



# We are Vedanta

**Vedanta Resources plc**  
Annual report and accounts FY2015

# Vedanta Resources plc is a UK listed global diversified natural resources company.

## Our vision

To be a world-class, diversified resources company, providing superior returns to our shareholders with high-quality assets, low-cost operations and sustainable development.



## Our brand

The refreshed logo signifies Vedanta's approach to a triple bottom line that focuses on people, planet and prosperity in its areas of operations. A leaf, an unmistakable 'symbol of life' which has now been included in the Vedanta globe and the new colour green, symbolise Vedanta's ethical credentials. The colour blue reflects Vedanta's distinct virtues of integrity and professionalism.

The globe represents the centricity and dependence on natural resources found in the earth as well as the responsibility that Vedanta has towards communities.

## Our assets

### **O&G** Oil & Gas

- Cairn India is one of India's largest private sector oil & gas companies
- Interest in seven blocks in India, and one each in Sri Lanka and South Africa
- Contributes to ~27% of India's domestic crude oil production

### **ZLS** Zinc-Lead-Silver

- Zinc operations in India, Namibia, South Africa and Ireland
- World's second largest and India's largest zinc miner
- Operators of the world's largest zinc mine at Rampura Agucha, India
- One of the largest silver producers globally with an annual capacity of 16moz

### **Fe** Iron Ore

- Operations in India and Liberia
- Goa iron ore exported, with Karnataka iron ore sold domestically
- Large iron ore deposit in Liberia

### **Cu** Copper


- Smelting and mining operations across India, Australia and Zambia
- Largest custom copper smelter and copper rods producer in India
- Integrated copper mining and smelting operations in Zambia

### **Al** Aluminium

- The largest aluminium producer in India with a capacity of 2.3mt
- Strategically located large-scale assets with integrated power from captive power plants in the Indian states of Chhattisgarh and Odisha

### **Pwr** Power

- 3.2GW of commercial power generation capacity
- Largest supercritical unit in India operational at Talwandi Sabo Power plant
- One of the largest producers of wind power in India

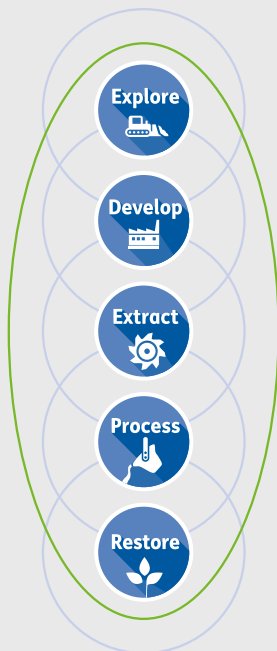
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# 01 Strategic report **We are Vedanta**

## Business model

Vedanta develops and operates world class resource assets, generating and sharing sustainable, long-term value for all its stakeholders across the resource lifecycle.

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## Strategic framework



To deliver growth, long-term value and sustainable development through our diversified portfolio of large, long-life, low-cost assets.

### Strategic priorities

- Production growth and operational excellence, with a focus on returns
- Reduce gearing and improve free cash flow
- Continue to add reserves and resources in our existing portfolio of assets to drive long-term value
- Simplify Group structure through consolidation
- Protect and preserve our licence to operate

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Anil Agarwal, Chairman



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“

My vision for the future is to continue to fulfil Vedanta's potential, whilst helping to advance the world's largest democracy economically, socially and sustainably.

Tom Albanese, CEO



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“

We have continued to focus on improving our operational performance and enhancing production, delivering record volumes of zinc and aluminium, despite volatile commodity markets.



Investor presentations  
[www.vedantaresources.com](http://www.vedantaresources.com)  
Online annual report  
[ar2015.vedantaresources.com](http://ar2015.vedantaresources.com)  
Sustainability website  
[sustainability.vedantaresources.com](http://sustainability.vedantaresources.com)  
Online sustainability report  
[sd.vedantaresources.com/SustainableDevelopment2014-15](http://sd.vedantaresources.com/SustainableDevelopment2014-15)



## 02 Strategic report **We are Vedanta**

# Highlights

Vedanta has produced a robust set of results in a volatile market and the fundamentals of our business remain strong.

