“Vedanta Limited Q4 FY17 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to Vedanta Limited Q4 FY'17 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*', then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashwin Bajaj from Vedanta. Thank you and over to you, sir.

Ashwin Bajaj: Thank you, Operator. Good evening, ladies and gentlemen. This is Ashwin Bajaj -- Head of Group Investor Relations. Thanks for joining us today to discuss our results for the fourth quarter and financial year 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 may be forward-looking in nature and will be covered by the disclaimers on Page #1 of the presentation.

From our management team, we have with us our CEO – Tom Albanese; our CFO – Arun Kumar. We also have several of our business leaders with us. We have Abhijit Pati from Aluminum; Ajay Dixit, who is in charge of the Alumina vertical as well as TSPL Power; Sudhir Mathur from Cairn India; Sunil Duggal from Hindustan Zinc; Kishore Kumar from Iron Ore; and Deshnee Naidoo from Zinc International. I would also like to take this opportunity to introduce a new member of my team, Aarti Raghavan, who will be leading the Vedanta Limited IR and many of you have already had the chance to meet her in the recent weeks.

So with that, let me hand over to Tom.

Tom Albanese: Thank you, Ashwin and Good Evening, Ladies and Gentlemen. I am pleased to welcome you to Vedanta Limited's Fourth Quarter and Fiscal Year 2017 Earnings Call. This is also the first earnings call of the new Vedanta post completion of the Cairn merger as you know it has been in the making for the past two years. This merger has significantly transformed the company and its capital structure.

Starting with the Commodity Markets:

We have seen a further improvement in commodity prices in the last quarter, although some pullback in commodity prices recently. Interestingly, Aluminum LME is shifting to a positive bias for probably the first time in nearly 10-years. Overall this is beginning to attract some latent supply capacity across many of the base metal commodities; however, I would say that this newly added capacity is so far restricted as companies are not yet committing to large CAPEX.

So we would expect fiscal year 2018 probably would be a more of supply driven story in our sector barring any macro shocks until we begin to see large capital inflows back in the sector probably continuing to see tightening markets and fully supported prices. We have also noted that Chinese recent efforts to restrict excess capacity of aluminum which we think will help the sector. You have known us as top zinc play. Aluminum may finally be coming into this zone.

I would like to remind you that Vedanta directly benefits from the strong commodity prices such as aluminum at about $1900/ton. We started up with the ramping of aluminum and the improvement in LME has come in a very opportune time, helping us to accelerate our journey to achieve 2.3 mtpa of aluminum capacity. Our ramp up of aluminum will contribute significantly to the total EBITDA in the coming years.

So I would like to start taking you through the slides and our Fourth Quarter Fiscal Year 2017 Performance:

So, as always, I will start with the slide on "Safety and Sustainability." Unfortunately, I am deeply saddened to state we had five fatalities during fiscal year 2017, and doubly unfortunate was that four of the fatalities occurred in a single accident to some of our contract employees due to a crane collapse at the SK mill project site at Hindustan Zinc. There is no question that these fatalities are setback to all of our efforts, our collective hard work on zero harm. So we have learned what has happened from that, and we will continue to learn and continue to improve ourselves, make ourselves a safer and better company. Those of you following us for several years will see a noticeable improvement in not only attitude, but certainly the numbers related to our safety performance.

So if we can move on to the next slide. Before we deep dive in results, I would like to remind everyone about the compelling investment case in Vedanta Limited. We are a large diversified asset base geared to base metals and oil providing sector leading production growth. We are a low-cost production profile in the lowest quartile and many of our assets aid the company in generating positive free cash flow even at low commodity prices. We have got the strongest balance sheet among the Indian and global peers with the net debt-to-EBITDA ratio of 0.4 and gearing of 9%. With the completion of the Cairn merger, we will have a more efficient capital allocation and improved focus on shareholder returns as key priorities.

We are the only global player with significant operations expertise in majority of our sales in the Indian market and with the merger, the 70% increase in free float market cap, provides strong trade and liquidity, especially for those international investment players.

We can move on to the next slide. On operations, we continue with our production ramp-up across much of the portfolio. We had record production at Zinc India, Aluminum, Power and Copper India. We unfortunately have had some production outages which I will speak about later in the business segments. Gamsberg Zinc project continues to be on track for its calendar year 2018 production.

Talking about the Financial Highlights:

Fourth Quarter EBITDA was over Rs.72,000 crores and that is the highest that we have had in the last 16-quarters. Our fiscal year 2017 attributable PAT before exceptionals and DDT of Rs.7,323 crores is 2.6x compared to fiscal year 2016.

We continue to see cost savings. We continue to see a strong culture of cost control which we believe is required to assist in further savings. I am happy to say we have delivered on our cost andmarketing savings of over $712 million over the last eight quarters. We have had strong free cash flow of Rs.13,312 crores during the year and reduced our gross debt by over Rs.4,115 crores, up through the fiscal year, further Rs.6,200 crores paid since April 1, 2017.

We have had the highest ever dividend of Rs.7,099 crores during the fiscal year of 2017. Our contribution to the exchequer in fiscal 2017 was around Rs.40,000 crores including the special dividends from Hindustan Zinc.

The merger with Cairn India is now complete and the new shares are expected to start up trading tomorrow on the various exchanges.

With the actions from the board today announced just a few hours ago, we have a robust dividend policy now in place for Vedanta Limited.

So we move on to "Capital Allocation.":

We have had a continuous focus on shareholder return. Our capital allocation plan is underpinned by our world-class assets and operational excellence to deliver strong, stable and long life cash flows. Most of the investment in growth projects in our assets is nearing completion and will result in an even improved cash generation in the years to come. Shareholder return is a clear focus area of the management and the board. Toward this objective, we are happy to announce dividend policy of Vedanta Limited which envisages us passing through of Hindustan Zinc's regular dividend, plus minimum 30% payout of attributable profit after tax, excluding Hindustan Zinc profit after tax. Hindustan Zinc's dividend policy themselves is guiding to minimum 30% payout and that is already in place. We continue to optimize our CAPEX and OPEX spends across businesses to generate free cash flows.

In terms of balance sheet management, the management's focus continues to remain on maintaining strong credit matrix and using the strong free cash flows to drive further reduction in gross debt. We will only invest in high return projects in the existing businesses. For us, each investment proposal has to pass through rigorous test of achieving a hurdle rate criteria.

To summarize:

We will focus on delivering long-term value for all shareholders by continuing to allocate capital, to maintain strong credit profile,while also evaluate the most compelling growth opportunities across the groups.

While we are on compelling growth opportunities, I now move on to Zinc fundamentals:

I have been talking about strong fundamentals for Zinc for the past 1.5-years and we continue to believe those fundamentals remain intact, but we have seen some pullback in Zinc LME for the past 2 to 3-months. Some doubts have mounted about the imminent arrival of estimated refined tightness. Although if you can look you can see the numbers for Zinc inventories have dropped significantly over the past 2-months. So we do remain bullish and still foresee incremental refined tightening leading to higher prices from here.

