"Vedanta Resources Limited Second Half and Full Year FY '26 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Vedanta Resources Limited's Second Half and Full Year FY '26 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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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From the company side, we have with us Mr. Ajay Goel - Group CFO; Mr. Charanjit Singh - Group Head, Investor Relations and Ms. Pooja Somani - Senior Vice President (Finance).

Without further delay, I would now like to hand the call over to Mr. Ajay Goel for his opening remarks. Thank you and over to you, sir.

Ajay Goel: Thank you. Good day, everyone. Looking back at FY '26, we continued the momentum and carried forward the progress in our operations, financials, balance sheet and strategic initiatives.

On the macro side:

Despite global volatility, positive pricing and supply-side dynamics played to our advantage. We safeguarded our supply chain, controlled costs and reinforced our balance sheet while staying focused on growth and delivered record financial results, setting the stage for our next growth chapter to Vedanta's de-merger.

De-merger:

Vedanta Limited's de-merger got effective from 1st of May, 2026 with the listing of four new independent sector-specific companies on 15th of June, 2026. The de-merger unlocked significant value with combined market cap of resulting companies growing by over $7.4 billion in Q1 itself. The newly listed entities are now well-placed to pursue growth with a sharp focus and greater financial flexibility.

Performance:

Last year, we delivered our highest-ever annual revenue of USD 21 billion, up 15% Y-o-Y, best-ever EBITDA of 6.8 billion, up 24% Y-o-Y and record PAT before special items of USD 2.5 billion, up 182% Y-o-Y. Our EBITDA margin stood at a healthy 40%, up 403 bps versus last year, supported by positive pricing, marketing premiums and continued work on cost efficiencies.

A quick glimpse on business-wide performance and our portfolio:

Our top business segments delivered standout performance. Aluminum reported an EBITDA of 2.9 billion, up 37% Y-o-Y, with a margin of 39%, supported by competitive COP of $1,752 per ton, down 5% Y-o-Y and lowest in 5 years. Aluminum business delivered its record Alumina production of 2.9 million tons, up 48% Y-o-Y, with an exit run rate of 4 MTPA. This will enhance our cost position in this business going forward.

Similarly, Zinc India delivered an EBITDA of 2.5 billion, up 22%, with an industry-leading margin of 56% and a 5 years lowest cost of production, about $959 per ton, down again 9% Y-o-Y. Zinc India also recorded its highest ever annual mined metal production of about 1.1 million tons per year, with silver production at 627 metric tons. Similarly, at Zinc International, the mined metal production increased 27% Y-o-Y to 225 KT, led by project in Gamsberg volumes rising by almost 39% Y-o-Y.

Growth Projects:

We remained focused on disciplined and value-accretive growth. In FY '26, we deployed 1.7 billion of growth CAPEX across our portfolio. We commissioned Lanjigarh Train 2 refinery, the new 435 KT smelter at BALCO, and 1.6 KTPA Debari Roaster at Hindustan Zinc, and added 1.3 GW at Atena and Meenakshi, taking our merchant power capacity to 4.2 GW. In FY '27, the pipeline of projects commissioning remains strong, and these will further augment volumes, margins, and earnings visibility across cycles.

An update on the KCM:

Our KCM Mines have been on a steady ramp-up and production upswing, achieving 77 KT of metal production in FY '26. Now, backed by critical projects like KDMP and expansion programs at the smelter at TLP, KCM is building a strong foundation for the future. This year, we continue to rapidly scale up operations and achieve a run rate of 10 KT production per month, with a target to go towards 15 KT by end of this fiscal on a monthly basis, with also a target of production on full year basis at about 130 KT. For developing KCM as a world-class production asset, we are committed to expand the production to almost 300 KT by 2031. Owing to current market conditions and recent volatility, we postponed the proposed IPO for CopperTech Metals. We shall revisit this in due time and keep our stakeholders informed.

Now, moving on to the balance sheet:

On debt:

Our executions have been consistent. We reduced group debt by $ 0.6 billion in FY '26, with leverage down to 1.6x from 2x. In Q1 FY '27, we reduced the debt by further $ 1.1 billion, taking net debt to EBITDA to 1.2x. With over 2 billion USD debt reduction plan in the current fiscal, we will close FY '27 below 1x leverage.

