



# FY 2010 Results Presentation

May 6, 2010

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# Overview

**Navin Agarwal**

**Deputy Chairman**

# FY 2010 Highlights

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## **Strong performance across businesses**

- ☑ Record volumes in Iron Ore, Aluminium, Zinc, Lead and Silver
- ☑ Continue to maintain low cost of production
- ☑ Dempo iron ore assets acquired and successfully integrated

## **Excellent project delivery**

- ☑ Commissioned mid-shaft loading at KDMP
- ☑ Achieved 1 mtpa capacity in Zinc-Lead
- ☑ Coal linkage secured for power plants
- ☑ Invested US\$3.5 billion in organic growth programme during the year

## **Continued focus on long-term value**

- ☑ Reserve and resource addition of 64 mt of Iron Ore and 3.4 mt of contained Zinc & Lead
- ☑ Repurchased equity and bonds of US\$ 895m and bought subsidiary shares of US\$ 311 million
- ☑ Revived 1,980 MW Independent Power Plant at Talwandi in Punjab state
- ☑ Announced 400 ktpa copper smelter expansion with 160 MW Captive Power Plant at Tuticorin

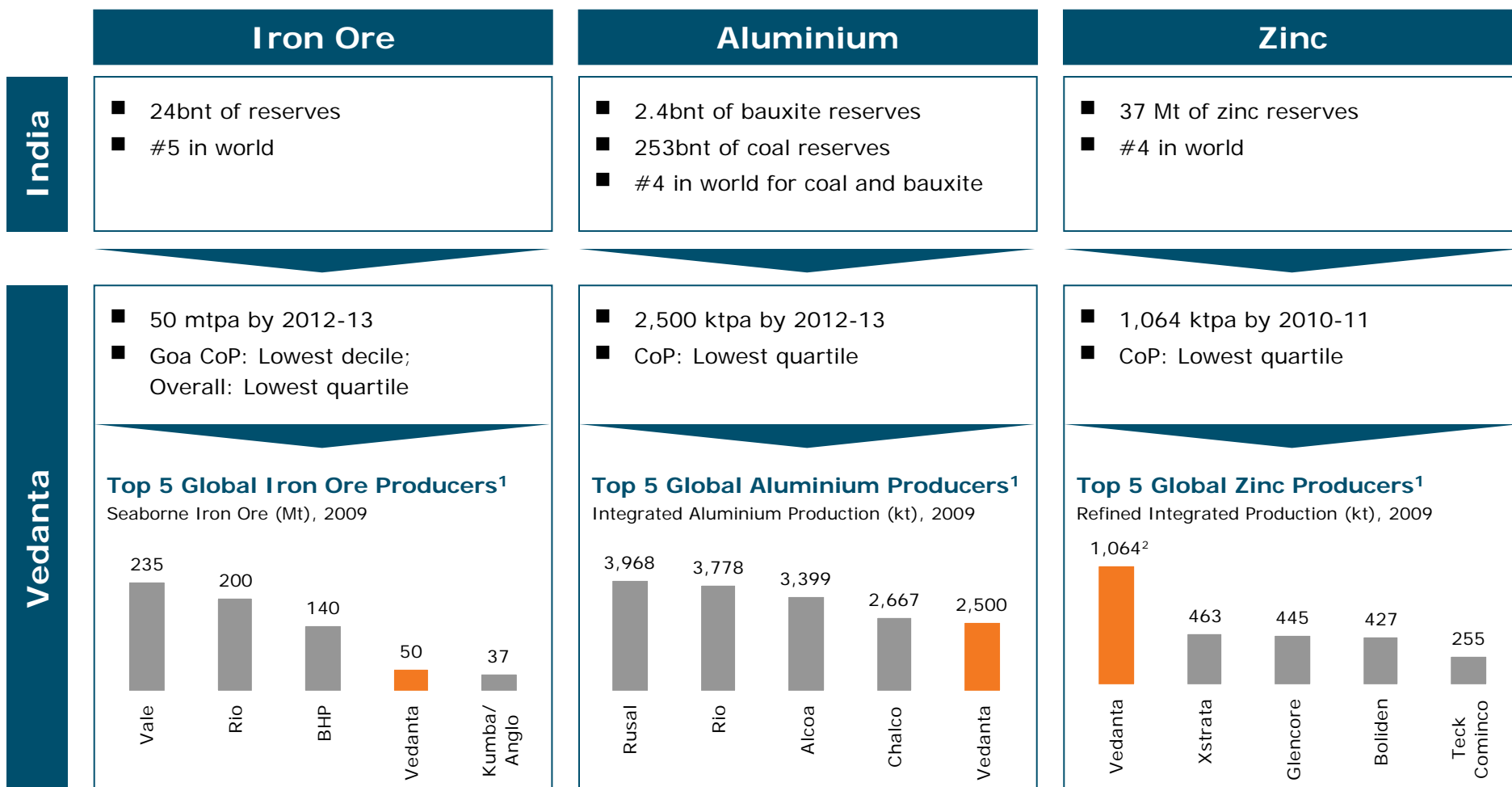
# Delivering Strong Results

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- EBITDA up 42% to US\$2.3 billion for FY 2010, H2 EBITDA up 4.5x to US\$1.5 billion, over H2 FY 2009
- EPS up 187% to US\$2.20
- Attributable profit increased from 24% to 39%
- Free cash flow of US\$1.8 billion, 79% of EBITDA
- Strong and liquid balance sheet
  - US\$7.2 billion of cash and liquid investments
  - Low net gearing of 7.5%
- Redeemed US\$1.2 billion of bonds, raised US\$4.2 billion of capital
- S&P raised Vedanta outlook to stable; CRISIL upgraded Sterlite to AA+

**Benefiting from investing through the cycle**

# Unlocking India's Resource Potential



Notes: 1. Vedanta numbers refer to post-expansion capacity

2. Zinc plus lead

Source: IBM and Investment Commission of India, CRU

# Delivering Growth

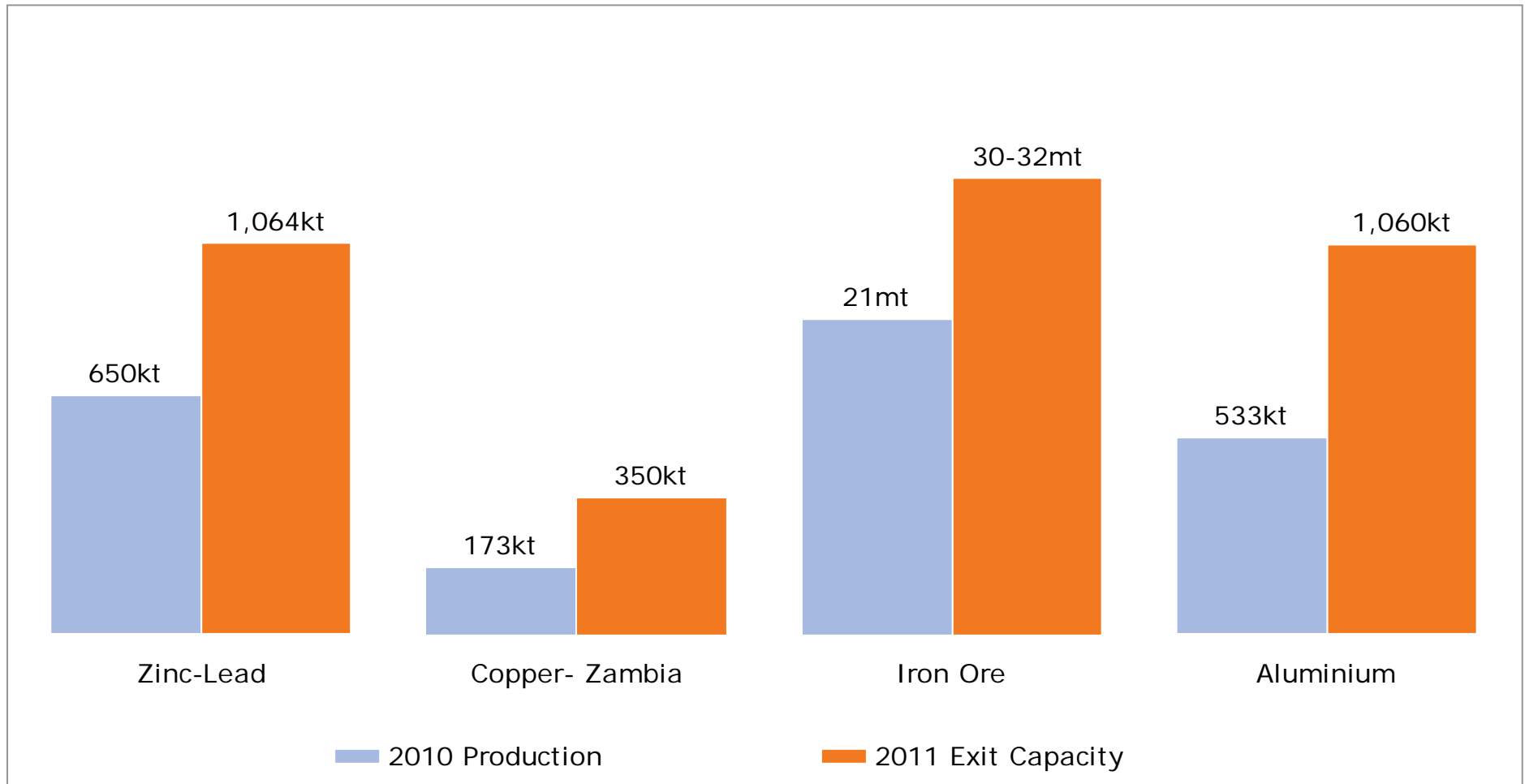
		Diversified, Near-Term Capacity Growth		
	2010 production	Exit capacity	Sustainable cost	Completion
Zinc & Lead	769 kt <sup>1</sup>	1,064 ktpa	Lowest quartile	2010-11
Silver	5.67 moz	16 moz	Co-product	2012-13
Iron Ore	21.4 mt	50 mtpa	Lowest half	2012-13
Aluminium	533 kt	2,500 ktpa	Lowest quartile	2012-13
Copper- Zambia	173 kt	400+ ktpa	Lower half	2011-12
Copper- India	334 kt	800 ktpa	Lower quartile	2011-12
Commercial Energy	394 MW <sup>2</sup>	5,500 MW <sup>3</sup>		2013-14

