Vedanta Alumin Metal

Operator: Ladies and gentlemen, good day and welcome to Vedanta Aluminium Metal Ltd.'s Q2 and H1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. From the management side, we have Mr. Charanjit Singh, Group Head – Investor Relations; Mr. Rajesh Kumar, CEO, VAML; and Mr. Anoop Agarwal, CFO, VAML. I now hand the conference over to Mr. Rajesh Kumar for his opening remarks. Over to you, sir.

Rajesh Kumar – CEO: Good evening, everyone, and thank you for joining Vedanta Aluminium Metal Ltd.'s Q2 FY27 earnings update.

VAML delivered a quarter of record production, higher value-added volumes, and strong financial performance. Aluminium production reached an all-time high of 649,000 tonnes, up 5% year-on-year and 3% quarter-on-quarter. Alumina production also reached a record 895,000 tonnes, increasing 37% year-on-year and 8% quarter-on-quarter, with more than 1 million tonnes targeted in the next quarter.

Value-added production reached an all-time high of 432,000 tonnes, up 31% year-on-year and 11% quarter-on-quarter, reinforcing our strategic shift towards our 90% VAP mix ambition. PFA, or primary foundry alloy production, increased 46%, and billet production increased 9%. Domestic sales achieved a quarterly record of 338,000 tonnes.

This stronger VAP production and domestic mix, supported by robust aluminium demand, translated into stronger realisations, with NEP increasing to $453 per tonne compared to $205 per tonne year-on-year.

Going forward, our focus is on structural cost improvement through operating scale and deeper backward integration. The next phase of volume growth will be driven by the progressive ramp-up of Lanjigarh and an increase in metal volume from BALCO potline 3, which will reach full capacity by the end of this year. At BALCO potline 3, currently 50% of the pots are in full production, and we will reach the full-capacity run rate by the end of this year.

Alongside this, VAML continues to strengthen its captive resource position. Consent to operate for Sijimali was obtained in September, and BALCO has been declared the preferred bidder for the Karlapat bauxite block, driving captive bauxite security, while Kudloi and Ghogharpalli will increase the captive coal contribution.

As we scale our operations, our focus remains on disciplined execution, cost competitiveness, and expanding our portfolio of value-added products, enabling us to increase enduring value for all our stakeholders and meet the growing demand for aluminium.

We are also conscious of our environmental footprint, and we have increased our renewable energy mix from 5% to 20%, from 321 megawatts in Q1 to 367 megawatts in Q2. In H1, and for the full financial year, we want to have an RE mix of more than 400 megawatts.

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We are also looking towards the sustainable use or consumption of our fly ash in cement and many other areas, such as road construction. Overall, we have strengthened our governance in terms of sustainability, and we have secured the second position in the DJSI ranking. We look forward to further improving our performance.

Now, I hand over to Anoop to take you through the financial performance.

Anoop Agarwal – CFO: Thank you, Rajesh, and good evening, everyone.

We have sustained our performance momentum in quarter two, supported by record production, an improved marketing mix, and sustained cost discipline, resulting in continued balance sheet strengthening. This was despite a sequential moderation in metal prices, demonstrating the strength of our integrated operating model and the impact of the structural improvements underway across the business.

At a headline level, revenue for the quarter stood at Rs.22,066 crores, an increase of 41% year-on-year and 5% quarter-on-quarter. On the cost side, hot metal cost in quarter two stood at $1,722, up 1% quarter-on-quarter, with the structural benefit in alumina cost being offset by continuing inflationary pressures on carbon and fuel oil.

Our marketing mix strengthened meaningfully during the quarter, with value-added sales increasing to 433 KT, up 30% year-on-year and 13% sequentially. This shift supported stronger realisation and reinforces the progress towards a premium product portfolio.

EBITDA during the quarter was Rs.10,192 crores, up 83% year-on-year and down 3% sequentially. Profit after tax stood at Rs.6,187 crores, more than doubling year-on-year. Sequentially, profit after tax was almost flat, excluding exceptional charges of around Rs.400 crores recognised in quarter two.

