"Vedanta Ltd Q4 and full year FY2018 Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Vedanta Limited Q4 & Full Year FY 2018 Results 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 after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mrs. Rashmi Mohanty from Vedanta Limited. Thank you and over to you.

Rashmi Mohanty: Thanks, operator, and a very good evening, ladies and gentlemen. This is Rashmi Mohanty, Head, Group Investor Relations for Vedanta. Thanks for joining us today to discuss our fourth quarter and full year results for FY'18. We will be referring to the presentation that is available on our website.

From our management team, we have with us our CEO – Mr. Kuldip Kaura; our CFO – Arun Kumar, and we also have several of our business leaders with us; Sudhir Mathur from Oil & Gas, Amitabh Gupta from Hindustan Zinc; Deshnee Naidoo from Zinc International and Samir Cairie and Ajay Dixit from Aluminium and Power Division.

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

Kuldip Kaura: Thank you, Rashmi. Good Evening, Ladies and Gentlemen. I am pleased to welcome you to Vedanta Limited's Fourth Quarter and FY'18 Earnings Conference Call.

Starting with the commodities market:

Commodity prices saw sharp appreciation over the year, fueled by supply related reforms and disruptions, stable demand, weakening dollar and bullish global growth indicators. Our commodity basket benefited from the favorable price movements with ramp ups across various businesses leading to record production levels.

Let me take you through our performance for the year:

I will start with Safety and Sustainability – Vedanta remains focused on zero harm, zero waste and zero discharge. It is therefore with great sadness we report seven fatalities during the year. We remain committed to bring Vedanta to the best HSE performance in the resources sector. These fatalities have resulted in some serious introspection within the group including increased oversight from the group executive committee. Some of the areas we are focusing on are visible leadership, rigorous implementation of safety standards and management of high risk areas. We have augmented our HSE organization by induction of 10 HSE experts with global experience. The focus on training, where last year our employees and contractors spent c. 1 million hours in safety training.

On the positive side, our oil & gas business has been awarded British Safety Council's 'Five Star' Rating for all of its Rajasthan and Midstream Assets. In the area of environment, we were able to exceed our water saving target by 109% last year and exceeded our energy savings target by 275%. Last year we stated that, we expected to reduce our GHG intensity by 16% by 2020 from a 2012 baseline. I am pleased to report that nearly two years before the target date, we have reduced the GHG intensity by 14% and are well on our way to meeting the expectations. Third party audits for our tailing and ash management practices were completed. Improvement opportunities were identified, and corrective actions are being implemented by businesses. Individually, our businesses continue to improve on the sustainability practices. On the Dow Jones Sustainability Index for the metal and mining sector, Hindustan Zinc improved its overall ranking to 11th position and was inducted into the prestigious Dow Jones Yearbook. In the environmental category, Hindustan Zinc moved from 11th to 3rd place and Vedanta Limited improved its ranking from 17th to 15th place.

Finally, work on our flagship CSR program, Nandghar continues. Till date, we have built 154 centers in Rajasthan, UP and MP and we are perfecting the pilot. We remain committed to building 4,000 Nandghars.

FY'18 Highlights:

Our operational performance was strong this year on various fronts. We had record annual production at Zinc India and successfully completed the full transition to underground operations with no significant increase in cost. At oil & gas, we achieved an exit production run rate of 200,000 barrels per day at March end. We also delivered record annual production at aluminium and exited the year at a production run rate of c. 2 mtpa.

We also delivered strong financials; I am happy to report that full year EBITDA was c. Rs.25,500 crores, 19% higher YoY and PAT was Rs.8,200 crores, 10% up YoY. We have maintained a robust EBITDA margin of 36%, supplemented by favorable markets despite inflationary cost headwinds. We delivered free cash flow of c. Rs.7,900 crores and reduced our gross debt by c. Rs.8,500 crores. We also paid the highest ever interim dividend of Rs.21.2 per share, summing upto Rs.7,881 crores during the year. The strong performance of 2018 paves the way for an exciting 2019 as we remain committed to developing all the growth opportunities available to us. I am excited about these opportunities and happy to take you through these growth projects.

In Zinc India, in 2019, we will hit a run rate of 1.2mtpa mined metal capacity and are on track to achieve this steady state capacity by financial year '20.

Moving to Zinc International, Gamsberg project is on track to commence production in mid calendar year 2018. In the Oil & Gas segment, contracts of $1.3 billion have been awarded on the new projects and execution on the ground has commenced with first oil from these projects coming in this quarter.

The announcement of our intention to acquire Electrosteel under the IBC process is a step towards value addition for our iron ore business. We see favorable market dynamics for steel in India and together with integration efficiencies with our iron ore business, see this acquisition as valueaccretive for Vedanta. We will talk more about the progress on each of these projects later in the presentation.

During the year, we focused on all around operational excellence by debottlenecking of assets, adopting technology and digitalization, strengthening people practices, vendor and customer base enhancement and spend base optimization. For example, in the Oil & Gas business, we have provided our partners with end-to-end responsibility for project management, providing incentives on measurable outcome on production, delivery and safety. At the Sindesar-Khurd mine, we have piloted digital technology for transformation to an automated mines. At Gamsberg, the project will boast leading edge systems that report the state of mine, quality of ore, the condition of the concentrator, and quality of the concentrate, all in real-time to enable minute-by-minute decisions.