Notes: 1. Mined metal

2. Equivalent MW

3. Includes 2400MW at Jharsuguda, 1980MW at Talwandi Sabo and 1,120MW surplus at BALCO, MALCO and HZL wind power

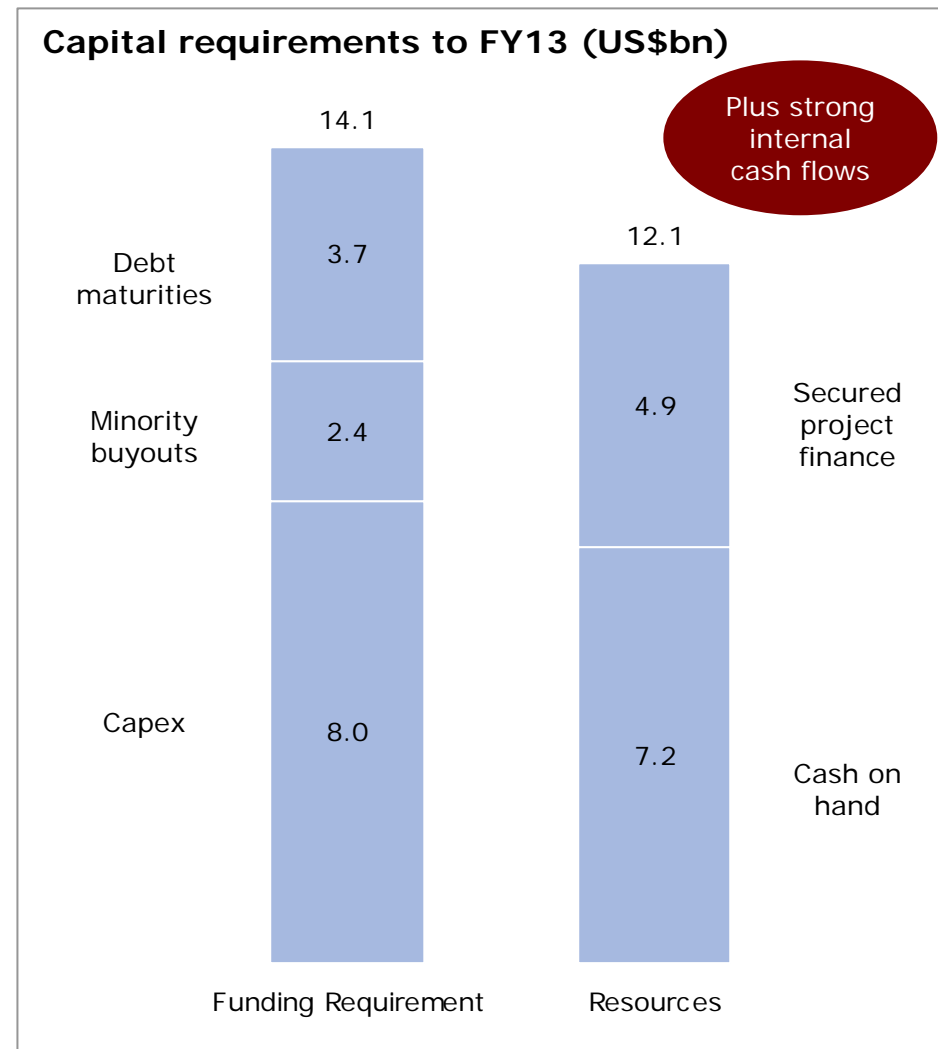
# Significant Capacity Addition in 2010-11





# Well Funded Growth Programme

Project Capex	US\$bn
<b>Original Cost</b>	<b>19.6</b>
(Savings)/ Overruns	(1.0)
Project Deferral (1,980 MW Jharsuguda CPP)	(2.0)
Additional Capex	0.7
<b>Total Capex</b>	<b>17.3</b>
Less: Spent up to 31st March 2010	9.3
<b>Balance to be spent</b>	<b>8.0</b>



# Our Strategic Priorities

<b>Organic Growth</b>	<ul style="list-style-type: none"><li>■ Delivery of industry leading growth programme</li><li>■ Realise KCM potential and reduce costs</li><li>■ R&amp;R addition to enhance mine life</li></ul>
<b>Optimise Returns</b>	<ul style="list-style-type: none"><li>■ Niyamgiri bauxite approval</li><li>■ Ramping up of silver production</li><li>■ Leveraging Dempo acquisition to realise synergies</li></ul>
<b>Group Structure</b>	<ul style="list-style-type: none"><li>■ Complete BALCO and HZL minority buyouts</li><li>■ Sterlite Energy IPO</li></ul>
<b>Additional Investment Opportunities</b>	<ul style="list-style-type: none"><li>■ Selectively pursue value-enhancing opportunities</li></ul>

**Unlocking value across our businesses**

# Operations

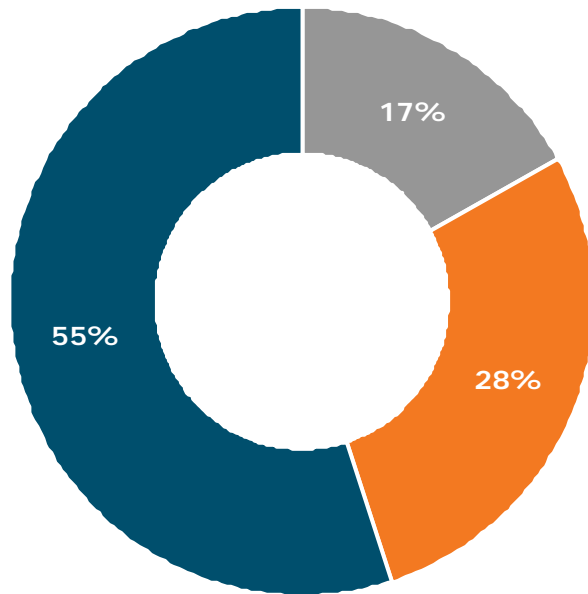
**M.S. Mehta**

**Chief Executive Officer**

# Diversified Operations

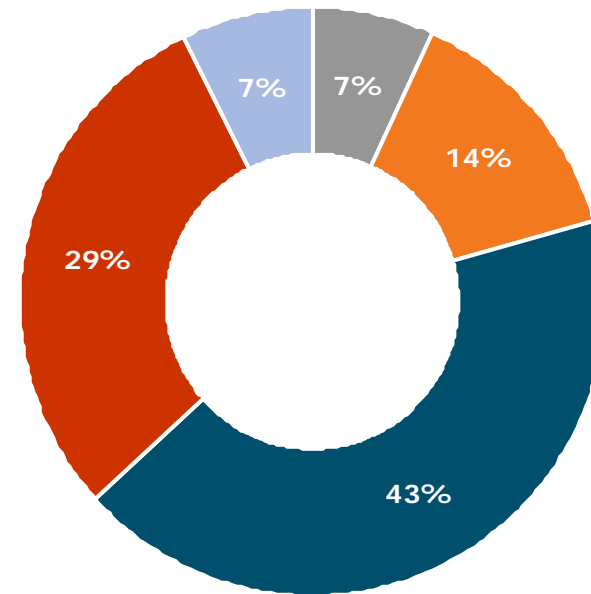
**EBITDA: FY 2004 US\$322.7mn**

■ Aluminium    ■ Copper    ■ Zinc



**EBITDA: FY 2010 US\$2.3bn**

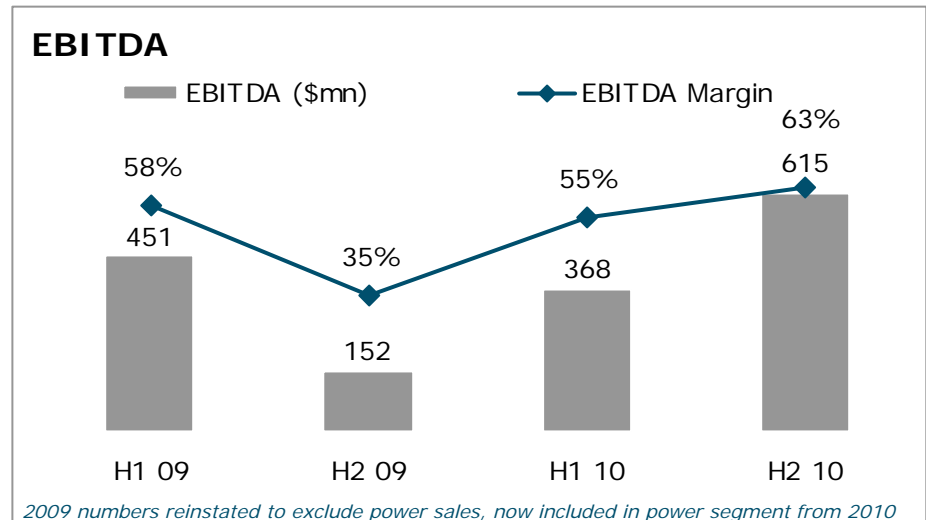
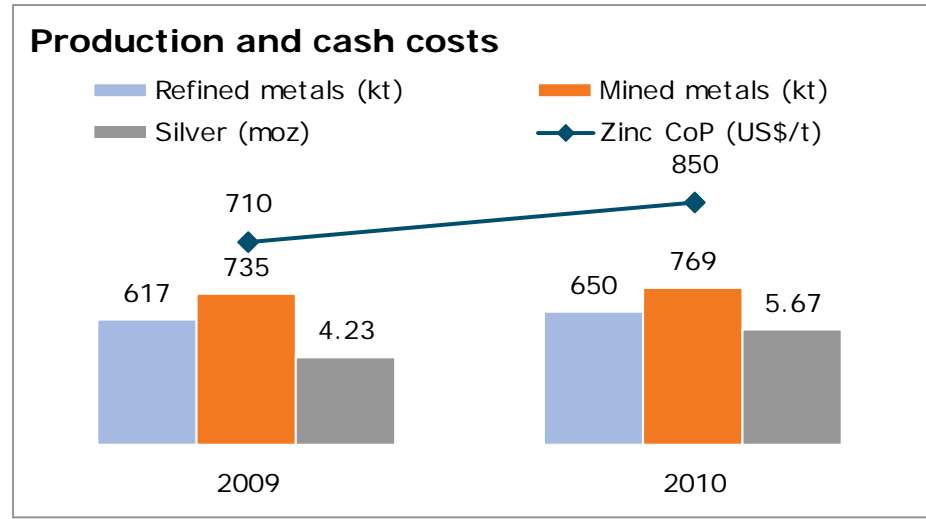
■ Aluminium    ■ Copper    ■ Zinc    ■ Iron-ore    ■ Power



**Growth and diversification of EBITDA**

# Zinc-Lead-Silver Operations

- Record production of Zinc, Lead and Silver. Mined metal production at near full capacity
- Zinc LME increase from US\$1,563 to US\$1,936
- Reduction in FY controllable cost by 5% offset by
  - Royalty cost up by US\$51 per tonne
  - Acid credit reduced by US\$123 per tonne
- Acid realisation recovered since year end
- 254 kt of concentrate sales

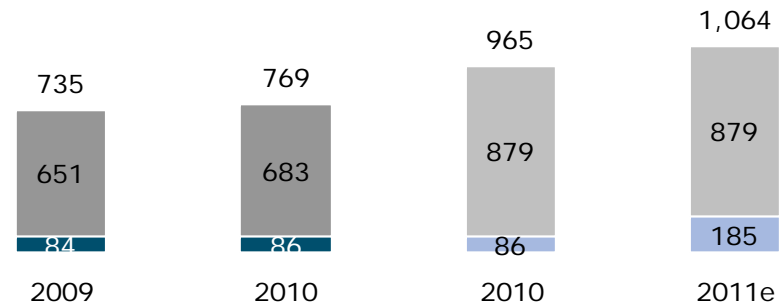


# Zinc-Lead-Silver Expansion Projects

- Commissioned three months ahead of schedule
  - 210 ktpa Zinc Smelter at Dariba
  - 1 mtpa concentrator at Rampura Agucha
  
