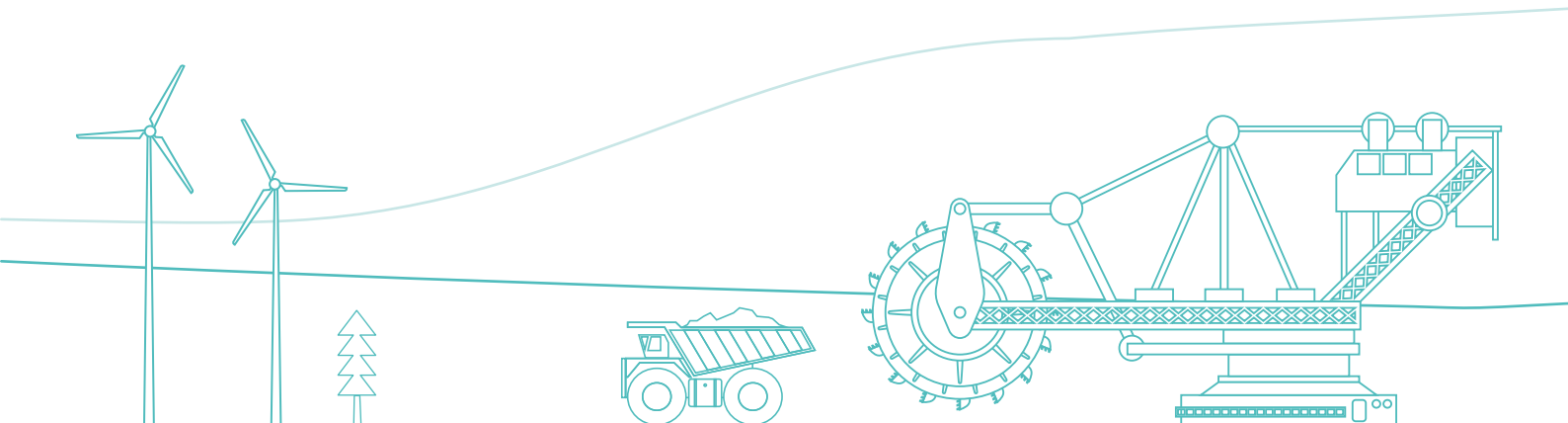


# Channelling **growth** opportunities



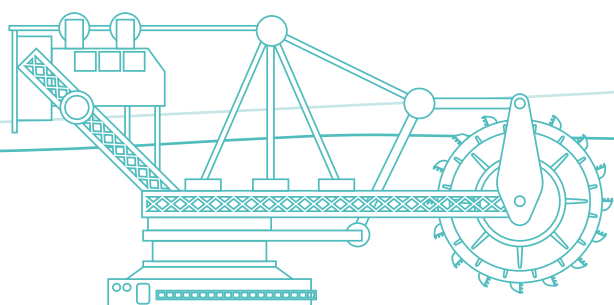
VEDANTA RESOURCES PLC  
ANNUAL REPORT  
FY 2018



# 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. The resources we process are used to improve and enhance people's lives and deliver long-term value. We empower our people to drive excellence and innovation to create value for our stakeholders. We demonstrate world-class standards of governance, safety, environment, sustainability and social responsibility.



Gamsberg mine.



# What's inside

## Strategic Report

Highlights	02
Vedanta at a Glance	04
Investment Case	06
Chairman's Statement	08
Chief Executive's Statement	10
Channelling Growth Options	14
Market Review	20
Our Business Model	26
Strategic Framework	30
Key Performance Indicators	32
Principal Risks and Uncertainties	34
Sustainability Report	42
Non-Financial Information Statement	59
Finance Review	60
Operational Review: Oil & Gas	68
Zinc India	72
Zinc International	76
Iron Ore	80
Copper India	84
Copper Zambia	88
Aluminium	92
Power	96

## Directors' Report

Board of Directors	100
Executive Committee	102
Corporate Governance Report	104
Nominations Committee Report	114
Audit Committee Report	117
Relations with Shareholders	125
Sustainability Committee Report	127
Remuneration Committee Report	129
Directors' Remuneration Policy Report	130
Annual Report on Remuneration	135
Directors' Report	144
Directors' Responsibilities Statement	151

## Financial Statements

Independent Auditor's Report	152
Consolidated Income Statement	161
Consolidated Statement of Comprehensive Income	162
Consolidated Statement of Financial Position	163
Consolidated Cash Flow Statement	164
Consolidated Statement of Changes in Equity	165
Notes to the Financial Statements	167

## Additional Information

Five Year Summary	256
Production and Reserves Summary	260
Other Information	265
Glossary and Definitions	267
Shareholder Information	271
Contacts	272

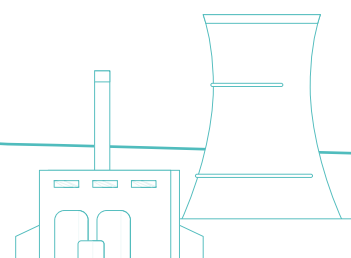
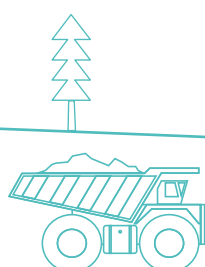
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It has been another successful year for Vedanta as we continued to deliver across our strategic priorities. We reached record production levels at several of our businesses. We transformed our approach to developing our assets, which gives me confidence of efficient and productive ramp-ups across our world class assets. We continue to stay focused on optimising capital allocation and strengthening our balance sheet and deliver superior shareholder returns. Vedanta remains well positioned to capitalise on India's growing resources demand. I look forward to another strong year for the company. 99

**Anil Agarwal**  
Chairman



For more information  
see pages 08–09



# Highlights



## Financial highlights

- Revenue increased by 33% to US\$15.4 billion (FY2017: US\$11.5 billion) driven by firmer commodity prices and volume ramp-ups
- EBITDA at US\$4.1 billion, up 27% (FY2017: US\$3.2 billion)
- Robust adjusted EBITDA margin<sup>o</sup> of 35% (FY2017: 36%)
- Underlying profit<sup>o</sup> per share of 58.3 US cents (FY2017: 16.1 US cents per share)
- Basic earnings per share of 84.8 US cents (FY2017: a loss of 8.2 US cents), mainly due to higher EBITDA and reversal of a previously recorded non-cash impairment charge at Oil & Gas. This was offset by a non-cash impairment charge at Iron Ore Goa
- ROCE<sup>o</sup> improved by 2.1% to 14.9% (FY2017: 12.8%)
- Free cash flow (FCF)<sup>o</sup> post-capex of US\$0.9 billion (FY2017: US\$1.5 billion)
- Gross debt at US\$15.2 billion (FY2017: US\$18.2 billion), a reduction of US\$3 billion in 12 months (including repayment of \$1.2 billion of temporary borrowing at Zinc India)
- Net debt<sup>o</sup> at US\$9.6 billion (FY2017: US\$8.5 billion)
- A proactive refinancing of US\$2.4 billion through a bond issuance and bank loans improved average maturity at Vedanta Resources plc to about four years at March 2018 (March 2017: approx. three years)
- Moody's upgraded the Corporate Family Rating (CFR) by one notch from 'B1/Stable' to 'Ba3/Stable'
- Final dividend announced of 41 US cents per share (total dividend of 65 US cents per share), with a yield of 6%
- Vedanta Limited announced a record interim dividend of c. US\$1.2 billion in March 2018, of which c. \$600 million was received by Vedanta Resources plc and used for deleveraging
- Contribution to the exchequer of US\$5.4 billion in FY2018
- Vedanta Limited's resolution plan to acquire Electrosteel Steels Limited approved by NCLT, the acquisition, subject to completion of due processes, will complement the Group's existing Iron Ore business through vertical integration

## Business highlights

### Oil & Gas

- March 2018 exit run-rate of over 200kboepd
- Growth projects on track with contracts of US\$1.3 billion (gross) awarded

### Zinc India

- Record annual production of refined zinc-lead at 960kt
- Record annual production of refined silver at 17.9 million ounces
- On track for ramp-up of mined metal to 1.2mt by FY2020

### Zinc International

- Annual production in line with guidance
- Gamsberg project on track with production expected by mid-CY2018

### Iron Ore

- Mining cap allocation for Karnataka increased from 2.3mt to 4.5mt
- Goa mining operations shut due to state-wide ban

### Copper India<sup>1</sup>

- Record annual production

### Copper Zambia

- Annual mined metal production at 91kt, 3% lower y-o-y
- New contractor-partnering model getting into place

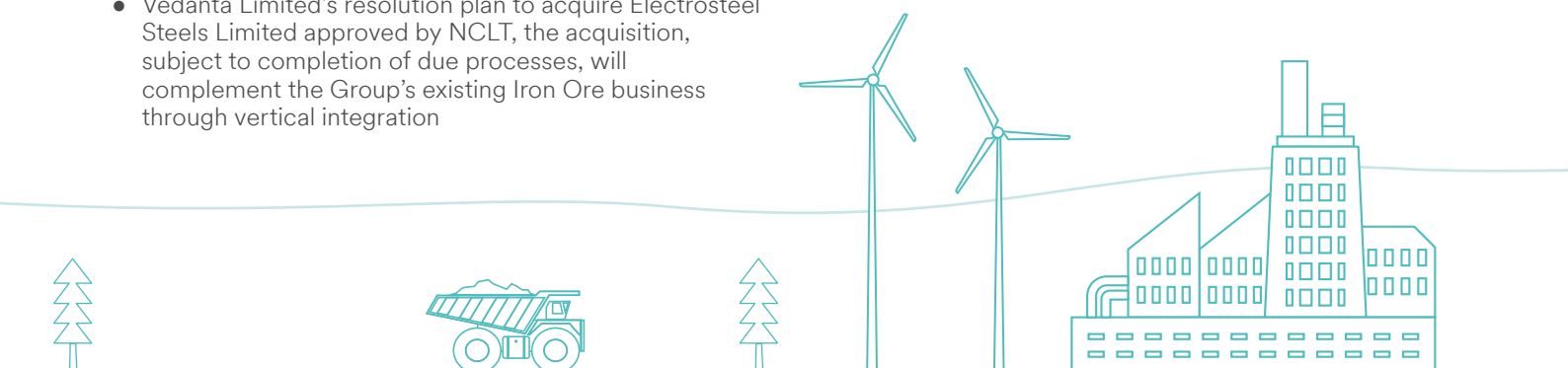
### Aluminium

- Record annual production at 1.7mt, with an exit run-rate of c. 2.0mtpa

### Power

- 1,980MW Talwandi Sabo power plant achieved 93% availability in Q4 FY2018 (FY2018: 74%)

<sup>1</sup> Operations at Tuticorin Smelter halted due to pending renewal of its consent to operate.





## Consolidated Group results

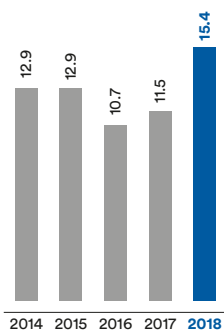
(US\$ million, unless stated)

	FY2018	FY2017
Revenue	<b>15,359</b>	11,520
EBITDA <sup>o</sup>	<b>4,051</b>	3,191
EBITDA margin <sup>o</sup>	<b>26%</b>	28%
Adjusted EBITDA margin <sup>o</sup>	<b>35%</b>	36%
Operating profit before special items	<b>2,781</b>	2,161
Profit/(loss) attributable to equity holders of the parent	<b>236</b>	(23)
Underlying attributable profit/(loss) <sup>o</sup>	<b>162</b>	45
Basic earnings/(loss) per share (US cents)	<b>84.8</b>	(8.2)
Profit/(loss) per share on underlying profit (US cents)	<b>58.3</b>	16.1
ROCE % <sup>o*</sup>	<b>14.9%</b>	12.8%
Dividend (US cents per share)	<b>65</b>	55

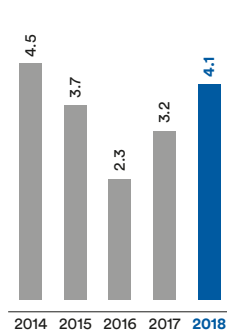
<sup>o</sup> Indicates alternative performance measures that are defined in detail in 'Other information'.

\* Recomputed on the basis of operating profit before special items and net of tax outflow, as a ratio of average capital employed.

