"Vedanta Limited 4Q FY'23 & Full Year Earnings Conference Call"

May 12, 2023

MANAGEMENT: MR. SUNIL DUGGAL – GROUP CHIEF EXECUTIVE OFFICER, VEDANTA LIMITED.
MR. AJAY AGRAWAL – ACTING GROUP CFO, VEDANTA LIMITED.
MR. ARUN MISRA – CHIEF EXECUTIVE OFFICER, ZINC BUSINESS, VEDANTA LIMITED.
MR. RAHUL SHARMA – DEPUTY CEO, ALUMINUM BUSINESS, VEDANTA LIMITED.
MS. PRERNA HALWASIYA – DEPUTY HEAD, INVESTOR RELATIONS & COMPANY SECRETARY, VEDANTA LIMITED.

Moderator: Ladies and gentlemen, good day and welcome to the Vedanta Limited 4Q FY'23 and Full Year 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, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Prerna Halwasiya – Deputy Head Investor Relations and Company Secretary, Vedanta Limited. Thank you, and over to you, ma'am.

Prerna Halwasiya: Good evening, everyone, and welcome to our 4th Quarter of the Financial Year '23 Earnings Call. I am Prerna Halwasiya, on behalf of the entire team of Vedanta Limited I would like to thank you all for joining us today to discuss our Financial Results and Business Performance. The transcript and audio of this call will be made available on our website. The financial statements, press release and the presentation are already published on the website.

Today from our leadership team we have with us Mr. Sunil Duggal - Group CEO; Mr. Ajay Agrawal - Acting Group CFO. We also have few leaders from a couple of key businesses, Mr. Arun Misra - CEO, Zinc Business; and Mr. Rahul Sharma - Deputy CEO, Aluminum Business.

Please note that today's entire decision will be covered by the cautionary statement on Slide #2 of the Presentation. We will start with update on our Operational and Financial Performance, and then we will open the floor for the Q&A. Now, I would like to hand over the call to Mr. Duggal.

Sunil Duggal: Good evening, everyone and thank you for joining our call today. Amidst rising interest rates, the Indian economy thrived in FY'23, powered by strong macroeconomic fundamentals and domestic consumption. Nevertheless, the global economic climate presented macroeconomic hurdles that led to a moderation in commodity prices. Despite this challenging scenario our team implemented strategies to ensure consistent operational performance, and stringent cost control optimizing working capital and ultimately resulting in impressive financial performance.

FY'23 was a year of remarkable progress on ESG front, led by our transforming for good purpose. We received validation for our progress on ESG from top rating agencies like MSCI, DJSI, Sustainalytics and CDP which confirms that we are moving in the right direction. We have finalized 1826 MW of RE power agreements and turn four of our businesses water positive, progressing on our aim of transforming the planet.

Through our CSR Initiatives we were able to positively impact the lives of 44 million people. Our dedication and efforts towards CSR have allowed us to make a significant difference in the communities in which we operate, empowering individuals and contributing to the betterment of society. We believe in creating a brighter future by empowering the most marginalized communities. Our initiative 'Project Panchhi' is a testament of this philosophy by educating and enabling thousand girls from underprivileged rural communities we aim to bridge the gap of general inequality and provide them with equal opportunities for growth and success.

Our vision goes beyond just diversity as we strive to create a more inclusive workplace that reflects the rich and vibrant diversity of our society. Vedanta was honored with, really, high-acclaimed "Kincentric Best Employer India Award", distinguishing us as the sole manufacturing conglomerate in India to receive this esteemed recognition. Our people are the greatest assets and our strong operational performance is a testament to the same.

We delivered highest ever annual production at aluminum, Hindustan Zinc, Zinc International and Electrosteel. Commercial production started at Nicomet, India's only Nickel, Cobalt operations. Production also commenced from Liberia mines, expanding our iron ore capacity and global footprint.

New 60ktpa furnace at FACOR was commissioned taking total capacity to 140ktpa. We operationalized Chotia mines and started Jamkhani coal mines. We further added Ghogharpalli and Barra blocks to our coal portfolio. Ghogharpalli has massive 1.2 billion tons of reserves and Barra is an unexplored block with 900 million ton of estimated resources. These mines together would make our expanded operation more than 100% secure for coal.

