



**“Vedanta Resources PLC Q1 FY18 Results Conference Call”**  
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**Moderator:** Good Day, Ladies and Gentlemen, and Welcome to the Q1 FY18 Results Conference Call of Vedanta Resources PLC. As a reminder, all participants will be in a 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 the operator by pressing \* then 0 on your touchtone phone. Please note that this conference call is being recorded. I now hand the conference over to Mr. Ashwin Bajaj – Director, Investor Relations. Thank you and over to you, Mr. Bajaj.

**Ashwin Bajaj:** Thank you, operator. Good morning. This is Ashwin Bajaj. Thanks for joining us today to discuss our production results for Q1 of Fiscal 2018. Let me introduce our management team members, we have our CEO – Tom Albanese; our CFO – Arun Kumar; and also several of our business leaders. We have Sudhir Mathur from Cairn India; Sunil Duggal from Hindustan Zinc; Deshnee Naidoo from International Zinc; Steven Din from KCM; Abhijit Pati from Aluminum, Kishore Kumar from Iron Ore; and Ajay Dixit who is in-charge of the alumina vertical as well as TSPL Power.

So with that, I would like to hand over to Tom.

**Thomas Albanese:** Thank you, Ashwin. Good morning, Ladies and Gentlemen. I am pleased to welcome you to Vedanta Resources First Quarter Fiscal Year 2018 Production Conference Call.

If I may, I would like to start with the commodity markets. As all of you know we have had a pretty good run the past couple of days, but on a quarter-on-quarter basis we have seen lower commodity prices during the first quarter, except for aluminum where Chinese efforts to restrict excess capacity aluminum has been helping. I was in China over the last quarter, I certainly had updated and seen and witness and discussed some of the steps that are happening with aluminum producers in order to control the pollution, which should probably have some positive effects on slowing down aluminum production growth in China. As a consequence, aluminum LME continues to shift to a positive bias really for the first time that we have seen in nearly a decade. And having said that, since the end of the quarter we have seen some smart recovery in zinc prices, and of course copper more recently.

We continue to expect that fiscal year 2018 will be more of a supply driven story in our sector, barring any macro-shocks. And you have heard me say that over the past several quarters. Until we begin to see large capital inflows coming back into the sector, we will probably continue to see progressively tightening markets and hopefully supportive prices.

Renewable energy and electric vehicles have been evolving rapidly worldwide and certainly an incredible amount of news flow just the past quarter. However, from an Indian perspective strong demand growth for gasoline and diesel will continue well into the foreseeable future. In the longer term, a surge in electric vehicle will mean stronger demand for our base metals like copper, aluminum, lead and zinc, given extensive usages of all these in electric batteries and transportation systems. Vedanta will of course strongly benefit from this demand.

Overall, Vedanta's diversified portfolio of metals plus oil which is fundamentally strong and structurally low cost should directly benefit from these emerging macro trends.

So, with that let me take you to our first quarter fiscal year 2018 performance:

Firstly, on operations. We continue with our production ramp up across our portfolio with production guidance for fiscal 2018 mostly unchanged, except for KCM, which we will talk about. We have significantly higher production at Zinc India with mine metal production at 233,000 tons during the quarter, up 84% year-on-year. At Zinc International, the Gamsberg project is on track to commence production by mid calendar year 2018.

At Oil & Gas and Cairn, our Mangala EOR project continues its excellent performance with a stable contribution of 56,000 barrels of oil per day.

For aluminum, we exceeded with a stabilized production run rate about 1.4 million tons per year.

At Copper India, we had lower production due to the planned maintenance shutdowns, but the smelter is now operating at high efficiency post the restart.

At KCM in Zambia, production of mined metal production is lower on a year-over-year basis, it has picked up on a quarter-over-quarter basis with integrated production up by about 9%.

For iron ore production and sales were lower and we are now in the monsoon season and we are working towards beneficiation and grade improvements to widen realizations and margins as we come out of the monsoon season in late September.

At TSPL, all three units have restarted at end the June and are currently running at an availability of around 90%. And as announced earlier, the plant was out of production as we had a fire in the conveyor unit in April 2017.

So, I will now probably go through each of the production units, starting with Cairn.

Our Oil & Gas business continues to deliver stable production volumes. We have also commenced our growth journey on both exploration and development fronts. Our core fields continue to deliver along expected lines with gross production across our three assets at 187,000 barrels of oil equivalent per day for the quarter.