Concentrate market continues to be tight although it is slightly better for smelters as compared to the first quarter of calendar year 2017. TC/RC did reach decade low, given smelters are finding it difficult to support source concentrate post closure of the mines. Demand is drawing inventory from LME and Shanghai warehouses which is at 6- to 7-year low at the moment.

If we look at the chart on the right-hand side of the page, it shows the trend of zinc consumption in India as relative positioning. We believe particularly in India, there is significant metal demand potential in the country.

So speaking of India, moving on to the India slide: Together with the growing population and trends of increasing urbanization, this is expected to translate into increasing metals demand. Look at the chart on the right-hand side of the page, you will see the trend of metal demand with increasing GDP per capita. Extrapolating India's position, we believe there is significant metal demand potential in the country. If we combine the enormous economic growth potential in the country, together with the vast, untapped and underexplored resources, this provides Vedanta with the massive opportunity. Vedanta is ideally placed to take advantage of this opportunity and consolidate further on its position.

So if we can sum up India story:

It is compelling and the development agenda of the Indian government is complimented by steady reforms announced through fiscal year 2017.

So we can move on to the next slide, “Delivering on our Strategic Priorities”:

In conclusion, I would like to remind you on the delivery of the company’s strategic priorities and our focus areas for fiscal year 2018. We have record production and we continue to focus on the safe ramp up of our assets. We are generating increasing free cash flow, with the relentless focus on costs and managing working capital, we are deleveraging our balance sheet. We have announced our dividend policy today, which demonstrates our commitment to providing strong returns to shareholders. We have completed the merger with Cairn India and we will look to realize the benefits of the merger. We continue to identify next-generation resources by leveraging expertise of our business unit in central exploration groups. We remain committed to our efforts to achieve the objectives of zero harmand creating sustainable value to all shareholders.

We have a diversified portfolio of businesses which continues to remain fundamentally strong and structurally low cost. We continue to deliver superior value to all our stakeholders throughout the cycle.

With that, I will now hand over to Arun, who will take you through the "Financials."

Arun Kumar: Thanks, Tom. Good Evening, Good Afternoon to all. On the first page on the "Financials":

I am glad to report another quarter of strong performance which was on track with the guidance given at the commencement of the year. The year has seen strong operational performance on volumes and costs. Aluminum and Power continued to ramp up and Zinc India delivered a strong performance in last quarter in line with the mine plan. Prices remain strong. The full year EBITDA of Rs.21,437 crores represents 41% up; the quarter EBITDA at Rs.7,275 crores is a sequential (+22%) and double of last year. Margin improved further by about 500 basis points sequentially to exit at 44%. These numbers represent the highest quarterly EBITDA in the last 16-quarters margin levels last seen in Q4 FY 2014. Attributable PAT before exceptional and DDT at Rs.7,300 plus crores is 2.6x FY'16 thus reflecting the operational leverage flowing through to the bottom line. EPS is the highest in the last four years since the existence of Vedanta Limited in its current form post the Sesa Goa-Sterlite merger.

Debt reduction continued to remain one of our key priorities. Excluding temporary borrowing by Zinc India to bridge its dividend payment and its investment maturities, the gross debt reduced by over Rs.4,000 crores during the year. Our net debt ratio and gearing as you can see are best-in-class, we believe the lowest and strongest among the Indian and global peers. Liquidity position continues to be strong with the pro forma year-end cash balance post the dividend payouts of over Rs.48,000 crores. These set of numbers make the merged entity a investment case, both equity and debt. The merged market cap was around Rs.88,000 crores or $14 billion as of Friday closing and the company will be part of the NIFTY Top-50 Index soon.

This year, contribution to the exchequer is estimated around Rs.40,000 crores, placing us as the top business group in India with these kinds of numbers. Our return on capital employed swung into double-digit at 14.5% for the year and annualized Q4 is exceeding 20%.

Moving on to the next page "EBITDA Bridge":

As you can see, the operations played a key role in driving the 41% growth in EBITDA. First of the two points I wish to highlight on the page is the cost savings of nearly Rs.1,850 crores, significant improvement in coal and power cost, both structural and tactical, better technical efficiencies, effective re-contracting the mining and maintenance areas, logistics improvements and last but not the least, improvement in fixed cost absorption on the back of high volumes.

Second highlight, of course, the volume ramp up and Tom covered it in his section.

We do expect to complete the remaining ramp up in FY'18 in the aluminum sector, and to that extent, I can say the volume ramp up is not yet complete.

Moving on to the next page:

You will notice that the Q4 EBITDA at Rs.7,275 crores hit a run rate of around $1.1 billion at the average commodity prices of Q4. The walk over the previous year is a very familiar story, though Q4 was largely driven by the Zinc upswing given the mine plan.

Over to the next page:

This is a quick report card of our cost savings program. As you can see on the top right side, against the $1.3 billion savings plan over the FY'15 cost base, which we had announced at the height of the low commodity cycle, we are ahead of the schedule, but also managing to keep the program fresh. If you look at the left side, we believe digitization is an area of potential opportunity which will lead to efficiencies in cost reduction. We have also renewed program on vendor optimization and quality score carding that will help us improve our vendor interactions in terms of quality of partnerships leading to efficiency and cost benefits. Furthermore, we are looking at various win-win outsourcing models, where service providers with high technology can help improve volumes, recoveries and exploration efforts. The group will continue to stay contemporary in terms of trends, ideas and best practices to keep this cost bucket fresh.

Moving on to the Next Page:

Income statement as always the page is self-explanatory. Some of the key numbers have been covered earlier. It is important to note that this is the first full year of the new IND AS reporting regime in India and hence as per regulation, the previous year's numbers have been restated as well. IND AS being a surrogate of IFRS, also helps us align to the US ADR reporting and Plc's UK reporting thus making it investor-friendly for our global investors.

It is useful to note that at a consolidated net revenue of about Rs.72,000 crores, we come in amongst the top-10 largest private sector groups in India. The finance income has been lower than the earlier guidance given the reversal of some of the mark-to-market gains -- thanks to the hardening yield curve, but offset by the tax line with lower than expected effective tax rate driven by deferred tax.

So far as the guidance for FY'18 is concerned, while we do not give specific guidance, I can say that the interest cost of the debt that we carry was an average 8.3% for the year, exited closer to 8%, and the cash surplus on an average earned around 7.7% post tax for FY'17. The tax rate for next year is expected to be in the mid-20s given that our Zinc and Oil units are now largely out of the tax benefit status. Depreciation and amortization is likely to be 10-15% higher given the continued capitalization and the full year effect of what we capitalize this year. The exit EBITDA run rate is something we spoke about earlier.

