"Vedanta Limited Q1 FY-23 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to Vedanta Limited Q1 FY23 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandep Agrawal – Head Investor Relations, Vedanta Limited. Thank you and over to you sir.

Sandep Agrawal: Thank you Nirav and hello everyone. I am Sandep Agrawal. Once again thanks for joining us today to discuss our financial results for first quarter of fiscal year 2023 that ended on June 30th. We have with us today, Mr. Sunil Duggal – our Group CEO, Mr. Ajay Goel – Group CFO. We are also joined by leaders from our key businesses, Mr. Arun Misra – CEO, Zinc Business, Mr. Prachur Shah – Deputy CEO (Oil & Gas) Business and Mr. Rahul Sharma – Deputy CEO, Aluminum.

We will start with update on key highlights of our operational and financial performance and then we will open the floor for questions and answers. Please note today's entire discussion will be covered by the cautionary statement and disclaimer mentioned on page #2 of the presentation. Now without further ado I would like to handover to Mr. Duggal to take us through the presentation. Over to you Mr. Duggal.

Sunil Duggal: Thank you Sandep. Good evening, everyone. Welcome to Vedanta Limited first quarter FY23 earning conference call. Currently global economy is facing volatility amidst high inflation, potential rate hikes by central banks slackening consumer confidence and China's zero COVID policy led lockdowns. This has led to recent softening in commodity prices. However, we also see that China has announced stimulus and has started to ease lockdown restrictions. Amidst ongoing energy crisis especially in Europe, manufacturing costs are higher. This has potential to further suppress, supply and support commodity prices. Crude oil price is expected to remain supported on supply concern. Indian economy's relative resilience is reflected in strong industrial production, export competitiveness and non-food credit growth. Indian government's increased capital expenditure continues to support demand. Although inflation level is above the RBI's tolerance band, RBI expects inflation to fall below 6% level by March '23 quarter.

During the June '22 quarter, we have again demonstrated our ability to execute well through all these challenges. We have started FY23 with best ever first quarter EBITDA as key businesses continued to deliver strong operational and financial performance, underpinned by world-class asset quality and strong business models. We recorded first quarter EBITDA at Rs. 10,741 crores which translates into 7% YOY growth. We have started dynamic commodity hedging for proactive risk management amidst unprecedented price volatility. In July '22 we commenced operation at nickel cobalt Goa plant and Liberia iron ore mine. Our capital allocation and dividend policies are well articulated and designed to create sustainable long-term value. We have invested more

than $14 billion across businesses over the last 10 years. Without raising further capital from equity market, we are investing $3 billion over next 2 years and $2 billion in FY23 alone our growth volume, value added products, backward integration, operational efficiency, and digitization. These projects will make our businesses more sustainable and predictable.

We have one of the best dividends yield amongst peer. We have paid dividend of more than Rs. 65,000 crores over the last 10 years. In Quarter 1 we declared first interim dividend of Rs. 31.5 per share with another interim dividend of 19.5 per share in July '22. This translates into a very attractive dividend yield of 15.4% on YTD basis. We have impeccable track record of meeting all capital market commitments. In line with our commitment to deliver by $4 billion in the next 3 years VRL has deleveraged by $1 billion in Quarter 1 and is on path to further de-lever by $0.5 billion by this month end.

We believe in Atma Nirbhar Bharat, Vedanta Group is one of the highest contributors to national ex-chequer. We have committed to contribute towards uplifting people's life. The transition to a lower carbon world also offers a unique opportunity to grow and remain an attractive investment case for decades to come. Our ESG program has now moved from planning phase to execution phase. You will hear more on progress during the year. In June '22 quarters we achieve net zero commitment. We have completed climate risk assessment both physical and transitional risk. We have also completed inventorization of our supply chain emissions, that is Scope 3 emissions, 2 year earlier than our committed target. India's first battery electric vehicle in underground mine introduced at HZL Zawar mine.

We are continuing industry leading people practices on diversity and inclusion with 29% women in decision-making bodies. Vedanta is also among the few Indian companies that have actively recruited members from transgender community as part of our workforce. We are working to ensure zero harm workplace to learning from mishaps in FY22 and before. In June '22 quarter despite our best effort we are saddened with a loss of life of one business partner employee at Hindustan Zinc. We are taking various initiatives to drive safe work culture including focus on critical risk management to reduce hazardous activities at site. We have launched across businesses audit to ensure best safety practices across the group.

