



Diversified metals and mining  
Resources for the modern world

Vedanta is a London listed metals and mining company with its principal operations located throughout India. The major metals produced are aluminium, copper, zinc and lead.

Our goal is to generate strong financial returns and create a world-class metals and mining group.

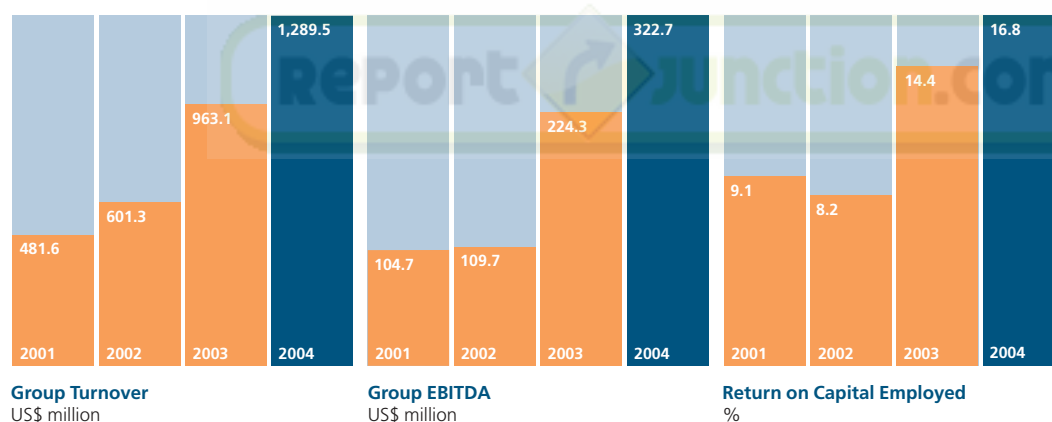


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## Highlights for 2004

- Listing on the London Stock Exchange in December 2003 raising US\$825.3 million net of expenses
- Group turnover up by over 30% driven by growth in the Zinc and Copper Businesses
- Group EBITDA<sup>2</sup> up by over 40%
- Group operating profit before exceptional items<sup>1</sup> up by over 50%
- ROCE<sup>2</sup> up from 14.4% to 16.8%
- Profit for the financial year rose by 172% to US\$66.6 million
- Improvements to Group structure
  - Increased holding in main subsidiary by 5%
- Capacity additions under way in all areas



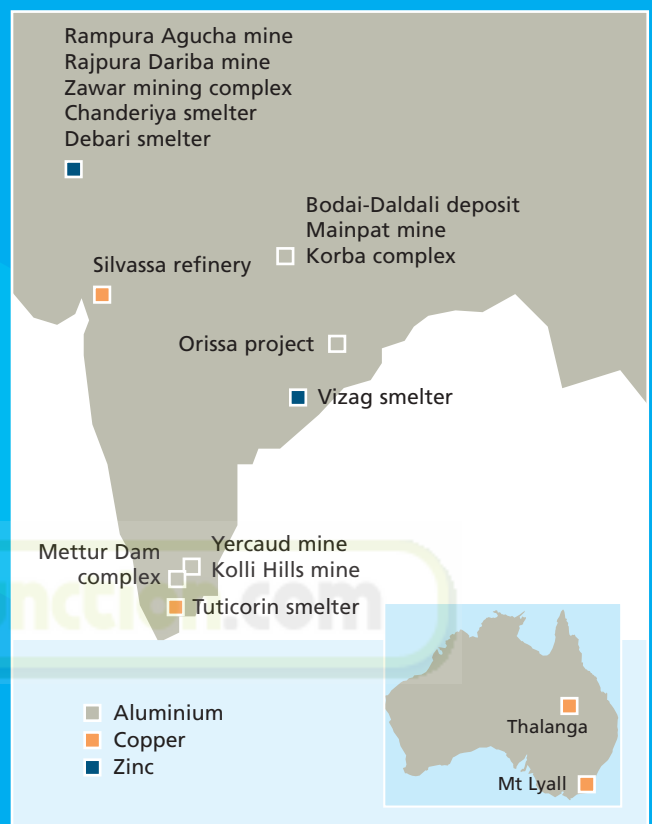
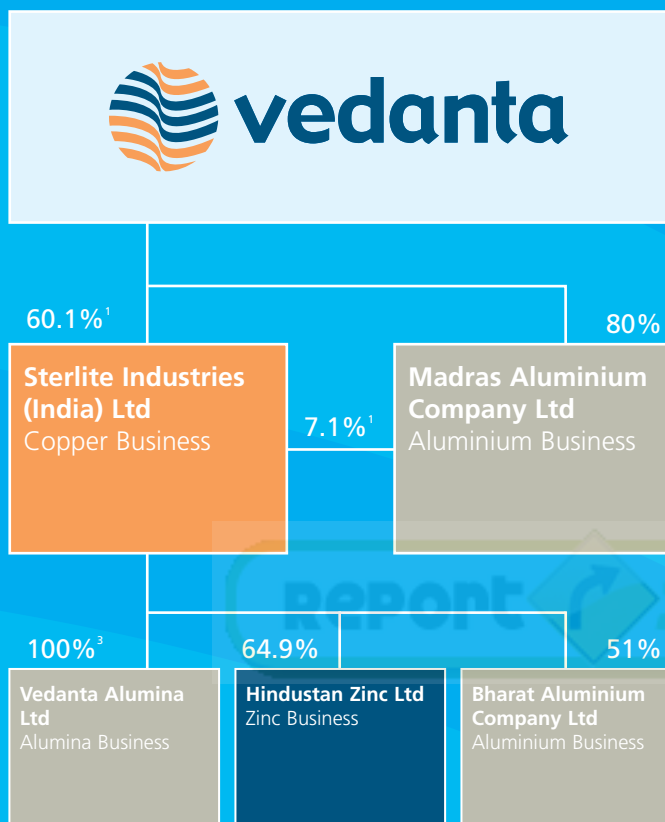
	2004	2003
Group turnover (US\$ million)	1,289.5	963.1
Group EBITDA <sup>2</sup> (US\$ million)	322.7	224.3
Group EBITDA margin <sup>2</sup>	25.0%	23.3%
Group operating profit before exceptional items <sup>1</sup> (US\$ million)	250.4	164.7
Group operating profit before exceptional items <sup>1</sup> margin	19.4%	17.1%
Profit for the financial year (US\$ million)	66.6	24.5
Return on Capital Employed <sup>2</sup>	16.8%	14.4%