Moving on further to the next page:

The highlight of the net debt paid is the free cash flow post-CAPEX of nearly Rs.13,300 crores, representing healthy 62% of EBITDA conversion. Free cash flow pre-CAPEX was over Rs.18,500 crores with over 95% of it coming from operations unlike the previous year where debtors and creditors cycle drew significant part of the cash flows. This reflects the fundamental ability of the operations to generate cash and again the work on volumes and cost flowing through to the cash accretion as well.

On the next page, we can see that during FY'17, CAPEX was around $650 million as against the revised mid-year guidance of $800 million. It was lower mainly in oil & gas and some rephasing of the CAPEX spend pattern at Gamsberg Zinc project without any impact on the project completion schedule. As guided during the half year, the optionality in the Oil &d Gas business has now progressed to feasible project status, and all of them are at an attractive about 20% IRR at $40 Brent.

The current guidance for FY'18 also includes other optional items as you can see on the shaded portion pertaining to 400kt copper smelter expansion and Lanjigarh refinery expansion subject to bauxite supply chain in place.

As Tom highlighted earlier, on the capital allocation, the right toll gates and returns is applied for all the project approvals which you can see is also reflected on this page as we moved from guidance to feasibility.

Moving on to the next page – "Strong Credit Profile and Balance Sheet":

Reflecting the strong performance and proactive balance sheet management, the long-term CRISIL rating in April 2017 was upgraded to 'AA Stable', the second rating action in the last three months.

Our net debt and net gearing remain low. As we have mentioned earlier, gross debt reduction and term extension have been our key focus areas. We have between April 2017 and May'17 either retired or have given notices to retire another $1 billion of gross debt both on the strength of the fourth quarter cash flows as well as the opening liquid cash balance on hand. Our access to the debt market and relationship banks continue to be comfortable, and we will, at the opportune time, refinance or repay some of the short-term debt and improve the maturity profile further at competitive interest rates. As mentioned, liquidity continues to be strong with pro forma of Rs.48,000 crores or $7.5 billion of cash and about $0.9 billion of undrawn lines of credit.

On the last page in my section on "Financial Priorities":

We continue to be consistent and stay focused with the objective being to allocate capital wisely. As mentioned by Tom, the board approved dividend policy to create long-term value for the shareholder. In short, allocate capital appropriately. I reiterate the unique positioning of this group in the sector and with the backdrop of a good growth story in India, it is well-managed balance sheet and resilient set of financials, the investment case argument I presume is compelling.

Thank you all and back to Tom for the "Business Section."

Tom Albanese: Thank you, Arun. So let us start with Zinc. At Zinc India, we have had record production this year both in mined metal and also in terms of silver. Hindustan Zinc operates at the lowest quartile of the cost curve and note that when we refer to the cost curve, we are just looking at the curve before the silver byproduct credits. If we were to take into account silver byproduct credits, these zinc cash costs will be further reduced to about $450/ton on zinc.

In our projects, we are well on our way to achieving the 1.2 mt of mined metal capacity in fiscal year 2020. Underground mining at 52% of total mined metal production in fiscal year 2017 will move to about 80% in the current year before phasing completely to underground mining in fiscal year 2019.

At our SK mine, expansion of mine capacity to 4.5 mt per year is expected in this fiscal year ahead of schedule, winder foundation work for the shaft is complete and head gear erection is nearing completion. The expansion of the SK mill to 1.5 mtpa is complete and running smoothly. We also have the expansion of the Zawar mill to 2.5 mtpa and associated power upgradation project which is in an advanced stage and expected to complete by June 2017.

We have also talked about the fumer project undertaken recently to provide further metal recoveries from the hydro plant in addition to improving overall environmental performance and that has been progressing well and expected to be complete by mid fiscal year 2019.

In terms of our guidance for fiscal year 2018, zinc, lead metal production is expected to be about 950,000 tonnes. Silver production will be over 500 tonnes. Cost of production is expected to be marginally higher compared to the $830/ton in fiscal year 2017 given coal and input commodity prices.

Moving Overseas to Zinc International:

Fiscal year 2017 production was about 156,000 tons. The cost of production for the year was $1,417/ton largely due to lower volumes. The Gamsberg project in South Africa is expected to come onstream in a zinc deficit market as we are on track to first production by mid-calendar year 2018 and ramp up the full capacity of 250,000 tons of zinc in 9-12-months thereafter.

Plant and infrastructure EPC contracts from Gamsberg have been placed. Gamsberg will come onstream in a deficit zinc concentrate market and is expected to generate quick payback and strong returns in the long-term to shareholders.

We have spoken at Skorpion about the pit extension and the pit extension is underway. We have started mobilizing for the pit layback in April 2018 with ore extraction expected by the third quarter of fiscal year 2018. This has the potential to increase mine life by three years.

Our production outlook for the year for Zinc International in total is about 160,000 tonnes, with the cost of production expected to be about $1,500/ton. The CAPEX spend for Zinc International for fiscal year 2018 is expected to be about $230 million, largely on Gamsberg and that would be out of Gamsberg total stated CAPEX of $400 million.

So before we move on to Oil, I would like to just say that we have known that before the merger, you got a full presentation by Sudhir on Cairn, and we thought that to ensure that the oil analysts in this group kept the same level of information, we are asking Sudhir to speak directly about the highlights of Cairn. I would expect in future earnings call, we will have Sudhir talk about that in a little more deep dive. So those of you who are oil analysts get the same satisfaction you would have had in the past.

With that, over to you, Sudhir.

Sudhir Mathur: Thank you, Tom. Let me start with the first slide on the Oil & Gas. The business continues to deliver solid production volumes and superlative cash flows while managing fields at a lower operating cost. Our core fields continue to deliver along expected lines with gross production across the assets for the year at 190,000 boepd. Rajasthan production was at 162,000 boepd. Mangala EOR continues to deliver strong performance with Q4 FY'17 volumes at 56,000 bpd. Continued reservoir management practices and production optimization helped deliver steady production from water flood operations across fields. The Rajasthan assets recorded excellent plant uptime of over 99% during the year.

Gas production from RDG was lower at 21 million scuffs per day in the fourth quarter due to a technical issue between the gas transporter and buyers. The issue has since been resolved and the production level is at 32 million scuffs per day. The offshore production was at 28,000 boepd with Ravva contributing 18,000 boepd and Cambay 10,000. Effective reservoir management practices and production optimization measures helped contained the natural decline. The offshore assets recorded an excellent uptime of over 99% for the year. Our world-class operational capabilities have kept operating cost at the lower end among our global peers. Rajasthan waterflood OPEX was at 17% lower year-on-year at US$4.3/barrel in FY'17. Blended operating cost for Rajasthan was also lower by 5% YoY at US$6.2/barrel while we ramped up our polymer injection to 40,000 bpd in FY'17.