Now if I turn to our business verticals; at our aluminium business in line with Jharsuguda ramp up alumina quarterly production grew by 3% YOY, aluminum production was also up. Quarterly COP was $2653 per ton, impacted by input commodity headwinds, particularly power cost. Zinc India achieved highest ever quarterly refined metal production of 260 KT with 10% YOY growth. Silver production grew by 10% YOY. EBITDA margins supported by higher volumes, better recovery, commodity prices and hedging.

At Zinc International Gamsberg recorded highest quarterly production at 53 KT. It achieved a record annualized MIC production of around 225 KT in June '22. Cost of production also improved despite inflationary cost pressures. In oil and gas business volume was lower by 4% quarter-on-quarter due to natural decline which was partially offset by additional volumes from infill wells and polymer injection in Bhagyam and Aishwarya fields. OPEX increased by $0.60 per barrel QOQ to $13 per barrel, primarily on increase in polymer prices. We're focusing on infill well drilling to maximize near term volumes and arrest natural decline. We expect to commence production from Jaya and Hazari Gaon fields from September '22. Our Shale pilot is also on track for spud in September '22 quarter. From July 1st '22 the government of India has started levying the special additional excite duty on crude oil. We are engaging with the government on this within the framework of PSC and RSC and are quite hopeful on the favorable outcome.

In iron ore our Karnataka business saleable ore production was lower as heavy rain fall impacted ore handling. Pig iron business production was lower on YOY basis in line with plant shutdown at one of the blast furnaces. However, margin improved by 148% QOQ to $159 per ton. We have completed first step towards steel capacity expansion to 3 million ton per annum during the quarter by debottlenecking one of our blast furnaces. This shutdown impacted quarterly hot metal production and consequently a 7% YOY decrease in saleable production. EBITDA margin was majorly impacted from export duty imposition, driven steel prices decline and high coking coal prices. FACOR achieved highest ever ore production since acquisition with 14% YOY growth. Quarterly ferrochrome production grew by 3% to 18 KT. Vedanta is uniquely positioned to deliver sustainable value. In FY23 our key priority will be to deliver volume on committed lines, timely execution of projects and integration of our aluminium business.

We'll focus on production cost reduction and dynamic hedging to proactively manage commodity price, volatility risk. We remain committed to improve margins, increase free cash flow generation, and deleverage. We have an outstanding foundation of world-class long life and low-cost asset producing vital commodities for global decarbonization transition. Our strategy, high quality assets, strong balance sheet and capability position us well for future growth.

With this now I would like to hand over to my colleague CFO, Ajay Goel for financial performance.

Ajay Goel: Thank you and good evening, everyone. As Sunil said, we have an outstanding foundation of high-quality assets along with a strong balance sheet which positions us well for future growth. I am pleased to share that despite inflationary macro environment and fiscal and monetary headwinds we commenced the year with our best ever first quarter financial performance.

Before I walk you through the numbers, I wish to talk about few key accomplishments for first quarter. We achieved highest ever first quarter EBITDA of Rs. 10,741 crores. Increasing shareholder returns, paid total dividend of 11,684 crores which is 31.55 shares in Q1 and second interim dividend of about Rs. 7249 crores which is 19.5 shares in July. This translates to an attractive dividend yield of 15.4%. Proactive risk management through strategic hedging in major commodities to protect margins, the realized hedging gain in Q1 was Rs. 764 crores. We are continuously working towards dynamic liabilities management and has increased our maturities profile to around 4 years and lowered the average borrowing cost to 7.6%.

Lastly, we are progressing well on the path of committed deleveraging. You may have noted the release by our holding company Vedanta Resources Limited of 1.5 billion debt reduction in YTD July '23, that is in the first four months. This is in line with our commitment of 4 billion deleveraging over next 3 years. Operationally Gamsberg and FACOR delivered highest quarterly production while zinc and aluminum volumes continues to be strong. We also successfully acquired Athena power plant having two units of 600 megawatt each which gives long-term energy security and cost certainty.

Now coming to few of the key financial highlights of the quarter; our quarterly group revenue stands at 38,251 crores which is up 36% year-on-year (YOY), highest ever first quarter EBITDA of 10,741 crores, up 7% YOY with a strong EBITDA margin of 32% driven by operational performance despite inflationary cost pressures and moderating commodities prices. PAT, profit after tax stands at 5,592 crores, higher by 6% YOY and that demonstrates a strong financial performance. Our ROCE (Return on capital employed) at about 30%. It is higher by almost 780 basis points from last year's 22%. We also continue to maintain healthy cash and cash equivalents of 34,342 crores which is up 7% quarter-on-quarter. Finally, our net debt at 26,799 crores with net debt to EBITDA the leverage ratio at 0.6X same as last year's and 0.6X put in the perspective is amongst the lowest in Indian peers.