Moving on to our Business-wise Highlights on Operations:

We have delivered strong volumes in the quarter and continue with production ramp ups across our portfolio. At Zinc India, we had record annual refined metal production of 960,000 tons, along with record silver production of 558 tonnes. Our cost of production ex-royalty was $976 per ton, 18% higher YoY in dollar terms due to increase in input raw material prices - primarily coal and met coke due to lower grades and India rupee appreciation. We remain on track to achieve our 1.2 mt target in FY'20. At Zinc International, we delivered stable production. We had some cost headwinds this year due to higher stripping costs of Pit-112 at Skorpion from early ore production and unfavorable local currency appreciation. At Gamsberg, we are on track to our cold commissioning of the concentrator, plant in Q1 this year and expect to commence concentrate production in mid-CY'18. At Oil & Gas, as mentioned earlier, we exited the year at a production rate of 200,000 bpd. On the growth projects, the drilling of 15 Mangala infill well at Rajasthan has been completed. The three well Cambay drilling program has also been completed in this month. We have successfully ramped up RDG Phase-1 to 45 mmscfd. Aluminium, we delivered record volumes and exited the year with a run rate of c. 2 mtpa. However, inflationary cost pressures in alumina and carbon as well as availability issues for coal impacted the cost of production. We have taken measures to address these costs which we will cover in detail later.

Moving to Power:

TSPL delivered record 90% plus availability in the second half of the year and delivered strong year-on-year growth. At iron ore, we produced 4.9 mt this year. As you must be aware, the Supreme Court in February has put a stop on all mining operations in the State of Goa w.e.f. March 16, 2018 and our Goa mining operations are shut since then. In Karnataka, we produced 2.2 mt during the year and await the increase in capacity allocation as the mining cap for the state has been increased.

Copper India Business recorded a production of 403,000 tons this year. Average TC/RCs were lower; 5% YoY at the back of strong copper demand and prices. Our operations at Tuticorin are currently shutdown as our application renewal of the consent to operate has not been approved.

We are working with the regulatory body to provide the required clarifications in order to obtain a positive outcome for our application.

At this point, I would like to remind you of the company's strategic priorities which drive our business model and approach. Operational excellence is something I have spoken about earlier. We continually strive to improve our operations, sweat our assets, optimize cost and improve realizations. We remain committed in our efforts to achieve our objectives of zero harm, minimizing environment impact and creating sustainable value for all our stakeholders. We are focused on generating strong cash flows and maintaining a strong balance sheet to prudent capital allocation.

On growth, I am excited about the growth opportunities, both organic and inorganic which align well with the demand of the fast-growing Indian market. We have various Brownfield opportunities in our businesses and we took key steps to monetize them in FY'18. We also continue to identify superior inorganic opportunities in the natural resources segment, that synergize and add value to our portfolio. Our world-class mines have long lives and we have been continuously adding to reserves through exploration, for instance, at Zinc India, gross addition of 19.5 mt were made to reserves and resources, thus ending the year with estimated R&R of c. 400 mt. Overall mine life continues to be more than 25-years.

I will now hand over to Arun who will take you through Financials:

Arun Kumar: Thanks, Mr. Kaura. I am happy to report yet another operation led strong quarterly financials. Before I dive deeper into numbers, a few highlights.

Based on the Q4 run rate, our yearly net revenue you can easily see crosses Rs.1 lakh crore. Highest ever quarterly EBITDA in five years, the full year EBITDA at Rs.25,000 crores plus is yet another landmark. For the year, the EBITDA growth was about 19% compared to previous year. The margin continued to stay strong at 36%, this is reflected in the double-digit growth in the attributable net profit as well, the bottom line at Rs.8,045 crores. On the balance sheet, you would note that we continue to be strong on the net debt-to-EBITDA ratio below one and closing cash of around Rs.36,000 crores, These are best-in-class numbers that I have been alluding for over the past year. The gross debt again as you notice has come down by approximately Rs.8,500 crores and if you include the temporary borrowing at Zinc India, then it is down almost Rs.16,500 crores. ROCE again measured conservatively on post-tax basis, has crossed 15% for us, ending at about 17.5% for the year. Q4 annualized will be about 20%. Cash flow post CAPEX continued to be strong. We believe these are important milestones achieved through strong operational performance as volume grows across all businesses, supported of course by a good price environment as well. The volumes and cost were largely in line with the guidance during various points of the year.

While I have a detailed income statement in the appendix but important to cover a few details out here: End-March we announced an impairment charge in our iron ore business at Goa, essentially the mining reserve goodwill in the pre-IND AS days which was written down consequent to the

Supreme Court judgment on leases. Today, I would like to focus on the Rs.4,200 crores of net of tax impairment reversals in the oil & gas business. Over the last six quarters, more specifically in the last two, we have been talking about the 7 or 8 key growth projects with over $2 billion of gross CAPEX in next couple of years with IRR exceeding 20% at a conservative $40 Brent. This has led to a rerating of the reserves and resources and hence overall valuation of the oil & gas business enhance Vedanta with the accounting impact manifesting of an impairment write-back. Sudhir, our CEO of the Oil business, will talk a little bit more about the excitement in his section coming up after the finance section.

Finance cost or interest cost as you would have been observing, over the last two, three quarters was on a downward trend, our interest cost was about 7.87% for the year on an average, of course, with the yield curve hardening in the recent times, we expect the cost to move up maybe 25, 40 basis points during FY'19. On the interest income line, pretax we earned about 7.4% and continue to invest in high quality AA+ safe and safe instrument certified by CRISIL. The reported numbers of course from quarter-to-quarter get impacted by mark-to-mark given the various up and down movement from the G-Sec for the yield curve. For FY'19, one should expect around 7% underlying pretax return of our investment portfolio…of course, subject to again mark-to-mark. Depreciation for FY'19 should be significantly higher given higher volumes at the mining and oil businesses which is basically zinc and oil & gas. Full year impact of ramped up assets like in aluminium, depreciation impact of the new capitalization pots, like the Gamsberg mine and the higher asset bases now with the impairment reversal in the oil & gas business. For FY'18, the final tax rate were just about 30% excluding DDT and tax on special exceptional items, is marginally higher than what I had guided during the year, I had guided a range of 25-30% and specifically mentioned we will be at the higher end of the range earlier in the year. So that of course would have meant a higher tax rate for the current year as can be seen in the numbers - largely a function of profit mix, legal entity mix and deferred tax accounting. For FY'19, the overall effective tax rate is likely to be in a similar range of let us say 26 to 29 or 30%.