Moving on to the next slide.:

Our continued efforts over the past year have enabled us to restart the CAPEX cycle. Our projects command healthy project economics even at $40 Brent. Raageshwari gas project is progressing as per plan. As part of Phase-1, the 15-well hydro frac program was successfully completed during the year. The low-cost augmentation of the existing facility is on track. Completion of Phase-1 in the second quarter would increase gas production to 40-45 million scuffs per day. Tendering activity for the new terminal and drilling rig as part of Phase-2 is progressing well. Phase-2 is expected to increase the gas production to over 100 million scuffs per day and condensate production to about 5,000 boepd by the first half of calendar year 2019.

Moving on to Oil Projects:

Mangala has been our most prolific field for over the years. We are commencing a 15-well infill drilling program at Mangala to monetize the reserves early. All approvals are in place for the project and drilling of the wells is planned for Q2FY'18

We are upgrading the facilities for Mangala processing terminal to facilitate increased crude oil production. The planned upgrade includes increasing liquid handling capacity from 950,000-1200,000 bpd increasing water injection capacity from 650,000-850,000 bpd and production enhancement through water treatment, well services and facility modifications. We look to leverage from the learnings from the excellent performance of Mangala EOR to enhance production from Bhagyam and Aishwariya through polymer injection.

Multi-well polymer injectivity test for Bhagyam was successfully completed during the quarter and the results have been encouraging. The Revised Field Development Plan has been submitted to the JV partner. The injectivity test in Aishwariya has started in three polymer injection wells. The Field Development Plan has been submitted to the JV partner. The large hydrocarbons in place of 1.4 billion boe of Barmer Hill offers significant growth potential. Development cost of Aishwariya Barmer Hill has been reduced by over 30% to US$195 million from the initial estimate of US$300 million for an estimated recovery of 32 million barrels. We have achieved commercial and technical alignment with our JV partner for Stage-1 and production from the appraised wells will start from Q1 FY'18. Execution of Stage-2 is expected to begin in fiscal 2018.

Speaking of our Exploration Activities:

We continue to work towards enhancing our prospect portfolio in Rajasthan by identifying high impact new plates. Prospects are now being firmed up for exploration drilling in fiscal 2018. We are also planning to drill two exploration wells in the KG offshore block. In addition to this, we are actively pursuing an alternate strategy of executing our projects through an integrated project development model in partnership with consortiums led by global oilfield services majors. This will help us drive incremental efficiencies as well as execute projects faster.

For the fiscal 2018, we expect to have a steady production volume from Rajasthan at 165,000 bpd with potential upside from execution of the growth projects. The net CAPEX is estimated at US$250 million with further optionality for growth projects. With that, over to you, Tom.

Tom Albanese: Thanks, Sudhir. Now, we are going to cover "Aluminum":

So Aluminum, we had record production as the volumes are ramping up during the course of the year. At 500,000 tonnes Jharsuguda-I smelter, we did have an outage in April 2017 where 228 pots out of the total 608 pots were damaged. Fortunately, we had no injuries from these incidents; however, we are disappointed and working towards stabilizing the operations over the coming quarters. This will typically mean loss of 80,000-90,000 tonnes of production for the year 2018.

Coming on to the Progress of Ramp-up at Jharsuguda Plant-II:

As you are aware, the plant power outages, we had in the second quarter of fiscal year 2017 impacted the first line of the 1.25 mt Jharsuguda-II smelter, currently 81 pots are operationally and we do expect full ramp up by the third quarter of fiscal year 2018.

Regarding the other lines of Jharsuguda-II, the second line is fully ramped up, capitalized in the fourth quarter of 2017, while the third line has commenced ramping up in December 2016 and expected to be fully ramped up by the third quarter of fiscal year 2018.

Moving on to BALCO-II:

That is fully operational and will be fully capitalized in the first quarter of this fiscal year. So we would expect to produce between 1.5-1.6 mt of Aluminum for the year excluding the trial run production in fiscal year 2018. On realizations, we benefited from higher Aluminum prices during the quarter and our realized premiums are more or less in line with the third quarter although significantly higher on YoY basis.

We delivered strong EBITDA margin of over $446/ton, which is the highest we have seen in the last eight quarters. I am happy to share that in the fourth quarter we are almost break even on profit before tax margin in the Aluminum segment.

Our hot metal cost for the quarter was $1,492/ton and that is mainly higher due to higher alumina prices for Aluminum, which we had flagged in the last call and partially offset by lower power cost. Although we have recently seen some drops in alumina prices that were not affecting the most recent quarter of production. We estimate hot metal cost of production in fiscal year 2018 to be between $1,475/ton to $1,500/ton depending as much on the pace of the ramp-up and again what will be the market prices for imported alumina.

On Alumina, total production in fiscal year 2017 was 1.2 mt and we expect fiscal year 2018 production to be in the range of 1.5-1.6 mt implying about 50% of alumina requirements will be met via captive production. At BALCO, we expect to mine about 1.8-2 mt of bauxite in fiscal year 2018, and we will continue to work with the Odisha state government on allocation of new bauxite which we would see driving expansion of Lanjigarh refinery.

At TSPL in Punjab, we had a record availability of 85% in the fourth quarter in that Power business. Unfortunately, we did have a fire in the coal conveyor unit in April 2017 which did result in a shutdown of all three units in the power plant. As we speak, our teams are working hard on the rectification and we expect to restart the operations by the end of June. We now expect availability of 75% in Fiscal Year 2018.

At BALCO 600 MW plant and Jharsuguda 600 MW plant, we saw sequential increase offtake in the fourth quarter. Just to remind you, we did have long-term PPAs for about 60% of the 600 MW capacity at BALCO which are now being substantially met and serviced.

With respect to coal sourcing through our power plants, we have been reducing our dependence on imported coal at BALCO and Jharsuguda despite increasing coal requirements on the smelter ramp ups. In fact, in the second half of fiscal year 2017, coal imports to these facilities have been minimal. Coal linkages of 6 mt were secured earlier during the year enabling us to receive 1.36 mt of coal during the quarter. We do believe that future auctions of coal linkages will be beneficial to long-term security of coal sourcing.

So we are now moving on to Iron Ore:

We did achieve our production ramp-up at Goa and Karnataka during the year. In the fourth quarter of this year, Goa government granted us additional allocation and we produced 2.6 mt in the end of the year, therefore enabling the state to reach its 20 mt total cap for fiscal 2017.

On the cost of production side, you can see in the chart on the right hand side of the page, our cost efficiency. Mining, processing and logistics cost at Goa were in the $12/ton range in the fourth quarter. Despite such a low cost of operations, our EBITDA margin is at US$21/ton as we realized lower prices for Goa due to the widening discounts from the benchmark price of 62% iron grade.

