"Vedanta Limited's Q2 & H1 FY'23 Earnings Conference Call"

October 28, 2022

MANAGEMENT: **MR. SUNIL DUGGAL – GROUP CHIEF EXECUTIVE OFFICER, VEDANTA LIMITED**
MR. AJAY GOEL – ACTING GROUP CHIEF FINANCIAL OFFICER, VEDANTA LIMITED
MR. ARUN MISRA – CHIEF EXECUTIVE OFFICER, ZINC BUSINESS, HINDUSTAN ZINC LIMITED
MR. PRACHUR SAH – DEPUTY CHIEF EXECUTIVE OFFICER, OIL & GAS, CAIRN
MR. SANDEP AGRAWAL-- HEAD, INVESTOR RELATIONS, VEDANTA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q2 & H1 FY'23 Earnings Conference Call of Vedanta Limited. As a reminder, all participant lines will be in 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 at Vedanta Limited. Thank you. And over to you, sir.

Sandep Agrawal: Thank you, Steven, and hello, everyone. I'm Sandep Agrawal. Pleasure to welcome you all to Vedanta's 2Q FY'23 Earnings Call.

Audio archive and transcript of this call will be made available on our website. The Financial Statements, Press Release and Presentation are already available on our website.

From our leadership today, we have with us Mr. Sunil Duggal -- Group CEO; Mr. Ajay Goel – Acting Group CFO. We are also joined by leaders from our key businesses; Mr. Arun Misra -- CEO, Zinc business, Mr. Prachur Sah – Deputy CEO, Oil & Gas.

Please note, today's entire discussion will be covered by the cautionary statement on slide #4 the presentation. We will start with update on operational and financial performance and then we will open the floor for questions and answers.

Now, without further ado, I would like to hand over the call to Mr. Duggal.

Sunil Duggal: Thank you, Sandep. Good evening, everyone. Thank you for joining our second quarter earning call.

You all are aware that the global economy has recently been facing certain macroeconomic challenges emanating from Ukraine-Russia war, broadening inflationary pressures of energy shock, food shortage, appreciating dollar and so on. Most of the central banks have been tightening monetary policies to tame inflation. These near-term macro challenges have weighed down commodity prices during the quarter. Despite these macro challenges, we have delivered strong operational performance with production growth in key businesses and cost optimization during the quarter.

We have achieved consolidated EBITDA of Rs.8,038 crores. This along with structural streamlining of working capital investment helped us to generate a robust free cash flow of Rs.8,369 crores.

Our Center of Excellence designed around quality, asset optimization, digital transformation are helping us to capture full potential of our assets.

Our growth and vertical integration projects aimed at reduce market volatility impact are progressing very well. Now we have six coal mines, which have 40 mtpa plus production potential along with two recently won mines. These mines will be more than sufficient to take care of entire coal requirement of aluminum business and help us to make it structurally strong. All these levers will make Vedanta stronger to deliver sustainable and predictable performance across all cycles and create stakeholder value.

We remain committed to create value for our shareholders. In first half of financial year, we have distributed dividend of Rs.51 per share, which translates into dividend yield of 15.4%, one of the best among peers. Vedanta group is one of the highest contributor to Indian exchequer with Rs.37,180 crores contribution in the first half of financial year.

In our pursuit to uplift people's life, we have reached the milestone of 3,600 Nand Garh for women and child welfare. Our Balco medical center has also signed MoU with Tata Memorial Centre to drive excellence in cancer care.

Our ESG program has been progressing very well. I'm happy to share that Vedanta has entered into the exclusive club of top-10 DJSI rank global metals and mining companies, ranked sixth globally with strong 14 points score improvement. Under the pillars of transforming the planet, we are on track to achieve 2.5 GW renewable energy target.

We have issued EoI for additional 500 MW RE procurement. HZL Pantnagar is now our first unit to run entirely on renewable energy.

Cairn's iron ore business have achieved third-party assurance for water positivity.

We're also making steady progress on waste utilization in R&D for new technologies.

In continuation to our industry-leading people's practices on diversity and inclusion, we have identified 120 women leaders who are being developed for future CSR roles. We're launching V-Shakti, a program for women leadership development in third quarter.