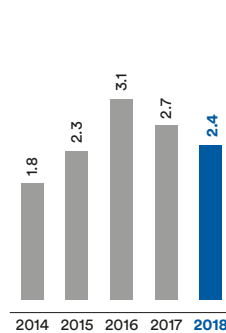
**Revenue**  
(US\$bn)



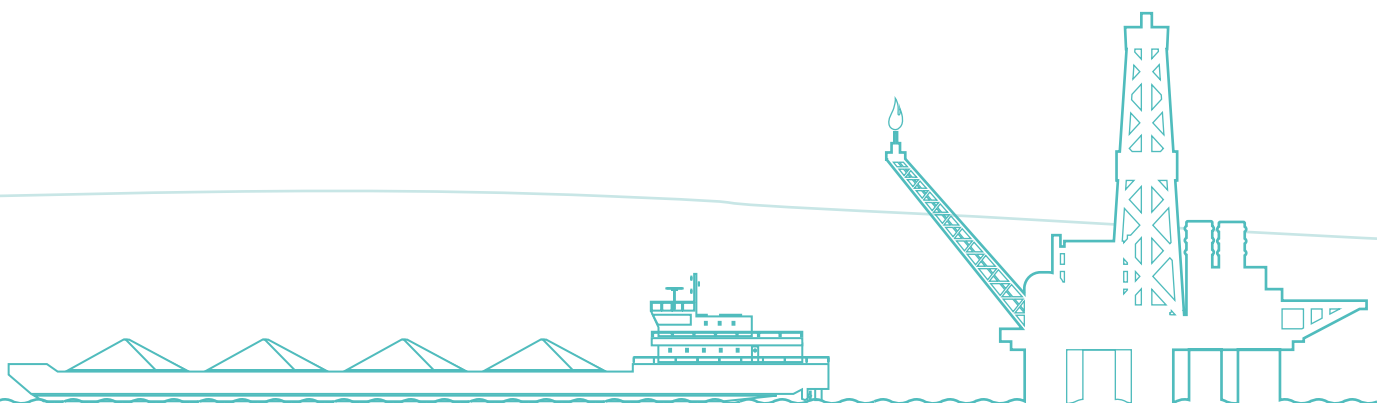
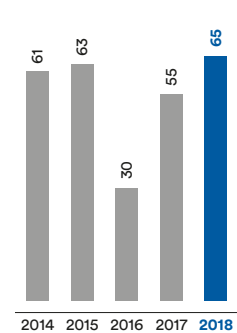
**EBITDA**  
(US\$bn)



**Net debt/EBITDA**  
(Consolidated)



**Dividend**  
(US cents per share)





## Vedanta at a Glance

# A large and diversified asset base

### Oil & Gas



Operator of

# 25%

of India's crude oil production

### Business

Cairn Oil & Gas

### Zinc-Lead-Silver



# 78%

share of the Indian zinc market.  
Only primary silver producer in India

Zinc India (HZL)  
Zinc International

### Aluminium



# 40%

share in India's primary market

Aluminium smelters at Jharsuguda  
and Korba (BALCO), Lanjigarh  
alumina refinery

### Production volume in FY2018

# 186kboepd

(average daily gross production)

# 90 kt

Zinc-Lead, Zinc India

# 17.9 moz

Silver, Zinc India

# 157 kt

Zinc-Lead, Zinc International

# 1,675 kt

Aluminium

# 1,209 kt

Alumina

### EBITDA FY2018 (margin %)

# US\$849m

(57%)

# US\$1,903m

(56%)

Zinc India

# US\$219m

(41%)

Zinc International

# US\$452m

(13%)

### Asset highlights

- Largest private sector oil & gas producer in India
- Executing one of the largest polymer Enhanced Oil Recovery projects in the world

- World's second-largest integrated zinc-lead producer
- Operates the world's largest zinc mine, Rampura Agucha in India
- Top 10 silver producer globally

- Largest aluminium capacity in India: 2.3mtpa
- Strategically located large-scale assets with an alumina refinery and integrated power plants

### Application areas

- Crude oil: hydrocarbon refineries
- Natural gas: mainly used by the fertiliser and power generation sector

- Galvanising steel
- Die-casting alloys, brass, oxides and chemicals

- Used in construction, transportation and electrical industries
- Used to produce ingots, wire rods, billets, primary foundry alloys and rolled products

\* Excluding one offs

Note: Market share and positions correspond to FY2018

# of long-life, low-cost assets

## Power



**9GW**  
diversified power portfolio

Power plants at Talwandi Sabo,  
Jharsuguda and Korba

**11bn Kwh**  
(Power sales)

**US\$259m** (25%)\*

- One of India's largest power generators
- 3.6GW of commercial power generation capacity, with the balance for captive usage
- Leading producer of wind power in India

- 60% is for captive use. Remainder used for commercial purposes (with 92% backed by long-term power purchase agreements with local Indian distribution companies)

## Copper



**33%**  
market share of refined copper in India

Copper India  
Copper Zambia

**403 kt** Copper India  
**84 kt** Integrated, Copper Zambia  
**11 kt** Custom, Copper Zambia

**US\$201m** (5%)  
Copper India  
**US\$73m** (6%)  
Copper Zambia

- One of the largest copper producers in India
- Konkola Copper Mines is among the world's highest-grade miners with c. 2.2% grade

- Used for making cables, transformers, castings, motors and castings, and alloy-based products

## Iron Ore



**Largest**  
private sector exporter in India

Iron Ore India

**7.1mt**

**US\$57m** (12%)

- Karnataka iron ore mine R&R of 100 million tonnes, with life of 20 years

- Essential for steel manufacturing
- Used in the construction, infrastructure and automotive sectors

## Investment Case

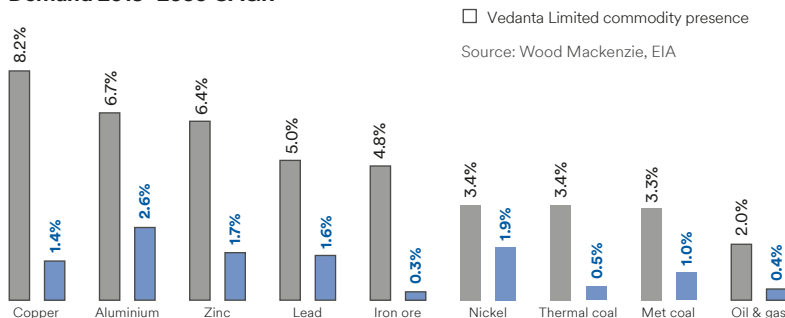
Our investment case is focused on delivering sustainable long-term returns to our shareholders and creating value for our broader stakeholder base.

### 1 A large, low-cost and diversified asset base with an attractive commodity mix

Vedanta's large-scale, diversified asset portfolio, with attractive cost positions in some of the core businesses, positions the Company well to deliver strong margins and free cash flows through the commodity cycle. Vedanta's focus on base metals and oil, commodities with strong fundamentals and leading demand growth, makes the Company's commodity mix particularly attractive.

In FY2018, markets have seen an upturn driven by improved demand and supply-side constraints. This has benefited the commodities sector, and in particular Vedanta's core commodities including zinc, aluminium and oil & gas.

Demand 2018–2030 CAGR



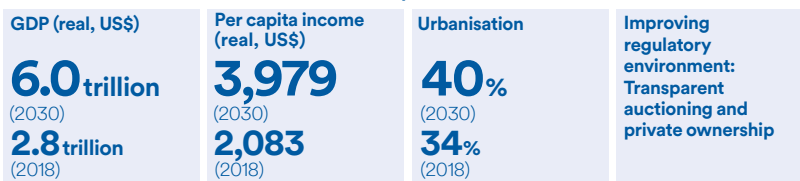
### 2 Ideally positioned to capitalise on India's growth potential

India is Vedanta's main market, and one which has huge growth potential. Current per capita metal consumption in India is significantly lower than the global average. Urbanisation and industrialisation, supported by government initiatives on infrastructure and housing, continue to drive strong economic growth and generate demand for natural resources.

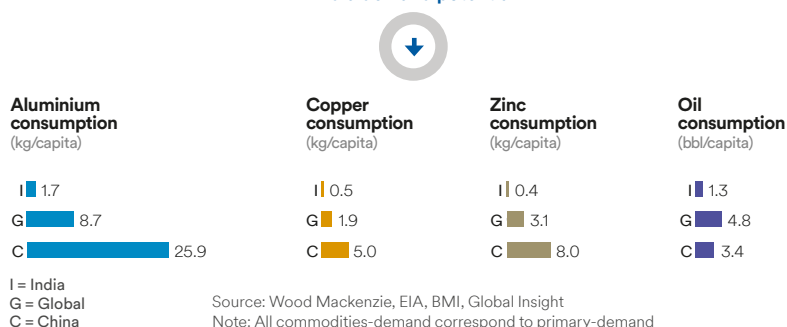
We are strongly and uniquely positioned to benefit from this growth due to our:

- established operations in India;
- strong market position across our businesses: we are India's largest base metals producer, and the largest private sector oil producer; and
- our operating team with a strong track record of executing growth in India.

India key metrics



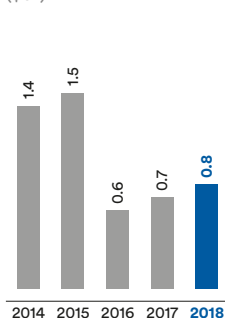
India demand potential



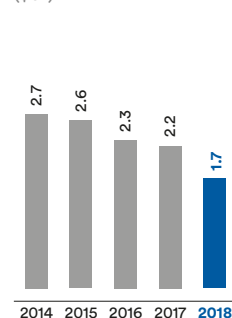
### 3 Well-invested assets driving cash flow growth

We are ramping-up production across a number of our businesses as a result of investments in the past years. We have already started seeing the results of our investments, with Zinc India and Aluminium delivering record output in the past year. Now, with the new growth plans for Oil & Gas that we initiated in FY2018, we expect further delivery on ramp-ups and strong growth in free cash flow generation.

Growth capex (\$bn)



Free cash flow pre-capex (\$bn)

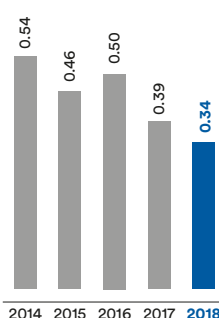




## 4 Operational excellence and technology, driving efficiency and sustainability

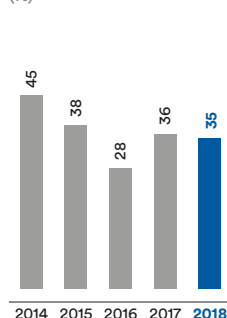
We constantly strive to improve our operations, integrate our businesses through the value chain and optimise our performance through operational efficiencies and innovative technological solutions. We employ these tools to further ensure that our operations have a positive impact on our stakeholders and, more broadly, society.

LTIFR



Note: ICMM 2014 methodology adopted from FY2016 onwards.

EBITDA margin (%)\*



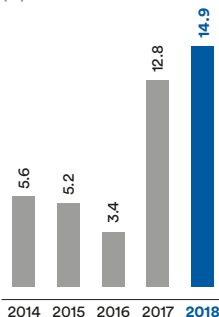
\* Excludes custom smelting at Zinc India and Copper

## 5 Strong financial profile

Our operational performance, coupled with a strong focus on optimising capital allocation, has helped strengthen Vedanta's financial profile. In FY2018, supported by the robust price environment, we have delivered:

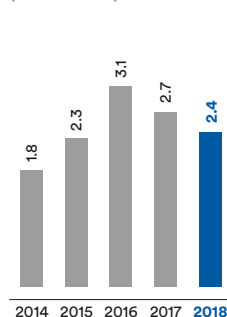
- revenues of US\$15.4 billion (+33% y-o-y) and EBITDA of US\$4.1 billion (+27% y-o-y)
- strong free cash flow<sup>o</sup>, post-growth capex, of US\$0.9 billion
- robust ROCE<sup>o</sup> of 14.9%
- the highest-ever interim dividend of US\$1.2 billion from Vedanta Limited, subsidiary of Vedanta plc in FY2018
- deleveraging and extension of our debt maturities through proactive liability management
- Cash and liquid investments of US\$5.6 billion

ROCE (%)



Note: Recalculated on the basis of operating profit before special items and net of tax outflow, as a ratio of average capital employed.

Net debt/EBITDA (Consolidated)

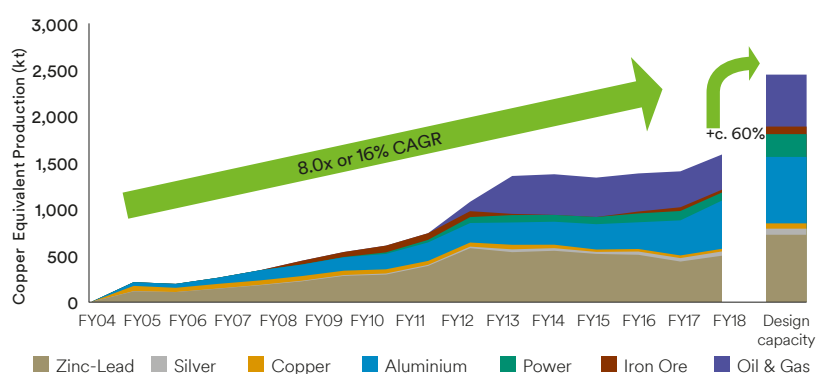


## 6 Proven track record

We have a proven management team with a diverse and extensive range of sector and global experience who ensure that operations are run efficiently and responsibly. We have taken a disciplined approach to development, growing our production steadily across our operations with an ongoing focus on operational efficiency and cost savings. Since our listing in 2003, our assets have delivered an average of 16% CAGR production growth.

### 16% CAGR production growth since listing

Total Production (copper equivalent kt)



All commodity and power capacities rebased to copper equivalent capacity (defined as production x commodity price/copper price) using average commodity prices for FY2018. Power rebased using FY2018 realisations, copper custom smelting production rebased at TC/RC for FY2018, iron ore volumes refer to sales with prices rebased at realised prices for FY2018.

<sup>o</sup> Indicates alternate performance measures that are defined in detail in 'Other information'.

# Chairman's Statement



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We look forward to FY2019 with confidence as we set out on our next phase of growth. Our portfolio has demonstrated its resilience through the commodity cycle, with the current market pointing to strong demand for our commodities. 99

**Anil Agarwal**  
Chairman

I am delighted to report another excellent year delivered by Vedanta to our stakeholders in FY2018. In our operations, productivity and financial results, we can look back on a year of real progress.

Equally, we are proud of the positive contribution that Vedanta continues to make in supporting people and local communities, operating as a responsible corporate citizen, creating jobs, generating value throughout our supply chain, and contributing to the exchequer.

While the Group made considerable progress in strengthening its health, safety and environment (HSE) practices, I deeply regret that the year saw nine fatalities. The safety of our colleagues is a top priority for me personally as well as that of the Board, and our CEO Kuldip Kaura addresses this further in his statement.

## Performance

Our focus on all-round improvement was complemented by improving markets; the strengthening of commodity prices evident in 2017 gained further momentum in 2018. Our teams across the Group's businesses worked hard to capitalise on this favourable market environment, maximising productivity and gearing up activities to achieve record breaking levels of output at several business segments.