- Other projects on track
  
- FY 2010 exit capacity – 964 kt

## Mined Metal Production and proposed capacity

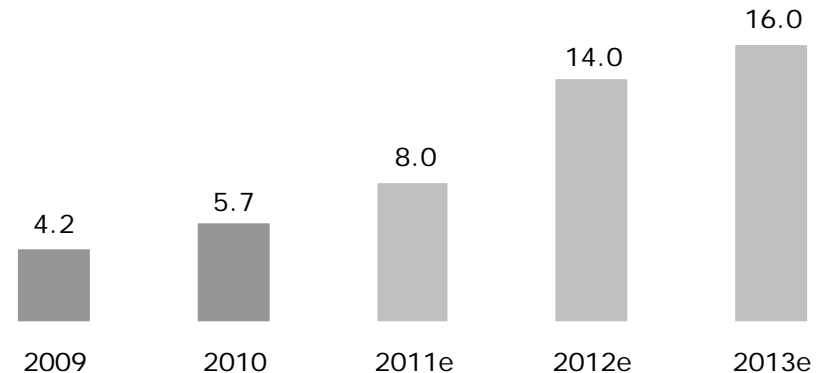
■ Production Lead (kt)      ■ Production Zinc (kt)  
■ Capacity Lead (kt)      ■ Capacity Zinc (kt)



*Capacities in 2011e and beyond refer to exit rates*

## Silver Production and proposed capacity

■ Production Silver (moz)      ■ Capacity Silver (moz)



## Completion

### Mine Expansions

Rampura Agucha (5 to 6mtpa)	Completed
Sindesar Khurd (0.3 to 1.5mtpa)	2012 <sup>1</sup>
Kayar Mine	2013

### Smelter Expansions

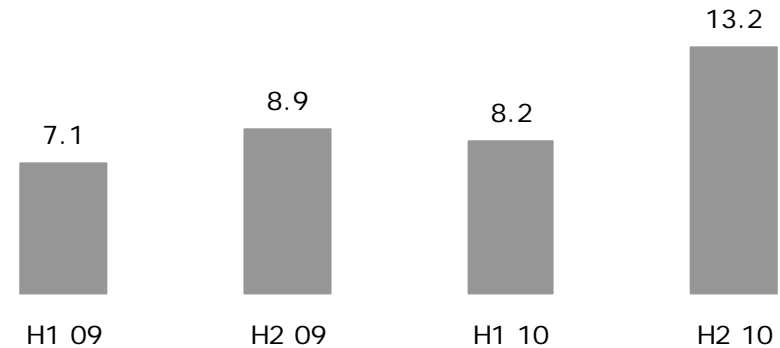
210ktpa zinc smelter	Completed
100ktpa lead smelter	Q2 FY 2011
160MW CPP	Q2 FY 2011

Notes: 1. First production from Q1 FY 2011

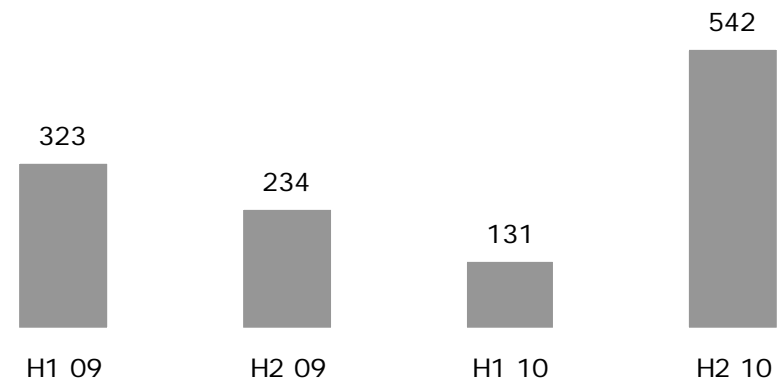
# Iron Ore Operations

- 21.4mt record iron ore production in FY 2010
  - 3.6mt contribution from Dempo acquisition (9 months)
  
- EBITDA performance reflects benefit of volume growth & increase in price
  
- 80:20 mix of Spot/Index vs. Long term benchmark based sales
  
- Record production of Pig Iron 280kt and Metcoke 262kt

**Iron Ore Production (mt)**

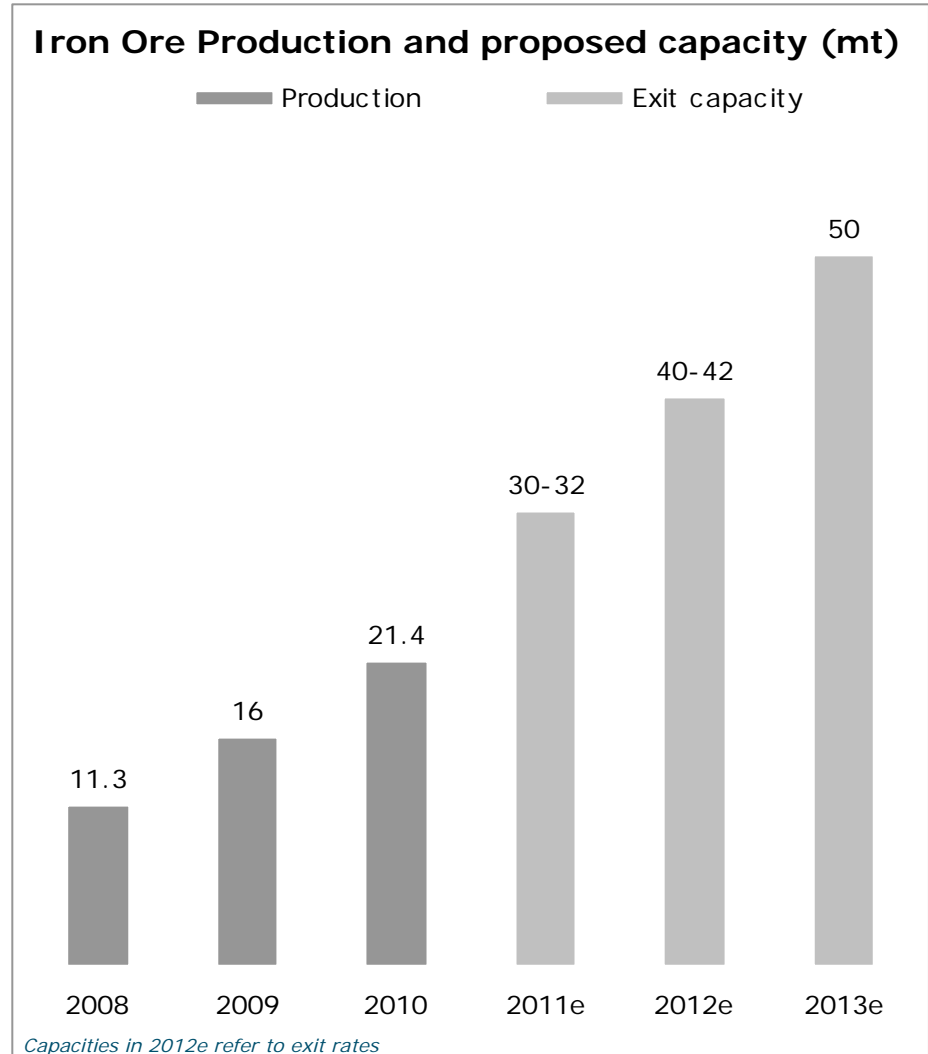


**EBITDA (US\$mn)**



# Iron Ore Expansion: Path to 50 mtpa

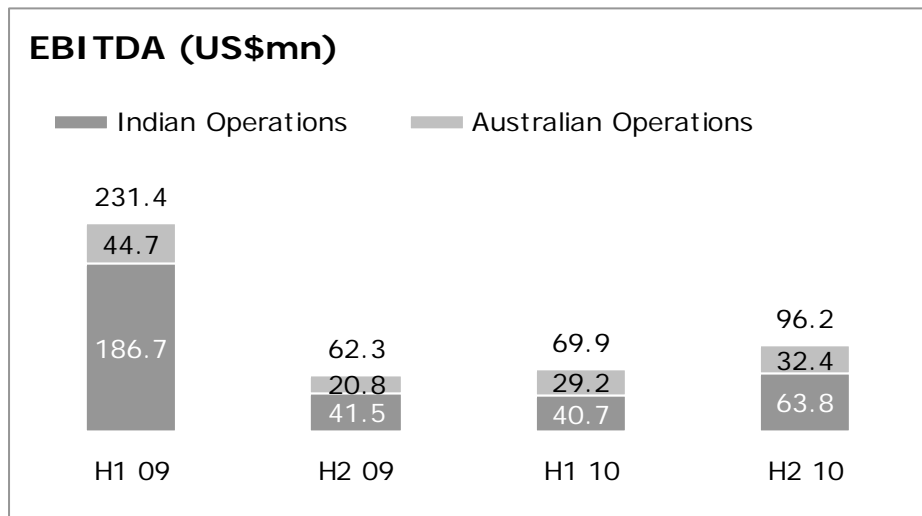
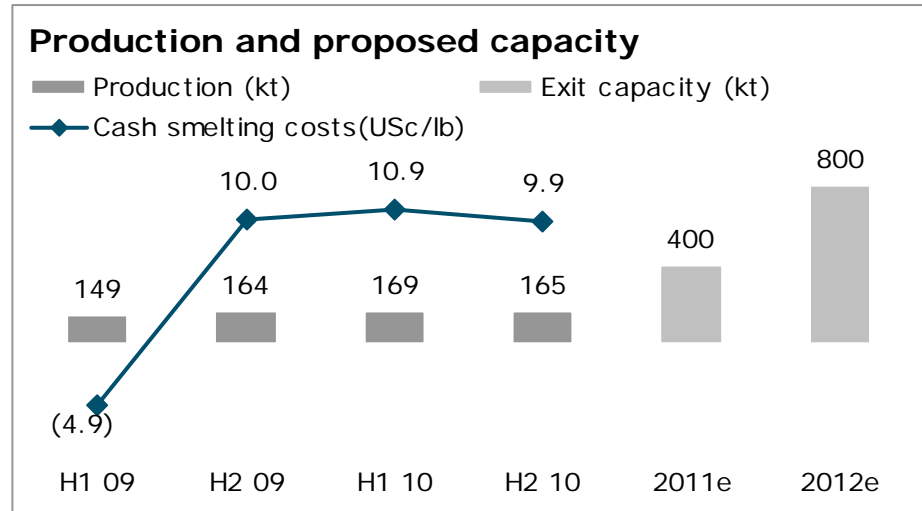
- Strategic initiatives in logistics and operations to achieve 50mt iron ore volume; capex of US\$500 million
  - Goa: 30mt, Karnataka: 10mt, Orissa: 10 mt
- Mining and Processing expansion
  - 200 mining equipments
  - 12 processing plants
- Land logistics
  - Goa
    - Widening of mine to jetty routes & deployment of high capacity trucks
    - New partially and fully dedicated road corridors
  - Karnataka
    - New railway siding,
    - Dedicated road corridor
  - Orissa
    - New railway siding
- River logistics/Sea loading
  - Addition of 20 new 2300/2500 DWT barges
  - High capacity floating crane terminal to add 16 mtpa of transshipment capacity
- Capacity expansion of Pig Iron by 375kt and Metcoke by 280kt along with Sinter Plant and Power Plant are on track for completion by Q1 FY2012