Now, let us move to the Business Verticals. Coming first to the Aluminum business. We completed Jharsuguda capacity ramp up to 1.8 billion ton per annum. Our aluminum production grew by 2% YoY and 3%. quarter-on-quarter. Our quarterly CoP reduced by 8% to 2429 per ton.

We have started Chotia coal mine operation in September '22 to rationalize our coal cost. Linkage coal mineralization also improved from 22% to 55% in the quarter. We now have availability of three captive rakes on daily basis, which move the material or coal from mines to our plant.

We continue to focus on volume growth and vertical integration projects to this business, sustainable and predictable across all cycles.

Coming to Zinc India, it achieved its best ever second quarter refined metal production of 246 kt, up 18% YoY, driven by improved smelter performance and better mine metal availability.

Silver production grew by 28% YoY. The operations have overcome quarterly variation and are now sustainably at 1 mtpa plus run rate. The next focus is to achieve 1.2 mtpa run rate in the near future.

Coming to Zinc international, we have recorded highest ever quarterly MIC production of 55 kt with a 43% YoY increase, driven by higher ore production and higher zinc recoveries. Cost of production also improved through potential operational efficiency. We have successfully gone through learning curve to handle the difficulty over and now operating at about 300 ktpa run rate in the current quarter. With Gamsberg phase-II expansion Zinc International will be among the largest operations globally at 500 ktpa plus size of operations.

In oil & gas business, our average gross operated production was 141 kboepd. Natural production decline was partially offset by infill wells in MB-I and RDG-II field. We are focused on delivery of growth project. We have hooked up eight wells during the quarter. OPEX increased by $0.5 per barrel, Q2-to-Q2 $13.5 per barrel due to increase in polymer prices and maintenance activities. We continue to engage with government on special excise duty within the framework of PSC and RSC.

I'm pleased to inform you that government has extended PSC for our Rajasthan block for another 10 years. To establish a potential, we have partnered with Halliburton and Schlumberger to drill pilot wells in Barmer.

Our Cambay infill campaign is looking promising. The third well came online in September and has helped increase production from 9k to 12k barrels per day. The business secured eight blocks in discovered small fields in round three and one coal bed methane block in special CBM round 2021 across online and offshore regions.

Coming to iron ore, our Karnataka sales increased by 7% YoY though prices remain under pressure. You know because of the export duty. Pig iron production was lower on YoY basis due to shutdown of smaller blast furnace.

The government of India imposed duty on iron ore, pig iron, among others. This impacted our realization and our margin fell 88% sequentially. However, we have depleted high cost inventory in Q2 and see cost reduction in Q3., We successfully started ore production in our Liberia mine in July. We're planning our first shipment in current quarter.

In steel, our saleable production grew 11% YoY to 324 kt with the completion of debottlenecking activities as shared in July. EBITDA margin was majorly impacted from export duty imposition, driven steel price decline and high priced coking coal inventory materialization in this quarter.

In FACOR, ore production grew 43% YoY due to operational efficiency. Ferrochrome production were lower by 42% YoY on account of shutdown taken for realigning our furnace and its debottlenecking. Further growth is lined up with 60 ktpa furnace commissioning by December '22 at a CAPEX of Rs.200 crores which will take the total capacity of FACOR from 75 kt to 150 kt.

In terms of outlook, you may have noticed that aluminum, zinc and lead production cuts have been continued in Europe amidst high energy cost.

Energy shortage in some of the Chinese provinces is also impacting metal supply. We also expect Chinese government stimulus effort to boost commodity demand.

While Indian economy is not fully insulated from the global events, it is relatively resilient as reflected by strong industrial production, export competitiveness, tax collection buoyancy and non-food credit growth.

Indian government's increased capital expenditure to continue to support demand. Indian economy is projected to grow at a robust of 6.8% in 2023, fastest amongst the major global economies.

Following the monsoon full, construction activities have restarted and consumer durable market is vibrant now. This augurs well for metal demand in India. India being our largest market, its continued strength bodes well for our business performance.

