Vedanta Resources Plc Q3FY16 Results Conference Call

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MANAGEMENT: **MR. TOM ALBANESE – CHIEF EXECUTIVE OFFICER, VEDANTA RESOURCES**
MR. DD JALAN – CHIEF FINANCIAL OFFICER, VEDANTA RESOURCES
MR. SAMIR CAIRAE – CHIEF EXECUTIVE OFFICER, INDIA DIVERSIFIED METALS BUSINESS, VEDANTA LIMITED
MR. ABHIJIT PATI – HEAD (ALUMINIUM), VEDANTA LIMITED
MR. MAYANK ASHAR – CAIRN INDIA LIMITED
MR. SUDHIR MATHUR – CAIRN INDIA LIMITED
MR. SUNIL DUGGAL – HINDUSTAN ZINC LIMITED
MR. KISHORE KUMAR – IRON ORE, VEDANTA LIMITED
MR. STEVEN DIN – KONKOLA COPPER MINES PLC
MR. ASHWIN BAJAJ – DIRECTOR, INVESTOR RELATIONS, VEDANTA GROUP

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Vedanta Resources Plc Q3FY16 Results Conference Call. As a reminder, all participants' lines will be in the listen-only mode. 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 '*' and then '0' on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashwin Bajaj. Thank you and over to you, sir.

Ashwin Bajaj Thank you, operator. Ladies and Gentlemen, Good Morning. This is Ashwin Bajaj. Thanks for joining us today to discuss our results for Q3FY2016. Let me introduce our management team present here with us today; we have Tom Albanese – CEO of the Group; DD Jalan – CFO of the Group; we have with us Samir Cairae who recently joined us as CEO of the India Diversified Metals Business; we also have several of our business leaders on the line -- we have Mayank Ashar and Sudhir Mathur from Cairn India, Sunil Duggal from Hindustan Zinc; Steven Din from KCM, Abhijit Pati from Aluminum and Kishore Kumar from Iron Ore.

With that, let me hand over to Tom.

Tom Albanese: Thank you, Ashwin and thank you, operator. Good Morning, Ladies and Gentlemen for most of you and Good Evening or Good Afternoon for some of you. I am pleased to welcome you to Vedanta's Plc Third Quarter Fiscal Year 2016 Production Results Call. I do not need to tell you that the resource sector continues to go through a tough time with the commodity prices are multi-year lows and as a consequence as we said we would and we have been following a disciplined approach to capital spending and efficiency in our operations to manage the period of volatility. We have been implementing a series of initiatives to reduce capital expenditures and our OPEX which have been continuing to deliver positive results and we would expect those results to continue in future while maintaining financial strength during this period of commodity prices.

We continue to build our management team even though these are tough times and I am pleased to inform about the appointment of Mr. Samir Cairae as Chief Executive Officer of Diversified Metals this month. He will be providing operational and strategic leadership on the performance of Vedanta Limited's Aluminium, Copper India, Power and Iron Ore divisions in addition to Commercial and Asset Optimization Functions. Prior to his appointment in Vedanta, he had senior leadership positions at Lafarge and in Schlumberger and again I will ask him Samir join the Q&A session to just present some thoughts and reflections on his first three weeks on board.

Let me start with a review of third quarter performance and highlight some of the initiatives and achievements:

Operationally, we delivered strong production across all segments during the quarter. We had record production at Aluminium and Silver while production at Copper India and Zinc International were impacted by shutdowns. We have seen a strong EBITDA margin of 23% despite softer LME and Brent prices during the quarter. This was mainly driven by strong volumes and cost initiatives across the businesses. We continue to focus on OPEX, CAPEX and free cash flow and delivered US$1.3billion free cash flow in the nine months ended December 31st. We have made good progress towards balance sheet management and refinancing our maturities and DD will speak about that later, but just as an example, we raised about $3 billion in the last nine months, around $1.4 billion of that in the third quarter. Of course, as we said, we continue to progress with the merger with Cairn India.

Looking a little more details of the operations:

Maximising cash flow and deleveraging the balance sheet are our top priorities given the near term volatility and low commodity price environment. We are continuing this focus on OPEX and CAPEX across the businesses and also looking at realizing savings in marketing and through our supply chain with procurement. We have achieved about $100 million of savings in third quarter fiscal year 2016 through these specific measures.

As we said, we are making pragmatic decisions over the past several quarters and again these are showing through delivering additional positive cash flows at each business. I will talk about them on a case-by-case but at this point maybe just point to Alumina:

What we have seen over the past several months and you can certainly watch this if you look on your screens, the seaborne Alumina cost have dropped by about $100 per ton which translates to $200 per ton of Aluminium metal. If you recall we took a decision in September 2015 to reduce Alumina refining capacity and again that put us in a larger net short position but it allowed us to take full advantage of this low seaborne Alumina price. I would say that we continue to work through some higher cost stock piles and inventories of Alumina to the full impact of this Alumina price reductions have not been fully reflected in the third quarter, but we will see those again even more flowing through as we move into the fourth quarter of this year.

So maybe looking at more specific operations and starting with Oil & Gas:

we have been pleased with the excellent performance by the Mangala EOR project which has helped us improve our gross production from the Rajasthan block by about 1.4% Q-o-Q to 170,000 boepd. Mangala EOR Polymer Injection volumes ramped-up in the third quarter and increased our average EOR production by 19,000 bopd in line with plan. So we have been pleased with large project, complex project and we have been pleased with its delivery. We would expect further ramp up of injection volumes by March 2016. Aishwariya also recorded increased volumes post our infill drilling program with five more wells brought online. Production from Rajasthan overall in the current quarter should pick up aided by continued increase of volumes through Mangala EOR and the Aishwariya infill activities.

Overall, we will continue to strive to seek fair realization of our crude through expansion of our customer base, and I am happy to share that our first cargo of Rajasthan crude was successfully delivered through our new Bhogat terminal during the quarter and as we look at this on a real-time basis we are realizing superior pricing on this new contract.

On the gas side – we continue to focus on the Raag Deep Gas Development Project to increase the gas production from our Rajasthan asset. On the RDG development, GSPL India Gasnet Limited is planning to build the pipeline. This reduces our capital requirement by about $100 million. On the cost side, these efforts have helped to reduce our already low water flood operating cost by 6% compared Q-o-Q to $5.1/barrel. The overall Rajasthan operating cost including EOR was below $7/barrel in the quarter

I think it is important to recognize that as we put the EOR project in, we are seeing a large new consumable with the purchase of the polymer and again we are requiring more access to grid power because we are using more pressure for the injection of the polymer. So, it is very important that we look at all aspects of our OPEX so that ultimately we want to get back to what our previous cost of barrel even though we are injecting the polymers in using additional energy to make those polymer injections. But overall, our lowest docile operating cost will help us weather the weak oil price situation better than our peers who are producing at much higher costs.

Finally, I want to reemphasize that our priority in the Oil & gas business remains to be cash flow positive in a low current price environment while retaining optionality. Over 90% of our production volumes are from our core fields of MBA, Ravva and Cambay, with very low operating cost and high operating margins.