These increased volumes and prices underpinned a 33% increase in revenues to reach US\$15.4 billion, as well as a 27% growth in EBITDA to US\$4.1 billion. We also delivered strong free cash flow of c. US\$0.9 billion. These robust results are testament to the capability, commitment and expertise of all our employees.

## Our contribution to society

I believe that a company's performance should be measured by its contribution to society as well as by financial metrics. It is encouraging to see that social and responsible ways of working are appreciated and increasingly valued by investors. Vedanta's ethos of business with a purpose is fundamental to the Company, and investors increasingly understand that this is a core part of our long-term growth story.

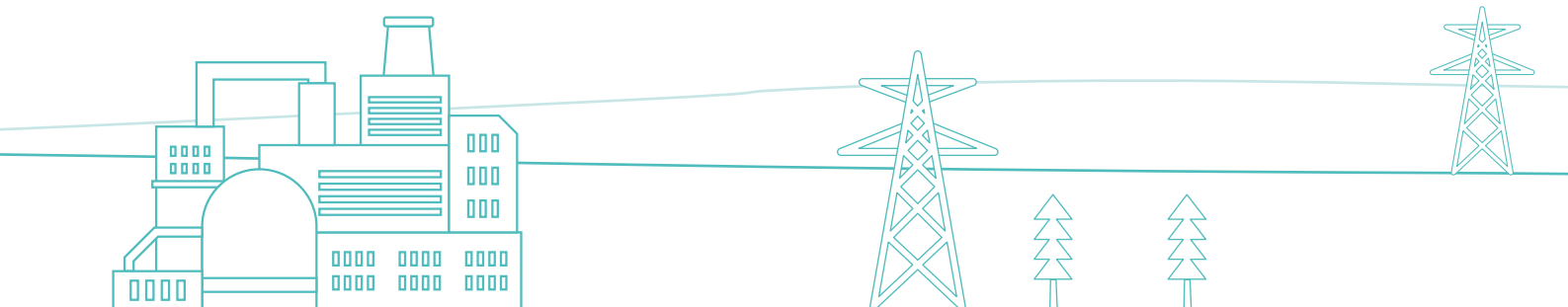
Over the course of the last year, Vedanta invested over US\$39 million in social programmes. Our efforts have touched the lives of 3.4 million people, in over 1,400 villages. This includes our participation in India's 'Nand Ghar' programme in rural India, which involves setting up and transforming 4,000 state-of-the-art child welfare centres across the country, to support women and children by providing the nutrition, education, skills development and healthcare they need. Vedanta, through

the Vedanta Medical Research Foundation, also inaugurated Central India's first world-class cancer facility in Raipur, Chhattisgarh in the past year. This initiative aligns with the larger vision of Vedanta Group's commitment to give back to society and I look forward to many more research & development initiatives from the foundation going forward.

Other diverse schemes we supported during the year included: training and placing over 3,300 youths; working with about 85,000 farmers to enhance productivity; helping over 0.26 million people with access to clean drinking water and sanitation; improving the lives of about 28,000 women through self-help groups and skills development initiatives; providing healthcare services to about 2.5 million people through various healthcare initiatives and health camps and touching the lives of over 0.2 million children through our Nand Ghars and other education projects. We are committed to these programmes and will continue to invest in their development.

## Our people

Last summer saw the departure of our CEO Tom Albanese, who stepped down after over three years with Vedanta. In April this year, I was very pleased that after conducting a rigorous search for several months, we were able to announce the



appointment of Srinivasan Venkatakrishnan (Venkat) as our new CEO. His tenure begins in August, and he joins us with an impressive track record in the key markets of Africa, India and the United Kingdom. Until then, Kuldip Kaura, who has previously held the role of CEO and has over 15 years' experience of working with Vedanta, will continue as CEO, a role he assumed in September 2017.

As we announced earlier in the year, Aman Mehta retired from the Board after nearly 13 years of service. I would like to thank him for his dedication to the Group during his tenure. We appointed a new Non-Executive Director, Ed Story, who also became a member of the Audit Committee. Mr Story will significantly enhance our ability to grow and develop our Oil & Gas business, drawing on extensive experience in that sector worldwide.

I would like to thank all of our employees whose energy and talents came to such fine fruition in FY2018. None of our achievements would have been possible without their dedication, commitment and hard work.

### The Indian opportunity

India has an abundance of opportunities. It is one of the fastest-growing G20 economies, and by 2030 forecasts suggest it will be worth US\$6 trillion with a population of over 1.5 billion.

Over 80% of India's demand for oil and minerals is currently met by imports, and the consumption of metals per capita remains around 70% below the global average. As the country's sole diversified natural resource group, Vedanta is uniquely placed to help power India's growth, and we are committed to investing in its future.

The potential for our commodities is evident, and I am also pleased that the Indian Government has introduced important pro-business reforms that will attract global investments and be a catalyst for growth. The amended MMDRA (Mines and Mineral Development and Regulation Act) in 2015 has brought increased clarity on the licensing around mining.



Chairman at a Nand Ghar in Rajasthan.

Key regulatory reforms around opening commercial coal mining to the private sector and the launch of Open Acreage Licensing (OALP) in the oil & gas sector to improve exploration, are some of the steps in the past year towards creating a more favourable business environment. I would particularly like to mention the new insolvency code for the efficient resolution of distressed companies. We have participated in this process and are very pleased at the smooth and transparent way in which it was run. I am happy with the outcome and look forward to the integration of Electrosteel, post completion of due processes, with our Iron Ore business in Jharkhand as we focus on avenues to create value.

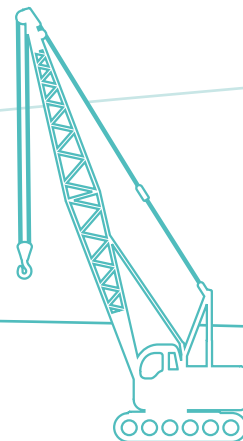
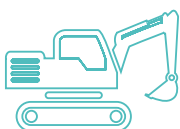
### Outlook

We look forward to FY2019 with confidence as we set out on our next phase of growth. Our portfolio has demonstrated its resilience through the commodity cycle, with the current market pointing to strong demand for our commodities.

Alongside future growth, I am committed to Vedanta operating under the highest standards of corporate governance. Indeed, I believe it is our governance structures that underpin our ability to deliver our strategy.

As we embark on a fresh year, we will continue our goal of increasing output from our existing asset base to profit from the favourable market conditions, whilst also embarking on new projects and expansions. These initiatives will be positive for all of us – employees, investors, communities and India – and give us a stronger platform from which to benefit from the exceptional opportunities ahead.

**Anil Agarwal**  
Chairman  
23 May 2018





## Chief Executive's Statement



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The year gone by has paved the way for an exciting 2019. We remain committed to developing all the growth opportunities available to us, especially in the Oil & Gas and Zinc businesses which will add significantly to volumes. With a strong balance sheet and the continued focus on disciplined capital allocation, we are confident of delivering yet another strong year. 99

### Our strategy

Focusing on generating growth, long-term value and sustainability.

### Our priorities

- Operational excellence
- Preserve our licence to operate
- Optimise capital allocation and maintain a strong balance sheet
- Delivering on growth opportunities
- Augment our reserves & resources (R&R) base

2018 saw Vedanta deliver a robust performance creating a clear pathway for sustainable growth. I am pleased to report significant revenue and EBITDA growth, driven by a supportive market coupled with strong production through the year. The record volumes at our Zinc and Aluminium businesses resulted in an excellent financial performance and ensured strong shareholder returns.

This upward trajectory in production is expected to continue into FY2019 with ramp-ups at our Zinc India operations, the commissioning of Gamsberg and growth in our Oil & Gas business.

Commodity prices saw solid appreciation over the year, fuelled by supply-related reforms and disruptions, stable demand, a weakening dollar and bullish global growth indicators. Our commodity basket benefited from the favourable price movement and we further capitalised on this opportunity by increasing our value-added production in segments such as Aluminium. However, alongside improving prices we have experienced inflationary headwinds for input commodities. These impacted our costs, especially at Aluminium and in response we are focusing on operational improvements and have implemented a structured approach to optimise controllable costs which will yield results in the coming year, barring further cost-inflationary pressures.

The year gone by has paved the way for an exciting 2019. We remain committed to developing all the growth opportunities available to us, especially in the Oil & Gas and Zinc businesses which will add

significantly to volumes. With a strong balance sheet and the continued focus on disciplined capital allocation, we are confident of delivering yet another strong year.

### Health, safety and the environment

We have a workforce of over 70,000 people, and our overriding goal is that every one of them goes home safe every single day. Our 'zero harm' policy puts health and safety firmly at the forefront of our operations.

It is therefore with great sadness that we reported a total of nine fatalities during the year which is discouraging to our safety programme. No injury, much less a loss of life, is ever acceptable and we continue to invest in training and skill enhancement to prevent accidents before they can happen. The need for improvement, and our determination to achieve zero harm, means that this priority is receiving the direct attention of the Executive Committee. Specifically, we have:

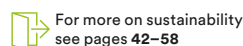
- strengthened visible leadership, with rigorous implementation of safety standards and management of high-risk areas;
- reinforced our HSE organisation by recruiting HSE experts with global experience. We have hired 10 such experts during the year; and provided training to both employees and contractors. Last year, both groups underwent around 921,550 hours in safety training. Our training programmes have focused on getting our employees make better risk decisions so that they can start to identify those behaviours that result in injuries and fatalities.



In FY2017, we rolled out performance standards and targets for water, energy and carbon management, and in FY2018 we achieved or exceeded them:

- We achieved 186% of our water savings target, saving 4.1 million m<sup>3</sup> of water.
- We surpassed our energy savings target, achieving a savings of 2.63 million GJ, 189% of the expected target.
- Last year we had stated that we expected to reduce our greenhouse gas (GHG) intensity by 16% by 2020, from a 2012 baseline. I am pleased to inform you that nearly two years before the target date, we are already at 14% and have built real momentum towards achieving our goal.

On the Dow Jones Sustainability Index for the Metal and Mining sector, Hindustan Zinc improved its overall ranking to 11th and was inducted into the prestigious Dow Jones Yearbook. In the Environmental Category, Hindustan Zinc moved from 11th to 3rd place and Vedanta Limited improved its ranking from 17th to 15th.



For more on sustainability  
see pages 42–58

### FY2018: a productive year

At Vedanta, our portfolio ranks alongside some of the best Tier-1 assets in the world. In FY2018, we displayed our ability to deliver record production across those assets while maintaining our place in the lower half of the cost curve across most of our businesses.

At Zinc India, record production exceeded our guidance for the year, with Rampura Agucha successfully transitioning to underground production. Record silver production also surpassed our original guidance with excellent output at Sindesar Khurd.

Record production also continued at Copper India and in Aluminium, where we exited with a run rate of around 2.0mt.

However, our strong progress in increasing volumes was to some extent offset by rising raw material input costs; in particular, for coal and alumina. We are actively engaging in enhancing operating efficiencies, through producing more captive alumina, achieving better materialisation of coal linkages, and thereby working towards reducing the controllable costs.

Other challenges included the slower than expected turnaround initiatives at KCM, and the shutdown of operations in Goa and Tuticorin.

At KCM, we had hoped to report more progress by the year-end. However, this asset is now at an inflection point as the business model has been comprehensively reappraised. Our business-partnering approach is getting into place and is framed on clear end-to-end responsibility and performance incentives for service providers. Therefore, I am confident of a stronger FY2019 for KCM.

At Goa, our iron ore operations are currently shutdown. The Honourable Supreme Court of India directed to halt all mining operations in the state, effective 16 March 2018, pending the granting of fresh mining leases and environmental clearances. Given our commitment in the region, and the considerable impact on the local economy, we continue to engage with Government to provide clarity around restarting of mining operations at Goa. Due to the uncertainty around this process, the Company has taken an impairment of US\$534 million (net of taxes) in FY2018.

At Tuticorin, our copper smelting operations were halted at the end of March, initially for scheduled maintenance activities. The shutdown has since been extended as the Company's annual renewal of its consent to operate was rejected by the Tamil Nadu State Pollution Control Board, pending additional clarifications. The Company is working with the relevant regulatory authorities to expedite the restart of the operations.

### Our growth agenda

This year, we also invested in the next phase of our growth, and have made delivering on our various growth opportunities a strategic priority as detailed below:

#### Oil & Gas

- Our vision is to contribute 50% of the country's domestic crude oil production by increasing our gross production to 500kboepd. Working towards this goal, we announced growth projects including enhanced oil recovery (EOR), tight oil and gas projects, upgrade of liquid handling facilities, and exploration, for which key contracts have been awarded to world-class partners. These projects, along with an exit run rate of 200kboepd in March 2018, will pave the way to achieve 300kboepd in the near term and will progress our journey to 500kboepd in the medium term.



For more on Oil & Gas  
see pages 68–71

#### Zinc

- Our current expansion will take us to over 1.5mt p.a. of zinc production with Zinc India ramping-up to 1.2mt and Gamsberg to 250kt in the near term. Our expanding reserve and resource base at both Zinc India and Gamsberg provides us with an opportunity to increase production beyond this level to about 2mt in the medium term. With this in mind, the Zinc India Board has approved the expansion from 1.2mt to 1.35mt and corresponding silver production potential of over 32 million ounces.



For more on Zinc  
see pages 72–79

#### Aluminium

- We achieved a record run-rate of c. 2mt as we exited the year and are now focused on delivering a steady production of 2mt. We also hope to proceed with expansion of the Lanjigarh refinery, subject to further clarity on bauxite supply.



For more on Aluminium  
see pages 92–95

#### Copper

- We are continuing our Tuticorin II expansion by 400KTpa. When complete (target: FY2020) we will be one of the world's largest single-location copper smelters.



