



Sesa Goa Limited
Annual Report 2012

Our Vision

To be one of the top four iron ore mining companies in the world.

Our Mission

- To maximise stakeholder wealth by exploiting core skills of iron ore mining, coke and iron making.
- To constantly seek high levels of productivity and technical efficiency; to maintain technological superiority over competitors.
- To aggressively seek additional resources.
- To maintain costs in the lowest quartile globally.
- To be an organisation with best-in-class people and a performance driven culture by attracting and retaining quality manpower.
- To continue to maintain pre-eminent position in safety, environment and quality control management in respective industry sectors.
- To contribute to the development of the communities, that the Company operates in, or have influence on its business activities.
- To uphold human rights in the work place and communities surrounding our operating areas.

Our Values



Entrepreneurship

We foster an entrepreneurial spirit throughout our businesses and value the ability to foresee business opportunities early in the cycle and act on them swiftly. Whether it is developing organic growth projects, making strategic acquisitions or creating entrepreneurs from within, we ensure an entrepreneurial spirit at the heart of our workplace.



Growth

We continue to deliver growth and generate significant value for our shareholders on a sustainable basis. Moreover, our organic growth pipeline is strong as we seek to continue to deliver significant growth for shareholders in the future. We have pursued growth across all our businesses and into new areas; always on the basis that value must be delivered.



Excellence

Achieving excellence in all that we do is our way of life. We strive to consistently deliver projects ahead of time at industry leading costs of construction and within budget. We are constantly focused on excellence while aspiring to achieve a top decile cost of production in each of our businesses. To achieve this, we follow a culture of best practice benchmarking.



Trust

The trust that our stakeholders place in us is key to our success. We recognise that we must responsibly deliver on the promises we make to earn that trust. We constantly strive to meet stakeholder expectations from us and deliver ahead of expectations without compromising our other values.



Sustainability

We practice sustainability within the framework of well-defined governance structures and policies and with the demonstrated commitment of our management and employees. We aim not only to minimise damage to the environment from our projects but to make a net positive impact on the environment wherever we work.