We were also declared successful bidders for Sijimali bauxite mine with 311-million-ton reserves, it is a strategic fit for our size, location and bauxite quality. And it's key to strengthening our raw material security. We fully ramped up Barbil ore mines in Orissa and were declared successful bidders of Bicholim mine in Goa, augmenting our resource base.

In line with our steadfast focus on augmenting capacity and vertical integration, we spent around Rs. 10,000 crore on capital projects this year. Our financial delivery has been equally noteworthy with all-time high annual revenue of Rs. 145,404 crore and second highest ever annual EBITDA of Rs. 35,241 crore. We delivered historic high shareholder return with an interim dividend of Rs. 101.5 per share and made a record contribution to the exchequer of nearly Rs. 74,000 crore.

During this year we made considerable progress on various strategic levers received Supreme Court permission for care and maintenance of our Tuticorin copper smelter. The matter is now listed for final hearing in August. Signed 10-year production sharing contract extension with Government of India for Rajasthan block. Trade barriers were lifted in Karnataka. Marketing freedom for oil & gas was given.

Now if I move to our operations, first coming to aluminum, aluminum is progressing well on capital projects, focused on making our businesses fully integrated with 100% captive alumina from 5mtpa Lanjigarh Refinery and enhanced coal security from captive mines. At Zinc India, we crossed 1-million-ton milestone metal production. We aim to continue the positive momentum to reach 1.2 million ton. Zinc International is well positioned for long term value creation. Gamsberg produced highest ever MIC up 208kt and project work on next phase is in full swing, to take the total capacity to 500ktpa.

In Oil &Gas, the focus this year is going to be on augmenting reserve and the sources through both development projects and exploration. We will undertake high impact exploration program of 10 wells seismic and studies across various basins in Northeast, Cambay, Rajasthan and Offshore targeting addition of 55-million-barrel equivalent resources.

Iron ore significantly increased its mining portfolio in FY'23. Total iron ore production in FY'24 will be more than 15 million tons from Karnataka, Western Cluster Liberia, Barbil, Orissa and Bicholim mine in Goa put together.

Electrosteel increased hot metal capacity to 1.7 million ton and would expand to 3 million tons by early FY'25. Operations are now fully integrated with Barbil mines to meet ore requirement. FACOR is further planning to add 300ktpa capacity for Ferro Chrome production by FY'25 to take the total to 450ktpa in two years.

To summarize we made good progress on our strategic priorities in FY'23 and are eager to build on this momentum in the current year. We remain optimistic about the commodities, markets and are confident of our ability to navigate the ever-evolving business environment. We look forward to work together with all the stakeholders and larger communities and thanks them for their persistent and support.

Before we move ahead, I want to take this opportunity to thank Mr. Ajay Goel, our former Acting Group CFO for his unwavering dedication and incredible contribution during his association with Vedanta. I wish him the very best for his future endeavors. I am pleased to announce that Sonal Shrivastava will be joining us as Group CFO very soon. She has extensive experience working with global organization and large Indian corporates. In her previous role, she was CFO for Asia Pacific at Holcim. Her expertise in financial services and manufacturing sectors make her an invaluable addition to our leadership team.

To take you through financial performance today I have with me, Ajay Agrawal, who is in interim in his acting as Group CFO. Over to you, Ajay.

Ajay Agrawal: Very good evening to all. I am here to really talk about the Quarter 4 FY'22/FY'23 Financial Performances.

We witnessed the global economy to recover from the lackluster 2022 with the positive bias for economic growth. Despite the global crisis India's resilient economy, we believe has shown better performance than the rest of the world, particularly in the manufacturing sector.

The RBI expects the India's GDP to grow at the rate of 6.5% in Financial Year '23/'24 which is certainly reassuring. And we also anticipate that the global commodity demand to perform better than expected due to improving global economic outlook boosted by a revival of Chinese economies, improvement in real estate market, automobile sectors and coupled with the fact that European economy recovery is also quite strong from the impact of inflation.

Speaking of Financial Year '22/'23 despite the macroeconomic challenges, we have delivered our all-time high full year revenue of Rs. 145,404 crore. We delivered second highest EBITDA of Rs. 35,241 crore in the Fiscal Year '22/'23 which helped us to generate record free cash flow pre-growth CAPEX of Rs. 28,068 crore. All this is nothing but our enduring, demonstrate our financial success that are underline fundamental of business remains robust. And we have once again achieved the year of consistent, dependable and operational performance across our businesses.

