



“Vedanta Resources Limited H2 and Full Year FY-22 Earnings Conference Call”

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**MANAGEMENT: MR. SUNIL DUGGAL – GROUP CEO, VEDANTA
RESOURCES LIMITED
MR. AJAY GOEL – ACTING GROUP CFO, VEDANTA
RESOURCES LIMITED
MS. DIVYA GULATI – VEDANTA RESOURCES LIMITED
MR. SANDEP AGRAWAL – VEDANTA RESOURCES
LIMITED
MR. DEEPAK KUMAR - VEDANTA RESOURCES LIMITED**

Moderator: Ladies and gentlemen good day and welcome to H2 and Full Year FY22 Earnings Conference Call of Vedanta Resources Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandep Agrawal from Vedanta. Thank you and over to you sir.

Sandep Agrawal: Thank you Faizan and hello everyone. I am Sandep Agrawal. On behalf of Vedanta Resources Limited, I am delighted to welcome you to VRL Second Half and Full-Year FY22 Earnings Call. We have with us today our Group CEO – Mr. Sunil Duggal and our Acting Group CFO – Mr. Ajay Goel. We will start with update on key highlights of our Operational and Financial Performance and then we will open the floor for questions and answers.

Please note today's entire discussion will be covered by safe harbor clause. Now without further ado, I would like to handover to Mr. Duggal to take us through the presentation. Over to you Mr. Duggal.

Sunil Duggal: Thank you Sandep. Hi everyone. Vedanta continues to deliver strong performance underpinned by asset quality and business model strength. Our FY22 performance is best ever, driven by record volumes, operational efficiency and supportive commodity prices. EBITDA margins remain strong despite inflationary cost pressures. As announced in H1 our reformed ESG vision of transforming for good is supported by three pillars:

- Transforming communities.
- Transforming planet.
- Transforming workplace.

The first pillar of transforming the community:

We have worked to uplift the quality of communities through various initiatives including drinking water and sanitation, healthcare, community infrastructure, children's wellbeing etc. and 4.64 million lives are impacted and benefited across 1268 villages. We are proud to announce that we established more than 3,200 Nandghars benefiting 2,40,000 children and women.

Under the second pillar of transforming the planet:

We took a very significant action by signing 580 megawatts of renewable energy, power delivery agreement. We launched the ‘Restora’ & ‘Restora Ultra’ brand of green aluminum to usher in new era of green metals. In line with our aim to move to a greener business model, Jharsuguda dispatched first consignment of fly-ash rake to cement plant. It demonstrates our commitment to become ESG leader.

Third pillar transforming the workplace:

We are also making steady progress towards under the third pillar transforming the workplace to ensure gender parity, diversity, and inclusivity across the organization from the senior leadership and decision-making bodies to our SBUs and enabling functions. Our aim is to strengthen our position as an equal opportunity employer.

Now I'll come to key highlights of the business:

We recorded highest ever annual Alumina and Aluminum production of 2 million tons and 2.3 million tons, respectively. Aluminum business turned second largest contributor in Group's profitability. Now it is poised to with the third largest global player ex-China with \$1.4 billion CAPEX program over the next 2 years for growth, vertical integration, and increasing value-added product capacity.

Zinc India achieved historical high mined metal production crossing 1 million tons mark; quarterly mined metal production of 295 KT was the best since underground transition.

At Zinc International, Gamsberg achieved 220 KT annualized run rate of MIC production in March, we are spending \$466 million to increase MIC capacity to 450 KTPA at Gamsberg, we have potential to be the largest zinc producer in Africa.

Oil and gas operations remain stable. Natural field decline was largely offset by volume addition with infill wells, polymer injection and RDG field gas ramp up. We had two new discoveries in OALP block, to augment R&R and increase production we'll spend \$687 million on exploration in OALP and PSC blocks, infill wells and Shale oil exploration. We achieved highest annual iron ore sales of 5.7 million tons.

Value-added business that is Pig Iron achieved record annual production of 790 KT with highest ever annual marginal \$111 per ton.

Steel delivered record annual hot metal production of 1.36 million tons. We commenced commercial production from two recently acquired iron ore mines in Orissa. This will enable 100% iron ore security for our steel business at Electrosteel.

FACOR achieved historical annual ferro-chrome production of 75 KT with a margin of \$534 per ton.

Overall, our world class asset delivered outstanding results. Our underlining business remained strong. We are committed to make them stronger through growth, vertical integration, unlocking operational efficiencies with focus on technology and digitization.

India is one of the fastest growing economies. It needs to focus on digitization, to keep up the accelerated growth, India needs to reduce imports and to self-reliant in electronics as those are one of the key enablers for digitization.