I would like to talk a bit about that wider discounts and lower recent Iron Ore prices. We have been seeing in the broader Iron Ore market, an inventory overhang in the Chinese ports, and there has been some hike in the discounts for lower grade product, particularly lower grade alumina product in the market by leading mining companies.

Due to environmental reasons, steel mills continue to focus on productivity and their preference for consumption of medium to higher iron ore grades continues. The premium for those higher grades has tapered off a bit due to the recent price declines. Currently, discounts for Indian iron ore would be typically about 45% and compares to an average of 38% in the fourth quarter of fiscal year 2017. In the fourth quarter fiscal year 2016 , the discount for Indian grades were about 10-11%. While steel prices are coming down and coking coal prices have remained volatile, we expect steel mills margins to continue to decline which will drive Chinese mills to revert to the lower grade ores like we have in Goa due to their reduced cost to the steel mills.

So talking about “Guidance in Iron Ore”:

We limit our guidance for fiscal year 2018 at the mining limits allocated by the states in fiscal year 2017. However, we are continuously engaged with respective state governments and the courts for allocating a higher limit and higher cap to us.

In Goa, the state is in the process of seeking intervention of the Hon’ble Supreme Court. The expert committee at macro EIA has suggested its enhancement of the cap up to 30 mt with the existing infrastructure and 37 mtpa can be sustained after infrastructure development. We would hope this matter would be taken up in August of 2017 by the Hon’ble Supreme Court. The

Government of Goa has asked mining companies to aim for cumulative production of 8 mt during the first quarter of fiscal year 2018 before the monsoon start.

In Karnataka, our enhancement application has been approved by the ICFRE and FIMI and the technical committee which is in the process of approval from the CEC for 4.9 mtpa.

Moving on to Value Added Business:

Our Pig Iron production was strong at 708,000 tonnes, that is 8% higher than the previous year due to the higher plant availability, post debottlenecking; however, the margin was low due to higher coking coal prices and higher iron ore prices.

I will now speak about Copper India:

For the year, our Copper India production was a record 403,000 tonnes. Our net cost of conversion was higher YoY due to lower acid prices as lower by-product. However, we continue to be well positioned in the lower cost quartile globally. Our fiscal year 2018 production is estimated at 400,000 tons despite maintenance shutdown in the first quarter of fiscal year 2018. We are evaluating expansion of the smelter Tuticorin by further 400,000 tons p.a. and should be able to provide an update hopefully over the coming quarters.

Before we move on to questions, I am happy to conclude with the scorecard for fiscal year 2017. We achieved record and significant production growth, but we are mindful of the multiple production outages and we will be concentrating more efforts on operational integrity and resilience of the businesses. We have generated increasing free cash flow and delevered our balance sheet. Our dividend policy has been announced with the view to provide strong returns to shareholders. As you heard, we have completed the merger with Cairn India and look to realize the benefits of that merger, while continuing to identify the next-generation of resources.

To close:

As I started, the Cairn merger has transformed Vedanta and we remain committed to achieving our objectives of zero harm and creating sustainable value for all our shareholders. Thank you very much. With that, moderator, I will now turn it over to you to go into Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Pinakin Parekh from JP Morgan. Please go ahead.

Pinakin Parekh: My first question is the dividend policy that has been announced. Now when I look at it, there is CAPEX guidance that has been given for FY'18, '19 and there is a dividend policy which is based on dividends from Hindustan Zinc and the standalone earning. Now does this mean that the balance sheet deleveraging would be a residual target after the first two targets have been met, and to that extent, if Vedanta standalone earnings for whatever non-zinc commodity price deflation we might see, the deleveraging would be goal #3 after dividend and CAPEX?

Tom Albanese: So maybe I just want to start and then maybe ask Arun to support me and that is as we have said with our capital allocation slide, with a dividend policy in place that we would look to basically balance all three objectives, as you can see, we have a quite modest capital spending that is envisioned with a little bit of growth from last year but not that much given how much we had compressed capital over the past 5-years. Again, with our own projections, we would see that we would be in a position to meet the dividend policy, to meet the modest level of capital cost and continue down the pathway of delivering. Reminding you that we have already reduced the overall gross debt by Rs.6,000 crores so for year-to-date. But Arun, if you want to add to that?

Arun Kumar: I think good summary, Tom, I think we basically and fundamentally draw strength from the combined Vedanta Limited with its ramped-up aluminum and power sector and with oil & gas business in it, iron ore doing well, copper continues to deliver. So that gives us a strong operating entity with enough free cash flow post-CAPEX on its own. You also have to remember that the aluminum ramp up does not cost any CAPEX because we have already spent and we are going to reap the benefits of the past CAPEX spend. The oil & gas business as in the past and into the future will fund its own CAPEX. That really leaves enough surplus cash in order to do smart capital allocation between investor returns, which was a fundamental question further delevering which is our intention which is the gross debt delevering the net debt. I must remind all of us that we are already 0.4x on consolidated basis, best-in-class with the peers, and further fund growth CAPEX if any required basis excellent returns on the IRR site and crossing all our toll gates. So with that, I think we have a good mix that is possible fundamentally driven by the strong operating base.

Pinakin Parekh: Just to follow on, there was buyers credit of Rs.11,200 crores as of 3Q. What would be that number as of 4Q? Secondly, on aluminum, given over the last 12-months we have seen multiple pot outages at the various lines. How does management see this issue -- is it a function of the lines not being operational for a long time and hence require capital spend or is there an issue in the power plant or is this a normal operational issue in terms of ramping up of the line?

Tom Albanese: Maybe, I can start on aluminum, but I would like Abhijit to then support that and then that will give Arun time to give an answer on the buyers' credit. So starting with the aluminum, look, from my own personal experience, there has been more outages than I would have expected. I think there is probably a combination and each of them are all quite different, but there is a combination in some cases of things that we found during the construction in terms of defects, some in cases in terms of the fact that as you point out, these facilities were sitting for four years or more from the completion of the construction to the startup, and as a caveat, we have had a car in the garage for four years that turning along. When you turn it on, you are usually going to find something that does go wrong. I think also I would say that as we are ramping up just the operational experience of the people on the ground probably led to basically learnings that we recognized we have had to bring in someone probably, on a global basis, people that have been through start-ups like this in the past elsewhere in the world. But Abhijit, why do you not say a little more about how you would see this from your perspective?