We also have a detailed income statement in the presentation and I want to just share a couple of more updates; depreciation charge for Q1 was at 2,464 crores, 16% up YOY due to higher overall depreciation charges at oil and gas and higher ore volumes at Zinc India. The finance cost for Q1 at 1,206 crores, up 2% due to increase in average borrowings which has been offset by reduced average rate of borrowings. Income from investment in Q1 at 583 crores, up 12% quarter-on-quarter in line with change in the mix of investment and down 20%, majorly on account of mark-to-market. You may have noted that there are two recent repo rate hikes that lead to mark-to-mark accounting but yield to maturity will not change. So, it is temporary. I want to underscore that. The average investment income stood at 4.7% pre-tax for the quarter. The normalized ETR the tax rate for Q1 at 23% which is lower on account of one-time impact of MAT, the minimum alternate tax asset recognition of 505 crores. On full yearly basis which is the

right way to look at it on full yearly basis we foresee that ETR will be within the guidance range of 26% to 28% which is more or less same as last year as well.

I will now move to EBITDA bridge; EBITDA is up 7% YOY and Rs. 709 crores. As evident from the bridge strong demand for all our communities and improved prices have positively impacted our EBITDA, supported by strong operational performance of key businesses. We also benefited by strategic hedging and higher CAPEX and OPEX recoveries in our oil and gas portfolio. However, this has been partly offset by higher cost of production due to input, commodities, inflation.

Moving on next page on net debt as you can see as of June 30th stands at 26,799 crores impacted by working capital investment which is cyclical in nature and CAPEX requirements in the short term. Despite softening of the prices, we believe that this year as well Vedanta will continue its growth journey and free cash flow generation will be sufficient to meet the CAPEX requirements and still deleverage as we have committed as a group.

A quick word on balance sheet; our long-term focus remains in proactive credit management. During Q1 we have increased the average maturities to 4 years from 3.4 years in the last quarter. While we have been able to further lower the average cost of borrowings to 7.6% from 7.9% in fourth quarter. So, quarter-on-quarter 30 bps lower cost of funding. Our credit rating is maintained at AA with a stable outlook both by India Rating and CRISIL.

Now finally each of our businesses are on growth journey; we want to grow across the value chain focusing on vertical integration and cost efficiencies while targeting higher capacity. Our growth CAPEX plan of around 3 billion over 2 years is aimed in the same direction and is in line with our capital allocation policy without compromising on the key priority of de-leveraging at group level. Overall, with our resilient portfolio we are well positioned to increasingly able to deliver strong performance across cycles and create value for all the stakeholders. Thank you. And I go back to operators for any Q&As.

Moderator: Thank you very much. We love it in the question-and-answer session. First question is from the line of Amit Dikshit from Edelweiss.

Amit Dikshit: I have couple of questions. The first one is on the hedging position in oil and gas and aluminium division. How much of the OPEX was used in volume terms in Q1 and what is debt outstanding right now and did we do any further hedging in Q1? That is the first question.

Ajay Goel: So, let me take it up first. So, if I speak of aluminum, our large portfolio, the hedging in the Q1 covers 20% of the volumes and the rate of hedging is about $3500 per ton. So, net-net one-fifth volume in aluminum is hedged for the Q1. If I also speak of zinc which

again is quite critical. So almost one-third 34% volumes for the first quarter are hedged. Oil and gas our working interest almost 16% but effectively if I leave aside the share of the government, again almost one-third of volumes are hedged. So, net-net 20% in aluminum and almost one-third across zinc, oil, and gas. As I mentioned Amit, the realized gain in terms of our positions which got matured, the gain is about 764 crores. Let me also take a word, it is forward, the hedging of the forward quantities which basically are for second quarter as in the current quarter and little bit for third quarter. Right now, the unrealized gain is about 3X of what we already realized but that will unwind only in second quarter and in October and November depending on the prices.

Amit Dikshit: Thanks for the comprehensive answer. The second question is essentially on the coal cost, what was the movement QOQ and how much you will guide for the quarter and is it possible to separately VEDL EBITDA?

Sunil Duggal: The coal cost you're asking is for aluminium or which business you are asking?

Amit Dikshit: Yes, coal cost for aluminium, sorry I should have specified.

Sunil Duggal: The average coal cost for aluminium business was Rs. 1.91 per GCV and the overall power cost was $1238 per ton. This is softening now and the linkage coal realization which came through Tranche - 5 is looking very healthy now in this month. With this I think a sizeable portion of the usage will go back to the linkage. Apart from that the auction coal prices also softening because of the international energy prices are also getting softened and some of the imported coal flowing on in some parts of the country depending on the landed price leverage they have. This is about the coal costs. Anything Rahul, you want to add on the coal cost for the current quarter and the Quarter 1.

