WELL POSITIONED THROUGH THE CYCLE

Navin Agarwal

Deputy Chairman

Presentation at Banc of America Securities - Merrill Lynch Global Metals, Mining and Steel Conference

12 May 2009

Cautionary Statement and Disclaimer

The views expressed here may contain information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of this information.

Any forward looking information in this presentation has been prepared on the basis of a number of assumptions which may prove to be incorrect. This presentation should not be relied upon as a recommendation or forecast by Vedanta Resources plc ('Vedanta').

This presentation may contain 'forward-looking statements' – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as 'expects,' 'anticipates,' 'intends,' 'plans,' 'believes,' 'seeks,' or 'will.' Forward–looking statements by their nature address matters that are, to different degrees, uncertain.

For us, uncertainties arise from the behaviour of financial and metals markets including the London Metal Exchange, fluctuations in interest and or exchange rates and metal prices; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a environmental, climatic, natural, political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different that those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

WELL POSITIONED THROUGH THE CYCLE

Introduction

The mining sector has been affected by several factors

Moderating economic growth

Volatile markets creating uncertainty

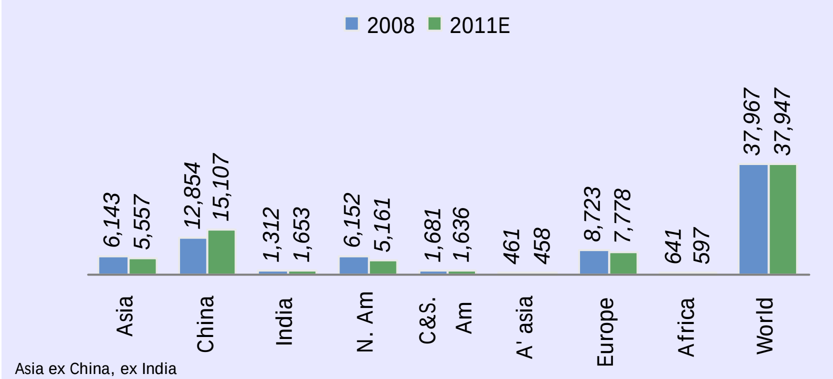
Sharp decline in commodity prices

Credit crisis impacting growth

Low equity valuations

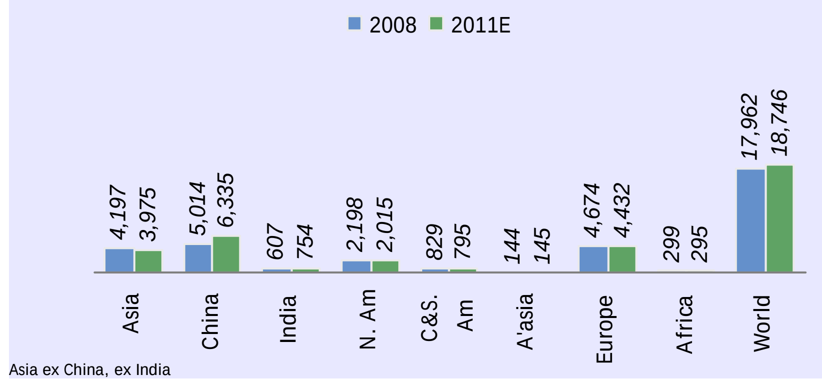
Future demand for commodities

Aluminium consumption (kt)



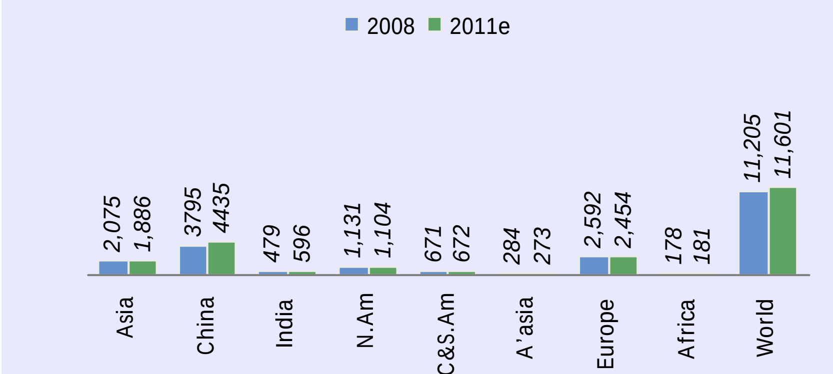
Asia ex China, ex India

Copper consumption (kt)



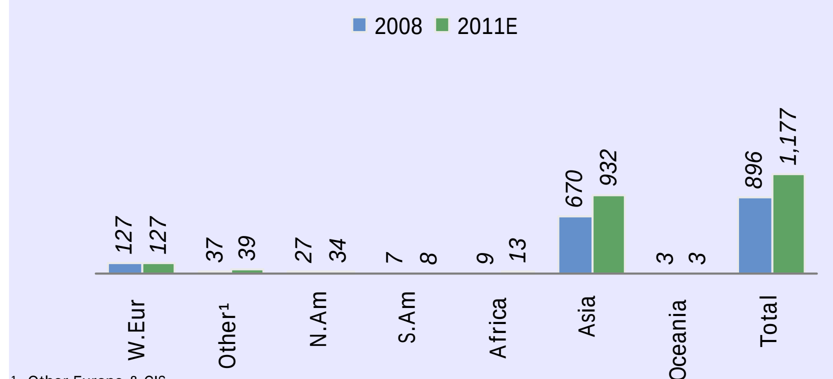
Asia ex China, ex India

Zinc consumption (kt)



Asia ex China, ex India

Iron ore consumption (mt)



[1] Other Europe & CIS

Source: Brook Hunt, CRU, company estimates

Rise of emerging markets and Chinese demand growth championing current industry dynamics

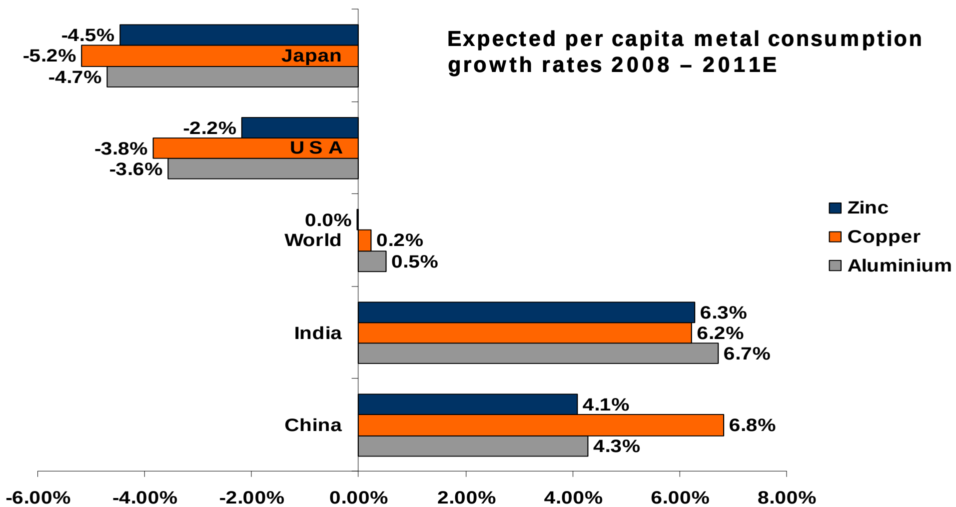
Strong India opportunity

- Robust GDP growth rate
  - FY2009 - ~7.5%
  - FY2010e/2011e – Between 5-6%
    - Growth rebound likely due to aggressive policy response by regulators
- Economy highly domestic-demand driven
  - Exports account for only 20-22% of GDP
  - Less exposed to slump in external demand
- Continues to remain supply constrained
  - Increased infrastructure spend in 11th 5-year plan
    - Investment-to-GDP ratio to be maintained at 30+%
  - Per capital metal consumption growth expected to increase
- Excellent reserve positions
  - Coal reserves of ~248 bn tonnes
  - Iron ore reserves of ~23 bn tonnes
  - Bauxite reserves of ~2.5 bn tonnes
- Low capital costs of project development
- Supply hub
  - Ideally located to serve Asian markets

Areas of Planned Investments 11th Five Year Plan (US$ Billions)

	2008	2009	2010	2011	2012	Total
Power	18	23	28	36	45	150
Roads	13	13	14	17	19	76
Railways	8	10	12	14	19	63
Water	6	8	9	12	14	49
Ports	3	3	3	4	5	18
Airports	1	1	2	2	2	8
Storage	1	1	1	1	1	5
Gas	1	1	1	1	1	5
Irrigation	7	8	11	13	16	55
Core Infrastructure sub total	**58**	**68**	**81**	**100**	**112**	**429**
Telecom	8	10	12	15	20	65
Infrastructure Total	**66**	**78**	**93**	**115**	**142**	**494**

Source: McKinsey &Co. estimates



Source: Brookhunt, company estimates

WELL POSITIONED THROUGH THE CYCLE

Corporate Overview

Delivering prudent, profitable growth & returns

Robust financial results	■ EBITDA of $1.6bn, a 25% margin ■ Attributable EPS of 76.4 USc per share ■ Strong Free Cash Flow of $1.7bn
Strong operational performance	■ Record production in aluminium, iron ore, zinc and silver ■ Successful project commissioning; Aluminium, Zinc, and Copper-Zambia ■ Achieved significant cost savings, further improving low cost position
Increasing returns to shareholders	■ ROCE of 24.4% despite major capital investment programme ■ $250mn share buyback programme; $80mn / 3.3% bought in FY2009 ■ Progressive dividend policy maintained; FY2009 dividend 41.5c
Strong financial position	■ Strong balance sheet: Gross Cash of $4.9bn and Net Debt of $200mn ■ Secured $3.7bn of project financing ■ Strong cash flow from structurally low cost operations