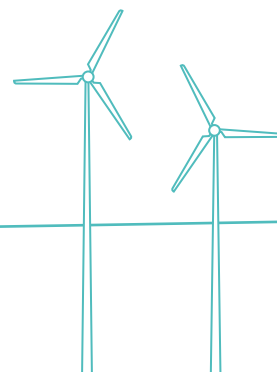
For more on Copper  
see pages 84–87

#### Iron Ore & Steel

- We moved to acquire Electrosteel towards the end of the year, the completion of which is subject to due processes. We see favourable market dynamics for steel in India and, together with integration efficiencies with our Iron Ore business, we regard this acquisition to be value-accretive for Vedanta.



For more on Iron Ore  
see pages 80–83



## Chief Executive's Statement continued



Mangala processing terminal.

66

**Achieving the lowest cost, with no compromise on safety or quality, is our operating philosophy and there is an ongoing focus on asset optimisation and process innovation.** 99

As we deliver on growth across our various businesses, we continue to maintain our disciplined approach to investment: potential projects will be evaluated against a range of metrics, including operational and technical factors, pricing and market considerations and robust return on capital.

### **Deleveraging and strengthening our balance sheet**

In FY2018 we also delivered on our strategic priority to deleverage our balance sheet, with the reduction of standalone debt at Vedanta plc falling from US\$6.2 billion to US\$5.9 billion. On a consolidated basis, the gross debt for the Group reduced by US\$3 billion to US\$15.2 billion as a result of strong cash flows and productive utilisation of cash and investment balances.

However, the increased shareholder returns both at Hindustan Zinc and Vedanta Limited, and the acquisition of ASI, resulted in higher net debt. This year, a strategic priority will be to optimise capital allocation and strengthen our balance sheet through strong business cash flows.

During the year, we also worked proactively on liability management through refinancing our near-term maturities through a bond issuance and bank loans; this successfully extended the average maturity profile of the debt at Vedanta plc to about four years. We were pleased to see our ratings improve as a result, with Moody's upgrading our Corporate Family Rating by one notch, from 'B1 stable outlook' to 'Ba3 stable outlook'. Vedanta Limited's rating outlook was also raised from 'stable' to 'positive' (by CRISIL, an S&P company), with a current rating of 'AA/positive'.

### **Operational excellence**

In FY2018, we also delivered on our strategic priority of asset optimisation. We focused on debottlenecking our assets, adopting technology and digitalisation, strengthening people-practices, enhancing the vendor and customer base, and spend-base optimisation. We are making concerted efforts to drive all-round operational excellence,

benchmarking our operations with global leaders to ensure we attain the true potential of our assets and have made this one of our strategic priorities.

Achieving the lowest cost, with no compromise on safety or quality, is our operating philosophy and there is an ongoing focus on asset optimisation and process innovation. For example, in the Oil & Gas business, we have partnered with global oil field service providers and have provided our partners with end-to-end responsibility for project management, providing incentives on measurable outcomes of production, delivery and safety.

Digitalisation is opening up exciting opportunities at several of our leading mines. At Gamsberg, for example, the project will have leading-edge systems that report the state of the mine, the quality of ore, the conditions of the concentrator and the quality of the concentrate, all in real-time to enable minute-by-minute decisions. We also completed piloting digital technology at Sindesar Khurd, transforming it into a fully automated mine that will reduce costs while elevating safety.





### Reaching out to communities

My personal experience of Vedanta stretches over 15 years, and I have always been proud to work with a company so focused on contributing to the communities around it. In FY2018 we invested, and helped to achieve, more than ever before in the areas of childcare, health, education and development, empowerment for women and other social programmes.

These activities, in India and Africa both, are covered in more detail in the Chairman's Statement on pages 08–09.

In India, the Nand Ghar project, one of our most focused initiatives is working towards building and transforming state-of-the-art, grassroots day care centres with multi-media facilities to support education for children. To date, we have built 154 centres in Rajasthan, Uttar Pradesh and Madhya Pradesh, and we are perfecting the pilot. Vedanta has committed to constructing 4,000 modernised Anganwadis (childcare centres) across the country and we are working with resolve towards achieving this goal.

### Outlook FY2019

With various growth opportunities in the pipeline, our performance in FY2019 will be even stronger, with a further improvement in volumes and reduced costs. Our focus on efficiency, cost control and operational excellence will yield results during the year as we build a strong foundation for our next phase of growth. We will also continue to set the bar higher for ourselves in critical areas such as safety, and in corporate governance.

We believe that the market environment we enjoyed in FY2018 will also characterise FY2019, giving us a supportive climate as we continue to ramp-up production and advance our growth agenda. We expect to increase investments y-o-y, in a measured and reasoned way and focus on organic growth in areas where we have deep expertise: principally, oil & gas, and zinc. Equally, we continue to monitor markets and make our decisions with a strong sense of realism. Our investments are largely self-funded and are not market-dependent; we are always ready for cyclical volatility, and meanwhile we focus on factors within our control such as costs and safe expansion.

Our ability to meet these commitments comes entirely from the effort, skills and vision of our people, and I compliment all our employees for their dedication and hard work. Together, we will continue to benefit from, and contribute to, one of the fastest-growing economies in the world, and add value for our shareholders.

We entered FY2019 with the welcome news of the appointment of Srinivasan Venkatakrishnan (Venkat) as CEO. He brings with him a wealth of experience in global resources and I look forward to handing over the reins to him on 31 August 2018.

**Kuldip Kaura**  
Chief Executive Officer  
23 May 2018

## Channelling growth options Cairn Oil & Gas

# Oil for India



A key priority for any developing nation is to maximise its self-sufficiency in energy.

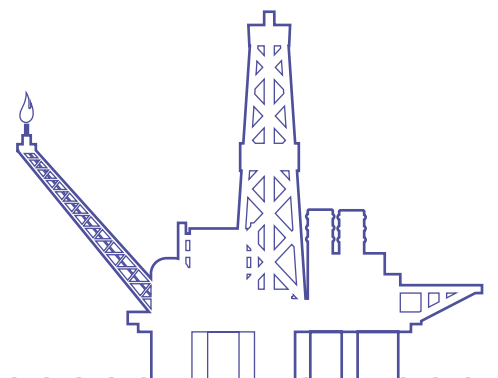
As one of the world's fastest-growing economies, and with oil demand growing exponentially, India is seeking to reduce its oil imports – which currently account for around 80% of the nation's consumption.

At Vedanta, we are not only ready to reduce this deficit but are positioning ourselves to contribute half of the total oil produced in India. Over the next few years, we aim to increase production from 200kboepd today to 300kboepd. This ambitious aim will be aided by a new business-partnership model and lays the foundation for achieving a production of 500kboepd with reserves of three billion barrels of oil equivalent.

In the near-term, we are investing gross capex of US\$2.3 billion to increase our resource and reserve base by around 375 million barrels. Our rich project portfolio is comprised of enhanced oil recovery projects, tight oil & gas projects, and exploration prospects. As well as boosting production, this investment will generate sustainable employment opportunities, directly and indirectly, and bring cutting-edge solutions to community needs.

For example, as part of our Jeevan Amrit Yojana programme, we are also focusing on recycling water in Rajasthan, a dry area of India. By installing 331 community reverse-osmosis plants, we will help to deliver safe drinking water to one million people.

 **Our Oil & Gas business**  
see pages 68–71



Offshore operations at Ravva.



# from India

## Global Integrated partnerships: success incentivised



Historically, Cairn awarded contracts in the conventional way, to separate vendors for specific activities such as drilling, services and construction.

Today, we have fundamentally altered our strategy, enabling us to execute multiple projects simultaneously, with greater efficiency, and to deploy innovative technological solutions across the value chain.

Our new end-to-end integrated partnership model, developed in collaboration with our business partners, is the first of its kind in India. Partners receive a fixed base fee, but with the added incentive based on speed, efficiency and safety parameters. In turn, this encourages those partners to innovate in terms of technology and operations.

We have started awarding the integrated development contracts, for these projects worth c.US\$1.8 billion, of which US\$1.3 billion has already been awarded, to global oil field service providers such as Halliburton, Schlumberger, Petrofac and GE-Baker Hughes, to be executed over the next 1–3 years. These contracts incorporate clearly defined timelines and a risk-reward matrix linked to performance.

This new model has already generated significant value for us: by consolidating existing contracts we have reduced costs by more than 20%. We expect further upside from operational efficiencies, driven by best-in-class technology solutions.



Channelling growth options  
Zinc India

# Success beneath



One barometer of a country's move towards modernisation and rising consumer demand is its requirement for zinc.

In India, zinc demand is being driven by a range of needs including car manufacturing, consumer electronics and new urban infrastructure, while other by-products such as silver for solar panels and lead for car batteries are also in strong demand.

This augurs well for Zinc India: the company is one of the lowest-cost producers in the world and is poised to become a Top 5 global producer of silver.

Central to its growth strategy is the transition from open-cast to underground mining which has been completed this year. Our vision is to grow our zinc-lead output to 1.5 million tonnes per annum and our silver portfolio to 48 million ounces. Phase I of this expansion has been approved by the Board. This will increase the mined metal and smelting capacity from 1.2mtpa to 1.35mtpa over a period of three years. Phase I will be executed concurrently with the ongoing mining expansion, which is now in its final stages, to take capacity to 1.2 million tonnes per annum by FY2020.

Zinc India ranked just outside the Top 10 in the Dow Jones Sustainability Index for the Metal and Mining sector, and the HZL Mining Academy trained 200 young people in underground mining skills during the year.



Our Zinc India business  
see pages 72–75



Simulator for mining equipment at Dariba.

# the surface

## Transforming Sindesar Khurd to a fully digital mine



The Sindesar Khurd Mine is a zinc mine located in the north-west of India. Being an underground mine in expansion mode, there is limited visibility of the mining processes, making it difficult to monitor and improve performance. The mine is therefore being transformed from a mechanised mine to a fully digital one, providing much greater transparency across the value chain and enabling us to maximise efficiency, improve safety and reduce the cost of operations.

A pilot scheme over 1.5km of decline and portals has already been successfully implemented and full roll-out across the mine is now in progress. Once fully operational, the project will allow monitoring and optimisation of assets, traffic management, improved scheduling and task management, autonomous fleet operations, and real-time visibility of machine health and productivity data.

As a result, we expect to see a wide range of benefits including:

- increased utilisation rates across our fleet and equipment of 15%;
- timely maintenance checks improving safety and equipment availability;
- ability to activate ventilation on demand, leading to energy savings of 15%;
- ability to increase the fill factor of loaders to 100%; and increased mine throughput and volumes over the coming years.



## Channelling Growth Options Zinc International – Gamsberg

# The market's



When Zinc International's Gamsberg project begins production in mid-2018, it will supply a market that is both rising and under-served.

It will also show the efficiencies and capabilities of a mine that, from the outset, has been conceived as a smart digital facility.

As we go to print, the project, located in South Africa's Northern Cape, is a hive of activity. Around 2,700 people are currently employed on site, completing preparations for the launch of Phase I with a production capacity of 250kt. Over time, this will more than double to 600kt, once Phases II and III enter production.

Gamsberg's arrival will be timely: while the global demand for zinc has seen steady growth, the supply side hasn't kept pace; indeed, the sector has experienced stock constraints and mine closures.

The new facility will not only set new standards of production and safety; from the blueprint stage onwards, a biodiversity management plan has been in place to ensure Gamsberg's natural surroundings grow and thrive.

This governs both its construction through the three phases and also production over its projected life of 13 years.

 Our Zinc International business  
see pages 76–79



Erection of ball mill shells, bearing housing and motor.

# major new source of zinc

‘SMART Ore’: a world-first



The Gamsberg project will combine our wealth of experience in zinc production with leading edge technology that has never been seen in a greenfield mining project.

Zinc International has worked in close collaboration with specialist partners GE & MineRP to create a fully integrated technological solution. This includes equipping the development phase of the mine, rather than retrofitting the systems once it is operational.

The digital concept is known as ‘SMART Ore’. It is an end-to-end solution, producing continuous, live data on the mine’s production status, quality of ore, quality of concentrate and mine conditions, enabling instant decision-making. It will assist the team to monitor and manage the mining contractor and adjust the blending strategy based on real-time grade reconciliation. This ensures a constant feed grade to the plant, making the process more efficient and reducing waste. In our pursuit of zero-harm, it will also boast a state-of-the-art Collision Awareness System.

We expect this project to deliver substantial savings. We are targeting an initial 0.5% increase in recovery from the concentrator plant, but we also expect improved productivity across geology, mine planning, survey and other key mining disciplines. We project savings of at least four man-hours per function per week, once the project is fully operational.



# Market Review

## Realising Opportunities for Growth



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India is now projected to grow by 7.4% in 2018 and 7.8% in 2019, maintaining its statistics as one of the fastest-growing major economies. 99

### Global economy and commodity markets

The global economy strengthened in 2017, registering a 3.8% growth according to the IMF's World Economic Outlook (WEO). This was a 0.5% increase over the previous year and the fastest growth rate since 2011. This global uptick was driven by resilient growth in advanced economies combined with a continued pick-up in growth in emerging markets. Key drivers included an increase in investment spend, supported by an improved outlook and a rise in private consumption.

China's economy grew at 6.9% in 2017, defying expectations of a slowdown, due to strong global demand and sustained state infrastructure spending. While the IMF expects a softening in growth in 2018, China will continue to play a key role in global metals markets given that it accounts for more than 50% of world metal consumption.

Commodity prices strengthened in 2017 and this continued into the first quarter of 2018. Both demand and supply factors supported the broad-based price increases. The acceleration in global growth led to an increase in demand for commodities, while supply rationalisation due to Chinese production cuts supported stronger commodity prices. Key risks to commodities in the short term include enactment of additional tariffs, production cuts and sanctions.