Furthermore, this allows us to make a substantial contribution to the exchequer which stood at close to about Rs. 74,000 odd crore during the Financial Year ended '23. We also returned a record Rs. 101.5 per share to our shareholder during the Fiscal Year '22/'23.

Our continuous focus on operational excellence and cost control measures have enabled us to minimize the impact of inflation which we witnessed during Fiscal Year '22/'23 on our cost structure and also helped us to generate robust cash flows.

Combination of these enabled us to deliver another impressive quarter performance and some of the key financial highlights for the quarter ended 31st March, '23 are as:

Our consolidated revenue stands at Rs. 37,225 crore. On a quarter-on-quarter basis this is up by 10% and largely it is driven due to higher sales volume and improved LME. We also delivered an EBITDA of Rs. 9,362 crore which is 32% higher than quarter-on-quarter with the strong margin of 29% supported by easing of input commodity inflation, volume growth and various cost saving initiatives the group undertook during the last quarter.

Our Profit after Tax stood at Rs. 3,132 crore which increased marginally quarter-on-quarter. And we continue to maintain a strong double-digit return on capital employed to the tune of 21% throughout the year.

We have an income statement in appendix which is Page #27 where you will find details against each head of the profit and loss account.

Let me move to the EBITDA bridge slide, Slide #21. When comparing the EBITDA performance quarter-on-quarter the largest driver was the lowest input commodity cost and improved LME. Beyond these external factors we are pleased that we have delivered higher volumes through improved operational efficiencies, further supported by initiatives on cost and marketing efforts.

Our key businesses mainly Zinc and Aluminum achieved record operational performances and lower cost of production, besides business performances as a result of several improvement initiatives undertaken across various businesses which the group has.

On a full year basis, our EBITDA was down due to lower LME and higher input commodity cost which was partly offset through increased volume, strategic hedging initiatives and FOREX gain.

Moving to Slide #22 on net debt bridge, during Q4 FY'23 our net debt as on 31st March stands at Rs. 45,260 crore. In the quarter our business demonstrated the robustness of our performance by generating a healthy operational free cash flow, pre-growth CAPEX of approximately Rs. 7,211 crore which is 11% higher quarter-on-quarter. The net debt increased overall due to the allocation of funds towards capital expenditure and the significant amount of shareholders return which is all-time high for the group.

Moving on to the balance sheet now, Page #23 we remain committed to our capital allocation framework which encompasses robust balance sheet, a healthy payout ratio with solid dividend yields and flexibility for investing in discretionary capital options including organic and inorganic opportunity, as well as providing additional shareholders return.

Our net debt to EBITDA stands at 1.3x and is maintained at comfortable level. We ended the quarter with Rs. 20,922 crore on healthy cash and cash equivalent. Our average debt maturity continues to be maintained at 3.5 years with average cost of borrowing at 7.8%.

I also would like to mention that our Holdco have also made considerable progress towards its commitment to reduce debt by four billion over the course of three years. They have already delivered by three billion till date out of which two billion was achieved during the Fiscal Year '22/'23 itself.

With our strong and flexible balance sheet, we are well position to continue discipline investments in our pipeline for various value-added growth. In Fiscal Year '23, we invested approximately 1.2 billion in growth-oriented capital expenditures which brought several projects close to completion. As a result, so we are now committing to allocate 1.7 billion towards growth CAPEX in the current fiscal year.

We have maintained our commitment of providing our stakeholders with strong and consistent performance and attractive returns even in the face of volatile macro environment. Despite the challenges we have demonstrated resilience throughout the year. The progress we made in the past year is quite noteworthy and I have full confidence in our ability to execute our business strategy effectively as well as the finance strategy effectively, which will position us to create value not only now, but also in the foreseeable future.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: I have two questions, the first one is pertaining to Oil & Gas division. Now if you look at the, I mean production it has been declining secularly. And the guidance that we have for FY'24, I know we are targeting, the augmenting reserve and resources. But still the guidance is quite low at 135. Now in our Annual Report and Investment Day we had highlighted that we will reach a much higher production level by FY'25. So, are you shifting that particular production level to I mean further or is it that that particular level is still intact.

Sunil Duggal: So, we have given a guidance of 135 to 140 kboepd. This time we are bit mindful of giving the guidance because we want to give the guidance and we want to beat the guidance unlike earlier year. So, the issues which we are trying to address and the initiative which are in pipeline is to manage the decline (1).

