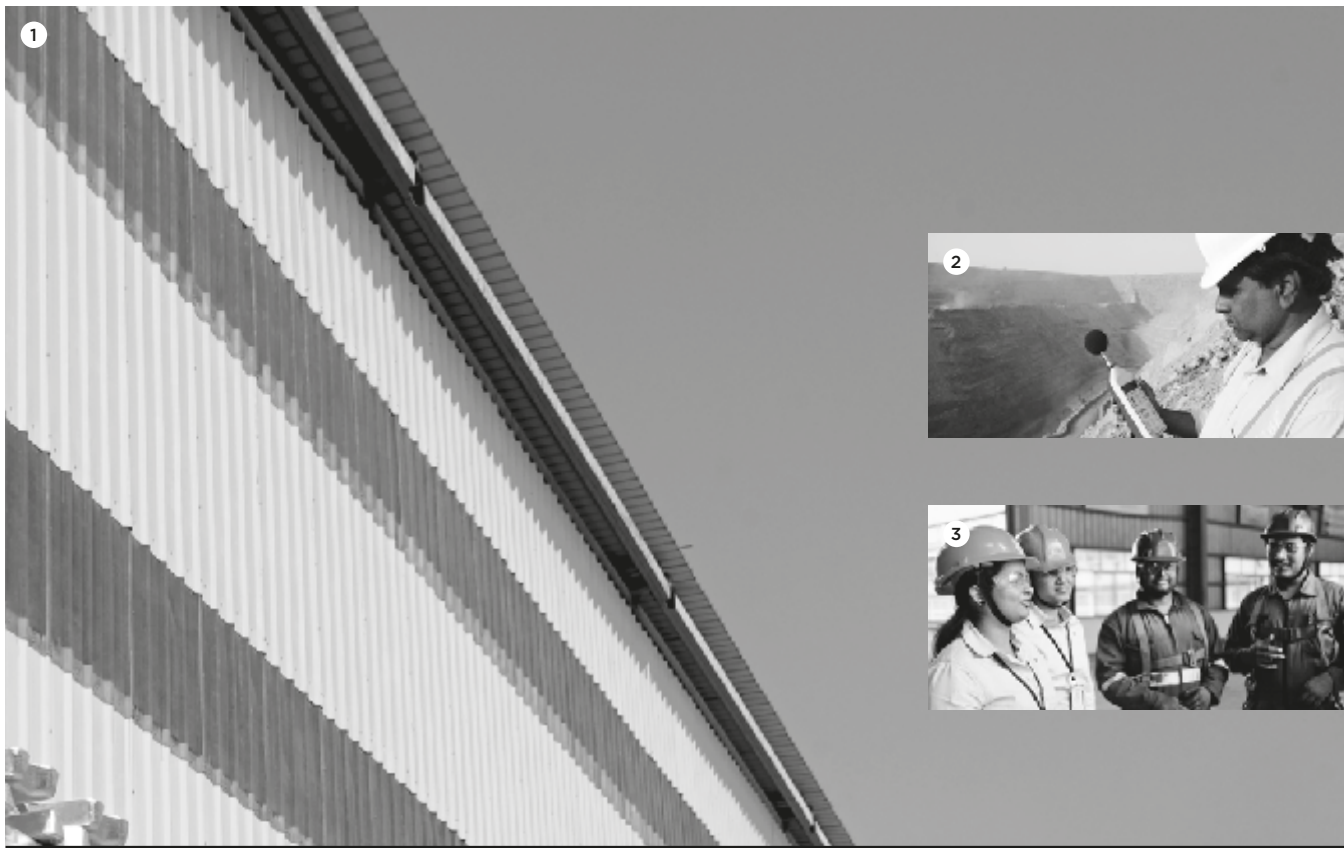




# **A resilient portfolio through the cycle**





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

**Our core purpose**

Vedanta is a globally diversified natural resources company with low-cost operations. We empower our people to drive excellence and innovation to create value for our stakeholders. We demonstrate world-class standards of governance, safety, sustainability and social responsibility.



Front cover, top: Control room at BALCO power plant.  
Front cover, bottom: Shaft headgear at Black Mountain mine.

This page  
1: Ingot loading at Jharsuguda.  
2: Engineer at Rampura Agucha open cast mine.  
3: Engineers at Jharsuguda smelter.