Rajasthan production was about 160,000 barrels per day. Mangala EOR continues to deliver, as we said. Continued reservoir management and production optimization helped deliver steady production from water-flood operations across the fields. The Rajasthan asset recorded an excellent plant uptime of over 99% during the quarter.

Gas production from RDG field increased to an average of 35 million standard cubic feet per day in the quarter. During the quarter, we commenced production from two more satellite fields - Kaam West number 2, and Guda in Rajasthan

The offshore assets production was at 28,000 barrels per day, with Ravva contributing 18,000 barrels, and Cambay at 10,000 barrels. Effective reservoir management practices and production optimization has continued to help to contain this natural decline on these offshore fields. The offshore assets also recorded excellent uptime of over 99% for the quarter.

Our RDG natural gas expansion project is progressing as per plan. Phase-1 of the project is on track to complete in second quarter, which would increase gas production to 40 million - 45 million standard cubic feet per day. For Phase-2, the tendering activity for new terminal is progressing well. The drilling rig contract has been awarded with mobilization by third quarter. Phase-2 is expected to increase the gas production to over 100 million standard cubic feet per day and condensate production to about 5,000 barrels of oil equivalent per day by first half of calendar year 2019.

Moving on to the Oil Projects:

Mangala has been our most prolific field over the years. We are now commencing a 15 well Infill drilling program at Mangala to monetize the reserves a bit early. The rig has arrived at the site and the drilling is expected to commence from end of this July.

We look to advantage of the learnings from the excellent performance of Mangala EOR to enhance production from our plants Bhagyam and Aishwariya through polymer injection.

A large HIIP of 1.4 billion barrels of oil equivalent at Barmer Hill offers us significant growth potential. Our Aishwariya Barmer Hill Phase-1 has been approved and the production from existing appraisal wells has commenced from this July. Execution of Aishwariya Barmer Hill Phase-2 is expected to begin in this fiscal year.

We continue to work towards enhancing our prospect portfolio in Rajasthan by identifying high impact new plays. Prospects are now being firmed up for exploration drilling later this fiscal year. In addition to this, with a focus on enhancing the shallow resource base, studies contracts have been awarded for Shallow Oil Prospects and in addition to some Deep Gas Prospects in the Barmer Basin.

We are also planning over the year to drill two additional exploration wells in the KG offshore block.

For fiscal year 2018, we expect to have a steady production volume from Rajasthan at 165,000 barrels per day, with potential upside from the execution of the growth projects

Following on from our comments during the Oil & Gas day, the re-commencement of our investment in the exploration and development projects is a step towards realizing the full potential of our prolific Barmer basin. Now, we are committed to our ultimate vision of contributing to 50% of India's domestic production.

I would like to move on to our Zinc Business and maybe I will start by talking about the zinc market. As you know, I have been speaking consistently about the strong fundamentals for zinc for at least the past two years. We continue to believe that zinc fundamentals remain intact

Over the few months there have been some doubts about the refined markets, given the fall in zinc prices. But the recent, smart recovery in Zinc LME justifies the bullish view we have had on Zinc.

Continued shortage of supply and a continuous drawdown in the refined zinc inventory, both in the LME and the Chinese registered warehouses has led to a multi-year low stocks levels

While the concentrate market continues to be tight, it's effects have now finally started, reflecting in the refined market. And the impact of this tightness has been accelerated and it could continue to accelerate in the coming months

Tc/Rcs remain low on historic basis, although we have seen some marginal recovery in the recent months

In terms of market usage, globally 60% of Zinc finds its use in Galvanization. The end use of zinc is largely driven by the construction, transport and infrastructure. As you are aware, India is growing significantly in each of these sectors with Hindustan Zinc having a very large market share in the Indian zinc sector. We believe on a going forward basis urbanization and industrialization will continue to drive demand for zinc in all these sectors.

Speaking about businesses, and starting with Hindustan Zinc:

We commenced the year achieving mined metal production of 233,000 tons of production. On our expansion projects, we are well on our way to achieving 1.2 million tons of mined metal capacity in fiscal 2020. Underground mining will move to 80% in the current year before completely moving to underground mining next fiscal year. Rampur Agucha underground mine ramp-up is progressing well and we expect to start ore production ramp-up in the third quarter of fiscal 2019 from the shaft. At SK Mine, we have awarded 1.5 million tons new mill contract to L&T, which will take mill capacity to 5.8 million tons per year.

Looking at the Zawar group of mines, we believe that has a potential far beyond their existing reserves and resources and we are extremely focused to explore their full potential in the coming year. We maintain our guidance for fiscal 2018 refined zinc-lead metal production of about 950,000 tons. And we expect silver production to be over 15 million ounces.