Decisive response to market conditions

- Cost saving initiatives delivered across all operations
  - Working capital management
  - Supplier contracts renegotiated
- Cost reduction in all operations, including most significantly at KCM
- Net reduction/deferral of $5.3bn in expansion projects
- Re-negotiated ASARCO purchase consideration
- Marginal aluminium production shut down

Delivering on our strategy

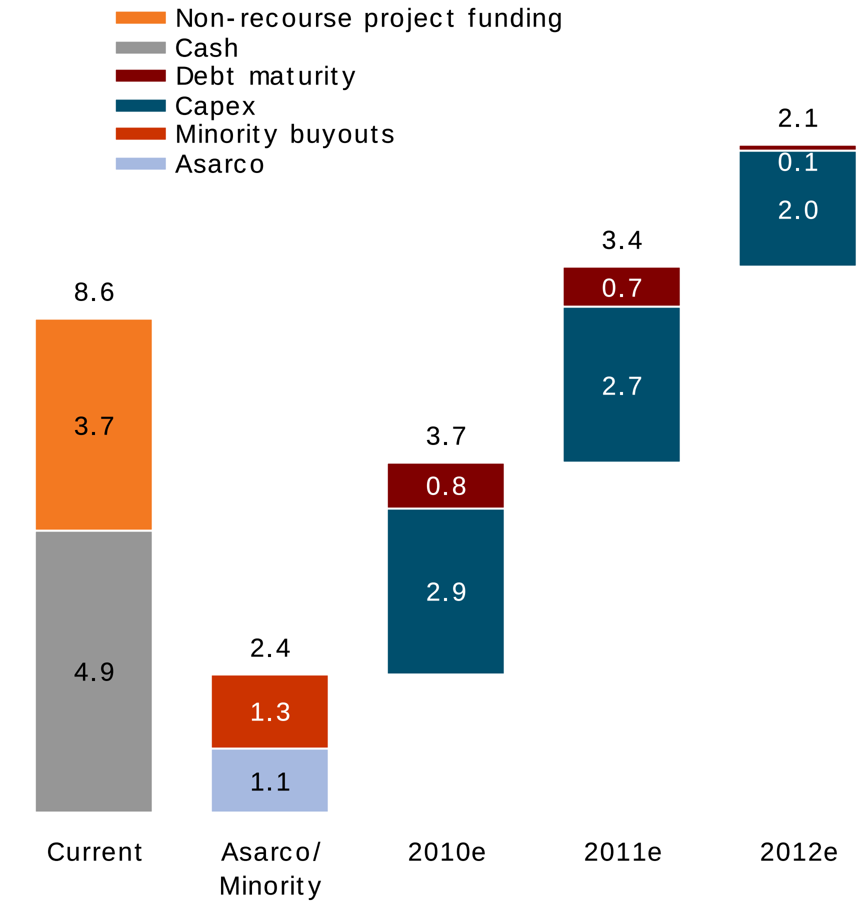
Pursuing organic growth	■ Delivering 2.5mtpa (Al), 1mtpa (Cu, Zn), 25mtpa (Fe), and 6,500Mw (power) ■ $7.6bn capex to spend, secured $3.7bn funding ■ Will further reduce CoP
Substantial exploration success	■ Significant resource upgrade at Sesa Goa, +57.8mt ■ Significant resource upgrade at HZL, +46.3mt ■ Promising exploration potential at KCM
Optimising returns	■ Silver production up 31% to 3.4moz; EBITDA of $45mn ■ 880mn kwh of surplus power sales; EBITDA of $45mn ■ Phosphoric acid by product sales up; EBITDA of $63mn ■ Opportunities in cobalt production to reduce KCM costs further
Consolidating minorities	■ MALCO minority buy-out completed and delisting in progress ■ Increased holding in Sterlite and Sesa Goa ■ Acquired 28.4% stake in KCM ■ BALCO arbitration progressing; HZL call option exercise to follow
Leveraging existing skills	■ Proposed acquisition of Asarco assets – Adds scale in copper, diversification and operational opportunities

Well funded growth programme

- Very strong liquidity
- Structurally low cost options underpin strong free cash flow
- Peak gearing to remain under 40%

Liquidity and capital requirements ($bn)

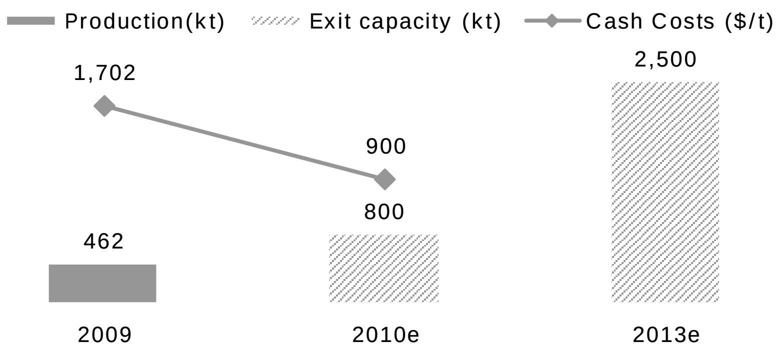
(excluding cash accruals)



Growing, low cost production drives cashflow

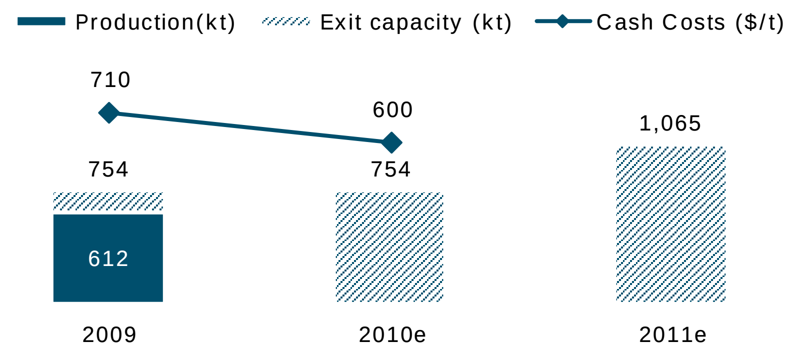
Aluminium

Current LME: $1,500/tonne



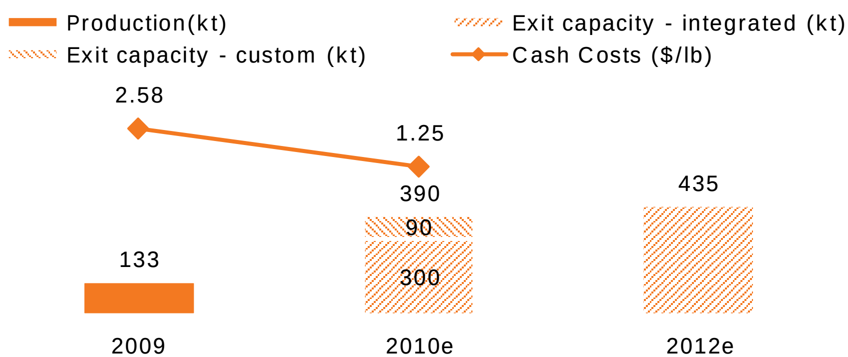
Zinc-Lead

Current LME: $1,500/tonne



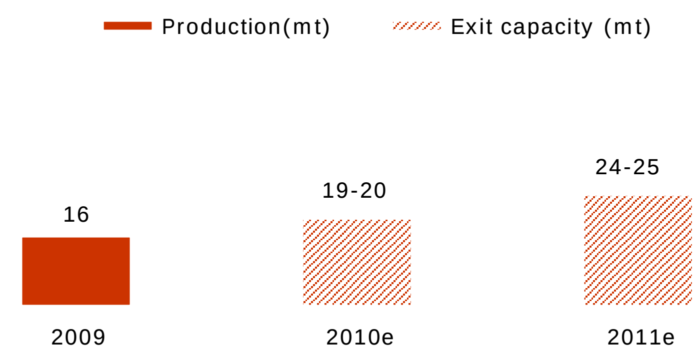
Copper - Zambia

Current LME: $2.0/lb



Iron Ore

Current Spot: $50/tonne



Plus Copper India, Power, Silver

Capacities and costs in 2010e and beyond refer to exit rates

Conclusion: well positioned through the cycle

- Delivering prudent, profitable growth & returns
- Decisive response to market conditions
- Delivering on our strategy
- Well funded growth programme
- Growing and sustainable low cost production drives cashflow

