"Vedanta Limited

Q3 FY '24 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Vedanta Limited Q3 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note, that this conference is being recorded.

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

Prerna Halwasiya: Thank you, Neerav. Hello, everyone, and welcome to our third quarter of financial year '24 Earnings Conference Call. I'm Prerna Halwasiya. On behalf of the entire team of Vedanta, I would like to thank you for joining us today to discuss our financial results and business performance.

Today, from our leadership team, we have with us Mr. Arun Misra, our Executive Director; Mr. Ajay Goel, our Chief Financial Officer. Then, we additionally have Mr Akarsh Hebbar - Global Managing Director - Semiconductors and Display Businesses, Mr. Ajay Agarwal, President, Finance. Our business CEOs; Mr. John Slaven - CEO, Aluminum business; Mr. Steve Moore - Deputy CEO, Oil & Gas. Along with him, we also have Mr. Vibhav Agarwal - CEO, Power Vertical; Mr. Chris Griffith - CEO of Base Metals

Please note that today's entire discussion will be covered by the cautionary statement on Slide number 2 of the presentation. We will start with the update on our operational and financial performance, and then our leadership team will briefly speak about themselves and their vision for the individual businesses. And lastly, we'll open the floor for the Q&A.

Now I would like to hand over the call to Mr. Arun Misra.

Arun Misra: Thank you, Prerna. Good evening, everyone. Thank you for joining today's quarterly income update. At the outset, I'm proud to share that Vedanta has been ranked third in S&P Global Corporate Sustainability Assessment 2023 amongst 238 global peers, whereas Vedanta's Hindustan Zinc Limited has been ranked first, depicting our commitment toward ESG goal.

Moving on to the third quarter performance, we delivered robust and competent cost of production across business segments, while maintaining positive momentum through volume expansion across businesses. Aluminum and Zinc continue to be among the lowest-cost producers globally with aluminum being in first quartile position on global aluminum cost curve and zinc being in the first decile position on global zinc mining cost curve, respectively.

Aluminum delivered highest ever 9-month production of 1.8 million tons with the cost of production of $1,825 per ton, which delivered approximately $800 million of EBITDA. The business also showcased highest ever quarterly production of 599,000 tons with increasing trend for the fourth consecutive quarter and the cost of production of $1,735 per ton.

With our consistent focus on cost reduction and aggressive pursuit of debottlenecking projects to further unlock volume, aluminum business is well placed to potentially deliver 2.5 million tons of production with $1,600 per ton of cost annually that should result into potential EBITDA of $2.6 billion.

Zinc India delivered an all-time high 9-month mined metal production of 780,000 tons, up 2% year-on-year. Silver recorded the highest ever 9-month production of 556 tons, up 5% year-on-year and overall cost of production being $1,142 per ton, which delivered an EBITDA from zinc business of $1.2 billion. The business's quarterly production stands at 259,000 tons with the cost of production of $1,095, recording 15% quarter-on-quarter EBITDA growth and lowest zinc cost of production in last 10 quarters. While consistently investing in ramping up our underground mines and smelter, the zinc business will aim to reach 1.2 million ton per annum with $1,000 per ton of cost annually with a potential to deliver a business EBITDA of $2.1 billion.

Zinc International faced challenges due to lower zinc rates in this quarter, but has an optimistic future of producing 365,000 tons of volume with $1,400 per ton of cost annually with a potential to deliver EBITDA of $285 million.

The iron ore Karnataka mines 9-month sales recorded 4.2 million tons, which is 24% growth year-on-year, whereas pig iron recorded highest ever 9-month production of 633,000 tons, up 24% year-on-year, delivering around $130 million EBITDA.

Talking about quarterly performance, iron ore Karnataka saleable ore production stands at 1.4 million tons, whereas the pig iron production stands at 203,000 tons, delivering EBITDA of $77 million. With rigorous efforts on quick payback projects, iron ore business has the potential to deliver $400 million of EBITDA on an annual basis.

Electrosteel delivered highest-ever 9-month saleable production of around 1 million tons, up 16% year-on-year and 9-month EBITDA margin standing at $28 per ton. The business consumed highest-ever captive iron ore from its fully ramped up iron ore mines acquired last year. Quarterly saleable production stands at 341,000 tons, up 11% year-on-year with an EBITDA margin of $38 per ton. The business has a promising future of producing 2.4 million tons per annum with a cost of production of $546 per ton, delivering an EBITDA of $301 million annually.

Our Power plants cannot be forgotten when it comes to Business Delivery. Power Sector has delivered 9M EBITDA of around 90 Mn$ and has a huge potential to deliver 206 Mn$ annually with new power plants in line.

FACOR recorded 53 KT as 9M production 10% up y-o-y with EBITDA margin of 140 $/T. Quarterly Ferrochrome production is 22KT up 15% y-o-y with EBITDA margin of 146 $/T. With an already approved capex of 2650 Cr, the business has outlook to produce 200 KT annually to deliver 100 Mn$ EBITDA.

Copper Business 9M production stands at 110 KT. Quarterly performance shows 43 KT production. With its new age technologies and fast expansion, the Business can aim to deliver 108 Mn$ EBITDA annually.

In a significant development, our Oil and Gas business submitted the country's first Field development plan for the OALP field Jaya awarded under HELP regime. The Business' 9M production is 131 kboepd with an opex of 13.4 $/boe. With debottlenecking initiatives in place, the business has a potential to Deliver 750 Mn$ EBITDA annually.