Semiconductor and essential electronics component have significant supply deficit in the world today. We are partnering with the largest global player in this field 'Foxconn' to start semiconductor production in 2 years' time from now. This has a large value creation potential for our stakeholders.

We are more than two decades with track record of self-funding our capital expenditure. We have an impeccable track record of honoring all our capital market commitments. With focus on value accretive growth, we have invested \$14 billion across businesses over the last 10 years which enabled us to deliver strong shareholders returns. We have distributed healthy dividend of around \$7 billion for the past 10 year with total shareholder return of 269% through the ups and downs of the commodity cycle.

As you are aware of Vedanta Resources committed to prioritize de-leveraging of \$4 billion over the next 3 years. Part of this can be front ended considering the cycle, our growth and efficiency initiatives. Ajay will talk more about the repayments, cash availability and refinancing options this year.

With this now I would like to handover to my colleague Ajay. Over to you Ajay.

Ajay Goel:

Thank you Sunil. Hello everyone. We achieved our best ever financials for the full year in terms of many financial KPIs by a significant margin. The year just bygone benefited from positive operational momentum across our key businesses and very favourable freight realization following strong demand and elevated commodity pricing, namely zinc, aluminum and Brent.

I want to share with you some of the key financial highlights for the full year at Vedanta Resources consol level:

Record consol full-year revenue of \$17.6 billion, up 30% YOY, highest full year EBITDA of \$6.3 billion, up 65% YOY with robust EBITDA margin of 40%, a very strong double-digit ROCE at about circa 32% which is 1.7x YOY increase.

I am very happy to share with you that our leverage ratio, net debt-to-EBITDA stands as on year-end at about 1.9x which is lowest in last 5 years, as we all know our target is to lower the net debt-to-EBITDA ratio.

A very strong liquidity position with total cash and cash equivalents stands at about \$4.4 billion. Finally, we were able to manage proactively our average debt maturity throughout the last fiscal.

Speaking of our CAPEX program which is quite critical. The CAPEX program is progressing quite well and with focus on investing in the next phase of growth projects, we have planned almost \$2 billion of growth CAPEX in FY23 in the current fiscal.

In FY22, the year just by gone, we achieved free cash flow before CAPEX of almost \$2.4 billion which shows the strength of our operations. Our CAPEX over years have been largely self-funded and we plan to continue doing so in near future as well.

In line with our performance in FY22 and a track record of rewarding its shareholders with a strong dividend payouts Vedanta Limited paid record dividend of almost \$2.2 billion last year. Out of this almost \$1.5 billion was received at Vedanta Resources Limited. This resulted in de-leveraging at VRL by almost \$1 billion in FY22 excluding that almost \$2 billion new borrowings taken for creeping acquisition. So, just to repeat on like-to-like basis without the \$2 billion new debts for increasing the stake from 55% to 70%, on comparable basis VRL last year was deleveraged by almost \$1 billion.

In Q1 F23 the current quarter, the first quarter for the current fiscal in Q1 as well Vedanta Limited declared a dividend of almost \$1.5 billion to its shareholders. VRL received almost \$1 billion which has been utilized to de-leverage balance sheet by almost a billion, \$932 million to be precise. We remain committed to deleverage Vedanta Resources of \$4 billion over next 3 years. We are comfortably positioned for our June-July maturities with further new borrowings refinancing from our all the bankers and lenders.

Overall, in summary with an excellent annual performance we ensured highest levels of corporate governance and transparency. We are confident that we will continue to sustain our performance in the current fiscal as well.

With that I will hand over the mic to operator for any Q&As. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abhiram Iyer from Deutsche Bank.

Abhiram Iyer: My first question was with regards to the cash balance mentioned for the holding companies which is around \$145 million as of March '22. Does this include all the payments from dividends made in FY22? I'm not talking about the recent dividend announced by VEDL but the previous dividends, the ones that were announced in February and January, has all of those cash come in? That this 145 is basically an accurate representation of March '22 numbers and the only cash flow coming in would be from the new dividend?

Ajay Goel: That's right. I think that the last dividend, which was declared in the fourth quarter, it has now paid out. Hence \$145-odd million can be counted as a cash in hand for the current fiscal.