We maintained healthy cash and cash equivalents of Rs.6,318 crores, providing a strong liquidity cushion and adequate financial flexibility. Consequently, our net debt-to-EBITDA ratio improved from 0.98x in quarter one to 0.7x at the end of quarter two.

Our credit profile continues to receive positive external validation. ICRA and CRISIL have reaffirmed our AA+ ratings with a stable outlook, while India Ratings has now upgraded Vedanta Aluminium to AA+ Stable. These ratings reflect the strength of our earnings, improved leverage profile, and continued financial discipline.

Our return on capital employed stood at 60%, underscoring our commitment to profitable growth and prudent capital allocation. We have also paid a dividend of Rs.8 per share during the quarter, translating into a dividend yield of 2%, balancing shareholder returns with continued investment in our growth and integration projects.

Turning to the EBITDA bridge, quarter two EBITDA stood at Rs.10,192 crores, up 83% year-on-year, driven by a 26% contribution from operational factors, including higher volumes, improved cost, and marketing mix, with the balance coming from market factors and one-offs. Sequentially, as you can see, LME was down 10%, and the impact was largely offset by higher volumes and other operational factors.

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On net debt, we reduced net debt by Rs.3,090 during the quarter, from Rs.29,532 crores at the end of quarter one to Rs.26,442 crores at quarter-end, after accounting for dividend payment of Rs.3,190 crores. Importantly, the reduction in net debt was underpinned by cash flow of Rs.6,043 crores during the quarter. This demonstrates the cash conversion strength of the business, even after funding capex.

During the quarter, we refinanced more than Rs.7,000 crores of debt. Our average term debt maturity now stands at 4.1 years, with the bulk of the maturities being pushed to FY31 and beyond. The average interest cost is now around 8.5%.

Turning to below-EBITDA items, depreciation cost is in line with project capitalisation and routine capex, while finance cost declined due to lower average borrowings. Profit after tax, as I mentioned, before exceptional items remained broadly in line with quarter one.

Beyond the reported financials, digital and AI are becoming embedded value levers across operations and enabling functions. We have identified projects carrying annualised benefit potential of $87 million.

Looking at the value proposition slide, our strategic priorities remain intact. We are scaling towards 3 million tonnes of aluminium and 5 million tonnes of alumina capacity, supported by the ramp-up at BALCO and Lanjigarh. At the same time, the commissioning of our bauxite mines and captive coal will progressively strengthen raw material security and lower our structural cost base.

Post completion of the projects and the debottlenecking, we are targeting a hot metal cost of around $1,550 per tonne and a value-added product mix of more than 90%. These levers, together with higher volumes and greater domestic market penetration, position us to unlock exceptional value.

The proposition is also supported by our scale and marketing position. At the targeted 3.9 million tonne production capacity, VAML would rank among the largest global producers, while the Indian market offers exposure to an estimated 40% demand growth between calendar year 2025 and calendar year 2030.

With the commissioning of the second zone at BALCO, we are now poised to operationalise the third and final zones in Q3-Q4 to reach the target run rate of 435 KTPA by March exit.

On our alumina production, we are targeting a 10% incremental refinery output in each of quarter three and quarter four, thereby ending the year at designed capacity. This would mean an 85% captive alumina mix as we exit the year. Also, with OMC expansion and the Sijimali start-up, we expect captive bauxite to increase from 40% today to around 75% [cut off]

Anoop Agarwal – CFO: ...as we exit the year.

We have some planned power plant shutdowns in quarter three. After that, we expect power cost to come down to Q1 levels.

Additionally, we are also targeting operationalisation of our coal mines in H2. We believe cumulatively these levers will give us a cost reduction of around $100 as we exit the year.

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Any relaxation in the input commodity pressures being seen on account of the Middle East disruption would further augment these savings.

At current LMEs, along with the planned value-added products and the expected cost levels, we expect to exit the year at an EBITDA run rate of $5 billion.

Our cost guidance for the full year remains unchanged, with some escalation in Q3 on account of input inflation and planned power plant shutdowns.

On the hedging front, for the balance of the year, we are hedged 22% of our volume at an average price of $3,274 per tonne.