From the above, we can conclude that all our businesses together have a potential to deliver 7 Bn$ EBITDA Annually if the top line numbers are achieved after completing the debottlenecking projects.

With our outstanding portfolio of low-cost, high return assets, multi-commodity presence, strong balance sheet and a commitment to safe operations, we are well positioned to capitalize on India's growth and deliver value to our shareholders.

Looking forward, we are committed to a strategic capital expenditure plan of ~8.4 billion dollars including expenditure for inorganic growth in the medium term with an average payback of 3 years. With this, our Revenue will go up by 4Bn$ and EBITDA by 1Bn$.

These already approved projects are designed to unlock significant value for our key business segments, ensuring sustained growth and long-term success.

It is to be noted that almost all the projects will be funded by the Businesses themselves with their own cashflows.

In Aluminium segment, a significant portion of our capital investment is directed towards upgrading production facilities, structurally reducing cost of production to 1st quartile, and expanding capacity. Balco expansion to 1MTPA will take total capacity to 3MTPA and place us in the top 3 producers globally ex-China. Operationalisation of captive coal and bauxite mines and Lanjigarh alumina refinery expansion to 6MTPA will make the business 100% integrated. This strategic focus aims to increase our market share, improve operational excellence, and ultimately boost profitability within the Aluminium segment.

Zinc India, after successful commissioning of Fumer and Mill revamping, is geared to commission 160 KTPA Roaster plant at Debari and 5.1 LTPA Fertilizer plant at Chanderiya, to boost its production capacity in near future.

Zinc International, with one of the world's largest zinc deposits, is poised to deliver significant value. Phase 2 expansion at Gamsberg with a capex of ~466mn dollars is in full swing. This project will expand the MIC capacity to more than half a million tonnes, second milestone in our vision to create a 1million tonnes metal business under zinc international.

Talking about Iron Ore Business, the IOK ROM production is expected to go from 7.2 Mnt to 10 MnT post EC enhancement. Liberia will grow from 1.5 MTPA to 5 MTPA, along with a strong focus on operationalization of Goa & Orissa mines.

ESL and FACOR strategic expansion plans are to grow from 1.5 MTPA to 3 MTPA & 150 KTPA to 450 KTPA respectively.

As we will be heading soon in the next Financial year, we are very focussed to achieve significant milestones with the various debottlenecking projects going on across all our BUs. By strategically addressing and eliminating constraints, these initiatives would significantly enhance production capacity, reduce downtime, and elevate overall performance in terms of increased revenue streams and improved margins.

In conclusion, this quarter's success is a result of focused operational performance, strategic investments, and our commitment to innovation and sustainability which has resulted in continuous compression of cost and expansion volume. This effort will continue in the coming days and take our company to a level where it has the potential to deliver 6-7 Bn$ of EBITDA from its operations annually. We remain optimistic about the commodities markets and are confident of our ability to navigate the ever-evolving business environment.

Thank you and over to you Ajay.

Ajay Goel: Thank you, Arun, and good evening, everyone. I'm pleased to provide an overview of our financials during the third quarter of fiscal 2024. Commodity prices exhibited a mixed performance, responding to a blend of global market dynamics, geopolitical developments and sector-specific demand patterns. India stands out globally, both for growth and stability, marked by substantial investments in both physical and digital infrastructure.

The emphasis on manufacturing and significant capex, both by private and public, has played a pivotal role in India's growth narrative over the past few years. Capitalizing on strong domestic demand, our team has shown commendable operating performance through significant cost optimization and cash generation across businesses, ultimately reflecting in our superlative financial performance during the quarter.

Now, let us delve into financial highlights for the current quarter. And any reference to quarter-on-quarter improvement today are after adjusting for a one-time gain of Cairn arbitration that we recorded in the previous quarter, that is second quarter. In Q3, we delivered highest-ever third quarter revenue of INR34,968 crores, which is up 4% quarter-on-quarter.

In Q3, we achieved EBITDA of INR8,677 crores showing an impressive 21% growth quarter-on-quarter. We realized a substantial 112% quarter-on-quarter surge in PAT before exceptional items reaching INR2,868 crores in third quarter. And I repeat that PAT growth before exceptional in the current quarter over the previous quarter is 112%.

This quarter, we also improved EBITDA margin to 29%, reflecting a significant enhancement of 438 basis points, mostly coming from our programs around cost compression across businesses, specifically in zinc and aluminum. And finally, we also registered ROCE, return on capital employed, at 23%, showcasing a commendable improvement of 140 basis points quarter-on-quarter.

Moving on to EBITDA bridge. EBITDA experienced, as I mentioned, a noteworthy 21% sequential increase, primarily attributed to higher volume and successful cost reduction endeavors. Additionally, favorable movements in the LME and exchange rates also contributed to EBITDA growth quarter-on-quarter.

Now, turning to balance sheet and debt. Net debt as of December 31 stands at INR62,493 crores as against INR57,770 crores on September. The increase is primarily attributed to strategic allocation of funds for capex, partially offset by robust cash flows from operations and working capital release.

With INR11 per share dividend amounting to INR4,089 crores in third quarter, Vedanta has been consistent in delivering attractive returns to shareholders. Our dividend yield on average is 10x than of NIFTY 50 companies over the last 5 years. We finished the quarter with healthy cash and cash equivalents of INR12,734 crores. Additionally, we have consistently upheld average maturity of 3 years of our borrowings with an average borrowing cost of 9.4%.