Rahul Sharma: No, I think you have already touched. Q1 was basically the total coal requirement was 4.2 million and the cost was Rs. 1.9 per GCV. But as Mr. Duggal said that I think things have started moving and improving because in terms of security we have 100%, always the challenge remains the materialization and I see that in Q2 things are coming back because last quarter we had almost 32% as the linkage utilization and this quarter we are looking close to (+36%) kind of thing. So, we see the great implement going forward. Also, Duggal Saheb if you allow another point which I have forgotten to mention, I think last quarter also we mentioned; we have got Jamkhani as a coal mine wherein we have got all the approvals including opening of the mine approval and we'll be starting this Jamkhani mine in early next month. We see that it will be also some breath for us or rather great breather for us.

Amit Dikshit: Just as you said 22% linkage materialization in Q1 or 32%?

Rahul Sharma: 22% was Q1 and 36% we are looking for this quarter as an overall bucket of my total consumption.

Amit Dikshit: Is it possible to quantify the benefit that we might get into Q2, I mean total as a result of all these measures?

Sunil Duggal: We cannot give any guidance as much on this but at least the broadly what it looks like that it should fall to the level of quarter before at least.

Moderator: Next question is from Pinakin Parekh from JP Morgan.

Pinakin Parekh: My first question is on aluminum; given that the cost of production was over $2600 in the first quarter and LME is roughly at around $2400. At what point of time do you think that the company would look to cut production?

Sunil Duggal: There is no plan to cut the production. In fact, the last spots we are powering up. The average LME for the month is lying somewhere between 2450-2500 and with the premium. As we have said that the cost will ease out in the current quarter not only because of the power costs but also because of the processing cost and the alumina cost. Alumina cost because of the related LME going down could softened to about by around $150-$200, another $300-$400 could soften in power costs and balance in processing costs. So, even at the current LME prices we will make a good EBITDA margin and it makes a good business for us. That is why even the remaining part from the Line 6 we are ramping up.

Pinakin Parekh: Just to clarify, what you're saying is that even at current LME aluminum prices Vedanta's aluminum business would be profitable, is that correct?

Sunil Duggal: Absolutely. This is what I'm saying, it will make a good EBITDA margin even at the current prices.

Pinakin Parekh: My second question is on the oil business. Now this is a segment which has consistently disappointed in terms of production, in terms of OPEX. The government of India's latest tax essentially creates another burden for this business. Even the earlier 16.67% cess was never removed when the oil prices went lower. Given the policy headwind and given the increasing OPEX, is the company looking to stop investments in oil because clearly this is not a business which can generate good strong returns given what the policy headwind in terms of taxes are and given the increasing OPEX? So, given the original CAPEX plan which was announced for FY23 if the oil cess stays as it is, would the company look to cut the oil CAPEX?

Sunil Duggal: The energy security for the country is one of the important things for us and we want to partner with the government. In that direction we have no intention to think even an iota

on the line of what you're talking. All our projects are moving ahead with the same energy what we were possessing earlier, infill projects, drilling in our gas assets, exploration in our RG asset, OALP, everywhere, ASP project, Shale oil project, pilot project on the Shale oil, ASP project, so everywhere the efforts are on and we want to triple or quadruple our results from the current level. Ultimately, we want to partner with the energy security of our country. As far as the additional special excise duty is concerned, in the background whenever we have talked to the government, government has always been supportive of looking at how they can partner with us on the new projects and where it can help the country and help us to make the project viable. As far as specific to the special excise duty is concerned, we believe that the windfall tax for the government is already built in the PSE. We have represented this to the government at the various levels. Government is quite favorably placed on this and we are quite hopeful that it could get retracted.

Pinakin Parekh: Just to clarify because we keep on getting this question, the $30 cess would translate into what kind of realization impact for Vedanta or just to make it more simpler, if the tax was there in Quarter 1 when the Brent was 114 and Vedanta's average realization was 110, what would have been the new realization or the new EBITDA if this $30 cess? Is it a straight $30 negative impact, are there trade-off available?

Sunil Duggal: You have to understand what they're talking. They're talking that depending on the average crude prices of the last fortnight, they will keep revising that number. So, this number will remain very dynamic. All our projects are conceived and evaluated at a much lesser price is like we evaluate our all our projects at $60. So, $60 we make a healthy IRR. In any case the government thinks of putting up this special excise duty at $80. It does not impact our operation much and impact our margins beyond that. But the question is, the broader question which I'm saying and which broadly we have been able to sell to the government is that this windfall even beyond $80 is built into the contract. If it is built into the contract let us suppose from $80 to $120, the $40 directly does not flow back to the government. But in any case, the 70% of this goes back to the government. That is why the government is quite favorably placed to look at this and look at how they can differentiate between the nomination blocks and the auction blocks.