Move on to Zinc India:

This is Hindustan Zinc. Our world-class Zinc portfolio of Hindustan Zinc had a strong quarter as saleable Zinc production was up 8% Y-o-Y. We are happy to share that we surpassed our previous record for integrated silver metal production and achieved a new high of 3.7 million ounces driven by better grades from SK mine and higher smelter efficiencies. Our Zinc cost of production during the quarter was US$796, and we continue to operate in the lowest docile of the global cost curve. In the coming years, there may be cyclical swings in production as we flagged in previous years and we would expect that the first half of Fiscal Year 2017 volumes will be lower than the second half of Fiscal Year 2017 volumes. However, the full year volumes for Fiscal Year 2017 will continue their upward trajectory similar to we have seen in recent years. On the announced 1.2 mtpa expansion at Hindustan Zinc, the main shaft sinking at Rampura Agucha crossed 860 metres during the quarter to an ultimate depth of 950 metres. We are right now in the main Rampura Agucha underground production levels for the first time in the half. Our first production levels immediately below the crown pillar and we are simultaneously mining the open pit. So we will be prudent in that simultaneous operating of that first production level underground with the mining of the new open pit, particularly to avoid the geotechnical challenges of blasting from one area impacting the other area and vice versa. Meanwhile in the open pit, pre-stripping for further deepening of the open pit in Cut-5 is progressing well and will mitigate the risk of delays in the decline development which we had but we caught up on and shaft commissioning which we had but which we are basically catching up on. Over the SK mine, we achieved another major milestone crossing a production run rate of 3 mtpa during the quarter, which is ahead of schedule, and we have recently received the

Environmental Clearances for 3.75 mtpa. At Kayad, the ramp up is on track and is expected to achieve 1 mtpa capacity run rate by year-end which will make it among the fastest underground mine ramp ups. In light of the current low Zinc prices, we are and we will review the pace and spend of our Zawar, Rajapura-Dariba mine expansion projects in this environment.

Moving to Zinc International:

We had production impacts during the quarter at Skorpion and a subsequent delay in that start-up. We are deferring some of our pre-strip at Skorpion at these low Zinc prices, which if prices do not recover could shorten the life of the pit at Skorpion. As you know, Lisheen production ended this quarter with our last shipment this month. We shall say there have been good efforts by the team on site, we have had a proper closure, got engaged with the community and I think from production perspective a little higher production in the closing months than we were originally planned for. Our third quarter cost of production is higher at $1579 per ton mainly on the lower volumes and maintenance costs at Skorpion and lower grades. But we do continue to optimise across the business and we see the fourth quarter cost of production significantly lower at somewhere between $1100 and $1200/ton. So overall, we are on track to produce about 40,000-50,000 tonnes in the fourth quarter Fiscal Year 2016. We have talked a bit about Gamsberg over the past year and at Gamsberg, the pre-stripping is in line with plans with 4 mt of waste excavated since July of 2015. As announced earlier, the project is being developed using a modular approach that allows flexibility to manage the capital expenditure program and Fiscal Year 2016 CAPEX is expected to be around $40 million. We have talked about in these markets that we will continue to follow a lock box approach and that contends to be the plan in the future where the CAPEX we spend on Gamsberg will be funded by the cash flow generation of the Zinc International businesses.

Moving over to Zambia:

We have Steven on line and I would like him to make some comments during Q&A. The Copper Zambia continues to make operational improvements. C1 cash cost was reduced by 16% sequentially to $1.75 per pound despite the power situation further deteriorating in the quarter. Again, that number does not consider the impact of power the third quarter cost would have had. If we had not had this higher power cost in the third quarter, our C1 would have been $1.67. So that gives you a sense of the improvements from when we were talking with you a year or two ago. Production has been stable at 32,000 tonnes for the quarter. We are on track to meet our earlier guidance of integrated production of 120,000-130,000 tonnes with total production of between 190,000-210,000 tonnes. The production from the tailing Leach plant project continues to stay strong at about 60,000 tonne per year run rate and the custom smelting output has increased 17% sequentially.

During the quarter, as you may know, we have put Nchanga underground operations under care and maintenance which has resulted in a reduction of operating cost by about US$ 1 million per month. We have lost production from Nchanga underground care and maintenance and that is being made up partially by treatment of CRO material in the concentrator and increase in treatment of purchased concentrate at the smelter.

Following the Nchanga underground care and maintenance we have reduced power consumption by further 6% taking the overall reduction to 12% sequentially. As you know, the country is currently witnessing acute shortages of power and we are watching the power situation in Zambia as it progresses through its wet season. KCM is preparing itself for a scenario where shortages may continue for a longer period than earlier anticipated. KCM current power consumption stands at about 210 MW. I did have the opportunity to visit KCM last week and have personally witnessed the challenges the team is facing and have been impressed with the actions our team is taking on the ground.

Power tariff has been further increased by 25% as published from 1st of January 2016. This will have a further impact of US$ 3 million per month on the cost of operation. This above tariff increase has been announced to be applicable on 70% of power requirement while KCM continues to buy the balance of the power requirement through supplementary power being imported by CEC at a cost of about 15 cents per kilowatt hour. We will be exploring and continue to explore operations on self-generation and the direct import of power to deal with current situation and we are in constant dialogue with the government on this. Again, depending on how long the power issues go on, we will be looking at any opportunities on the site if we need to potentially reduce our power load.

Like to spend time on Aluminium:

We have had a strong production in third quarter with the 80 pots commissioned earlier at Jharsuguda Line-2 and now capitalised. I am pleased to inform you that just this week on 27th of January; we received the approval from the local Odisha authorities for conversion of 3 of the IPP units of Jharsuguda, 2 of the CPP units which would enable us to draw captive power from the 2400 MW power plant for ramping up of the pots at Jharsuguda. Again, for those who are not familiar with the terminology, IPP is Independent Power Producer, that we sell that power to the retail markets and CPP would be Captive Power Producer who are able to use our own power plant for our own power needs within our own smelter. We will start ramping up the pot lines as a consequence of this from the Jharsuguda-II smelter from the 1st of April onwards. We have been seeing support from the government overall in terms of some of the key decisions and again, this is a case where we all want government to do more quicker. But if we just look at the over past year we have had the BACLO power plant approved, just as I said, we had the recent approval to convert IPP to CPP, and we have also recently had the approval to expand the alumina refinery from 1 million to 4 million tonnes. As I have said, we have taken several pragmatic decisions in this weak Alumina market including commissioning of new power plants at BALCO to replace and mothball the old high cost plants. This combined with the weak Alumina pricing and active efforts across all parts of the business, we are delivering lower cost of production for Aluminium.

I think just to look at that in perspective, our Alumina FOB price as I said $100 lower compared to March 2015 which on an Aluminium basis translates to $200 per ton of Aluminium. I would say the lower imported Alumina prices now means is more economic to import Alumina than it is to produce it. As a matter of fact, our Lanjigarh facility would be considered uneconomic on that basis. That puts even more pressure on our Lanjigarh refinery to ensure we get better cost of bauxite, better cost of mineral feedstock and lower cost of conversion to Alumina.

To put things in perspective:

In the third quarter, we maintained $100 per ton margin of Aluminium metal on EBITDA as we had in the second quarter even though LME prices were also lower by $100 per ton. So we protected that EBITDA margin even in a much lower price environment. We would expect further cost improvements in the fourth quarter as we have a number of programs that have been kicking in over the year are just beginning to kick in and you will see them coming in, in a fuller state in the fourth quarter and certainly we will get the full impact of lower Alumina prices coming through.