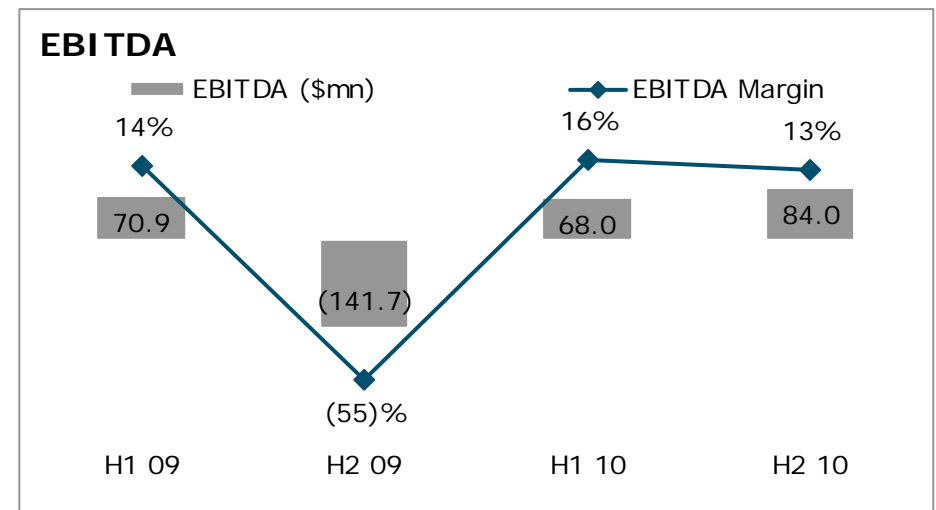
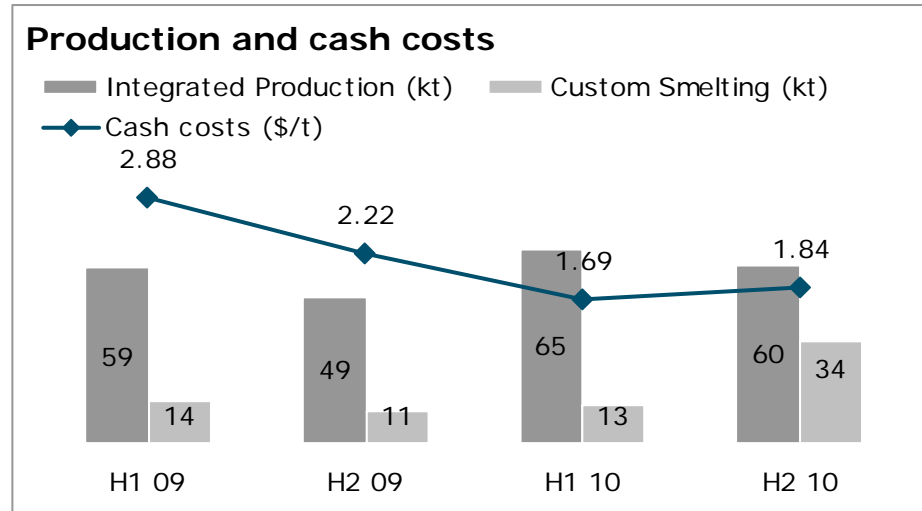
# Copper-India and Australia Operations

- 7% reduction in gross cash cost to 16.6USc/lb
  - 7.7 cents fall in acid credit
  - Net COP at 10.4cents/lb
- TcRc 16% higher at 13.6c
- Improving sulphuric and phosphoric acid markets since Q4 FY 2010
- Mined metal production of 24 kt metal in concentrate from Australian Mine
- 400 ktpa copper smelter project and associated 160 MW captive power plant at Tuticorin
- Will achieve savings in power cost of 5c/lb besides meeting India's growing Copper demand
- Engineering and procurement activities underway and project on schedule for commissioning by mid 2011



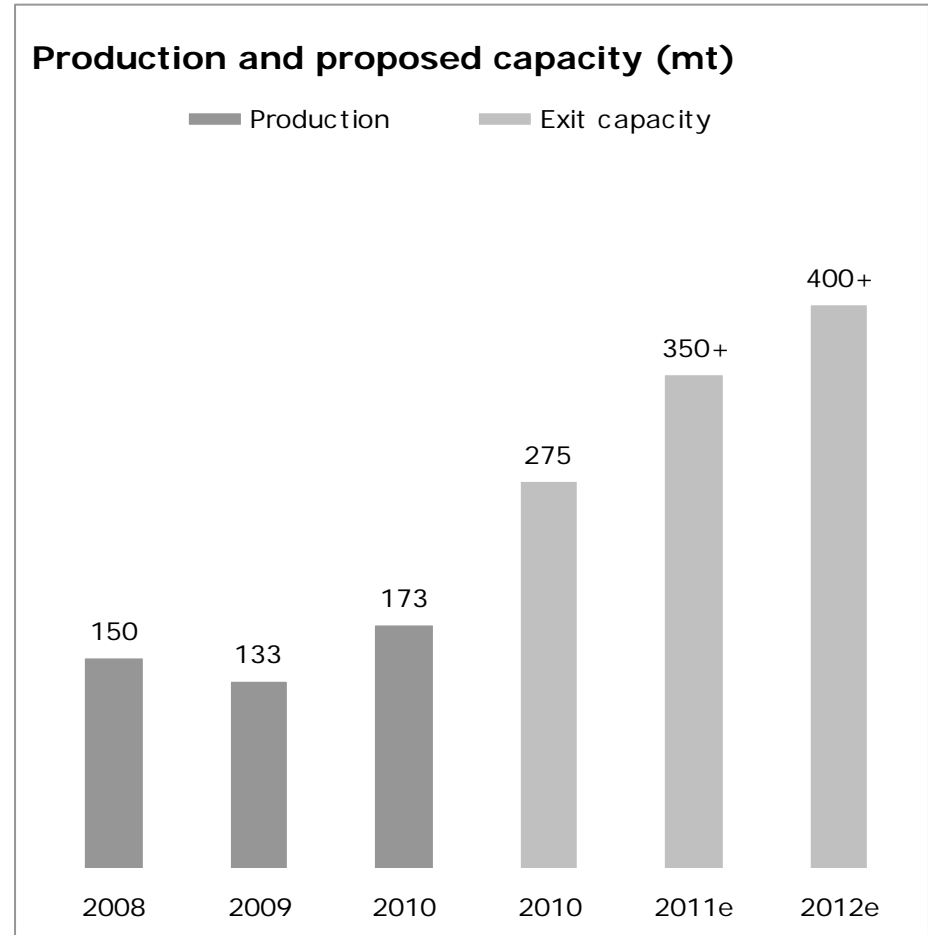
# Copper-Zambia Operations

- Cathode production up 30%, Integrated production up 17%
- Nchanga smelter operating at design parameters of recovery etc.
- Unit COP reduced by 29 % to 184c/lb
  - Higher integrated production
  - Strategy for more efficient procurement and outsourcing
  - Manpower rationalisation
  - Kwacha depreciation
- Going forward, operational improvements and volume growth expected to enable lowest quartile CoP
  - TLP: Operation now stable and opening of COP-A and Fitwaola to improve pit feed grades
  - Konkola new shaft to augment waste/ore hoisting, resulting in higher and stable volumes
  - Improved cobalt credit



# Copper-Zambia Expansion Project

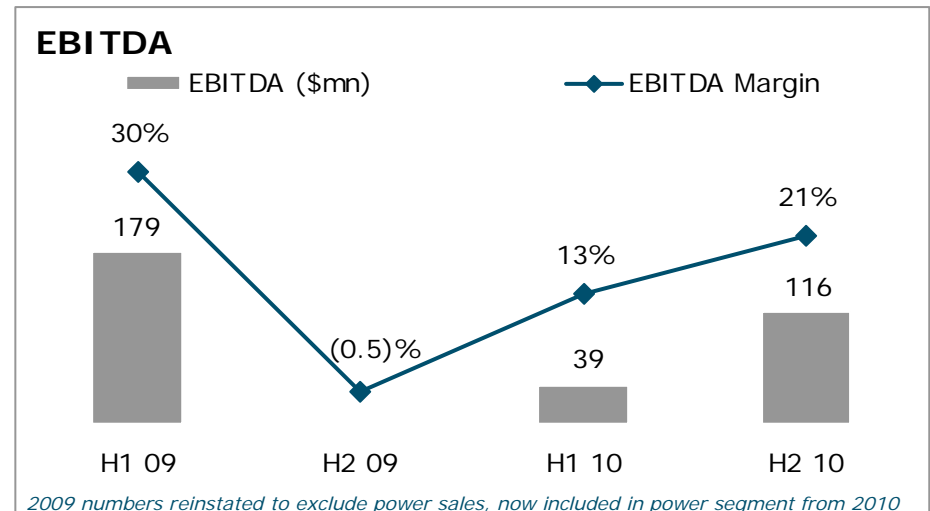
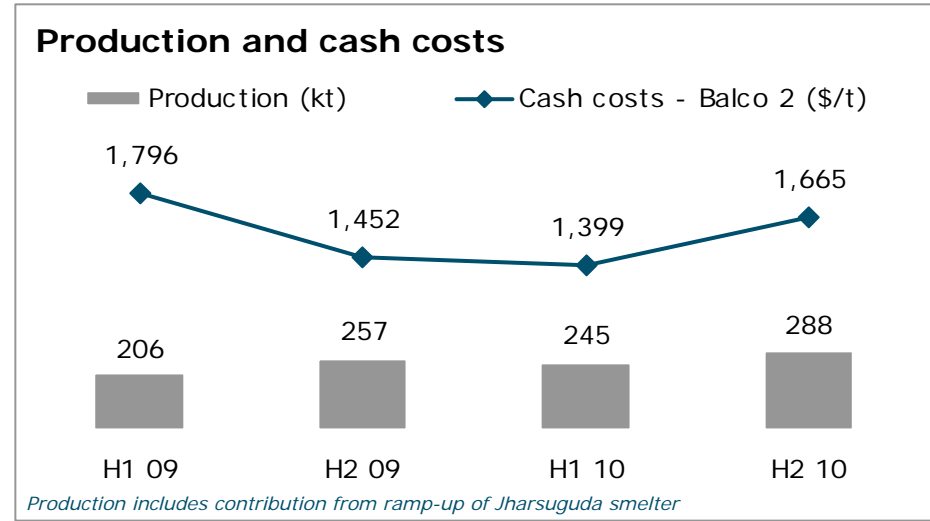
- Commissioning of KDMP mid shaft loading station
  - Increase mine hoisting capacity to speed up mine development
  