Pinakin Parekh: Just to clarify, so far there is no official directive from the government on the nomination blocks and the auction block. While you have represented to the government, there is no official confirmation. So, if the government does not agree should we expect a legal challenge to this? Because $30 is a very meaningful number given the context of the oil segment EBITDA.

Sunil Duggal: I don't want to jump the guns and we are very hopeful, let us wait. Let us not think something which is not in the best interest of any of the stakeholders.

Moderator: The next question is from the line of Ashish Kejriwal from Centrum Broking Ltd.

Ashish Kejriwal: My question is again on aluminium cost; cost on both alumina as well as coal. One thing is, currently how much difference is there between our costs of production of alumina and the purchase of alumina? And second is in terms of coal cost, have we purchased any electricity in Quarter 1 or the entire increase in power cost is due to the expensive coal which we have got?

Sunil Duggal: It's a combination. Its combination of bit of the purchase power and the coal cost. While I will request Rahul to give the answer on this. As far as alumina and even our imported alumina is concerned, there is a differential of say around $100-150 per ton depending on the prices, LME, and the prices. So, Rahul, any more detail, or the more color you want to add to this?

Rahul Sharma: No, I think generally it remains in the range of $100 but in Q1 for sure it was the delta was maybe 60 around, $60 to $65. That was a delta between Lanjigarh versus the imported, alumina point of view.

Ashish Kejriwal: Your alumina cost of production is something like $371 in first quarter and when we spoke about that $100-150 decrease in alumina price so even after the decrease, you're seeing that it's a difference of between $60 to 70?

Rahul Sharma: Come again? $70, yes that's what I'm saying. That's an arbitrage between imported versus your domestic.

Ashish Kejriwal: $60-70 is still there?

Rahul Sharma: Yes.

Ashish Kejriwal: Second question is aluminum hedging only. You've mentioned about 20% of first quarter volume was hedged and if I remember correctly in fourth quarter you had said that for the full year around 15%-16% of the volume was hedged. So, the entire difference in volumes now, will it be front ended or it will be across the quarters? And if that is the case, what could be the second quarter volume which is hedged at around $3,500?

Ajay Goel: Right, so say I mean you cannot calibrate the volume in line with the hedging right. I mean in terms of front ending the volume in second quarter, on third quarter won't work. If I give you a bit of context as you know Vedanta historically; our policy has been that we want to realize the average LME of the month of production but given the current environment which is quite a tumultuous, very volatile. This course correction was warranted and also in the hindsight we feel it was a good step. If I speak of the second quarter for aluminum against our planned volume for second quarter, almost 28%

volumes are hedged and the hedging price is about $3,630 per ton. Net-net more than one-fourth volumes for second quarter are hedged. Same way if I speak of zinc, almost 40% volumes planned volumes for the second quarter are also hedged and same number almost 30% for oil & gas. Net-net I think we are decently covered in terms of second quarter on hedging viewpoint.

Ashish Kejriwal: Lastly, we are going to operate our Jamkhani mine next month. Is it possible to share some cost benefits which we can avail not next month, maybe 6 months down the line from this mine?

Sunil Duggal: I will give you some idea that we have three mines. The projected cost from these three mines is ranging somewhere between 45 paisa to 85 paisa. So, Jamkhani cost will be somewhere between 80 to 85 paisa and Radhikapur is somewhere between 50 to 55 paisa and Kuraloi could be around 45 to 50 paisa. This is the range and the weighted average you can work out could be around 60-65 paisa.

Ashish Kejriwal: Versus Rs. 1.90 paisa which we incurred in first quarter?

Sunil Duggal: Correct.

Moderator: Next question is from the line of Vishal Chandak from Motilal Oswal.

Vishal Chandak: My question was with regard to the oil & gas business again. From time and again we have been trying to improve the productions run rates and we have been talking about improving production run rates but it has been a disappointment even today also. What kind of IRR do we target for oil & gas business and what kind of, how does that compare to our IRR targets for zinc business to understand how do we evaluate project or do a capital allocation across various businesses?

Sunil Duggal: Prachur if you take the question about oil & gas and then I will try to add on the zinc.

Prachur Shah: On the projects for oil & gas typically at a $50 oil price we are targeting an IRR of 20% and that's been the case so far that all the projects that we have targeted at $50 oil price chemically are at 20% IRR as a threshold to take up the projects.