We have an outstanding foundation of world-class, long life and low cost assets, producing vital commodities for global decarbonization transition. With a rich diversified asset portfolio and strong balance sheet, we remain well positioned to benefit from the global mega trends of decarbonization and energy transition and withstand the challenging macroeconomic environment.

With this now, I would like to hand over the microphone to my colleague and friend CFO, Shri Ajay Goel for the financial performance.

Ajay Goel: Thank you, Sunil, and good evening, everyone. The macro operating environment in the quarter was quite mixed with the softening of oil prices, input inflation and various fiscal and monetary policy changes. The Indian economy, though, is far better positioned compared to global peers.

India's outlook has been optimistic towards domestic consumption, which is evident in several economic indicators. The commodities indexes are also flattening and cooling off in many cases. The impact of tightening monetary policies by central banks is likely to bring positive results in coming quarters.

This quarter, we have pursued various initiatives which resulted in a strong performance despite input inflation and softening pricing on output side. Our businesses have delivered strong quarterly revenue and very robust free cash flow before capex which is driven by working capital initiatives where we have reduced the number of days structurally by 15% quarter-on-quarter and optimized inventory levels. This should continue to benefit us in terms of cash in coming quarters.

Our focus remain on attractive returns to shareholders with highest ever 15.4% dividend. Our leverage stays as best amongst Indian peers at 0.7x with a strong ROCE of 28%. I'm happy to share that we are progressing well on deleveraging commitment at holdco, which is 4 billion over the next three years. We have deleveraged the hold co in the first half of the year by 1.4 billion. The Q2 results are very clearly is the reflection of operating environment.

Some of the key financial highlights of the quarter are:

Consol quarterly revenue of Rs.36,237 crores, up 21% YoY. Quarterly EBITDA of Rs.8,038 crores, lower by 24% YoY with a strong EBITDA margin of 25%. Free cash flow before CAPEX of Rs.8,369 crores. And you would note that the free CAPEX for the quarter is more than 10% of EBITDA. So the EBITDA-to-cash conversion ratio has improved almost 2x of the recent past. ROCE of 28%, which is higher by 2% of last year's number of 26%. We continue to maintain healthy cash and cash equivalents of Rs.26,543 crores with net debt-to-EBITDA, the leverage ratio of 0.7x maintained at low levels amongst all Indian peers.

And finally, we paid the second interim dividend of Rs.19.5 per share, amounting to Rs.7,249 crores in the second quarter, which takes total dividend payout for the first half at Rs.51 per share, that amounts to Rs.18,933 crores, one of the best dividend paying company in India.

We have an income statement in the appendix page number #30, where you can find more information against each line of profit & loss account. I wish to state that our ETR guidance for the full year will be around 30% now against 28% earlier. This change is driven by movement in profit mix amongst various businesses.

Now, I move to EBITDA bridge:

As clear from the EBITDA, quarter-on-quarter, the impact of market-driven factors has been partially set off to better volumes across businesses and lowering of cost impact through several measures on cost with the input prices also tapering in second quarter. We have also benefited from strategic hedging, which helped us to some extent in navigating the tumultuous pricing. Similarly, if you see the EBITDA bridge YoY versus last year, the major impact is coming from market-driven factors led by the macroeconomic environment and inflation, which was partly offset by increased operational performance and strategic hedging.

Moving on to the page on net debt:

Net debt as of September 30, stands at about Rs.32,144 crores. Again, on net debt bridge, as I mentioned at the beginning, through various initiatives, we have improved working capital, which resulted in strong free cash flows before growth CAPEX amounting to Rs.8,369 crores. This enabled us to declare interim dividend in second quarter. The increase in net debt in Q2 sequentially quarter-on-quarter is due to amount invested in CAPEX in second quarter through borrow decisions.

Moving on to the balance sheet now:

Our balance sheet remains resilient, providing both protection and optionality for growth. We achieved net debt-to-EBITDA as I mentioned 0.7x, well within the range of our capital allocation framework, and best amongst Indian peers. Our average maturity maintained around 3.8-years, with average cost of borrowing at about 7.7%.

Our credit rating continues to be at AA with a Stable Outlook, both by India ratings and CRISIL.