On liability management, I'm very happy to inform you that our liability management exercise at HoldCo Vedanta resources has been successful, resulting in a structural improvement in the overall capital structure as a group. As a result, our liquidity position has greatly strengthened. We are now in even more comfortable position to manage our existing debt and take long-term monetary decisions.

A quick word on demerger. The stock exchange has given their NOC for the demerger scheme to SEBI. Currently, we are awaiting SEBI's NOC. Concurrently, we're in talks with creditors for debt allocations. Once SEBI's NOC is secured, the scheme will be submitted to NCLT for an order to conduct members and creditors meeting.

Finally, to conclude, given our expertise in driving improvement across businesses, we are confident in our ability to conclude the year with a strong performance and also realize our potential of near future as covered by Arun. Additionally, we are steadily progressing toward achieving our long-term objectives of vertical integration, operational excellence and deleveraging.

Vedanta remains a growth-focused company. And there are additional avenues around the electronics business. Further, with our ongoing value unlocking exercise, that is demerger, it will have portfolio of 17 pure-play companies that will enable to create substantial value, not only in the present, but also in coming years.

With this, I now hand over the mic to Mr. Akarsh Hebbar.

Akarsh Hebbar: Good evening, everyone. This is Akarsh Hebbar: here. I just want to talk to you about the businesses of semiconductor and display. In 2017, we acquired AvanStrate, a company -- a Japanese company with factories in Taiwan and Korea. We make LCD glass substrates. It's a technology manufacturing plant, which has technology patents of over 700 patents. This technology is only acquired with 4 companies, 3 are Japanese and 1 is American, and the market is about $10 billion.

Our vision for this, when we look at high-tech manufacturing as a unit, we have experience in both optical fiber and the glass manufacturing, was to bring this kind of manufacturing to replace electronic component imports in India. As we stand today, in the last 4 years, semiconductor chip consumption in India has increased twofold. And glass panel consumption in India has increased to about $7 billion, making this, all the electronic components together a $100 billion import bill for our country.

This is going to become $400 billion. And the only way to arrest this kind of import bill for our country is to make sure that we have this manufacturing within the country. And the best way to do that is to build a semiconductor fab foundry and a glass panel fabrication unit. Both of these together will contribute to about 35% to 60% of your electronic device, which is your laptop, your notebook, your TV and your smartphone, thereby adding a manufacturing value add of about 35% to 60% being made in-house with the creation of these 2 companies.

Not only that, the ancillary companies that will come around this will create about 80 to 100 foreign companies coming into India and create an ecosystem that will make India the fifth country in the world to have this high-tech manufacturing ecosystem.

Having said that, we are looking to build this out and make sure that the cornerstone of this technology is the acquisition that we have made, which is AvanStrate, and that glass that we make is what is used in manufacturing of wafer glass, which is used in the manufacturing process of semiconductor for chips and also display pannel, which is the natural downstream factory of our glass substrate. So we have glass substrate with us, which is the cornerstone of that technology.

So this is our vision, and this is what we want to build out in India. The government has laid out a very clearcut capex policy of 50% from the center and 20% from the state.

So with that, I'd like to pass on the conversation to John Slaven to talk about the other business. Thank you.

John Slaven: Thank you, Akarsh. And hello, everyone. I'm John Slaven, I'm the CEO of Vedanta's aluminium business. I joined Vedanta about 4 months ago after many decades in the industry. And I'm incredibly proud and excited to be leading the world's leading aluminum company, the lowest cost, the most sustainable and among the largest globally.

At Vedanta Aluminum, our singular focus remains on safe completion of our growth and integration projects on schedule and on budget to deliver higher volumes with structurally lower costs. Following completion of these projects, we will further reduce the cost of production by at least $200 per ton from current levels and increase product premiums by over 30%.

We're targeting an EBITDA margin of $1,000 per ton on 3 million tons of annual production, creating a very strong cash flow engine. The key initiatives to increase hot-metal capacity to over 3 million tons per annum are the completion of the 414,000 tons smelter expansion of BALCO, completion of a 100,000-ton volume creep project at Jharsuguda, optimizing operational parameters. We're evaluating a further 200,000-ton smelter expansion at Jharsuguda, and we are progressing further volume creep projects at both smelter sites.

We're also gearing up to become fully self-sufficient for alumina supply to our expanded smelters. This quarter, we will start production at Lanjigarh's 1.5 million ton Train-I with full ramp-up of both trains to be completed by the end of financial year '25. We're also debottlenecking the plant to deliver capacity of 6 million tons per annum by the end of FY '26.

In addition, we're building a mining business to secure low-cost self-supply of our key raw materials. For bauxite, development of the Sijimali Mine is progressing well with the initial production expected in Q2 of FY '25. This will be ramped up to 9 and 12 million tons per annum. For coal, Jamkhani is already producing at 150% of weighted capacity. Commencement of Kurloi, Ghogharpalli and Radhikapur are on track, and we expect first production within 9 to 18 months for these mines.

In the downstream, we are growing our value-added products or VAP through expanding capacity from 1.4 to 2.6 million tons per annum, which increases the share of VAP from 60% to 90%. We're increasing rolled products capacity from 44,000 to 100,000 tons per annum, and we're increasing sales in the more profitable domestic market from 43% to 55%.