Moving overseas to our Zinc International business:

Production was low due to a planned shutdown at Skorpion at the acid plant during the quarter. The Gamsberg project is on budget and on target for first production by mid calendar year 2018, and we have made significant progress during the quarter. The critical milestone of completing the North Access Ramp as part of the open pit development was achieved as per schedule. The north pit pre-stripping has fully ramped up in the quarter.

All major orders for the integrated process plant, water and power, mining and other prestart activities have already been placed. Manufacturing of critical machinery like Mills, Crusher, and Transformers is progressing well.

At Skorpion, the pit extension project is progressing well and will extend the mine to three years. Our FY2018 production guidance remains unchanged with production of around about 160,000 tons.

Separately, as I just mentioned a couple of weeks ago, most of the sell side analysts who were part of our “Oil & Gas day”, we got quite a good and positive feedback from our Oil & Gas day and help you better appreciate our Zinc business, we are planning to host a “Zinc Day” very soon. And the details of this will soon follow.

Moving on to Iron Ore:

We have had sales of 2.28 million tons and production of 3.24 million tons. At Goa, where I am as we speak, production was lower primarily due to the early onset of the monsoon as well as a temporary halt in mining in some areas by the government, which is expected to be resolved in third quarter of this fiscal year.

Sales were lower due to lower pricing environment and widening of the discount of our 56% grade as compared to the benchmark price of 62% iron grade. However, we did quite a bit of work on the ground here at Goa during this monsoon, season, that is why I am here on site this week. And we do plan to come out of the monsoon with a better product. We are working on beneficiation and blending with some of our higher grades to increase iron content to the 57.7% grade as well as lowering our alumina content from 4.2% to 3.5%. We would expect this to enable the narrowing of current discounts and improve our realizations per ton.

At Karnataka with our iron ore we achieved 50% of our annual mining cap already, with production of 1.09 million tons during the quarter. Sales were lower at 420,000 tons due to muted e-auction sales. We do remain confident of achieving our allocations of 5.5 million tons and 2.3 million tons at Goa and Karnataka respectively, well ahead of the end of the fiscal year. And we continue to engage with the respective state governments for increasing mining allocations in both states.

I will now talk about our copper smelting operations in India. Production was at 90,000 tons of cathodes. Production was lower, primarily due to a planned shutdown for eleven days, as well as an unplanned shutdown for four days due to a boiler leakage at the smelter

We have advanced the maintenance shutdown in first quarter to coincide with global mine disruptions. Global concentrate supply has since recovered as you are aware, as the affected mines are beginning to ramp up production. The smelter is now operating at high efficiency following the shutdown and is expected to produce around 400,000 tons of cathodes during this fiscal year.

We continue to evaluate the expansion of the Tuticorin smelter by a further 400,000 tons per annum, and we should be able to provide further updates on this progressively during the course of the year.

I will now move over to KCM:

Mined production at KCM totaled 20,000 tons of copper in first quarter, 35% up quarter-over-quarter. This was a marked improvement versus the fourth quarter last year, which as you know, was impacted by lower plant availability at Konkola underground and Nchanga open pit and lower plant reliability at the Tailings Leach plant.

Following the meaningful improvements achieved during the quarter, the various operational improvements have resulted in exit integrated production of 8,000 tons in the month of June 2017, with the trend continuing into July. Custom volumes totaled 27,000 tons in first quarter, 17% lower quarter-over-quarter due to slightly lower availability of local concentrate. We are expecting improvement in second quarter and would be back at a run rate of 30,000 of concentrates. And given that KCM is so important for those on this call, I will now pass it over to Steven Din and I will ask you to speak briefly about the progress at KCM over the past quarter. Steven, over to you.

**Steven Din:**

Good morning, everybody. And thank you, Tom. So, just to start off the discussion, quarter-on-quarter Q1 FY18 versus Q4 the previous year, there has been a 35% increase in the integrated production. And the main reasons for that are that we have had improvements in fleet availability at the Konkola underground mine, so we are currently sitting at 53% fleet availability, which is more than double what we had in the previous quarter at around 23%

Also, the Tailings Leach plant and the concentrator availabilities, the plant availabilities are currently sitting at 86% and 88%, and we are moving upwards. This is the highest levels that we have seen in the last six months and the trend is seen to be improving

So, we closed the quarter with 8,000 tons per month production rate. And as Tom mentioned earlier, we are on a trajectory to be able to increase this to significantly higher levels. So, in addition to the work which is being done around mobile fleet and plant availabilities, there has

also been significant reorganizations within the business. We have been identifying talent, recruiting skills from outside and also bring in expertise in from contractors when necessary.