In March '18, we also declared and paid the highest ever interim dividend of Rs.7,881 crores or Rs.21.20 per share. This is also the total dividend for the year, in line with our dividend policy. The contribution to exchequer for the year is around Rs.33,000 crores, third year in a row that it is above Rs.30,000 crores. So with that I hope you have a good sense on the quarter's numbers as well as headline guidance for FY'19 especially below the EBITDA lines.

Moving on to the next page on the EBITDA bridge:

As you can see on this page, our full year EBITDA was up about Rs.4,000 crores, as I mentioned earlier, 19% growth over last year. 50% of this incremental EBITDA was driven by strong volume performance across all businesses - record annual production in Zinc India with 18% increase in integrated metals, 23% up on silver, record aluminium production exit run rate was about 2 mtpa, exactly what we had guided, benefiting from the continuing ramp up, and oil also exited at 200 kboepd which has touched after a couple of years, so it is on its way up. This lays the foundation I would say for a further increase in volume for FY'19 as per the guidance given in this presentation across Oil & Gas, Zinc India, Zinc International and the full year impact of stabilized volume in aluminium.

On the external side while prices helped but significant input inflation offset nearly half the price gain. So more or less the Rs.4,000 crores we could say was half of operational and the other half being price on the overall year basis.

Moving on to the next page on "Net Debt:"

During the year we remained focused on our stated financial priority which is strengthening the balance sheet by focusing on cash flow generation. We generated cash of nearly Rs.20,000 crores from the operations, this was deployed in CAPEX and other activities and post-CAPEX and some proactive adjustment to managing working capital funding given the ramp ups and some of the disruptions in banking sector around LOUs, etc., in March, the movement of almost Rs.4,000 crores is entirely a result of shifting into term loan funding instead of working capital product. Net of that we generated around Rs.7,900 crores of healthy cash available for further dividends which I alluded to earlier, Rs.21.20 and the ASI acquisition. We defrayed the earnings thus taking the net debt higher. But again needless to state, keep reminding all of us more that net debt-ratio which continues to remain below 1 - precisely 0.9x again is best-in-class as mentioned earlier.

Moving on to the next page. The company continue to manage its debt book with the dual objectives of delivering and reducing the cost of borrowing. We have spoken about the gross debt reduction earlier and again if I have to focus on the credit ratings, the local agencies have moved us up into "AA+" We will continue to generate strong cash flows on the strength of higher volume in FY'19 and allocated wisely to high return growth projects, further delever the gross debt and provide adequate return as well as appreciation to the shareholders.

On that note, let me move to the next page on our CAPEX guidance, talk a little bit about the allocation of the earnings:

CAPEX guidance for FY'19 comes at around $1.5 billion as against the FY'18 actuals of about $800 million. It was marginally below our guidance at mid-year. The increased level of CAPEX for next year is driven largely by the increase in oil & gas given all the projects announcements which we have made. It will also lead to higher production levels with the immediate FY'19 guidance at 220-250 kbopd which will be an increase of 20-35% as compared to FY'18 at either end of the range, we will talk more about it. Our Zinc India management team covered their guidance with Hindustan Zinc results a day before with plans announced to take the production beyond 1.2-1.35 mtpa in the near future, Zinc also includes its spends on Gamsberg as it achieves commercial production in mid-calendar 2018. The CAPEX will all be self-funded from EBITDA of the year, all of them returning an IRR of well above 20% at conservative price assumptions, and that you can appreciate is well above our WACC or the weighted average cost capital.

In summary:

Focus on fundamentals of operating excellence thus generating free cash flows to fund growth CAPEX, delivering for shareholder returns will be our fundamental endeavor. Balance sheet will continue to remain strong. We will stay proactive on refinancing, credit improvements and keep improving on the ROCE which is already at global standards.

With that, thank you all and back to "Mr. Kaura for the Business Section."

Kuldip Kaura: Thank you, Arun.

India Slide:

India is the fastest growing G20 economy in the world with strong fundamentals and demographics. According to the IMF WEO April 2018, the Indian economy is projected to grow around 7-8% p.a. over the next few years. Currently, per capita consumption of metal in India is 70-80% below global average. As the country expands, domestic consumption of key commodities will increase substantially both through the demand growth and higher intensity of usage. Furthermore, the Government of India has introduced a number of important reforms like amending mining laws to make auctioning transparent and encourage private ownership which has improved the business environment, attracted global investments and is driving faster growth. Vedanta is the only diversified natural resources company in India is uniquely positioned to cater to the demand.

Next Slide – High return, growth projects with further optionality:

Vedanta stands out from its peers as it has many Brownfield opportunities for growth. This slide is a snapshot of our growth projects across various businesses detailing the near-term growth which is underway and on track for completion by FY'20 as well as the medium-term growth projects. As an organization, we are well equipped to deliver on this growth project with the requisite management bandwidth, global talent base and systems in place.

I will now hand over you to our Oil & Gas CEO – Sudhir Mathur, who will give you an idea about Vedanta's potential in Oil & Gas segment and cover details about our growth projects. Sudhir?

Sudhir Mathur: Good evening to you all. Oil & Gas business we are moving ahead in the right earnest towards our vision of contributing 50% to India's total crude production. A key to realizing our vision is to augment our reserves which is essentially the quantity of oil & gas that can be produced during the remainder of our license period. Our initiatives here are two-pronged: We are trying to front load production and extend the license period, both of these within the construct of a superior commercial value.

Let me take you back in history which we have put our performance on this count and perspective:

In the year 2009, the year we started producing in Rajasthan, we had estimated gross reserves of 539 million boe. Since then we have produced 604 million boe. Now, let me add another data point. At the end of 2018, we are sitting on potential reserves of 683 million barrels. So by leveraging, leading edge technologies, focusing on growth projects, pursuing the PSC extension, we will be able to generate production and reserves of 1.3 billion boe since 2009. With the PSC getting extended and an incremental 176 million barrels get added to our reserves, for which capital investments have been made. As you would see from the graph, we have 580 million barrels of contingent resources that we are yet to commercialize.