### Group highlights

#### Financial highlights

- Revenue of US\$12.9 billion in line with the previous year
- EBITDA<sup>1</sup> of US\$3.7 billion (FY2014: US\$4.5 billion), adjusted EBITDA margin of 38%<sup>2</sup> (FY2014: 45%)
- Underlying Earnings/(Loss) Per Share<sup>3</sup> of (14.2) US cents (FY2014: 14.7 US cents)
- Basic Earnings Per Share (EPS) of (654.5) US cents primarily on account of an impairment of US\$4.5 billion (net of tax)
  - Non-cash impairment reflecting lower commodity price
- Free cash flow after growth capex of US\$1.0 billion (FY2014: US\$1.3 billion)
- Gross debt reduced by US\$0.6 billion in H2 FY2015 and US\$0.2 billion in FY2015 with gross debt at US\$16.7 billion in FY2015 (FY2014: US\$16.9 billion)
- Net debt up by US\$0.5 billion to US\$8.5 billion; US\$0.8 billion spent on increasing our stake in subsidiaries, Vedanta Limited and Cairn India Limited
- Credit rating changed from BB to BB- by S&P, Moody's retained at Ba1 with change in outlook to negative mainly on account of lower oil prices
- Final dividend of 40 US cents per share, full year dividend 63 US cents per share, up 3%

#### Business highlights

- Record full-year mined metal production at Zinc India; better positioned for underground transition
- Copper India: Record production
- Copper Zambia: Production for the full year lower; KDMP Shaft # 1 back online and production improving at Konkola
- Record full year aluminium and alumina production; started new Jharsuguda-II and Korba-II smelters
- Recommended iron ore production at Karnataka, final approval awaited at Goa; record annual production of pig iron
- Iron ore export duty in India reduced from 30% to 10% for less than 58% Fe iron ore, effective 1 June 2015
- Oil & Gas production normalised after the planned shutdown in Q2 FY2015

Caption: Operator at packing area of Jharsuguda aluminium casthouse.

## Revenue (US\$bn)

15	12.9
14	12.9
13	14.6
12	14.0
11	11.4

## EBITDA (US\$bn)

15	3.7
14	4.5
13	4.9
12	4.0
11	3.6

## Free cash flow post capex (US\$bn)

15	1.0
14	1.3
13	1.5
12	0.1
11	0.2

## Dividend per share (US cents)

15	63.0
14	61.0
13	58.0
12	55.0
11	52.5

## Consolidated Group results

(in US\$ millions, except as stated)	FY2015	FY2014
Revenue	12,878.7	12,945.0
EBITDA <sup>1</sup>	3,741.2	4,491.2
EBITDA <sup>1</sup> margin (%)	29.1%	34.7%
EBITDA margin excluding custom smelting <sup>2</sup> (%)	38.0%	44.9%
Operating profit before special items	1,735.5	2,288.1
Loss attributable to equity holders	(1,798.6)	(196.0)
Underlying attributable profit <sup>3</sup>	(38.9)	40.2
Basic (loss)/earnings per share (US cents)	(654.5)	(71.7)
Earnings per share on underlying profit (US cents)	(14.2)	14.7
ROCE (excluding project capital work in progress and exploratory assets and one-time impairment charge) (%)	8.7%	14.9%
<b>Total dividend (US cents per share)</b>	<b>63.0</b>	<b>61.0</b>

- 1 Earnings before interest, taxation, depreciation, amortisation/impairment and special items.
- 2 Excludes custom smelting revenue and EBITDA at Copper and Zinc-India operations as custom smelting has different business economics.
- 3 Based on profit for the period after adding back special items and other gains and losses, and their resultant tax and non-controlling interest effects. In the prior period, the underlying attributable profit included the net tax benefit from the Sesa Sterlite merger offset by a deferred tax charge due to the change in tax rates at Cairn India.

“Throughout this year, we have remained focused on our stated strategic priorities. Our diversified portfolio has enabled us to withstand global volatility in commodity prices.”

Mr Anil Agarwal, Chairman of Vedanta Resources plc



## Group highlights



O&amp;G

## Resilient performance in falling crude oil environment

We have revised capex but continue to focus on opportunities, with Cairn delivering the largest exploration and appraisal programme in its history. We spent US\$1.1 billion in FY2015 out of US\$3 billion, retaining flexibility on spend going forward.

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Al

## Ramping up aluminium

Production reached record levels at Lanjigarh and we have initiated a number of innovative, cost-saving projects. The new Korba-II smelter and Jharsuguda-II smelter started production with significant ramp up planned in 2016.

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Cu

## Improving production volumes at Copper India

Higher production volumes at Copper India, while maintenance work at Konkola reduced production in Zambia. An easing of documentation requirements for VAT refunds in Zambia will enable us to increase utilisation rates of the smelter.

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Fe

## Resuming operations at Sesa Goa

Production recommenced at Karnataka and in Goa, environment restrictions were lifted, with Vedanta allocated an interim annual mining quantity of 5.5mt of saleable ore. We are implementing cost reductions to counter the low-price environment.