In terms of the projects that we are targeting currently at KCM, we are seeing improved recovery rates at the Talings Leach Plant from the Phase-1 of the elevated temperature leaching project which is currently under stabilization and we are in the process of appointment an engineering consultant for the 2nd phase.

In terms of the Heap Leach process, we are once again expecting to get a new source of copper production. The test pads have actually been completed now and we are just finalizing the last points of the construction phase where we bring in on the pipes and plumbing into the various utilities and we expect the commissioning to be done by the third quarter of this fiscal year.

Cobalt, there is lot of talk on the electric cars and the requirement for Cobalt into the future. And we want to capitalize on the strong price dynamics which are linked to this. Our preliminary proposals are to move from 1,000 tons roughly, which we are currently producing in alloy form to 3,000 tons to 4,000 tons per year of cobalt going forward. And we are in the process of choosing now a partner on the engineering consulting side to see that we chose the right technology to be able to deliver such a level of cobalt into the market.

In terms of energy, the water levels at Kariba Dam, as you know they have been quite low in the last few years, we are currently sitting at 56% which is in comparison to 34% the same time last year. Although, the power cuts in the country have stopped, ZESCO which is the producer of power in the country still does have a force measure around 30% of customer requirements. However, we have been managing within this and our energy savings programs have given us around 8% savings so far. Also, the government has launched a cost reflective tariff study which is being finalized and we are hoping to see some benefits coming out in that study into our power price.

So, overall, we continue to be very positive about the progress at KCM. We have had a very good June month and we are continuing that same trend in July. The volume guidance for the year is a bit lower at 95,000 tons to 110,000 tons of integrated volumes and we are maintaining 80,000 to 90,000 tons of custom smelting production as we expect to produce around 25,000 tons of integrated production in Q2 FY18.

So, a lot of work going on at KCM, I believe that we are going to see better performance coming out this current quarter and I look forward to sharing that with everybody at a later date. Thank you, Tom.

**Thomas Albanese:**

Thank you, Steven. Moving on to our aluminum business. As we have said, we continue to ramp-up production. I am happy to share that BALCO 325,000 tons smelter is now fully operational as well as capitalized.



At our 500,000 tons Jharsuguda-I smelter, we announced earlier that had an outage in April 2017, where 228 pots of the total 608 pots were damaged. Rectification of the damaged pots is in progress, and as of date 35 pots have restarted and we expect full ramp-up by third quarter of this year.

Coming on to the progress of ramp-up at Jharsuguda-II smelter, the 2nd line has been fully ramped up and capitalized in the fourth quarter of last year. At the first and the third lines, currently 187 pots and 152 pots respectively are operational and we expect full ramp-up by the third quarter of this fiscal year. We expect to produce between 1.5 million tons to 1.6 million tons of Aluminum, excluding trial run production in this fiscal year.

We would expect the fiscal year 2018 alumina production to be in the range of 1.5 million tons to 1.6 million tons, implying around 50% of alumina requirement is met via captive production. At our BALCO mines, we expect to mine 1.8 million tons to 2 million tons of Bauxite in fiscal 2018. We continue to work with the Orissa State Government and Orissa Mining Company on the allocation of bauxite, to drive expansion at Lanjigarh refinery.

On our power business, at TSPL in Punjab, all three units have restarted in end June and are currently running at an availability of around 90%. As announced earlier, the plant is now in production after being out of production from a fire in the coal conveyor unit in April 2017. We expect availability of 70% for the full year.

At the BALCO 600 MW plant and the Jharsuguda 600MW plants, we saw sequentially lower off-take in first quarter. And just to remind you, we have long-term PPAs for about 60% of the 600MW capacity at BALCO which are being substantially met and serviced.

The 100MW MALCO power plant, which is also IPP has been put under care and maintenance effective from 26th of May due to lower demand in Southern India. The plant has been selling commercial power for the last eight years, and had generated a significant cumulative EBITDA of about \$170 million over that period.

With respect to coal sourcing, we observed temporary disruptions in domestic coal supply. We have been reducing our dependence on imported coal at BALCO and Jharsuguda, despite increasing coal requirements on smelter ramp ups. We did secure 2 million tons of coal linkages in July through the linkage auctions, and this was in addition to 6 million tons that have been secured a year ago. We believe the auction of coal linkages is beneficial for long term security of coal sourcing at competitive prices.