Abhijit Pati: Thanks, Tom. I think a couple of these outages are issues which have impacted the operations for the last 15-months. It is combinations of many factors, I think, first of all, when you do the ramp up, obviously, stabilization is something which is a key success factor of a commissioning of a plant. So it has got a combination of certain amount of operational capability part because we have new people, we are driving in very aggressive numbers and also it is clubbed with some amount of skill competency and some design issue. Some cases it has happened because we have kept idle for very long time. So idleness of an equipment particularly when the case of transformer failure came, it is basically a combination of a certain amount of design deficiency of interlocking plus followed by maintainability of this equipment, because when you recommission after a phase of many years, you have to have a commissioning protocol which is sometimes not known to even OEMs. So that is the reason which has impacted on transformer side. But the two issues which are open circuit for the pot line and followed by the recent very large fire issue which impacted the month of April, one of the lines separation. These issues, I can tell you that these issues are not very uncommon. I think there are many cases particularly, sometimes it happens for stabilized operations, sometimes in for ramp up, I think it has happened in St Jean de Maurienne, it has happened in Comalco, but, yes, it is a combination of many factors we are trying to work it out and we are confident that we should be in a position to mitigate the risk and move track back and put back the same speed of the ramp up going forward.

Tom Albanese: Thank you, Abhijit. Arun, over to you, fire spend?

Arun Kumar: I think the number is more or less the same at the end of Q3. Whatever it is, it is also the Q4 level.

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

Sumangal Nevatia: Good evening. First question on the credit rating. Congratulations on the credit up-grade. What interest cost saving can be realized with this if you could just elaborate on that?

Arun Kumar: I think the credit rating as you rightly observed is on upward curve and as we articulated earlier our objective is to be in the AA+ category. So we still have some more work to do on that front I would confess. Having said that, if you really see the growing operational strength and the liquidity has already paid up in terms of interest rate for us if you see the last bonds that we issued in the local Indian market, right, we issued at 7.5%, which is almost the rate that one would get if one had higher credit rating as well. So to me while the credit rating is a process, we will engage with the rating agencies in a transparent way as we always do, it will get us there, we will keep doing our work, but at the same time, I think the debt market has already started rewarding the stronger balance sheet profile that you see. I hope that gives you sort of an indication of what we are looking for if you take a bond as a benchmark.

Sumangal Nevatia: Any immediate benefit or cost saving in the coming quarters or it is a long drawn process?

Arun Kumar: I think if you see the savings will keep coming in bits and pieces because you would repay some of the other debt, some you would refinance. So the increased credit rating will definitely lead to the benefits in the near future.

Sumangal Nevatia: Second question is with respect to the Aluminum division. We are guiding almost 0.5 mt increase in volume in FY'18. This would require almost 1 mt additional alumina and 3 mt of bauxite. So if you could just elaborate on the sourcing strategy, is there any risk on raw material constraints which could limit the volume growth?

Tom Albanese: So let me just give you a little high level view and then I would like Ajay Dixit who is also responsible for our upstream sourcing in addition to the Power business. What we are doing right now is ramping up our alumina production as we have now received the environmental approvals to do so about a year and a half ago. But that ramp-up has been constrained by our bauxite. So we have been basically looking to increase our own bauxite production from two mines that we have in Chhattisgarh, one of them I visited just two weeks ago and then supplementing that with purchased bauxite within India and further the bauxite from overseas purposes. The bauxite that we have in Chhattisgarh is on balance a slightly lower quality that we want for the overall blend which means that we need to import bauxite of higher qualities to basically provide the right metallurgical characteristics for the Lanjigarh facility, and again, over the longer term, we want to bring in basically some of the Odisha bauxites which we know are higher quality by their very nature and certainly larger in terms of resource volumes than what we see in Chhattisgarh. So with that maybe Ajay, why do you not talk about that strategy and how we basically are going to be getting as much bauxite as we can to produce as much alumina as we can to reduce our import dependence on alumina.

Ajay Dixit: Dixit here. So first of all, as Tom said, we have our ability in terms of the Chhattisgarh bauxite which we are ramping up to 5 mt that should effectively give us 1.5 mt of alumina. Additionally, we have contracts with the imported bauxite as well as imported alumina. Fortunately, we have a good downturn on the price on the alumina also. So partially, we are offsetting it by commitment of the imported alumina and progressively as the mines will be offset very soon from Odisha, we would also be participating in that, and on the other hand, in any case, this has already been told that while we had made the investments there were certain commitments that Odisha government will also arrange to give us some bauxite from the local Odisha. So that is all I would say is there. But I would say, yes, as we are ramping up, refinery capacity is getting first ramped up to 4 mt immediately in Stage-1 which should get completed by this end of the financial year and then immediately thereafter by additional 2.5 mt to 6-6.2 mt.

Tom Albanese: I just want to reinforce one point that Ajay mentioned, that is there is no technical issues with respect to bauxite in India certainly in Odisha. The issues have been largely social and they have been largely related to what I think are basically unfounded fears of the unknown related to bauxite mining. It is one of the most benign mining methods. People that have been there in history would recognize. But I do respect the fact that it has had a history of controversy and tension with social activists. So for that purpose, our commitment is toward basically mining with the best environmental practices and mining with a commitment in advance that we would only mine with a free, prior, informed consent, and we would only buy bauxite from Orissa mining company or somebody else if they have already attained free, prior, informed consent. That free, prior, informed consent, as defined in India, would be through the known legal process called the Gram Sabha process.

Sumangal Nevatia: Just one follow-up question on aluminum. There are 25 paisa increase in electricity duty in Odisha. So if you could just elaborate on the impact on this -- is it only limited to the non-SEZ location Jharsuguda-I or the entire 1.75 mt capacity in Odisha?

Tom Albanese: Abhijit, why do you not take that and Ajay, if you have anything you want to add, go ahead, feel free to do so.

Abhijit Pati: First of all, this increase which has been notified has got an impact of the 1215 area, that is the DT area, as of today, the financial impact should come around \$55-\$60/ton of alumina. SEZ whatever 1,800 MW we have been converted into CPP and supplying it as of to-date does not attract that. So this is what is going to be impacted so far as the Odisha operation is concerned.

Sumangal Nevatia: So, sorry, just Jharsuguda-I that said which gets impacted 1215?

Abhijit Pati: Yes.

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

Ravi Shankar: Two questions: One was on the peak production from all the oil & gas projects that have been enlisted. If you could give any an idea on how long will the production plateau be in that case? The second question is a clarification on the entity wise net debt and net cash situation. So would it be fair to say that from Rs.8,099 crores figure, we just need to add another Rs.13,900 crores or roundabout Rs.14,000 crores of dividend plus DDT payout out of HZL to get to the effective net debt of say post-dividend payout?

Tom Albanese: So I will start on this peak production comment, maybe Sudhir talk specifically about the iron ore business. But remind you that back in the 1970s, someone was referring to the term peak production and he was wrong. Five years ago, someone was referring to peak production; they were wrong. My own view is there is no such thing as peak production in Barmer that even five years from now people are going to be coming up with new discoveries that we have not even conceived of. So with that, Sudhir, over to you.