Our Operations

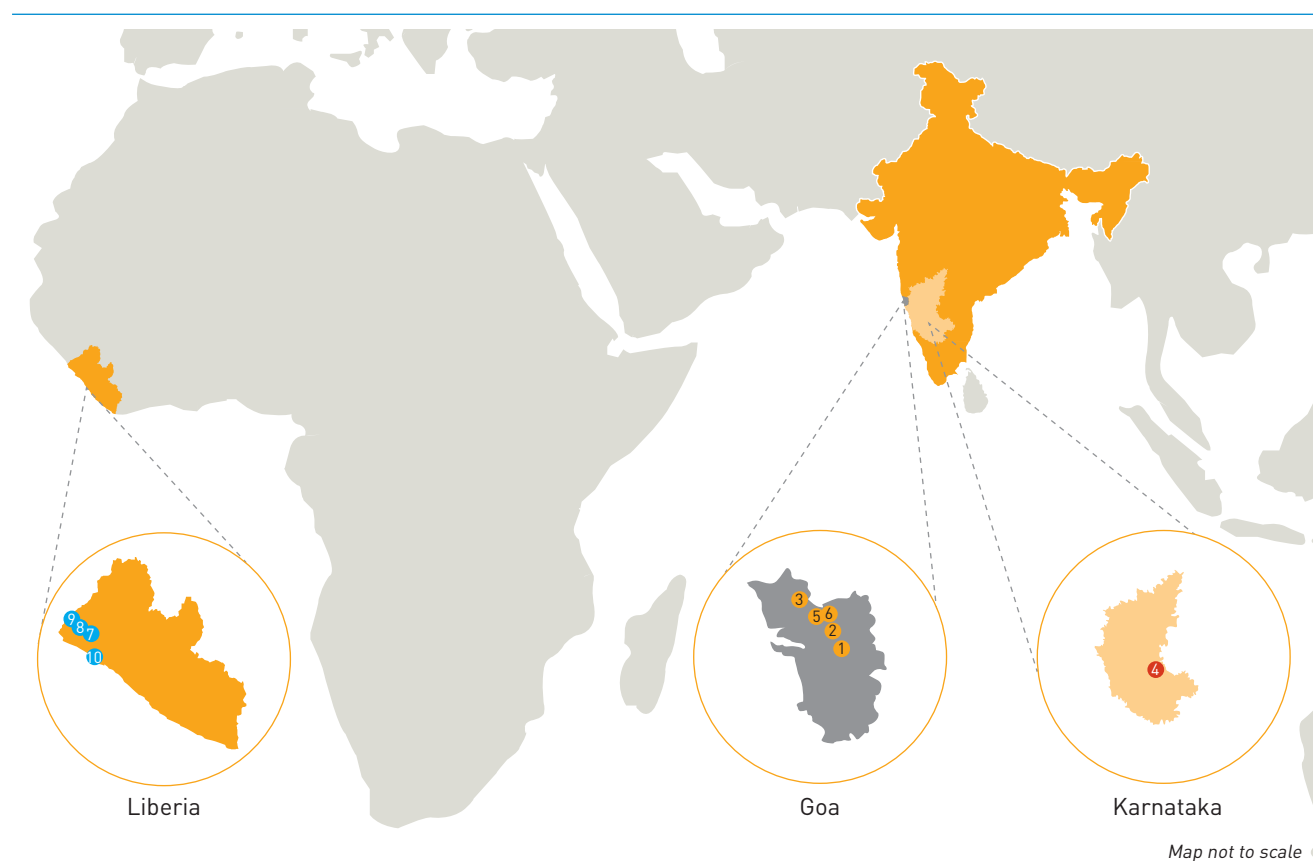
Who We Are

Sesa Goa Limited is India's largest producer and exporter of iron ore in the private sector and a subsidiary of Vedanta Resources Plc., the London listed FTSE 100 diversified metals and mining major. Sesa also produces pig iron and metallurgical coke and provides proprietary technology in met coke manufacturing. Sesa holds 20% interest in Cairn India Limited,

India's second largest private sector upstream oil company (by reserves). Sesa also holds 51% interest in Western Cluster Limited which has obtained mineral development rights for iron ore over a vast area in Liberia.

With a commitment to create a world-class enterprise through high quality assets and competitive costs of production, we pursue our

consistent strategy of owning and operating low-cost, expandable, upstream assets and delivering more predictable business performance over time which, in turn, underpins the creation of value for our shareholders, customers, employees and, importantly, the communities in which we operate.



Where We Operate

Our operations are principally located in India, one of the fastest growing major economies in the world. We have recently acquired a majority interest in a developing iron ore project in Liberia.

India

Iron Ore Operations

1. Codli Mines, Goa
2. Sonshi/Surla Mines, Goa
3. Bicholim Mines, Goa
4. A Narrain Mine, Karnataka

Pig Iron & Met Coke Operations

5. Pig Iron Plant, Goa
6. Met Coke Plant, Goa

Liberia

Iron Ore Project

7. Bomi Hills
8. Bea Mountain
9. Mano River
10. Monrovia Port

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Highlights

Financial

- Revenue of ₹ 9,057 crores
- PBDT of ₹ 3,235 crores
- PAT of ₹ 2,696 crores
- Basic EPS of ₹ 31.01
- Dividend at ₹ 4 per share including interim dividend of ₹ 2 per share
- Strategic investments – acquired 20% stake in Cairn India Limited, 51% in Western Cluster Limited and 100% in Goa Energy Private Limited

Business

- Iron ore sales volumes were at 16.0 million tonnes (mt), despite significant external challenges
- Exploration success – net addition of 68 mt of reserves and resources (R&R) taking the total R&R to 374 mt
- Aeromagnetic survey of Western Cluster deposits indicates a significant upside potential to the existing resource base of 1 billion tonnes (bt)

Consolidated Financial Summary

in ₹ crore, except as stated

	2012	2011
Net Income from operations	8,310	9,193
Cash Profit (PBDT)	3,235	5,656
PBDT Margin	39%	61%
Net Profit (PAT)	2,108	4,222
Net Profit (PAT) incl. Associate Income*	2,696	4,222
Earnings Per Share (₹)		
Basic	31.01	49.17
Diluted	31.01	48.17

*Associate income from Cairn India Limited of ₹ 588 crores has been taken from December 8, 2011.