Now, let us talk of our growth projects:

Our growth projects include a rich mix of enhanced oil recovery, tight oil and tight gas projects involving gross CAPEX of US$2 billion over the next two to three years. The growth projects have an INR in excess of 20% at an oil price of $40 per barrel. These investments are expected to deliver an incremental peak production of 200,000 bpd. Let me delve on these projects one at a time.

Next slide, our model of projects execution has yielded substantial benefits with our CAPEX in the range of $5-7 per barrel. Contracts of over $1.3 billion for these projects are already in place. Project execution is underway with four rigs currently at site in Rajasthan which we are looking to scale up by August 2018. The polymer enhanced oil recovery at Mangala which is now a global benchmark is being replicated in the Bhagyam and Aishwariya fields with the target to deliver incremental 5% recovery. The first well has been spud both at Bhagyam and Aishwariya in the last month. Now, we are going for Alkaline Surfactant Polymer or ASP to further boost recovery by about 10% from our prolific MBA fields taking the overall recovery to around 45%. The success of the ASP pilot in Mangala has paved way for a phased implementation of ASP in MBA. The expected ultimate recovery is about 200 million barrels at CAPEX of over US$950 million. We were awarded the drilling contract and are on track to commence drilling from August 2018 and tendering for this surface facility is underway.

Moving on to Tight Gas. Raageshwari Deep Gas Project presents an opportunity to scale up gas business significantly. The first well has spud in RDG in April 2018. The surface facility contract is primarily to build the terminal has been awarded and execution is scheduled to commence by the end of this quarter.

We are also looking at an early production through a rental arrangement of surface facilities as soon as GIGL pipeline is ready in H1 FY'19. We are on track to monetize Aishwariya Barmer Hill our first tight oil project. The two rigs drilling program comprising 39 wells is on track to spud in May 2018. We have commenced our 45-well infill program in the prolific Mangala field to generate an additional 18 million barrels of oil in the near-term. The rig is on site with the first well spud target of May 2018. We are upgrading liquid handling capacity at the Mangala processing terminal to accommodate post expansion volumes. Contracts will be awarded during the current quarter. In aggregate, we are seeking to add around 375 million barrels of gross reserves on account of our growth projects. We have set ourselves a target of 220-250 kpobd average volume in FY'19 as against 186,000 barrels we achieve in the past year. Going by April production will exceed the FY'18 average monthly production by around 9% and a clear roadmap again we should be well within the range.

Moving on to the next slide:

We are investing in exploration. We have identified a number of high impact undrilled leads and prospects in Rajasthan and we will start drilling of 7-1's8 wells in August, contracts for which have already been awarded. Beyond Rajasthan we have 100% participating interest in KG offshore block in the prolific Krishna Godavari basin. The first well of the two well program campaign has started in April 2018. This pertains to current phases. We are also looking actively to add to our current acreage across our key prolific basins in India under the government Open Acreage Licensing Policy. We have bid for the 55 blocks on offer and expect to increase our exploration portfolio significantly to continue building the reserve and the resource base aggressively. Now that we have a fair idea of our efforts to enhance and monetize our reserves and resources, let me leave you with one parting thought. At the time Cairn India was listed separately, started producing in Rajasthan in 2009, we had potential reserves of 539 million barrels. With an oil price of around $50 per barrel, our market caps to raise $7 billion. Today, we are sitting on potential reserves of 683 million with the proven track record of producing well in excess of our reserve estimates. The current price per barrel today is about US$70. Some food for your thoughts when we start looking at valuation. Thank you, all. Over to Mr. Kaura.

Kuldip Kaura: We go to Slide on Aluminium. Aluminium has been a strong ramp-up story this year. We enter FY'19 with confidence in converting our exit run rate of 2 mt into a stabilized production level. The final set of pots in the third line of 1.25 mt at Jharsuguda will fully ramp up within the first half of the year. This year was however not without challenges. Inflationary cost pressures across alumina, coal and carbon, escalated the cost in the business. Alumina continues to trade at all-time high driven by the supply tightening from Alu Norte's partial refinery shut down and uncertainties due to US sanctions on Rusal. Therefore, as a strategy, we have looked at ways to optimize our controllable cost while also increasing the price realization in order to improve profitability in a sustainable way. In the medium-term, we are aiming at CoP target around $1500/ton level by focusing on a number of aspects.

Let me detail some of the key points:

On Alumina, we are targeting production of 1.5-1.6 mt of captive alumina in financial year '19 with the potential to move up to 2 mt. Part of the bauxite sourcing will be from the State of Odisha which will add higher quality, low cost bauxite to our refinery feed mix. Together, these two factors will lead to reduction in alumina cost. On power, we are working towards improving plant operating parameters which will deliver higher PLF and overall reduction in non-coal cost. We are also working towards increasing our linkage coal mix from 45% currently to a target of 70% through full materialization from linkages and increased coal linkages.

In summary:

We expect to reduce cost of production by about $120-170/t in FY'19 by optimizing controllable cost and through elimination of one-off. However, the supply dynamics for global alumina and prices for other input commodities remain uncertain. While it is difficult to guide a CoP for FY'19 today, assuming cost of imported alumina, coal e-auction and carbon at average FY'18 levels would imply a cost of production of around $1725 to $1775 per ton in FY'19. Concerted efforts on these cost initiatives will continue to support us in achieving our $1500 ton target. On the product and marketing side, we are targeting 35% increase in value added production in FY'19 to about 1mt. These and other efforts along with improved headline premium is expected to contribute about $50 per ton to the EBITDA margin during FY'19. Our target is to progressively increase value added production and long-term OEM sales further.