I'm also delighted to share that Vedanta Aluminum is now ranked first in the S&P Global Corporate Sustainability Assessment for 2023 in the Aluminum Industry Group.

This is a really exciting phase of growth, improved profitability and enhanced sustainability for the aluminium business. And we look forward to sharing more as we deliver on this agenda over the coming quarters.

I'll now hand over to Steve Moore.

Steve Moore: Thank you, John, and good evening to everybody. Steve Moore from Cairn. As you know, Cairn has energized India for 30 years. We've been successfully exploring for developing and then producing from on and offshore fields around India. We have a reputation for technology implementation in all aspects of our work, exemplified by the world's largest polymer EOR project implemented in Rajasthan.

Since arriving in Cairn, I have drawn upon my extensive experience to identify and implement improvements, I believe better equipping the company for even greater success going forward. Changes include strengthening technical management, increasing the focus on maximizing recovery potential, while ensuring a flow of new opportunities to underpin our growth targets. We have moved into new areas such as the Northeast as well as new places that provide for significant value creation.

In mature fields the main focus is halting and then reversing production decline including the commercialization of booked Contingent Resources often by introduction of new recovery technologies, but also by, drilling of additional infill wells, extending the Polymer-flood EOR scheme to additional reservoirs, and Surfactant flood of the Mangla field where Polymer has achieved recovery of 45%. The first phase of this project will be on stream in February with incremental production expected in Q1 FY25.

Further growth will be achieved by bringing additional fields into production, including earlier exploration discoveries, DSF acquisitions and new discoveries from upcoming exploration campaigns. Rapid appraisal and development of selected exploration discoveries has commenced; Production from the OALP Jaya discovery increased to more than 2,000 boepd. An additional 50% expansion is imminent. Additional rigs are in Rajasthan to support monetization of exploration successes such as Durga. Plans for Shakti and NP viscous oil fields are finalised and the first development phase of the 600 mln bbl STOOIP Mangla tight oil development will commence in FY 25. These projects leverage infrastructure at Cairn's MPT facility minimizing Capex and Opex. Multi TCF basin-centre, gas resources close to our RDG process plant are also being assessed for early development.

A 10-well exploration campaign will be executed in Assam during the coming year and we will mobilize rigs to our east and west coast assets to implement multi-year drilling programs, combining in-fill wells with near-field developments (in the Ambe and G4 DSF blocks) and near-field and frontier exploration drilling of key prospects containing multiple billions of unrisked resources.

In parallel, we are also developing projects targeting CO2 with a target of achieving net zero by the end of this decade. Not only will these projects have significant environmental benefits, but they will also free up and provide to us sources of CO2, which we can use for implementing further EOR projects, further boosting recovery and at the same time reducing overall operating costs.

With that, I thank you, and I hand over to Chris.

Chris Griffith: Thank you, Steve. And good day, ladies and gentlemen. My name is Chris Griffith. I'm the CEO of Vedanta Base Metals, a mining engineer with 34 years mining experience. I have in my past career over the past 14 years been a listed company CEO of Kumba Iron Ore, Anglo American Platinum and Gold Fields. And in my career, I've grown and expanded operations, built mines, fixed and turned around poor profitability mines and altogether created significant value in those companies.

And I'm extremely excited to have joined Vedanta as the CEO of the base metal business, seeking to grow on these amazing set of commodities, copper and zinc with really exciting growth opportunities as well as opportunities to create value. We have a vision for the business to grow this business to more than 1 million tons of zinc and 1 million tons of copper.

Growing the EBITDA from currently from the copper and zinc business is around $200 million this year. In the very short term, by 2027, growing the EBITDA to $900 million, and then, growing by 2030, the EBITDA in this business to just under $2 billion. And how we do that in the zinc business, currently about 250,000 tons of production. In the very near future, we complete the Gamsberg Phase 2 project getting 500,000 tons of production. And we see a pathway from that 500,000 tons to 1 million tons of production by the next phase of Gamsberg, expanding our production at Swartberg and then also adding production at Namibia.

Profitability increases as well as the volume by increasing the margins, which are currently around $500 a ton, all the way to $800 in the near future and then to $1,000 a ton. And that's how we get to about $1 billion of EBITDA.

Likewise, in India and Fujairah, currently producing about 350,000 tons of custom production. In the coming year, we anticipate bringing Tuticorin back into the business. And we're currently in the early stages of developing a rod mill, a 100-kilo ton Rod Mill in Saudi Arabia. In addition to that, we see a pathway of a number of additional projects in the Middle East, and then, also, we're in the process of bringing KCM back into the business in Zambia.

So we see the production of 1 million tons with the existing margin in that business of around $500 a ton increasing to $1,800. And that between KCM and the copper business, we see delivering about $1 billion of EBITDA from that part of the business. So very excited about this copper and zinc business and its ability to add significant value to the new listed company.

And with that, I'll hand over -- I think the next speaker is Vibhav.

Vibhav Agarwal: Thanks, Chris. Good evening, ladies and gentlemen. I'm Vibhav Agarwal. Having spent more than 2 decades in power sector, now I'm spearheading Power Vertical of Vedanta Group as Chief Executive Officer. Vedanta is known to have world-class assets in its portfolio and power is no exception. We follow industry's best practices, create benchmarks with utmost importance governance and nation building at our core.