### Opportunities for Vedanta Global growth

Global growth is expected to strengthen to 3.9% in both 2018 and 2019, a 0.2% upgrade for both years compared to the IMF's October 2017 forecast. While growth prospects for advanced economies are likely to remain somewhat subdued going

forward, growth in emerging markets and developing economies is expected to continue to increase, from 4.8% in 2017, to 4.9% in 2018, and 5.1% in 2019.

This global growth will lead to higher demand for metals and oil. Vedanta's diversified portfolio and attractive basket of commodities positions us well to take advantage of this projected uplift.

### Tight mine supply

Market balance for certain commodities, in particular zinc and copper, is expected to remain tight due to limited investments in new projects, mine closures and higher than expected levels of demand.

Vedanta is well-positioned to take advantage of these supply and demand factors, given the ramp-ups across businesses and the various growth projects underway.

### Indian economy

India is a key market for Vedanta and one which we believe has huge growth potential. According to the IMF's WEO of April 2018, the Indian economy grew at 6.7% in 2017, accelerating from a relatively



slower growth in the first half of the year due to the transitory effects of the currency exchange initiative.

A number of major reforms were undertaken in 2017. On 1 July 2017, India launched its biggest tax reform, the Goods and Services Tax (GST). The implementation of GST will help reduce internal barriers to trade and increase efficiency and tax compliance. GST eliminates cascading of taxes and encourages 'Make in India', thus driving growth momentum. In a separate reform, major stressed assets were marked for resolution under the Insolvency and Bankruptcy Code 2016, to ensure a time-bound insolvency resolution, helping corporates clean balance sheets and reduce debt.

These policy measures have improved external confidence in the Indian economy and are set to provide a boost to economic growth. More importantly, they have enabled India to jump 30 places in the World Bank's Ease of Doing Business rankings and resulted in the first upgrade in its sovereign debt ratings for 14 years to 'Baa2' from 'Baa3'.

#### **Opportunities for Vedanta An India-focused growth agenda**

India is now projected to grow by 7.4% in 2018 and 7.8% in 2019, maintaining its status as one of the fastest-growing major economies in the world, according to the IMF's WEO. In the medium term, growth is expected to rise gradually as structural reforms continue to be implemented, raising productivity and incentivising private investment. An amended MMDRA (Mines and Mineral Development and Regulation Act) in 2015 has brought increased clarity on the licensing around mining. Key regulatory reforms around opening commercial coal mining to the private sector and the launch of Open Acreage Licensing (OAL) in the oil & gas sector to improve exploration, are some of the steps in the past year towards creating a more favourable mining environment.

Positive demographic factors such as an increasing workforce and urbanisation are driving a greater need for infrastructure development. The Indian government continues to invest in the infrastructure sector, having increased its spending in the Union Budget 2018–19. In September 2017, the government launched 'Saubhagya',

a new scheme to ensure electrification of all remaining willing households in the country. In October 2017, the Government launched 'Bharatmala', a new programme to optimise efficiency of road traffic by bridging critical infrastructure gaps. Initiatives like these would be a major driver for economic growth.

Looking ahead, we expect to see a continued focus and further investments in the infrastructure, transportation and power sectors. We also anticipate changes in government policy to incentivise domestic metal and energy production, and to reduce dependence on imports. These initiatives will lead to an increasing demand for domestically produced metals.

Vedanta, as the only diversified natural resources company in India, is uniquely positioned to leverage India's growth potential by catering to that demand. With such a vast domestic market, everything we produce in India, we aim to sell in India.

## Market Review continued



### Oil & Gas

#### Boosting Indian oil & gas production will drive future growth

Robust global demand, and curtailed production by members of the Organisation of the Petroleum Exporting Countries (OPEC), supported crude oil price increases in 2017, outweighing relatively high US crude oil production. As a result, crude oil prices ended 2017 at US\$65/bbl, the highest level since 2015.

Both OPEC and non-OPEC countries have agreed to continue limiting output until the end of 2018. With the US pulling out of the Iran nuclear pact and triggering renewed sanctions on a key oil producing country, oil prices reached levels above \$75/bbl in May 2018.

#### Products and customers

Vedanta's operations produce crude oil, which is sold to hydrocarbon refineries, and natural gas which is used primarily by the fertiliser industry and power generation sector in India.

#### Market drivers and opportunities

US crude oil production continues to rise: the US Energy Information Administration (EIA) projects average US crude oil production of 10.7 million b/d in 2018 and 11.4 million b/d in 2019, surpassing the previous record of 9.6 million b/d set in 1970. Resilient US production will have an impact on oil prices going forward.

In India, 83% of oil consumption and 45% of gas consumption is met by imports. However, the Indian Government recognises the need to boost domestic production to achieve greater energy security. To this end they are targeting a 10% reduction in India's imports of oil and gas by 2022 and have introduced a number of new policies aimed at attracting investment and boosting production.

In 2017 we saw the launch of the Open Acreage Licensing Policy (OALP) in the Indian oil & gas sector, giving companies the option to carve out their own exploration blocks without a formal bid round from the Government, and providing the opportunity for acreage acquisition for the first time in eight years. This process will help fast-track exploration and production in India.

India is under-explored, with only seven of the 26 sedimentary basins currently producing oil and gas. Further, reassessment of India's resource base has highlighted an increase in India's total hydrocarbon resources (in place) by close to 50%, providing significant growth opportunities.

Vedanta, a strong believer in India's resource potential has recently bid for all 55 blocks on offer in the first round of oil & gas auctions under the OALP.

As the largest private sector producer of crude oil in India, and with a strong track record and growth pipeline in exploration and development, Vedanta is well positioned to benefit from the Government's desire to boost domestic production and to leverage India's oil & gas resource potential.

 **Our Oil & Gas business**  
see pages 68–71



### Zinc

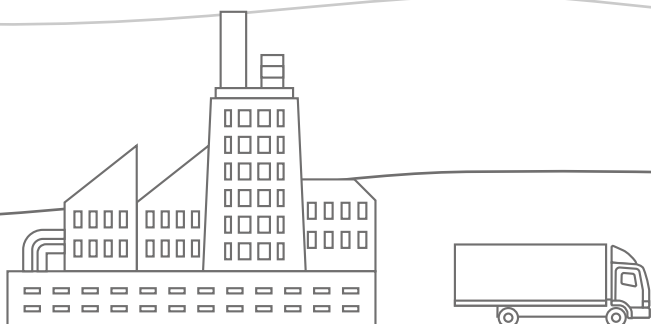
#### Supply-side will hold the key

Zinc was one of the leading performers on LME in CY2017, with prices up 38%. The year was marked by a sharp decline in finished goods stocks, which fell to record lows that were the equivalent of around six days of global consumption in 2017 and reduced zinc supply from China for most of the year. The combination of scheduled mine closures, strategic production cuts and the impact of environmental inspections in China depleted global stocks of zinc concentrate. The consequent constraints on refined production ensured that the rally in zinc prices that started in 2016 was sustained in 2017.

Mine supply is expected to increase in 2018 as projects including the Century Tailings project, Glencore's Lady Loretta, MMG's Dugald river and Vedanta's Gamsberg mines, are expected to add approximately 400–500kt of refined zinc this year, totalling about 13.7 million tonnes. However, Zinc market fundamentals remain robust with global zinc consumption expected to grow by 2.5% to 14.8 million tonnes in 2018. This implies that the concentrate market will remain tight and refined metal stocks could further reduce significantly.

#### Products and customers

Vedanta is the largest zinc producer in India, with a 78% market share. Approximately 68–75% of the refined zinc produced is sold in the Indian market, primarily to steel companies, with the rest being exported to countries in Asia and the Middle East. Over 70% of Indian zinc consumption is used for galvanising steel, predominantly in the construction and infrastructure sectors. We also produce zinc for use in die-casting alloys, brass and oxides and chemicals. Vedanta's Zinc International operations comprise Namzinc Pty Ltd in Namibia, which is the largest integrated zinc producer in Africa, as well as Black Mountain Mining (BMM) in South Africa. Namzinc produces refined zinc which is sold within Africa and exported to Europe and China, while concentrate from BMM is exported to traders and refiners internationally.







## Silver

### Market drivers and opportunities

Last year saw a healthy increase in zinc consumption in the three major consuming regions – Asia, Europe and North America. Demand growth in China from the real estate and automotive sectors, and the 'One Belt One Road' initiative, was partly offset by the impact of pollution control measures.

Europe recorded a surprising revival in growth with industrial activity in Germany and France, driven by an uptick in domestic consumption along with a major push for technology and engineering product exports. With falling unemployment, rising Fed rates and changing trade policies in the US, we are already witnessing higher consumption, along with fresh investments targeted at promoting exports.

In India, zinc consumption in the near-term will benefit from the ongoing restructuring of the steel industry and adherence to newly established IS277 coating standards. The alloys and die casting sector also witnessed robust growth, led by zinc-magnesium alloys. Demand from the automotive sector remains robust due to the rising penetration of galvanised steel in domestic cars.

Over the next five years, zinc demand in India will be a beneficiary of higher construction spending, which is expected to increase at around 10% CAGR with projects under the metro rail, Smart Cities Mission and Swachh Bharat (Clean India) driving investments in urban infrastructure.

African zinc consumption is also significantly driven by the galvanising industry, with end-use in the mining and construction sectors, and this represents a key market for us.

Production ramp-up at Zinc India and the Gamsberg project this year will enable us to benefit from the rising demand globally, particularly in India and Africa.

 Our Zinc-Lead-Silver business  
see pages 72–79

### Industrial uses driving demand

In 2017, global economic growth and positive industrial sentiments underpinned the strong demand for industrial silver in solar panels, electrical components, brazing and alloys and other applications. Supply of silver remained constrained in 2017 as silver production is primarily a by-product of copper, zinc and lead extraction processes which were impacted by subdued mine supply in the year. The silver market, therefore, continued to be in deficit for the fifth year in a row.

Positive economic development is an argument in favour of silver because it means that industrial demand is likely to become even more dynamic – it accounts for more than half of total silver demand. India's silver imports doubled y-o-y, while China's rebounded strongly, primarily driven by rising industrial demand for the metal which is expected to pick up at an even better pace this year in Asia.

### Products and customers

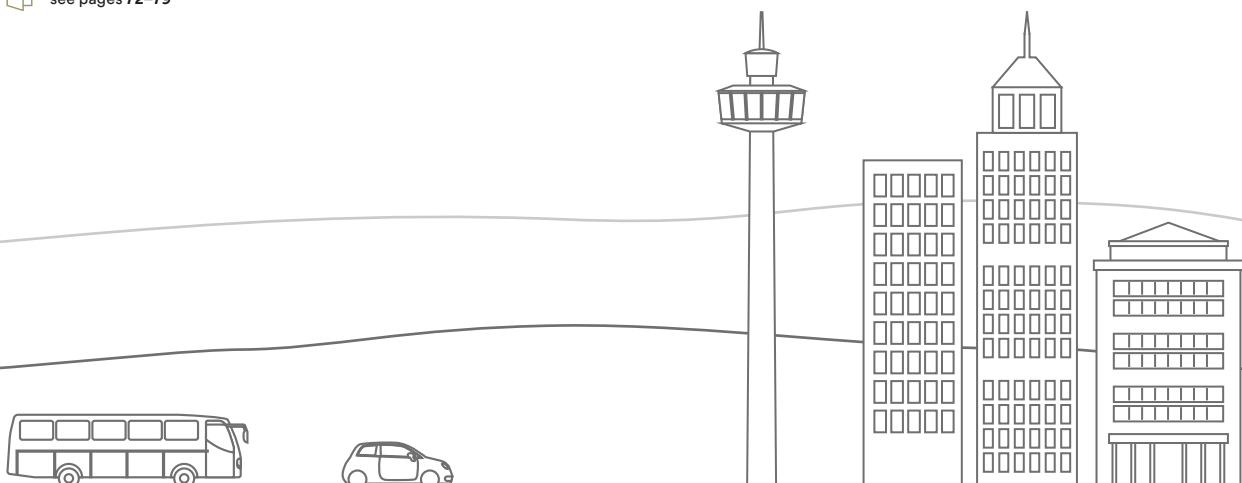
Hindustan Zinc holds the position of being India's only primary silver producer – 17.9 million ounces in the last financial year – and ranks 10th globally in terms of the top silver-producing companies. A major proportion of the Indian market's appetite is satisfied through imports, with the balance coming from secondary manufacturers and recyclers. With the latest accreditation of 'London Good Delivered Bars' in April 2018, HZL's silver is on par with international standards. In India, the highest usage of silver is in jewellery (38%), followed by coins and bars (22%) silverware (20%) and industrial fabrication (20%), according to the World Silver Institute. We cater to markets including the industrial sector (electrical contacts, solder and alloys, pharmaceuticals), and the jewellery and silverware manufacturing segment.

### Market drivers and opportunities

Silver investment demand, along with gold, is likely to face headwinds from higher interest rates, but rising inflationary expectations as well as any geopolitical tensions may see investors' interest in silver recover as the metal is considered to be a safe haven asset. Industrial demand for silver will be driven by a strong solar PV sector and increased vehicle electronics applications, while jewellery demand is expected to grow with rising income levels in Asia.

Zinc India produced a record level of silver in the past year. Vedanta is well-positioned to capture the growth in demand as production rises significantly in the coming years with the ramp-up of the silver-rich Sindesar Khurd mine.

 Our Zinc-Lead-Silver business  
see pages 72–79



## Market Review continued



### Aluminium

#### Construction and transportation segments continue to drive demand

Aluminium demand, excluding China, grew by 4% y-o-y in 2017, while Chinese demand grew by 6%, supported by the strong economic growth across most of the world economies.

The year CY2017 turned out to be good for aluminium prices as a late-year rally lifted prices by 33%, up \$558/t from January levels and the second-largest annual price increase this century. Aluminium LME prices rose by 21% compared to FY2017 owing to increases in raw material prices, expectations around supply reform in China and the implementation of trade tariffs in the US.