(2) There are two three high profile projects which are in the pipeline. We are in the process of materializing that, one is the Enhanced Oil Recovery. So, the government is coming up with the new policy on the Enhanced Oil Recovery and we are in discussion with the government that our license is valid up to 2030. And the results and the outcome from the existing reserves may go beyond 2030. So, the government coming up with the new policy of the enhanced incentives and also considering if the contract could be extended beyond 2030. So, this is one initiative.

The other two, three initiatives are the exploration in wells around our operation especially in the offshore, where we feel that the result would come. And you probably must have noticed that we have a new CEO in the name of Nick Walker who has a very rich global experience. So, he is in the process of evaluating the various opportunities, but apart from that, he has identified 10 high impact wells across Offshore North East KG Basin, and he particularly believes that the potential in North East on the border of Assam and Nagaland is very high, where some disputed area was there. The Government of India has resolved this issue and we want to start the seismic and the drilling at this operation as soon as possible. He believes that the potential of this area could be as big as it was in the Rajasthan block.

So, this is what we feel we are doing in Oil & Gas, but our belief is very firm and his belief is very firm that we will get some good discovery from the exploration wells and the couple of project which I named, when we will put these projects in the pipeline it will give us the step jump, if not in the current year where we want to beat our guidance, but in the next two years it will give us the step jump from where we are.

Amit Dixit: Just a follow up on this so what would be your guidance let us say in FY'25, I mean the target.

Sunil Duggal: We are evaluating that, I don't want to put my words into the Nick's mouth. He is evaluating that probably in the next quarter call we may be able to give you a better guidance of what he believes could be the potential in the year FY'25 and FY'26, depending on how many projects he is able to conceptualize. And of course, as the year progresses the 10 high potential exploration wells if these gives some results then the visibility could be even better and then we can report that what could be the full potential which we can explore in the year FY'25 and FY'26.

Amit Dixit: The second question is on Ferro Chrome, we are targeting 450ktpa of capacity. This is a very huge capacity, I mean I don't think at South Africa anybody has the kind of capacity in the world. So, first of all, where we are getting Chrome Ferro from and Ferro Chrome being a very high, very power intensive business, won't it impact your ESG aspirations. And what market are we targeting for this, is it export or domestic, what could be the mix of this particular offtake?

Sunil Duggal: So, I think you have asked four, five questions in one question, I will try to answer all those questions. We acquired this business where the capacity was 75ktpa. And there was one unfinished furnace which we have since commissioned this was 60ktpa furnace. So, now the overall capacity with debottlenecking and the commissioning of new furnace has taken to 140ktpa, this is up and running. There are two mines, Kalarangiatta, we are taking the AC for this mine to raise the AC capacity from 50ktpa to 150ktpa.

There is another mine Ostapal mine, this mine has been running as a open-pit mine, we want to take it underground. And no better experience than Vedanta and Hindustan Zinc to transition from open pit to the underground mine. So, there is a rich resource lying at depth under this open pit. So, we want to develop this open pit, we are about to start the portal and take the Board approval and this, in the first phase we want to take this mine to 1.5 million ton, and in the second phase we want to take this mine to 2.5 million ton.

In the first phase, we will add a furnace of 150ktpa taking the total capacities to say around 300ktpa and then the second phase, another furnace we want to install of 150ktpa taking the total capacity to 450ktpa. So, as far as carbon footprint is concerned, I mean we have to go hand-in-hand and parallel to evaluate the possibility of decarbonizing our assets. And you must have seen the aggressive way, we have gone, and today the work is on to install 4 GW of renewable power and which will give 33% reduction of the carbon footprint from our promise of 25% by 2030. And we want to put a plan in place by FY'25 to have a full visibility of 25% carbon footprint reduction by 2030. So, we are fully committed. We want to do it even before FY 2030 that is what the internal motivation is. And we are fully committed to fully decarbonize our operation by 2050.

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

Sumangal Nevatia: Just continuing on Amit's question, I mean on the delays, I mean we have seen across businesses there are delays in projects. Aluminum business for example the 1-million-ton expansion, earlier we were guiding 1Q '24, now we have moved to 1Q '25. And also we are seeing the same in coal mines and electrosteel as well. So, if you could just highlight, I mean over the next two, three years the key projects and what are the reasons for this execution delays that we are facing.