Some updates in the recent past:

The demerger significantly enhanced our strategic optionalities available to Vedanta Resources. The recent 1.7% stake sale in Vedanta Limited of almost $ 200 million will accelerate debt reduction across the group. We recently also raised $ 1.7 billion from international bond markets at an average coupon rate of 7.4%, and tied up syndicate term loan up to $ 2.25 billion at about 6.4% interest rate. Overall, we are targeting a reduction of as much as 280 basis points in average funding cost and average maturity of about 6 years through the broader $ 5 billion refinancing program at Vedanta Resources. This would significantly reduce and flatten VRL's repayment liabilities that can be easily serviced through regular brand fee and routine dividend.

Credit ratings:

Our sustained deleveraging efforts, and stronger balance sheet have been recognized by all major rating agencies. S&P and Fitch at a rating of BB, and Moody's rating at Ba3 with positive outlook, representing again a decadal high rating for Vedanta Resources. VRL now is on a clear, structured path to investment grade rating in 2 years. So I repeat, VRL now is on a clear and structured path to IG rating in next 2 years.

In conclusion:

FY '26 marked a defining year for Vedanta with strong performance and notable strategic advancement. VRL continues to be a solid value creator for its bondholders, and is well positioned for the next phase of growth as a powerhouse of critical minerals, energy transition, and technology.

Thank you, and I will hand over to operator for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Love Sharma from Point72 Asset Management. Please go ahead.

Love Sharma: Hello. Hi, management. Thank you for taking the question. So maybe first one to start with, can you just share what is the progress on the loans which you were refinancing? What is the savings in terms of cost you realized there? And any updated amortization or repayment profile for those loans, if you can share some details there? The second question I had was, if you can also highlight what was the cash balance as of June end, including the sale of the stake in Vedanta Limited pro forma for that? Those two to start with. Thank you.

Pooja Somani: Pooja here. Nice to meet you. Very good morning and good afternoon to everyone. To answer your first question in terms of the bank loan, so far we have tied up 1.855 billion on the bank loan side, which is also drawn and fully drawn and has been utilized towards refinancing of the entire bank loan that company had and partly pay some of the proceeds that also been used towards the call of the bonds that we have done recent in this week. We are in discussion with a few other banks who are working right now and seeking their final approvals to upsize this banking loan facility to up to $2.25 billion and we expect to maximize this facility to that level in the next 2-3 weeks. So that is the update on the bank loan side. On the current debt position, as of today, June end, I am not giving June position because June is when we were still refinancing the bank loans and the bonds. But as of July end or as of today, the outstanding net debt of the Vedanta Resources is about $5.2 billion and that constitutes of $1.75 billion of the new bond that we have issued in June, earlier bonds of about $727 million, new syndicated loan with facility of $1,845 billion and bridge loan of a billion dollar. So that is the gross debt and adjusted for the cash on hand, the net debt is about $5.2 billion.

Love Sharma: Got it. Thank you, Pooja for this. So I just want to understand on the syndicated loan side, how should we think about the maturity there?

Pooja Somani: Syndicated, debt loan maturity is spread equally or spread across over the next 5 years with the average of about 3 years. So it is kind of a ballooning maturity. Of the, let us say $ 1,845 bN that we have, you can assume $400 million every year starting for FY '28, 29, 30 and 31 and then about $201 in the last year. The maturities are spread by the repayments are Bi-annual on this facility.

Love Sharma: By, sorry annual, what was that part?

Pooja Somani: I said it is 6 monthly payment. So payments are due every 6 months. And the first payment is due after a year, which is therefore in July.

Love Sharma: Understood. And assuming you go to 2.25 billion on this, we should assume pro-rate amortization?

Pooja Somani: Similar. That is true.

Love Sharma: Got it. All right. And then one last question I had Pooja, if you can, on the KCM payments, can you just share where do we stand there as of now?

Pooja Somani: Yes. On KCM, we had a total commitment on the CAPEX side to fund about a billion dollar. Of that, so far we have funded already $400 million and balance $ 570 mn is what is now due to be funded. Of that, 100 million is due in this year and the balance over the next 2 years.

Love Sharma: And the 100 million due is in December, right? Is that?

Pooja Somani: That is true. That is right.

Love Sharma: In December. Got it. That is it from me. Thank you, Pooja.

Pooja Somani: Thank you.

Moderator: Thank you. Next question is from the line of Asmita Patil from REDD Intelligence. Please go ahead.

Asmita Patil: Hi. First of all, congratulations on such amazing results. I just wanted to confirm two things. Can you please give me the breakup for gross debt again? And additionally, you said that you plan on upsizing the loan to 2.25 billion. Is that going to affect the pricing for the loan?