At current cost of production at $1,528 per ton, we continue to be in second quartile of the cost curve. I would just remind you that $1,528 have to be compared with a realizable price which is a combination of the LME price plus the normal physical premiums, plus any value in the premiums that we get on top of that. So that gives us $100 margins I was just referring to.

Also, speaking of realizable prices, we are working to improve those. Although we lost some of the realizable price as we shut down the rolling mill at BALCO last quarter, we are moving our overall product mix into less ingot and to more higher value alloys.

Notwithstanding all that, we are mindful of the weak Aluminium prices and the weak premiums, we do not see anything in the market, that is going to immediately turn that around. So that means we have continued to focus on delivering positive free cash flow from both BALCO and Jharsuguda, and as I have said, put the Lanjigarh facility in an economic position compared to the alternative of buying in from the seaborne market.

Speaking on Power:

I am pleased with the progress made on commissioning new capacities in this line during the quarter. We commissioned the second unit of TSPL and the first IPP unit at BALCO 1200 MW. The last unit of TSPL and the second IPP unit at BALCO will be synchronized by the end of Fiscal Year 2016. PLF stay low during the quarter at Jharsuguda 2400 MW, but we would expect these PLF to increase gradually starting April 1st as we begin the ramp up of Jharsuguda line-2 as I just mentioned. We would not expect the material impact on the sales of power from our one unit of 600 MW IPP as we continue to have contract and we continue to sell power from that. You may remember we are successful on the coal block at Chotia for BALCO last year and during the quarter we commenced mining and the overburden removal and that is now in progress.

I want to say just a few things about the coal situation in India. As you all know, coal imports or seaborne coal has continued to drop in the quarter and the projections are for those drop decline and seaborne pricing to continue. However, within India, it is not quite the same picture. We have seen coal availability picture improving for IPP power sector in India but the CPP power sector still faces shortages, I think we are going to see the situation carrying forward and is clearly the Government of India's biasing coal deliveries toward IPP versus CPP. So what means in an environment where imported coal prices continue to stay low, which we would expect to see that the price for e-auction coal for CPP probably stay high. Because of the higher demand for the deallocation of coal blocks and production is yet to recommence for the new allocated mines and net-net I think this means we will need to focus more of our CPP coal consumption on even more imported coal in the future year too.

Like to talk a bit about Iron Ore:

Post the resumption of mining at Goa, we are gradually ramping up our production, of course, mindful of the seaborne pricing for Iron Ore. However, this ramp-up has been slower than we originally would have expected due to transportation on the ground with local unions. But we are hopeful of that resolution be reached soon. This issue has related to tariff negotiations between two different sets of unionized drivers. Due to the delay in the ramp up owing to the transportation challenge, we have realistically toned down our Goa Iron Ore shipment and sales expectations to about 3.5 mt for the fiscal year versus our original number of 5 mt for the fiscal year. At Karnataka, the production was stable with production of 1.1 mt in the quarter. Both at Goa and Karnataka, we are engaging with respective state governments for enhancement of the mining cap. EBITDA for Iron Ore business has increased as mining and sales resumed in Goa, we have stabilized Karnataka operations; however, we have seen the pig iron volumes and the realization somewhat lower which we have seen some weaker demand for pig iron metal from the beginning of the quarter. We are seeing some improvement in demand since December and we are pushing for more market capture of the Indian pig iron market and less reliance on the seaborne pig iron market in this environment.

At Copper India:

Production stands 89,000 tonnes, impacted by the floods that you might have heard about in southern India and one plant shutdown at the boiler units during the quarter. These unprecedented rains have caused flooding in the states and we had our entire smelter flooded by a 2-feet of water if you can imagine that. I visited the Tuticorin plant just this month about three weeks ago and was happy to see the speedy recovery, quick resumption of our operations. TC/RCs have been resilient in the quarter; however, as you know, we do expect them to move progressively downward during calendar year 2016 in line with global TC/RC pricing. Demand in the domestic market remain strong. In concentrate market supply amply supplied and that remain positive for this business as we look over the next fiscal year but also calendar year.

With that I would like to hand it over to our CFO – Mr. DD Jalan to go through the financial update and then I will come back with some closing comments. Over to you.

DD Jalan: Thanks, Tom, and Good Morning, Ladies and Gentlemen. We have delivered a robust financial performance with an EBITDA margin of 23% in this quarter in the midst of a volatile commodity environment. This has been driven by our relentless focus on efficiency and positive results of our cost reduction initiative.

On the Finance side, we have been actively managing our balance sheet to maximize free cash flow, refinance and terming our maturing debt and simplifying the group structure. We maintained strong liquidity with cash and liquid investment of $8.9 billion and undrawn committed lines of $0.8 billion. Our debt as at 31st Dec was higher than at the end of the prior quarter on account of project payments, the previously guided for working capital build, payment of dividends by subsidiaries, and the translation effect on account of rupee depreciation. However, we expect the net debt to retreat to September level or below by March '16.

I am pleased to report that we are making good progress with regards to lengthening our borrowing terms. Of the debt maturing at the Vedanta Plc in FY'16, $100 million was repaid in Q3, the remaining $300 million was refinanced. At the subsidiaries, we have $1.1 billion due, which will be met through a combination of available cash, undrawn facilities, and committed term facilities.

Looking further out, after the $227 million bond buyback completed on 20th January, Vedanta Plc has $1.8 billion of debt maturing in FY'17. The bond buyback was achieved at a price of $91,000 for the $100,000 par value which was a premium compared to the price both at the launch as well as the closing of the buyback. The $1.8 billion debt maturing in FY'17 will be met as follows: $0.3 billion of new term loans that have already been tied up; $0.8 billion of the inter-company loan to Vedanta Plc which Vedanta Limited has already repaid and the balance will be met through further repayment of inter-company loan from Vedanta Limited and/or further loans being tied up at Vedanta Plc. In India, we are benefiting from a declining interest rate environment. We saw an average reduction of 34 bps on our term loan portfolio as a result of renegotiation of spreads and overall reduction in the base rate of the banks. We remain focused in extending our debt maturities as well as optimizing the interest cost.

With that, Tom, back to you.

Tom Albanese: Thank you, DD. I will just sum up and then we will go on to questions. As those of you who have been following with us over the past couple of years, you will know that our strategic priorities have remain unchanged. We are working towards the priorities we set for ourselves around 2.5-years back. The markets all are weaker from where they were 2.5-years back and we are mindful of those weak markets and the company were taking all necessary steps to sustain this volatile period. We continue to focus on disciplined ramp up of our production and optimizing as we have said OPEX and CAPEX and focusing on delivering positive free cash flow. We are delivering strong volumes in cost at KCM. But as we expected, we are also watchful of the power situation in the country and of course much lower Copper prices from where were a year ago. Finally, we continue to focus on completing our merger with Cairn India and Vedanta Limited.

Tom Albanese: Before we take the first question, maybe if Samir Cairae, you can just maybe speak up and just talk about your first three weeks of reflections you have come from the large company that is known to be the leader in the cement field with hundreds of operations around the world, your history is focusing on optimizing those, you begun to get into deep dive particularly in Aluminum, but the other parts of the business for cost savings, you probably have some news as to what you have seen versus what you were used to seeing. Samir?