- Abhiram Iyer:** Got it. The second question is looking at the total debt number of \$9.1 billion, is there any pre-payment that was made during the March quarter? Any specific loan that was prepaid?
- Ajay Goel:** Okay. I will request my colleague Divya Gulati to take up this one please.
- Divya Gulati:** Yes, thanks Ajay. Yes, there were loans which were prepaid, I would say March most of the loans were actually the actual maturity except one installment which was falling due in April. But yes, there was a portion of the loan, which was prepaid, the April maturity was taken care off when you look at this 145 million in cash balance. This is after taking care of the April maturity. That we have committed.
- Abhiram Iyer:** May I have the quantum?
- Divya Gulati:** It was a smaller quantum Most of these loans were March only, but about \$100 million of April loan was also paid.
- Abhiram Iyer:** 100 million of loans in April. Okay got it.
- Moderator:** The next question is from the line of Love Sharma from Lombard Odier Investment Managers.
- Love Sharma:** Just follow up on the upcoming debt maturities. If I recall correctly, I think for this quarter and maybe I think mostly June, you should have close to around \$800 million of debt coming due. I know of course you have the dividend inflows in April or May and then you had the recent SBI loan as well. Can I just understand how much of the \$800-odd million of debt maturities have been tied up, either rolled over or tied up with these new financing if you can break it down?
- Ajay Goel:** Allow me to start then Divya you are free to interject. If I look at right in terms of June-July maturity is almost a billion, you may have seen out of 1.5 last dividend declared and VRL received almost a billion, so out of a billion dues almost half a billion, exactly \$468 million has already been repaid using a tender offered in April of the current fiscal. Even the balance will also get repaid in June-July when it is due. Let me take a look at a little bit of longer horizon. If you look at FY23, the current full fiscal almost \$3.7 billion worth of liabilities will get matured which also includes almost \$1 billion of ICL and interest costs. If I exclude the ICL and interest cost of a billion, almost a \$2.7 billion worth of maturities are due in the current fiscal FY23. Maybe I think the right way to look at the entire maturities is rolling next five quarters from now until July next year. If I look at the until July '23, almost \$2.2 billion worth of liabilities excluding interest and the ICL are falling due in the first half. Another \$2.1 billion are falling due until July. So, net-net against a \$2.1 billion, almost \$1.8 billion are already secured which broadly is a combination of a billion dividend, \$0.5 billion is SBI loan we just signed, not yet drawn and about \$100 million is a revolving facility from Deutsche Bank. Net-net over next six months until September we are placed quite comfortable.

- Love Sharma:** Sorry if you can get repeat again. You said the apart from the dividend the excess proceeds from there plus the SBI loan 500 and then the \$100 million the Deutsch Bank rolling facility there, right?
- Ajay Goel:** Correct, so net-net almost \$1.8 billion are already secured, against almost 2.1-2.2. So, net in summary what I meant for the first half we are placed quite comfortably.
- Divya Gulati:** Just to add what Ajay mentioned because you said how do we take care of the June maturity? So, as on date with the loan tie-up, that we have already done and the upstreaming which has already happened, we have already de-levered \$1.2 billion in the first two months at Vedanta Resources. So, net-net till 31st July we are already taken care of with the maturities and deleveraging that we have done.
- Love Sharma:** So, you say \$1.2 billion, so out of which 500 is let's say was a bond. So, remaining 700 is the amount of loans which have been repaid.
- Divya Gulati:** That's right.
- Love Sharma:** So, then I guess for June you don't have much maturities left, maybe around 100-200?
- Divya Gulati:** We are fully covered for June already.
- Love Sharma:** What I'm trying to understand is how much of cash will be left. Let's say with the SBI drawdown how much of excess cash would still be left end of June?
- Divya Gulati:** Love, end of June, broadly I think we left with about \$200 million because beyond the SBI and beyond the rolling credit facility, we are also signing in this week another facility with one of the foreign banks, so we will be actually cash surplus as on 30th June.
- Love Sharma:** And there is no rollover among these \$800 million on the June maturities?
- Divya Gulati:** We could have a small rollover of the June maturity.
- Love Sharma:** If you can also share last question, the SBI tenure and terms and also the DB roll facility.
- Divya Gulati:** So, SBI is a long-term facility, one of our key relationship banks. It's a long-term loan facility and it's a \$500 million facility as you must have seen in the filing. It is primarily to be used for refinancing the existing debts at Vedanta Resources.
- Love Sharma:** Is it amortizing?
- Divya Gulati:** It is amortizing but in terms of average maturity it will be almost 4 years.
- Love Sharma:** Almost four years. Okay and then the DB facility?