Moving to Zinc India:

At Zinc India, our strategic vision is to grow our zinc, lead output to 1.5 mtpa and our silver portfolio to 1500 tonnes. I am pleased to announce that the board of HZL this week approved the phase-1 of this expansion which will increase the mine metal and smelting capacity from 1.2 mtpa to 1.35 mt over a period of three years at CAPEX of approximately Rs.4,500 crores. Phase-1 will be done concurrently with ongoing mining expansion which is now in its final stages. We are capable of delivering 1.35 mt of mine metal in three years from now while silver production capacity will double from the current level. A salient feature of this next phase of expansion will be the use of technology to increase productivity, efficiency and safety. We are deploying autonomous machines enabling 24x7 mining to increase production hours and fleet availability. Our mines will be digitalized for centralized monitoring and control to maximize equipment effectiveness and improve safety. These measures along with some other initiatives like predictive maintenance will create capabilities for cost optimization in future. In short, our mines will be smart, connected, intelligent mines which will be safer and more productive. We will be expanding our smelting capacity simultaneously to match mine metal capacity of 1.35 mtpa via debottlenecking of our existing smelters and addition of a new smelter. Also, a new silver refinery of 200 tons per annum will be set up in Chanderiya to process higher silver feed.

Gamsberg Expansion:

Gamsberg is the anchor project for our growth plans at Zinc International. It has a huge potential with its large R&R of 215 mt with 15 mt of zinc. We have been following a modular approach by developing this huge resource in a phased manner. Phase-1 of the project is currently under execution and on track as per schedule for production from mid-18. Phase-1 will have capacity of 4 mtpa mine production with 6.5% zinc grade and 250,000 tons metal-in-concentrate. In terms of resource, Phase-1 is only targeting one-fourth of the total resource. This gives us flexibility to scale up. Gamsberg Phase-2 can start immediately after completion of Phase-1 project and this should be quite straightforward with lot of synergy in Phase-1. The mine plans have been developed and expanded mega pit design completed to enable a faster and efficient Phase-2 execution. In terms of output, we can expect to add another 200,000-250,000 tons of metal-in-concentrate in two to three years. It is our vision to sell finished zinc metal from Gamsberg and towards this we are evaluating various possibilities in converting concentrate to metal.

Let me cover Iron Ore and Copper briefly:

Iron Ore, in early April, we received a favorable order from NCLT for our bid to acquire Electrosteel. We are working towards completing this acquisition. This is an exciting step towards adding value to our iron ore business. We see steel as a natural value add for Vedanta's iron ore business and the Indian steel sector is among the fastest growing globally. The IBC process gave us an attractive entry opportunity to enter the sector. Electrosteel runs a blast furnace and produces long steel in the State of Jharkhand. We see a number of opportunities to turn around this asset including the immediate ramp up to 1.5 mt and subsequently to 2.5 mt and synergies to be developed with Jharkhand iron ore project.

Copper: At Copper India, our expansion plan to double smelter capacity from 400,000 tons to 800,000 tons per annum is underway. The EPC contracts for all main plant packages, power distribution and automation packages have been awarded.

Let me wrap up summarizing our key investment highlights:

Vedanta's large scale diversified portfolio with attractive cost position in the core businesses position us well to deliver strong margins and cash flow through the commodity cycle. We have positioned ourselves in base metals and oil, make our commodity mix particularly attractive. India is Vedanta's core market and one which has huge growth potential. We are strongly and uniquely positioned to benefit from this growth. With the number of capital investment programs completed, we are ramping up production across businesses. Along with the new growth plans in oil & gas we expect further delivery on ramp-ups going forward. We are consistently striving to improve our operations, integrate our businesses through the value chain and optimize our performance through operational efficiencies and innovative technological solutions. Our operational performance coupled with strong focus on optimization of capital allocation has helped strengthen Vedanta's financial profile. We have a proven management team with the diverse and extensive range of sector and global experience to ensure that operations are run efficiently and responsibly. These factors enable us to deliver sustainable long-term returns to our shareholders and to create value for our broader stakeholder base.

With that, I would like to thank everyone of you and open the call for Question-and-Answer.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Abhishek Poddar from Kotak Securities. Please go ahead.

Abhishek Poddar: My first question is regarding the one item in the aluminium operations, this is regarding capitalization of pot relining expenses. Wanted to understand what this item is, which period pertains to and how much was the amount involved for this?

Arun Kumar: This is just accounting correction of what normally happens in the industry where the pot relining gets depreciated over the next five years instead of what we used to do earlier is charge it off in the same year. So we took experienced date correction as well as it literally 0 impact on the net profit, it just moves between depreciation and EBITDA line, it is about Rs.300-odd crores movement between the line, EBITDA is up, depreciation is up, so it is pretty much an accounting thing.

Abhishek Poddar: Sir, this pertains to previous quarter?

Arun Kumar: This pertains to the year, so as I said impact on the bottom line is nil.

Abhishek Poddar: Second question is regarding the Tuticorin copper smelter. What is the state right now and when do you expect resolution?

Kuldip Kaura: As you are aware, the consent to operate at Tuticorin was not approved and we have engaged with the authorities with the responses to some of the questions which they raised and we believe the resolution for this should happen soon.

Abhishek Poddar: The last question on the bauxite mining in Odisha. What kind of bauxite do you expect to get from Kodingamali mine, whether we have already firmed any of the sourcing? Are there are any other mines also that you are looking to, OMC is looking to start mining from?

Kuldip Kaura: OMC at present is operating this mine only and we started sourcing the bauxite only from the recent past since when this mine has come into production and this mine will ramp up progressively and our offtake will correspondingly increase.

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

Sumangal Nevatia: First question is with respect to Zinc International. Now there has been a sharp increase in cost at almost $2,000 versus guidance of $1,700 last quarter, and even that was said to be temporary whereas for FY'19 we are talking about a similar range now continuing. Can you explain a little bit on this?

Kuldip Kaura: This increase in cost is because of the development of this Skorpion pit and we are pre-stripping the pit in this year and next year, we have almost done half of it - 45% this year. So that actually the element of the pre-stripping cost adds to this unit operating cost. Arun, do you want to supplement anything?