Samir Cairae: Thank you, Tom, and Good Afternoon to Everybody. First of all, I am really very excited to have joined Vedanta leadership in this challenging times. Of course challenging, but I truly believe that the challenges which will separate the ordinary from the extraordinary leadership. I am truly excited. What I have seen in the past 25 days I must admit I think Vedanta is blessed with some great assets and great people. I have had personal occasions to dig into deeply into the cost reduction plans especially of the Aluminum and Power sector. I am quite impressed with the robustness and innovativeness. There are a mix of opportunistic and structural and sustainable cost reductions and I am pretty confident that the acceleration of the cost reductions which we saw in this quarter as explained by you, it will not only continue but will be accelerated. Of course, I also see some areas where we can go further, for example, Supply Chain and Logistics and I will be personally leading the action into these areas. As of now I see four clear and immediate priorities for me. First is Safety, I mean, clearly, safe operations as well run operations I believe, Vedanta believes and we will continue. Secondly, the accelerating and consolidation of the cost reduction action plans across the businesses. Third is increasing capacity utilization and ramp up of the CAPEX which has been already completed and lastly clearly a clear and immediate focus on the cash flow. For sure in future I will have more thing to share, but for now I will hand it back to you, Tom. Thank you.

Tom Albanese Thank you. Operator, you can go ahead with the questions now.

Moderator: Thank you. We will take the first question from the line of Ioannis Masvoulas of RBC Capital. Please go ahead.

Ioannis Masvoulas: Three questions from me: First of all, in terms of the debt covenants at spot prices and depending on working capital movements, you could in breach at the end of March. What are the actions you are taking ahead of that right now? Secondly, on oil. EBITDA seem to be weaker than what Cairn India reported which is usually the other way around. What drove that discrepancy? Third, just on Vedanta Limited. I believe that you have raised about $600 million of external debt in the December quarter. What is the interest rate on these facilities?

Tom Albanese: What I suggest is Sudhir, I do not know, maybe you can help us with the oil EBITDA question, but otherwise I think DD maybe you can tackle the debt covenant and the Vedanta Limited interest cost.

DD Jalan: Regarding the debt covenant I think as you know that our debt covenant testing period is September and March and in September we had a good headroom. What we are looking at in the current volatile commodity prices we want to create little bit more headroom in the covenant.

So, we are engaging with our bankers and they are supportive of reviewing the covenants so that more headroom can be created considering the current volatile commodity prices. So we are hopeful that we will be in a position to come out with a very successful solution shortly. Coming to your second point regarding the interest rate on the debt, these are the debts taken in the Indian currency and debt in Indian currency is somewhere around 9.7% to 9.8%.

Sudhir Mathur: The difference between what is reported in Vedanta for the Cairn results is largely on account of foreign exchange because Indian GAAP the treatment being a functional currency is different than what it is in the Vedanta book which isin IFRS.

Ioannis Masvoulas: Do we expect when the rupee is weaker for the Vedanta Plc EBITDA to be higher than Cairn India's?

Sudhir Mathur: Yes, it depends on the movement. The last quarter the movement in the rupee and US dollar was around 0.70 paisa to a dollar in the quarter, prior to that it was Rs.2.30/dollar.

DD Jalan: So basically I think it is partly because of the functional currency also whereas for the Vedanta Plc accounts the functional currency is US dollar and for iGAAP purposes the functional currency is Indian rupee. So I think the depreciation of the rupee that does not affect the Vedanta Plc accounts.

Moderator: Next question is from the line of Anna Mulholland of Deutsche Bank. Please go ahead.

Anna Mulholland: I had two questions on Copper Zambia and one on Zinc India. The questions on Copper Zambia, the first one is around how sustainable the grade improvement is that you have managed to deliver at Konkola. If you could just give us some numbers and what you expect to be able to deliver from that going forward. Secondly, just to confirm what is costing you to keep Nchanga underground section on care and maintenance. Is the $1 million of savings per month net of what is costing you to keep pumping water out, etc.? On Zinc India I am just interested in how much the rupee depreciation helped you to control cost. You do mention it as something that helped. Obviously, you have delivered 2% year-on-year drop in your operating costs there. I am wondering if there is more to come if the rupee depreciates further.

Tom Albanese: May be Anna we will start, we shall have Steven talk about what we are doing on Nchanga underground and how much we were spending on the dewatering and what we want to do there and then may be just talk about the grades and can Konkola how sustainable they are. I think Steven if you want to just say anything else about KCM in general because we know that compared to Limited call yesterday we did not really talk about KCM, this is your time in the sun and then after that Sudhir if you can talk about Zinc India.

Steven Din: Maybe if I can just say a couple of things, you would have all read the release under section on Copper Zambia. Quite simply we are making a lot of operational improvements which are seeing their way to the C1 cash cost. We do not want anybody to think that we are sitting in a good operating environment. We do have the difficulties with low copper price at the moment and there are also not necessarily power shortages because power is being imported but the availability of affordable power is becoming less and less. Having said that we are working through systematically, we are working on a business plan where we hope to have at least cost after royalties less than $4,000 a ton which will put us in a very good position, and on that basis, we know that we will see our way through this low price cycle. So then coming back specifically to your questions, Anna, first of all on Nchanga, we did put the mine on care of maintenance after significant engagement with unions, government and employees and it successfully on manage care of maintenance at the moment where we are just pumping water and running the ventilation fans. So the cost of that is about $1.2 million per month. The net saving which is referred to of $1 million per month is after that cost. On the grade at Konkola, we have over the last probably two years done a significant amount of work around dilution control and although the grade factors which are feeding out from the mine plans have always been about 10% more pessimistic than the numbers that we have actually achieved. Let me repeat, although the grades that we have been getting have been 10% better… that is probably the better way to say the grades that we have been getting are 10% better than the planned numbers, we believe those grade numbers are going to continue into the future mainly as a result of the grade control but also as a result of the blasting techniques and also the surveys and the geotechnical methods that we are applying through the mine. This coming year we are in the process of producing our final business plan and we hope to maintain the same grades out of Konkola operating all of the sections. I hope that helps.

Sudhir Mathur: If you look at the sequential quarter that means the Q2FY16 to Q3FY16 the rupee depreciation is to the extent of 1.5%, so that means it is a total rupee depreciation, but we have a lot of cost which is linked to the dollars like almost the total coal and some of the other commodities like copper sulphate and all that which is linked to the dollar. So it is a 40-60 approximate ratio. So the net impact of the rupee depreciation is to the extent of 0.9% and we see the respective Q3'15 to Q3'16, the total rupee depreciation is to the extent of 6% and if we take 40-60 ratio we have got the benefit of 3.6% on dollar terms.

Moderator: Thank you. Our next question is from the line of Danielle Chigumira of UBS. Please go ahead.

Danielle Chigumira: I have just a couple of questions. One is on the Vedanta Plc maturity for Fiscal '17. In September you said that you expected to procure term loans, I believe it was $700 million to $900 million and repay the balance through repaying the Vedanta Limited intercompany. As of this morning, if I understand correctly you said that you have already secured $300 million of term loans and you are going to pay $800 million through repaying the intercompany loan. So is it fair to assume that the reduction in the term loans that you have been able to secure is a reflection of the debt environment, how easy it is to procure debt in this kind of environment? Can you also give some color in terms of why the amounts that Vedanta Limited can upstream has decreased? Can you give us an update in terms of the potential timeline for the Cairn India and Vedanta Limited merger?

Tom Albanese: DD**,** you start now, I will talk about the Cairn version.