- Divya Gulati:** DB we are paying off, we tied up our DBS rolling credit facility. That was with DBS.
- Love Sharma:** What is the tenure again for this?
- Divya Gulati:** That's a rolling credit facility, keeps on rolling over every year.
- Love Sharma:** All right. So, I guess what's your drawdown, the maturity is like what one year?
- Divya Gulati:** Yes.
- Moderator:** The next question is from the line of Varun Ahuja from JP Morgan.
- Varun Ahuja:** So, just a follow-up on the refinancing. I mean I understand that as you mentioned the SBI has given loan, my understanding just reading the articles, it seems like it's on the intermediate Holdco levels. So, below VRL whether it's sister entity of Twin Star, if it's at that level could you give a sense of whether you have given some form of asset coverage covenant similar to Twin Star but could be a bit more relaxed given where commodity prices are. If you've given anything of that any max asset coverage that would be there. Also, if so then what is the headroom that we have for more debt that you may raise at that level as you keep repaying the ultimate Holdco debt, that's number one? Number two is you mentioned company to de-lever Vedanta Resources \$4 billion over 3 years. Is that just purely at Holdco and intermediate Holdco level or whether that includes VEDL and if so if you can give some sort of breakdown?
- Ajay Goel:** Yes. I'll take the second part first Divya. So, Varun, in terms of the overall plan for de-leveraging and we made a public commitment of \$4 billion over next 3 years. Roughly mathematically almost a 1.33 every single year. We also committed that this plan will not be back ended. As you heard from my colleague Divya, that almost a billion or a billion plus has already been deleveraged in the Q1 of the current fiscal. The de-leveraging will be at Vedanta Resources not at the VEDL. So, it will be deleveraging at the parent company, not at the operating company level. On the first part Divya, in terms of the SBI borrowing at VHML, you want to share some information.
- Divya Gulati:** Yes. So, Varun the SBI facility is completely similar to the existing facilities that we have with our public sector banks, including SBI, Canara, Bank of Baroda. So, there is no asset cover. It is a very standard loan that we have from them. There's no assets cover in the loan. The borrower is Vedanta Resources Limited in that case. We do have a guarantor there which is VHML. So, that's why I think Ajay mentioned it's a VHML facility. But otherwise, it's a very standard in line with our existing term loans from public sector banks. And this facility does not reduce the headroom anywhere else. There is no asset cover which has been given and therefore the headroom for raising other debt does not reduce across the Group. On your question on deleveraging, the target again the \$4 billion as Ajay mentioned, the target is Vedanta Resources and this de-leveraging will primarily come at Vedanta Resources Limited and not at the

intermediary Holdco company where we feel that we will keep on rolling over the debt at the intermediary companies and reducing the leverage at Vedanta Resources.

Varun Ahuja: That's helpful. To be honest that would help your structure. It's actually good to hear that you're really focused on the Holdco de-leveraging that's been a source of concern obviously over the last two cycles. I just Divya and Ajay if I can just ask one follow-up and to actually confirm. This is at VHML level seems like a Holdco of the sister entity of Twin Star, just to confirm when you say there is absolutely no covenant whatsoever, what was the comfort level coming out in your discussions around, you could continue to have some debt that could be taken at whether its Vedanta Mauritius II or whether it's VNI, the Netherlands entity and so on because this seems like that would put them a bit at a distance from the other entities. My question there is to confirm, Vedanta Netherlands and then Vedanta Mauritius I and II, can they continue to have similar loans existing as to what you have right now whether it's from Standard Chartered or whether it's from the Oak Tree facility, can that continue to be rolled over over the next few months?

Divya Gulati: So, Varun the level of comfort, I think it's very strong comfort that these banks are with us. What has also happened Varun is that we have been paying off the Indian public sector banks here in India. So, we are seeing a lot of interest, not just from SBI but also from banks like Bank of Baroda, Union Bank, we are seeing a lot of interest from them to come at Vedanta Resources now given that we are reducing their exposure at Vedanta Limited so the comfort is humongous. And Varun to your second question, this does not impact any further borrowing at Twin Star or in the Oaktree bucket, which is VHML II, but yes, because VHML is the guarantor here I don't think we will be taking any new form of debt at VHML. But at Twin Star or at Oaktree bucket or at the Netherlands bucket, it does not have any impact.

Moderator: The next question is from the line of Bharat Shettigar from Standard Chartered Bank.

Bharat Shettigar: So, first question is on again the SBI facility. Can you tell us what's the interest rate on that?

Divya Gulati: Bharat it is in line with our existing facilities, so all our existing loans margin is in the range of 300 bps to little less than 500 bps and this is in the same range Bharat.

Bharat Shettigar: The second question is, I heard that in the June and September quarter put together, the total debt servicing is about \$2.1 billion. Whereas now you have tied up about 1.6, right? \$1 billion for dividends, \$500 million through the SBI loan and \$100 million through the DBS facility. So, the remaining \$500 million what is the plan? Could there be one more dividend payment from Vedanta Limited, could there be brand and management fees upstream? Any thoughts on how the remaining maturities till September will be taken care of?

Divya Gulati: So, Bharat yes there is a brand fee that is already coming as well, \$200 million of brand fee is there. Of course, as I told earlier, we are also speaking to a couple of other banks where we expect the facility to be signed off somewhere over the next five weeks. Of course, additionally

Bharat as you are aware we also have the Twin Star bucket which is now empty. If either we can look at raising some kind of debt which is coming at our terms or we can look at another dividend that is always a lever which is available in our hands. But as you very rightly mentioned we are left with about 200-300 million of debt to be taken care of in the near future. Otherwise, we are in a very comfortably positioned.