- Bottom shaft completion expected by Q3 FY 2012
  
- Implementing several debottlenecking and improvement initiatives
  
- 50ktpa CRO plant basic engineering nearing completion



*Capacities in 2011e and beyond refer to exit rates*

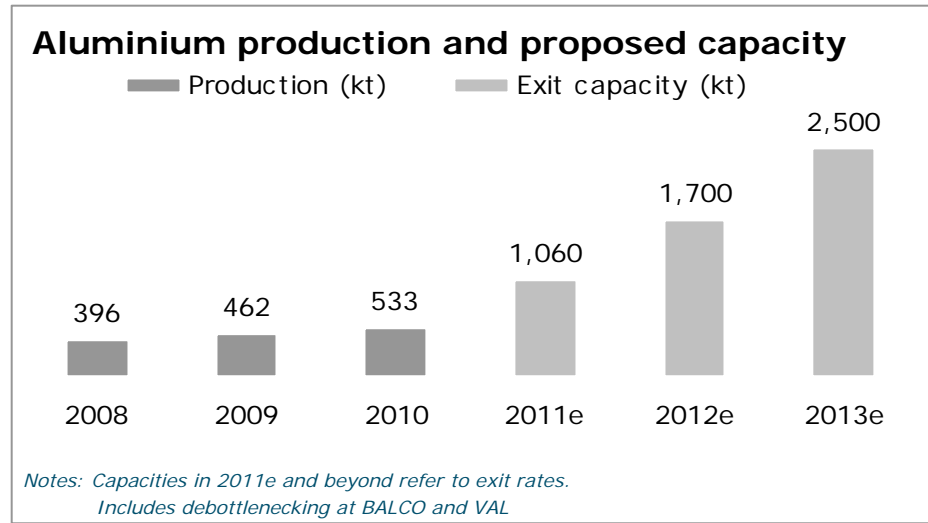
# Aluminium Operations

- Record production of 533 kt in FY 2010
- Aluminium LME decreased from US\$2,234 to US\$1,868
- First 250 ktpa capacity at Jharsuguda stabilised
- BALCO II - 6% reduction in FY CoP to US\$1,534 per tonne reflects
  - Reduced cost of Alumina by US\$93 per tonne of Aluminium
  - Reduced carbon cost US\$66 per tonne
  - BALCO Plant I overheads of US\$77 per tonne
- Additional US\$52 million contribution from improved sales mix and premium
  - 16% sales growth in domestic market
  - 9% increase in sales of value added products



# Aluminium Expansion Projects

- Progressive commissioning of Jharsuguda second 250 ktpa smelter by Q1 FY 2011. All nine units of 1,215 MW CPP operational
- Jharsuguda
  - 1.25mtpa smelter first metal tapping now in Q2 FY 2011, completion time maintained at Q2 FY 2013
- Lanjigarh
  - Aim to commission 0.6mt in Q3 FY 2011 and 3mt progressively from Q4 FY2011 to Q3 FY 2012
- Niyamgiri Bauxite Mining to start within 3-4 months from receipt of final permit
- BALCO:
  - 325 ktpa smelter progress on track
  - 1,200MW power plant on track despite disruption
- 210mt coal block development progressing well for completion in early 2011



	First Production	Completion
<b>Lanjigarh</b>		
1.4mtpa alumina refinery	Completed	Completed
0.6mtpa debottlenecking	-	Q3 FY2011
3.0mtpa expansion	Q4 FY2011	Q3 FY2012
<b>Jharsuguda</b>		
500ktpa smelter	Commenced	Q1 FY2011
1,215 MW CPP	Completed	Completed
1.25mtpa smelter	Q2 FY2011	Q2 FY2013
<b>BALCO</b>		
325ktpa smelter	Q4 FY2011	Q2 FY2012
1,200 MW CPP	Q3 FY2011	Q2 FY2012

# Lanjigarh Update

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## **Refinery project**

- Zero discharge, state of the art technology
- About c.2,000 local people working at the site

## **Mining project**

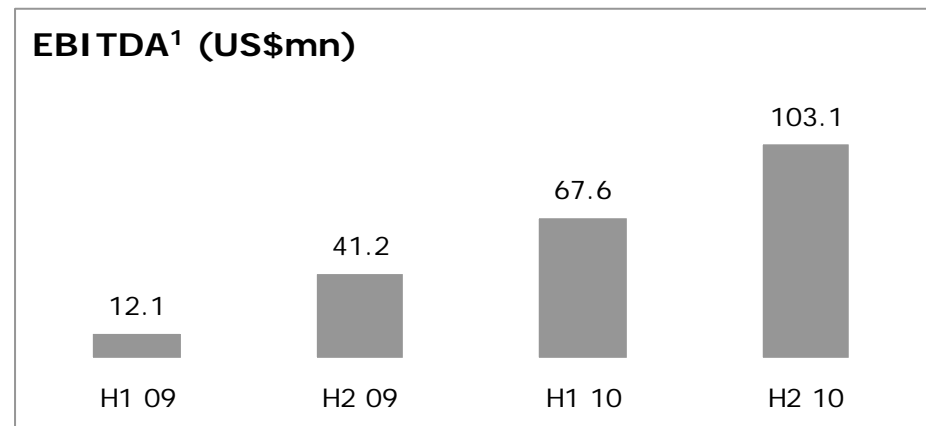
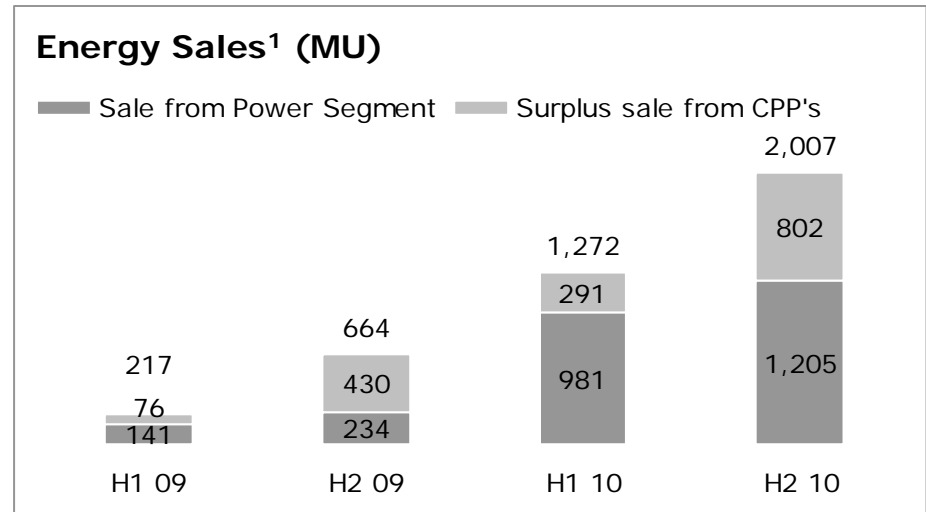
- Supreme Court permission received in August 2008
- Mining awaiting final forest approval
- No displacement caused from mining project
- Community consultation carried out
- Specialist agencies have carried out multidimensional impact assessment
- Pipe conveyor in place of usual truck transportation

## **Community engagement**

- Need based holistic programmes in health, education, and livelihood, in consultation and partnership with communities, NGO's, and Administration
- SPV formed and funded as per Supreme Court order

# Commercial Energy Operations

- 271% increase in Energy sales
  - Closure of high cost aluminium operation at BALCO-I
  - Surplus at Jharsuguda CPP
  
- Average realisation was 10 USc
  
- Sales (in million units):
  - MALCO: 771
  - BALCO: 1,354
  - HZL wind: 430
  - VAL: 725
  - **Total: 3,280**



Notes: <sup>1</sup> Reclassified to include temporary surplus power sales from various captive power plants in addition to the sales from power plants of 100 MW at MALCO, 270MW at BALCO-1, and 123 MW wind power plant at HZL

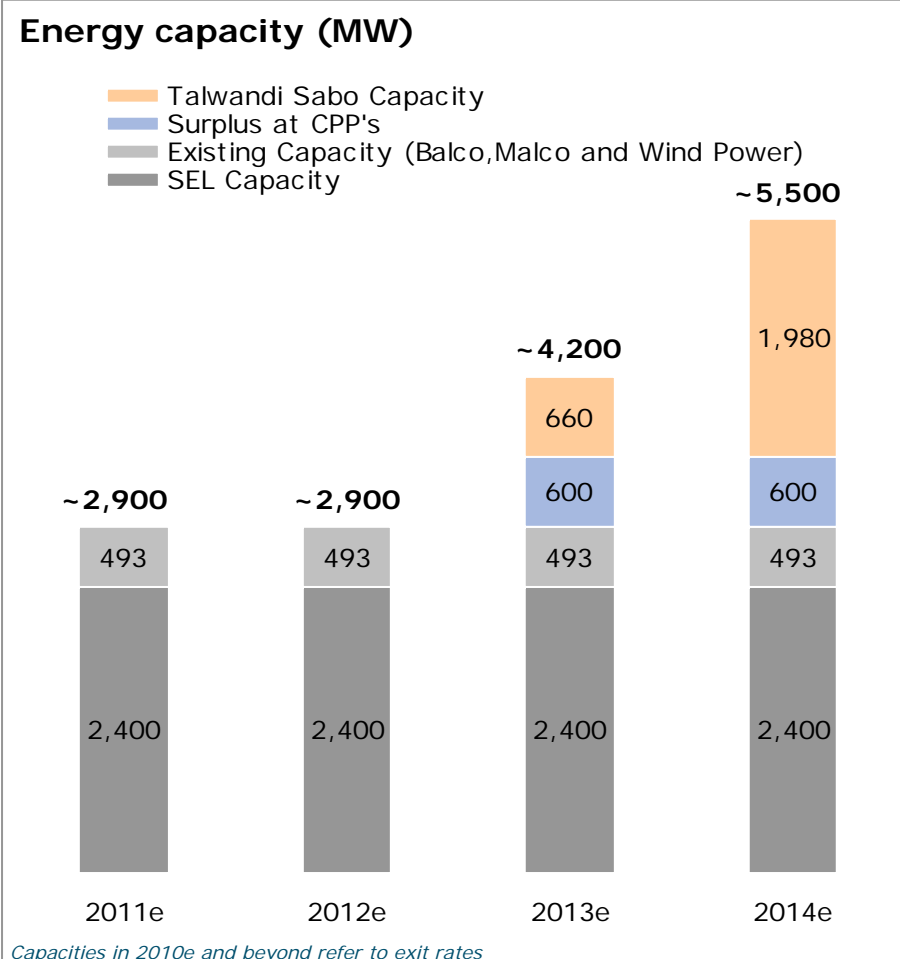
# Commercial Energy Projects

## 2,400MW Jharsuguda IPP (600 MW x 4)

- Unit 1 (600 MW) to be commissioned in Q1 FY2011
- Balance three units to be progressively commissioned by end of FY2011
- Operation and maintenance outsourced
- Coal linkages tied up

## 1,980 MW Talwandi Sabo IPP (660 MW x 3, super critical)

- EPC order placed
- Site mobilised, pre construction activities started
- Coal linkages in place
- First generation in Q4 FY 2013 . Progressive completion by Q2 FY 2014
- Evaluating opportunity of adding 660MW unit at Talwandi