# A resilient portfolio through the cycle

**“ We have experienced volatile markets and significantly lower commodity prices during the financial year and the entire organisation has met these challenges well.**

Anil Agarwal, Chairman

[See page 10](#)



Winner of Entrepreneur of the Year award, sixth annual Asian Awards



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[See page 36](#)



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1: Turbine generator at Talwandi Sabo power plant.  
2: Children at child care centres.  
3: Engineer at ore stock piles at Goa Iron Ore mines.

# Highlights



**“** Vedanta demonstrated resilience this year: delivering healthy EBITDA margins, strong free cash flow and lower gross and net debt in a volatile commodities market. In India, we achieved record production in aluminium, zinc, lead, silver and copper cathodes, with significant increases in power generation. We made good progress on the turnaround of our Copper business in Zambia and broke ground at the Gamsberg zinc deposit in South Africa. With our combination of low-cost and well-invested assets, we look forward to the future with cautious optimism.

Anil Agarwal, Chairman

## Group highlights

### Financial highlights

- Revenue of US\$10.7 billion and EBITDA<sup>1</sup> of US\$2.3 billion, lower than FY2015 primarily due to lower commodity prices (FY2015 Revenue: US\$12.9 billion, FY2015 EBITDA: US\$3.7 billion)
- Adjusted EBITDA margin<sup>2</sup> of 28% (FY2015: 38%), driven by low commodity prices
- Free cash flow<sup>3</sup> of US\$1.7 billion, up 63% (FY2015: US\$1.0 billion), driven by optimisation of operational, capital expenditure and working capital initiatives
- Net debt reduced by US\$1.1 billion and gross debt reduced by US\$0.4 billion during the year
- Underlying (loss) per share<sup>4</sup> of (131.9) US cents (FY2015: (14.2) US cents)
- Basic loss per share of (665.8) US cents primarily due to a non-cash impairment of US\$3.3 billion (net of tax) and lower EBITDA, reflecting lower commodity prices
- Covenant modifications on bank loans at Vedanta Resources plc secured until the period ending 30 September 2018 and complied with as on 31 March 2016
- S&P downgraded issuer credit rating from 'BB' to 'B' and Moody's downgraded its corporate family rating from 'Ba1' to 'B2' due to weak commodity prices
  - S&P subsequently revised the outlook to 'Stable' in April 2016
- Hindustan Zinc Limited announced its highest ever special dividend in Q4 (c. US\$1.8 billion including dividend distribution tax)
- Final dividend of 30 US cents per share

### Business highlights

- Simplification of the Group structure continues to be a priority
- Record production of zinc, lead and silver at Zinc India; aluminium, power and copper cathodes at Copper India
- Commenced ramp-up of capacities at Aluminium, Power and Iron Ore divisions
- Entire Power portfolio of 9,000MW now operational
- Successful implementation of Mangala Enhanced Oil Recovery Programme at Cairn India
- Recommended production at Goa Iron Ore operations, achieved exit run rate production of 0.8 million tonnes per month
- Continued ramp-up of production at the Konkola mines at Copper Zambia
- Strong cost performance, with lower cost of production across all businesses; cost savings of c.US\$325 million delivered in the year

1: Aluminium pot line at Jharsuguda.



### Aluminium

Commenced ramp-up of capacity at the 1.25mt Jharsuguda Aluminium smelter.

See page 80



### Power

Entire Power portfolio of 9,000MW operational.

See page 84



### Iron Ore

Recommended production at Goa Iron Ore operations.

See page 68



### Oil & Gas

Successful implementation of Mangala Enhanced Oil Recovery Programme at Cairn India.

See page 56

## Consolidated Group results

(US\$ millions, except as stated)

|  | FY2016      | FY2015      |
|--|-------------|-------------|
| Revenue  | 10,737.9    | 12,878.7    |
| EBITDA <sup>1</sup>  | 2,336.4     | 3,741.2     |
| EBITDA <sup>1</sup> margin (%)   | 21.8%       | 29.1%       |
| EBITDA margin excluding custom smelting <sup>2</sup> (%)   | 27.6%       | 38.0%       |
| Operating profit before special items  | 881.2       | 1,735.5     |
| Loss attributable to equity holders  | (1,837.4)   | (1,798.6)   |
| Underlying attributable loss <sup>4</sup>  | (364.1)     | (38.9)      |
| Basic loss per share (US cents)  | (665.8)     | (654.5)     |
| Loss per share on underlying profit (US cents)   | (131.9)     | (14.2)      |
| ROCE (excluding project capital work in progress, exploratory assets and impairment charges) (%) | 6.2%        | 8.7%        |
| <b>Total dividend (US cents per share)</b>   | <b>30.0</b> | <b>63.0</b> |

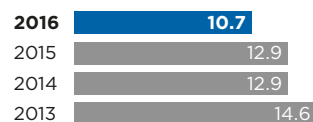
1 Earnings before interest, taxation, depreciation, amortisation, impairment and other special items.