So, before I start moving to Q&A, I would like to remind you about the compelling investment case of Vedanta. We have got a large, diversified asset base geared towards base metals and oil providing sector leading production growth. We have a low-cost production profile, in the lowest quartile in many of our assets, which aids the company in generating positive free cash flow which we saw even during the low commodity prices two years ago. An efficient capital allocation and continued focus on shareholder return are the key priorities for the group. And we

remain committed to achieving our objectives of zero harm and creating sustainable value for all the shareholders.

With the merger of Cairn India now completed this quarter, the new company is stronger, simpler and better positioned.

With that, operator, over to you.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. Our first question is from the line of Jatinder Goel from Citigroup. Please go ahead.

**Jatinder Goel:** Two questions, firstly on the new CEO. Tom, from your point of view, where are we in the process and what sort of involvement do you have in the process, if any? And secondly, on KCM, the guidance is gone down within a matter of two months of it being established, reflecting back on your tenure with the Group, what do you think is really standing on the way to actually deliver on volumes and then getting on to getting the cost control?

**Thomas Albanese:** First of all on the new CEO, for my successor, look my hope is that it is announced in the near-term. Obviously, as we have heard, this is something that is managed by the Chairman, which is appropriate, and his role in the nominations committee, at the Vedanta PLC Board. We have heard him say in the public remarks over the past few months that first of all there is quite a decentralized organization, so if anything, we have strengthened the business units CEO group, so we are not looking so much for my successor as being a manager of those business as much as being looking to the proper management portfolio of the whole group, and certainly an outward facing position. As you can imagine that most of the people in the industry that would be considered as possible candidates would be people that I would know and be aware of, and you would imagine that certainly I would be seen to be supportive in the process as we go forward.

On KCM, look the potential really from my perspective has not changed from now compared to what I would have looked at four years ago. I think the drivers for execution have been more difficult. I think frankly if we hadn't had that period of time where copper prices had dropped down to \$4,000 per ton and we had to cut our cost according to our means, we would have probably been in a better place than we are now. But, what we did was we had to do and when copper is in the \$4,000 range we had to make sure that it was staying cash viable and probably for maintenance we definitely deferred some development that we should have done in the benefit of hindsight. And so we have been paying for that over the past six months. But that being said, now the copper prices have recovered, we have been putting some limited funding at the PLC level in to basically ensure that it is in good order. We have I think got ourselves on the right pathway and our pathway is exactly as Steven has articulated which is continued to ensure that we are getting the production, make sure the development is ahead of the production, getting the Nchanga underground back up and running, make sure we are getting out of the Tailings Leach plant and move new leach processes by enhanced leach recovery like the heap leaching going over the course of time. KCM will require more capital to be spent going forward to finally finish the development from the original Konkola pits, and that is going to take still a couple of \$100

million of capital which the team is aware of. And ideally by the path that Steven is putting it on, the business can be generating its own positive cash from operations and that in itself can be the driver for that. Obviously, there is over \$100 million of cash that the Zambian government still owes us from the VAT, and that effect to the capital has not gone into the underground development which is the business so strongly needs. So, we had a few hits against us, but I have to say that Steven and his entire management team has actually done a very good job under very arduous circumstances to make sure that the future potential business can be delivered.

And, I do not know, Steven, is there anything else you would like to add to that?

**Steven Din:** Tom, I think you have summarized it all. Just let me add that we are very bullish about the potential production levels at KCM, one of the things that we have been hit by is a loss of skills and basically whether those skills are now being searched for internally within the Vedanta Group or within KCM or we bring in the expertise, we certainly have an understanding of the focus that is required to be able to get production back up. And if these copper prices stay where they are and continue to move up that is obviously going to help us. That is really it, Tom. Thank you.

**Moderator:** Thank you. Our next question is from the line of Harsh Agarwal from Deutsche Bank. Please go ahead.

**Harsh Agarwal:** Tom, I had one question for you and one question more on the finance side. The question for you was, I do not know if you can comment on this, but there have been talks about the government approaching you for potentially buying out Cairn Energy sort of seized 5% odd stake in Vedanta Limited, any comments on that would be great. And secondly, I know this is a call on production results, but if you can just share the consolidated debt and cash number for PLC, that would be very helpful. Thank you.

**Thomas Albanese:** So, Harsh, I am going to start by talking about the Cairn case, but I would also ask Sudhir to make some comments because he is closer to it. You would recognize that the reports of the government thinking about selling their shares really are driven by the matter between the government of India and Cairn PLC, this is not a Vedanta Limited matter. And while I have been reading the same reports with actually a bit of puzzlement because as far as I know the government has not approached us with respect to this. So, it is about speculation or possibly someone doing some backgrounding, I do not know, but we have not been approached. Sudhir, is there anything you would like to add to that?