As you know, India's GDP and power demand are set to double by 2030 by government's estimates, creating a huge opportunity for Vedanta, a thermal power generator to fuel the Indian economy. While there is a strong focus on RE, that is renewable energy, it is crucial to acknowledge that thermal power generation will continue to remain an integral part of India in the energy mix. It is there where Vedanta's core business lies and where it aims to be.

Vedanta's Power Vertical is going to operationalize 2 new thermal power plants, one in Athena, which is 1,200 MW in Chhattisgarh, and the other one is Meenakshi Energy, which is 1,000 MW in Andhra Pradesh totalling to 2,200MW, which together with our existing capacity would take our overall portfolio to nearly 5 gigawatts.

With a mixed bag of long-term power uptake contracts and open capacity for sale of power on short-term and medium-term contracts, Vedanta Power will have a stable cash flow with a heavy margin and a very strong balance sheet. Ultimately, we are committed to deliver value and returns to our investors, shareholders in a sustainable manner while continuing to fulfill the power security of our nation.

Thank you.

Moderator: The first question is from the line of Vikash Singh from PhillipCapital. Please go ahead.

Vikash Singh: Good evening sir. Sir, my first question pertains to aluminum business. Sir, while you are giving a long-term guidance of $1,000 EBITDA per ton, we just wanted to understand what kind of aluminum cost of production you are baking into that?

John Slaven: So I'll take that question. In terms of aluminum, it's a difficult question to answer. I think we've all seen significant volatility in that price over the last weeks. What I will say about our structurally low cost position in the first quarter of the cost curve, we are very resilient through different LME prices. And we're confident that we can continue to generate strong cash through the cycle. So that's the way we're thinking about the metal price. It's not something we want to or can predict.

Vikash Singh: No, but since you are taking a figure of $1,000 per ton, so definitely, there should be some assumption in terms of the cost of production basis right?

Arun Misra: So roughly, if you take the number of $2,400 as LME and $200 as premium and $1,600 as cost that we aim to go to, we will come to a number of $1,000 per ton.

Vikash Singh: Understood. Second question, regarding oil and gas business. Since what I'm hearing that in the market that the rig cost has been rising exponentially, and we are deploying more rigs basically. So I just wanted to understand our opex cost guidance, and how does it impact our overall profitability?

Arun Misra: So you're talking about cost of?

Vikash Singh: The opex in the oil and gas business because the costs are rising pretty fast.

Arun Misra: Okay. Hitesh, are you there? Hitesh?

Hitesh Vaid: Yes. I'm here. See, in oil and gas, our opex is going to be two things; one is polymers, two is our well interventions, where the wells which are declining where we intervene to arrest decline. So these are the two key factors which are driving cost. And we have also started injecting polymer in our other fields in addition to Mangala, Bhagyam & Aishwariya, which started last year.

So these are the key contributors. But I think more importantly, what will work for us is adding new fields, which are beyond the three key fields. And since those fields will be initially under natural floor water front, so the cost will get optimized. So one is that part. Second, what we are also doing is given the polymer injection is going for long, now we have started doing the reverse where we are going down on polymer parts.

So you would see that going forward, that cost also will start declining, especially with related to polymer. And of course, what we intend to do is start injecting ASP, which we are planning to do in two or three months' time, our first pad injection of ASP, which we've been talking in the past. So that will give us not only a reduction in polymer with a constantly increasing in ASP, but more importantly our volume growth.

Vikash Singh: So overall, are we not expecting any opex increase in that business going forward?

Hitesh Vaid: Our opex on a polymer flood model or...

Vikash Singh: Overall opex I am talking about...

Hitesh Vaid: It will be around $12 to $13 range.

Vikash Singh: Okay. And a visible difference in the volumes we can expect from this quarter because we have been talking about volume increase from now quite some time, it's been years?

Hitesh Vaid: So maybe a couple of points from my side, and Steve can add given that he's coming and trying to look at things differently, but I think from oil and gas point of view, one is we have started bringing our new fields also into production, Jaya is one example. But last two, three years, we've been focusing on OALP where we have 100% participation interest.

So your -- any volume there is quite significant in terms of our bottom line contribution. So first one is there, we have done three, four or more discoveries in OALP, and we are working to monetize those also. So one part is trying to bring this new field, which gives us a visible addition.

Second, of course, the ASP as well as increments help us to manage decline and ensure that our core fields MBA give us a stable volume. So, Steve, do you want to add anything on this?

Steve Moore: Not really, Hitesh. I think you covered all the points. I mean I would agree that we shouldn't just focus on production because it's from where the production is coming where we're really focusing on growing our gas production, and we're making a bigger margin on gas.

And as Hitesh said, the production from fields like Jaya, it may not set the world on fire, 2,000 barrels a day, the money associated with that, because it's a very simple operation, is much higher per barrel than the declines we're seeing in Mangla. And we've got many, many. We've hired in some people. We are bringing extremely good people, good technologies from around the world. We're just figuring out exactly how to implement them in our fields.

And as Hitesh says, we're really targeting, bringing on not just optimizing the existing fields, but bringing in new fields into production. As I mentioned in my small short talk, we're actively studying the fields that have been found 8-10 years ago, and we see very good opportunities to bring them in economically in the next six to 12 months.