We are investing for future both in terms of value-driven growth and positioning the portfolio for longer-term demand themes, while remain committed to capital allocation discipline.

Our CAPEX programs are on track as planned. We have spent 0.6 billion in the first half of the year on growth CAPEX. On full year basis, we are revising the growth CAPEX guidance for aluminum business to 0.6 billion from 1 billion which is in line with cash outlay estimates. All growth CAPEX programs for aluminum remain on track as planned. With this, full year growth CAPEX guidance now stands at 1.6 billion.

I have to share that Vedanta was recently awarded the ‘Golden Peacock Global Award 2022’ for ‘Excellence in Corporate Governance’.

Lastly, I'd like to reiterate, we have an outstanding portfolio of long-term assets and expertise to invest in growth in delivering vital commodities for low carbon future and continue to pay handsome dividend. We will continue to challenge ourselves and deliver goods across various cycles.

With this, I hand over the mic back to operator for Q&A. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: I have two questions. First, is a two part question, you mentioned about 40 million ton capacity of coal blocks that you have won so far. So if you can give us some guidance as to what will be the cost of production of these and what kind of savings we can expect from that? Second part is more near term. You have guided about $2150-$2250/t aluminum cost of production for second half, which is about $200 lower than the second quarter. So, what would drive this cost reduction, is it more linkage coal availability? And my last question is on the holdco level. If you can remind us again, what is the repayment due for the rest of FY'23 and also in FY'24?

Sunil Duggal: I'll take your first question. So as you rightly said that, we have now six coal blocks allotted to us. At Jharsuguda, we attach Jamkhani, Radhikapur, Kuraloi and Ghogharpalli. For Balco, we attach Chotia and Bara. As we speak today, the Chotia mine is operative and started feeding coal to Balco. Jamkhani is about to commission and start production any day from now. All regulatory clearances are in place. All the 90%, 95% land is in our hand now and we are about to put the shovel in the ground. So, it will start feeding the coal to Jharsuguda plant very soon. But, apart from that, you are aware that the Radhikapur, Kuraloi mine which we had won earlier, there is potential progress which has happened including mine plan approval, moving for forest diversion, environment clearance negotiation taking place for the land process, taking place for the acquisition of the land. And you also know that in the last quarter we have won Ghogharpalli mine. Ghogharpalli mine has a mined reserve of around 1.2 billion ton and the license capacity of this mine is 20 million ton. But this mine has a capacity even to grow to 30 million ton. So Barra is a very recent block which we have won. It is more like exploration block. But as the data we have it has geological reserve of around 900 million ton. So this can easily produce 10-15 million tons per annum. So, in total, if we take a very conservative capacity, it is 40, 45 million tons. But the full capacity from these mines is around 60 million tons. So even if we have a risk that how much long or what risk is there to make these mines operational, we should be able to get the security of 30, 35 million tons not very far off from today and we have made a year-wise plan that how the mines are going to open up and how the coal will be fed. It will start feeding the coal maybe from the current year. There is a progressive reduction which is going to take place from say Rs.0.9 per GCV to Rs.0.5 per GCV. So, there's going to be a substantial reduction in the cost in three years from today. This is against current cost of Rs.1.20-1.30 which we have in the current quarter. If we actually work out the power cost at Rs.0.5, it comes to somewhere between $325 or $400 per ton, against maybe more than $1,000 of the power cost which we had in the last quarter. So, there is a very solid plan of how the fuel prices are going to be controlled in the coming year. So, what was the second question?

Indrajit Agarwal: On the near-term cost reduction in aluminum.

Sunil Duggal: So, we have given a very conservative guidance. You must have noticed that we had $240 cost reduction in Q2. We are looking at a cost reduction of say $300, $350 per ton in Q3 coming from the various levers. In the last quarter, only from the power cost, out of the total reduction of $240, $170 was from power. And I also mentioned in the talk track that now we have three captive rakes available with us. With the three-captive rakes which are available with us, we are able to move the substantial quantity of coal to Jharsuguda. So, this will not only help us to get more linkage coal, but also help us to reduce the logistic cost. So, because in Q2, we got the option of moving the coal by road and although the linkage improved from 22% to 55%, the reduction of power cost to that extent had not happened, which I think will have a much higher impact this quarter. But apart from that, there are other initiatives of the operational efficiency, but the CT coke, CT pitch prices are also going to get controlled. We have certain strategy around how these prices will be brought down. And of course, the depletion of the high cost alumina and getting into the cycle where we have the alumina available at current prices. So a combination of these three factors, I believe that we should have a cost reduction of $300, $400 in the current quarter.