**Sudhir Mathur:** Tom, thanks. I will just reiterate what you are saying, we have always maintained that this is more a matter between Cairn Energy and the Government of India, the tax department and really had nothing to do with Cairn India as well and now Vedanta.

**Thomas Albanese:** Thank you. So, Harsh, I will turn it over to Arun. Just as a reminder we are talking about production here, we have not had any financials here. But with that, Arun, you can comment.

**Arun Kumar:** So, Harsh, again I think yesterday we have released the results of Vedanta Limited. And as you noticed, as we had guided during the meetings in May at Vedanta Limited and PLC level, our whole objective is to ensure that the operational subsidiaries are strong, do well and generate cash, adequate amount of cash to ensure that capital is rightly allocated, whether for growth CAPEX or for investor returns, or for deleveraging and at Vedanta Limited level it is more of reducing the gross debt, net debt is not a problem, it has got extremely strong balance sheet best in India, So, we have done exactly that, if you see the results have been well received, be it on the equity side in India, as we speak now, and from the results time the stocks are up 6.5%. If we look at our bond yields, they are doing quite well, again an endorsement for being on the right path. And again, just a reminder, even after the year end as we had mentioned in the month of May itself that we had deleveraged 400 million at PLC level with the debt having been around 5.7 billion around May 22nd or May 23rd when we announced the results. And if you notice, at Vedanta Limited level we have further deleveraged another \$600 million - \$700 million, taking the total to almost \$1.5 billion in the last four months at Vedanta Limited level. So, you can see that it is a consistent approach of sweat your assets, you are entitled to a certain level of EBITDA, run them well, generate the cash and use them wisely to meet all the three objectives. And needless to say, the dividend policy has been well established as well in the last few months. So, I think the trajectory is pretty much in line with what we articulated during the May meetings.

**Harsh Agarwal:** Sure, appreciate that Arun. But I recollect there was a time when Vedanta used to disclose the debt and cash numbers on a quarterly basis, I understand it is a production release but it would be great if you guys can start doing it going forward if possible, just because it is helpful on the credit side. So would appreciate that if possible. Thank you.

**Arun Kumar:** Thanks for the feedback.

**Moderator:** We will move to our next question which is from the line of Cedar Ekblom from Bank of America. Please go ahead.

**Cedar Ekblom:** Thank you very much. I have a number of questions. Firstly, in aluminum actually the ramp-up is going quite well, can you talk about your plans post FY2018, maybe not specific guidance numbers but rather can you talk about a further ramp-up of the aluminum assets which is going to be dependent on ramp-up of alumina and therefore securing bauxite supply. Also, considerations around coal linkages, if there are any, that you feel you need to address in order to realize the full value of those assets? That is the first question.

The second question is on the oil extension of the license at Rajasthan, can you give us a little bit of an update on where things stand there. And then finally on power, how should we think about stable plant load factors for these plants going forward, just in terms of modeling? Because obviously every quarter we tend to see some fairly big swings in basically availability of funds, obviously there were some specific issues this quarter which we are fully aware of, but how do we think about stable load factors going forward? And then just on MALCO, will you just hold on to that asset, is there actually any value on that asset, would you consider selling it even if it is for nominal amount? Thank you.

**Thomas Albanese:**

Thank you, Cedar. Let me take the first cut at the aluminum plans post 2018 and how I see it panning out both in terms of smelting but also bauxite and alumina. And then I will ask Ajay to talk about the coal linkages. I will then ask Sudhir to talk about the oil extension PSE and then maybe it will be good for Ajay to talk about what we are doing to stabilize power load factor in our power business. And I think I will just make a comment on MALCO on a going forward basis.

So, first of all on aluminum. What we would expect to see happening by the end of this fiscal quarter as we have said is that we would be ending the fiscal year run-rate of 2 million tons per year. And that would put us in a position where all but one of our pot line at Jharsuguda have been fully commissioned, fully capitalized. Then we have one additional pot line, we internally refer to it as pot line six, I think it is pot line number four, which is about another 300,000 tons which would take us up to the full capacity of 2.3 million tons. At the moment, we do not have the primary power supply nor the backup supply to run that satisfactorily from internal resources or can make competitively with external power. So, that project actually is not yet in our plans for this year to basically commission that pot line. We have a number of options that we are considering, including our own IPP facility that we have in Jharsuguda that could be possibly converted. And if we were to finish that or something else, would allow us to bring ourselves to 2.3 million tons. And hopefully, we will come up with technical and regulatory solutions over the coming quarters, we could do that during the course of fiscal 2019.