DD Jalan: What I had said today morning that we have already tied up $300 million of term loan at Vedanta Plc and $800 million of intercompany loan has already been repaid by Vedanta Limited to Vedanta Plc. So I think definitely if you just try to look at the term debt market is little tougher, but at the same time let me just try to bring the point that we had tied up almost $3 billion of term loan in India at Vedanta Limited level and Vedanta level, and of that $1.5 billion is tied up in Q3 alone. So that shows the relationship what we have got with our banker and how the bankers are looking at Vedanta Plc and Vedanta Limited credit. What I also tried to explain today that if there is in the event the bank term loan tie-up at Vedanta Plc is less than $700 million, so in that case balance will be made up by way of repayment of intercompany loan and the total amount of intercompany loan outstanding as on today is $1.8 billion. So up to $1.8 billion of the fund can be up-streamed from Vedanta Limited to Vedanta Plc by way of repayment.

Danielle Chigumira: How much cash can you upstream from Vedanta Limited to Vedanta Plc as things currently stand without doing additional refinancing at the Vedanta Limited level?

DD Jalan: So basically as of now the total intercompany loan was $2.6 billion, and out of $2.6 billion $800 million has been repaid, so $1.8 billion is to be repaid and that will be from the various sources at Vedanta Limited that is from the cash flow from the operation, #2 is that from leaning of the working capital what we have demonstrated and we have got a track record of that and then there are certain undrawn facilities at the Vedanta Limited. So a combination of all that will be in a position to help us to upstream the fund what is required at Vedanta Plc level.

Tom Albanese: Maybe on the Cairn merger, as we have said this is something that we see is being very important strategically it is very much aligned with what I have been saying about the importance of simplification and improved capital structure, we believe both sets of Vedanta and Cairn India shareholders will benefit from the remaining that would come from Cairn Limited. So we do see this is a win-win transaction. We are mindful of the market. We have had a series of regulatory steps we have had to go through and we have been making good progress on those. So we want to be in a position we could take this to shareholders over the next few months.

Moderator: Thank you. We will take the next question from the line of Varun Ahuja of JP Morgan. Please go ahead.

Varun Ahuja: I actually have 3-4 questions. Just firstly on the Vedanta Limited level I see that you have raised quite a sizeable debt and you will be raising another billion or so to repay the remaining $1.8 billion which is left at Plc. Can you guide whether this money that you are raising at Limited, whether it is largely secured or unsecured and if you can give the break up? Secondly, just a related one; the $300 million that would be raised at Plc, I presume all that is unsecured as well. Third question is the $800 million that has already been repaid so far. Can you guide whether you have already used the cash that has been up-streamed to repay current bank debt that is being matured at Plc or whether it is still sitting as cash? Lastly, on the working capital trends going forward, do you think that it will turn positive again. This quarter was a bit of an outflow. But whether you think that it will again turn to a positive inflow as what we saw in the first half.

DD Jalan: Let me just try to address one-by-one to the extent I have been able to capture your very quick bouncer from the questions. First is at Vedanta Limited, the loans which are taken. You know that a lot of loans at Vedanta Limited what I have been talking about is essentially for the project finance and these loans are to refinance some of our existing loan what I have been talking about that how to lengthen the the maturity profile as well as how to optimize the cost. So from that initiatives all these loans have been raised at Vedanta Limited level and most of these loans are secured. At Vedanta Plc your point was that the $300 million loan what has been taken, this is unsecured loan, and the funds which have been up streamed at Vedanta Plc level, some of the funds have been used for bond buyback and some of there as surplus cash and we are actively ensuring that how to optimize the fund at Vedanta Plc level so that there is a positive arbitrage of interest which is there. Regarding working capital as I mentioned to you that basically on the Q3 it was a little bit of blip and that was in line with the expectation what had happened at some of the working capital initiatives what we have put in place, those were supposed to be winding down in Q3, so those have wound down in Q3 as per the plan and similarly some amount has been used for payment of the dividend and as well as if you look at there are certain projects related payments. So we are putting all our initiatives back and at the end of Q4 we will be back to the similar level what we had seen in Q2.

Varun Ahuja: A couple of follow up. I did not catch the part that how much of the $800 million that you have up-streamed has been used so far. Can you just elaborate that?.

DD Jalan: So if you just try to look at part of $800 million has gone in January and part has gone in December, whereas the December figures we have tried to talk about, the January figure we will be able to articulate to you only at the quarter end, but by and large if you just try to understand that some of the fund has been used for buyback of the bonds which we have recently concluded and balance amount would be there in the surplus cash.

Moderator: Next question is from the line of Neel Gopalakrishnan of Credit Suisse. Please go ahead.

Neel Gopalakrishnan: I have a few questions mainly around the refinancing at Vedanta Plc. Now, firstly, the bonds side you mentioned that in Q4 of this fiscal you have $300 million of debt which is falling due. I just wanted to understand what is the refinancing plan in place for this one?

DD Jalan: So there is already cash which is lying at Vedanta Plc to take care of this requirement.

Neel Gopalakrishnan: But is not this the same cash that has been up-streamed via repayment of the intercompany loan which is actually meant for repaying the bond?

DD Jalan: No, no, the total fund is fungible and the total amount of fund which is there at Vedanta Plc is in form of #1, sanction term loan facilities, #2, undrawn credit facilities and #3, the cash which has been sitting there at Vedanta Plc level and the #4, is repayment of intercompany loan. So all these four buckets put together is meeting the requirement of debt servicing which is there at Vedanta Plc.

Neel Gopalakrishnan: Just to clarify, you have up-streamed $800 million from Vedanta Limited to Vedanta Plc already and you have $300 million in Q4 and $1.8 billion in the middle of this calendar year. So that is a total of about $2.1 billion. Against that you have $800 million up-streamed and $300 million of new bank facilities, that is $1.1 billion. So there is still a gap of $1 billion. Is that correct?

DD Jalan: If you just try to look at the release also that shows that as on date there is a intercompany loan of $1.8 billion between Vedanta Plc and Vedanta Limited and that can be repaid at any point of time before the maturity and that much of the facility is already there to take care of the repayment obligations.

Neel Gopalakrishnan: Yes, I understand that. But, to me, it is still not clear that all the $800 million that has been up-streamed so far will be used towards repayment of the bond. Is that correct? Because some of it will likely go towards the repayment of the other $300 million loan.

DD Jalan: Mr. Neel Gopalakrishnan, I will again repeat that the total refinancing requirement at Vedanta Plc is going to be met from four buckets -- #1, of $300 million of bank loan which has been sanctioned; #2, cash which is sitting at Vedanta Plc level out of the upstreaming of the fund and #3, the undrawn facility which is there at Vedanta Plc level; and #4 from $1.8 billion of intercompany loan which is unpaid as on date between Vedanta Plc and Vedanta Limited. Now it is up to you which bucket you want to use for what purpose. I am sure that you can understand.

Neel Gopalakrishnan: Just to understand, how much cash is at Vedanta Plc level currently? So it is roughly the $800 million that has been up-streamed minus the $200 million you paid for the bond buyback, right? So $600 million approximately. Or is there any more cash at Vedanta Plc?

Tom Albanese: I think you have self-answered.

Neel Gopalakrishnan: On the remaining cash that has to be up-streamed, I just want to understand how would Vedanta Limited fund it because the cash that is there at Vedanta Limited plus the unused credit facilities, from your announcement made yesterday it appears most of it would be used to refinance Vedanta Limited debt itself?