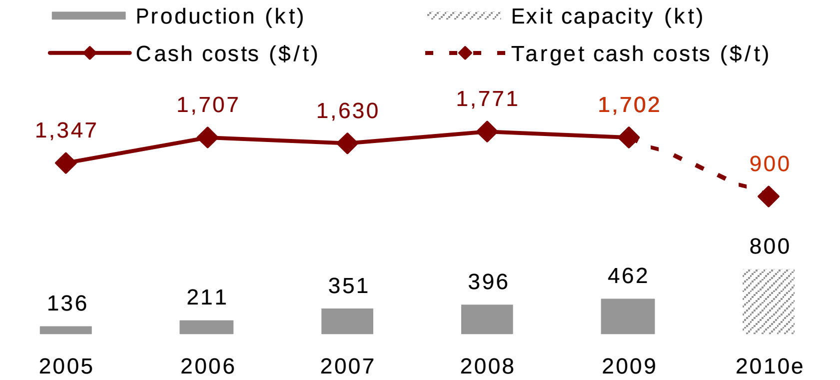
WELL POSITIONED THROUGH THE CYCLE

2009 operating review

Aluminium operations

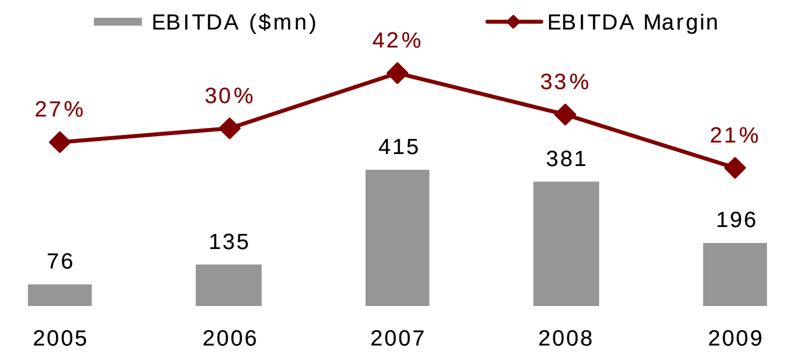
- Record annual production, up 17%
  - 82kt from new Jharsuguda smelter
  - 586kt of alumina from first stream of the Lanjigarh refinery
  - Shut down marginal production at MALCO (December 2008) and part of BALCO plant I (March 2009)
- Sales of surplus power: $28mn EBITDA
- Significant fall in LME prices
- H2 FY2009 reduction in CoP: BALCO II exit CoP of $1,146/t
- Exit CoP of $900 per tonne, exit FY2010E
  - Alumina: $250/t
  - Smelter costs: $650/t

Aluminium production and cash costs



Capacities and costs in 2010e refer to exit rates

EBITDA



Aluminium expansion projects

Lanjigarh 1.4mtpa alumina refinery

- Stream I operating near rated capacity from Q4 FY2009; Stream II recently commissioned
- Niyamgiri bauxite by conveyor – mid FY2010

Lanjigarh 3.6mtpa expansion

- Major orders placed and project work in full swing
- 600ktpa debottlenecking project to be completed by March 2010
- One line (1mt) to be commissioned by mid 2010 and full commissioning of all three lines by mid 2011

Jharsuguda I: 500ktpa smelter and 1,215Mw CPP

- Phase I: 250ktpa to be fully operational by Q1 FY2010, six months ahead of schedule
- Phase 2: Phased commissioning by June 2009 through to end FY2010

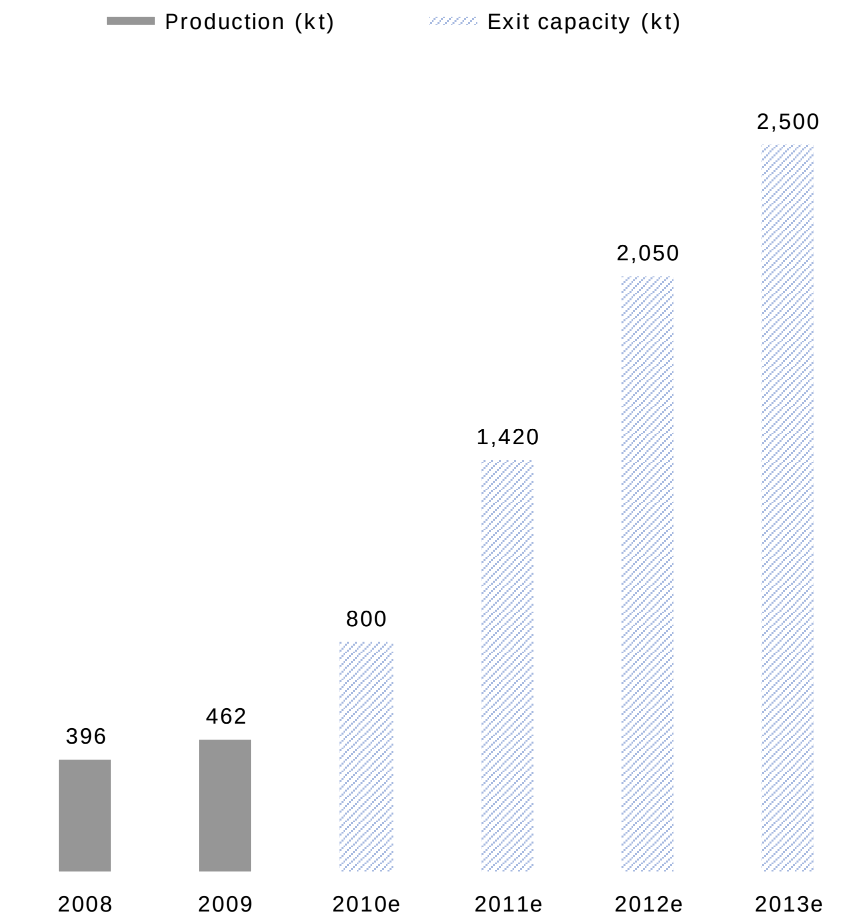
Jharsuguda II: 1.25mtpa smelter (4 lines)

- Phased commissioning from March 2010, full commissioning of three Lines by September 2011, Line 4 by September 2012

BALCO: 325kta smelter & 1,200Mw CPP

- Construction commenced
- First metal tapping from October 2010, full commissioning by September 2011

Aluminium production and proposed capacity

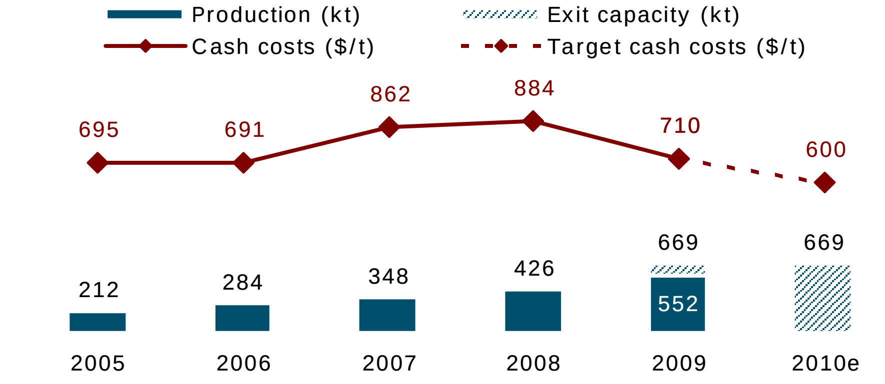


Capacities in 2010e and beyond refer to exit rates

Zinc operations

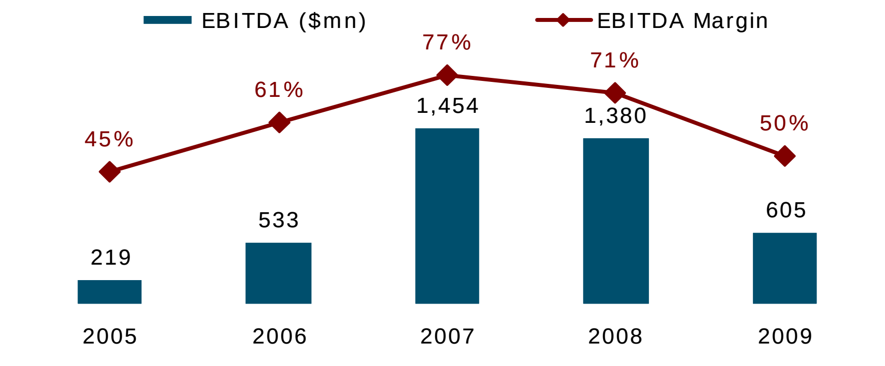
- Record annual production of zinc, lead and silver
  - Commissioning of Stream III concentrator at Rampura Agucha
  - Increased production from all smelters
  - Higher silver grade in feed
- Significant fall in LME prices
- Reduction in cash costs
  - Lower royalties
  - Rupee depreciation
  - Underlying costs held flat through increased volumes, acid credits and operational efficiencies
- Sale of wind power contributed $17mn to EBITDA
- Exit CoP of $600 per tonne, exit FY2010E