In closing, Vedanta Aluminium's performance in quarter two reflects the resilience of our integrated business model. We remain confident in sustaining our performance through disciplined execution of our operational priorities and continuing to deliver value for our stakeholders.

Thank you, everyone. Now I hand over to the operator for the Q&A.

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 then one on their touchtone phone. If you wish to remove yourself from the question queue, you may press star and then 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.

Your first question comes from the line of Indrajit Agarwal with CLSA. Please go ahead.

Indrajit Agarwal – CLSA: Hi, thank you for the opportunity. I have a few questions. First, thank you for the detailed operational update. As you mentioned, you exit the year with a $5 billion EBITDA run rate, and assuming somewhere around 6,000-7,000 crores of capex, which is almost higher than the current run rate, how should we look at the capital allocation policy for the second half of this fiscal year and going into the next fiscal year? In terms of an increase in capex and dividends, how do you want to split that?

Anoop Agarwal – CFO: [pause] Thank you, Indrajit. There are two things. First, if you look at the split between standalone and consolidated, you will find that we have higher profitability and cash even in the standalone business. Now, at Rs.50,000 crores, or say Rs.45,000 crores for $5 billion, one can expect that even after accounting for cash of around Rs.6,000-7,000 crores, we will be left with 50% of the cash. You can assume around Rs.25,000 crores, and even on a standalone basis, Rs.17,000-18,000 crores.

Now, this Rs.17,000-18,000 crores can be used for three purposes: first, deleveraging; second, the new expansion project for which we are on the drawing board; and third, dividends. On the dividend, you are aware that we have been guiding that based on the market capitalisation, one can assume broadly a dividend of 3%-5% every year. Indrajit, I hope I have answered your questions.

Indrajit Agarwal – CLSA: Sure. When can we expect the new projects to start incurring capex in terms of further expansion?

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Management {? Rajiv ?}: We are at a very advanced stage of acquiring land for both the refinery and the smelter. Once the land acquisition happens, the other part of the team is preparing the layout of the facility on the drawing board. That is also done. Once we are more or less close to acquiring the land and the paperwork is completed, we can proceed immediately because we are ready to place orders. We already completed the BALCO project, as you all know, in record time and with the lowest capex. We have the potential to execute things very rapidly and quickly. Once the land part is completed, we are ready with what we need to do in terms of ordering and related matters. We will start that once we are through with the approval process.

Indrajit Agarwal – CLSA: Sure. Lastly, regarding your coal and bauxite mines, at the current run rate, how confident are we of commissioning or getting some minerals out of Ghogharpalli and Sijimali during this fiscal year? We also find that there is no update on Radhikapur in this presentation. Are there any changes there?

Management {? Rajiv ?}: The order is that we have several coal mines. First, we are already getting around 2.5 million tonnes from our Jamkhani coal mine, which is under operation. The next mine where we have put the shovel on the ground is Kudloi. That is the coal mine which is around 30 kilometres from Jharsuguda. The third mine which we will start is Ghogharpalli, which we plan to develop in the last quarter of this financial year.

In addition to that, we have allocated Radhikapur for growth. That is for the additional 3 million tonnes of aluminium capacity and the associated power project of close to 5,000 megawatts. Radhikapur is for that. We have a very detailed plan for how the incoming material and coal will be managed. Now, coming to bauxite, we have received the CTO for Sijimali, and we plan to produce 1 million tonnes this year from Sijimali and 5 million tonnes in the next financial year.

Indrajit Agarwal – CLSA: Thank you so much. I have more questions; I will come back in the queue.

Management {? Rajiv ?}: Thank you.

Operator: Thank you. Our next question comes from the line of Sumangal Nevatia with Kotak Securities. Please go ahead.

Sumangal Nevatia – Kotak Securities: Good evening. Continuing on Sijimali, can you share what the likely delivered cost at the refinery would be versus external bauxite, and what the cost saving could be once the mine ramps up?

Management {? Rajiv ?}: Sijimali's cost currently would be close to $60 because if we start the mine early, we get a 50% rebate on this, which will continue for the next 1.5 years. Subsequently, it will be at par with other domestic sources.

Anoop Agarwal – CFO: Sumangal, this is Anoop. Sijimali will basically replace imported bauxite, and assuming $60, one can assume a saving of around $25 per tonne of bauxite.

