Vedanta

Operator: Q2 and H1 FY27 earnings conference call. From the management side, we have with us Mr. Charanjeet Singh, Group Head – Investor Relations; Mr. Arun Misra, Group CEO; and Mr. Ajay Goel, Group CFO. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touchtone phone. I now hand the conference over to Mr. Arun Misra for his opening remarks. Thank you, and over to you, Mr. Misra.

Arun Misra – Group CEO: Good afternoon, everyone, and thank you for joining us. We recorded another strong quarter for Vedanta. EBITDA doubled year-on-year to 9,938 crore Indian rupees, and the margin improved to nearly 60% from 49%, driven by strong operational performance, lower costs, and higher commodity prices. Revenue grew 57% year-on-year to 25,812 crore rupees, and PAT increased 151% year-on-year to 6,202 crore rupees. With pre-capex free cash flow of 5,803 crore rupees, our net debt-to-EBITDA ratio now stands at 0.1x.

Coming to business segment operations, Zinc India delivered another record quarter. Mined metal production increased 5% year-on-year to 271 kt, while refined metal production rose 7% to 264 kt, supported by smelter debottlenecking initiatives. Silver production reached a record 173 tonnes, up 20% year-on-year. Importantly, zinc cost of production declined 29% year-on-year to $1,103 per tonne, driven by better mine grades, higher metal production, and stronger by-product realization.

Zinc International delivered 53,000 tonnes of mined metal during the quarter. Black Mountain mine produced 7.1 kt MIC, with stabilization of plant operations. Encouragingly, Gamsberg Phase 2 has started operations, positioning the business for a step change in volumes in the coming quarters.

FACOR delivered a resilient Q2 FY27 performance, generating EBITDA of $8 million, a 267% increase year-on-year. Ferrochrome production increased 26% year-on-year to 24 kt, as chrome ore production reached 50 kt, up 6% year-on-year. The business continues to benefit from 100% captive ore sourcing, which significantly strengthens its cost position versus external procurement.

In copper, we achieved the highest-ever quarterly cathode production of 46 kt, up 15% year-on-year. At our Fujairah operations, sales were impacted by supply chain disruptions arising from the closure of the Strait of Hormuz, although operations have since normalized, and we expect quarterly run rates to improve to 20,000 tonnes and more by Q3 FY27.

Beyond our operating assets, we continue to strengthen Vedanta's future resource base through the acquisition and advancement of critical mineral blocks across India. To date, the group has secured 11 critical mineral blocks, covering commodities such as manganese, graphite, vanadium, cobalt, tungsten, nickel, and rare earth elements, with exploration progressing across multiple blocks. These assets position us well to participate in India's growing critical minerals ecosystem, while creating a strong pipeline of future growth opportunities and enhancing long-term resource security.

On group capital expenditure, we invested 1,135 crore rupees during the quarter across our priority projects. Key progress includes the commissioning of Gamsberg Phase 2, continued development of the 250,000 tonnes per annum integrated zinc smelter at Debari, expansion of FACOR's

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ferrochrome capacity to 450,000 tonnes per annum, and ongoing execution of our copper rod plant in Saudi Arabia, where construction is progressing and commissioning is targeted for Q3 FY27. Additionally, at FACOR, the 75 MVA furnace expansion remains on track for commissioning in the second half of FY28, while a favorable Odisha High Court order for the Katasahi mine supports the planned restart of mining operations in the second half of the current fiscal. These projects will provide visible growth over the coming years.

Sustainability remains integral to our strategy. Our renewable round-the-clock power capacity reached 592 megawatts. Greenhouse gas intensity improved to 3.36 tonnes of CO2 equivalent per tonne of metal from 3.93 last year. At Zinc India, renewable energy constituted 27% of power consumption, while our alloy business achieved 100% renewable power sourcing. We also continued creating meaningful social impact, benefiting over 9 million women and children, and supporting nearly 0.5 million families through screening initiatives.