<sup>1</sup> Refer to Consolidated Profit and Loss Account

<sup>2</sup> Refer to Glossary and Definitions

# Vedanta at a Glance

## Group Structure (as at 31 March 2004<sup>3</sup>) World Class Assets



<sup>1</sup> At 31 March 2004 Vedanta Resources plc had an effective interest in 65.8% of Sterlite's issued share capital.

<sup>2</sup> In April 2004 Vedanta Resources plc acquired 2.4% of Sterlite's issued share capital, thereby increasing its effective interest to 68.1%.

<sup>3</sup> Subsequent to 31 March 2004 Vedanta Resources plc subscribed for an initial direct equity interest in Vedanta Alumina Ltd. It is intended that Vedanta Resources plc will become the majority equity shareholder in Vedanta Alumina Ltd.

## Growth pipeline

Aluminium  
Copper  
Zinc

### Project commissioning

2004

2005

**Rampura Agucha zinc mine**  
New production: 1.3 million tpa ore to take total mined production to 5.5 million tpa.  
Capex: US\$90 million

**Chanderiya zinc smelter**  
New production: 170,000 tpa zinc to take total zinc capacity to 380,000 tpa. Includes a 154MW power plant.  
Capex: US\$335 million

**Tuticorin copper smelter, refinery and power plant**  
New production: 120,000 tpa to take total production to 300,00 tpa. Includes new 22.5MW power plant.  
Capex: US\$87 million



## Aluminium

**Turnover**  
US\$223.4 million

**EBITDA**  
US\$53.6 million

**Employees**  
5,531

### Operating Companies

BALCO, MALCO

### Main Activities

BALCO and MALCO are fully integrated aluminium producers. In 2004 the combined Indian market share of BALCO and MALCO was approximately 21% of aluminium sales.

BALCO's aluminium operations comprise a bauxite mine and the Korba alumina refining and aluminium smelting complex, which includes a captive power plant and fabrication facility, all of which are located in the State of Chattisgarh in central India. The Korba complex has an installed capacity of approximately 200,000 tpa of alumina and approximately 100,000 tpa of aluminium.

MALCO comprises two bauxite mines and the Mettur Dam smelting and refining complex. The complex has a capacity of 35,000 tpa of aluminium.

In 2004 the combined output was 129,000 tonnes.



## Copper

**Turnover**  
US\$592.8 million

**EBITDA**  
US\$94.1 million

**Employees**  
914

### Operating Company

Sterlite

### Main Activities

Sterlite's copper operations include a smelter at Tuticorin in southern India, a refinery and two copper rod plants at Silvassa in western India and two mines in Australia. Sterlite had a domestic market share of approximately 42% of copper sales in 2004. Sterlite's Tuticorin smelter, commissioned in 1997, was the first privately developed copper smelter in India.

The smelter and refinery each have an installed capacity of 180,000 tpa from which Sterlite produced approximately 179,000 tonnes of copper cathode and approximately 123,000 tonnes of copper rod in the year ended 31 March 2004.