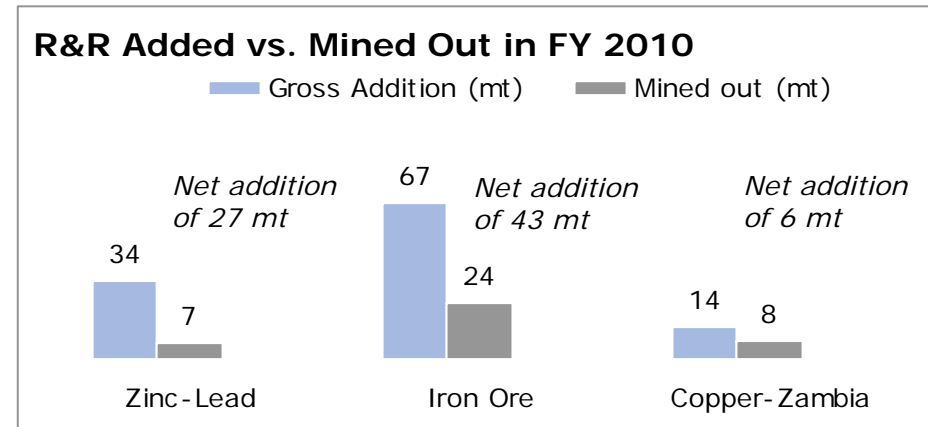
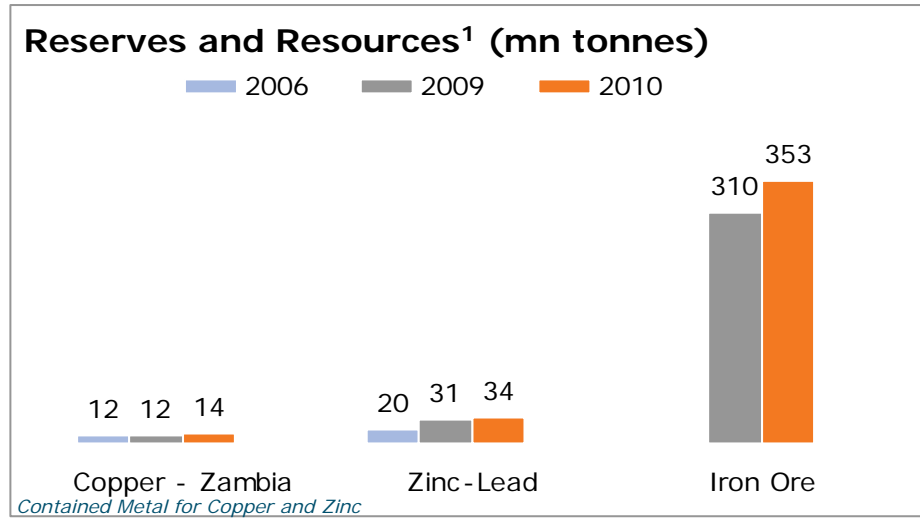


	First Production	Completion
<b>Jharsuguda</b>		
2,400 MW Thermal IPP	Q1 FY2011	Q4 FY2011
<b>Talwandi Sabo</b>		
1,980 MW Thermal IPP	Q4 FY2013	Q2 FY2014



# Continued Focus on Exploration

- Added 6 times more resources than mined out at HZL and 3 times at Sesa
- Use of best available technology and high speed drilling rigs has been very rewarding



*Adding much more than mining at an accelerated pace*

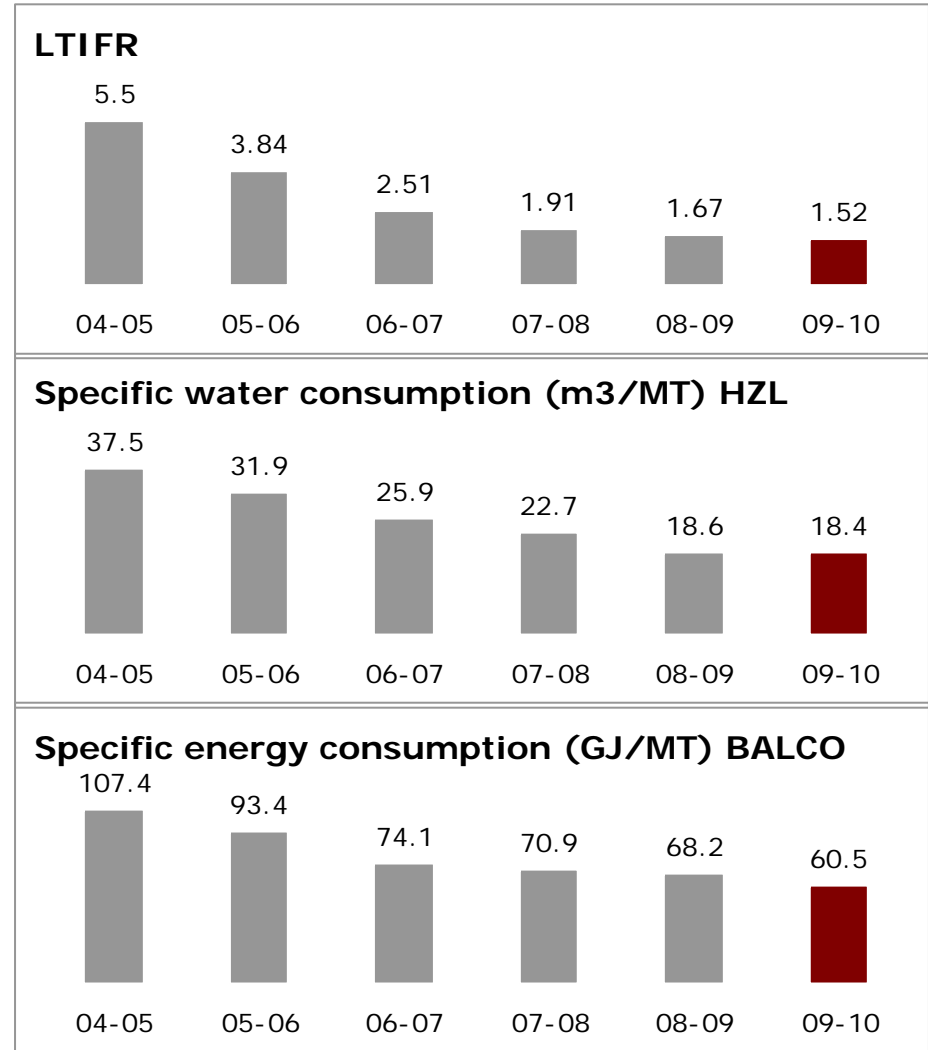
# Safety and Environment Performance

## Safety

- 72% reduction in LTIFR over 5 years
- Accident at BALCO–SEPCO CPP Project site under EPC contract
- Remain committed to best in class safety practices
- Association with safety consultants - DuPont, British Safety Council, Chilworth, IRCA

## Environment

- Continuous reduction in specific water and energy consumption across all businesses
- Beneficial use of solid wastes in sectors like cement, construction, etc
- Green energy ~ 123 MW wind power, 76 MW of waste recovery based energy generation



# Corporate Social Responsibility

## Our Approach

Well defined governing structure and policy

### Focus

- Social Investment: Health, Education and Livelihood
- Bio Investment: Water Harvesting, Agriculture and Social Forestry
- Integrated Village Development
- Stakeholder engagement and consultation
- Planned and result-oriented approach
- Base line study, monitoring, impact measurement and social audits
- Resources: Partnering with government, NGO, communities and CSR team

## Impact

- 552 villages, 2.7 million people positively impacted
- 100 villages under the Integrated Village Development Program
- Health care services outreach to over 730,000 people
- 2,547 Anganwadi centres (preschool centres) reaching out to over 132,000 children (up to 6 years)
- 250,000 children, 2,955 government schools, 8 kitchens under the Mid-Day meal programme
- 20,000 children enrolled for computer education in 200 government schools
- 2,050 Self Help Groups, 27,100 members earnings supplemented
- 3,100 farmers, 4,900 acres covered under the agriculture and watershed program
- 4.2 million vocational training hours generated for the unemployed rural youth & SHG members
- 92 NGO partners, 76 CSR personnel and 342 extension workers

# Financials

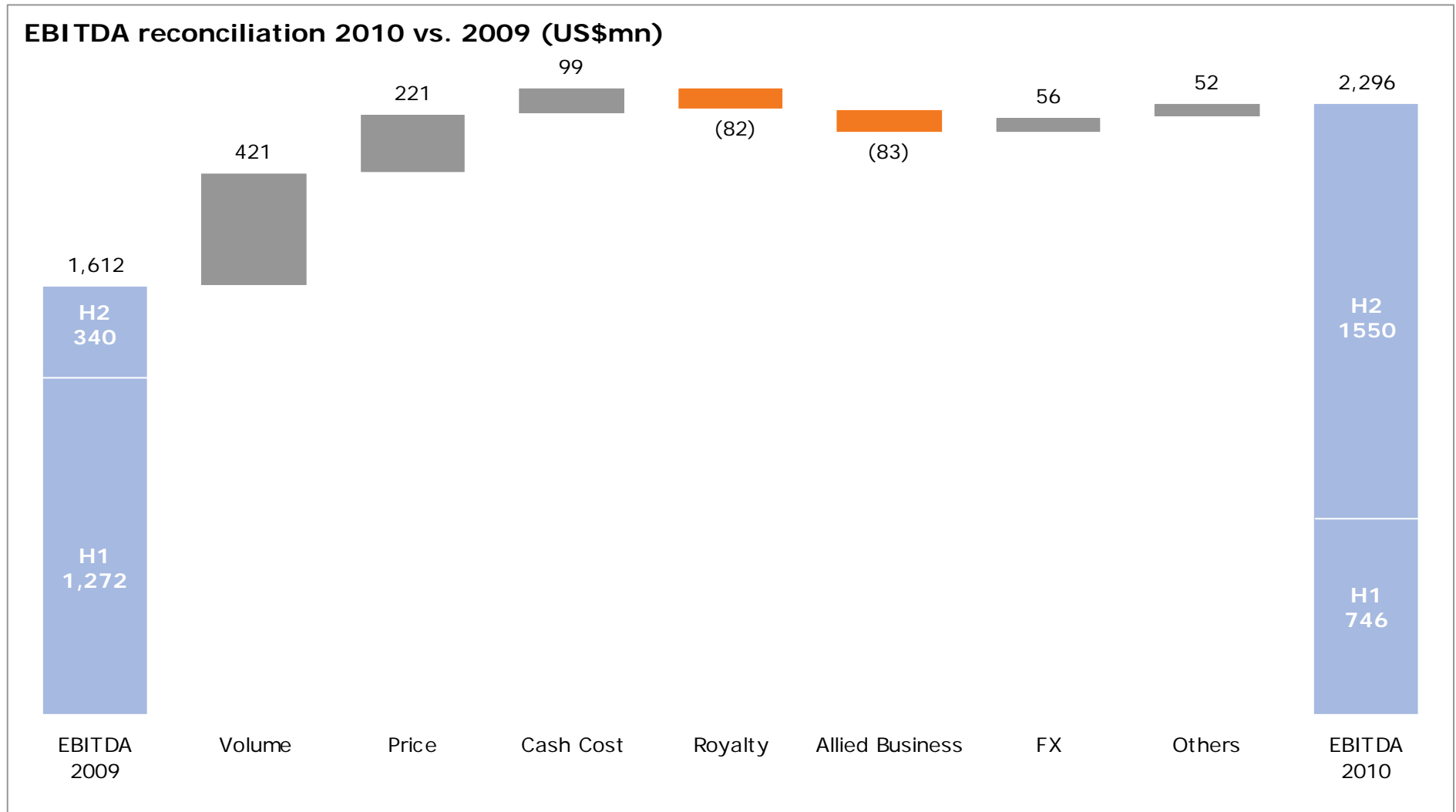
DD Jalan

Chief Financial Officer

# Financial highlights

<i>FY Ended 31 March (US\$mn)</i>	<b>2010</b>	2009	<i>Change</i>
EBITDA	<b>2,296</b>	1,612	42%
Attributable Profit	<b>602</b>	219	175%
EPS	<b>US\$2.20</b>	US\$0.76	189%
Free Cash Flow	<b>1,814</b>	1,734	5%
Capex spent	<b>3,496</b>	3,021	16%
Net Debt	<b>947</b>	200	–
Dividend (USc)	<b>45.0</b>	41.5	8%