Bharat Shettigar: One final question is on the Oaktree box, just wanted to understand what's the thought process now given that I think you can prepay sometime later this year, would you look to do that because that will open up a significant headroom to raise so-called secured debt?

Divya Gulati: That is always an option available with us Bharat. The Make-Whole as you rightly said is ending very soon. The block itself, the security itself there are 17.6% shares sitting there. We can always look at upsizing and doing a much larger facility which can take care of our maturity for the entire FY24. So, the idea is to as Ajay mentioned earlier to de-lever continue and de-leveraging anyways the number we have already given in the public space, at least \$4 billion over the next 3 years and the rest of it is something which we will be continuously refinancing, long-term but yet Oaktree is definitely a bucket which is available for us to get long-term cheaper financing to take care of our entire FY24 maturity.

Moderator: The next question is from the line of Eric Liu from Nomura.

Eric Liu: Just on the SBI loan, as you mentioned that is incurring the I mean VHML, so I remember it's a 2.9% but I mean apart from that like it seems like there is an outstanding loan \$175 million. Is that like in the time you will be repaid and then getting that 500 million SBI facility?

Divya Gulati: Yes. We had already prepaid the facility Eric and that's where we are looking at the SBI drawdown happening in that bucket.

Eric Liu: Just a follow up question, so far like I mean you have mentioned some of the refinancing progress, but any refinancing progress that is just incurred the ultimate holdco Vedanta Resources Limited without incurring any intermediates Holdco like VHML or VNI these types of refinancing like it's purely something we are at VRL level, is there any?

Divya Gulati: Yes Eric, I think the rolling credit facility that we raised is actually at Vedanta Resources level standalone and even SBI they were keen the borrower to be Vedanta Resources only but yes the rolling credit facility that we have done is standalone Vedanta Resources.

Eric Liu: Just last question, we got that the government divestment or looking to something like I mean so far do you have any plan to acquire up to 5% and what could be a source of funding coming from?

Sunil Duggal: Sure. I will try to answer this question, so after the court verdict so the union cabinet has already given the in-principal approval for divesting the government stake the balance stake now. Now

the processes are on with the government, the government has still not given any clarity for timing. As far as we are concerned, we'll be very happy to see the participation from the market for the value creation at HZL. But as far as SEBI guideline is concerned promoter of any company can do creeping acquisition only up to 5% in the financial year. So, that is the direction we are pursuing and this is what we are looking at that, how the government will proceed and when they will proceed on this.

- Moderator:** The next question is from the line of Vikash Agarwalla from Bank of America.
- Vikash Agarwalla:** Just couple of quick questions following up from some of the earlier discussion. First question is actually on the loan repayment numbers you mentioned. If I got the number correctly, the total debt repaid is 1.2 billion as of June, is that correct for this financial year?
- Divya Gulati:** That's right Vikash.
- Vikash Agarwalla:** And the end June cash balance which you mentioned 200 million that doesn't include any drawdown from SBI or the revolver?
- Divya Gulati:** No, that includes the same. We have taken that in our numbers Vikash. What we mean is that after the SBI drawdown then we will be ending up because there are also maturities in the month of June.
- Vikash Agarwalla:** I'm assuming the inter-company loan is also a part of the payment for this encash?
- Divya Gulati:** Yes Vikash.
- Vikash Agarwalla:** So, but this does not include the revolver drawdown, the 200 million cash?
- Divya Gulati:** No, we have the revolver also we are going to draw it down. As revolver as usual Vikash we keep it drawdown for about 6 months a year but when we set a cash is of course it does include the undrawn portion of the revolver also in case any.
- Vikash Agarwalla:** The way I should think about June encash is including the \$500 million SBI and \$100 million revolver from DB?
- Divya Gulati:** From DBSplus one more facility that we are planning to sign in another week from now.
- Vikash Agarwalla:** And can you confirm two more timings Divya. One is when was the inter-company loan paid? This was paid in this year and not in March.
- Divya Gulati:** As per the inter-company loan is due on 30th of June and it's going to be paid sometime in June, it's not paid in March.

Ajay Goel: What I am saying the last installment for this inter corporate loan was in June last year almost \$207 million. The next one of \$0.3 billion is falling due in June. Another \$0.3 billion in June '23 and the remainder about the 150 in December '23. So, net-net 0.3 in June and the remainder is 0.45 next year, June or December.

Vikash Agarwalla: Last question from my side is brand fees which you mentioned is about \$200 million. Is this already received in this quarter or is it something which you will receive and have included in June calculation?

Divya Gulati: No, it's something which is already been received Vikash.