Pooja Somani: The upsizing will be at the same price because we are looking to do upsizing through accordion. So the pricing remains the same for the loan for the new participants. And the total debt outstanding gross debt is $5.3 billion, which is 1.85 of new bank loan at this point in time, a billion dollar of short-term bank loan that we have taken, 1,750 of the new bond printed and around 730 of the old loan outstanding. Adjusted for around $100 million cash, the net debt is 5.2.

Asmita Patil: Sorry, I missed the last thing that you said. I got the short-term loan of 1 billion, 1.85 syndicated loan and the last one I missed?

Pooja Somani: Bond of 1,750, new bond.

Asmita Patil: That is it. Thank you.

Pooja Somani: Existing bond or the old. Thank you.

Moderator: Asmita, do you have any follow-up questions?

Asmita Patil: No, that is it.

Moderator: Thank you. Next question is from the line of Vikash Agarwalla from Primas Asset Management. Please go ahead.

Vikash Agarwalla: Hi. Can you hear me?

Ajay Goel: Yes.

Vikash Agarwalla: Thank you. A good set of numbers. A couple of follow-ups from what Pooja, you mentioned before. First on KCM, can you help us understand what is the now work stream around IPO? There was a plan which has been put on hold or been pushed out. Can you help us understand where does it stand at least in the near term?

Ajay Goel: Yes, sure. So on the KCM IPO, I mentioned in my opening remarks, due to the current market situation being highly tumultuous and volatile, we postponed the proposed IPO for CTM, as we call it, CopperTech Metal. Now, this will be, of course, revisited and we will let you know. But as of now, beyond that, nothing more we have to share for now.

Vikash Agarwalla: So there is no revised timeline that you guys are working on, it depends on market conditions?

Ajay Goel: That is right. So there is no revised timelines that we have to process. But of course, this will be revisited and we will take one more shot in the near future.

Vikash Agarwalla: Got it. And my second question is around refinancing. As you have discussed about debt profiling, Pooja mentioned about the old bond and the bridge loan, how should we think about the refinancing of this remaining part of the bridge loan, the new bridge loan, what is the strategy? How much of it will be done through internal resources? How much of it will come to market refinancing? Can you help us understand and put into context the timelines and the sources, please?

Pooja Somani: Pooja here. Yes, the plan remains to refinance the entire erstwhile loan, including the existing portion of the existing bonds of about $700 in near term. Part of it, as we mentioned, will come through the loan upsizing that we are planning to do in the coming weeks. And the balance, we have options to refinance through access to capital market or from our internal sources. And that is something the company will decide in the coming days. But the objective remains to refinance the entire $700 mn in the near future.

Vikash Agarwalla: Yes, the amount will be $1.7, right, including the bridge loan as well, which needs to be refinanced. The bridge loan maturity is 1 year, right?

Pooja Somani: Yes, so that including bridge, yes, bridge is due in a year's time. And since we do not have any maturity in the next 12 months, the internal accruals will be also be applied towards the repayment of the bridge. So for the bridge, there are a couple of options that can come into play by the time it becomes due. Right now, the company is focused on refinancing the $727 million of balance bond. And then once that is done, we will focus on the bridge.

Vikash Agarwalla: Got it. And for the $727 million, just to understand it correctly, Pooja, the loan upsizing to which is still pending to 2.25 that will effectively be the amount used for the bonds which are already called and payable in August? Or the upsizing to 2.25, is that an amount which will be incremental and help to take out the $725 remaining bonds? Or how will it work? If you don't mind explaining?

Pooja Somani: It is the later, Vikash. As of today, the $1,845 is fully drawn and has been applied for all the calls that we have done to date. So this is the position as of today, where $1,845 has been applied towards the call of the 33s that we have done recently. And therefore, any incremental bank loan will go towards reducing the $727.

Vikash Agarwalla: I understand. So out of 2.25, the remaining amount of $2.25 will effectively bring down the $727 remaining?

Pooja Somani: That is right.

Vikash Agarwalla: Got it. This is helpful. And my last question before I get back in the queue is on the dividends as well. So now that de-merge is done and the different subsidies are listed separately, if I remember correctly, it has been some time since the dividend has come from the OPCO. So how should we think about the timing and the procedure for dividend now? Will that dividend be paid by all the different subsidiaries, which involves different dates and announcements? Or how will it work, Pooja, if you can help us understand?