Sumangal Nevatia – Kotak Securities: Understood. This year, 1 million tonnes; next year, FY27, 5 million tonnes; and then it ramps up to 9 million tonnes and 12 million tonnes. Is that the trajectory for the next 3–4 years?

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Anoop Agarwal – CFO: Sumangal, we have an EC of 9 million tonnes. One million tonnes is what Rajiv is mentioning for this year. Next year, 5 million to 6 million tonnes, and then, yes, 9 million tonnes and 9 million tonnes, after which we can increase it by 40%. That will be the trajectory going forward.

Sumangal Nevatia – Kotak Securities: Got it. The second question is with respect to the recently won mine, Karlapat. The bid premium was quite high, so I want to understand our rationale and the economics we are looking at versus Sijimali.

Anoop Agarwal – CFO: Sumangal, let me take that question. First, let me cover the rationale. You are aware that this was the last of the biggest bauxite blocks that came up in Odisha. Given our expansion plans around the smelter and the refinery, it made a lot of sense for us to secure that. That was the rationale.

Coming to the cost, consider what options we have. First, we have our captive mine, Sijimali, and Saruabil, which we have acquired; these will broadly cater to the existing refinery. The other sources are only Guinea-based bauxite. Given the geopolitical situation there and the high cost, it always made sense for us to secure local bauxite. We have done the calculations. Even with whatever premium you are referring to, we believe we will be able to generate alumina below $400 when we start the mine. That is the entire calculation behind this.

Sumangal Nevatia – Kotak Securities: Got it. I have one question on the expansion. The chairman had said that the 3 million tonne doubling would happen in the medium term. I want to understand the cadence of this. Is it 1 million tonnes at a time, or could you share what configuration we are looking at and provide some colour on capital intensity?

Management {? Rajiv ?}: Basically, as we know, capacity comes in phases. Even now, as we speak, at BALCO, 25% is done, the next 25% is done, and then in this quarter we expect another 25% to come. Capacity will come in phases, but we have to execute the entire project together.

Regarding cost, we plan to replicate the latest potline that we commissioned at BALCO, of 525 kiloamperes. I think this is the largest current-wise pot size outside China. We have had a very good experience there. We ramped up at a rate of more than two pots, or 2.1 pots, per day, which is a world record for the ramp-up of similar types of smelters.

We have a very strong team for operationalisation and project implementation. For example, the estimated cost at which we completed the BALCO project was around $2,100 per tonne. We plan to see how we can execute this at a similar level. In this case, there will also be some additional costs, but I am referring only to the smelter. We will also have the cost of the refinery and power, which will be added to it.

The strength of Vedanta is projects and execution, doing them at low cost and at speed. We will leverage that and come out with a very solid, low-cost, high-productivity, and high-output project.

Sumangal Nevatia – Kotak Securities: Got it. I will join the queue again. Thank you, and all the best.

Anoop Agarwal – CFO: Thank you.

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Operator: Thank you. Our next question comes from the line of Sanjay Parekh with Soham Asset Managers Private Limited. Please go ahead.

Sanjay Parekh – Soham Asset Managers Private Limited: Congratulations on the commendable performance. My simple question was that, because we are saying we are going to have a dividend yield of 4%–5% and the stock is significantly undervalued, as you can see from most of the estimates at 4x–4.5x EV/EBITDA, can you consider, without compromising on capex for expansion, partially paying dividends and partially conducting a buyback? This is just a suggestion to consider because it is a very good time to exhaust the equity, which will be exhausted for life. That is just a suggestion.

Anoop Agarwal – CFO: Sanjay, regarding both the options that you mentioned, it is a matter for the board. The board will consider them. We are aware of the return that you mentioned, and we are also aware of the buyback option that you are discussing. They will be considered by the board as and when appropriate.

Sanjay Parekh – Soham Asset Managers Private Limited: Thank you. Secondly, as a follow-up, regarding the 3 million tonne expansion that the chairman mentioned, you explained that it is at the drawing-board level. Once you decide, my first question is whether the land acquisition has been completed or not. Secondly, you need to look at all the resource planning and secure the resources before pursuing the expansion, which I appreciate. But in case it is a 3 million tonne fully integrated expansion, what would be the capital cost, and once you decide, what could be the timeline?