To conclude, the delivery of yet another quarter with EBITDA of approximately 10,000 crore reflects the quality of our assets, disciplined execution, and continued focus on cost leadership. With a strengthened balance sheet, industry-leading margins, and multiple growth projects progressing well, we remain well positioned to deliver sustainable value for all our stakeholders. Thank you. I now hand over to Ajay.

Ajay Goel - Group CFO: Thank you, Arun, and good evening, everyone. I am happy to report a record quarter for Vedanta Ltd. following the demerger. Strong operational execution, positive prices, and continued cost management enabled us to deliver record EBITDA and robust free cash flows. More importantly, we continued to strengthen the balance sheet by further deleveraging while maintaining strong liquidity and financial flexibility.

Now, starting with our financial performance, practically every single metric is a record.

We carried that Q1 momentum strongly into Q2. Revenue grew 57% YoY to a record 25,812 crores. EBITDA more than doubled, up 106% YoY to our highest-ever 9,938 crores. EBITDA margin expanded to a record of about 60%, excluding the copper business, reflecting the quality of our assets and our focus on cost management. PAT rose 151% YoY, again to a record 6,202 crores.

In terms of growth, it is self-funded, and we are building capacities. Our operations generated free cash flow before growth capex of 5,803 crore in Q2 and about 10,215 crores in H1. We continued to invest in our strategic growth projects, with capex amounting to 1,135 crores during Q2 and 2,283 crores during the first half. At Zinc International, Gamsberg Phase 2 was commissioned during the quarter, increasing total MIC capacity to almost 500 ktpa. At FACOR, commencement of ore extraction from the Ostapal underground mine marks an important milestone towards strengthening long-term ore security and supporting future expansion.

I will move now to the growth pipeline, which will also provide the next leg of value creation. Looking ahead, we continue to advance our portfolio of value-accretive growth projects across businesses while maintaining a disciplined approach to capital allocation and returns.

At Zinc India, we remain committed to our 2 mtpa production ambition, supported by the 250 kt Debari smelter expansion and the Rampura Agucha tailing reprocessing plant.

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At Zinc International, we are committed to achieving 1 mtpa MIC production and costs in the top quartile.

At FACOR, we are progressing our roadmap to expand ferrochrome capacity from 145 ktpa to 500 ktpa.

Finally, at Copper International, the 125 ktpa copper rod plant in Saudi Arabia remains on track for commissioning in Q3, while plans for an integrated copper value chain in KSA continue to advance.

We also continue to build our future-facing mineral portfolio with 11 critical mineral blocks, of which five blocks are already under exploration.

Moving on to the balance sheet, [long pause] first-half net debt is now down to 3,625 crores. With this, net debt-to-EBITDA leverage is now 0.1 times, among the best in the industry. Vedanta Ltd. is on track to turn net cash positive during the coming quarter, which is Q3.

We continue to reward shareholders with the first interim dividend of 5 rupees per share during the quarter.

Now, a quick word in terms of the parent company, Vedanta Resources. At parent Vedanta Resources, or VRL, we made meaningful progress in strengthening the balance sheet and optimizing the liquidity profile.

In H1 of the current fiscal, we raised 2.15 billion through international bond issuance and secured another 1.85 billion of syndicated term loans.

VRL's standalone net debt now stands at about 5.2 billion, at an average borrowing cost of about 7.1%, with average maturity extended to over 4.5 years.

The VRL rating remains at a decade high, with both S&P and Fitch at B with a stable outlook, and Moody's at B3 with a positive outlook.

In conclusion, Vedanta Ltd. today is a focused operating company with multiple growth engines: Hindustan Zinc, Zinc International, Ferrochrome, Copper, Port, and Nicomet. Together with an emerging critical minerals portfolio, they will decisively shape our next leg of growth.

Our model is very simple: we generate strong cash, reinvest to expand capacities, and reward shareholders.

Thank you, and over to the operator.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, you may press star and one to ask a question. Anyone who wishes to ask a question may press star and one. The first question is from the line of Ashish from Leo Capital. Please go ahead.

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Ashish – Leo Capital: Sir, on Vedanta, am I audible? Hello?

Ajay Goel – Group CFO: Ashish, please go ahead.