#### Products and customers

Vedanta has the largest integrated smelter in India, with 2.3mtpa proposed capacity, and is the market leader in primary aluminium with 40% market share. Our product range includes ingots, primary foundry alloys, wire rods, billets and rolled products.

In FY2018, 40% of our sales were to the Indian market, specifically for use in the construction, electrical and transportation industries where government policies aimed at providing affordable housing were a significant driver of demand growth. International sales to our established customer base in other key Asian, European and American markets grew by 64% to c. 1 million tonnes, compared to FY2017.

#### Market drivers and opportunities

Globally, aluminium demand is forecast to increase by 4% next year, driven mainly by ongoing demand in the construction and transportation segments. The advent of electric vehicles will further start to provide a new demand stream. In India, initiatives to increase investment and develop infrastructure continue to drive demand. India is also one of the world's largest electrical applications market for aluminium and the electrification programmes driven by the Government will drive the growth in

aluminium consumption by 7% next year. The next wave of light-weighting in the Indian railways combined with the 'Make in India' campaign will herald new growth opportunities for new investments in the aluminium downstream. Uncertainty from trade wars and geopolitical events, including sanctions on Russia, have the potential to impact the aluminium and alumina markets globally.

Vedanta continues to ramp-up its Jharsuguda smelter and grow its production in order to take advantage of these opportunities. Vedanta's wire rod facility, which is one of the largest globally is positioned to leverage the aluminium demand from electrification trends.

 **Our Aluminium business**  
see pages 92–95



### Power

#### Growth in Indian demand is driving capacity increases

Vedanta operates a 9GW diversified power portfolio in India consisting of 96% thermal power and 4% from renewable energy sources.

India has the fifth-largest power generation capacity in the world. Between FY2010–FY2017, electricity production grew at a CAGR of 7.03%, driven by government initiatives and schemes to increase electrification across rural India. A target to connect 18,452 villages to the power grid was achieved in April 2018.

#### Products and customers


Of Vedanta's power portfolio, 40% is used for commercial power while 60% is for captive use. 92% of the power generated for commercial purposes is backed by long-term power purchase agreements with local Indian distribution companies.

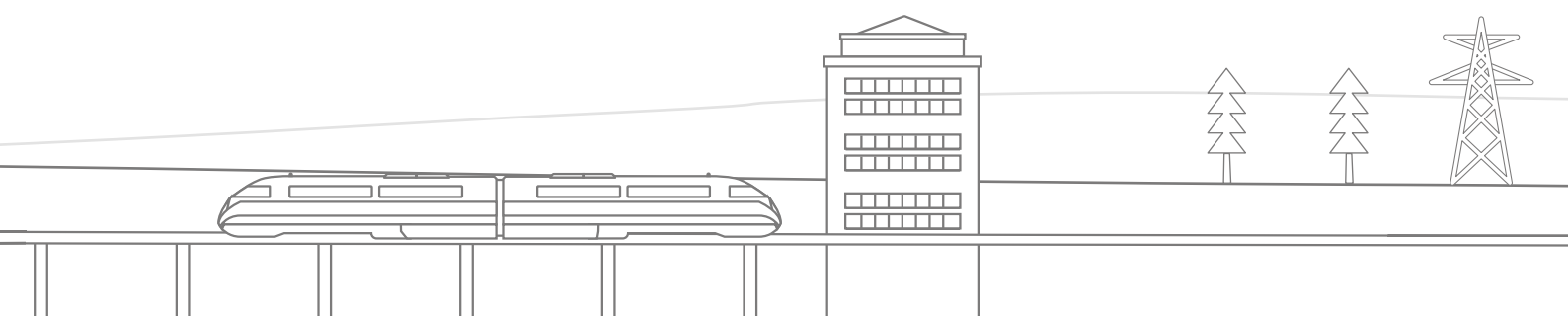
#### Market drivers and opportunities

Demand for power in India is expected to grow rapidly from 1160.1TWh in 2016 to 1894.7TWh by FY2022, mainly driven by the expansion in industrial activity, a growing population and increasing electricity penetration. The Government has also been supportive of growth in the power sector, de-licensing the electrical machinery industry and allowing 100% foreign direct investment. In addition, in February 2018 the Government permitted commercial mining for thermal coal, which will improve India's self-sufficiency and reduce coal and logistics costs.

As of February 2018, India had a total installed capacity of 334GW, of which thermal constituted 220GW, nuclear 7GW, hydro 45GW and renewables 63GW. Total captive power installed capacity stood at 41GW.

India currently has a power deficit and is targeting an additional total of 100GW under the Indian Government's 13th Five Year Plan (FY2017–FY2022). The target for renewable energy has also been increased to 175GW by 2022. Vedanta's power portfolio is well-positioned to capitalise on India's growing demand for power.

 **Our Power business**  
see pages 96–98





## Copper

### Consumption in India and China is fuelling demand

Refined copper consumption grew by 2.0% in 2017, while demand in China, the largest consumer of copper, grew by 3.2%. Copper prices firmed up on the prospects of the US's infrastructure plans and increased demand in China for appliances and consumer goods. In India, the refined copper market experienced some volatility during the year but is expected to continue growing on par with growth in the Indian economy.

On the supply side, after five consecutive years of growth, 2017 did not see any significant changes in supply. However, disruptions to production at Escondida, Cerro Verde and Grasberg, and further environmental cutbacks at smaller Chinese mines, led to 995kt of identified supply disruptions in 2017.

### Products and customers

Refined copper is predominantly used in manufacturing cables, transformers and motors as well as castings and alloy-based products.

Vedanta, with its 400ktpa custom smelter in Southern India, is the market leader in India with a market share for refined copper of approximately 33%. Copper India's exports accounted for 49% of overall sales in FY2018 and were mainly to China and South East Asia.

Konkola Copper Mines (KCM) is a leading integrated copper producer in Zambia and operates one of the two mines producing electro-refined copper cathode in the region. Much of the product is exported mainly to South East Asia, China and the Middle East. The refined cathode is also sold to local cable manufacturers.

### Market drivers and opportunities

We expect to see continued demand growth in India and China in the coming years, driven by population growth, urbanisation, the rise of the middle class and supported by government measures and initiatives. Additionally, demand for copper products feeding the electronics and automotive industries will support solid growth in the short to medium term in Japan, South Korea, and Taiwan.

Further, the increase in economic activity across the African continent, supported by governments' desire to attract investments to the region, provides an opportunity to tap regional metal consumption growth. On the supply side, there is the potential for further industrial action at Latin American mines during 2018 as labour contracts are negotiated at Chilean and Peruvian copper mines, possibly leading to a fall in production.

Our smelter capacity expansion projects in Tuticorin, as well as the integrated production ramp-up at KCM, will enable us to take advantage of these opportunities and respond to the increased demand.

 **Our Copper business**  
see pages 84–91

## Iron Ore

### Growing steel consumption driving iron ore demand

Iron ore prices averaged US\$72/dmt (62% Fe fines China CFR) in CY2017, a rise of over 21% y-o-y, due to high steel margins and robust demand in China. Given high margins and low inventories, there is likely to be growth in steel production and iron ore demand in the near term, as the winter production restrictions are lifted.

The iron ore price is, however, expected to experience volatility in 2018, due to uncertainty regarding the lifting of winter production restrictions in China (which have been slow until now), the increase in low-cost supply from Australia and Brazil, and lower y-o-y demand growth from China. China's steel production is sensitive to a range of economic, monetary and environmental policies, which could impact market dynamics and future iron ore prices.

### Products and customers

Vedanta was India's largest private sector exporter of iron ore in FY2018. Iron ore is a key ingredient in steel production, which ultimately serves the construction, infrastructure and automotive sectors. In FY2018, approximately 53% of Vedanta's production, from Karnataka and Goa, was sold domestically to Indian steel producers and 47%, comprising low grade ore from Goa, was exported, primarily to Chinese steel mills.

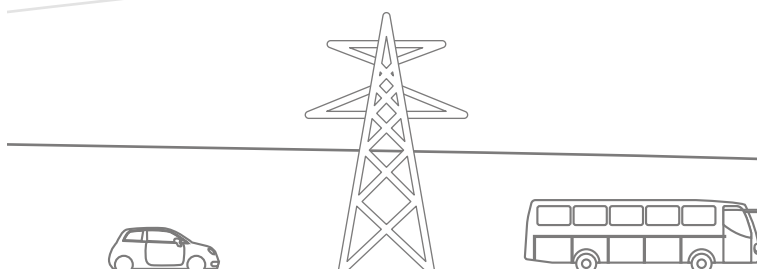
### Market drivers and opportunities

The pace of global steel production is forecast to slow in 2018 and 2019, as the supply cuts resulting from stringent environmental regulations in China outweigh a pick-up in growth elsewhere in the world.

In the short term, globally, steel demand is projected to grow by 1.6% by 2019, while Indian steel demand is projected to grow by 6.6% to reach 115 million tonnes in 2019, driven by investment in infrastructure and construction. India is one of the lowest per capita steel consumers globally and produces only c. 10% of China's steel production. However, India is on track to become the second-largest steel producing country over the next two years, surpassing Japan. The ongoing restructuring and consolidation of the steel industry in India is expected to further support the demand-growth going forward. However, mining at Vedanta's Goa operations have ceased, effective from 16 March 2018 pursuant to the Supreme Court order dated 7 February 2018. Further, we continue to engage with the Government to provide clarity around restarting of mining operations at Goa. Until such time, our ability to capitalise on the global demand remains muted.

This growth in Indian steel production represents an opportunity for us to grow our domestic iron ore sales. Vedanta's permitted mining allocation at Karnataka has been recently enhanced to 4.5 million tonnes (from 2.29 million tonnes previously).

 **Our Iron Ore business**  
see pages 80–83





# Our Business Model

Our business model is presented on the basis of the integrated reporting framework provided by the International Integrated Reporting Council and provides an overview of the values Vedanta creates over time, through its six capitals.

## Capital inputs

These are the capitals we draw on in order to operate and create sustainable value.



### Financial capital

**US\$6.5 billion**

Net worth

**US\$15.2 billion**

Gross debt

**US\$0.8 billion**

Capex

**US\$5.6 billion**

Cash and liquid Investments



### Natural Capital

**411.3mt**

R&R at Zinc India of 411.3 million tonnes, containing 35.7 million tonnes of zinc-lead metal and 1.0 billion ounces of silver

**303.6mt**

R&R at Zinc International of 303.6 million tonnes, containing 20.5 million tonnes of zinc-lead metal

**7,066 mmboe**

Gross proved and probable hydrocarbons initially in place in O&G Business



### Human Capital and Intellectual Capital

**+70,000**

Employees (including contractors)

**921,550**

Safety training hours

**+1,000**

HSE employees (including contractors)



### Technology used:

Energy-efficient ISA SMELT technology used for copper smelting at Tuticorin

Collaborated with GAMI, a renowned technical consultant of China for set-up of aluminium smelter

Polymer-enhanced oil recovery and alkaline surfactant polymers used to boost recovery in the oil & gas segment



### Social and Relationship Capital

**US\$39 million**

Community investment

**c. 5,800**

Number of suppliers

Rated by two global and two domestic credit rating agencies

Strong network of over **36** global and domestic relationship banks



### Manufactured Capital

**\$17.7 billion**

Property, plant and equipment

## What we do

We operate across the mining value chain, focusing on long-life assets and low cost of production in India and Africa.



### Explore

We invest selectively in exploration and appraisal to extend mine and reservoir life.



### Develop

We develop world-class assets, using the latest technology to optimise productivity.



### Extract

We operate low-cost mines and oil fields, with a clear focus on safety and efficiency.



### Process

We focus on operational excellence and high asset utilisation to deliver top quartile cost performance and strong cash flow.



### Market

We supply our commodities to customers in a wide range of industry sectors, from automotive to construction, from energy to consumer goods.



### Restore

We manage our long-life assets as effectively as possible and return them to a natural state at the end of their useful life.

For more information see pages 28–29

Note: all numbers provided above pertain to FY2018

Operational review see pages 68–99



### Focusing on generating growth, long-term value and sustainability

- Operational excellence
- Preserve our licence to operate
- Optimise capital allocation and maintain a strong balance sheet
- Delivering on growth opportunities
- Augment our reserves & resources (R&R) base

Underpinned by our values

- Trust
- Integrity
- Excellence
- Care
- Respect
- Innovation
- Entrepreneurship

and a robust risk management framework

### Creating value for all our stakeholders

We are focused on delivering long-term value to all our key stakeholders through our outputs:

#### Shareholders

- Strong FY2018 results, with 27% EBITDA growth to US\$4,051 million and free cash flow post-capex of \$925 million
- Dividends through the cycle, with c. US\$182 million declared to shareholders in FY2018
- Over US\$2 billion returned to shareholders since 2003

#### Workforce

- Investment in training and development: 921,550 hours of safety training
- Focus on zero harm 0.34 LTIFR, an improvement of 13%
- Mentoring and support programmes – 12,000 employees covered under the programme
- Gender diversity recruitment drives: women now represent 10.6% of our total workforce compared to 9.4% a year earlier

#### Communities

- Investment in health, education and training. We participate in India's 'Nand Ghar' programme, helping construct and transform 4,000 state-run child welfare centres across the country to support women and children
- Community programmes – benefiting over 3.4 million people in India and Africa

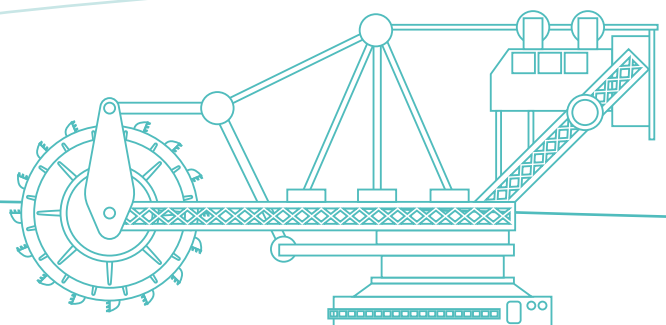
#### Governments

- Economic value
- Supporting the host country's focus on economic growth
- Contributed US\$5.4 billion to the exchequers of the countries where we operate

#### For suppliers and service providers

- Integrated model with service providers – they are paid a fixed fee, with incentives linked to safety, speed and efficiency
- Investing in and supporting local businesses

➔ For more information see pages 30–31



## Our Business Model continued

### Our Six Capitals and Underlying Values

These are the capitals we draw upon in order to operate and create sustainable value.