Moderator: Next question is from the line of Ashish Kejriwal from Nuvama Wealth.

Ashish Kejriwal: Sir, a couple of questions. One, amid this restructuring of current debt, how serious we are in terms of our monetization of steel and iron ore assets? And is it possible to guide where we are in that direction? That's my first question.

Ajay Goel: Sure, Ashish. First of all, thanks for the recent report on Vedanta and your recommendation and also in terms of target price. I'll start first by saying if you look at last couple of years at the Holdco, Vedanta Resources, debt has gone down from $9.5 billion down to sub $6 billion, so $3.5 billion deleveraging at Vedanta Resources. Of course, overall debt for the group remained same. But right now, in terms of assets and liabilities being at the same place, in that case our balance sheet and the structure for the capital is far more harmonious.

Secondly, coming to the point specifically, yes, with the debt restructuring at Vedanta resources is successful and the 3.1bn bonds maturities have been pushed forward by 3 years. With this our debt at Hold Co is more balanced, evenly spread and easy to manage.

Ajay Goel: And so our publicly announced intent of noncore assets disposition remains intact. Right now, we have witnessed interest both from domestic and international players. The process in terms of due diligence, data rooms, Q&As, site visits is ongoing. We are hopeful to get some offers by this quarter end, and sometime, early next quarter, we see the deal going through. So net-net, our interest in disposition of noncore assets remains intact, de-leveraging both for VEDL and we, as a group, remains absolutely our single biggest priority.

Ashish Kejriwal: And sir, second thing is besides this monetization, we have seen promoters increasing stake from 50.1% to 69% and then coming back to 63.7%. So is there further stake reduction from the promoter is in radar? Or that the possibility which one can look at?

Ajay Goel: I mean, Vedanta is a large corporation in terms of initiating corporate actions, so we are never shy. So you're right, 50% going to almost 70% and 5% dilution in the recent past is strategical initiatives. And also we will appreciate, Ashish, it's hard to comment any plans in the near future, but given an option, looking at our cash position and the priority of deleveraging, those things also can be discussed. But is that in the offering the near future, maybe I would say no.

Ashish Kejriwal: Sure. Sir, next thing is on operations. We are having power sector or power subsidiary separately where we have Athena and Meenakshi. So is it possible to share the capex plan for that, when that's going to be commissioned? And similarly for coal block also because now we have been seeing continuous delays in coal block, coal block start-up for the other mines.

So where we are in that status of that coal block, especially Kuraloi and Radhikapur, means whether we have received forest clearance, the environmental clearance or land acquisition, where we are so that we can be comfortable that now we can start the mine from second quarter FY25?

Ajay Goel: Sure. So on the first part, I'll request Vibhav Agarwal, our Power CEO to comment on plans for capex for Athena and Meenakshi.

Vaibhav Agarwal: Yes. So, Ashish, when we are actually building up these capacities to start generating, obviously, we require a bit of capex because these plants are half built. So we estimate close to INR6,000 crores would go into these plants to make them completely operational. And we -- I have already discussed about making them operational by FY26 completely. So this entire capacity would be up and running by then.

Ashish Kejriwal: Sure.

Arun Misra: So, on the coal block, if you look at Kuraloi, it is in the Stage 1 clearance level, and once the Stage 1 clearance is done, it will go to then forest clearance of Stage 2. Total 966 hectares of land is involved, out of which forest land is 214 hectares, so absolutely on track. And we can surely -- mining plan is approved, so it's just in next stage of projects.

Radhikapur, it's -- Stage 1 is already clear. And Stage 2 is continuing. So there is absolutely no apprehension as far as productions are concerned. If we look at Radhikapur coal block, then FY25 by second quarter it will come to a capacity of 6 million tons per annum. And Kuraloi by that time will be 8 million tons per annum in FY25 and in FY26.

And Ghogharpalli by FY26 will be 20 million tons per annum. So if you look at the -- Radhikapur 6, Kuraloi 8 and Ghogharpalli 20, and if you see the timeline, it is -- final operations, they will come by second quarter of FY25.

Ashish Kejriwal: So we are confident about second quarter FY25 because...

Arun Misra: Because if you see once Stage 1 is clear. Other one, Stage 1 is absolute on the verge of clearance, then the Stage 2, and the business starts.

Ashish Kejriwal: Sure, sure. And sir, lastly, about international zinc, we have seen Gamsberg, they are never produced at optimum level despite operation for last 20 years. So what is the matter over there? And when we are expanding our capacity from 250 to 500 KT MIC? When that is going to happen?

Arun Misra: So, Gamsberg always had the issue of the concentrator. Last -- that time, we used to have 60% recovery in the concentrator, which has gone up to now 80% level. So huge improvement has happened on the concentrator side to produce a better grade of concentrate as well as more quantity of concentrate. However, the mine is passing through a phase when suddenly between two different locations of ore body the overburdened quantity is very high.

And some of the movement of overburden has not been commensurate with their production level. So there is a low for the current quarter, and by another one quarter, Gamsberg operations will come back to line in full steam.

Ashish Kejriwal: And sir, expansion by when?

Arun Misra: No, expansion will continue, but I'm saying the current level of quarterly performance that has fallen down because of the huge requirement of overburden removal, and another quarter or two, it will come back to our operational level what is to report earlier.

Ashish Kejriwal: Yes, that we understood, sir. I was asking about expanding capacity, when it is going to be commissioned.