Ajay Goel: If I may supplement again Vishal. I would again go back to our group policy on allocation of capital and 8th of Feb we committed that any CAPEX project for the group, our minimum IRR will be at least 18%. In case of oil & gas our internal numbers you heard from Prachur we assume a $50 per barrel as a pricing. Even with that kind of pricing our IRR in oil & gas business is higher than the group average.

Vishal Chandak: We are saying that the oil & gas business probably generates an IRR higher than what our zinc business generates because zinc still it gives you the highest proportion or

share of the EBITDA. May be IRR over there is lower that means the overall IRR should be somewhere far steep or down. Would that be correct, fair assessment?

Sunil Duggal: No, you cannot calculate like that because the structure of oil & gas is much different than the zinc. Zinc, any price goes up the entire contribution of the increase LME goes to the bottom line. But in oil & gas business the structure is such that it attracts duties, success and then profit petroleum and not more than 30% flows back to the business.

Vishal Chandak: Anyways that was the important question that I was trying to drive down as in the IRR in other businesses are fairly higher compared to this oil & gas business where investment is continuously required, sales are declining, there is a wind fall gains, tax from the government. Why do we still want to continue with this kind of an investment? Why not propel the investment further in other spaces like aluminum and zinc where the possibility on returns specially with our own coal mines opening up, there's a higher probability of a better return over there?

Sunil Duggal: That is an internal call that we keep our portfolio very diversified, number one and we don't want to put all our eggs into the one basket. The other is that we want to partner with a country where the energy security for the country is very important and we want to play a very important role in that and we are the only private player in the country who actually contribute 25% of the India's domestic production. And we remain excited about it that we want to evaluate the new resources OALP discovered small fields, methane, coalbed methane. So, we will keep participating there and the Government of India is also quite favorably placed to partner with us in there to look at across the table with a more mindset or the open book to see that how the new projects can be made viable. That is why you see even for putting up the ASP project they have come up with the policy of reducing the cess to half to make the project viable but apart from that for other projects and even on this project they remain open as to what needs to be done to make these projects viable because the country suffers the most because of the oil & gas import.

Ajay Goel: I just want to also add two more points here. See allocation of capital and the more so CAPEX and the resulting IRR is also a function of opportunities. It is not necessarily either or, say between one portfolio to another. If you look at our current year's guidance on CAPEX almost a 2 billion. In fact, we are investing the half of that almost a billion in aluminum example remains BALCO almost 380 million in terms of rolled production, expansion 250 KTA and also for smelter capacity 420 KTPA. Same way for example Lanjigarh is one more example. Net-net one should look at CAPEX production in terms of forward-looking outlook. Finally, it is a nature of the business as well. I mean as you would appreciate maybe the one discovery in oil & gas perhaps will pay back 450 in the past so net net it is all the businesses and, in our businesses, we got to invest in a market where there might be a bit of downturn. In that case the portfolio becomes resilient and we can deliver across the cycles.

Moderator: Next question is from the line of Rahul Jain from Systematix.

Rahul Jain: One, firstly on we keep hearing in the press a lot about your semiconductor business. What plans do we actually have and is there any capital commitment that we are doing in the next 6 months to 1 year? That's my first question.

Sunil Duggal: As far as semiconductor business is concerned, the government of India has made a policy that how they can support this sector where this is also a very strategic sector for the country where the government is quite inclined to make this work in the country and that is why they have declared the new policy and even the state government, each of the state government was quite excited about this. So, currently we are in engagement with the various state governments and they are ready to make all SOPs available to us to make the project exciting and viable. We are evaluating the final location and you will hear from us as we will progress.

Rahul Jain: And also, on Hindustan Zinc. The government will likely exit. So, are we going to participate in the government's exit and increase our stay, what is our stance on this?

Sunil Duggal: So, government is doing its process. They are appointing the banker now and, in any case, we cannot acquire more than 5% in any given year or 25% of this stake sale at any point of time. Depending on whether the government would request us to participate in acquisition beyond the legal limit, we will evaluate but if they will offer, we will definitely consider.

Rahul Jain: And any color on BALCO, if you have in similar lines?

Sunil Duggal: No, we have no way forward for BALCO as of now. Neither the government has laid any plan as far as our information goes.

Moderator: Next question is from the line of Ritesh Shah from Investec Capital.

Ritesh Shah: My first question pertaining to the debt maturity profile of the parent. Would you be able to provide some more color on that? To my understanding it was around $3.7 billion for the fiscal which included around $300 million for ICL and interest cost about $700 million. If you could help on a quarterly roadmap over here that would be quite useful. The reason I ask this as I'm also trying to understand the payout for the full fiscal?