#### Financial capital

We are focused on optimising capital allocation and maintaining a strong balance sheet while generating strong free cash flows. We also review all investments, taking into account the Group's financial resources with a view to maximise returns to shareholders.



#### Natural capital

India and Africa have favourable geology and mineral potential and these regions provide us with world-class mining assets which are structurally low-cost and have extensive reserves and resources. Additionally, operating our mines requires a range of resources including water and energy which we aim to use prudently and sustainably.



#### Human capital

We have employees from across the world and we are committed to providing them with a safe and healthy work environment. In addition, by creating a culture which nurtures innovation, creativity and diversity, we enable them to grow personally and professionally while also helping us to meet our business goals.

### Our values



#### Trust

We actively foster a culture of mutual trust in our interactions with our stakeholders and encourage an open dialogue which ensures mutual respect.



#### Integrity

We place utmost importance on engaging ethically and transparently with all our stakeholders, taking accountability of our actions to maintain the highest standards of professionalism and complying with international policies and procedures.



#### Excellence

Our primary focus is delivering value of the highest standard to our stakeholders. We are constantly motivated by improving our costs and our quality of production in each of our business through a culture of best practice benchmarking.







#### Intellectual capital

As a relatively young company, we are keen to embrace technological developments. We are setting up a centre of technological excellence in South Africa, enabling us to nurture and implement innovative ideas across the business which will lead to operational improvements.



#### Social and relationship capital

We aim to forge strong partnerships by engaging with our key stakeholders, including shareholders and lenders, suppliers and contractors, employees, governments, communities and society in general. These relationships help maintain and strengthen our licence to operate.



#### Manufactured capital

We invest in assets including best-in-class equipment and machinery to ensure we operate as efficiently and safely as possible both at our current operations and in our expansion projects. This also supports our strong and sustainable cash flow generation.



#### Care

As we continue to grow, we are committed to the triple bottom line of People, Planet and Prosperity, to create a sustainable future in a zero harm environment for our communities.



#### Respect

We lay consistent emphasis on human rights, respect the principle of free, prior, informed consent, while our engagements with stakeholders give local communities the opportunity to voice their opinions and concerns.



#### Innovation

We embrace a conducive environment for encouraging innovation that leads to a zero harm environment and exemplifying optimal utilisation of natural resources, improved efficiencies and recoveries of by-products.



#### Entrepreneurship

At Vedanta, our people are our most important assets. We actively encourage their development and support them in pursuing their goals.



# Strategic Framework

## Strategic priorities

## FY2018 update



### Operational excellence

We are focused on all-round operational excellence to achieve benchmark performance across our business by debottlenecking our assets, adopting technology and digitalisation, strengthening people-practices, enhancing the vendor and customer bases, optimising the spend base and improving realisations.

- **Oil & Gas**
  - Debottlenecked facility at Mangala Processing Terminal (MPT) to handle and increase liquid handling capacity by ~10%
  - Additional 21 wells brought online through a drilling campaign at Mangala and other satellite fields
  - Infill drilling campaign commenced in the Cambay block, leading to substantial increase in production
  - Raageshwari Deep Gas (RDG) Phase IIA commissioned and gas production ramped-up to 45 mmscfd (increased capacity by ~33%)
- **Zinc India**
  - Commenced construction of the fumer project to improve zinc and by-products recovery
  - Zawar mill debottlenecking completed to 2.7mt
  - Reduced cost of coal basket by using lignite and off-spec coal as well as sourcing domestic coal
- **Zinc International**
  - Skorpion Pit 112 redesigned to reduce waste extracted and increase contained metal by 15%
- **Aluminium**
  - Lanjigarh refinery debottlenecked to 2mt nameplate capacity
  - Value-added sales improved y-o-y (from 44% to 46%)
- **Copper Zambia**
  - Initiated a long-term contractor partnering model with responsibility structure aligned towards definable outputs
- **Iron Ore**
  - Goa mining operations shut due to state-wide ban
- **Copper India**
  - Operations were halted at the end of March as the Company's annual renewal of its consent to operate was rejected by the State Pollution Control Board



### Preserve our licence to operate

We operate as a responsible business, focusing on achieving zero harm, minimising our environmental impact and promoting social inclusion across our operations. We put management systems and processes in place to ensure our operations create sustainable value for our stakeholders.

- Nine fatalities occurred in the fiscal year. Increased focus from Group ExCo to prevent future occurrences
- LTIFR improved from 0.39 to 0.34
- Achieved water savings of 4.1 million cubic metres
- Achieved c.14% reduction in GHG intensity over baseline of 2012
- ~90% of generated fly ash is being utilised
- 54 Nand Ghars constructed and 250 are underway
- Increased diversity across our businesses: women now represent 10.6% of our total workforce compared to 9.4% a year earlier
- Vedanta Medical Research Foundation launched central India's first world-class cancer facility in Raipur, Chhattisgarh



### Optimise capital allocation and maintain a strong balance sheet

Our focus is on generating strong business cash flows, capital discipline, proactive liability management and maintaining a strong balance sheet. We will also review all investments (organic and inorganic) based on our strict capital allocation framework, with a view to maximising returns to shareholders.

- Total gross debt reduction of US\$3 billion during FY2018
- Dividend policy announced at Vedanta Ltd
- Net debt increased to US\$9.6 billion from US\$8.5 billion, mainly due to dividends from subsidiaries and acquisition of ASI
- Dividends of US\$182 million at Vedanta plc resulted in increased shareholder returns
- US\$925 million of free cash flow post-capex generated during the year
- Proactive liability management of near-term maturities and comprehensive refinancing of US\$2.4 billion at Vedanta Plc resulting in average maturity of about four years
- Proactive refinancing of subsidiary debt of US\$1.8 billion
- Improved credit rating at Vedanta Ltd to 'AA Positive' from 'Stable' by CRISIL (a S&P subsidiary); and at Vedanta plc to 'Ba3 stable' from 'B1 stable' by Moody's



### Delivering on growth opportunities

We are focused on growing our operations organically by developing brownfield opportunities in our existing portfolio, and by acquiring attractive, complementary assets in the natural resources segment that add value to our portfolio.

- Achieved record annual production at Zinc India of 960kt and Aluminium of 1.7mt
- Significant progress at Gamsberg, on track to start production by mid-CY2018
- Oil & Gas: ended March 2018 with run rate of 200kboepd and announced growth plans
- Commenced Copper India expansion plan to double smelter capacity to 800kt
- Initiated process to acquire Electrosteel Steel Ltd to value-add to our Iron Ore business



### Augment our reserves & resources (R&R) base

We are looking at ways to expand our R&R base through targeted and disciplined exploration programmes. Our exploration teams aim to discover mineral and oil deposits in a safe and responsible way, to replenish the resources that support our future growth.

- Completed more than 240km of brownfield drilling across businesses to add R&R
- Secured greenfield licences for base metals
- 19.5 million tonnes gross additions to Zinc India reserves and resources prior to depletion of 12.6 million tonnes, aggregating to 411mt with 25+ years of mine life
- Engaged global specialists including Schlumberger, Xodus and Petrotel to supplement the efforts of in-house teams
- to augment exploration portfolio in Rajasthan, Ravva and Krishna-Godavari (KG) offshore blocks. This led to mapping a portfolio of prospects with 1.7 billion boe of prospective resources: 1.2 billion boe in Rajasthan, 400 million boe in KG Offshore and 100 million boe in Ravva
- Based on this, the exploratory drilling in Rajasthan, KG Offshore and Ravva shall commence in FY2019

## Objectives for FY2019

## Key Performance Indicators

- EBITDA<sup>◇</sup>
- EBITDA Margin<sup>◇</sup>
- ROCE<sup>◇</sup>
- FCF post-capex<sup>◇</sup>

## Risks

R2 R4 R6 R8 R11

- **Oil & Gas**
  - Execute on growth projects to deliver 220–250kboepd
- **Zinc India**
  - Commission fumer
  - Progressive ramp-up of underground mines to achieve target run-rate of 1.2mtpa
  - Ramp-up silver production to 21–23 million ounces
- **Aluminium**
  - Reduce controllable costs in the aluminium business
  - Establish long-term bauxite sourcing in the State of Odisha
- **Copper and Iron Ore**
  - Further progress on KCM turnaround with the already in-place vendor partnering strategy
  - Engage with government and relevant authorities to enable the restart of operations at Copper India and Iron Ore Goa

- LTIFR
- CSR footprint
- Gender diversity

## Risks

R4 R5 R6 R13

- Zero fatal accidents and an LTIFR of 0.30
- Achieve fly ash utilisation of 75%
- Achieve water saving of four million cubic metres through conservation and efficiency improvement projects
- Achieve energy saving of two million GJ
- 250 Nand Ghars to be constructed in FY2019, and planning for additional 1,000 to be completed

- FCF post-capex<sup>◇</sup>
- Net debt/EBITDA (consolidated)
- Underlying EPS<sup>◇</sup>
- Interest cover
- Dividend per share

## Risks

R1 R2 R13 R14

- Generate healthy free cash flow from our operations
- Disciplined capex across projects to generate strong ROCE
- Improve credit ratings
- Proactive liability management
- Reduce working capital

- Revenue
- ROCE<sup>◇</sup>
- FCF post-capex<sup>◇</sup>
- Capex

## Risks

R3 R7 R12 R13

- **Oil & Gas**
  - Progress on execution on growth projects to deliver 275–320 kboepd in FY2020
  - Commence exploration in any blocks that get awarded through first round auctions under OALP
- **Zinc India:** Commence work towards expansion to 1.35 mtpa
- **Zinc International:** successful commencement of Gamsberg in FY2019, progress towards ramp-up to Phase I production of 250kt in FY2020
- **Aluminium:** achieve steady state production of 2mt in FY2019
- **Copper India:** progress towards expansion to 800kt production capacity by FY2020
- **Copper Zambia:** deliver volume growth through successful implementation of vendor partnering model
- Complete the Electrosteel Steel acquisition, post-completion of due processes and integrate with the Iron Ore business

- Total 2P +2C reserves and resources in O&G
- Total R&R in Zinc India, Zinc International and Copper Zambia

## Risks

R9 R13

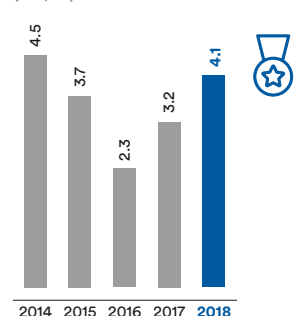
- Metals: continue to build R&R base and generate new greenfield targets for our commodities/metals
- **Oil & Gas:** high-ranked prospects are being taken up for well-drilling across our assets

◇ Indicates alternate performance measures that are defined in detail in 'Other Information'.



# Key Performance Indicators

## EBITDA° (US\$bn)



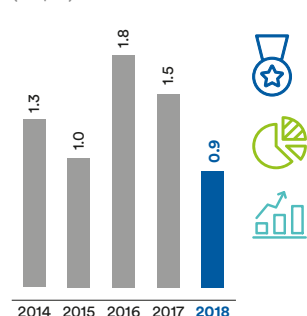
### Description

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a factor of volume, prices and cost of production. This measure is calculated by adjusting operating profit for special items and adding depreciation and amortisation.

### Commentary

EBITDA for FY2018 was up by 27% at US\$4.1 billion. This was primarily due to volume growth, coupled with firmer commodity prices.

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



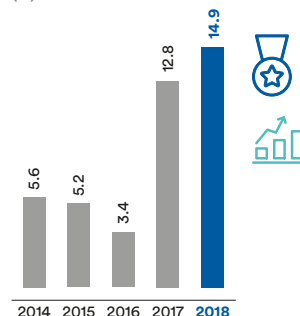
### Description

This represents net cash flow from operations after investing in growth projects. This measure ensures that profit generated by our assets is reflected by cash flow, in order to de-lever or maintain future growth or shareholder returns.

### Commentary

We generated FCF of US\$0.9 billion, driven by a strong operating performance and disciplined capital expenditure outflow, partially offset by higher interest expenses and proactive adjustment to managing the working capital funding, given the ramp-up of capacities.

## Return on capital employed° (%)



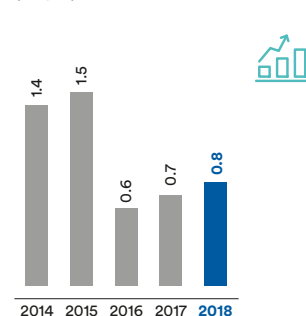
### Description

This is calculated on the basis of operating profit, before special items and net of tax outflow, as a ratio of average capital employed. The objective is to earn a post-tax return consistently above the weighted average cost of capital.

### Commentary

ROCE improved by 2.1% to 14.9%, driven by ramp-up of capacities and firmer commodity prices.

## Growth capex (US\$bn)



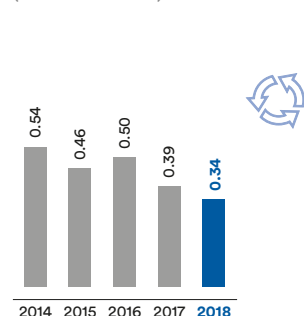
### Description

This represents the amount invested in our organic growth programme during the year.