# EBITDA Reconciliation



# Summary Cash Flow Statement

US\$m	FY 2010	FY 2009
<b>EBITDA</b>	<b>2,295.9</b>	<b>1,612.2</b>
Special items	(67.3)	(31.9)
Working capital movements	(27.9)	620.6
Non-cash items and others	59.7	104.7
Sustaining capital expenditure <sup>1</sup>	(184.4)	(282.9)
Sale of tangible fixed assets	12.1	7.9
Net interest	134.0	33.2
Tax paid	(407.8)	(330.8)
<b>Free Cash Flow</b>	<b>1814.3</b>	<b>1,733.8</b>
Expansion capital expenditure <sup>1</sup>	(3,543.4)	(3,021.3)
Semi-expansion capital expenditure	(136.2)	(24.2)
Sale /(Purchase) of fixed assets investments	17.9	(85.4)
Acquisition of minorities	(189.7)	(316.8)
Acquisitions, net of cash and liquid investments acquired	(300.4)	0.0
Buy-back of shares of Vedanta Resources plc	(348.6)	(80.3)
Issue of ADS: Sterlite	1,090.1	-
Dividends paid to equity shareholders	(117.9)	(118.8)
Dividends paid to minority shareholders	(68.4)	(56.1)
Capital Creditors	401.2	207.0
Other movements <sup>2</sup>	634.4	(581.4)
<b>Movement in net cash</b>	<b>(746.7)</b>	<b>(2,343.5)</b>

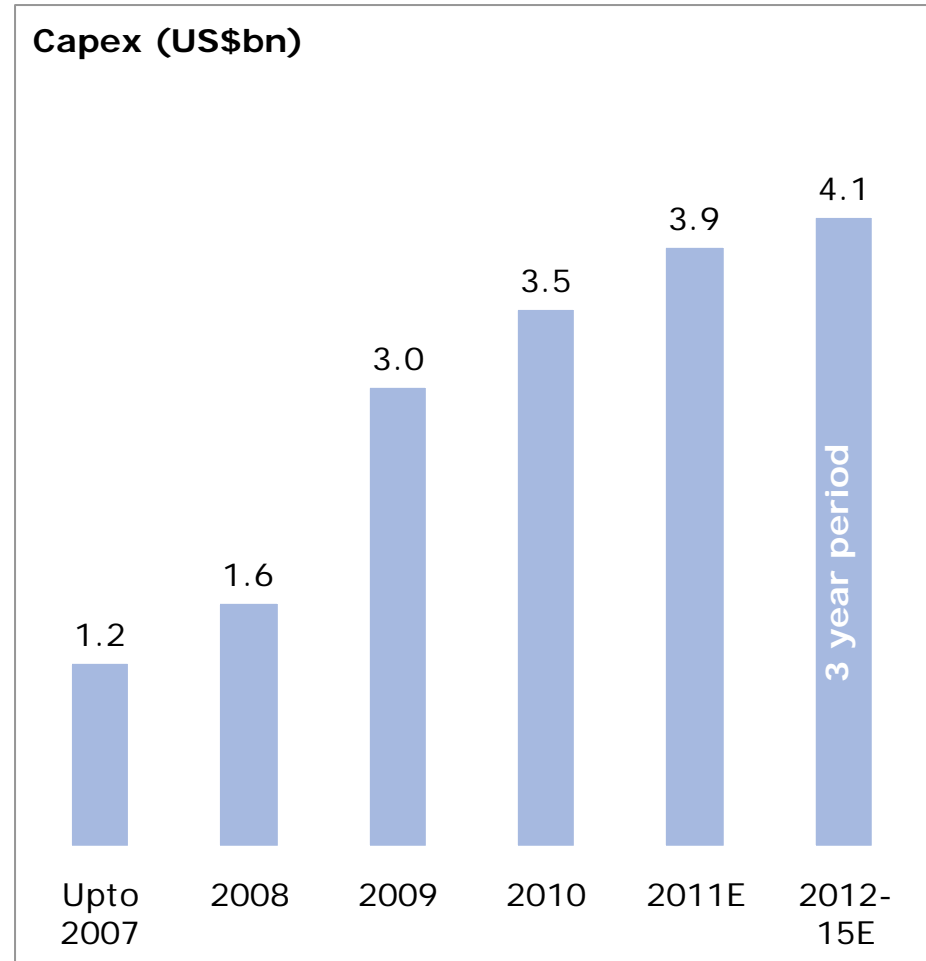
Notes: 1. On an accruals basis.

2. Includes foreign exchange movements.

- Focus on free cash flow generation
- Investment of US\$349 million in buy-backs and US\$311 million in subsidiary share purchases
- Investment of US\$3.5 billion on organic growth programme

# Strong Balance Sheet

- Robust balance sheet
- Strong liquidity of US\$7.2 billion
- Continued strong operating cash flows on back of increased production in next three years
- High free cash flow conversion at 79% of EBITDA
- Investment grade equivalent credit metrics
- Capex programme of US\$17.3 billion
- Spent US\$3.5 billion in FY 2010, US\$9.3 billion up to March 2010
- Net gearing has remained conservative through the capex programme
- Secured project financing of US\$4.9 billion





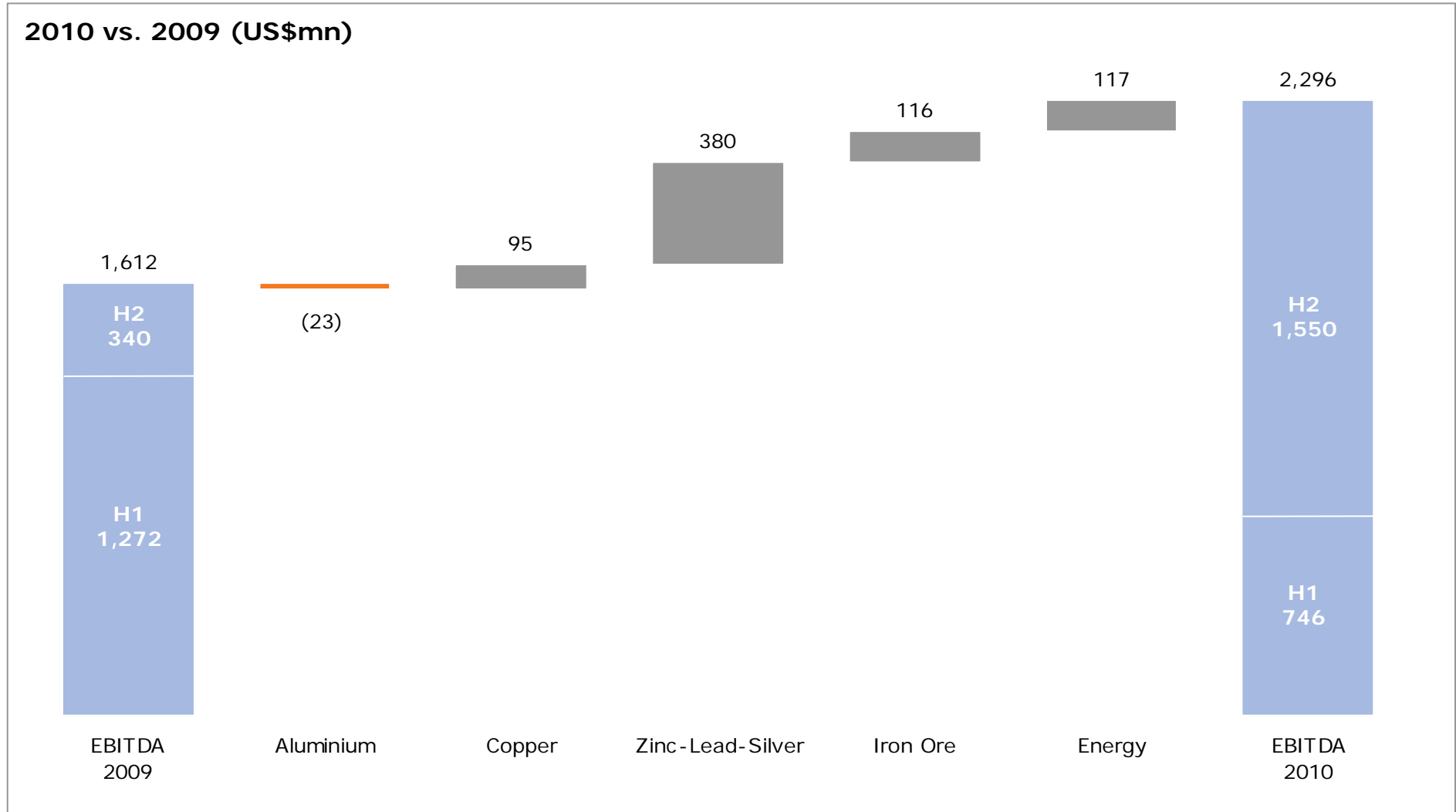
# Summary

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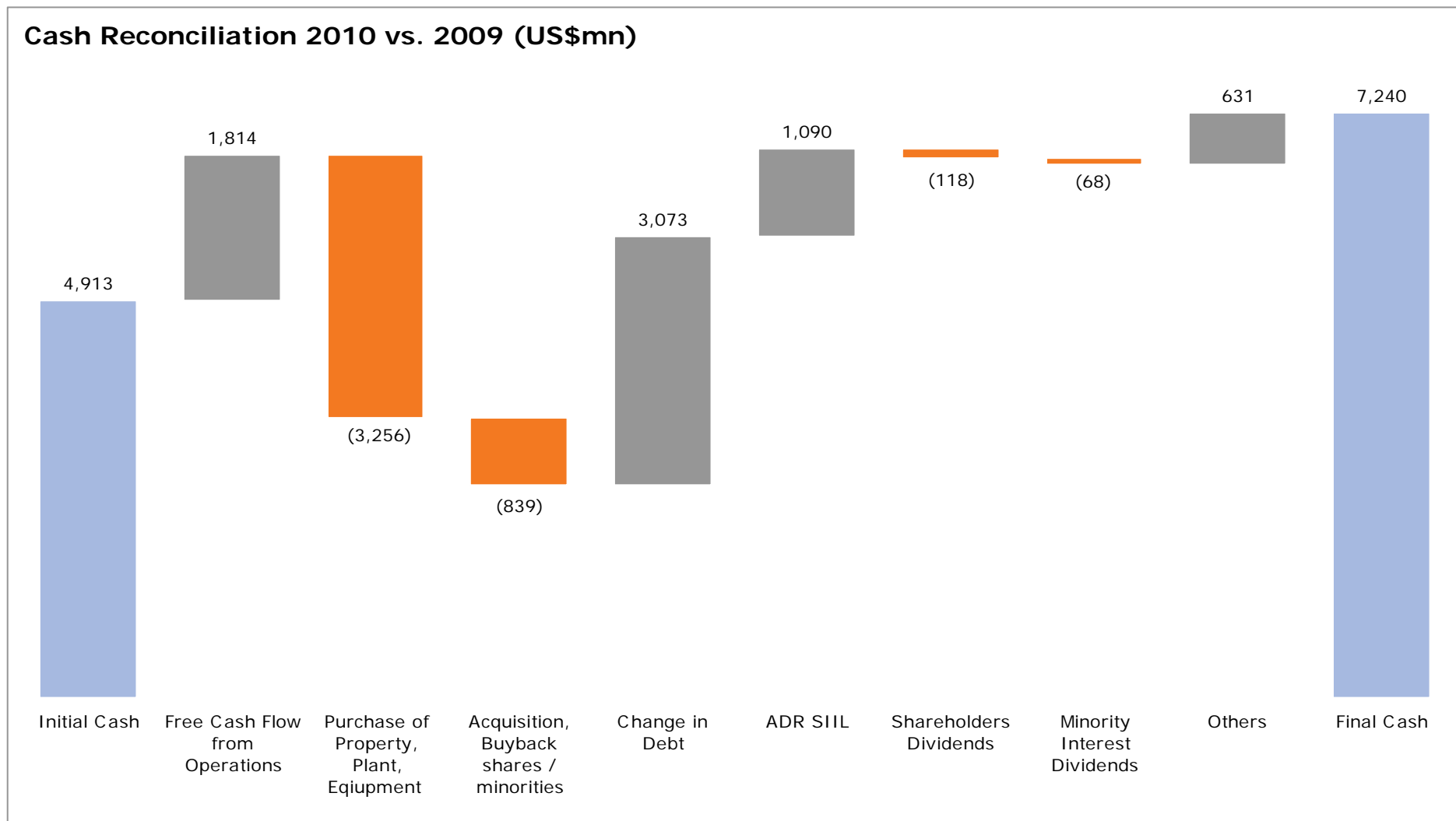
- ☑ Strong operational and financial performance
- ☑ Industry leading organic growth programme – excellent project delivery
- ☑ Structural low cost advantage
- ☑ Continued focus on exploration
- ☑ Robust balance sheet and liquidity