Sunil Duggal: So, I would say there are not delays as such in the execution of the project. I mean some of the factors which also play a bit of the part is that some of the technology and the equipments also come from China, bit of the delay happened, because of that, but broadly all our projects are on schedule. The high-profile projects where the maximum returns we expect and where we want to integrate our operations is aluminum business where we are commissioning the train one and train two both, this year. And operationalization of the coal mines, I would say we may have the record in the country where in such a short span of time we have been able to operationalize Jamkhani mine. And it is up and producing today, the licensed capacity of 2.6 million ton. Now we have taken the approval to raise the capacity to 3.9 million ton. In the current year we will make a full operation of 3.9 million ton.

One of the other mines Kuraloi mine, we want to operationalize this year itself. So, operationalizing the mines after winning it through auction in a period of one to two years, I don't think there are many people who are able to do it. Even next year we want to operationalize Radhikapur and Ghogharpalli mine. So, with all these mine operationalizing, it will provide more than 100% security.

And same way we want to go for Sijimali which we have won through auction for bauxite, and because this will provide a full bauxite security to us. The R&R is such that when the mine could be fully ramped out with more 300 million tons of reserve and resources, this mine has a potential to produce 12 to 15 million tons of bauxite which will provide a full security to us. And we want to go this way and integrate our operation.

The value-added product is a very important area where we want, we are commissioning the role product which is the highest demand growth market in India and the premiums are very high. Similarly in the billet capacity, PFA capacity, so we want to make our aluminum operation 100% value-added product. So, similarly there are projects going on in the other businesses like Electrosteel, Zinc International, Oil & Gas where we feel that broadly we are on track to complete our project in time.

Sumangal Nevatia: Just to, I mean repeat and get some specifics, this BALCO 1-million-ton expansion there is almost a one year delay from what we said last year. So, can you share some detail as to what is the status and what is causing the delay? And the same with Electrosteel 1.5 to 3 million expansion similar one- and one-and-a-half-year delay. So, just some specific on these two projects?

Sunil Duggal: I mean as I said that the equipment movement from China caused a bit of the delay. But more or less these projects are in full swing now. And whatever commitment now we have given will be able to complete the project on those timeline.

Sumangal Nevatia: My second question is with respect to our capital structure, and also pledging, I mean we have seen that, I mean we read in the news that we are pledging Hindustan Zinc shares for incremental loan, despite having such a strong balance sheet. I mean just want to understand what are the reasons, is it because for higher dividend are we raising these loans or because I mean the leverage, the lenders are not comfortable lending to us without these pledges. And also in the medium term what should we expect the capital structure of Hindustan Zinc be, I mean in terms of debt and payout?

Arun Mishra: Well, from a capital structure of Hindustan Zinc perspective maybe when you have this Hindustan Zinc Board Meeting and the Investor Call, probably that maybe the right forum for you to ask that questions. Speaking from the Vedanta standpoint pledging Hindustan Zinc shares and raising funds these are in our view natural course of business, the usual way of sourcing and raising debt. We don't find that to be an extraordinary event which will require a significant different response to this question.

Moderator: Thank you. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: I have two questions; my first question is can you help us understand how much is the repayment due at the parent VRL till June and for the next 12 months?

Ajay Agrawal: Well, till June the payment due is about $750 million odd, the numbers might not be fully correct but near about $750 million odd and for the years for the balance fiscal years, the amount could be around $2 billion which include this $750 million.

Indrajit Agarwal: My next part, actually a follow up to that is what is the kind of sourcing we are looking for till June for this $750 million.

Ajay Agrawal: Well, what I can assure you that the group has always you know met its commitment on time. And group is working towards it to meet its commitment on or before. So, whatever the timelines are like you said for the June month, for the June quarter, they are working towards it to meet its commitment and likewise it will be done for the year end as well.

Indrajit Agarwal: And what is the status on the GR to RE conversion or what is that stock and what is kind of timeline it should look like?

Ajay Agrawal: So, we are reaching out to all the lenders to seek their NOC as you know this process requires the NOC from the lenders. And the work is ongoing as we speak. The scheme does not envisage any outflow of cash and hence there will not be any impact on the creditors of the company. So, as and when we get the NOC from the lenders, it should happen.