Sterlite's Australian copper mines currently supply approximately 22% of Sterlite's copper concentrate requirements.



## Zinc

**Turnover**  
US\$401.1 million

**EBITDA**  
US\$179.3 million

**Employees**  
5,982

### Operating Company

HZL

### Main Activities

HZL is India's only integrated zinc producer and had a domestic market share of 75% of zinc sales in 2004.

The zinc mines contain high quantities of lead which is produced in association with the zinc. HZL's operations include three zinc-lead mining complexes, one zinc-lead smelter and one zinc smelter in the State of Rajasthan in north-west India, and one zinc smelter in the State of Andhra Pradesh in south-east India.

HZL's three zinc-lead mining complexes have a total capacity of 4.2 million tpa. The three smelters have the combined capacity to produce approximately 210,000 tpa of zinc ingots and 34,000 tpa of lead ingots. HZL's mines supply all of its concentrate requirements. In 2004 the production of finished zinc was 221,000 tonnes.

Korba power plant  
New production: 540MW  
Capex: US\$350 million

Korba aluminium smelter  
New production: 250,000 tpa to take  
total aluminium capacity to 385,000 tpa.  
Capex: US\$550 million

Orissa alumina refinery  
New production: 1 million tpa  
Capex: US\$800 million

2006

2007



## Chairman's Statement

### Brian Gilbertson

**The Listing of Vedanta Resources plc on the London Stock Exchange in December last year was a watershed for the Group. Thanks to the growing awareness among international investors of the potential of the Indian economy, and thanks equally to the strong growth prospects of the Group, we were able to raise US\$825 million, net of expenses. This was an amount we judged sufficient to complete the capital programmes at our existing operations, and to bring our two new mega-projects to full production. That outcome constituted the second largest listing on the London Stock Exchange in 2003 and the first primary listing there of an Indian company, a tribute to the initiative of Anil Agarwal in building the Group.**

At the time of the Listing, we committed ourselves to a four-pillar strategy which, if successfully implemented, will give the Group a growth profile unrivalled in our industry. Sound progress has been made since then and so far there have been no material set-backs.

The first pillar is to achieve **OPTIMUM OPERATING EFFICIENCY** at our existing operations. Committed capital expenditure, totalling around US\$400 million, will enable us to modernise, de-bottleneck and expand the output of our plants, with beneficial impact on our unit costs. Progress this past year was particularly evident at our zinc operation, HZL, where costs have come down significantly, particularly helped by control of energy input costs. The new copper smelter at Tuticorin is now mechanically complete after some disappointing delays. The new acid and power plants are in use, and full start up will occur as soon as the authorities issue the final permits. We expect to receive these in a few weeks.

The second pillar of our strategy is to **COMPLETE OUR TWO MEGA-PROJECTS**, the 250,000 tpa Korba aluminium smelter at a capital cost of US\$900 million, and the 1 million tpa Orissa alumina refinery (capital cost US\$800 million). First metal output at Korba is planned for March 2006; successfully achieved, this will constitute a rapid construction programme by international standards. At Orissa, production is scheduled to commence by March 2007. Our studies suggest that the bauxite resources and regional potential could sustain substantially larger outputs in the years ahead. Good progress is being made on both projects. The civil engineering works at Korba were completed ahead of the monsoon and some 120 of the 288 pots were in place by the end of May 2004. At Orissa, the designs and plans are well developed and civil engineering

work has begun on the site and the surrounding facilities. The project involves some 40 engineering packages and orders for around half of these have already been placed. Our project managers have embraced the challenges of delivering these projects on time and within budget, and remain confident of successful delivery. We are considering the possibility of introducing a partner into the Orissa project, to join us in developing the substantial regional potential to its full capacity in the decades ahead.

The third pillar of our strategy is to release the value trapped within the Group structure, by **CONSOLIDATING OWNERSHIP**. Here, satisfactory progress has been achieved in the six months since Listing. We have made two purchases of Sterlite shares. The first of 4.98% in January 2004 for US\$58 million and then 2.4% in April 2004 for US\$21.4 million and we recently announced terms for a US\$440 million rights issue in Sterlite, all of which are likely to increase our holding. Studies are currently under way to establish how further consolidation might best be achieved.

Another opportunity open to us is our option to acquire the Government's 49% holding in BALCO. A valuer is to be appointed by the Government and the Board will then be in a position to report back to shareholders.

Increased ownership of assets with growing profits is a happy outcome. As detailed in the Financial Review which appears on pages 16 to 21, consolidated Group operating profit for the year ended 31 March 2004 was US\$237 million, up 107% from US\$115 million in the previous year. Our EBITDA margin has climbed from 23% to 25%, and our Return on Capital Employed has reached 16.8% (14.4% in 2003). As our capital projects are completed – effectively tripling our pre-Listing capital base – and start contributing to Group cash flows, the financial benefits to our shareholders should be material. On the basis of this year's results and future prospects, and in keeping with the announced progressive dividend policy, the Directors are recommending a dividend of 5.5 US cents per share, representing a dividend for the four months from Listing to the end of the financial year equivalent to 16.5 US cents for the full year. This dividend reflects our confidence in the cash flows and stability of the Group, and translates to a yield of 3.16% at current market prices.