Sudhir Mathur: Yes, thanks, Tom. I agree with Tom, there is no such thing as peak production. Barmer is a huge, it is like 4,000 sq.kms. So we will be discovering things and technology is changing quite rapidly and bringing in enhanced oil recovery techniques, etc., So we will continue to add to our reserves and that has really been our focus. Over the last few calls, you mentioned that this PSC extension allows us to double our reserves till 2013 throughthe 10-year and take it up to 0.5 billion. The whole idea is the combination of increased exploration that I spoke about, both at Rajasthan as well as KG and investments in technology and enhanced oil recovery techniques is to take the reserves to billion barrels in the very near future. This has been done through a combination of what we know specificity is the four projects that I sort of described which was the two enhanced oil recovery projects at our second and third largest biggest fields at Aishwariya and Bhagyam. In addition to that, unlocking reasonably large amount of volume in excess of 25,000 barrels in the tight oil field in Aishwariya Barmer Hill. On the gas side, which is tight gas to take it up to 100 million scuffs plus 5,000 barrels of condensate by middle of next calendar. So in all, this in excess of 100,000 barrels of production, and as Tom mentioned, I am saying it is difficult to put in peak here which depends on when we got a check off from the government on all these four projects, but in parallel, what we are doing is putting together an integrated development, integrated execution strategy to be able to execute this as quickly as possible and bring to live production faster than it would be in a conventional execution strategy.

Arun Kumar: In so far as the net debt question is concerned, if you look at the footnotes on Page #14 of our pack, 7,224 cores which is basically the dividend payout from Vedanta Limited and to the zinc minorities, that was paid out in April '17, you add that to the 8,099, you get to the 15,322, which is there on the page. So basically you are right and the reconciliation is there on the page.

Moderator: Thank you. Next question is from Vineet Maloo from Birla Sun Life Insurance. Please go ahead.

Vineet Maloo: I just want to have some more clarity on an earlier question about capital allocation. So you have these three goals of dividend payout, CAPEX and reduction on gross debt. I am still confused in case if there is a pressure on commodity prices, then how do you prioritize these three?

Tom Albanese: I will start this and maybe Arun to support it, because this is as you can imagine an active part of the discussion in the determination of the dividend policy. That dividend policy is basically stress test, not only in terms of plus or minus price movements, but where we have seen in terms of depressed prices over the past couple of cycles. So, we have a pretty good idea of what price in different commodities prices go where we are actually start seeing contractions in supply. So, on that basis that we began to model it. With the delevered balance sheet that we have now, it has given us more freedom in terms of that overall dividend approach as we go forward. Obviously, the overall allocation means we will need to continue to be prudent and disciplined on capital spending, but that is what dividend policy should do and that is what capital allocation framework should do. So, we feel comfortable in a wide range of model price expectations that we can actually deliver the dividends that would be foreshadowed by the dividend policy in conjunction with the fact that we have a delevering journey that we are not yet satisfied with, we want to continue with, and again we do see our capital allocation, which has frankly, been relatively modest in terms of CAPEX cost with that.

Arun Kumar: I think Tom articulated it quite well. I do not have much to add other than to say that look, what we have on the Vedanta balance sheet is a good problem to have. We have a strong operating asset which will also produce cash at lower price levels. If you take our numbers and stress test FY'17 numbers to FY'16 level, you will still see that with ramp-up you could probably return similar amount of profits and cash flow. So the question is about balancing it out. We have done stress test at various scenarios as Tom articulated. Some of the CAPEX spends will call out itself based on the thresholds and based on the expected IRR. So, I think we should be in a decent position to balance out between the three objectives that we stated out. It is important always to keep a framework that is flexible enough so that you can push the buttons on the various sites as and when the situation and the environment demand.

Tom Albanese: I guess one final point I would just want to reinforce, that is with the exception of what I would call extreme macro events, for the most part, the diversified portfolio does have balancing between commodities that are higher and then they are lower and that basically gives us stability of the earnings flow in most of the time, and certainly, we have modeled what we have seen in terms of extreme pricing events including the global financial crisis in terms of how we can manage that. But keeping a diversified portfolio, low cost assets, which is what we have said has been objective all along basically provides us some resilience in this capital allocation.

Vineet Maloo: So my next question is how much flexibility you have on CAPEX once you actually take a decision to go ahead with that?

Tom Albanese: I think just to give you an example what we have done, look at Gamsberg, when we first announced Gamsberg, this would have been in late 2014, we were flagging a project in about $780 million between Gamsberg and at Skorpion. Within months of that announcement, we saw that the entire metals complex was declining quite rapidly and you saw that we began to rephase that capital to take some of the burden off of current CAPEX spending, but we retained the option to turn it back up again, and then therefore a year and a half later as we move into 2016, market prices returned, we were able to basically turn the project up, but we also reengineered it by taking several hundred million dollars of capital out of it. So that is a good example of the kind of phasing, rephasing and flexibility that we want to see continuing with our capital projects.

Vineet Maloo: I was just going to add to that question is that, do you have similar flexibility in oil?

Tom Albanese: Sudhir is here, but remember many of these oil projects are sequences of wells. So if you have 10 wells, you are going to plan a sequence and maybe when you see something happening to the oil price you get to Well-5 and then you basically slow down the rest of them. So there is some range in those that are sequenced like that. Natural gas where you have a large surface facility would probably have some constraints. But the bulk of the capital is actually sequence in terms of rig completion. So go ahead, Sudhir.

Sudhir Mathur: Yes, that is right, Tom. A large part of what we spoke about barring the gas new terminal and part of the capital is going into what I would call debottlenecking capacity at the processing terminal which is being able to process more of the fluids that come up through the wells. Other than that it is all a sequence of wells. So that can be cut short, etc., and our contracts are quite flexible to take that into account. But I think more importantly, we are doing the project economics of each one of these projects at a crude price of 40 and that is what gives it the entire capital expenditure plan that Arun talked about, lot more robustness than what you would normally see.

Vineet Maloo: Last question I have is on Aluminum cost. We have seen some increase on account of alumina, right, and that was partially offset by savings in power sector. Going ahead, how do you see that? I know alumina prices have fallen a little bit. Do you have a bit of an escalation in power cost because of this flexibility? How do you see overall cost moving in, if you could specifically mention some the components directionally it would be great?

Tom Albanese: So I guess I will start by just saying that while we have seen improvement in LME and we have seen that the Chinese are beginning to take measures to constrain production, we cannot count on that. So again if there is something that could happen in China that would cause them to re-ramp up aluminum production, that could go the other way around. So for that reason, I would say we are unsatisfied with our current level of aluminum cost. We have to reduce them both in terms of alumina, in terms of power, and in terms of conversion so that we can assure that if there was ever surprise in LME, we can suffer through that. But Abhijit, over to you.