Arun Kumar: That is absolutely well said. The bigger point in Zinc International is Gamsberg mine coming on stream middle of this year at extremely competitive costs. The mining cost we have indicated will be about $500-550 in the overall including TC/RC, etc., is $1,000. Very much in line with the guidance we have been talking about for the last one year or so and that will be the majority of production coming from Zinc International going forward.

Sumangal Nevatia: Second is with respect to a plan to now evaluate smelter refinery at Gamsberg. Now are there any challenges in selling concentrate and also given TC/RCs are at record low, what IRR are we getting with this expansion?

Kuldip Kaura: This subject we need to see it from a philosophy point of view. We actually like to sell finished metal as you see in most of our businesses and that triggers us to evaluate what are the options we have in Gamsberg. So these options are being churned out and evaluated. We will take a final call. But there are no issues at all in selling concentrate as it is. Infact some of the concentrate has been advanced booked for sale for our immediate production once the concentrator gets commissioned in middle of this year.

Sumangal Nevatia: Slide #18 mentions 3 mt aluminium capacity of production in medium-term. This is the first time we are reading this number. So where is this 0.7 mt expansion envisaged – is it at BALCO or VAL?

Kuldip Kaura: This is a little bit of gazing into the future and we have power capacity with us in BALCO and other facilities also. So it is obviously up for evaluation that whether going forward producing more aluminum will be a better option rather than current selling of the power to the grid.

Moderator: Thank you. We will take the next question from the line of Vineet Maloo from Birla Sun Life Mutual Fund. Please go ahead.

Vineet Maloo: So, my question is about aluminium. We have about Rs.1310 crores of EBITDA this quarter compared to Rs.600-odd crores in Q3. But I am just not able to understand where is the major source of incremental EBITDA coming from because our volume has gone up by about let us say 25kt, our costs have gone up a little but, out realization have gone up a little bit, but somehow we are not able to match the total numbers to the one shown in your aluminium slide?

Arun Kumar: I think it is a good observation and I confirmed earlier, this pot relining which has come up in aluminium, it is a play between EBITDA and depreciation line. So for your modeling purposes, as you rightly observed, this Rs.300-350 crores need to be backed out from an ongoing point of view.

Vineet Maloo: It is just Rs.350 crores is it because even then it does not explain it completely, that is why I was little confused?

Arun Kumar: I think you can work with the IR team offline on this for any specific reconciliation.

Vineet Maloo: We had guided in last quarter that our aluminium CoP we should be around $1850-1900 whereas it has continued to increase. So just wanted to understand how are we dealing with the situation and what is happening in alumina market currently as well as the external coke?

Kuldip Kaura: As I was sort of talking during the slides, so there are a few things which we are doing; #1 on alumina, what we are doing is in current year we produce little over 1 mt of alumina, now our capacity is to produce about 1.7 mt of alumina, that is what we are aiming to produce this year. So our local production of alumina will increase and that will reduce that much corresponding imports, that is point #1. Point #2, we will also add local bauxite. be it from Odisha to this refinery which will reduce the other import of bauxite plus it will also give high quality bauxite to the refinery to reduce the overall cost of production. This is on alumina. Some reduction will take place because of these two factors. Then we are also working to take our power plant operations both in terms of PLF and operating efficiencies to a peak benchmark level and that has a potential to improve our non-coal cost. As far as coal is concerned, our linkages materializations were lower last year because of transportation and logistics issues with railways and similarly some GCV issues with what we get and what we pay for. So there is increased focus on both these elements and that also gives us a lot of improvement in terms of overall cost. What I am trying to say is these are the factors which are very much within our control and we are working really on this in a very focused way. The alumina market internationally is quite volatile as you yourself are aware about and similarly the auction prices of coal in India, last year we tried predicting it but we were proven quite wrong. So what we are saying is without those two factors, we have improvement potential of about $125-150 per ton and that is what we will get, and anything more happens on this which is favorable to us so that will also add to our overall cost reduction. But at the end of the day we are actually looking to drive a number of $1500 per ton as aluminium production cost.

Vineet Maloo: So from Coal India you mentioned that we have not got complete linkages and also there were issues about calorific value, etc., So I presume we will get our linkages fulfilled this year. About calorific value issue, is there a third-party sampling that you are looking at and is there any possibility of getting compensated?

Kuldip Kaura: We have a third-party sampling that there is a possibility of getting compensated if the contracted quality and received quality based on third party verification is not the same.

Vineet Maloo: So you expect to get something from last year?

Kuldip Kaura: I will have to check that in detail and we can come back to you on that.

Moderator: Thank you. We will take the next question from the line of Sanjay Jain from Motilal Oswal. Please go ahead.

Sanjay Jain: First question is on Oil & Gas on Slide #19, you are guiding in a bar chart about the production 220-250. So these are like the average production which we should expect for the full year or is it the exit rates we are talking about?

Kuldip Kaura: This is average production for the full year. Sudhir, anything to supplement on this?

Sudhir Mathur: That is right, Mr. Kaura, and we are already at about 203,000-204,000 barrels compared to an average of 186,000 barrels last year.

Sanjay Jain: Second question is on aluminium business. Actually there are two parts which one is that regarding the sourcing of alumina, you did mention domestic production will increase. My question is that how are we sourcing the remaining part like how much of that is already tied up in contract and how much of that is we are exposed to the spot market?

Kuldip Kaura: I will ask Samir to supplement but let me respond to perhaps what you are trying to aim at. Even the long-term contract agreements are also fundamentally offtake agreements and the price determination is on the current API. So the point is it is not a fixed price offtake contract which have been signed. So, Samir, please supplement.

Samir Cairae: The long-term contracts are 70% as a policy of our total requirements and 30% is spot which is our strategy and that is the right strategy. But as Mr. Kura has rightly said that most of the contracts we don't sign at a fixed price because we sign on contracts based an index which is either linked to LME or based on the API. So the pricing of the long-term is on an index based and index is market base. So while we get the security of alumina, the prices of alumina are of course linked to market which we start to see in let us say a month or so because we buy now and we will consume in a month, so there is a lag on how we see the prices impacting the P&L but the prices are linked to the market.