DD Jalan: I will again repeat the point which I narrated a little while ago that Vedanta Limited has got the free cash flow from its operation; #2, it has got the opportunity of unlocking its working capital limits; and #3, it has got certain sanctioned line of credit from which it can draw the loan and can upstream the fund.

Moderator: Next question is from the line of Harsh Agarwal of Deutsche Bank, Singapore. Please go ahead.

Harsh Agarwal: I have one question for Tom and one for Mr. Jalan. Tom, I am just curious, given the fact that the Hindustan Zinc privatization has been delayed for a long time and it is sitting on a lot of cash and it is still very EBITDA positive at the current Zinc prices, I am just wondering have you explored the possibility of upstreaming some of that cash via dividends in cooperation with the government? If not, why, given that we are seeing pressures on the cash flow at the holdco level, I am just wondering why is that cash not being up-streamed if you can via some sort of special dividends. My question for Mr. Jalan was, given that you are pledging some of the assets in the Aluminum business to local banks for raising debt at the limited level, can you give a sense of how much assets you still have which have not been pledged at the limited level for the Aluminum business or other assets? Just keen to know what is the ability of Limited to keep raising debt by giving assets as collateral?

Tom Albanese: I will start with the Hindustan Zinc question with a little bit background for those on the call, we have been talking for quite a long time that we would welcome the continued disinvestment by the Government of India on their interest. But that all being said we have had a very good relationship with the Government of India, the shareholder and they sit in the board, I usually join many of the boards just to hear how these things are going and they have been very constructive and supportive of the management of Hindustan Zinc. We have seen over the past few weeks some comments both by the Mines Ministry and by the court saying may be this is not the right time for the Government of India to making a disinvestment. We will respect whatever they choose and decided to do. Ultimately this is a decision of the Government of India because they are the owner of that stake in Hindustan Zinc and we would look forward to continuing to work with them if that is what they choose to do so. With respect to dividends again, Harsh, as you correctly point out the low cost operation, it has been cash accretive even in these low Zinc prices and even after what is a fairly large multi-year capital project to make the transition from open pit to underground. One recognition of that in the first half of the year was that we had a larger dividend that was reflecting it is making good business. So these are opportunities that are always available to us and then again the question is what is the lever that is the best lever. It is good to have a business with that type of cash on the balance sheet, it gives a lot of flexibility. We will just evaluate that as time goes on certainly work with the other directors including those directors from the Government of India that would be on the board of Hindustan Zinc.

DD Jalan: Harsh, coming to your question regarding the securities. Some of these are project loans which are secured against the fixed assets of that particular business and normally how it happens that the bank provides the certain security cover and different banks may be having different criteria on the security cover, but based on the debt already taken and based on the security cover which is stipulated, we see sufficient amount of headroom still available for raising further loan.

Moderator: Thank you. The next question is from the line of Luke Nelson of JP Morgan. Please go ahead.

Fraser Jamieson: It is actually Fraser Jamieson here. I am dialed in on Luke's line. A couple of quick questions. First one is on the power situation in Zambia. I think there are due to the couple of new power plants commissioning this year in Zambia; about 420 MW - 450 MW of new power, those have been delayed. Could you maybe just give us an update on your assessment of the timeline for those plants coming on and the impact that that is likely to have or the impact that that may have on the power situation and the kind of tariffs that you are paying? Second one on Cairn. You mentioned a target to get back to the pre-polymer injection level of unit costs even with that polymer injection that you are doing. Could you give us some sense of timeframe on that -- are we talking through the course of the next year or is that a couple of years kind of thing?

Tom Albanese: First of all, let us talk about the power situation and Cairn and I think Steven can cover that. Before Steven talks about Power in Zambia I just want to reflect on my recent visit last week. We are in the midst of the rainy season. So you really cannot predict what the second half of the rainy season looks like versus the first half. But so far in this season you had normal rains in the northern part of the country particularly in the copper belt but you had probably lower than normal rains in the southern part of the country where a lot of the water sheds these reservoirs would be. People would be watching and saying if that continues then you probably have a drier wet season than normal. So that is something that is still a bit speculative. We do not want to be weathermen. So we are not going to try to speculate on the weather during the rest of the wet season. May be Steven from your vantage point you can talk about that particularly as you have been engaged with the government and CEC, etc., on these various power plants and their expected commissioning.

Steven Din: As Tom said, we do not want to be weathermen. We are trying to understand what is going to affect our operations. But one thing which is becoming very apparent is that the current shortage of power in Zambia is not going to be something which is going to be fixed over one rainy season which is actually not so good in the southern part of the country which is feeding into the dams. The discussion that we have been having is going to take one year, possibly two years to be able to get better dam up to the right level. It is also a significant amount of rehabilitation work around the generators which is taking place at the moment. But the other point that you raised about the 450 MW which is meant to be coming on three new plants. One of the plants is the Maamba Colliery pithead power station and there is 300 MW coming from there which is being delayed from December last year into June, the current prediction is that it will be online by June. So what is this going to do in terms of the power cost that KCM will have to pay? It is not going to help in anyway because one of the discussions that we have had very recently in particular with the Minister of Mines and also been intimated by the Minister of Energy is that the way the power projects are sitting at the moment it is very unlikely that they will be reduced as a result of new power coming online or even the current hydro facilities at Kariba being running in a normal pattern. The reason for that is because there are a lot of discussion but the government currently believes that in the past the power prices have been far too low in relation to the other countries in the region and the mining companies have benefitted from that. Therefore, the power prices which currently sitting there which unfortunately are affecting all of the operations in the same way will remain to be able to attract investment for creating future generation. So as Tom said earlier and as we put in our release, we are basically trying to get the cost of production, volume levels, overall cost recovery efficiency so that we can basically sustain these power costs at these levels. I hope that helps.

Tom Albanese: Just to say that if we look at power it is somewhere between 21% and 22% of our total cash cost, and with these anticipated power rate increases, it goes north of 25%. It is a big part of our total cost burden and as those numbers go up it gives even fewer degrees of freedom to reduce cost in other areas. It is an important part of our business. We have been pleased with the Government of Zambia focus on the situation. They recognize the importance of the copper belt on the overall economy and you have been seeing load shedding going through the overall country to mitigate the overall effects as a consequence, but we do have to be just be realistic about how things can prevail in the coming months. Mayank, I will just turn it back over to you in terms of how you are looking in terms of reducing cost and of course if you were to ask me when we will reduce our costs down back to pre-polymer injection levels you know I would say yesterday, but you give a sense of where you would expect it to be on a going forward basis.

Mayank Ashar: Just as a backdrop to this, the Mangala EOR project requires us to inject polymer and over the last three months we have gotten good feedback on the response to the polymer injection. As Tom said that would be our goal to absorb the polymer cost and have it at pre-polymer levels. So flat production, flat cost. We would give you specific guidance in the next quarter but the areas that we would try to get it firm are similar to our other competitors is really efficiency, gain supply chain cost, reduced cost, polymer cost reduced and field productivity improvements and working through all of that. We are still on the learning curve on the polymer, but we will be able to give specific guidance on the cost by the next quarter but those are the variables we would push at.

Fraser Jamieson: It sounds like reading between the lines, we are talking about that being achieved over a period of a few months rather than a couple of years.