Abhijit Pati: Thanks, Tom. You have rightly said that because going forward, yes, we have continued to have some disadvantage of the highest LME and corresponding percentage of alumina price, but we are confident that at least power whatever the increase of electricity duty comes and with our best buying technology of our coal and everything including efficiency, we have to do certain amount of more work to contain that power cost. But overall I think there will be an increase into the cost going forward in Q1 '17-18 at least on account of the alumina, because you will appreciate one thing this around 60% of the imported alumina, which is fading virtually the expanded capacity over years in Jharsuguda and also part to the BALCO, can only get offset by way of increasing the volume when it comes from Lanjigarh. So that is a little long-grown affair. So thereby going forward at least a couple of quarters, we will continue to see higher alumina cost and partly can be offset on account of good power efficiency. Tom talked about conversion, I think that is only based on the further ramping up, I think it would rationalize in great extent. So there will be some increase in delta into the cost, but I think going forward we have to play and put some more vigor onto the cost of the alumina rationalization.

Tom Albanese: I guess I want to also add to that, that putting my policy advocacy head on is that India still being suffering a flood of cheap imports. As long as that happens, that means that any of our marginal new production has to be exported or the materials imported. So for that reason, I think that continues to keep the business in a somewhat vulnerable position which means that we have to make sure that our costs stay lower.

Moderator: Thank you. Next question is from Abhishek Poddar from Kotak Securities.

Abhishek Poddar: This one is again on the aluminum, just it taking back on BALCO specifically. We have seen the production cost declining by about 2% this quarter sequentially, and that is despite the alumina cost rising. So could you tell us what is there? Also what is the proportion of alumina that BALCO purchases and how much is it from Lanjigarh?

Tom Albanese: So I think there maybe two pieces of that and Abhijit help me with it and maybe Arun if you need to, but the first is that, the Chhattisgarh bauxite actually goes to Lanjigarh then back to

BALCO. So they probably have more stable sourcing of bauxite than Jharsuguda would. Second, that BALCO started with the higher base both in terms of labor cost, rolling mill cost and particularly coal cost. So that allowed it to drop more on a comparable basis. So now that BALCO's power cost is closely approximating Jharsuguda whereas two years ago Jharsuguda would have had a big cost advantage on coal. But, Abhijit, I missed? I know you are competing with BALCO all the time to keep your cost lower than them.

Abhijit Pati: No, I think that is a good journey for the BALCO as you explained Tom is right because yes, there is some amount of the increase in alumina cost, but I think over the years if you really think quarter-on-quarter in the last financial year, there was a significant move on to the power rationalization that came in a very good save of the power cost. What I would add one more point is that good story about BALCO is that BALCO is fully capitalized good operation. At least they have come to a run rate if you see the Q4 run rate, they are virtually there of their 0.5 mt to 0.56 mt. That is the installed capacity going forward. So thereby, they will get a significant amount of good boost on to their other cost including carbon, there are very good rationalization of the fixed cost which is going to happen. So BALCO, cost story will be a good story, and I think we are confident as a team to deliver the right numbers going forward.

Abhishek Poddar: So the second question is regarding Zinc International. Despite the falling cost in this quarter and the higher volumes, the EBITDA is lower. So is it to do with sales, and if the sales are lower what is the reason?

Tom Albanese: So I will start with that. I think we have Deshnee Naidu online too, should supplement it, but I would say that in Zinc International while we are very happy with the performance in getting Gamsberg up and going and the options we have in Skorpion lay back and everything else, what we have are older facilities at Skorpion and Black Mountain. By the way these facilities have been around longer than would have been envisioned at the time of the original angle of purchase in 2011. With those older facilities, I think we have had some operational upsets, but particularly at the refinery at Skorpion, and also the acid plant at Skorpion which had a negative impact on production. We are all disappointed by that, I know that Deshnee particularly is disappointed by that. We look to improve that as we move forward into the coming fiscal year, but that is something that we are going to be dealing with until we can bring in the new layback at Skorpion, we can develop some additional resources at Black Mountain particularly at Swatberg, and most importantly bring Gamsberg online. But Deshnee, what else do you want to add?

Deshnee Naidoo: I think in terms of the question, yes, there was a mismatch between EBITDA and revenue this quarter, and that is largely because we took prepayment on a sale and has only booked the EBITDA to start off the next financial year. I think relating to Tom's remarks around the Skorpion plant, yes, that is an aged plant now, but given the fact that we have just realigned the last push back, we will now look to better maintain the plant to catch up with that and that is largely relating to some of the infrastructure integrity work, but we do believe and I think Tom touched on this earlier that this refinery once sorted out in terms of the downstream processes, we can still look to bring back onstream the refinery conversion to look at the treatment of both Gamsberg material and Skorpion future production down the line.

Abhishek Poddar: The last question is on the buyers credit number. I did miss on that. How much was...?

Arun Kumar: I just clarified that the buyers credit is similar to the Q3 number.

Moderator: Thank you. Next question is from Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Just on the balance sheet part, does the other equity number include the preferential shares of Rs.3,000 crores to Cairn minority that has been accounted?

Arun Kumar: That will not be included, that will be shown under "Financial Liabilities."

Bhavin Chheda: It is standing in other financial liabilities of Rs.24,305 crores… my question is it is already there in the March '17 balance sheet?

Arun Kumar: That is right, it is already there in the March '17 balance sheet. If you see the balance sheet that we have released, it should be under the other financial liabilities under non-current which is 382.

Bhavin Chheda: That is Rs.3,375 crores?

Arun Kumar: Perfect.

Bhavin Chheda: That Rs.3,375 crores figure is the preference shares payable to Cairn minority?

Arun Kumar: That includes the preference share. If you see that is the big movement in that line.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to Mr. Bajaj for closing comments. Over to you, sir.

Ashwin Bajaj: So Tom over to you for closing remarks.

Tom Albanese: Thank you, operator, and thank all of you who took the time to participate and we have very good participation here. I just want to close by saying 2017 was a transformative year for Vedanta. We have record level of production, particularly well-timed in zinc and aluminum led to doubling of EBITDA in the fourth quarter compared to the previous fourth quarter and 41% increase from the year before. We have been able to reduce our net debt not only during the course of the year, but even more recently on year-to-date basis. The merger with Cairn even tops off is probably the most significant event for the year. We have been working on it hard for two years now and that has actually made the capital structure much more cleaner and capital allocation much more efficient. We have had a strong dividend story for the year, nearly Rs.12,000 crores, that has been paid out since the end of March of 2016 and we have a new dividend policy. So this has been creating value for all the shareholders. If you look at everything we said we would do, notwithstanding skeptics a year ago, we have done those plus more. We have checked all the boxes plus some. For those of you who have been participating as shareholders, I know this has been a good journey for you for the past year. Thank you for your support.

Ashwin Bajaj: Thanks, Tom and thanks, ladies and gentlemen for joining us. Please contact us if you have any further questions. Thank you.

Moderator: Thank you very much, members of the management. Ladies and gentlemen, on behalf of Vedanta Limited, that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.