Zinc production and cash costs



Capacities and costs in 2010e refer to exit rates

EBITDA



Zinc-Lead expansion projects

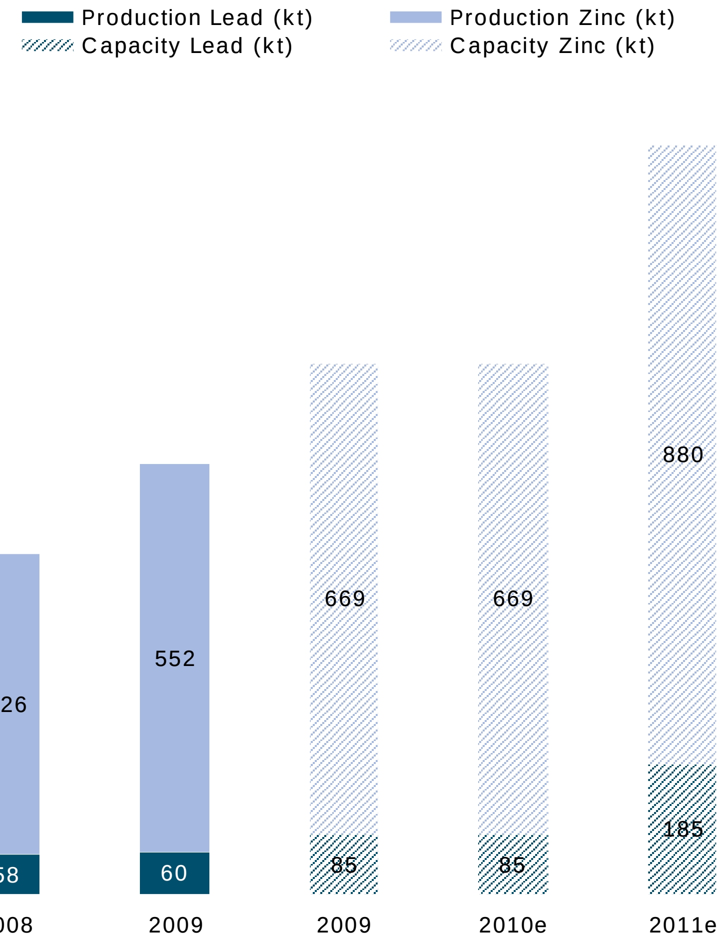
Smelter and CPP expansion

- 210ktpa zinc smelter, 100ktpa lead smelter and 160Mw CPP project
- Smelter projects to be completed by mid 2010

Mine expansions

- Rampura Agucha (from 5.0mtpa to 6.0mtpa)
  - Major ordering completed
  - Scheduled for commissioning in mid 2010
- Sindesar Khurd (from 0.3mtpa to 1.5mtpa)
  - Ramp portal nearing completion
  - Underground mine development in full swing
    - Resources mobilised to achieve accelerated mine development
  - Progressive commissioning from mid 2010

Zinc-Lead production and proposed capacity

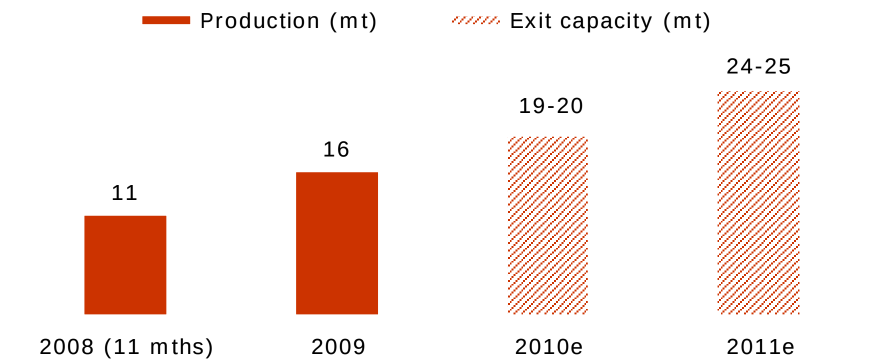


Capacities in 2009e and beyond refer to exit rates

Iron Ore operations

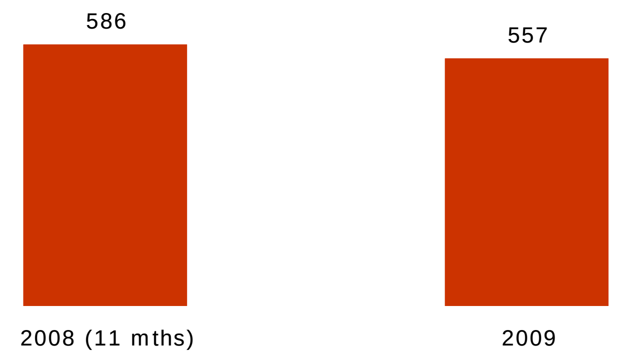
- Record annual sales, up 22%
  - First full year contribution in FY2009
  - Improved operational efficiencies
  - Majority sold in spot market
- Cost performance
  - Higher inland freight
  - Export duty
- Lower realisations
  - Fall in realisation in H2 FY2009

Iron Ore production and proposed capacity



Capacities in 2010e and beyond refer to exit rates

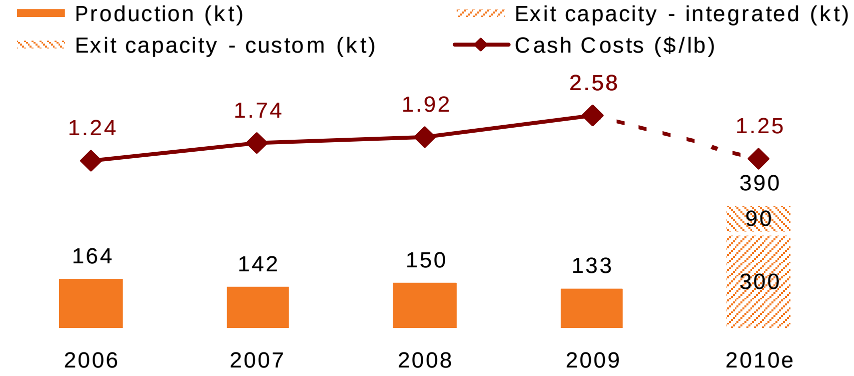
EBITDA ($mn)



Copper-Zambia operations

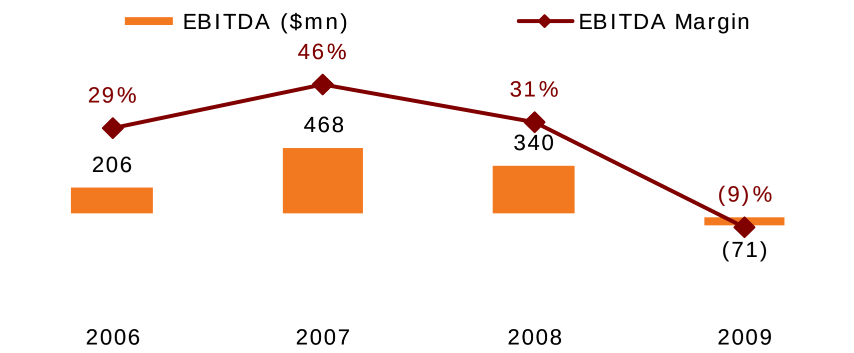
- Planned reduction of production on account of:
  - Ramp down of high cost operations at Nkana
  - Process disruption in SX/EW plant in Q1 FY2009
- Commencing of Nchanga smelter in Q4 FY2009
- Significant fall in LME prices
- Transformation in costs
  - Exit CoP of $1.25/lb FY 2010E

Production and cash costs



Capacities and costs in 2010e refer to exit rates

EBITDA

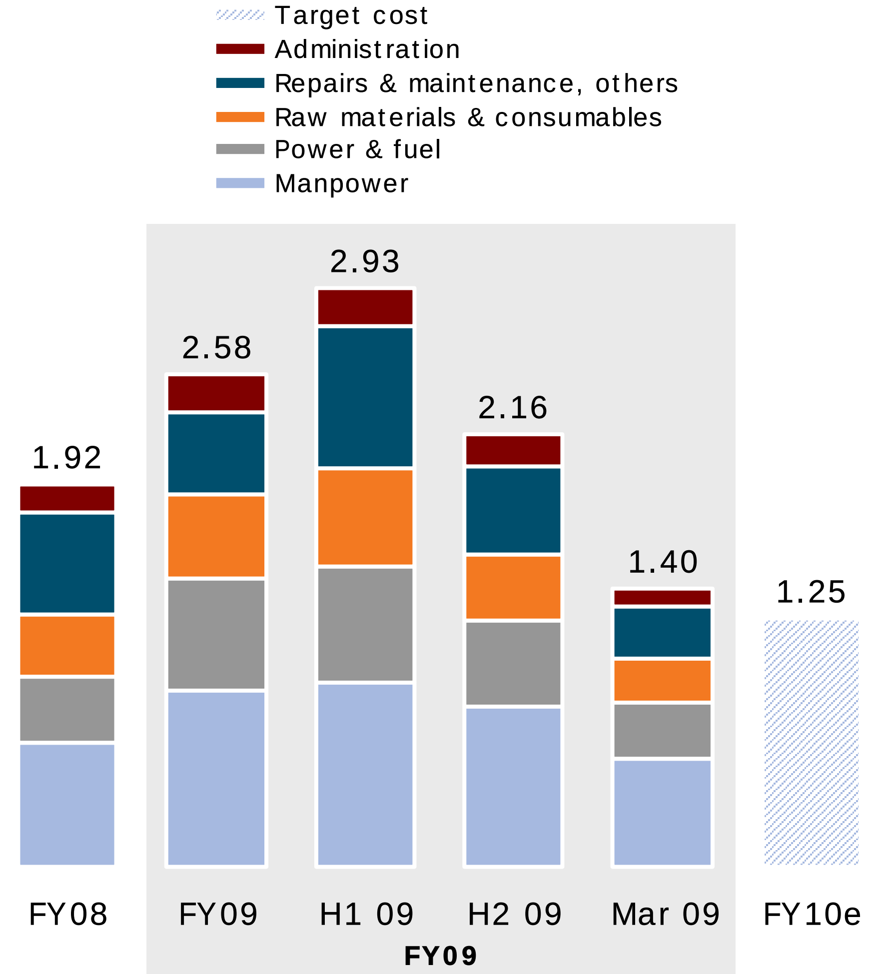


KCM cost transformation

Drivers

- Delivered target COP:
  - March 2009: $1.40/lb (H1 FY2009: $2.93/lb)
- Key cost drivers
  - Manpower reduction
  - Nkana closure and Nchanga ramp-up
  - Cobalt recovery at Nchanga Smelter
  - Commodities price benefit
  - Service contract rationalisation
- Exit COP for FY2010e: $1.25/lb
  - Nchanga smelter full ramp up
  - Higher by-product credit