Management {? Rajiv ?}: As I already mentioned, we have applied to the government for land, and it is at a very advanced stage of allotment. We are awaiting this allotment. We need around 1,450 acres at Kamakhyanagar and Dhenkanal for the smelter, and similarly, 400 acres at Kalyansinghpur for the refinery. Public hearings and other activities have taken place for the refinery, and for that application we have submitted the application for the

Management: smelter. Basically, we are already progressing with the approval process. In addition to that, we have put the layout on the drawing board and configured 8,777 lines of the same 525-kiloampere configuration that we recently implemented at BALCO. A lot of it will be a replication for us of what we have already done. As I indicated, we completed the BALCO project at $2,100, and we would like to complete this at a similar or better level.

Sanjay Parekh – Soham Asset Managers Private Limited: Fantastic. What is your assessment of global demand and supply over the next 2 years?

Management: [pause] If I look at the global aluminium market, it is expected to remain tight in 2026, and there is a deficit of 0.7 million tonnes. However, if I look at FY27 towards the latter part, some facilities and capacities would be coming up in the Middle East and Indonesia, which would add some supply. Therefore, there could be some pressure towards the second part of FY27 on prices.

Sanjay Parekh – Soham Asset Managers Private Limited: Okay, great. Congratulations again. It is a great set of numbers. Thank you.

Management: Thank you.

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Operator: Thank you. Your next question comes from the line of Vikas Singh with ICICI Securities. Please go ahead.

Vikas Singh – ICICI Securities: Hi, sir. Good evening. Thank you for the opportunity, and congratulations on a very good set of numbers. My first question pertains to the cost inflation that we might see in Q3, given the alumina and power shutdown you mentioned. How should we look at it, and what aluminium premiums can we expect in the next quarter? Could you provide some colour on that?

Management: [pause] Vikas, first, covering the cost, I think I covered it in the commentary. In H1, we incurred about $1,720–$1,710 per tonne in hot metal cost. In H2, broadly, we should be around the same level or slightly lower. In quarter three, because of the shutdowns and the carbon cost that I mentioned, one can expect a cost increase of around 4% compared to quarter two.

On your second question regarding NAP, I think that is driven more by the lower QMAP that we have seen this quarter. We believe that at this QMAP, compared to the $410 and the $425-odd NAP that we achieved, we should be about $50 lower in H2. The QMAP would account for around $70, and the balance will be made up through increased VAP and domestic sales.

Vikas Singh – ICICI Securities: Noted, sir. My second question again pertains to our long-term capex plan. As I see it, the cash is currently at our BALCO facility, while the debt is with VAL, but BALCO has only a 51% stake. I wanted to understand your thought process regarding the first 1 million tonne or an integrated plant, whatever you are going to set up, whether it is 1 million tonne in three phases or a single 3 million tonne plant. How would cash fungibility between these two entities come in handy in terms of capex?

Management: [pause] Vikas, let me first answer on the earnings. I mentioned that at around Rs.45,000–50,000 crores of EBITDA, cash conversion is in excess of 50%, and I said that a sizable portion of the cash sits in the standalone business. In the standalone business itself, if I do the calculation, the number is somewhere around Rs.18,000–20,000 crores of cash that can be generated at this EBITDA level. With that, and since the capex will happen in phases over the years, we believe one can easily fund the capex.

Coming to BALCO, I thought I had answered this in the last analyst call. The cash at BALCO, once we finalise the project, means that all options are on the table. We will look at the appropriate structure at that point. Perhaps some capex can come into BALCO, or other arrangements can be made. But on a standalone basis also, based on the earnings that we see, we believe we have sufficient cash to manage the forthcoming expansion as and when it is announced.

Vikas Singh – ICICI Securities: Noted, sir. Thank you, and all the best for the future.

Management: Thank you.

Operator: Thank you. Your next question comes from the line of Shweta Dikshit with Systematix. Please go ahead.