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## 04 Strategic report **We are Vedanta**

# Vedanta at a glance

## Vedanta Resources

Listed on LSE

79.4%

### Konkola Mines

One of the highest-grade large copper mines in the world



**Copper**



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Businesses

**Copper Zambia (KCM)**

Production volume

**Mined metal 116kt**

**Finished copper 169kt**

EBITDA

**US\$(4)m**

R&R life

**25+ years**

Cost curve position


**4th Quartile**

< Large, long-life, low-cost, scalable assets >



**Oil & Gas**



 [see page 50](#)

Businesses

**Cairn India**

Production volume

**212k boepd**

(average daily gross operating production)

EBITDA

**US\$1,477m**

R&R life

**15+ years**


Cost curve position

**1st Quartile**



**Zinc-Lead-Silver**



 [see page 54](#)

Businesses

**Zinc India (HZL)**

**Zinc International**

Production volume

**887kt**

**312kt**

EBITDA

**US\$1,193m**

**US\$181m**

R&R life

**25+ years**

**20+ years**

Cost curve position

**1st Quartile**

**2nd Quartile**



62.9%

## Vedanta Limited


(formerly Sesa Sterlite Limited)

Listed on NSE, BSE and NYSE

Fe

### Iron Ore



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Businesses

India Iron Ore  
Operations

Liberia Iron Ore  
Project

Production volume<sup>1</sup>

0.6mt

EBITDA

US\$31m

R&R life<sup>2</sup>

20+ years

Cost curve position

1st Quartile

<sup>1</sup> Production at Karnataka suspended until February 2015 and suspended for the full financial year at Goa.

<sup>2</sup> Excluding Liberia.

Cu

### Copper



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Businesses

Tuticorin smelter,  
India

Copper Mines of  
Tasmania

(under care & maintenance)

Production volume

Copper cathodes  
362kt

EBITDA

US\$281m


Cost curve position

2nd Quartile

Al

### Aluminium



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Businesses

BALCO

Jharsuguda and

Korba Smelters

Lanjigarh Refinery

Production volume

Aluminium 877kt

Alumina 977kt

EBITDA

US\$416m


Cost curve position

2nd Quartile

Pwr

### Power



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Businesses

MALCO

HZL Wind Power

Jharsuguda and

Talwandi Sabo

Power Plants

Power sales

9,859 million KWh

EBITDA

US\$154m



## 06 Strategic report **We are Vedanta**


# Essential to transforming India

In 2014, the Indian Government launched a major national campaign, 'Make in India', to encourage companies to manufacture in India. The initiative is focused on 25 sectors of the economy and aims to create jobs and enhance skills.

### **Fe** Iron Ore



Iron ore, a key ingredient in steel making, is expected to benefit from increased demand in India as a result of higher consumption of consumer durables and the Government's target to increase steel production to 300mt by 2025 to match India's growing infrastructure needs. Vedanta has large iron ore mines in Goa and Karnataka and a pig iron plant in Goa. It is a major supplier to the domestic market with the Goa iron ore mine also serving the Chinese and Japanese export markets.

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# 391<sup>mt</sup>

Iron ore reserves & resources  
at Vedanta's mines

### **Al**

### Aluminium



Due to aluminium's light weight and low cost, the metal is increasingly used in residences, buildings, automobiles and appliances. Aluminium demand is increasing in India, boosted by increased investment in infrastructure, power and transportation. In addition to aluminium ingots, Vedanta also produces a wide range of value-added products and aluminium alloys with huge potential in aerospace and defence industries.

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# 0.9<sup>mt</sup>

Aluminium produced by Vedanta's  
aluminium smelters






Pwr

## Power



The availability of power in India is increasing, but demand outstrips supply leading to a substantial power shortage. Around 280 million people in India do not have basic electricity connections and the Government aims to supply power to all homes by 2019. Vedanta is one of India's largest private power generators.

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# 8.7GW

Power generation capacity  
at Vedanta



## 08 Strategic report **We are Vedanta**

# Essential to transforming India

The new Indian Government has a mandate for economic growth and job creation. As a local resources company Vedanta can play a key role in supporting these Government initiatives.

### ZLS Zinc



Galvanising accounts for more than 75% of zinc demand in India. The Indian Government's focus on infrastructure projects such as upgrading railway stations, building new airports and roads; developing 100 smart cities; rural electrification projects and investment in transmission corridors will all boost the country's zinc requirements. Vedanta is the leading producer of zinc in India with a 78% share in the domestic market.

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# 78%

Vedanta's share in India's domestic zinc market