Ajay Goel: On the third question, Indrajit, in terms of the holdCo debt, what we can do, we can look at the total liabilities, which is a combination of loans, bonds, including the interest and the cost. If you look at the current fiscal F'23 H1, the total liabilities are about 3 billion and out of which you may have seen that we paid two dividends and the balance about $1.3 billion at VRL got refinanced mostly through Indian PSU bankers with the longer-term maturities and the lower cost. So net-net, in H1, against $3 billion liabilities, almost $1.4 billion, as I mentioned initially, have been deleveraged. In first half, the VRL debt came down from 9.7% to 8.3%. In second half, the liabilities, including interest cost is about $1 billion, and which is again mostly get refinanced. So, overall, in the current fiscal, almost 4-odd billion, combination of loans, bonds, interest cost and 1.4 billion is deleveraging. Now F'24, again, it is more or less same; so 3 billion is liabilities, loans and the bonds plus interest cost, so $4 billion is a maturity in F'24. I just wish to make one point that the F'22 and F'23, most of the VRL debt did also emanate from the loans taken for increasing the stake, which were mostly unsecured and which is getting repaid in the second half. Coming F'24, most of maturities are from secured bucket which are easier to refinance. Net-net, $4 billion in both the years and deleveraging of $1.4 billion in the current fiscal.

Moderator: The next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: I have just a couple of questions. The first one is on essentially the increased CAPEX guidance for Balco expansion. It is very unlike of Vedanta to revise cost of goods. So if you could throw light on the key elements that has led to this increased CAPEX in Balco expansion? The second one is on the sharp reduction in oil and gas production guidance. Do you think that you would be able to achieve the FY'24 number that was laid out in the analyst meet in March?

Sunil Duggal: So I'll try to answer your first question and for the second question, I'll also take the help of my colleague and friend, who is there on the call, Prachur Sah. So the first question is about the CAPEX cost revision of the Balco project. In two, three parts, as you would remember that we had got the smelter project approved with the similar capacity of billet production. So there are some CAPEX increases because of the various events which have taken place and the commodity prices from the time it has happened, there has some cost increase happened. But majorly, there are two, three things beyond this. One is that the primary foundry alloy project, which was not a part of the bigger scheme of things. And we have seen that what could be the right way or what could be the right product to get the right NEP from the market and the value-added product portfolio should be such that it should be accepted by the market. So, we have planned to add capacity of 90 ktpa of primary foundry alloys. The another factor here is that rolled products, earlier, the sanction was to increase the capacity from 50 ktpa to 130 ktpa. And now we want this capacity to be 180 ktpa. While we are executing the project of rolled product, we realize that it is good to have this capacity. So 180 ktpa will be the final capacity for the rolled product, 80 kt for PFA, 420 ktpa for billet, and along with that, the original capacity of 414 smelter capacity. So, this will take the total VAP capacity to around 105%. So this will fetch us the right premium and will also enable us to serve the market in a wider portfolio. And that is why the cost increase on three, four factors which has happened.

Amit Dixit: Oil and gas production?

Sunil Duggal: Oil and gas production, while we have been able to majorly arrest the decline by doing the project on RDG and well intervention and some production, which has also come from Cambay and Ravva. But more to happen. And as we speak, we have seen some success in the current month. And the next year guidance will be back depending on the exploration success, but some advantage may also come from ASP and shale. Of course, this is going to take some time before these projects will realize the volume for us. But, Prachur, over to you for a little more detailed explanation.