Indrajit Agarwal: So, getting this NOC is it more procedural or is there any kind of pushback or any kind of questions by the lenders that we need to address before we get the NOC?

Ajay Agrawal: We are reaching out to the lenders and like I said, as we speak, we are talking to them, we want to understand if there are any concerns. In our view it is process, it does not envisage any challenges so as and when we get the NOC from the lenders it will be done.

Indrajit Agarwal: Any timeline for that that you can give at this point?

Ajay Agrawal: At this moment it is difficult to give any timeline, but what I can assure you is that the conversations are on, discussions are on with most of them and we are hoping that it should get solved.

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

Alok Deora: Firstly, in your comment I briefly heard you about mentioning about some slowdown in China and Europe so just if you could indicate what exactly, how are you seeing the demand situation there and what's the outlook, because here we are somehow getting mixed signals in some of these geographies on the demand side?

Sunil Duggal: See I didn't say about slowdown in China and Europe that was more to get the delay in the equipment delivery, some of the equipments coming from China. So, that was what it is.

As far as you see the slowdown in China and Europe is concerned and the commodities and the metals we deal, we feel that the metals we deal there is an upsurge in demand in India which gives us the opportunity to serve these upsurge in the demand. But these metals we deal have to play a very pivotal and a critical role in decarbonization. So, the resources today globally are such that it will be not easy to meet the growth in the demand in this sector. So, we feel that this sector will always remain as a sunrise sector. And the commodity prices always are going to stay at an elevated level for the metal we deal with. So, we are very bullish, we are very confident that we have to play a very critical role to meet the demand of these metals both in India and globally.

Alok Deora: Just one last question, if the purchase by Hindustan Zinc of the Zinc International Asset, what's the status on that because what we understand is that the timeline for the shareholder approval is lapsed. So, any update on that --; what is the status of the $2.9 million deal?

Sunil Duggal: There is no update as such to be reported as this point of time, I mean still believe that it is a value accretive to both Hindustan Zinc and Zinc International because these two operations will definitely complement each other because Zinc International has a very rich reserve and resource base, which is even more than Hindustan Zinc, the way the Hindustan Zinc has grown from where it was to what it is today. Zinc International of course has also grown but there is a huge potential. So, what Zinc International possess and the geography it is located and the skill it has and the management style which Hindustan Zinc has, we feel that these two businesses coming together can create a wonder and this is what we have been communicating to all our stakeholders.

Alok Deora: So, the reason I was saying is because there were reports that so Hindustan Zinc had around 3 months to call for the EPF for this and that 3 months lapsed kind of last week so that I was just checking on the status, really.

Sunil Duggal: No, we will remain in active discussion with the stakeholders to find out that what possibility, in what manner could be non-cash deal, what could be the other ways where this alignment could be possible. And we still feel that this is a very value accretive opportunity for both the businesses.

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

Ritesh Shah: I have two buckets of questions; first bucket has four sub-parts in it. So, first question has four parts to it.

1) first is I think you had indicated $2.1 billion for repayment which was there, from Jan to June. In the earlier call we had indicated, we were looking at $550 million from PSU banks, $150 from Barclay, $750 from Oaktree, $300 million brand fee and there was a balance small amount which was left. So, the question is how much have we tapped and what's the status on that, that is the first question.

2) The second related part over here Part B is I think there was, the rating agencies were talking about a billion dollar of investment at Zinc International. So, just wanted to know your thought whether it has happened, not happened, is there some probability to the event, that was the second thing.

3) Third is, if you could please clarify what is the exact pledge and encumbrance number at both Vedanta and Hindustan Zinc and I do take a note that the promoter holding in Vedanta has reduced from 69.7 to 68.1, so how should we read this vis-à-vis pledge and encumbrances.

4) And last question for the first part is what is the retail earnings number on a March end basis for Vedanta India?

Ajay Agrawal: The rating agencies have quoted loan transaction at Zinc International; I think in the previous question this question was somewhat answered. These are again a very specific transactions and routine financing arrangement which the group undertakes on a year-on-year basis. And as and when the transaction gets consummated, we will be able to respond to a very specific question of yours.

Coming to the repayment, like I said the group is extremely confident to meet its debt obligation commitments and requirements on a timely basis. We have always met our commitments in the past and I don't see any reason, any risk of not meeting the commitments in the future as well. So, I may not have full details because it's an investor call of Vedanta Limited and not necessarily VRL, but I am sure that the team is working and they have full details in terms of making plans to make their arrangement, whatever the commitments are due from here on till March.