Shweta Dikshit – Systematix: Hi. Good evening, sir, and congratulations on a good set of numbers. My question pertains to Sijimali. Please also help me understand, or pardon my understanding, from

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the level where we are currently. We received the CTO last quarter, and from there, what would be the next steps to help us achieve the 1 million tonnes of production that we are targeting for this year? Where are we on the various steps that would lead to actually extracting usable ore from the mine? How are we targeting 1 million tonnes within this year?

Management: [pause] I would like to mention that bauxite mining is simpler than coal mining because the stripping is very limited and you mine from the surface. The greater concern is managing the villages and local stakeholders. We are currently at that stage of the process.

The government approvals have been received, and everything is in place. The next part is engaging with the communities, carrying out CSR, and creating a very positive impression of what Vedanta has done in that region. As we all know, what we have done in Lanjigarh is worth mentioning. The upliftment of the population there is something that one has to see or experience to understand.

We want to create that positive impression that our mining activity will lead to further development in the region. However, there are forces that you are all aware of from the media. We are therefore proceeding along this path very carefully.

Operator: Thank you. The line for the current participant has been dropped from the queue. We will move on to our next question. Our next question comes from the line of Ashish Kejriwal with Nuvama Institutional Equities. Please go ahead.

Ashish Kejriwal – Nuvama Institutional Equities: Hi. Good evening, everyone. Thank you for the opportunity. I have two questions. First, regarding Ghogharpalli, where are we in terms of securing regulatory clearances? You mentioned Q4 FY27, which means that we should have received all the approvals by now. What is the status? Secondly, regarding OMC, what is the status of the High Court order for which we have already gone to the Supreme Court? Are we planning to increase our sourcing of bauxite from OMC in the second half and next year? Thank you.

Management: [pause] Coming to Ghogharpalli, we are expecting to receive FC shortly and are targeting all necessary approvals to start the mine by the end of Q4. We are likely to start production from the mine at the end of this year or early in the next financial year, and we are targeting a volume of 5 million tonnes in the next year from Ghogharpalli.

Coming to OMC, the matter has been partially heard in the Supreme Court and subsequently, I think, it will be heard further after the Diwali vacations. It is sub judice.

Management: And Ashish, regarding your point, see [trails off]

Ashish Kejriwal – Nuvama Institutional Equities: Yes.

Management: Regarding your point on the increased volume, you are right. OMC is in the process of expanding its mine from 3.6 million tonnes to 6 million tonnes, 80% of which, as per their {? LTL ?} policy, is reserved for refineries in Odisha. We will definitely target higher production and higher upliftment going forward.

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Ashish Kejriwal – Nuvama Institutional Equities: Okay. In the case of OMC, have we started paying at a higher price, or are we still only making provisions for the same in our books?

Management: [pause] Ashish, since the matter is sub judice, what we did was that, since we are continuing to lift under protest, we are lifting at the price determined by them. However, the matter is sub judice, as we said, and it is adequately covered in the notes to accounts, point number 12 in the notes to accounts.

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

Operator: Thank you. Your next question comes from the line of Jashandeep Chadha with Nomura. Please go ahead.

Jashandeep Chadha – Nomura: Hi. Thank you for the opportunity, sir, and congratulations on a good set of numbers. My first question is largely on the cost savings that will come from the coal mines and renewable power that you are putting up. I understand that you are indicating around $25 from bauxite, which would account for close to $75–$80 on aluminium. Could you give a similar estimate over the next couple of years, up to FY29, of how much per-tonne cost saving will come from both coal and renewable energy? What percentage of your power will be renewable by FY28 and FY29? That is my first question.

Management: [pause] In our existing operation, around 500 MW of RE power is contracted with Serentica. Once all of that is commissioned, we will be at about 10%–12% of our requirement. We want to increase this to perhaps 25% as we move into FY29 and FY30, as you mentioned.

Regarding cost savings, I will reiterate what we said. In the near term, we are looking at a hot metal cost of around $1,550, which is about $150–$175 lower compared to the H1 levels. Around $100–$125 should come from alumina and bauxite, even with the partial ramp-up. Perhaps $30–$35 will come as we ramp up Ghogharpalli, which is the cheapest mine.