2 Excludes custom smelting revenue and EBITDA at Copper and Zinc India operations as custom smelting has different business economics.

3 Free cash flow is cash flow arising from EBITDA after net interest, taxation, sustaining and capital expansion expenditure, movements in capital creditors and working capital movements. It is reconciled to EBITDA on page 52 in the Finance Review.

4 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.

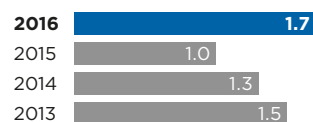
## Revenue (US\$ billion)



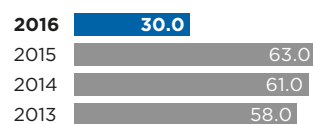
## EBITDA (US\$ billion)



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



## Dividend per share (US cents)



1: Employees at BALCO.

2: Employees at Jharsuguda smelter.

3: Control room at iron ore mines.

4: Employee at Rajasthan oil field.

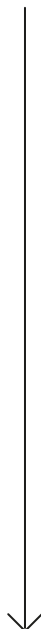
# At a Glance

## Vedanta Resources

Listed on LSE



**Large, long-life, low-cost, scalable assets**

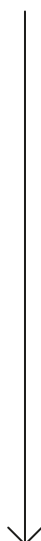


## Vedanta Limited

(formerly Sesa Sterlite Limited)  
Listed on NSE, BSE and NYSE  
62.9%

### Divisions of Vedanta Limited

**Iron Ore**  
**Copper (India)**  
**Power (2,400MW Jharsuguda)**  
**Aluminium (Odisha Aluminium and Power assets)**



## Konkola Mines

One of the highest-grade large copper mines in the world  
79.4%

### Oil & Gas

 See page 56

**O&G**



### Zinc-Lead-Silver

 See page 60

**ZLS**



### Iron Ore

 See page 68

**Fe**



### Copper (India)

 See page 72

**Cu**



### Aluminium

 See page 80

**Al**



### Power

 See page 84

**Pwr**



### Copper (Zambia)

 See page 76

**Cu**





Businesses  
**Cairn India**

Production volume  
**204boepd**  
(average daily gross operating production)

Cost curve position  
**1st quartile**

Businesses  
**Zinc India (HZL)**  
**Zinc International**

Production volume  
**889kt**  
**226kt**

Cost curve position  
**1st quartile**  
**2nd quartile**

Businesses  
**Iron Ore India**

Production volume<sup>1</sup>  
**5.2mt**

Cost curve position  
**1st quartile**

Businesses  
**Copper India**  
**Copper Mines Tasmania**  
(under care and maintenance)

Production volume  
**384kt**  
Copper cathodes

Cost curve position  
**2nd quartile**

Businesses  
**BALCO**  
**Jharsuguda and Korba aluminium smelters**

**Lanjigarh Alumina refinery**  
Production volume  
**923kt 971kt**  
Aluminium Alumina

Cost curve position  
**2nd quartile<sup>2</sup>**

Businesses  
**Talwandi Sabo Power Plant**  
**Jharsuguda Power Plant**

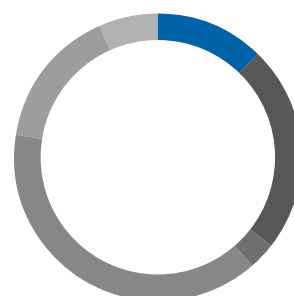
**MALCO HZL Wind Power**  
Power sales  
**12.1 billion kwh**

Businesses  
**Konkola Copper Mines (KCM)**

Production volume  
**182kt**

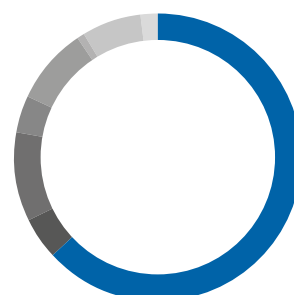
Cost curve position  
**4th quartile**

Revenue by commodity  
(US\$ million)



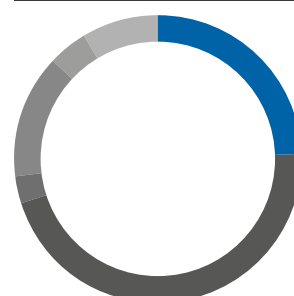
1,322 Oil & Gas  
2,503 Zinc  
350 Iron Ore  
4,170 Copper  
1,694 Aluminium  
708 Power