# Appendix

# Business-wise EBITDA



# Cash Flow



# Summary Income Statement and Balance Sheet



## Summary Income Statement

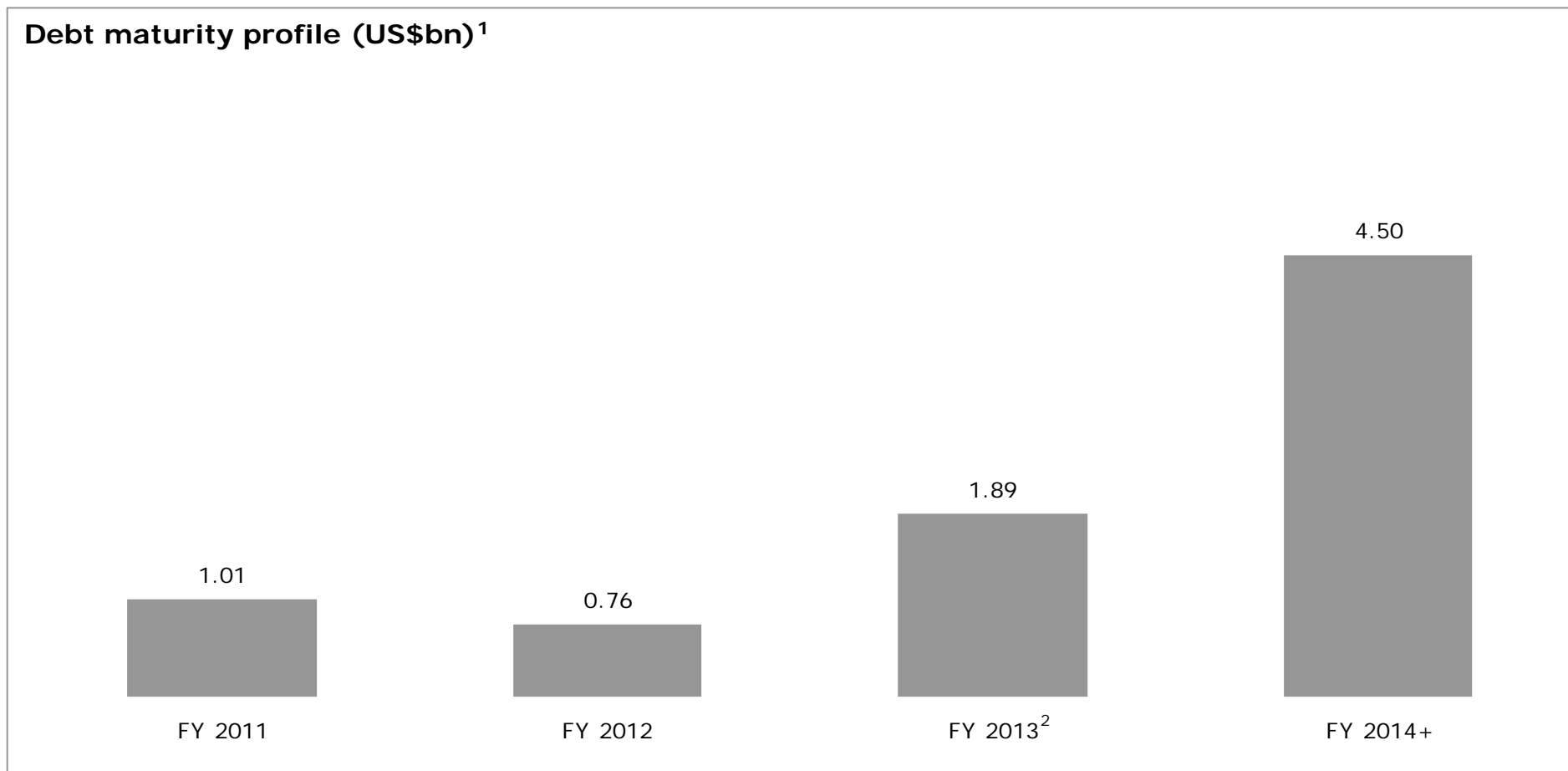
(US\$m, except as stated)	FY2010	FY2009
Revenues	7,930.5	6,578.9
EBITDA	2,295.9	1,612.2
<i>EBITDA margin</i>	<i>29.0%</i>	<i>24.5%</i>
Profit before tax	1,841.6	1,181.0
Depreciation and amortisation	563.0	473.2
Profit for the period	1,511.2	900.5
Base EPS (USc)	219.6	76.4
Underlying EPS (USc)	199.2	108.0
<i>Effective tax rate</i>	<i>17.9%</i>	<i>23.8%</i>
Minority interests	908.9	681.1
Dividend per share (USc) <sup>1</sup>	45.0	41.5

Notes: 1. Proposed for FY 2010

## Balance sheet

(US\$m, except as stated)	FY 2010	FY 2009
Property, plant and equipment	14,326.7	9,348.4
Net assets	11,439.6	7,571.3
Net (debt)/cash	(947.1)	(200.8)
<i>Gearing</i>	<i>7.5%</i>	<i>2.6%</i>
<i>ROCE (excluding CWIP)</i>	<i>19.9%</i>	<i>24.4%</i>

# Debt maturity profile



Notes: 1. Includes non-recourse project debt and working capital facilities at subsidiaries  
2. FY 2013 includes maturity of US\$1 billion loan taken to acquire Sesa Goa

# Sensitivities

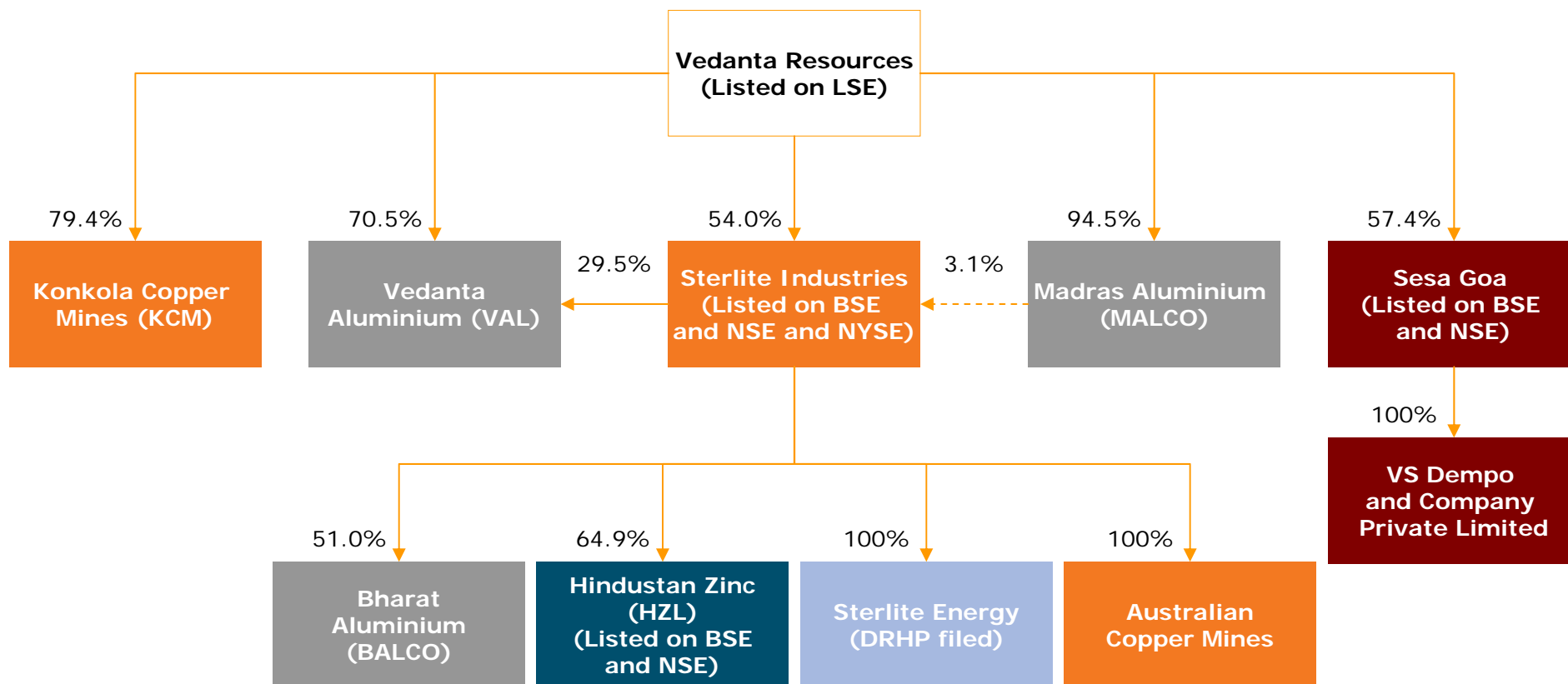
## Foreign currency sensitivities on EBITDA

Impact on Group of a 10% change in FX	EBITDA (US\$mn)
INR/USD	332.4
AUS\$/USD	8.4
ZKA/USD	41.7

## Commodity price sensitivities on EBITDA

Impact on Group of a US\$100/t change in LME	EBITDA (US\$mn)
Copper price	15.5
Aluminium price	55.3
Zinc price	66.4
Lead price	7.8

# Group Structure



## KEY

- Aluminium      ■ Copper      ■ Zinc
- Iron ore        ■ Power

Structure as at 31 March 2010