Ajay Goel: But that is a way to also look at this. Of course, now we have 5 Vedantas post-demerger. And dividend being a board subject matter. So all the 5 company's board will decide individually. Now, of course, these 5 companies are cut from the same floor. At least the policy need not be identical, though they are quite similar. And you may have seen Vedanta Aluminum declared Rs. 8 per share as a dividend. It is about 350 odd million. And in that case, residual Vedanta Resources is about 175 million. Our publicly announced intent of dividend yield on the combined market capitalization has been in the range of almost 3%-5%. And that is a way to look at and do modeling. So if you look at all the 5 companies, combined market capitalization, say about 36 billion as on date, and the range we expect will be about 3%-5% on the higher side.

Vikash Agarwalla: All right. That is about it. Thank you.

Moderator: Thank you. Next question is from the line of Rachna Jain from Bank of America. Please go ahead.

Rachna Jain: Thanks for taking question and congratulations on good set of numbers. Most of my questions have been answered. Just wanted to check on for bookkeeping purpose, what is the cash balance at the quarter end?

Pooja Somani: Rachna, the cash balance, we normally maintain about $100-$150 million at VRL which is the balance that we have as of today as well, around similar number. In addition to that, Vedanta Limited and the OPCO's cash balances have already been discussed in quarter 1 financials. And above that, KCM cash balance is about $250 million in addition to what we hold in Vedanta Resources.

Rachna Jain: Got it. Thanks for that. That is it from my side.

Ajay Goel: Thank you.

Moderator: Thank you. Next follow-up question is from the line of Love Sharma from Point72 Asset Management. Please go ahead.

Love Sharma: Yes. Hi. Thanks. Sorry. Just wanted to follow up on the brand fee. Is there any understanding or any structure which we have already arrived on how the brand fee is likely to work going forward? And just related to that, given, I think it is based on the percentage of revenues and revenues have been much stronger than I assume what has been budgeted by the companies. Will there be any adjustment to these brand fee payments anyway to recoup more or anything like that?

Ajay Goel: Yes. So the brand fee, in fact, the old agreement has been also kind of espoused by the 5 new companies. And the current agreement across the 5 companies and Vedanta Resources is valid till 2038. So it is a long-term contract. Of course, every 3 years, we look at the revised benchmarking in terms of rates. So one can assume the current brand fee will continue till 2038 unless the 5 company's board decide otherwise. Now, you may have seen post-demerger, we have done an unbundled benchmarking, unlike pre-demerger, where 3% broadly was into brand fee. In that case, rates are now for all the 5 companies. Nothing much may have changed. So excepting in case of our copper business, where the rate got revised from 3% to 0.75%. Rest all businesses are continuing with the older rate. So broadly, across the portfolio, the rate is roughly 3%. Now, as we know, the brand fee agreement requires Vedanta companies to pay the brand fee by 15th April at the year commencement. Now, the demerger became effective only on 1st of May. So the current year's brand fee has already been paid by Vedanta Limited for all the 5 businesses. Of course, the entire accounting and the cash flow happens in the 5 companies. So in summary, one can safely model that the brand fee rate will continue post-demerger as it was before demerger.

Love Sharma: I understand that Ajay, thanks for that. My question also was more about that given you budgeted in the advance of the financial year, right? And then the budgeted revenues are probably stronger, I am assuming. Does that then mean that you probably have to get back some more of the brand fees? Or I am just trying to understand if there is additional payments you are expected to receive from the operating entities?

Ajay Goel: Sure. At the year beginning, you're right. In the brand fee, again, one of the important variable remains the LME and the Brent. And of course, in that case, we pay roughly 3% on the revenue. So our estimation at the year beginning was almost 428 million gross brand fee. And right now, the pricing overall is better than the business plan. There will be an upside, but that will normally go up when we pay the next brand fee, sometimes in April next year, unless the variation is quite significant. So 50-70 million is our estimation as of now with the current rates. We may end up paying sometimes in December. Otherwise, it will be adjusted along with the next cycle.

Love Sharma: So additional 270 million as per the current run rate?

Ajay Goel: About 70. 50-70 million is the range

Love Sharma: Got it. Thank you. Thanks, Ajay. That is it from me.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Charanjit Singh for closing comments.

Ajay Goel: Thanks, everyone, for taking out the time to join us on this call. We will be connecting again in December with our H1 numbers. So good day and looking forward to another engagement in December. Thank you.

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