Ashish – Leo Capital: Yes, perfect. What is likely to be the dividend policy for the company going forward? Will you be paying out all the dividends received from Hindustan Zinc? That would be my first question.

Ajay Goel – Group CFO: Our dividend policy, which has been adopted by the Vedanta board post the demerger, is in the public domain, and we made two changes. Earlier, for Vedanta Ltd., we had a minimum commitment of at least 30% of PAT being paid as dividend, which has now been made more flexible. The board can now decide how much it wants to pay as a dividend. The second requirement earlier was that the zinc dividend would compulsorily be a pass-through. Again, that requirement is more flexible. Now it is up to the board. Having said that, our commitment as a group is that Vedanta Ltd. and the other companies will pay between 3% and 5% as dividend yield. With that, the parent company will continue deleveraging by at least half a billion every year.

Ashish – Leo Capital: Understood. My second question is about the economics of the International Zinc business expansion that is underway. What sort of capital investments would that require? What sort of cost and EBITDA do you expect at current market prices? What is the likely payback period?

Arun Misra – Group CEO: Vedanta Zinc International's current capex has been spent on the Phase 2 expansion, which includes expansion of the mine as well as a new concentrator. The concentrator has been commissioned, so that is the current status. Going forward, they have to move to an underground mine, put up a smelter, and increase the capacity of the concentrator if they are to become a 1 million tonne player. Roughly, looking at the past capex expenditure of Hindustan Zinc, the amount of money needed to grow to 1 million tonnes would be anywhere from 80,000 crores to maybe 100,000 crores.

Operator: Thank you. Ashish, I request you to come back for a follow-up question. Participants may press star and one to ask a question. The next question is from the line of Indrajit Agarwal from CLSA India. Please go ahead.

Indrajit Agarwal – CLSA India: Hi, sir. I have three questions. First, Ajay, if you can help us, how much are the repayments at VRL, both debt repayment and interest, for the rest of FY27 and in FY28?

Ajay Goel – Group CFO: Yes, sure, Indrajit. For the current fiscal, in the second half [cut off]

Management: The interest obligation at Vedanta Resources is almost $200 million, or 0.2 billion, and we also want to fund KCM, about 100. Overall, in the second half, the VR requirement is 300. How do we want to fund it? It is to be done mostly through dividends, and that amount will lead to deleveraging. So, the debt of 5.2, which opened at 5.2 at the beginning of the year, remains 5.2 as of the first half. Any further payment from the India side will be deleveraging.

Now, for FY28, you should look at it from three viewpoints. First, we have $1 billion of Citi bridge financing that matures in July next year. However, we target refinancing that, at the latest, by the

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end of January. The $1 billion will be fully refinanced, again through a combination of bonds and other avenues.

Secondly, the interest cost at Vedanta Resources next year will be almost 400, and that will be fully met by the brand fee paid by the five companies to Vedanta Resources.

The third component remains the rupee loans, again 400, and our KCM obligation, 300, for a total of 700, which will be met through dividend payments. In summary, the $1 billion bridge loan from Citi will be refinanced by January. Interest will be equal to the brand fee; if anything, the brand fee is more than the interest cost. The loans and the KCM obligation will be funded by dividends. With that, one can assume that VRL will delever by almost 0.5 to 0.7 billion next year.

Indrajit Agarwal – CLSA India: Thank you for the detailed answer. Second, excluding Hindustan Zinc, what kind of capex can we see at Vedanta Ltd. in the rest of FY27 and in FY28?

Management: The total capex guidance we have for the current fiscal is about {? 6,500 crore ?}. A very significant portion of that comes from zinc only. So, maybe almost {? 2,000, 2,500 crore ?} will be capex, mostly in Zinc International, with a small amount also in Ferrochrome.

Indrajit Agarwal – CLSA India: Sure. So, 4,000 in Zinc India and the balance [cut off]

Management: 2,000–2,500 crores between Ferrochrome and Zinc International.

Indrajit Agarwal – CLSA India: Yes, understood. Lastly, is there any progress or update? I understand there are still some understandings regarding the Middle East copper ventures. Any thoughts on that, or anything else worth telling us?