Ajay Goel: I will be kind of a brief on this one, this being the Vedanta Limited call but you're right. In terms of, for the current fiscal for Vedanta Resources total maturities is 3.7 including 1 billion which is a combination of interest cost and ICL. That leaves almost 2.7 billion for the full fiscal in terms of external debt. Out of which, out of 2.7 roughly 2 billion are falling due in H1, VRL as we all know is, looks at the numbers on half-yearly basis. So, out of 2.8, 2 billion in H1 and the balance of 0.8 in the second half. You may have seen

given the recent two interim dividends by Vedanta Limited, the receipt at Vedanta Resources is about 1.5 billion. So, 1 billion out of the first dividend and roughly 0.5 billion from the second interim dividend. So, 1.5 is dividend, roughly 200 million is brand fee. It makes it 1.7 and finally, also we got recently couple of Indian PUC bankers lending to Vedanta Resources including SBI. So, with all of that roughly 2.1 and 2.2 billion is already secured. With that until November, early December we are fully taking care of at Vedanta Resources and remainder amount 0.6-0.7 we feel quite comfortable in terms of meeting those maturities. So, either we refinance them or we repay them.

Ritesh Shah: Just a related question. Wanted to understand the extent of pledges and encumbrances which are there at Vedanta India level, if it's possible?

Ajay Goel: For Vedanta Limited you might have seen one of our recent statutory filings that none of Vedanta Limited shares are pledged. Of course, while borrowing there is one non-disposition undertaking which means the promoters cannot go under minority. Now as per SEBI requirements that 51% is not pledged but it is also reported legally as encumbered. Net-net, there is no pledge for Vedanta shares. If I come to the second part of it, in terms of loans by Vedanta Limited and have we pledged Hindustan Zinc shares? So, 5.77% of zinc stake is pledged for one loan. That number you will remember was roughly 14.9% with SBI. So, 14.9% has come down to 5.77%.

Ritesh Shah: One question for Duggal ji. We had in our earlier calls indicated that we had submitted EOI for Videocon and BPCL. Any specific updates over here that would be useful?

Sunil Duggal: BPCL, government has re-doing the process and when the process will come; we will think at that point of time and as far as Videocon is concerned, this is you know the legal process is going on.

Moderator: Next question is on the line of Prashanth Kumar from Dolat Capital.

Prashanth Kumar: Just wanted to understand the latest on the royalties that we pay to our parent. Where is that, where are we at and FY22 what was the amount and what is that expected for FY23?

Ajay Goel: Prashant, I mean the agreement as you know remains same. In terms of the coverage, in terms of entities and the rate of royalty remain same as last couple of years, that has not got changed. The broad number for last fiscal FY22, the royalty was almost 200 million. In the current year as you know, it is a largely pegged to the revenue. We think this number be almost 250 or 275 million in the current year.

Prashanth Kumar: Just I have two points on this. Generally, in industries and sectors where there's an IP and patented knowledge or brand that is being given to the Indian entity for example auto, pharma, FMCG etc. Royalties is a very well-established practice but then in our

industry and combining metals kind of setup this is not a very widely prevalent. That is one aspect. Second let us assume, you add back instead of giving it as royalty you add this back to the dividend pool anyways 70% goes to the parent, the rest 30% comes to minority. But then what that immediately does is let's say 200 million. You add that back to the dividend pool, immediately it raises your valuation by $2 billion. Out of that 70 % anyways is owned by the parent. They get a 1.4 billion net benefit in market value. What they lose is 60 million that's it on the cash that would have otherwise come as a, that would have otherwise gone directly to them and that is one. Two there also be a very good re-rating in the overall multiple and the yields that the company would be getting because some investors may see this is as an overhang which is our feedback. Just an input, your thoughts are welcome and please share your insight on this.

Sunil Duggal: Thank you. Thanks for the input and your viewpoint. It could be the personal viewpoint what you are expressing but this has gone through the required legal process and the board approval and all the approvals have gone through and after all the stakeholders and the board members are convinced that there is a substantial value-addition which is done by the parent and that is the royalty is stable. So that is what my broader viewpoint.

Prashanth Kumar: My second question is generally Vedanta has never hedged their volumes forward. This is one exception that we did it I think in March or April and it has turned out, hindsight turned out to be a fantastic move, saving about couple of thousand-crores for the company. This is to the CFO, sir what was your thought process when you decided that back then, based on the market, based on the pricing etc. If you could kindly share your thought process as to what made you to take this call? You and your team together?