Prachur Sah: Thank you, Duggal ji. So from a production point of view, in Q2, there was slight impact from production primarily in our MBA field where we had some impact of a polymer breakthrough where we had to change our operating strategy from a chemical to a mechanical one, but we have overcome that. And we are currently deployed with Halliburton and Schlumberger to recover the recovery from MBA. And as Duggal ji mentioned, we have drilled offshore now. And in offshore, we have had success in Cambay offshore, where we currently increase the production from 9k to 13k. And the Ravva drilling campaign, the first well was successful and the second one, which is ongoing… or the third one which is ongoing is potentially on the line of success. So in the short term, these are the certain levers that will bring the production back up. In fact, in October itself, we have seen an uptick of close to 6k in this one. In terms of long term, the exploration does continue. And as you've heard that we have got the extension which will unlock the exploration program, which was kind of held back during the temporary extension period. So that should bring back the robustness on the volume growth as we go into the next year.

Amit Dixit: So in a nutshell, in MBA, the production should come back, because these temporary factors are now off the table, is it the correct understanding?

Prachur Sah: Yes, the natural decline would be offset by the temporary measures that we are currently taking, which is moving to a more mechanical workover compared to the chemical workover that was happening there.

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

Ritesh Shah: Two questions. First question has three parts. Sir, first question broadly on capital allocation in ESG. Sir, first, just some sort of clarification around the new loan investments into semiconductor business versus advanced rate. What is it that we are looking at the company level, at the parent level? That's the first thing. Secondly, we have incremental announcements on Athena Power and Balco upstream expansion. How do we manage this with ESG? That's the second on capital allocation. And third, Hindustan Zinc OFS, where are we on the process? And second question is more on debt maturity profile at VRL?

Sunil Duggal: So on semiconductor, I think for that entity, we have already declared that, that does not lie under Vedanta as of now. And I will not be able to comment on that in this call. Although there are negotiations and the discussions are going on as we speak. And this project is going to hit ground as soon as possible. This was one. The second, you said that -

Ritesh Shah: Sir, so semiconductor expansion won't fall under Vedanta listed entity, is that thing right?

Sunil Duggal: Yes, that's what we have declared as of now. So as far as Athena Power is concerned, I don't think the carbon footprints are going to increase because of that. There is a strategy call which we have taken based on the power equation which will be there for Balco. And one of the options is to feed power to Balco new smelter depending on the power equation we maintain through Athena. So, overall, footprints are not going to increase, but you must have also realized the way we are progressing on renewable power, you may not have heard from any other global player, because 550 MW already signed with Centrica, and there is a lot of progress which has happened in the land acquisition and tying up of the transmission network and the ordering of panels. And we have also given EOI of 500 MW for another set of power requirement in all our locations. So, this will be more than 1,000 MW against our commitment of 2.5 MW by 2030. So in two years, we have moved at quite a speed. And apart from that, you must have also heard that some of our units like Pantnagar, is completely on renewable power. We have purchased more than 1 billion unit of renewable power in the current year already from various sources. So our commitment of ESG is above any question. So, we are totally committed not only on RE, we have made a substantial progress on all the pillars and all the aims, and that is why you must have seen that our DJSI rating has jumped by 14 points. And this is the maximum rating probably you must have seen any jump in any global mining and major mining company globally. We have full focus on the biomass usage. There are a lot of other ESG projects which are going on. We have started capturing player, which was going in the chimney. We have started generating 4.4 MW power out of that. So there are large number of projects which are going on ESG. We have also committed that in the period from 2020 to 2030, we will plant 7 million trees, 2 million trees we have already planted in the last two years. So against a commitment of 7 million, in 10-year 2 million trees are already planted. So there is a lot which is happening in this space.

Ritesh Shah: Sir, Hindustan Zinc what's the status check?

Sunil Duggal: That is for the government to answer, because what you are hearing from the market, I'm also hearing, they are going for a road show, and we are quite excited to sell it into the market through the OFS route.

Ritesh Shah: I'll just refine the question on the maturity. Sir, you did indicate in I think one of the initial questions on $3 billion was taken care of in first half. I just wanted to know the sources for that?

And secondly, in FY'24, you indicated three plus one total $4 billion. Just wanted to get a sense on how are we looking to basically fund this? And if you can tie it up with two variables, one is the pledges at Vedanta level, pledge or encumberment at Vedanta level is already nearly 100%. And secondly, GR to RE, I think you already got shareholders' approval. Are there any other approvals which are pending? And I presume it could be NCLT or something else. And if NCLT gives approval, do we still need to go for creditors to get approval for them to actually use those funds towards payouts?