Vikash Agarwalla: I'll go back in the queue but good to see the SBI loan, good to see the tenure this has been one concern, on the short-term financing so yes congratulations on that.

Moderator: The next question is from the line of Rishad Ahmed from Emso Asset Management.

Rishad Ahmed: A couple of questions from me. One is you mentioned the how you've got \$1.6 billion coming in for the repayments of \$2.2 billion. What about the additional interest that that was also been you need to be serviced; will that be via dividends? That's the first question. And then the second one is just regarding the various headlines we're seeing about semiconductor investments. Is that going to be, is that debt or the \$2 billion that's going to be raised or going to be at Vedanta Limited or is that going to be a separate structure, and will that CAPEX impact your ability to dividend up more cash to service more debt at the Holdco?

Ajay Goel: Divya you want to cover the first portion and let Mr. Duggal will cover the Foxconn JV part.

Divya Gulati: Sure Ajay. So, I think coming to yes, how will the interest be serviced? I think if I have to look at it from a larger perspective, I think July we have more or less shown you it's already fully addressed, the July, the maturities till July end. But I think if I have to just talk about a larger picture how interest is going to be serviced. So, in any particular year and I think Ajay had covered this, in any particular year \$3.5 billion is let's say our total debt servicing requirements which includes an interest of about let's say \$700 million. Now out of this \$3.5 billion which needs to be taken care of Vedanta Resources, broadly \$2 billion is something which would be coming from the operating companies in the form of dividends and a small brand fee, and we have already demonstrated this. Last year Vedanta Resources had received almost \$1.7 billion from the operating companies and going forward there is at least a \$2 billion which will come in and then this \$2 billion; \$1.3 billion gets used let's say in de-leveraging and this balance \$700 million gets used in the interest servicing to your question and then the balance \$1.5 billion which is left in any particular year, we expect at least \$500- \$600 million of the same to be financed through various bank loans given our relationship with various banks and the balance can be again in the form of maybe if the capital markets are right or the Oaktree refinancing. I think multiple levers in our hands, additional dividend if required but that's broadly the picture and this is a picture which even the rating agencies we have been speaking to; as you would be

aware in India, we have already been upgraded both by CRISIL and India Ratings to AA category. And so is our expectation now at Vedanta Resources given the de-leveraging that we are doing, the commitment and what we have already demonstrated and given the couple of very good facilities that we have signed up and the ones which are in the pipeline. We expect a rating upgrade to come in at Vedanta Resources also in the near future. I think through this combination of dividends and refinancing but does that answer your question but yes, you're right the interest will be taken care of in the form of dividends and broadly this is a picture that we are looking at for which even the rating agencies really appreciate.

Sunil Duggal: On semiconductor business I hope you guys are aware that we have signed the JV with Foxconn for setting up the chip manufacturing facility in India. The Government of India has thought that this could be one of the very important strategic sectors for the country. That is why they have announced a policy where they have also said that they will give the substantial subsidy for the project proponent to set up the facility here and apart from that we have invited the UI from the different state governments. We have got a very exciting response, discussion with the various state governments on various incentives in term of the capital subsidy, land, power and all that. There's a lot of excitement between the different state governments. We feel that in the next 2 years the commitment of the CAPEX from our side will not be more than \$500 million. And this facility could be ready by 2024.

Rishad Ahmed: Will it be Vedanta Limited or is it going to be consolidated within your financials or will it be 50% owned JV that's de-consolidated?

Ajay Goel: So, Rishad, in terms of exact legal niceties debt part still we are deliberating with the government. That will be part of with Vedanta Limited consol for sure. As you would appreciate from fiscal or taxation viewpoint, from the monetary viewpoint, from structuring viewpoint still we have some open ends to the government but it will be part of the Vedanta Limited consol.

Sunil Duggal: That is for sure.

Rishad Ahmed: But the key part is over the next 2 years the CAPEX is not going to be more than \$500 million?

Sunil Duggal: \$500 million in the next couple of years.

Ajay Goel: Maybe if I just also make, please point out we announced a policy on 8th of Feb around allocation of capital and this area we have covered specifically that any potential joint venture regarding the semiconductors and the capital outlay by Vedanta as a group over next 2 to 3 years will not be more than \$0.5 billion. So, it will not split our balance sheet and considering our current profitability and the free cash flows this will not lead to any kind of significant leverage.

Moderator: The next question is from the line of Marvin Yee from Aberdeen.