Sunil Duggal: No this was done based on the evaluation which was done internally and based on the expert advice. We have also up the hedging desk, set up the internal headed by a global hedging expert who has come on board. So, depending on that and benchmarking and the valuation we took a call at that point of time. It was a very strategic call which was taken.

Ajay Goel: See, you will appreciate that risk management has to be a dynamic process. It must take into account the current environment which as I mentioned earlier is quite a tumultuous, very volatile. Typically, Vedanta you're right has never hedged. We are fine to capture the average LME for the month over production but given the significant yoyoing in terms of the pricing going up and down, that too within a very short time frame, Vedanta decided to make this course correction. And you are right again that in the hindsight it was a good step but let me also add that hedging is not a tool to make money. Vedanta’s expertise lies in metals and the mining, hedging is to protect the margins. But again, I don't think is a right way to look at the hedging in FX. Imagine if we had hedging losses which means on the remainder 80% uncovered portfolio the

pricing would have been far-far higher than where it was but you're right. We are glad that we covered our one-fifth volumes and to that extent we could protect the margins.

Prashanth Kumar: One small follow-up from previous participant. On that $30 new cess on crude, how much of the hit will be on EBITDA after taking away all the government contributions etc. Will it be 15-18 or less or more? At EBITDA level what is the hit per barrel?

Sunil Duggal: You have that calculation, Prachur?

Prachur Shah: Yes, I mean I can explain that a little bit. At EBITDA level, because at $30 a barrel in our PFC share, the $30 barrel doesn't hit us directly on our EBITDA because government actually pays out of the $30 almost 70% as part of the profit petroleum. The net effect on EBITDA post cost and everything could be around $5 to $6 a barrel at that price. You have to realize this is a price paying, at 120 it was 40 and it's reduced to 30 so at that price it's about $5 a barrel.

Moderator: Ladies and gentlemen, we will take the last question from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: My first question is on the power division. The margin this time is almost at record low of 20 paisa per unit of power. Is it possible to share the breakup between TSPL and other Jharsuguda business? If you can just explain, how should we look at earnings here because at least my understanding for the TSPL business was that it is a take or pay kind of an agreement and our availability has been good, 77% to 80%. So, we were kind of modeling around 1,000 crores of EBITDA run rate on an annual basis but time and again this has basically undertaken our expectations. So, give some explanation on that is requested?

Sunil Duggal: While we will give you the exact calculation but let me tell you that this construct of this contract is that the coal is pass through and we are paid based on the certain availability. The availability is on an annual basis. The quarter-to-quarter availability could vary depending on whether the annual shutdown is due in that quarter or not. In the first quarter one of the units needed the shutdown, major shutdown that we have taken. But over the year, our belief is that our availability will be more than the contractual availability.

Ajay Goel: There are more breakups if you're interested in our IR presentation. It's page #36 which covers the entire power P&L across Jharsuguda, BALCO, TSPL and also zinc, wind, power. If you want more information, please do write to Mr. Sandep Agrawal our Head of IR.

Sunil Duggal: Or refer this paper.

Sumangal Nevatia: Just one follow-up. On our coal mix I missed the initial commentary. So, if you can just comment, just repeat what is the mix and how is the mix changing? Our linkage why is increasing and are we replacing some more of imports or e-auction with linkage in the coming quarters? If you can just share some….

Sunil Duggal: No, the last quarter was a mix of linkage, e-auction, coal, import and the local purchase, spot purchase. This quarter we believe it will be a combination of linkage and e-auction. As my friend Rahul said that the linkage could vary somewhere between 35% to 40% and the e-auction could be somewhere between around 60%.

Sumangal Nevatia: As a peak what can be our linkage mix at the peak and what sort of inventory, how many days of inventory do we carry?

Rahul Sharma: Let me first answer the last question. We have 5 to 6 days of inventory which is better than the previous quarter from the inventory side. And another question would be that what we are talking about, Mr. Duggal has already answered. In terms of linkages, we will be almost 36% but ideally, I have 55% as my contribution but its depends on materialization. There is scope from one is that moving from 32% to 36% is this and then ideally making to 55% and captive will also play a role as we said that Jamkhadi is getting started now. I hope I have answered both your questions.

Moderator: Thank you very much. I now hand the conference over to Mr. Sandep Agrawal for closing comments.

Sandep Agrawal: Thank you Nirav. Thank you all for taking time out to join us. I hope we were able to answer most of your questions. In case you have further questions please feel free to reach out to us. This concludes today's call. We look forward to reconnecting you for next quarter's earnings. Thank you.

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.