-100 per ton of EBITDA at that place, where the monthly capacity can go up to 20,000 to 21,000 tons per month. So, that is the focus area for the management at this point of time. To your point, it is a very good thought that you have left with us, "can we maximize Silvassa and cover the fixed cost", it is an excellent thought we will carry back to the copper team.

Bhavin Chedda: Other question is the working capital increase of Rs. 6,100 crores on your Slide #21. So, what this pertains to?

Arun Kumar: I think we addressed that question a little earlier. So, perhaps we can get back with the IR team for further replies. I would like to give the opportunity to other questions please.

Moderator: Thank you. Due to time constraints, that was the last question. I now hand the conference over to Ms. Rashmi Mohanty for closing comments.

Rashmi Mohanty: Thank you, operator and thank you everyone for joining us today for the first quarter FY 2019 earnings call. As always, the Investor Relations Team is available and you can reach out to us for any further queries you may have with the results.

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