- Marvin Yee:** I have one question on the Twin Star financing. I think you mentioned that there is capacity now to raise that debt. Could you share the capacity that is available?
- Divya Gulati:** I think currently we have a headroom of about 400 million created at Twin Star and we can always prepay some of the facilities. Like we have dues in September so I think with the September maturity we would have created a capacity of almost \$600-\$700 million at Twin Star. Does that answer your question?
- Marvin Yee:** Yes. I guess the next part just on the operations section. Clearly the commodity markets are quite volatile and recent headlines and logistical challenges has made it perhaps a bit difficult to deliver product. Just wondering if Vedanta has experienced any challenges in that regard and will earnings be impacted in any way just given the challenges to actually deliver the products?
- Sunil Duggal:** I think we are located in a geography where we meet the demand of the country and the demand of the country is such that, we are able to consume almost a major part of our products in the country itself. It doesn't throw us many challenges because of geo-political reasons and other logistic challenges globally to transport our material to the other parts of the geography. As of now we have not faced any difficulty as such in the last many months but I think the conditions are easing out but as far as we are concerned, we don't feel we will face any headwind in this direction.
- Moderator:** The next question is from the line of Manuj Jain from Fidelity.
- Manuj Jain:** Two questions from me. First on the brand fees. Can I ask like how much is going to be the total brand fees for this year FY23?
- Ajay Goel:** Yes, sure Manuj. So, the average in the payout remains the same as last year fiscal is about 2 percentage points and our estimation looking at the current revenue can be about \$300-\$325 odd million for the full fiscal and almost half, only 0.2 have been paid in the current quarter. The balance about a \$135 million will go in the second half. So, it's 0.3 to 0.325
- Manuj Jain:** Yes, that clarifies because I was thinking given the strength in top-line your brand fees should go higher. What could be the possible timing for the remaining brand fees?
- Ajay Goel:** It will be the Q3 most likely but the way it works, we estimate for the full fiscal and amount is paid in the Q1 and as the year progresses the amount gets actualized towards Q3-Q4.
- Manuj Jain:** If I'm not wrong like most of the brand fees is coming from aluminum businesses because you don't have zinc and oil and gas?
- Ajay Goel:** Significant portion you are right is from the aluminum division. Yes.
- Sunil Duggal:** Depending on the turnover of course and commodity cycle but other businesses also do contribute.

- Ajay Goel:** Example remains the Cairn oil and gas also contribute. It is mostly Vedanta Limited as a legal entity which does not cover the Zinc India and including BALCO.
- Manuj Jain:** And second question like a bigger picture thing. You mentioned that like \$4 billion debt repayment over the next 3 years and you also said like it will be largely cash and cash will largely come from the Opco, in terms of dividends. Can I check do you any plans to set up any business at the Holdco level over the next few years which set up something, some operating company and any business which can give directly, you can get direct revenues at the Holdco?
- Sunil Duggal:** This is not in the table as of now and predominantly all our businesses, we try to set up under the banner of Vedanta Limited only which is an Indian entity.
- Manuj Jain:** Going forward likely to remain the same?
- Sunil Duggal:** Yes. As of now this is not any consideration, any thought.
- Moderator:** The next question is from the line of Abhiram Iyer from Deutsche Bank.
- Abhiram Iyer:** Just a follow-up question on the previous commentary that's been made. You mentioned that you're tying up another facility. Could you just I mean I know it's still under discussions and still under wraps but could you just give us an idea of whether this is going to be similar to the DBS facility in that it's going to be short, of shorter duration and or smaller size or is this more akin to the SBI facility?
- Divya Gulati:** So, Abhiram I don't think I can share the details but yes this is primarily coming from some of the other relationship banks and I think we will anyways will shortly come back to you in maybe a week's time on what is that we are exactly looking at.
- Abhiram Iyer:** And just to clarify, what number did you mention as cash at the end of June? Assuming all the drawdowns without the new facility?
- Divya Gulati:** So, Abhiram again broadly what we are expecting is to close at about \$200 million kind of a cash balance in June. But this is after the drawdown of the new facility as well.
- Abhiram Iyer:** And the early repayment of the bond as well, right?
- Divya Gulati:** No, the repayment of the bond is going to happen in July now because we had already launched a tender and the payment is now going to happen on 31st July only Abhiram.
- Abhiram Iyer:** So, against this \$200 million, you'll probably have the bond repayment and interest payments; against this \$200 million rather sorry you'll have the entire bond repayment and 200 million of interest fee payments in the September quarter?