Sanjay Jain: One clarification from the earlier discussion on this aluminium EBITDA. Mr. Arun, you mentioned in your comments that pot line expenses we are capitalizing which will depreciate over five years, at the same time you are saying that this is a bottom line neutral. Is it bottom line neutral in the quarter or it is bottom line neutral over the five years period, this is slightly confusing?

Arun Kumar: Very quickly from an accounting basis, historical to-date you tend to do a reserve catch up, so the difference comes into depreciation. So from an accounting point of view, it is neutral for the year as well as neutral going forward. It is just correcting the presentation till date, that is it.

Sanjay Jain: But for the quarter it is not neutral, right?

Arun Kumar: Quarter also it is neutral, for the year it is neutral, going forward it is neutral, as I said it is a pure accounting policy kind of disclosure.

Sanjay Jain: But you are saying it will be depreciated over five years, but here you are depreciating in single year, if it is depreciated in single year then only it is neutral, otherwise…?

Arun Kumar: We will be delighted to engage with you offline and just walk through the accounting treatment.

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

Anuj Singla: Sir, my first question is on the coal side. Have we seen a material improvement in the coal linkage materialization in this quarter as well as in the month of April? We had a low from 37% in last quarter.

Samir Cairae: It is indeed better, I think especially SECL, MCL continues to be a struggle because there were some strike in one of the mines and some EC issues at Kamaleshwari. But overall we are seeing a much improvement in Q1 of this year which is why what Mr. Kaura said about getting the price improvement and cost improvement in the cost of power. Of course, knowing fully well that the rest of the year can be different but as of now we are seeing an improvement here.

Anuj Singla: So when Coal India moves to the GCV-based pricing, which they have already communicated, though yet to be implemented, what kind of impact do we see in our coal procurement cost, Coal India tends to believe it is going to be positive for their top line, is our cost going to increase, is that our assessment as well?

Samir Cairae: We will see cost reduction of anything from $10-20 depending on what coal we get but as compared to an era where we were not able to charge off dead wagon expenses because we were always getting negative GCV, so we are forecasting an improvement in our cost of 10-15, of course depending on the actual GCV.

Anuj Singla: This is for Mr. Arun, on the CAPEX optionality, most of the CAPEX you have very well detailed in the presentation, just on two parts; the investment plan for Gamsberg where we are talking about the refining and the smelter, media reports talk about $800 million of CAPEX. Is that the number we are looking forward to as well as and when the plan get decided?

Arun Kumar: Closer to time we will come back with the estimate. If you see the experience that we had in the past at some point of time we had significantly high estimates for Gamsberg mine but we did technology interventions and commercial strategies to bring the CAPEX cost down. So that is like a vision that we do want to invest to get the refinery up at the right point of time. The specific guidance will be given during the quarterly updates.

Kuldip Kaura: The decision to go for it or not will also be dictated by the kind of cost and return equation which we see for the particular technologies and smelter installations.

Anuj Singla: For Electrosteel of 1.5-2.5, any CAPEX guidance we can or any benchmark there?

Arun Kumar: It should not be more than a couple of hundred million dollars is the broad estimate. But I think the bigger point there is it enables good integration of the Jharkhand mine leases that we already have which are in various stages of approval and it plays into what they country has laid out in terms of ensuring that the iron ore gets end-utilized in the country. So I think that is a good integration thing. I am sure you all have noticed it. One of our credit agencies has come out with the positive credit rating report on the completion of Electrosteel process as Moody's came out about 10-days ago I guess. So that is broadly the update on Electrosteel. Any questions further, I am happy to take it.

Moderator: Thank you. We will take the next question from the line of Ashish Kejriwal from IDFC. Please go ahead.

Ashish Kejriwal: My question is again on aluminium only. You mentioned about Rs.350 crores of one-time expenses or maybe for a year. Is it possible to give what it could be on a per ton basis or continually going forward what will be on a quarterly basis?

Arun Kumar: As we elucidated on the call, subject to the coal and alumina assumptions, we have three big levers in our hand and I think these are exciting levers, the last year had significant disruptions in pot out stages and you must recollect that we spent about $70-75 on an average during the year per ton of aluminium dealing with those and those have been handled quite well by our aluminium team and well behind us. That is one big lever. It is I would say I think about 85-90% of our pots are what we call "Category A Pots" firing extremely well on all parameters, ramped up well and quite stable. The second lever as was outlined earlier in the call is bauxite. With that every ton of bauxite, we use the Odisha bauxite which should bring the aluminium cost down by about another $125-175, local production. The alumina refinery volumes going up to almost 1.5-1.7 is our guidance, though we know that we can stretch it to 2 mt that is yet another lever and I keep losing count of levels, the fourth one that the CEO had outlined is also the $125-150 lever on various things like GCV, dead wagon realization, other efficiencies that are in our control, Samir even commented about it, and in fact, we could keep adding to the list of levers that …

Kuldip Kaura: To add, the improving marketing realizations, our value-added production will increase in tonnage…

Ashish Kejriwal: Sorry to interrupt, sir, my question on pot relining expenses, you are saying it will be depreciated over the next five years, so my question was when you are giving a guidance for FY'19 cost of production, are we considering anything of that because when we are giving aluminium cost of production separately for this quarter, it is $1970 obviously that does not include your pot relining expenses, but we will include that in EBITDA?

Arun Kumar: That has been factored in our guidance for next year.

Ashish Kejriwal: So what could be that on a per ton basis, I am looking at on quarterly angle whether how to look into it going forward?

Arun Kumar: It is small part of the whole cost is some $10, 20, 25 plus/minus, perhaps we should have come out with a page on the accounting but nevertheless we can handle this offline, our team will be delighted to interact.

Ashish Kejriwal: Secondly, Talwandi Sabo, though we have achieved this power availability at 93% this quarter, then also we have given FY'19 guidance of 80%. So any specific reason for the same or it will be just…?

Kuldip Kaura: I think the plant is operating very well and our availability - we are always targeting above 90%. So hopefully next year also we should see those kinds of numbers.