Mayank Ashar: We are looking at specifically next year and we will have a much better feel for that with some actual field data, but it is not just about optimizing polymer injection and production, it is really working through all elements of the cost in the entire Rajasthan field.

Tom Albanese: There is a relationship between these cost reductions and what the Brent price would be because obviously as Brent gets lower and lower you have the entire oil field services industry being more and more receptive to cost reduction. So prices stay low, probably faster prices would recover then it would be a different picture.

Moderator: Thank you. The next question is from the line of Imtiaz Shefuddin of Societe Generale. Please go ahead.

Imtiaz Shefuddin: I have two questions. The first one is with regards to Cairn India. Would you be able to provide your average cost of production per barrel at Cairn India? We were told yesterday it is in the low to mid $20s. Could you be able to give a more specific number, whether it is $20, $22? Also, how much of that is cess and royalties? Second one, just some clarification on your debt maturities for FY 2017. After the repayment from Vedanta Limited, who says that they will pay the remaining $1.8 billion within the next 3-4-months, can we assume you at Plc would have sorted out all your refinancing needs with regards to the 2016 bonds that are maturing later this year?

Tom Albanese: May be I will give Mayank and Sudhir to answer that on just Cairn Indian cost and may be DD then. I just want to point out that as we said yesterday a large part of the build up to the cost of barrel is low-to-mid 20s is related to royalties, cesses, etc. and there is some relationship between the price and what those royalties would be. So it is not a fixed number but at least part of it is the royalty component which is a relationship of price. That said the cess is a big part. Cess is Rs.4500/ton of oil which is equivalent to about $10 per barrel. So the low to mid-20s you have got 40% or more would be basically just the cess. We have been engaged with the Government of India on converting that cess into something like an 8% to 10% ad valorem tax so that at lower prices is lower as it allows us to produce the bear that at higher prices it basically recovers at higher number and I would say the Petroleum Ministry is receptive that we would hope to see relief from on cess in the upcoming budget. I think all these things from government action that probably is the most immediate relief we see on our OPEX in the Cairn business. With that may be whatever you want to add, Mayank and Sudhir.

Mayank Ashar: As we talked about it yesterday, the elements that build up the total cost, one is the royalty of 15%, there is cess which today is at US$9.50/barrel flat but we are hoping it will go to ad valorem, then this profit petroleum at 40%, but that is after all the cost deductions and last but not least the most important variable is the cost of production which is of the order $7/barrel. As you can appreciate, some of these numbers are percentage basis and they vary with the crude price, the other price cess is flat. So, at about $33 or thereabouts, then when you add up all these numbers you get to a number of the order about $20 to $25/barrel. It varies by wealth and we do track it to make sure that all of our production is economic and cash positive.

DD Jalan: We sufficiently talked about at how the refinancing of 2017 maturities are being taken care of out of the four buckets which are there. Post 2017 there will be two streams which will be there -- one is that at Vedanta Plc the outstanding loan will be somewhere around 5.5 billion and at Vedanta Limited level whatever loans are there that will be refinanced out of the cash which gets generated from Vedanta Limited and at Vedanta Plc level the outstanding amount of 5.5 billion will be met from the dividend upstreaming from Vedanta Limited and surplus generation from KCM as well as from part of the refinancing. That is how the post 2017 maturities will be taken care of.

Moderator: Thank you. The next question is from the line of Manjesh Verma of Citigroup. Please go ahead.

Manjesh Verma: Just a couple of questions. The first one would be with respect to the Cairn merger. Regarding the Cairn merger itself, do you expect to revise the terms on the merger? The ratio, is that under consideration or is there a change in the number of preference shares you gave, is that under consideration? Related question would be, what is the stance of the key minority shareholders on that? We have heard about LIC in the media. So are they more amenable to more revised terms? So that is one on the Cairn merger. The second would be with respect to the Cairn loan. You have mentioned earlier about the fact that it can be rolled over. It is a big chunk. Just wanted to understand if that is still the stance. Is that likely to be rolled over, or is there refi requirement for that? Third question would be with respect to the funding of the $1.8 billion that you have been mentioning about, which will be up-streamed. Now I understand you mentioned about working capital being a factor there. But is there also consideration regarding additional exceptional dividend from Hindustan Zinc or additional loan at Vedanta Limited level to fund this $1.8 billion that is going to be up-streamed?

Tom Albanese: I will take the Cairn merger related questions and may be DD you can take the two funding related questions. As I have been saying, we are proceeding through the regulatory processes on the Cairn merger. As you know that mergers of these types are subject to quite a number of very specific regulations both within the Indian regulations and the UK regulations, that do not allow any kind of speculation about what could or can happen, but it is really the focus on what the boards have done, what the boards have decided. Again, the deal on the table is the deal that has been presented to shareholders announced in June. Of course, we would be mindful of market movements since June of last year for a number of reasons. I would say with respect to speculation around what shareholders are thinking, it is just speculation. I do not think our major shareholders actually explicitly saying anything out there. I have seen lots of people the things they are going to say this or that. So I will have to leave that second area to speculation. I would not want to be responding to speculation. With that may be DD, you can talk about the Cairn loan and also the funding point.

Manjesh Verma: Just to interrupt you before we move to the funding related question. Just a case if you do revise the terms, then do you need to go through the same approvals that you have already gone through, will that take additional time, or will that still be done in the timeframe that you have mentioned?

Tom Albanese: A number of quite technical components on this and we are mindful that we would like to see something we present to the shareholders in the next few months.

DD Jalan: The intercompany loan will be from various buckets what I narrated, Manjesh, as Plan-A, I am sure as Plan B definitely the dividend and all those portions are also there which will be considered as and when it is required, but those are more like Plan-B and C, Plan-A is still what we are working upon. Coming back to Cairn loan question, maybe once as Tom was talking about, once the merger gets favorably considered by the shareholders, this automatically gets taken care of and otherwise also as Plan-B definitely what you talked about all those possibilities are there which will be considered by the various boards at appropriate point of time.

Manjesh Verma: Just a couple of follow-up questions; one will be the cash that you have up-streamed at the holdco level, did you need to do it now? I am just wondering, will this cash $800 million plus $1.8 billion if the total comes to the Plc level, then that is going to be more than sufficient to meet the CB and the straight bond repayment requirement. So is there any additional usage that you foresee for that cash? The final question really is regarding the tenure and pricing of the unsecured term loan that you have secured at the Plc level. If you can share some details on that?

DD Jalan: As of now $1.8 billion of the intercompany loan which is there that will be repaid commensurate to the requirement which is there at Plc, whereas there is a flexibility in the repayment terms that it can repaid over a period of few years, but that will be repaid as and when it is required at

Vedanta Plc. To your second question, these are basically five-year loan and the costing as of now is attractive costing, it is somewhere around 400 to 425 basis points above LIBOR.

Moderator: Thank you. The next question is from the line of Pushkar Acharya of CapeView Capital. Please go ahead.

Pushkar Acharya: How much is the duration of this $300 million that was raised at the plc?

DD Jalan: If your question is what is the tenure of the loans that is what I just now answered that it is for five-year period.

Pushkar Acharya: That is similar for what you have managed to raise at the operating company as well?

DD Jalan: At the operating company these all are project loans. So the maturity period is longer somewhere around 10-years or so.