- Divya Gulati:** That's right. We broadly have about \$600 million to be taken care of in July and yes, we do have, as I told you the Twin Star maturity which will come due in September which we can always roll over.
- Moderator:** The next question is from the line of Varun Ahuja from JP Morgan.
- Varun Ahuja:** So, Divya just to confirm I understand you can't talk much about the upcoming facility. Just could you guide at least at what level is it coming at? I presume that the intermediate Holdco as well. Would you just to confirm that and also you mentioned \$200 million cash versus as of June. These facilities then I presume are going to take care of the July remaining bond proceeds because if I'm not wrong you just mentioned the cash that is available is against this July maturity which is much more. So, you do need this facility for taking out the remaining 22 bond. Is that right?
- Divya Gulati:** So, Varun yes, it is at intermediate Holdco level and the maturities in July, yes, we are either it is going to be met through additional refinancing or it's going to be met through maybe another division if required but broadly yes that is the case. We have multiple levers in our hand and a part of the June cash is going to be used for July and the balance probably will take care of through either refinancing or deleveraging.
- Varun Ahuja:** Then and all the future refinancing for this year as you mentioned the Modus operandi there is going to be VRL will continue to de-lever and then either the debt will be refinanced at intermediate Holdcos or they would be repaid by dividends. Is that how you're thinking for FY23?
- Divya Gulati:** Yes. That's Varun what we're thinking. Vedanta Resources, we will keep on de-leveraging and intermediate Holdcos will continue rolling over because that is also a structure as you had mentioned earlier and that is a structure, I think which works better even from a pricing perspective for us.
- Varun Ahuja:** Completely understandable. Last question really is you have obviously had a good run, commodity prices are helping. So, whether you are looking to hedge any portion of the commodity there so as to ensure a minimum cashflow in FY23?
- Ajay Goel:** We did that, let me start and our CEO want to comment something. As you know in the past Vedanta's philosophy has been not to hedge commodities and we intend to and in the past, we have captured the average LME for the month of production. So, basically, it's mostly spot but given the current environment in terms of pricing be it Brent or LMEs and specifically zinc and the aluminum, the entire pricing has been quite volatile. If I look at the in the current fiscal in the last couple of months almost a 15% of the intended volume for the current fiscal has already been hedged. So, we hedged zinc, we hedged aluminum and we also hedged oil. We made a beginning and we'll keep evaluating, should we do more in the current year.

- Moderator:** Ladies and gentlemen we will take the last question from the line of Love Sharma from Lombard Odier Investment Managers.
- Love Sharma:** Just two follow-ups. So, Ajay could you just clarify how much of the hedging have you done for this year? And secondly just to understand that you will have for the \$200 million cash balance you will have and you mentioned there's a new facility, can you answer the size of this new facility which you are tying up?
- Ajay Goel:** Divya you want to cover the second portion, let me then come back to hedge point.
- Divya Gulati:** So, Love we are still speaking to a couple of banks. I think maybe another week-10 days from now we should be able to come back with more details Love on this. Broadly the messaging that we wanted to give was that we are completely tied up, I think till July broadly now.
- Love Sharma:** For the \$200 million cash Divya I think you'd probably need around 200 to 300 facility size?
- Divya Gulati:** That's right. We need that kind of a facility size now. As I told you Love, as I told you we are also seeing a lot of interest from various public sector banks as well now. So, there are multiple options available in our hand for us to evaluate and choose from.
- Ajay Goel:** On the point Love, of the hedging part. I want to start by saying that Vedanta in fact is embellishing its organization in terms of hedging expertise in-house. We bought an expert in last couple of months and from outside whose expertise lies in terms of commodities hedging across various wider organization. In terms of what have we done. In terms of zinc almost 15% the volume for the current fiscal, 15% the targeted business plan has been already hedged at about \$4,100 per ton. In terms of aluminum give and take almost same. 15% target has been hedged at about \$3,600 per ton and similarly, almost 10% oil has been hedged at about 101-102. Net-net I would think almost our one-sixth business plan has already been covered with the current pricing. Where you want to go? Maybe about 20% is our current outlook we want to hedge but as you know I mean areas like hedging need to be dynamic. As the environment evolves, we may also start recalibrating. Net-net we made a beginning and we are happy that we are covering the lofty pricing and elevated Brent in the current fiscal in the H1 for sure.
- Sunil Duggal:** Just to add on since we have not dealt with this topic in the past so we have a brought hedging specialist on board and we have set up the hedging desk with the specialist heading that and a team working with him so that we do more professional work and right analysis and benchmarking could be done.
- Love Sharma:** Just one more thing Sandep if you can also help. On the power cut issue. Is there any impact on the business so far?
- Sunil Duggal:** No, there is no power cut impact on the business.
- Love Sharma:** Coal issue and all that?

Sunil Duggal: All our businesses mostly are dependent on the CPPs and if any balancing is required in case it is required we are able to meet from the DISCOM and there is no production loss which has ever happened in the last more than 1-year.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Sandep Agrawal for closing comments.

Sandep Agrawal: Thank you Faizan. Thank you all for taking time out to join us. I hope we were able to answer most of your questions. If you have any further questions, please feel free to reach either to me or rest of the Investor Relations team. This concludes today's call. We wish everybody a good day ahead. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Vedanta Resources Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.