Coming to the retained earning numbers as on 31st March 2023 we have Rs. 3843 crores as our retained earnings in the balance sheet.

Ritesh Shah: On the promoter stake which has reduced and, on the pledge, and encumbrances at Vedanta and Hindustan Zinc -- how should we look at this?

Ajay Agrawal: So, in our view, it's an independent transaction done by the promoter entity. And we are not in a place to really speculate the reduction and where the funds have been used by the promoter entity.

And on the pledge part of it, I believe from a Hindustan Zinc perspective, we have pledged 9.21% shares of Hindustan Zinc and we have signed 50.1% as NDU. So, these are details with respect to Hindustan Zinc's pledge.

Ritesh Shah: And for Vedanta?

Ajay Agrawal: Vedanta you mean to say VRL?

Ritesh Shah: Vedanta India, what quantum of equity is actually pledged or encumbered?

Ajay Agrawal: 50.1, it's an NDU like I said Vedanta Limited had pledged 9.21% and signed an NDU of 50.1% of Hindustan Zinc.

Ritesh Shah: So, let me rephrase is, from Vedanta Resources into Vedanta the 70% stake which is reduced to 68.1% what is the status of that 68.1%, what part of it is pledged or encumbered?

Ajay Agrawal: It's fully encumbered and it is kind of an NDU which I just explained to you from a Hindustan Zinc point of view, it's a similar arrangement.

Ritesh Shah: Sorry if I am just dragging a bit. But if the state here is fully encumbered then how is that that the promoter is allowed to reduce its stake, because a little bit of technicality what I understand is that the encumbered, the entity would not have the right to actually select.

Ajay Agrawal: Well I can't really you know speculate how they were able to sell, but I am sure, as you know that in the last year, they have reduced the debt also. I am sure that some part would have been unencumbered and would have allowed a free share to trade.

Ritesh Shah: Any update on the semi-conductor foray, whether it is at Vedanta level or VRL level, any color over there?

Sunil Duggal: Well as of now the semi-conductor is not under the banner of Vedanta Limited, so it will not be possible for me to make any comment at this point of time.

Moderator: Thank you. The next question is from the line of Ashish Kejriwal from Nuvama Institutional Equities. Please go ahead.

Ashish Kejriwal: My question is on Aluminum business, is it possible to share what kind of metallization of linkage coal happened this quarter and how you are expecting your cost of Aluminum to fall in next quarter.

Sunil Duggal: So, I have with my colleague Rahul Sharma on the call, but I will give you a bigger perspective of the coal linkage. The coal linkage has improved because the coal position in India has eased out and you must have also seen that the coal stocks in IPPs are about 15 days compared to 6 to 7 days last year at this point of time. So, with this the premiums are, e-auction premiums are down, linkages are better, the coal production has gone up from Coal India. Last year the production growth in Coal India was 12%, captive mines coal production went up by 35%.

Overall, the production grew in India by 15%. So, the power demand is not rising at this speed and because of the renewable capacities also getting commissioned on the overall pie, the contribution of the renewable in meeting the power demand is also going up. So, this is all easing out the stress on the coal availability in India. And with this we feel that from now on the position will ease more and more and similarly the rake availability from the Railway also is become better and better.

Rahul Sharma: I think the important part is that if we see from a coal, which I will talk linkage and captive because now we have opened up the Jamkhani Mine in last quarter, so I will club both. And what I am trying to make a point is that we see that in Q4, we were at 66% of linkage plus captive and metallization was 82%. The good news is that this year we are starting with 80% of security and the target remains more than 90% of metallization. So, from a coal security and the metallization I think we are a much better position that is point number one.

The second important point which I am very pleased to note is that if you remember the last year when we started the year, our coal inventory was 4 to 5 days, before the monsoon. But this year when we are starting the year, we have in our plant close to 14 days of inventory and another 11 days at our captive mine. So, totally we have 20 to 25 days of inventory, which we are very comfortable before monsoon or the Q1.

And coming to the point in terms of the cost from the Q1 point of view, I think for a year guidance has already been given in our presentation, but Q1 our target remains what we said last quarter was that in Q4 we were absolutely there in around 4% reduction and same way we are looking 5% to 6% reduction in Q1, so that is on the cost side.