Cost of production ($/lb)



Costs in 2010e refer to exit rates

Copper-Zambia expansion projects

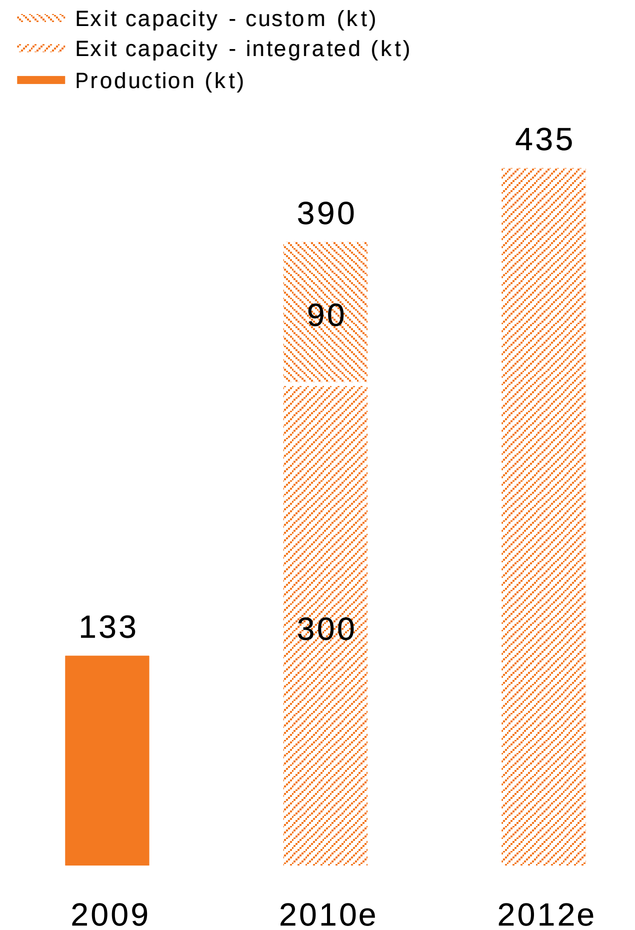
Nchanga Smelter

- Commissioned in Q4
- Furnace leak in April 2009
  - Restarted in May 2009
- Rated capacity by Q2 FY2010

KDMP

- Holing through of top and bottom sections and main-shaft sinking at ~950 meters
- 90% completing of winder for mid-shaft loading
- On schedule for mid-shaft commissioning by mid FY2010
- Full project completion by end 2011

Copper-Zambia production and proposed capacity

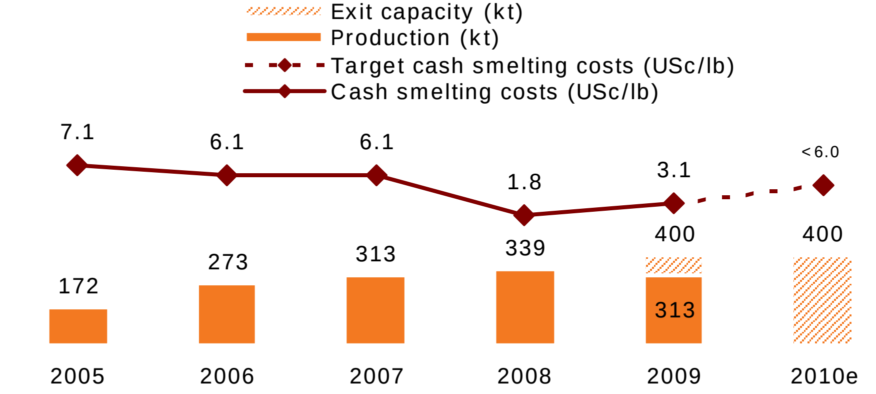


Capacities in 2010e and beyond refer to exit rates

Copper-India and Australia operations

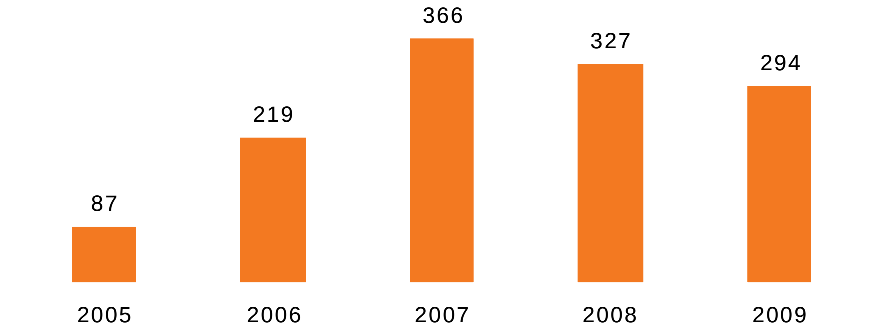
- **Lower volumes**
  - Planned bi-annual maintenance shutdown in Q1
  - Cooling tower repairs in Q3
- **Excellent underlying operating cost performance despite:**
  - Lower acid credits in H2 FY2009
  - Higher costs of petroleum products
- **Phosphoric acid**
  - Improved production volumes
  - Contribution to FY2009 EBITDA: $63mn
- **TC/RCs**
  - FY2009: down 25% at $0.12/lb
  - Expect improvement in 2010
- **Copper-Australia**
  - Stable operations with improving operating efficiencies
  - Better cost performance

Copper-India production and cash costs



Capacities and costs in 2010e refer to exit rates

EBITDA ($mn)



Energy operations and projects

Near term opportunities

- Sale of surplus power in spot market
- Shutdown of MALCO and BALCO I to provide greater opportunity in current year

Projects

- SEL - 2,400 Mw under construction
  - First unit to be commissioned in Q3 FY2010
  - Progressing well for full commissioning by Q2 FY2011
  - Capex cost of $1.9bn, within budget
- Coal Blocks under development
  - BALCO: 211mt
  - SEL: 112mt

Exploration success

Hindustan Zinc

- Added 46.3mt of reserves and resources with 4.0mt contained metal in FY2009
- Current total reserves and resources of 272mt with 31.5mt contained metal, mine life of 25 years
- Added 152mt of gross reserves and resources against 26.3mt mined out in last 5 years

Sesa Goa

- Added 57.8mt (+26%) reserves and resources prior to production depletion of 15.8mt in FY2009
- Current total reserves and resources of approximately 240mt

KCM

- Addition of 16mt reserves and resources taking total to 470mt

Sustainable development

Sustainable development is integral to our business philosophy & ethos

- LTIFR reduced to 1.67 from 1.91 in the previous year
- Continued improvements in reducing specific energy and water consumption
- Enhances performance on solid waste management

Social development

- Focus areas
  - Education
  - Health
  - Livelihood
  - Agriculture and Social Forestry
  - Integrated village development