Pushkar Acharya: You have talked quite in detail about this $1.8 billion, which could be up-streamed. Yesterday, I was on your Vedanta India call as well and maybe I understood it incorrect, but I am looking at the transcript again right now, and it says that in next 3-4-months this $1.8 billion will be up-streamed. Just now you clarified that it may not be just three and four months, it may be as and when needed. So I just want a little bit clarification there because otherwise I was thinking that maybe you will have slightly extra cash as compared to how much you need on the plc to tackle this $2 billion maturity?

DD Jalan: We will have ability to upstream the funds by way of repayment of intercompany loan within next 3-4-months' time, but as of now based on the current financing needs we need about a billion dollar of intercompany loan to be repaid to meet the maturity requirement and balance will be as and when it is required whereas we will have capability, but it will be obviously depending on what is the end use of the funds and we would not like to create a negative arbitrage of losing the opportunity cost of the funds here and keeping the fund at Vedanta Plc. So that will be optimized. I am sure that your company has been optimizing the cash balances very effectively.

Pushkar Acharya: Clearly, I think, you have tried to do some debt management exercise at 91, but considering some of your long-dated start up 50s, would you consider if you have some excess liquidity? Or that is something which you may say, you know what, we are not in the best commodity environment, let us not go that route?

DD Jalan: Tom and I have been talking about our capital allocation policy. We are very prudent about allocating capital in a most effective way considering the today's volatile scenario and definitely the board will be considering some of these opportunities as and when required and will be allocating capital to the best of the uses.

Tom Albanese: As we said we will be pragmatic and we will set the right priorities; so, we will look at the context of the priorities we have for the total balance sheet and our total funding requirements.

Pushkar Acharya: Can you give some flavor on which banks have lent you on this $300 million? Is it any international bank or mainly Indian? Just trying to understand what kind of conversation you are having with your banks.

DD Jalan: If you follow the discussion what I have been having on this call that in this year we have raised almost $3 billion of funds and all these funds are from various Indian banks as well as global banks. All types of banks have lent to us and we have been having a very good traction from the hosts of these banks who are our relationship banks.

Moderator: Thank you. Ladies and Gentlemen, we will be taking our last two questions. Our next question is from the line of Pradeep Mohinani of SSG Capital. Please go ahead.

Pradeep Mohinani: With regards to the debt that sits at KCM, how is that being addressed, given that there is a lack of cash flows and earnings being generated at that level? Second one at the Twin Star level. Can you give us a feel as to what would likely happen to the debt that sits over there post-merger with Cairn? Would you look to refinance that or would you likely keep that outstanding as well?

Tom Albanese: Let me ask Steve and if he can take the KCM debt issue who has been directly involved in leading those particular efforts in and then DD and I will take the Twin Star question.

Steven Din: In terms of the term loans that we have, this is at the external banks that we have at KCM as well as dealing with the operations we have also been looking to see how we can actually set up this financing at a sustainable level. By that we have had a number of discussions with the lenders in relation to what our operational plans are currently and for the future, what kind of cash they are going to be generating and therefore what kind of debt maturity profile is actually workable for the business and we just completed an exercise probably about two or three months ago now with those banks and you are right, we are not generating cash at the moment but we moved from a loss making position into a break even position and we have a capital moratorium up until September 2016 with medium-structured loans, and at that point we are hoping that we will be able to make the repayments as they fall due.

Tom Albanese: Steven made a very important point is that a year ago we were losing cash flow at $6000 copper. Now we are just about breaking even, some weeks ahead, some weeks behind, something in the range of $4400 Copper. This has been a huge improvement in the operational performance in this period of time. The banks have certainly taken note of that. It is no longer just saying, trust us, it will happen. They are seeing it happen. Unfortunately, we are seeing the copper prices dropping with that. Finally, I think what is important is that we are beginning to see some of the VAT coming back and that is taking off the pressure that was a drain in the past. We certainly would like to see some of the old VAT coming back and that will help Steven's balance sheet lot more there. But there has been quite a bit of progress and the team should be commended for doing that with fairly high degrees of difficulty. With that may be DD can talk about Twin Star.

DD Jalan: Pradeep, as you know that Twin Star facility of $1.4 billion underlying security is Cairn share and in the event of Cairn merger that security will not be there because the shares will get canceled. So there will be optionality with the banks either to modify the terms of the loan or otherwise there will be refinancing opportunities. We shall deal with this at an appropriate point of time given both the optionalities are available.

Pradeep Mohinani: One more question on KCM. You said capital moratorium. Does that mean to say you are not paying any interest and principal at this point of time?

Steven Din: We are paying interest. We are not paying capital up until September 2016.

Moderator: Thank you. The next question is from the line of Xin Yi Cheng of Millennium Management. Please go ahead.

Xin Yi Cheng: Just to clarify, previously someone asked about the amount of assets that is still unencumbered at the Vedanta Limited level, but it was not very clear what is the amount that can still be used to borrow additional loans from the banks. So, is there more clarity on that please?

DD Jalan: What I was talking about that was Harsh who raised this question, in project loan normally what happens is that there is a security cover and based on that security cover, different banks may be having different security cover, but based on current security cover what we have got, we have got sufficient headroom available to raise further loans also.

Xin Yi Cheng: I know you mentioned this about the covenant that you have, that the banks are very supportive of reviewing that, but I just did a calculation; I think the total debt to EBITDA right now is probably about 3.3x and has actually already breached the 2.75x at the Plc level. I am not too far away from the actual debt-to-EBITDA at the Plc level right now, right?

DD Jalan: Just to reiterate the point what I narrated at the beginning of the call also when this question came that our testing is done on 30th September and 31st March and at 30th September testing we had got a good headroom and based on the current working and the initiative what we are looking at we will be somewhere around meeting the covenant, but at the same time we not only want to meet the covenant, we want to create a good headroom in those covenants. So that is why we are in engagement with the banks and banks are supportive of this idea of creating more headroom and we should be in a position to come over it sooner.

Xin Yi Cheng: Just one thing on the merger once again, you guys have probably sick of seeing this, but there is some news floating around today that says revised terms are possibly of one shares of Cairn would get one share of Vedanta limited plus four preference share of Vedanta limited. This is little bit different from initial term of one share of Vedanta limited and one preference share, are you guys able to comment on that.

Tom Albanese I just love the Mumbai media that's my comment on that.

Moderator Thank you. Ladies and Gentlemen. That was the last question. I now hand the floor back to Mr. Ashwin Bajaj for closing comments.

Tom Albanese: Thank you, operator. Just to close, we are very mindful of the difficult market conditions and those of you who are following us either on the equity side or the debt side we want to thank you from the depth of the sophistication of the questions very closely following us. I hope you can see from my explanation, DD explanation and certainly the exposure from the business unit heads that we are very much focused on delivering for objectives, prioritizing during this difficult time. We are realistic about the markets, we are not pretending that things are all going to turn around tomorrow, they will in the course of time, but we got to weather this storm as it sits right now, but we are weathering it, protecting our businesses now, but also giving ourselves the options for the future because all of us have been around here for a while. I have seen these markets before. We see those who can weather those markets are actually the ones that are in best position when the storm is over and that is where we intend to be. So thank you very much for your great questions and I hope our answers cover the ground you want us to cover.

Moderator Thank you. Ladies and Gentlemen, on behalf of Vedanta Resources Plc that concludes this conference. Thank you for joining us and you may now disconnect your lines.