Ashish Kejriwal: Second thing is because in earlier calls we have indicated the estimated coal cost of different mines at peak capacity, is it possible to share that like Jamkhani, Kurloi, Radhikapur, I am just trying to compare it from the existing cost where we can have going forward?

Rahul Sharma: I can only answer that you know if you see that the coal bucket, as Mr. Duggal said, initially the coal mine we have more than a 100% of the captive requirement that's the capacity is there. And overall cost we estimated it will be less than Rs. 70 paise, it can be between Rs. 0.65 paisa to Rs. 0.70 paisa, that's what the projection for that and we are absolutely on that point.

Sunil Duggal: Which works out to say a total power cost of $400 to $450 per ton.

Ashish Kejriwal: And secondly, have we done any further hedging in our, any of the businesses?

Sunil Duggal: Not at this point of time.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Rahul Jain from Systematix. Please go ahead.

Rahul Jain: Your guidance appears to be very muted in terms of the cost deflation that we are seeing. If I am not mistaken, you know which has been down 70% from it's peak and we should see a much better delivery from Coal India. So, are we conservative on our numbers on both on the Hindustan Zinc as well as on the Aluminum business, because you have just given I think a $200 kind of a cost reduction whereas in the past we have reached about $1400 to $1500 per Aluminum. So, are we being conservative on this?

Sunil Duggal: No, I think you might be right, because we would like to definitely beat the guidance of what we have given in this call today. We have given a guidance of $1800 to $1900 per ton of hot metal. So, I think we are able to meet around $1800 per ton of cost in this year. So, let us suppose even if the Aluminum prices stay between $2300 to $2400 and a NSR of say $2600 and the cost is at $1800 so it will give us a very good EBITDA margin of say around $600 to $700 which is good for the business. But we wish to and we aspire to beat the target, but the overall objective of the business of having EBITDA margin of $600 per ton is met at this cost even at the Aluminum prices of say average of $2350 to $2400.

Rahul Jain: And also we have stepped up the CAPEX guidance across all the businesses, I think it's the highest CAPEX that we are going to do in the last 5 years. So, in terms of say there is some commodity price crunch or there is some weakness in price which persists, so which are the key priority, so which are the ones which we are going to pursue no matter what, I mean which are the top projects that we are looking at in the next 2 years.

Sunil Duggal: So, basically all these projects are very important. The major CAPEX speeding of $0.7 billion is in Aluminum this is on the vertical integration, adding the value-added products, operationalization of mines. And these CAPEX are going to make us smarter and smarter. So, every CAPEX commissioned is going to add dollars to the bottom line. So, these CAPEXs are very important as far as the Aluminum business is concerned.

Similarly, the other CAPEXs if there are the opportunity to debottleneck the low-hanging fruits in Hindustan Zinc to take the full capacity to 1.2 million ton, we are very excited about this CAPEX. Similarly, in Electrosteel it is unfinished project, we want to complete this project as soon as possible. Similarly in Zinc International, the way the Zinc business is and the way the projection of the Zinc commodity prices are there for the future, we want to complete the project as soon as possible.

So, all these projects are very value accretive to us and we are very excited, and we want to finish these projects as soon as possible because all these projects are going to increase our revenues, cut down the cost and make our position much more fundamentally more stronger. So, we are very excited, and these are all brownfield expansions.

Rahul Jain: Just a related one, so should we expect the dividend payouts to kind of, we have been very generous in the dividend last one or two years, should we expect now to be more moderate in line with your earnings or how should we see the dividend in the next coming years?

Sunil Duggal: So, Rahul I think, I answered this question Ritesh also asked the same question, dividend is a Board matter, and I am sure Board will consider all parameters before really ensuring that the shareholders are rewarded.

Rahul Jain: It was because our CAPEX is going up significantly so obviously cash allocation should be different, so that is coming more from that side.

Moderator: Thank you. Ladies and gentlemen that is the last question for today. I now hand the conference over to Ms. Prerna Halwasiya for closing comments.

Prerna Halwasiya: Thank you all for taking the time to join us, I hope we were able to answer most of your questions. In case if you have any further questions, please feel free to reach me or my colleagues at the IR team. This concludes today's call we look forward to reconnecting with you for our next quarter earnings call. Thank you everyone. Have a good day.

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