On the bauxite and alumina side, we have been ramping up our production from Chhattisgarh, from our own mines at BALCO. And frankly, that has not been enough bauxite nor a high enough quality to frankly fill up the existing facility that we have at Lanjigarh. So, what we have got to do over the course of this fiscal year is efforts to continue to ramp-up our existing production, probably supplemented with efforts to buy more bauxite of the market, particularly as we come into the autumn period of time. And with that we hope to be running close to our alumina capacity of 2 million tons per annum from our existing Lanjigarh facility by the end of the fiscal year.

We have made good progress on the bauxite front in Orissa with some forest approvals, access approvals with the Government of Orissa on some leases that are being undertaken by Orissa Mining Company. As you know we have an agreement with Orissa mining company to supply us with Bauxite. And we hope to see that to come to fruition over the coming quarters, a lot of work going on by recognizing something that has been worked on also for a long time. With that, that would give us I think the catalyst to go ahead with the Lanjigarh expansion, which as you know, we can take it up from the current 2 million tons per annum up to 4 million tons or possibly 6 million tons per annum, which should put us effectively fully self sufficient on alumina. At this stage, we are comfortable taking our aluminum smelting to 2 million tons per year, we are relying on purchased alumina. Obviously, though the more we can replace that purchased alumina with our own produced alumina, the more competitive future turns will be and that is certainly the prime objective as we go forward. So the continued drivers are access to power, which we have to 2 million tons of smelting which will need to get 2.3 million tons and then access to bauxite which will allow us to take Lanjigarh up to 2 million tons and 4 million tons per annum. And with that, maybe a key part of our power business of course is ensuring

ourselves that we get adequate coal. And as you know, two years ago we were sweating as everyone else were in terms of getting domestic coal, and that situation has dramatically changed for the better with the coal production, with Coal India ramping up quite a bit. That being said, we have had some coal supply interruptions this past quarter which has affected the cost, which was mitigating us to go forward with more linkages. And I would ask Ajay, if you could talk a little bit about those linkages and how you see it being self sufficient with domestic coal going forward?

**Ajay Dixit:**

So, Coal India, which is a government subsidiary, they are now regularly ramping up their production and coming up for long-term linkage options for five years. So, using this five years linkage we have as far as IPPs are concerned are secured. As far as our captive power generation is concerned, in the last two trench auctions, for our BALCO position we have secured up to 75% - 80% of coal, for Jharsuguda it has secured up to about 35% to 40% and the balance we are basically buying on the auctions which are also coming up regularly which they call as yearly auctions and the spot auctions. So, we are very hopeful with this, more and more linkages getting tied up, I would say the fluctuation of sourcing points would reduce and this would have a continuous flow of coal for our aluminum plant also.

Coming to the TSPL, which is the independent power unit. We had fire in the coal conveyor belt due to which our quarter one was affected. And it has come up very fast against normally such a work which needs about 90 days to recover, we have recovered in less than 45 days. And I am happy to share that the plant is running with more than 92% availability. Well, in Punjab, our arrangement for this power on this plant is based on availability and the load dependency is basically more front the demand side which has to come from the government based on their seasonal variation. However, our tariff is significantly protected by the model that we have a significant portion of availability guaranteed return. So, that is about the stable part of it. And from the captive, I would say, based on the ramp-up the plants will get fully loaded and they are capable to run and deliver the required power.

**Thomas Albanese:**

Thank you, Ajay. I think on oil expansion, usually Cedar when I get that question I say we expect we had done it two years ago, it has taken longer than expected. But Sudhir is on the case, we are confident that we are going to get it, it is just a question of timing. So, Sudhir?

**Sudhir Mathur:**

On the PSC extension, we have been pushing hard for the last three years to get the extension and eventually we went to the court to get the decision expedited. And as a consequence, the Government of India came up with a policy on the extension earlier on in the year. So, with policy the certainty of PSC extension for a period of ten years has been established. What we are still sort of debating with the government is that the change in terms of conditions which essentially can impose a 10% higher profit petroleum, in our case we should start from 2020, we should apply. And according to us, the PSC should be extended on the same terms and conditions. So, that is a bit of a difference. But the certainty of extension has been established which has a huge impact on our results to the extent of 250 million barrels. All the projects that we speak about on the analyst call are clearly viable even at 10% higher, but we will ensure that we are

able to keep the cost down, etc, besides working with the government of ensuring that this 10% does not apply to us are creating value for all stakeholders.