Key Performance Indicators

Total Revenues

(₹ in crore)

11-12	8545
10-11	9745
09-10	6284
08-09	5183
07-08	3897

PAT

(₹ in crore)

11-12	2696
10-11	4222
09-10	2629
08-09	1988
07-08	1542

Net Worth

(₹ in crore)

11-12	15118
10-11	12810
09-10	7918
08-09	4716
07-08	2943

Iron Ore Sales

(Mln Tn)

11-12	16.0
10-11	18.1
09-10	18.4
*08-09	15.1
*07-08	12.4

Pig Iron Sales

('000 Tn)

11-12	249
10-11	279
09-10	279
08-09	224
07-08	266

Met Coke Sales

('000 Tn)

11-12	257
10-11	252
09-10	265
08-09	217
07-08	260

*FY 2009 and FY 2008 sales are in wmt

Year in Review

Cairn India

During the year, Sesa Goa Limited along with its subsidiary, Sesa Resources Limited, acquired 20% of the share capital of Cairn India Limited for ₹ 13,075 crores.

Western Cluster

Sesa Goa Limited acquired a 51% stake in Western Cluster Limited in Liberia, with a potential iron ore resource of over 1 bt, for US\$ 90 million equivalent to ₹ 411 crores.

Sesa Sterlite Merger

The Company announced the intended merger of Sterlite Industries (India) Limited with Sesa Goa Limited. This merger will create one of the world's largest diversified natural resources companies which will have exposure to zinc-lead-silver, iron ore, oil & gas, copper, aluminium and commercial power.



Mining operations at Sonshi, Goa

Goa Energy

Sesa Goa Limited acquired 100% shares of Goa Energy Private Limited (GEPL) for an enterprise value of ₹ 104 crores on a cash-free debt-free basis. GEPL owns and operates a 30 MW waste heat recovery power plant in Goa which utilises the waste heat and gases from Sesa's metallurgical coke making and pig iron facilities.

Expansion

The Company is in the final stages of commissioning its expansion project for the pig iron and met coke manufacturing facilities. With the commissioning of the 450 m³ blast furnaces and 2 batteries of 36 coke ovens each, the Company's overall pig iron production capacity increases to 625 ktpa and met coke production to 560 ktpa.

SA 8000

Sesa Goa Limited is certified with the Social Accountability 8000 (SA 8000) stand, by Bureau Veritas, making Sesa the first iron ore company to receive this certifications.



Chief Executive's Statement



Dear Shareholders,

2011-12 was a landmark year in the Company's journey towards its vision, as it made significant strides towards becoming a diversified global resource champion. Significant acquisitions – a substantial interest in oil & gas, an eco-friendly power generation facility for domestic consumption and a major offshore iron ore asset – and the announcement of merger of Sterlite Industries (India) Limited, coupled with the integration of varied commodity businesses, copper, zinc and aluminium, herald a diversified natural resources company with a global footprint.

Diversity in commodities, exposure to diverse geographies and currency, large scale operations and thereby access to significant organic growth, are key success factors of global large diversified resource majors, enabling them to deliver consistent higher

shareholder value at reduced risk.

The proposed Sesa Sterlite will be one among the largest global diversified resource companies.

The Indian iron ore mining industry, in 2011-12, has been severely affected by events related to regulation, policy and other environmental concerns, which have also impacted our Company. Despite all round best efforts put in by teams, the Company's performance has been under pressure as compared to the last year. Specifically, the closure of Orissa operations by us since December 2010, the ban on mining in Karnataka, and logistics constraints in Goa led to a decline in overall volumes during the year, in comparison with previous years.

While, internal systems and processes continue to be robust absorbing external shocks to reflect a creditable business performance, overall

The proposed Sesa Sterlite will be one among the largest global diversified resource companies.

performance has been impacted by the above constraints. Some other adverse impacts were higher duties on the export of ore, increasing interest costs and exchange losses. The impact was also felt by our other businesses; the pig iron business recorded lower production and consequently lower sales than last year, on account of low availability of high grade iron ore from Karnataka.