Management: First, the first part of that was the rod mill, which is about to be commissioned in Q3 of this year, with a capacity of 150,000. That is certain. On the mining side, the licensing agreement is about to be signed. Following that, we are arranging exploration. An agency is being appointed. Maybe in another 2 years, by which time we should be able to start mining operations there. As for the smelter—no, the smelter is a certainty, because that is something that can be done by importing concentrate as well as producing concentrate domestically in Saudi Arabia, in both ways.

Indrajit Agarwal – CLSA India: So, capex for that will start in the second half of FY28 at the earliest. Is that correct?

Management: Absolutely. Absolutely. Next business plan year, we will be able to announce some of the capex, including how much, and guide you accordingly.

Indrajit Agarwal – CLSA India: Thank you, and I would be glad if I could come back for a follow-up question.

Operator: The next question is from the line of Ashish Kejriwal from Nuvama Institutional Equities. Please go ahead.

Ashish Kejriwal – Nuvama Institutional Equities: Hi. Good evening, everyone. Thank you for the opportunity. Sir, my question is: when can we start seeing capex on the next phase of growth in Zinc International? Will we prioritize between zinc and copper? Second, in terms of Vedanta Resources'

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debt, which is $5.2 billion, earlier we had been targeting a reduction to $3 billion. Unfortunately, we have not been able to do that. Does our target remain the same, or is there any change? Thank you.

Management: The first part is Zinc International. We have to stabilize the expansion program for which we have already spent the money. Right now, the concentrator has to produce, and that will provide cash for further growth. I do not see any immediate announcement of capex for 1 million tonnes. While we continue to work on the board, there may be some pre-project expenses, such as investigation, consultancy, and things like that. Otherwise, our first task for the next 3 to 6 months is stabilizing the current expansion and generating enough cash from the business.

Management: On the second part, Ashish, in terms of the VRL plan, in the current year, the 5.2 remains 5.2. The reason is very simple. We have to fund KCM, which we initially planned would be self-funded through the KCM IPO. Again, it is a question of time before KCM goes public.

Secondly, the entire 4.5 billion, or in fact a couple of billions, from the bond raising, with the one-time expenses sitting in the current fiscal, will provide the benefit of lower interest costs for the next 8 years.

Now, in the second half, as the companies pay dividends, which again they will decide, VRL debt will be at about 4.6 or so. In the next 3 years, between 2028 and 2030, one can safely assume that by paying a 4%-5% dividend, half a billion to 0.7 billion will be deleveraged every year. Over 3 years, this amount is almost $2 billion. So, the $3 billion target in the next 3 years is absolutely intact.

Ashish Kejriwal – Nuvama Institutional Equities: Okay. Thank you, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia – Kotak Securities: Good evening. Thank you. I have one question. I wanted to understand the unit economics for Phase 2 at Gamsberg. If you can share what the cost of production would be and, at the current level of zinc prices, what sort of EBITDA we could expect hypothetically?

Management: We are targeting around $1,500 per tonne at the current operating level. Once the recovery improves—the current recovery is around 70%—and once that goes up to 75% or 80%, the cost may fall further, closer to $1,300 per tonne. As of now, $1,500 to $1,600 would be the cost of production.

Sumangal Nevatia – Kotak Securities: What would be the volume ramp-up over the next few years?

Management: Right now, around 15 kt should go up to 30 kt over the next couple of quarters.

Management: Sumangal, we have given the guidance for the entire business. We will be closer to 500 at the MIC level in 2 years' time as we ramp up Phase 2. That is what is targeted. What Arun mentioned is targeted from a cost perspective by Q4 of this financial year.

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Sumangal Nevatia – Kotak Securities: Understood. So, by next Q4, we are looking at $1,500. In the second half of next year, we are expecting almost full ramp-up. Is that the right understanding?

Management: Understood. Absolutely. That is correct. Yes.

Sumangal Nevatia – Kotak Securities: Got it. Thank you. That is all from my side.

Operator: Thank you. Participants, you may press star and one to ask a question. The next question is from the line of Ritesh Shah from Investec India. Please go ahead.