Arun Misra: Expansions are on the offing, and it's by 2025 December or so, expansions will be complete.

Ashish Kejriwal: Sure. Thank you and all the best, sir.

Arun Misra: Thank you.

Moderator: Thank you. Next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: Yes. Hi. Good evening, everyone. And thanks for taking my question. My first question is on the Aluminium division where that waterfall chart, where we find that the other expenses part, if you look at it, which has gone down materially, conversion as the cost essentially from $142 per ton to $56 per ton. So just wanted to understand the key drivers behind it and whether it is sustainable?

Amit Dixit: No. This waterfall chart, it is conversion and others, which is like $56 per ton in this quarter. Last quarter, it was $142. So I wanted to understand why it has gone down so substantially and whether this is sustainable.

Arun Misra: So there may be some one-time cost involved last time, so because of that only there is a reduction.

Ajay Goel: So maybe, Amit, the way to look at the overall aluminum CoP is total number. And you may have seen a Y-o-Y between the last year Q2 and the current year, 18% reduction in CoP coming across three large buckets, be it aluminum, power or the conversion costs. And across the verticals, be it aluminum or zinc or in terms of oil and gas, our CoP has been our single biggest highlight of the last quarter. So journey will continue.

In terms of overall target, we closed aluminum at almost $1,840, the finished goods CoP as on Q3. And the numbers in December is even lower than the Q3 average. The journey continues. And toward March end, our target is about $1,700 per ton as CoP of aluminum.

Amit Dixit: Okay. The second question is, again, on Gamsberg. I mean stretching Ashish's question a little further. So when I look at Gamsberg last year, your MIC was roughly 208 kt. And this year, it is much lower. Our recoveries are at a record high. So just couldn't reconcile the apparent issues over there.

If the mining is an issue, then it will always remain an issue. If there is a problem around subsidence, around slope not being proper, I think that will always be an issue, whether your recovery is high or low. So first thing, we wanted to understand when we will reach that 250 kt number for the year, because that has been alluding us for quite some time.

Arun Misra: So in the Gamsberg, if your apprehension is about mine subsidence or slope failure, those are not the issues. Current issues are related to the strip ratio and overburden removal because of the bad performance of some of the reps who were engaged earlier, they have not been able to perform to the target that they were given.

So overburden removal has been slow and which is having an impact of availability of right grade of ore at this point of time. Hence you see in spite of the higher recovery in the mills, we are not able to generate equal amount of MIC. However, current focus of the management is on engagement of best of the best contractors to get the overburden removed as quickly as possible. That's why I predicted that in another coming couple of quarters, looking at that numbers from Gamsberg also.

Amit Dixit: But, sir, for nine months, we have a number of 126 KTPA. I mean, assuming if you hit 50, you will reach 175 or something. So for FY'25, can we go ahead and achieve 250 KTPA. That is the moot question I have.

Arun Misra: Whole preparation is toward that only, that in FY'25 we achieve that 250 KTPA number.

Amit Dixit: Okay, wonderful sir. Thank you and all the best.

Arun Misra: Thank you.

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

Ritesh Shah: Hi, sir. Thanks for the opportunity. Couple of questions. Sir, first is possible to quantify how much is the retained earnings numbers for Vedanta and Hindustan Zinc December end?

Ajay Goel: Yes, sure. So for Vedanta, as in December, the RE is about INR1,500 crores. And for zinc, it is almost INR2,000 crores. So we as a group, about INR3,500 crores is the RE as of December.

Ritesh Shah: That helps. Second question is congratulations on the liability management exercise. I just wanted to get a gist on how much is the cost of funding, one is for the $1.25 billion facility. And the second is if you look at on a total basis of, say, $6.4 billion outstanding at VRL, how much will be the cost that one should look at?

Ajay Goel: On the point of the entire debt restructuring, as I mentioned, I still wish to again repeat that the $3.1-odd billion of bonds maturing over the next one year has been flattened, and it has been pushed by almost three years. In case, the VRL debt maturity in the current fiscal as in the FY'25 is about $1.8 billion, including interest cost of $800 million. That means we are in a far better position in terms of our managing debt as Vedanta Resources. In terms of the funding per se, the cost of funding is about 13% overall.

Ritesh Shah: This includes guaranteed, non-guaranteed loans as well, as well as ICL from Cairn, everything on a blended basis, is around 13%? Or would that be a fair thing for $6.4 billion?

Ajay Goel: That's correct. Yes. Blended rate about 13% all inclusive.

Ritesh Shah: Okay. And how much would that be for the $1.25 billion wherein we have done brand-fee securitization?

Ajay Goel: The same ballpark out there, Ritesh.

Ritesh Shah: Okay. And does Oaktree have any exposure either at the HoldCo level or at the OpCo level? And are there any direct or indirect pledge encumbrances related to Oaktree?

Ajay Goel: Yes. So as part of the whole debt restructuring, the Oaktree has exposure at the Vedanta Resources, $250 million, which gets repaid once we get the money on the 6th of Feb. And we also have -- you may have seen two NCDs we have done in the last year from the Oaktree, that continues.

Ritesh Shah: Sir, how much will be the total outstanding? If I remember it right, it was $750 million. Is the number the same? Or has it reduced?

Ajay Goel: It is at $700 million at Vedanta Limited.