Ashish Kejriwal: This 80% you are saying is very conservative?

Kuldip Kaura: Yes.

Ashish Kejriwal: Can we have operations buyers' credit number?

Arun Kumar: I think the operations buyer's credit is around $1.4 billion.

Moderator: Thank you. We will take the next question from the line of Dhaval Doshi from PhillipCapital. Please go ahead.

Dhaval Doshi: Just on Slide #31, the EBITDA bridge, the others column of Rs.258 crores, can I get a breakup of this because it includes some one-off impact in the power segment in that as well other costs? Second will be sir, the Rs.350 crores benefit in the aluminium business. Which line item on that EBITDA bridge would get reflected?

Arun Kumar: That would be under others, but the rest of the breakup I do not have it offhand, we have a small comment below the bar chart if I recollect, but we can send it to you offline.

Dhaval Doshi: Second question would be with regards to the bauxite sourcing. So can we have a rough split of the various sources of bauxite that we are going to be having for FY'19?

Kuldip Kaura: Our refinery capacity as we were saying will be about 1.5-1.7 mt. So fundamentally we need approximately 5 mt of bauxite. We have three sources locally; our own BALCO mine in Chhattisgarh and then the OMC mines in Odisha and third is some other supplement of domestic wherever required and then balance of this will be also imported bauxite because as I was saying this Odisha mines start ramping up, our supply volume will keep on coming up and then some adjustment to the volumes of other sources will get made because this is the best in the cheapest bauxite source.

Dhaval Doshi: Can I have some numbers to this sir, so you said 5 mt, so how much would have come from captive, how much from OMC?

Kuldip Kaura: Maybe immediately I may not be able to tell you this but we can certainly advise you on that offline.

Moderator: Thank you. We will take the next question from the line of Pinakin Parekh from JP Morgan. Please go ahead.

Pinakin Parekh: Three quick questions; my first question is if I look at the standalone balance sheet, there has been a material increase in net debt on QoQ basis. I understand that there was a large dividend paid out by the standalone entity which was not self-funded, it was Hindustan Zinc paid…..There is a very large CAPEX pipeline as Slide #18 suggests, there would be debt increase because of the Electrosteel acquisition and may not even counting the Essar bid in place. So just trying to understand the balance sheet outlook going forward especially at the Vedanta standalone entity. Should we expect leverage to increase from here, if dividend payout remains at this or will leverage on absolute basis, net debt come off from here over the next two years?

Arun Kumar: It is a very good question, Pinakin. We do not guide the specific debt numbers as you are aware or the cash flow numbers or for that matter even EBITDA. But if you look at the bigger picture here, the aluminium business is now matured into 2 mt business and based on all the underlying improvements that are completely in our control in the rest of the commodity market scenario, I think it is fair to assume a good $400, $500 margin from that business. Cairn Oil & Gas continues to do very well and if you see as I outlined 220-250 range, you could well be 20-35% growth in volume and if you put this together there is significant cash generation in the standalone balance sheet, needless to say that Hindustan Zinc continues to be exceptionally strong as you also heard their management day before. I think with these three sources of cash, one should look for a good trajectory which very clearly underlines the fact that all our CAPEX will be self-funded as I mentioned earlier and with the net debt-to-EBITDA ratio of 0.9 for the Vedanta consolidated, I think that leaves behind a significant headroom to earn and spend wisely on growth CAPEX as well as return to shareholders and delever the gross debt. So I think we have multiple sources of cash and the business is in good shape to handle whatever CAPEX requirements that we have.

Pinakin Parekh: My second question is related to the news report in ET which obviously Hindustan Zinc did not comment much on, but just trying to get a sense that over the last few years the Vedanta group has strived to reduce the number of listed entities that were there and now it is down to three entities. But going forward, are there thoughts to change the group structure and have introduced other listed entities either below Vedanta Limited or above Vedanta Limited, just trying to understand because that news flow, when it came something out of the blue for many investors?

Kuldip Kaura: Fundamentally, we did not understand the basis for your question because there are no plans to structure on that basis.

Arun Kumar: There is no fundamental change in thought process but we have to understand that Hindustan Zinc is a very-very high quality asset. This is one of the few companies which has really two big EBITDA stream; one is zinc which is one of the best mines in the world and a single decile on the cost curve and the other stream being silver. So I think these news reports are speculating about why do we not spilt the streams of cash flow so that the earnings or rather valuation is enhanced because today a combined company perhaps gets a single valuation. So these are all thoughts in the public domain and probably the local board there and we will see how the future pans out but otherwise the group is pretty much highly valuable asset whichever cash stream you take.

Pinakin Parekh: Last question on aluminium. We used to get a segment slide which used to have the cost breakup. Now 1970 was the cost as of 4Q average, 1725-1775 is the guidance assuming input cost reverts back to FY'18. What would be the exit cost or cost based on April input cost, I am trying to understand what kind of main reversion we need to see in input cost for us to go back to 1770 because I would assume current CoP should be materially higher than the 1970 that was reported in 4Q?

Kuldip Kaura: What we are refraining to comment is on the way the volatility in the alumina market is there today and how the prices are moving. So our guidance of 1770 was fundamentally to say that we have a potential to improve the cost by this margin of $150 or so. But this volatility in the market can improve or upset this number. So that is the point which was being made.

Pinakin Parekh: Just $1970 of 4Q is based on what imported alumina cost – is it around $400?

Arun Kumar: Samir, you can add here but it is probably at about 23-25% aluminium percentage.

Samir Cairae: Alumina cost is 21% of LME. But as Mr. Kaura has said rightly, it is so volatile, and you must have seen the prices have moved up in one day in alumina almost by $150, so I think we have to be quite cognizant of the fact and get the situation stable and then see

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

Rashmi Mohanty: Thank you, everyone for joining us today for our Q4 & FY'18 full year results discussion and presentation. If there are any further questions that you may have on the results, you can always reach out to the investor relations team.

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