During the year, the industry in India as a whole, as our Company, was gripped in a seemingly ceaseless national debate on issues related to illegal mining practices, which split over into all aspects of the business. Heightened social activism led to holdups in regular activities, resulting in increased levels of engagement with stakeholders during the year, to reinforce and reiterate responsible mining practices that are followed by our Company. The Company and its teams worked tirelessly to mitigate the impacts, to ensure the continuity of operations and to reassure our stakeholders; responding proactively to all agencies.

The Company looks ahead to a hopeful early resolution of these challenges. While we anticipate fair weather and a regulated climate soon, we continue to work on furthering our internal systemic robustness and strengthening processes to handle such future challenges, if any, and gearing ourselves up towards our growth aspirations.

Business Environment

Despite being under a shadow in the wake of the 2008 financial crisis, the fiscal crisis in Europe and dimming growth prospects, the global GDP is estimated to have expanded at a rate of 3.9% in 2011. China and India exhibited moderate growth of around 9.2% and 7.2% in 2011 respectively.

Despite the uncertainties on the economic front, global steel output in 2011 increased to 1.53 bt from 1.43 bt in 2010 and the global seaborne iron ore trade increased from 986 mt in 2010 to 1,090 mt in 2011 (an increase of 11%) on the back of sustained and robust demand from China.

The outlook for the Chinese economy and its metal consumption is currently unclear as China transitions from an investment-led growth economy to a consumption-led economy. While the demand growth for metal consumption in China is expected to slow over the coming decade, particularly on a higher base, longer term demand fundamentals for metals remain robust. The absolute quantum of the Chinese demand growth is expected to remain at healthy levels considering the base effect. To put it into perspective, 10% growth in Chinese steel demand would roughly add an equivalent of the entire annual Indian apparent steel demand at current levels.

Extensive urbanisation of China over the last few decades has added about 15 million persons to urban population every year and has been the driver of the economic and social transformation in the country. Despite this scale of urbanisation, it has been concentrated towards the Eastern region of China. Overall levels of urbanisation in China still remain at levels far below those of Brazil (87%), US (82%) and Japan (68%).

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The automobile penetration level, one of the major drivers of steel demand elsewhere, is below the US level.

India's consumption of world metals, in the last decade, still constitutes only 3%, up from 2% in 1990s, despite growth seen in the Indian economy. India's per capita apparent steel consumption at 51 kg remains far lower than China's 454 kg and South Korea's 1,082 kg per capita consumption. Coupled with current levels of urbanisation (29%), this is an indicator of a healthy long-term demand scenario.

Iron ore seaborne supply may continue to be tight for some years to come. With limited additions, in a timely manner, in seaborne capacity and with Chinese domestic iron ore production flattening, market looks likely to remain tight in 2015. Cost inflation pressures and grade depletion are structural challenges for the industry. Execution risk around new projects means high-cost Chinese domestic ore will be needed to balance the market for the next few years, setting a high floor to prices.

Notwithstanding the multiple cost and regulatory pressures such as multi-fold increases in the export duty, the strategic positioning of Sesa as a low-cost producer, coupled with accessibility to ports and strong customer relations, remains the key to mitigating downside risks and exploiting opportunities.

Iron ore prices are expected to remain range-bound at current levels. While

the year-end prices remained at a level lower than those experienced during the early part of the year, on an overall basis, the average prices remain range-bound averaging similar levels as seen in FY 2011.

Performance

Sesa continues to focus on improving internal operational efficiencies, while aspiring to achieve higher performance levels. However, during the year, volumes were under pressure.

Iron ore production and sales were 13.8 and 16.0 mt in 2011-12 compared to 18.8 and 18.1 mt (17.4 and 16.4 mt excluding Orissa) in the previous year. External sales revenue from iron ore decreased by 3%, from ₹ 8,387 crores in 2010-11 to ₹ 8,112 crores in 2011-12.

The pig iron business' sales volume decreased by 6% to 250,571 tonnes in 2011-12, while sales revenue grew, fuelled by better prices, by 8% to ₹ 720 crores in 2011-12.

Sales and production volume of metallurgical (met) coke were at similar levels as last year, at 251,264 tonnes and 256,575 tonnes respectively in 2011-12. External sales revenue increased by 24% to ₹ 200 crores in 2011-12.