Revenue by geography  
(US\$ million)



6,774 India  
528 China  
1,075 Middle East  
449 Europe (inc UK)  
902 Far East Asia  
91 Africa  
725 Asia others  
193 Other

EBITDA by commodity  
(US\$ million)



570 Oil & Gas  
1,063 Zinc  
73 Iron Ore  
319 Copper  
107 Aluminium  
196 Power

1 Production recommenced in Goa in August 2015.  
2 Based on fourth quarter of FY2016 cost.



A resilient portfolio through the cycle

# Disciplined



During this period of weak commodity prices, Vedanta has maintained a disciplined approach to capital allocation, prioritising high-return, low-risk projects to maximise cash flows. The Group's well-invested assets are on track to deliver near-term growth with marginal incremental capital expenditure. We retain the option to fund further growth projects such as EOR and gas projects at Oil & Gas business, Lanjigarh Alumina refinery expansion and the additional 400kt copper smelter at Copper India.

In FY2016 capex was optimised to reduced levels of US\$0.6 billion, with most of this invested in high-return projects such as expansion at Zinc India, the Mangala EOR programme at Oil & Gas and smaller amounts to complete the Aluminium and Power projects.

Capital investment in Gamsberg, one of the largest zinc deposits in the world, was rephased and only US\$16 million was invested in FY2016. We have also made significant progress in reducing Gamsberg capex over the life of the project, reducing capex by US\$200 million primarily through re-engineering and renegotiation of contracts, taking advantage of the current commodity environment. The project comprises a 250ktpa mine, propelling Southern Africa into a leading supplier of zinc globally. First ground was broken in July 2015, with initial production expected in early 2018.

[See page 48](#)

**US\$0.6bn**  
Total capital expenditure

- 1: Engineers at the aluminium pot line.
- 2: Control room of BALCO power plant.
- 3: Engineer at the control room at BALCO.
- 4: Coal handling plant at Jharsuguda.
- 5: Employees at the control room at Lanjigarh.



# Efficient



A relentless focus on operational efficiency has driven down the cost of production (CoP) across our businesses, mitigating the impact of falling commodity prices throughout the year.

Record full-year aluminium production reflected the impact of the Jharsuguda-II and Korba-II smelters ramping up well, delivering a record aluminium production of 923kt and a reduction in CoP of 10% for the year. The Lanjigarh Alumina refinery also achieved a strong production of 971kt during the year.

Good progress on the mine expansion in Rampura Agucha and the Sindesar Khurd mine and continued higher volumes from the Rampura Agucha open pit resulted in record zinc production, alongside higher volumes of integrated lead and silver at the Sindesar Khurd mine. We are one of the top 20 silver producers in the world at our current volumes.

The turnaround plan for KCM in Zambia is starting to bear fruit. Cost reduction initiatives are now yielding results, driving down the cost of production, and with a focus on safe production build up, volumes are now rising. Production of mined metal at Konkola Deep is up by 23% compared with last year due to improved efficiency, equipment availability and better copper grades.

[See page 56](#)

## 923kt

Record production of Aluminium



A resilient portfolio through the cycle

# Focused



In line with the Group's long-term strategic priority to de-lever and increase cash flow, Vedanta continued to make good progress against these objectives. The focus on optimising operating and capital expenditure and working capital management contributed to strong free cash flow of US\$1.7 billion (after capital expenditure), during FY2016. This enabled a reduction of US\$1.1 billion in net debt, as compared to March 2015.

An ambitious target to deliver cost and marketing savings of US\$1.3 billion was set and these initiatives across the business delivered US\$325 million in FY2016, through over 900 initiatives across the businesses, including consolidation of spend and reduction of vendors, contract renegotiation and efficient logistic solutions.

Several operations have been restructured to protect free cash flow. These include the temporary shutdown of the BALCO rolled product facility, the temporary shutdown of one line at the Lanjigarh Alumina refinery that drove down aluminium costs, and closure of the Nchanga underground operations at Copper Zambia.

[See page 56](#)

## US\$1.7bn

Free cash flow after  
capital expenditure

- 1: Engineer at a laboratory at Lanjigarh.
- 2: Employees at Lanjigarh.
- 3: Engineers at Jharsuguda smelting complex.
- 4: Employees at Ravva offshore oil field.
- 5: Operators at Konkola underground mine.