You will also have to consider that the coal we source from Coal India is acquired at a reasonably priced auction. We will always look at it as a basket and source depending on the requirement. Of course, as and when the Middle East disruption eases, we should see another $50-odd from that.

On the drawing board, we have initiatives worth around $200. We expect this to contribute $100–$125 as we exit the year and the balance in perhaps another one or two quarters.

Jashandeep Chadha – Nomura: Sure. Thank you so much, sir. My next question is more of a bookkeeping question. With LME prices coming down, has there been any change in the hedging strategy? I believe 28% at $3,000 was hedged. For the second half, have you made any changes? Last quarter, we had some hedging loss because LME was higher. Has there been any reversal this quarter, or were prices still higher than the hedge price?

Management: [pause] Let me first talk about our approach to hedging. Our approach to hedging has always been, first, tactical, and second, opportunistic, based on our informed view of the medium-term market and our objective of protecting margins and cash flow. If we look at the hedges that we currently have outstanding, for the balance of FY27, we are hedged around 22% of our volume at an average LME of $3,274 per tonne.

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Jashandeep Chadha – Nomura: Understood, sir. Thank you. I will join the queue again.

Operator: Thank you. Our next question comes from the line of Kirtan Donga with Leo Capital. Please go ahead.

Kirtan Donga – Leo Capital: Thank you for the opportunity. Firstly, congratulations on a stellar set of numbers. My first question is: if the bauxite price from Odisha Mining Corporation is increased as per the court order, how much would that impact our EBITDA per tonne on an ongoing basis?

Management: [pause] Can you repeat your question? Are you asking how much it will impact us on an ongoing basis?

Management: I will tell you. Please understand that I had covered this earlier as well. We started making additional provisions at the beginning of this year. In the accounts, you will not see that we are broadly providing for it at, say, Rs.3,000. While the matter is sub judice, the latest price, even if one were to take the OMC price, is Rs.1,000, which means hardly $8–$10. That is the impact.

Now look at the savings that we will receive. We get about 2.4 million tonnes of OMC bauxite, which can increase to 4.8 million tonnes or even higher. The savings there will be around $15 per tonne. If you do the calculation, I am saying that the calculation will favour the cost coming down rather than the cost going up.

Kirtan Donga – Leo Capital: Okay, sir. Thank you, that was really helpful. My second question is whether we have any plan for greenfield or brownfield expansion of aluminium capacity in our Indian operations.

Management: As already covered, we plan to have a greenfield expansion of 3 million tonnes of aluminium and a refinery of 6 million tonnes. For this, we have applied for land at Kamakhyanagar. We are in discussions with the government to secure the land for Kamakhyanagar, and public hearings are taking place for the refinery at Kalyansinghpur. These are at very advanced stages of approval.

In addition, we have already completed the layout on the drawing board. A dedicated team of around 10–15 engineers is already working on the project and on how to create the packages. As soon as we have some clarity on the land, we will place orders.

Kirtan Donga – Leo Capital: Sure, sir. That was really helpful. Can I also get an estimated capex and the timing for the capex for this particular project?

Management: Typically, if we look at the BALCO project, the capex cost was close to $2,100 per tonne of capacity addition. We plan to be at a similar level, or try to do better, given the experience we have gained. This is only for the aluminium production smelter component. In addition, there will be capex for power and the refinery, and we will determine how to structure that. Our power business might undertake it. We will explore various options.

Kirtan Donga – Leo Capital: Sir, is this $2,100 for the aluminium refinery, or does it include the back-end alumina?

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Management: No, I am referring to the aluminium BALCO project and the capex cost per tonne of aluminium capacity. For 435,000 tonnes, we completed the project at a capex cost of $2,100 per tonne.

Kirtan Donga – Leo Capital: Okay, thank you.

Operator: Thank you. Before we take the next question, a reminder to all participants: you may press star and then one to ask a question. The next question comes from the line of Yash Kukreja with Systematix. Please go ahead.

Yash Kukreja – Systematix: [inaudible]

Operator: Yash, your line has been unmuted. Please proceed with your question.

Yash Kukreja – Systematix: Hello, can you hear me now?

Operator: Yes, sir. Please go ahead.