**Thomas Albanese:** Thank you. So, and then just to close on MALCO, I will just comment that I think we have to recognize first of all that MALCO was originally part of a smelting complex, aluminum smelters that basically when the pot line went down we wanted to make the best use of the power plant. And it is a good example of optionality that you take an asset, you make the best of it given the circumstances. At the moment it is not in a profitable mode, we are spending money on care and maintenance, we should recognize that that's because we have had recently an inclusion of quite a bit of new power supply coming into South India, including with renewables that have created a surplus. With that we will see all the power producers struggling there, so you may find that there is a cycle swing that comes in as new power capacity gets put in on a going forward basis. And we are also seeking other things such as ability to export power to areas which may not be in surplus. So, I would say with all that, given that we are already in care and maintenance there is certainly a lot more upside than there is downside, and from my perspective I would not recommend that we sell at the bottom of that type of cycle, as long as we believe energy demand will continue to be rising in the Indian market. And Ajay, if you want to say anything to MALCO, feel free to do so?

**Ajay Dixit:** Yes. Tom, as you rightly said, the south has excess generation of the renewable energy. And also, south was initially pretty much disconnected from the main grid which has now been connected. So, this is putting up also a great amount of availability of power for south and we see as we move forward there would be a grid parity coming and so also the industrial development which will pick up and we see and may be in future times the things will improve. In any case, this is a shore plant and also the wide fluctuation of coal is affecting it.

**Thomas Albanese:** Thank you. I hope that covers your question, Cedar?

**Cedar Ekblom:** It does. Thank you very much.

**Moderator:** Thank you. Our next question is a follow-up from the line of Jatinder Goel from Citigroup. Please go ahead.

**Jatinder Goel:** Just a quick one on oil and gas, 0.5 million barrels position. do we have any timeline, given PSC extension is only for ten years and what sort of CAPEX are we looking at if we were to get to that plateau? Thank you.

**Thomas Albanese:** So, I will start and will ask Sudhir to go through. We have already flagged around \$800 million of capital projects that are either in the pipeline or considering approval of the LP part some before but some looking with the PSC extension. But as Sudhir mentioned, there is quite a bit of exploration potential, this is a huge, huge basin in Barmer at 120 x 25 kilometers in size. Plus, every hole drilled intersects in hydrocarbons, a lot of them have been tight reservoirs of filthy sandstones, we are just beginning to apply North American technologies for that. So, from my own perspective I think we are still in the early stages of this field. I would not want to say that

the current main three fields that we have, Mangala, Aishwariya, Barmer, Bhagyam are all that is there. I think that we know within the Barmer Hill horizon we know some of the deeper targets which have been only seen on seismic, we really have not drill tested them yet. All of these represent quite a number of opportunities and I am quite excited about that in the future. So, that would drive that vision. Obviously, it is going to take a combination of execution of these projects which is reasonably within the next 18 to 36 months, plus some exploration success to make that all happening from a very prolific basin. And I would just say that as we go forward we would be looking at this not only from 2020 or 2030 but ultimately economic life of the field. With that, anything you would want to add to that, Sudhir?

**Sudhir Mathur:** Tom, no, I think you covered it all. I just want to add, we are starting exploration on the KG basin as well, on the blocks we have which is 100% owned by us. So, I think we should be in a position to start awarding contracts for that drilling. We have already done with 2D, 3D, start awarding contracts for that in a couple of weeks from now. So that will add to the prospective resource and then production subsequently besides RJ and Rava and Cambay as you mentioned.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Thomas Albanese for closing comments.

**Thomas Albanese:** Thank you very much. And may be, if I close on a personal note, as you are aware this is my last earnings call of Vedanta, I just want to say to those of you on the call and also the Vedanta team on the call, it has been an exciting and eventful journey, I have had many cherished moments in India. I have enjoyed interacting with all of you sometimes on this call, usually on a face-to-face basis in your offices whether it is in London or New York or wherever they might be. And I have nothing but gratitude to offer to everyone on the call today, every member of the Vedanta team, all the people, not only those on the call but all those supporting members, our Board of Directors, our Boards of Directors and all our stakeholders. I believed four years ago and I still believe that India will act as a powerful growth catalyst for a probably increasingly sluggish global economy and my years in India have only reinforced that belief from both the supply and the demand perspective. I remain extremely positive and excited about the future of Vedanta. Thank you very much.

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