The fourth and final pillar of our strategy is to seek **ADDITIONAL INVESTMENT OPPORTUNITIES** where we believe we have the necessary skills to add value. We remain preferred bidder for



## Chairman's Statement *continued*

Konkola Copper Mines, which was indicated as a possible investment in our Listing Particulars. We are in the final stages of evaluating an acquisition structure that should bring substantial benefits to our shareholders.

The currently planned investment programme will be funded from the IPO proceeds, from the Free Cash Flow and an increase in debt, which is covered by our balance sheet. We expect our gearing to remain at prudent levels, rising towards 40% during the investment phase.

Shortly after the year end the general election in India brought a new coalition Government into power. There was much market uncertainty in the immediate aftermath of that unexpected change. Initial statements by the incoming Government on its privatisation policy have not alleviated investor concerns and we hope for greater clarity in the months ahead. Although Vedanta's growth targets over the next few years will be determined almost entirely by its already committed projects, in the longer term we would welcome further investment opportunities, including privatisations, in an economy that has such potential.

We should also recognise that the outcome reflects a well-functioning democratic process in what is the world's second most populous nation, and brings to power a Government committed to improved economic circumstances for the vast numbers that are poor. Such improvement can only come from growth in the overall economy; and that in turn will fuel demand for Vedanta's commodities – aluminium, copper and zinc – without which growth in a modern economy is not possible.

In the light of our progress since Listing, the trajectory of the Vedanta share price has been most disappointing. Issued at £3.90, the shares have since traded well below that level. In my judgement, Vedanta is today a very undervalued share, and this situation will inevitably correct itself as we methodically deliver the key results of our corporate strategy over the next two years.

Our Listing carries with it the commitment to the highest standards of corporate governance. Responsibility for delivering on this commitment rests in the first instance with the Board of Directors. The one week delay in reporting our results was therefore most disappointing to the Board, as it was to shareholders. We have undertaken to review our reporting structures and authorities to prevent any recurrence.

On 22 May 2004, Mr P Chidambaram resigned from the Board, following his appointment as Finance Minister in the new Indian Government. I would like to thank him for his contribution and I am sure that he will play a pivotal role in the continuing development of India. I am very pleased to welcome as new Directors, Mr Naresh Chandra (who has had a distinguished career in Government in India, with much recent experience in governance matters) and Mr Jean-Pierre Rodier (the successful former Chairman and Chief Executive of Pechiney, a leading aluminium producer, who also has wide previous experience in copper and zinc). In preparation for Listing we appointed Mr Peter Sydney-Smith as Finance Director, formerly Finance Director of BPB.

These Directors will strengthen and complement the skills and experience of the Board, and bring sound judgement to our future deliberations. The appointment of these Directors gave us the opportunity to further strengthen the Board Committees and bring our Board structures in line with the new Combined Code. This reaffirmed our commitment to best practice corporate governance.

I commend the Vedanta executive team, and our employees throughout the Group, for the sound progress achieved since Listing. Their talents and commitment will be the critical ingredients in delivering on the ambitious targets that are set for the year ahead.

**Brian Gilbertson**  
Chairman

18 June 2004

At the time of Listing we committed ourselves to a four-pillar strategy which, if successfully implemented, will give Vedanta a growth profile unrivalled in our industry.

# Creating a world-class metals and mining group

Our goal is to generate strong financial returns and create a world-class metals and mining group.  
Our strategy is to:

1

**Optimise the performance of the existing assets:**

Vedanta's plans for its Businesses will de-bottleneck plants, improve efficiency, expand output and drive down unit costs. Major projects include a new power plant and zinc smelter at Chanderiya, expansion of the Rampura Agucha zinc mine and the expansion of the Tuticorin copper smelter;

2

**Finance greenfield growth:**

Two large greenfield projects, the 250,000 tpa GAMI-based aluminium smelter at the Korba complex and the proposed 1.0 million tpa alumina refinery in Orissa, offer attractive economics and future growth;

3

**Consolidate the Group structure:**

Vedanta will seek to increase its direct ownership in the underlying Businesses; and

4

**Leverage established skills:**

Vedanta will seek further growth opportunities in India, including the Government's privatisation programmes and also outside its traditional Indian base, in operations where its proven transactional, operating and turnaround skills can provide a competitive advantage.



# A growth profile unrivalled in our industry...





## Chief Executive's Review

Anil Agarwal