Yash Kukreja – Systematix: Yes. My question is on the global demand and supply scenario. I heard you say that global capacities are coming up. Could you elaborate on how this would impact us in FY27 and FY28, and what kind of scenarios we are building in?

Management: As I mentioned, domestic demand remains very robust, and the growth taking place in the country in power, transportation, lightweighting, and many other areas presents significant upside. As already mentioned, there is a supply deficit in 2026.

Going forward, it is difficult to forecast, but if the Gulf situation becomes normal and full production starts as expected from the end of Q1 or the beginning of Q2 next calendar year, there would be some additional supply from there. Some additional capacity of 1 million tonnes might also come up in Indonesia and other locations, including the Middle East and other areas. This could lead to an additional supply of around 1 million–1.4 million tonnes in the latter half of FY27.

Yash Kukreja – Systematix: Got it, sir. That was helpful. My second question is: could you help us with the interest liability in the OMC demand?

Management: Based on the debit note, and let me reiterate this, it is contingent upon the case we have filed in the Supreme Court. As we have discussed, they have raised a demand, and around Rs.1,100–Rs.1,200 crores is the interest portion that they have demanded as per their calculation.

Yash Kukreja – Systematix: Okay, got it. Thank you so much, sir. That is all from my side.

Operator: Thank you. The next question comes from the line of Aryan Kadam. Before we take the question from Mr. Aryan Kadam, we would like to remind participants that you may press star and then one to ask a question. The next question comes from Aryan Kadam with +91. Please go ahead.

Aryan Kadam – +91: Hi, sir. Congratulations on the numbers. You had guided for a lower and subdued Q2, but the volumes are much better compared to Q1 and last year year-on-year. Could you elaborate on this?

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Management: Our capacities have been coming up, so I do not remember us guiding that we would be lower in Q2. We will—yes, yes, yes. Can you elaborate, please? Can you elaborate? Are you talking about the cost or the volume part of it?

Aryan Kadam – +91: The cost part. Sorry, not the cost, the production part. The cost and EBITDA are obviously lower, but due to seasonality, you had guided for a [cut off]

Management: No, we did not. I think there is some miscommunication. We are expecting an increase quarter-on-quarter and year-on-year in volume for {? VAML ?}. This applies to both aluminium and alumina. In this quarter, which is Q3, we will again have an increase in volume, and also in Q4 and next year. We plan to have an increase of around 3%-5% each and every quarter going forward. I just wanted to clarify that.

Aryan Kadam – +91: Okay, sorry. Could you also give me a brief overview of the cost reductions from coal and bauxite that will come up over the next 2 years? What have been the savings this year from alumina?

Management: I thought I had covered it. I will reiterate it. On the drawing board, we are looking at a cost reduction of $200. As I mentioned, $100-$125 should come from the increase in captive alumina and domestic bauxite. Another $30-$35 should come from coal as we ramp up Ghogharpalli and the other coal mines. The balance will come from the Middle East-related escalation that has increased carbon prices. At some point, as prices soften, we believe we should get some relief from there as well. That completes the $200.

As I also said, we expect $100 as we exit the year and the remaining $100 perhaps one or two quarters thereafter.

One other point is that while all of us have seen coal shortages and coal prices going up across the country, {? VAML ?} is very solidly positioned geographically. Both the assets we have at Jharsuguda and BALCO are well positioned. The BALCO plant is located in Korba, which is the hub of coal production. We are next to the coal mine, at the pithead. Similarly, Jharsuguda is also adjacent to MCL.

For us, sourcing coal has not been as much of a problem as it has been for other players, given that the mine is hardly 20-25 kilometres from where we operate. This gives us a huge advantage in terms of coal availability, cost, and transportation cost savings. While the country as a whole has seen a great deal of turbulence in coal, {? VAML ?} has been insulated from coal-related issues in our power operations.

Aryan Kadam – +91: That is very helpful. Thank you.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. This concludes our question-and-answer session. Thank you to the members of the management. On behalf of Vedanta Aluminium Metal Ltd., that concludes this conference. Thank you, everyone, for joining us. You may now disconnect your lines. Thank you.

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Vedanta Alumin Metal

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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