vedanta

WELL POSITIONED THROUGH THE CYCLE

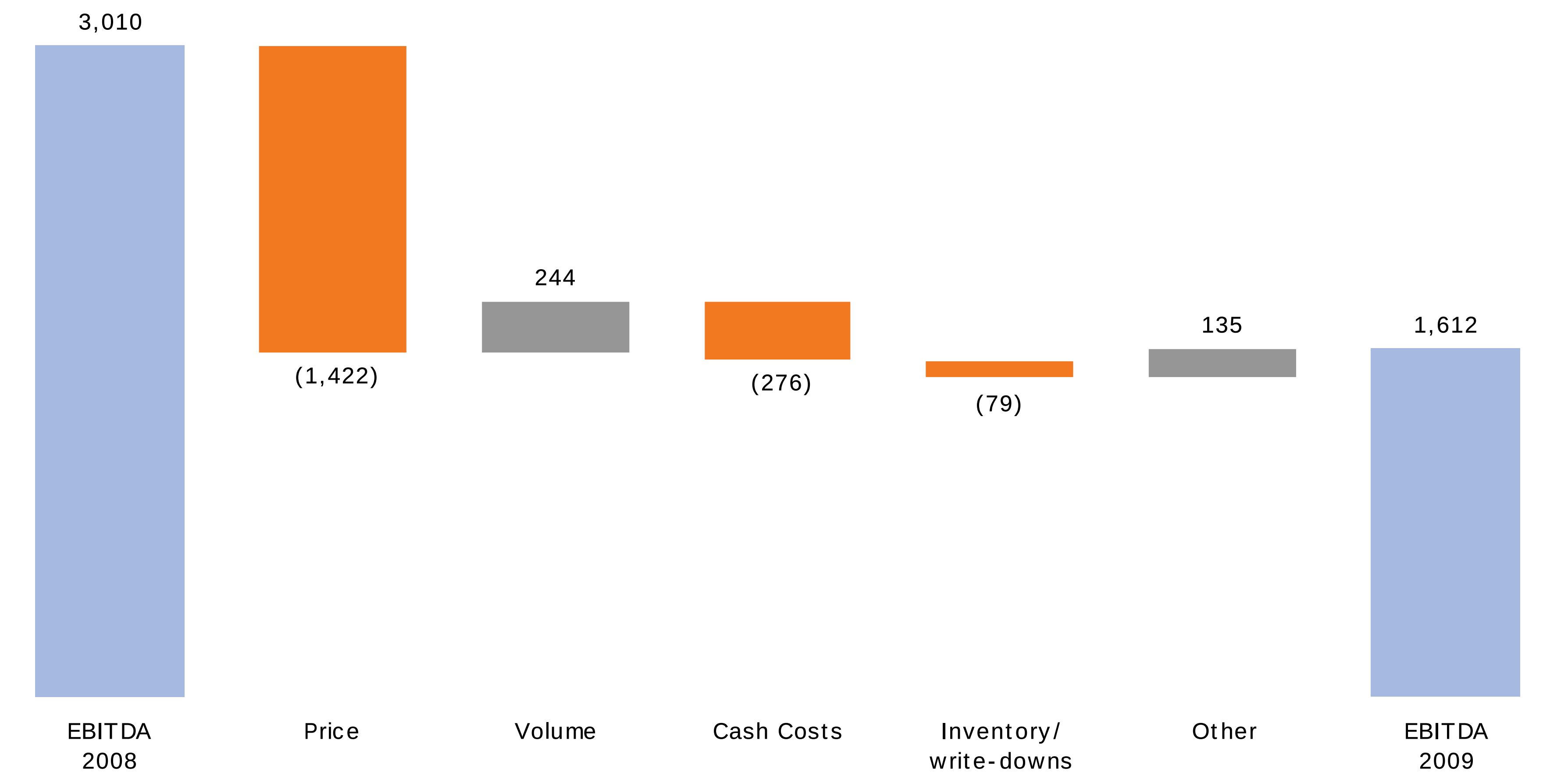
2009 finance review

Financial highlights

(in $mn)	**FY2009**	FY2008	Change
Revenue	**6,579**	8,204	(19.8)%
EBITDA	**1,612**	3,010	(46.4)%
EBITDA Margin	***24.5%***	*36.7%*	–
Profit After Tax	**901**	2,005	(55.1)%
Minority Interests	**75.6%**	56.2%	–
Attributable Profit	**219**	879	(75.0)%
Attributable EPS (US cents)	**76.4**	305.4	(74.2)%
DPS (US cents)	**41.5**	41.5	–
Free Cash Flow	**1,710**	2,217	(22.9)%
ROCE	***24.4%***	*45.6%*	–
Net (Debt) / Cash	**(201)**	2,143	–

EBITDA reconciliation

EBITDA reconciliation 2009 vs. 2008 ($mn)



Summary Cash Flow statement

($mn)	**2009**	**2008**
EBITDA	1,612.2	3,010.4
Working capital	620.6	(53.3)
Sustaining capital expenditure	(306.3)	(256.9)
Net interest / dividend received / (paid)	33.2	177.5
Tax paid	(330.8)	(655.2)
Operating exceptional / other	80.7	(5.6)
Free cash flow	**1,709.6**	**2,216.9**
Expansion capital expenditure	(3,021.3)	(1,997.7)
Issue of shares by subsidiary	-	1,969.4
Dividends paid	(174.9)	(157.8)
Acquisitions	(316.8)	(757.7)
Buyback	(80.3)	-
Sale of non core business	-	83.1
Other movements	(459.8)	353.8
Movement in net cash	**(2,343.5)**	**(1,710.0)**
Debt	5,113.4	2,964.0
Cash	4,912.6	5,106.7
Net debt / (cash)	**200.8**	**(2,142.7)**

Significant working capital inflow

- Commodity price falls
- Improved cycle management

Low sustaining capex

- Modern, efficient Indian operations

Reduced tax rate

- Tax planning
- KCM windfall tax withdrawn

Funding

Project capex

	$bn
Original cost	**18.7**
Savings/deferrals	(5.3)
Revised cost	**13.4**
Spent to date	(5.8)
Balance to be spent	**7.6**
Non-recourse project finance secured[1]	3.7
Balance to be funded	**3.9**

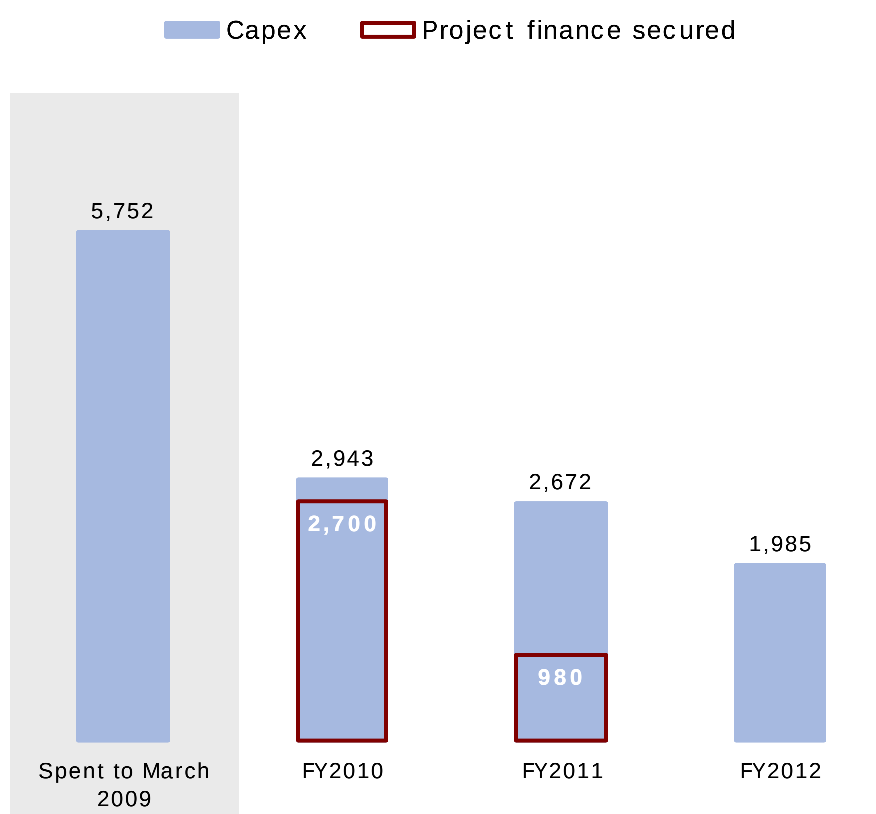
1. Including $2bn, which is subject to final documentation

Capital requirements to FY12

	$bn
Project capex	3.9
Minority buyouts	1.3
Debt maturities	1.6
Asarco	1.1
Total	**7.9**

To be funded by cash on hand ($4.9bn) and accruals

Spend by years ($mn)



WELL POSITIONED THROUGH THE CYCLE

Appendix

Summary Income Statement and Balance Sheet

Summary Income Statement

$mn, except as stated	FY2009	FY2008
Revenues	6,578.9	8,203.7
EBITDA	1,612.1	3,010.4
EBITDA margin	*24.6%*	*36.7%*
Profit before tax	1,181.0	2,763.2
Depreciation and amortisation	(473.3)	(429.1)
Profit for the period	219.4	879.0
Basic EPS (USc)	76.4	305.4
Underlying EPS (USc)	122.9	303.9
Effective tax rate	*23.8*	*27.4*
Minority interests	681.1	1,126.5
Dividend per share (USc)[1]	**41.5**	**41.5**

1. Proposed for FY2009

Balance Sheet

$mn, except as stated	FY2009	FY2008
Property, plant and equipment	9,348.4	8,354.5
Net assets	7,571.3	9,207.7
Gross debt	5,113.4	2,964.0
Cash	4,912.6	5,106.7
Net (debt)/cash	(200.8)	(2,142.7)
Gearing	*2.6%*	*NA*
ROCE (excluding CWIP)	*24.4%*	*45.6%*

Sensitivities

Foreign currency sensitivities on EBITDA

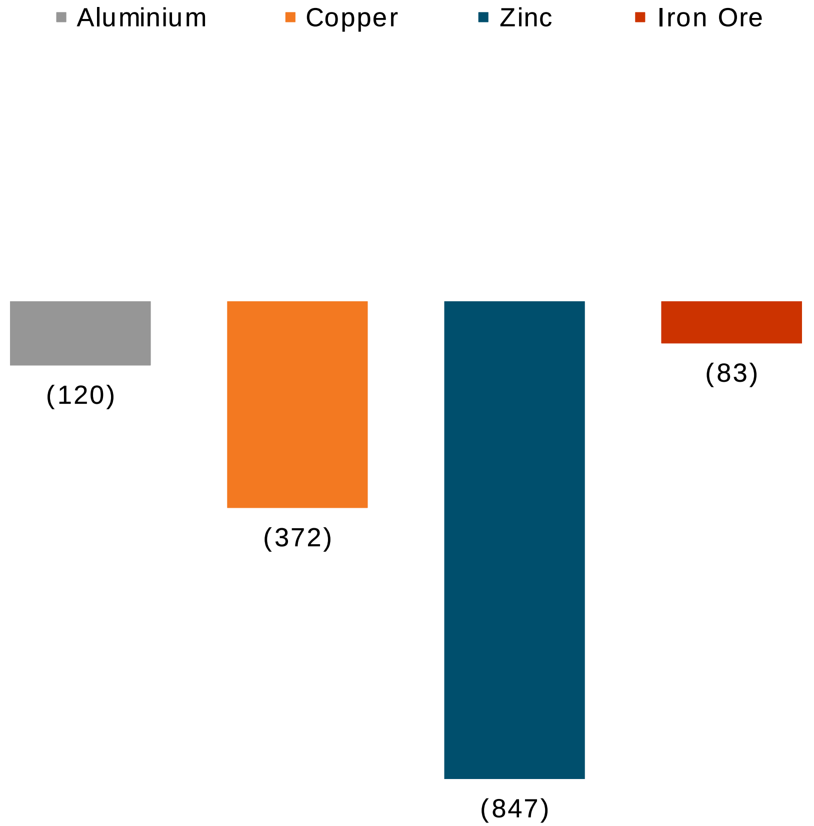
Impact on Group of a 10% change in FX	EBITDA ($mn)
INR/USD	265.6
AUS$/USD	8.2
ZKA/USD	54.0