Ajay Goel: So I'll try to cover, Ritesh, one of those briefly. So you're right. So in terms of the H1 current year, we are in maturity of 3 billion. The source remains almost 1.6 was dividend. You may have seen we paid a dividend the first in the first quarter and the second in the current quarter. So 1.6 is dividend, 0.2 is a brand fee. That makes 1.8 million, and roughly 1.3 is refinancing. Now one significant change in terms of refinancing remains that most of refinancing in the current year first half is done through Indian PSU banks, including SBI, which comes of course at a cheaper rate and the longer maturities. So, dividend, brand fee 1.8 and 1.3 is new loans. H2, as I mentioned, is rather small. It's about 1 billion, and we don't see much challenge. We are in advanced stage of various discussions with both the Indian PSU bankers and a couple of multinational banks. Finally, F'24 is again almost same number; roughly 3 billion is loans and end of bonds, about 1 billion is cost. Most of F'24 maturities onwards are coming from the secured bucket as I mentioned, and hence refinancing will not be a challenge. Ritesh, the plan for deleveraging of 4 billion over three years remains intact and all other priorities on allocation of capital remains sub-surveyed to this goal. Quickly lastly, commenting on GR to RE conversion. You may have seen approval from BSE, NSE, comment from SEBI was taken until last quarter. We also had as a second last one court convened meeting. So it is NCLT monitored meeting of shareholders. And that vote for conversion was upheld with a resounding majority of 99.9%. Now, the last step released any approval from lenders or secured creators for which we are seeking exemption from NCLT. Once that is done, the whole process will get finished.

Moderator: The next question is from the line of Palav Agarwal from Antique Stock. Please go ahead.

Palav Agarwal: So my question was on the alumina cost for this quarter. So if I look at the cost, it shows it's in excess of $400. So, would it make more sense for us to actually buy more external alumina because those prices will be lower than $400 per ton at least in the third quarter?

Sunil Duggal: No, I think the overall alumina cost per ton of hot metal decreased by say around $90, $100 in the last quarter. And alumina and Lanjigarh cost was higher compared to the previous quarter because the previous quarter, the onetime approval was taken by OMC for sale of the additional quantity, and we had some shutdowns also during that quarter, so that differential is there. But in the current quarter, you will see the cost reduction coming up in the next quarter because of the alumina production from Lanjigarh.

Palav Agarwal: The other thing was in the copper segment, we've reported I think a positive EBITDA. So earlier quarters, you were reporting a loss. So what has led to this improvement over there?

Sunil Duggal: I think we have done a few structural changes here. One is that the raw material, we have started purchasing the blisters or some secondary material also. And we have mastered the art of modifying our process through which the impurities are being addressed. So this has not only helped us to recover good metal value like nickel has started fetching us some value which gives the credit to the cost, but apart from that, purifying this solution gives us improved current efficiency that improve the throughput, that improve the quality of the material, NEP goes up, the overall capacity is ramped up. So there are many factors which are responsible for that. There are more actions in the pipeline. In the coming quarter, you will see even the improved performance from our Silvassa plant.

Moderator: The next question is from the line of Ashish Kejriwal from Nuvama Wealth. Please go ahead.

Ashish Kejriwal: Sir, my question is again on aluminum. If I'm looking at aluminum, even in the last quarter, when we mentioned cost reduction in power, we have not seen that kind of cost reduction. And going forward also, the kind of guidance which we are giving in the cost reduction in power, that also does not satisfy the earlier comment also. So, my question is on account of coal cost, when we are talking about that it has reduced from 1.9% per GCV to 1.3% GCV this quarter, we have seen cost reduction of just $170 per ton. When our captive coal also comes and it's come to be 0.5- 0.6, then how it comes to be around $325? So this math I'm unable to understand. And second question related to that also, if I'm looking at aluminum different cost of production like ingot conversion cost, it is shooting up like $110 to $190. So, other costs are still on a rise. And thirdly, on premium side also, we are seeing that premiums are also coming down. So, is it ingot premium, which is coming down or the value addition part, which we are coming down? These are three elements on this.