Sesa's net income from operations fell by 10% to ₹ 8,310 crores in 2011-12. Operating cash profit (PBDT) declined by 43% to ₹ 3,235 crores in 2011-12. PAT (including associate income) decreased 36% to ₹ 2,696 crores, and diluted earnings per share were ₹ 31.01 in 2011-12. With effect from December 8, 2011, Cairn India Limited (CIL) became an associate company and accordingly, the Company's share of profits in CIL, attributable to the period after acquisition till March 31, 2012, have been recognised in the consolidated financial results.

Gross addition of over 257 mt over the last 4 years; drilling more than 200,000 metres.

Growth

Notwithstanding our disappointment of not being able to sustain the continued strong performance levels in light of adverse extraneous factors, our commitment and drive for growth was underscored by our strong performance on resource addition. Exploration, which is the pillar of strength for our growth strategy added 68 mt of additional resources during the year, about 5 times what we have extracted during the year. I would like to congratulate our exploration team who through their stupendous efforts have added over 257 mt over the last 4 years drilling more than 200,000 metres. As on March 31, 2012, the Company's total reserves and resources in India were 374 mt, excluding resource base at Liberia.

While we are currently constrained in our efforts to increase our iron ore capacities, I am pleased to inform that we are on the verge of successfully commissioning the expansions of our pig iron and met coke facilities along with a sinter plant, while the associated power plant is already commissioned. The enhanced pig iron capacity of 625 ktpa makes us the largest low phosphorous pig iron facility in the country and the addition of the sinter plant gives us the ability to utilise iron ore fines, giving us a strong cost advantage.

Long Term Value

As stated earlier, we have taken significant steps towards the creation of a global resource champion during the year. Sesa Goa Limited, along with its

subsidiary, Sesa Resources Limited, acquired 20% of the share capital of Cairn India Limited for ₹ 13,075 crores. Cairn India is a unique oil and gas exploration and production platform with the second largest oil reserves in India. Its key producing asset, representing 25% of India's total oil production, has been substantially de-risked. It is a low operating cost, long life asset with the ability to increase its production plateau and has a proven management team.

Taking the Company's iron ore business truly global, we acquired 51% stake in Western Cluster Limited in Liberia, with a potential iron ore resource of over 1 bt, for ₹ 411 crores. Western Cluster Project presents an excellent opportunity for developing a large integrated mining operation and establishes our presence in Liberia and the upcoming iron ore hub in West Africa.

The Company also announced the intended merger of Sterlite Industries (India) Limited with Sesa Goa Limited. This merger will foster the creation of one of the world's largest diversified natural resources company and the merged entity will have exposure to zinc-lead-silver, iron ore, oil & gas, copper, aluminium and commercial power with assets located in India, Australia, Liberia, South Africa, Namibia, Ireland and Sri Lanka.

Sustainability

Sesa remains committed to sustainable development, which focuses on maintaining a pre-eminent position in health, safety and environment practices, and in contributing to the development of communities where it operates.

Health and safety are always a priority for Sesa. The Company continues to take a proactive role in providing employees a safe working environment through

responsibility, training, monitoring and implementing the best safety practices across all locations. Over the years, Sesa has been implementing a total quality approach to its operations, and in this process, many units have been certified for 5S Workplace Management System.

In 2011-12, Sesa's overall Lost Time Injury Frequency Rate (LTIFR) reduced from 0.86 in 2010-11 to 0.81 per million man hours worked. I am also happy to report that the pig iron division (PID) maintained its zero-accident record for the last two years and our shipbuilding division achieving a zero-accident record for

Our development initiatives have impacted about 4 lakh lives in and around the areas in which we operate.

2011-12.

The Company has an integrated approach to the management of health, safety and environment systems in all its units, which are certified for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. During the year, Sesa has been certified for SA 8000 for all its units on a standalone basis.

Our community development work, through the Sesa Community Development Foundation, Mineral Foundation of Goa and other specific need-based initiatives, continues to focus on social projects in line with our overall sustainability objectives. Our development initiatives have impacted about 4 lakh lives in and around the areas in which we operate. Further details on health, safety and environment and corporate social responsibility are outlined under the management discussion and analysis.