Commodity price sensitivities on EBITDA

Impact on Group of a $100/t change in LME	EBITDA ($mn)
Copper price	13.9
Aluminium price	39.7
Zinc price	57.9
Lead price	8.9

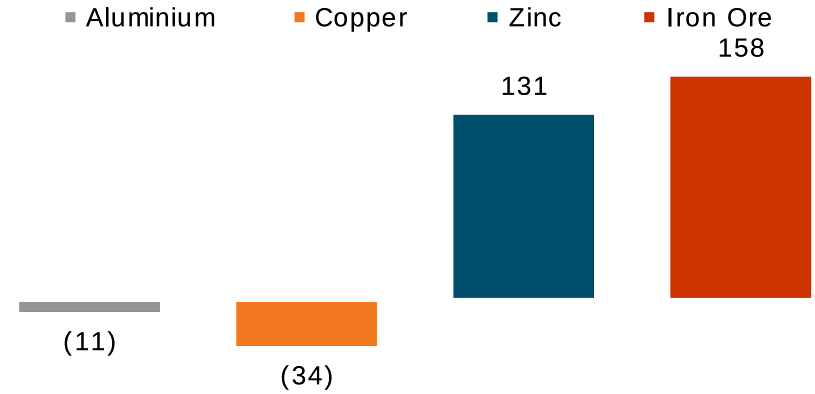
EBITDA: Price and Volume 2009 vs. 2008

Price Variance ($mn)



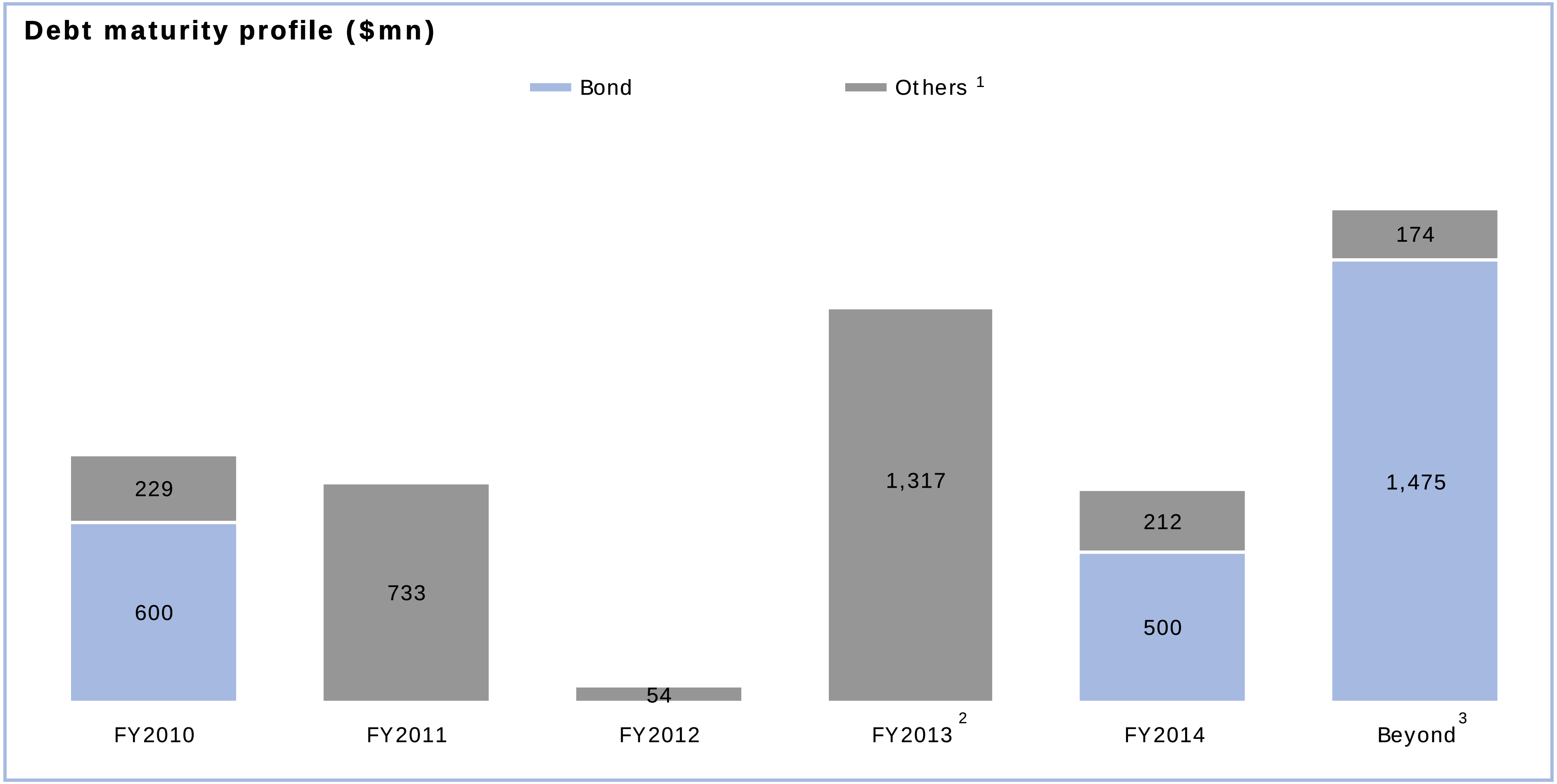
Total Price Variance: $(1,422)mn

Volume variance ($mn)



Total Price Variance: $244mn

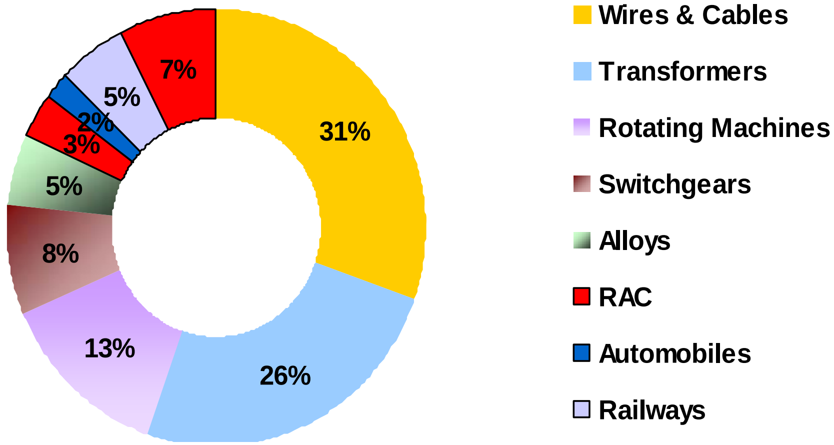
Debt maturity profile



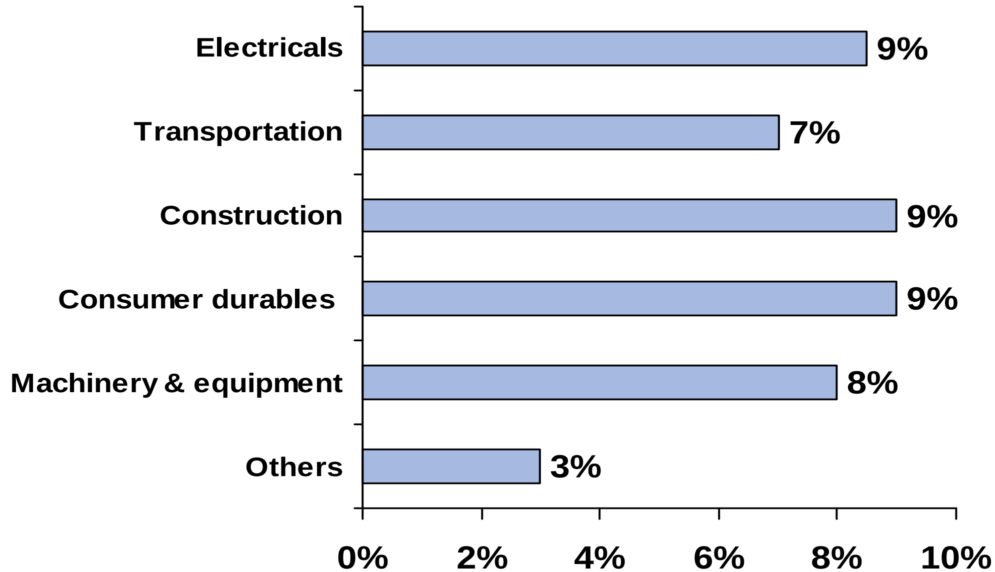
1. *Includes non-recourse project debt and working capital facilities at subsidiaries*
2. *Others in 2013 includes maturity of $1bn loan taken to acquire Sesa Goa*
3. *Bonds beyond 2014 mature in FY2019 and FY2026*