Sunil Duggal: Thanks for your question and very relevant question also. So, first, if I could come to the power cost, last quarter was around $1,000-plus. So, this was at an average cost of coal of Rs1.7/GCV, which we are hoping to fall to say 1.4 Rs/GCV in the current quarter. And if the overall power cost at 1.73 is say $1,000-odd, you can work out your number that if the overall coal cost falls down to 0.5, 0.6, or 0.7, what could be the number for the power cost?

Ashish Kejriwal: So sir this quarter you were talking about 1.73 versus 1.9 in the first quarter or something else?

Sunil Duggal: Yes, yes, the first quarter, the average coal cost was 1.9; in Q2, it was around 1.7; and in Q3, we are hoping to stay around 1.4 or so.

Ashish Kejriwal: What was the reason for not achieving our earlier guidance when we were talking about that our power cost will come back to fourth quarter level of something like $800 and which we couldn't do it in the second, because in last quarter, you clearly mentioned about this, and we are really surprised to see this kind of reduction in power cost?

Sunil Duggal: There are two factors for that. One is that the power demand and the coal stocks at IPPs did not go up and the linkage coal realization was not to the extent we had thought, number one. Number two, even when the linkage coal realization improved from 22% to 55%, we had to move a lot of coal through road which actually hit the cost. In real sense, this coal would have come by rake, which was the original allotted means of movement of the coal, this will have reduced the coal cost to a larger extent. But now with the three captive rakes, which we have mobilized, there is a lot of moment of coal, which is taking place through these rakes apart from what is being allotted by the railways. So, there is a substantial quantity movement which is happening. But, as we speak, the stocks in the IPPs and the linkage allocation has become much higher. So, a combination of these two things will help us to bring the cost down. Although the third factor, we have not accounted for when I'm telling you the cost, the Jamkhani coal block operationalization. So depending on how fast we are able to do the stripping and expose the coal, but if we are able to do that, it will further help us to reduce the cost.

Ashish Kejriwal: So sir, just to get clarification, from materialization from 22% to 55%, still because of less movement of railways, we were able to reduce cost to certain extent. So, from second to third quarter when we are talking about reduction, we are assuming that all 55% linkage or whatever that will be rooted through rail or again, there could be surprise going forward?

Sunil Duggal: No, not that the total coal will move through rail. Part of it will still move through road, but it will also depend on the rake allotment and the relaxation, which will be provided by the railways. But a combination of our own rakes and the railways, we feel that we should be able to reduce our coal costs substantially.

Ashish Kejriwal: Other question is on premium as well as ingot conversion cost?

Sunil Duggal: So the processing cost is majorly dependent on the CP coke and CT pitch. And as we speak, we have been able to bring down the CP coke and the CT pitch prices substantially by 30% or so. This will definitely help us to reduce the processing cost. And on the premium, you know the demand which has eased out in the high premiums geographies and a combination of that, we had to tweak the product portfolio along with the labs and the value-added product. So, the combination of easing out of premium in the market in various geographies and the product portfolio, it has impacted our NEP.

Ashish Kejriwal: Lastly, on alumina, whether we are producing at a lower cost than a purchase alumina?

Sunil Duggal: So there was an aberration in Q2, which we hope that it is not going to happen in the coming quarter, which normally does not happen. It also depends on the imported aluminum landed cost also, depends on which cycle we are. There is a lag between the purchase, the landed and the usage. So the cost is booked on the usage. So with that, I think this is not going to happen. There is always a differential between the imported and the Lanjigarh cost by say around $100, $150. So that differential is going to be maintained in the coming quarters also.

Moderator: Ladies and gentlemen, we take that as the last question for today. I now hand the conference over to Mr. Sandep Agrawal for closing comments. Over to you, sir.

Sandep Agrawal: Thank you, Steven. And thank you all for taking the time out to join us. I hope we were able to answer most of your questions. In case, you have further questions, please feel to reach at me or my colleagues at IR team. This concludes today's call. We look forward to reconnecting you for next quarter earnings call. Thank you, everyone.

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