Ritesh Shah – Investec India: Hi. Thank you for the opportunity. Sir, my first question is: how should we look at the promoter's holding in different listed entities? Basically, from a leverage standpoint, I think you explained that VRL is in a comfortable position with brand fees and payouts. However, if one had to understand how the promoter is looking at his holding in the different entities, including Vedanta Aluminium and Vedanta standalone.

Management: We made a statement, Ritesh, about a month ago or so that the promoter has no plan to make any more equity sale across the portfolio. Even earlier, our publicly announced policy remained that Vedanta Resources would like to hold at least a mathematical majority of 51%. In the near future, across all five companies, and well beyond Zinc, we do not plan to make any sale in the near future. That is in terms of equity. From a debt viewpoint [cut off]

Ritesh Shah – Investec India: Yes. Sure. Please continue.

Management: Secondly, of course, we have now ceased to report the VDL consolidated figures post-demerger. However, if one takes the VRL Inc. view on a consolidated basis, the debt between Vedanta Resources, at 5.2 billion as of the end of September, and roughly 4.9 billion in Vedanta India across all five companies, means that the debt has now come down to almost 9.9 billion. We have deleveraged at the Vedanta Inc. level by more than 2 billion in the first half. Going forward, one may expect about a billion more in deleveraging. In the current fiscal, at a VRL consolidated level, we are looking at deleveraging of almost $3 billion. Across the portfolio, there is no plan to sell any equity.

Ritesh Shah – Investec India: Sure, that is helpful. My second question was about the hedging policy and the existing hedges across the different entities, to the extent you can detail them right now.

Management: Hedging has mostly been tactical for us. Again, if I think of the new Vedanta in terms of zinc, silver, and Zinc International, the open position is about 50 kt in Zinc India at about $3,600 per tonne. Silver is a small amount, about 9 tonnes at about $68 per troy ounce. Zinc International has another open position of about 75 kt, and there the value is $3,300 per tonne.

Ritesh Shah – Investec India: Sure. This is helpful. You indicated for FY28 that interest was 400 and KCM was 100, and you indicated something about the balance of 300. I did not understand that. What was that number?

Management: For FY28, the way to look at Vedanta Resources is that we have $1 billion worth of Citi bridge financing falling due in July next year, but we intend to refinance that much ahead of time, so we can take that out of the way.

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The routine interest will be below 400, less than 400. That will be fully met by the brand fee. In that case, the operating P&L is self-funded.

The routine loans are 400. KCM is, in fact, 300. So, the total of 700 will be met by dividends.

Ritesh Shah – Investec India: Sure. How would these numbers look for FY29?

Management: In the year thereafter, the interest will be about 300, and the principal will be almost 500, for a total of 800. From FY29 onwards, the brand fee will cover interest and partly manage repayments. If we keep paying almost a 4% dividend, one can assume the deleveraging even at VRL to be 0.7 to 0.8 billion.

Ritesh Shah – Investec India: Sure. This is quite useful. Just one last question, specifically on the Saudi Arabia project. Is it possible to fast-track it, given that it appears to be quite an attractive proposition? I wanted to understand how management is looking at it. If you could provide some details on the ore body, or on the incentives that we had earlier indicated could come from the local partner or the government, some color on that would be quite useful. Thank you.

Management: Even now, for your satisfaction, that copper project, unless we want it to be only a conversion business, depends for its success on making the business fully integrated. That will depend upon the exploration that we conduct on the mine they are providing, as well as on other fiscal incentives that the government will provide, which would improve the IRR of the project. I think we will be able to come back to you with more information on the grade once we start drilling. As of now, we have whatever indicated grade has been provided by the government, but we cannot base all our predictions on that.

Ritesh Shah – Investec India: Sure. This was useful. Thank you so much, and all the very best. Thank you.

Operator: Thank you very much, ladies and gentlemen. We will take that as the last question. Thank you to the members of management. On behalf of Vedanta Ltd., that concludes this conference. Thank you, everyone, for joining us, and you may now disconnect your lines. Thank you all.

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