India Copper Demand Drivers

Sector-wise consumption in 2008 (0.61 mt)



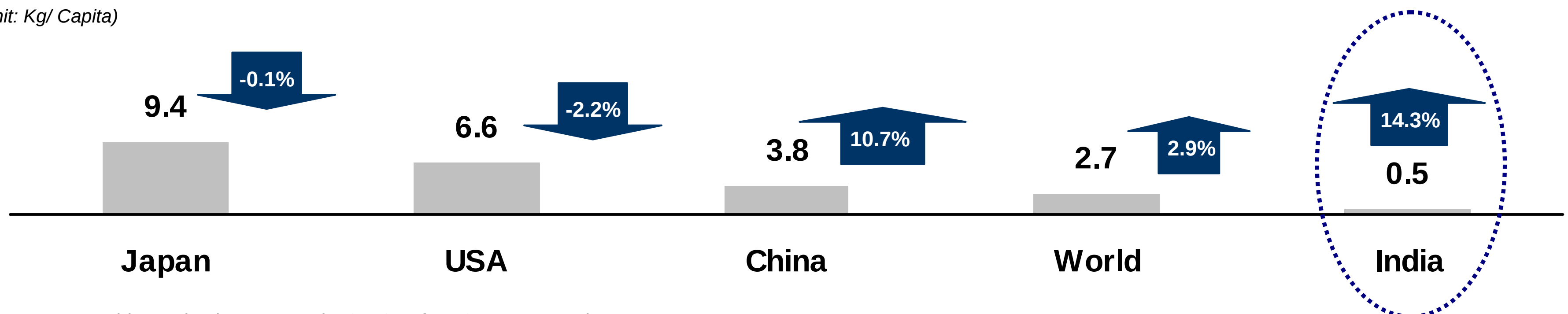
Expected growth rates (2008-2011)



Comparative per capita consumption in 2008

CAGR 2003-2008

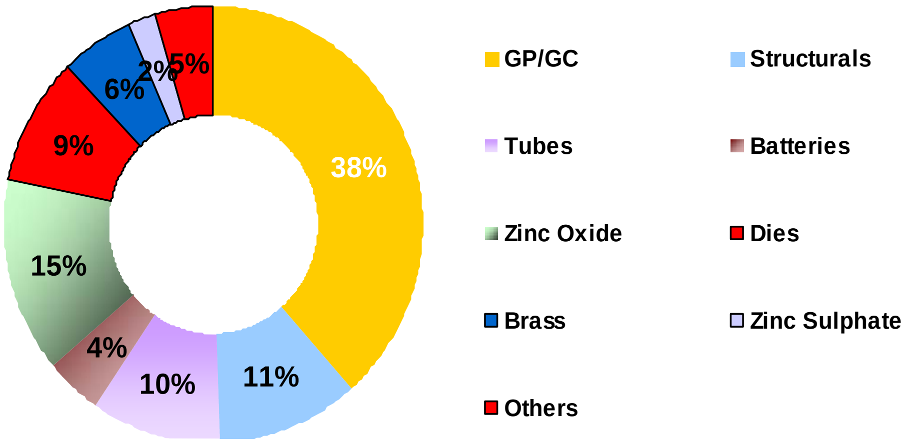
(Unit: Kg/ Capita)



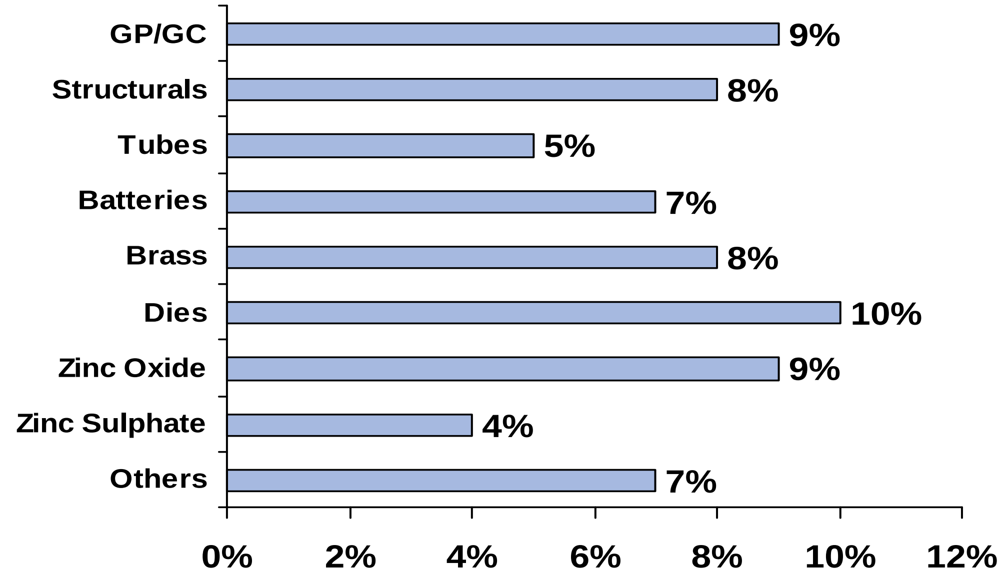
Sources: Brookhunt, broker research, CRIS Infac, Company estimates

India Zinc Demand Drivers

Sector-wise consumption in 2008 (0.48 mt)



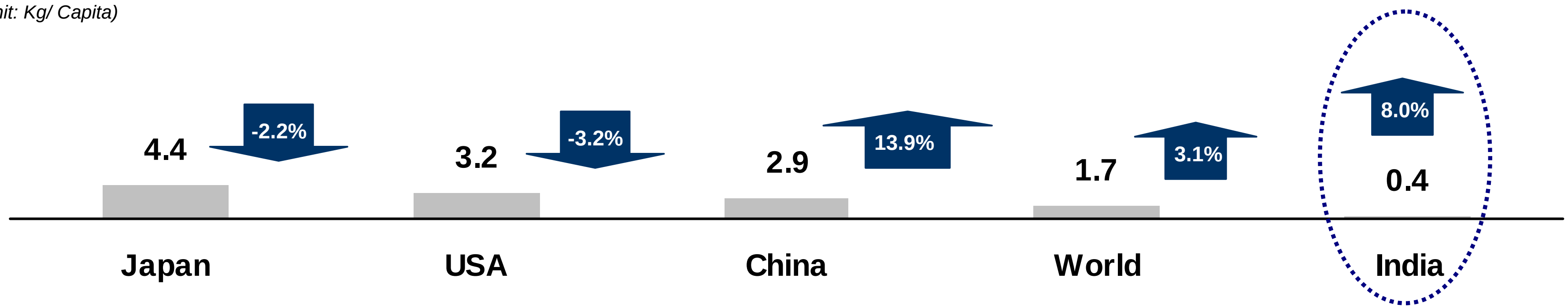
Expected growth rates (2008-2011)



Comparative per capita consumption in 2008

CAGR 2003-2008

(Unit: Kg/ Capita)



Sources: Brookhunt, broker research, CRIS Infac, Company estimates

Sustainable development I

- Sustainable development is integral to our business philosophy & ethos
- Approach:
  - Defined Governance structure, steered by a Board level HSE Committee
  - Social, economic & institutional development of the communities where we operate
  - Stakeholder Engagement
  - Base line and need assessment
  - Focus on Public Private Partnership
  - Graduation strategy and sustainability
  - Independent audits & reviews
- Focus areas
  - Social Investment: Education, Health, Livelihood
  - Bio Investment: Agriculture, Watershed, Social Forestry
- Resources
  - Partners - 83 regional, national and international NGO partners
  - CSR Spend : $13mn
  - 45.9 average for FY09)
  - Footprint : 434 villages, 2.5 million people across 5 States in India & Zambia

Sustainable development II

- 937 Child Care Centres, 70,000 children, 0-6 years, focus on nutrition, health and preschool education. Plan is to reach out 0.5 million children over a 2 year period
- 6 Centralized Kitchens serving mid day meal daily to 0.2 million students of class 1- 8 in 2418 Schools. 31 more kitchens, feeding 1.5 million children planned over 3-4 years
- Computer Literacy in village schools for over 68,000 children and youth. Plan is to reach out to 0.5 million children in 5,000 schools over 2 years
- 27 company run schools and a Post Graduate College for girls at Ringus
- 17 company run hospitals, health posts & Mobile Health Units provide quality health care to over 0.9 million people
- Prevention & 1st tier treatment of HIV AIDS in Zambia in partnership with USAID to more than 0.1 million people
- More than 3,225 acres of land & 2,800 farmers covered under agricultural & micro irrigation improving land usage & productivity
- 1,300 Self Help Groups, 17,350 women members involved in thrift saving & microenterprise. Cumulative fund base of INR37mn, average monthly income of INR5,000
- 73 villages under the Integrated Village Development Program