Ritesh Shah: At Vedanta Limited. Okay. And sir, I think in one of the prior questions, you did indicate that we would be looking at divestments. In fact, you said that it could be probably next quarter or after that. Given the way which we have done the debt maturity profile, honestly, there is no need for any divestments. Is it because the capex ask is high, and hence, we are looking at divestments? How should we look at it from a cash flow standpoint? And if you can give some numbers around capex at Vedanta console level, I think that would be great.

Ajay Goel: Yes, sure. So you're right. I just proposed the debt raising at Vedanta Resources, our overall debt position as a group is far more comfortable. And at the cost of repetition, Ritesh, now, given there is no looming large maturity at Vedanta Resources, our ability of taking slightly longer-term calls at VRL on refinancing has enhanced significantly.

Having said that, the ESL or steel disposition has been independent, and that continues. As I mentioned initially, right now the process in terms of due diligence, data room, Q&As, site visits is ongoing. And we're hopeful to get firm pricing by this quarter end if that continues. In terms of deal culmination, sometimes in Q1. So that remains on track. It is fast for the course.

Ritesh Shah: In next FY, would that be right?

Ajay Goel: Q1 of next fiscal year. That's correct.

Ritesh Shah: Next fiscal, perfect. And just bookkeeping questions. Any update on GR to RE at Vedanta. I think you were securing creditor's approvals. And I think Hindustan Zinc has some, I think, court case on 15th of Feb. If you could provide some update over here, that would be useful.

Ajay Goel: That is the position at Vedanta Limited. Still the engagement with lenders are ongoing. It is progressing, but I can't right now give a definitive date when do we close it. On the zinc side, we got now all the approvals, including the shareholders. Now, before the NCLT for the second motion, the matter is being heard on the 15th of Feb. And depending upon how the things progress, we foresee that getting closed by this quarter end.

Ritesh Shah: Sure. And on the capex side, I just asked that question, how should we look at it given the cash flow profile is quite comfortable? We have given strict targets on volumes, but how should we look at the capex number?

Ajay Goel: Current year capex guidance was about $1.7 billion as per our last guidance. And we see it being maybe a tad lower, about $1.5 billion to $1.6 billion on a higher side. Historically, last multiple years, we have not exceeded our guidance on the capex. In fact, we have been a bit lower on that side without impacting overall timeline for the project.

In terms of guidance for the next fiscal, I think we have to await for one more quarter. As part of full year numbers, be it volume, CoP and the guidance for the capex, will be provided when we speak next time in three months.

Ritesh Shah: Perfect. And just last question. Does the group have -- has it engaged in advanced pay and supply agreements to manage that cash flows historically? Or do we have anything outstanding at this point in time?

Ajay Goel: In terms of advances, I think they are routine, Ritesh. And they are a part of working capital. Yes, we do have those advances, which keeps getting unfunded in terms of repayments, and we keep taking it. That is working capital that each businesses track separately.

Ritesh Shah: Sir, would it be possible for you to quantify that number, advance pay and supply agreement or anywhere on the balance sheet that we can actually figure it out?

Ajay Goel: It's almost INR2,000 crores as of December.

Ritesh Shah: Okay. This is very helpful. Thank you so much. I really appreciate it.

Moderator: Thank you. The next question is from the line of Bharat from Standard Chartered Bank. Please go ahead.

Bharat: Hi. Thanks for the call. First question for me is Vedanta Limited's domestic rating has been downgraded…

Moderator: Bharat, sorry to interrupt you, can you please speak through the handset.

Bharat: Hi. Is this better?

Moderator: A little bit.

Bharat: My first question is Vedanta Limited's domestic rating has been downgraded a couple of times by India Ratings in the last few months. How do you think this will impact the funding costs for Vedanta Limited going forward?

Ajay Goel: Yes. The India Rating, in fact, it came for sure as a disappointment, and we have disagreed with them as well. But again, sometimes more than one, respectable point of view is quite possible. Also, Bharat, I would like all of us to also take a look at rating by CRISIL, which is a Tier 1 agency in the same week last week, where CRISIL has reaffirmed VEDL rating at AA- with developing action. And we are engaging with India Rating.

Their key rationale for downgrade has been recent high-cost borrowing in December. And we did point out, it was an aberration given ongoing debt restructuring at Vedanta Resources. As we speak, we are dealing with one large Indian bank for a very large value loan at single-digit cost. So we will be engaging with India Rating, and we are very hopeful that very soon even they will give us an upgrade to AA.

So far as it's an impact on the money market, we don't foresee this action will have an impact on our ability of tapping funds in terms of value or cost of funding. As I mentioned, CRISIL has reaffirmed AA- for us.

Bharat: Okay. Sure. And then the second question is, you mentioned Oaktree's exposure at Vedanta Limited is now at about $700 million. Can you let us know what is the interest cost on those facilities? And what kind of security has been pledged?

Ajay Goel: It's 12% coupon rate.

Bharat: And the securities?

Ajay Goel: It's against fixed assets. It's 1.2x coverage.

Bharat: Okay, that's it from me.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I will now hand the conference over to Ms. Prerna for closing comments.

Prerna Halwasiya: Thank you, Neerav. And thank you all for taking the time to join us. I hope we were able to respond to most of your questions. In case you have any further questions, please feel free to reach me or my colleagues at IR team.

This concludes today's call. We look forward to reconnecting you for next quarter's earnings call. Thank you, everyone.

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