### Commentary

Our stated strategy is of disciplined capital allocation on high-return, low-risk projects. Expansion capital expenditure during the year stood at US\$0.8 billion, with the majority invested in projects at Zinc India, the Gamsberg project at our Zinc International business, growth projects at Oil & Gas and ramping-up our Aluminium capacities.

## LTIFR (million man hours)



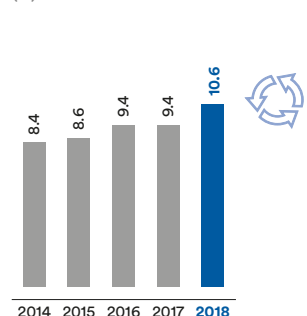
### Description

The Lost Time Injuries frequency rate (LTIFR) is the number of lost-time injuries per million man-hours worked. This includes our employees and contractors working in our operations and projects.

### Commentary

We reduced the LTIFR to 0.34 this year. This continuous fall can be attributed to our efforts in training and coaching our employees on workplace safety practices.

## Gender diversity (%)



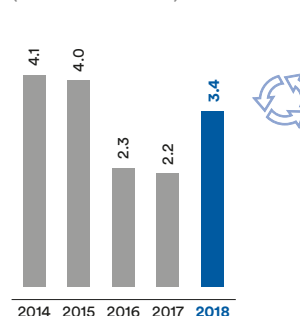
### Description

The percentage of women in the total permanent employee workforce.

### Commentary

We provide equal opportunities and a safe workplace of work to men and women. During the year, the ratio of female employees was at 10.6% of total employees.

## CSR footprint (million beneficiaries)



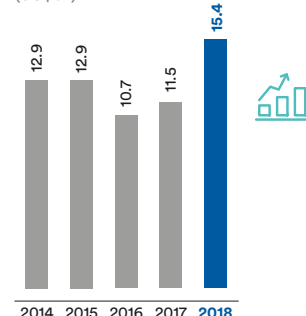
### Description

The total number of beneficiaries through our community development programmes across all our operations.

### Commentary

We benefited around 3.4 million people this year through our community development projects comprising community health, nutrition, education, water and sanitation, sustainable livelihood, women empowerment and bio-investment.

## Revenue (US\$bn)



### Description

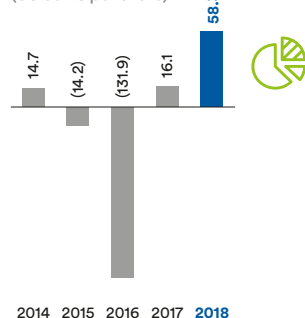
Revenue represents the value of goods sold and services provided to third parties during the year.

### Commentary

In FY2018, consolidated revenue was up by 33% to US\$15.4 billion compared with US\$11.5 billion in FY2017. The increase was primarily driven by firmer commodity prices and volume ramp-up.

### Underlying EPS<sup>o</sup>

(US cents per share)



#### Description

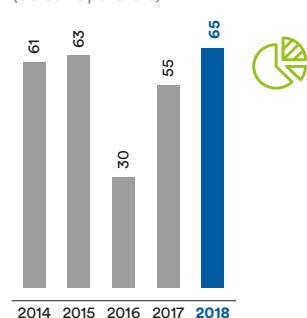
This represents the net profit attributable to equity shareholders, and is stated before special items, other gains and losses (net of tax) and minority interest impacts.

#### Commentary

In FY2018, underlying EPS was at 58.3 US cents per share, higher than the previous year earnings of 16.1 US cents per share. This mainly reflects the impact of increased EBITDA.

### Dividend

(US cents per share)



#### Description

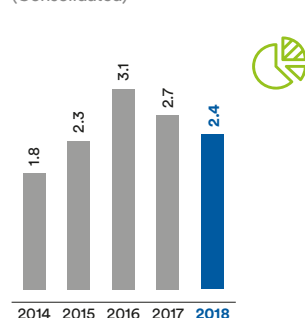
Dividend per share is the total of the final dividend recommended by the Board in relation to the year, and the interim dividend paid out during the year.

#### Commentary

The Board has recommended a final dividend of 41 US cents per share this year compared with 35 US cents per share in the previous year.

### Net debt/EBITDA

(Consolidated)



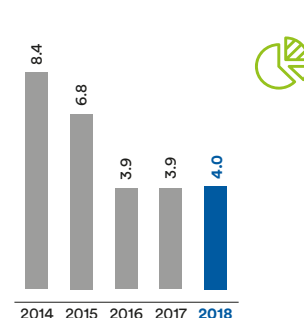
#### Description

This ratio represents the level of leverage of the Company. It represents the strength of the balance sheet of Vedanta Resources plc.

#### Commentary

Net debt/EBITDA ratio as at 31 March 2018 was at 2.4x, compared to 2.7x as at 31 March 2017.

### Interest cover



#### Description

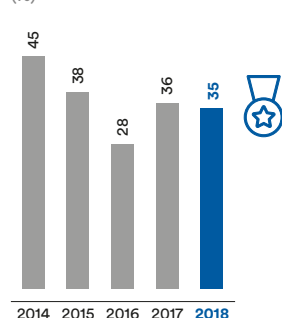
The ratio is a representation of the ability of the Company to service its debt. It is computed as a ratio of EBITDA divided by gross finance costs (including capitalised interest) excluding accretive interest on convertible bonds, unwinding of discount on provisions, interest on defined benefit arrangements less investment revenue.

#### Commentary

The interest cover for the Company continues to be stable at c. 4 times.

### Adjusted EBITDA margin<sup>o</sup>

(%)



#### Description

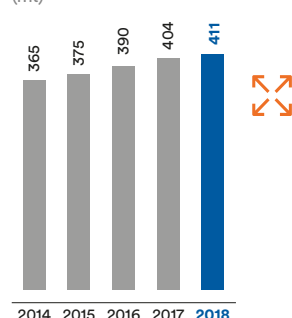
Calculated as EBITDA margin excluding EBITDA and turnover from custom smelting of Copper India, Copper Zambia and Zinc India businesses.

#### Commentary

Adjusted EBITDA margin for FY2018 was 35% (FY2017: 36%).

### Zinc India R&R

(mt)



#### Description

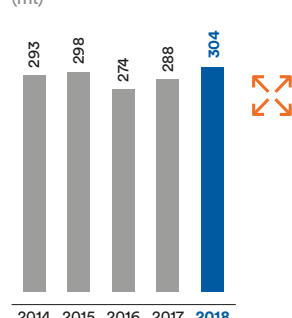
Reserves and resources are based on specified guidelines for each commodity and region.

#### Commentary

During the year, gross additions of 19.5 million tonnes were made to reserves and resources, prior to depletion of 12.6 million tonnes. Overall mine life continues to be more than 25 years.

### Zinc International R&R

(mt)

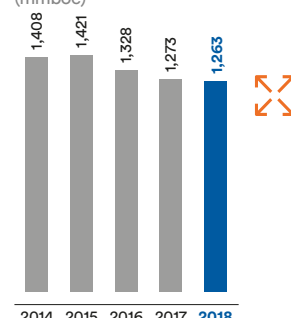


#### Commentary

During the year, gross additions of 1.3 million tonnes were made to reserves and resources, prior to depletion. Overall mine life continues to be more than 25 years.

### Oil & Gas R&R

(mmboe)

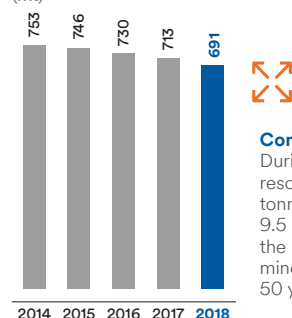


#### Commentary

During FY2018, the gross proved and probable reserves and resources were increased by 58 mmboe with a depletion of 68 mmboe on account of production during the year.

### Copper Zambia R&R

(mt)



#### Commentary

During the year, reserves and resources reduced by 12.5 million tonnes due to production and by 9.5 million tonnes due to update of the Konkola resource model. Overall mine life continues to be more than 50 years.

# Principal Risks and Uncertainties

## Managing our Risks

As a global natural resources company, our businesses are exposed to a variety of risks. It is therefore essential to have in place the necessary systems and a robust governance framework to manage risk, while balancing the risk-reward equation expected by stakeholders.

Our risk management framework is designed to be simple and consistent and provide clarity on managing and reporting risks to the Board. Together, our management systems, organisational structures, processes, standards and Code of Conduct and Ethics form the system of internal control that governs how the Group conducts its business and manages the associated risks. The Board has ultimate responsibility for the management of risks and for ensuring the effectiveness of internal control systems. The Board's review

includes the Audit Committee's report on the risk matrix, significant risks and the mitigating actions we put in place. Any weaknesses identified by the review are addressed by enhanced procedures to strengthen the relevant controls, and these are reviewed at regular intervals.

The Audit Committee is in turn assisted by the Group-level Risk Management Committee in evaluating the design and effectiveness of the risk mitigation programme and control systems.

The Group Risk Management Committee (GRMC) meets every quarter and comprises the Group Chief Executive Officer, Group Chief Financial Officer, Director Finance and Director Management Assurance. The Group Head-Health, Safety, Environment & Sustainability is invited to attend these meetings. GRMC discusses key events impacting the risk profile, principal risks and uncertainties, emerging risks and progress against planned actions.

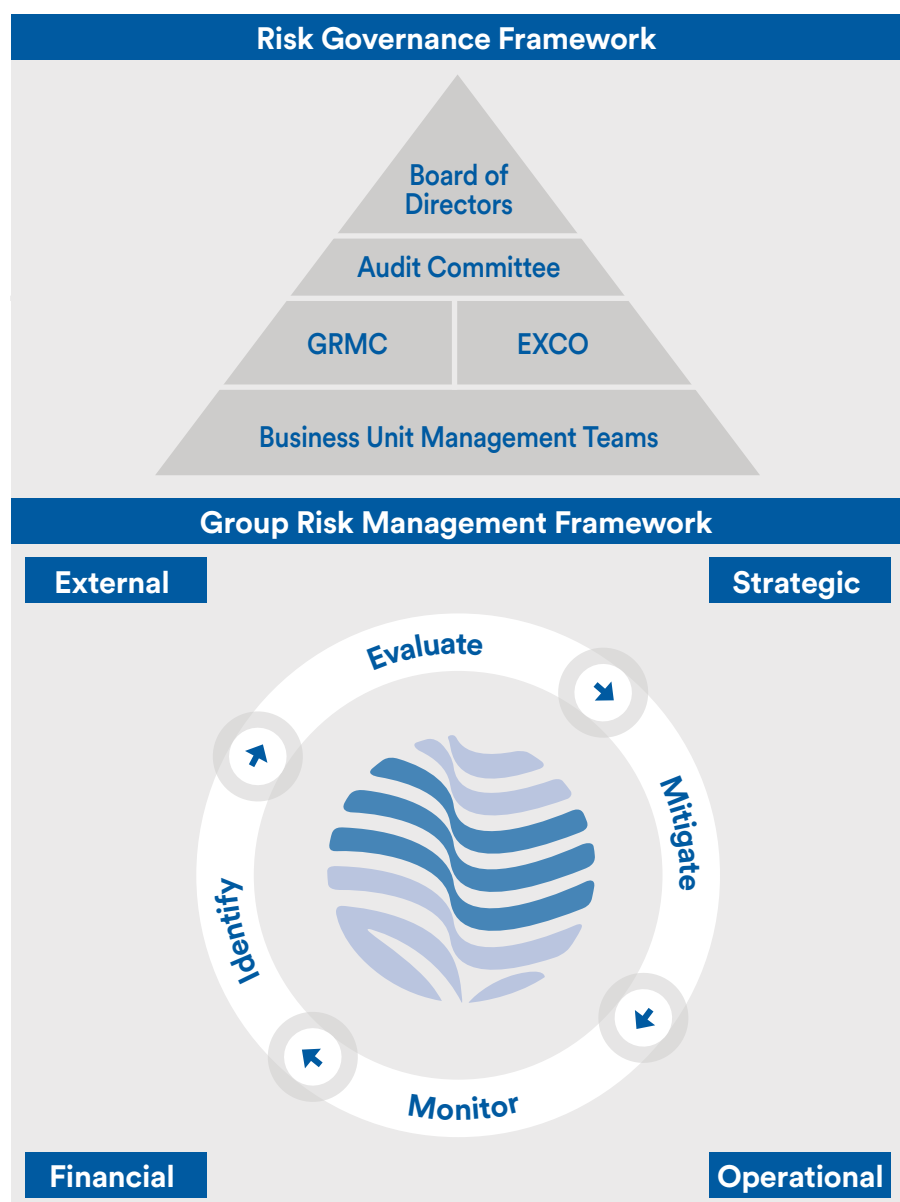
Since it is critical to the delivery of the Group's strategic objectives, risk management is embedded in business-critical activities, functions and processes. The risk management framework helps the Company by aligning operating controls with the objectives of the Group. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and provides reasonable and not absolute assurance against material misstatement or loss. Materiality and risk tolerance are key considerations in our decision-making. The responsibility for identifying and managing risk lies with every manager and business leader.

In addition to this structure, other key risk governance and oversight committees include:

- Vedanta Sustainability Committee which looks at sustainability related risks. The Sustainability Committee is chaired by a Non-Executive Director and the Group Chief Executive Officer is a member;
- Finance Standing Committee, with oversight of treasury-related risks. This is a committee of the Board and is attended by the Group CFO, business CFOs, Group Treasury Head and the Treasury Heads at the respective businesses; and
- The Group Capex Sub-Committee which evaluates the risks associated with any capital investment decisions and institutes a risk management framework in expansion projects.

Vedanta's risk management and internal control system is aligned to the recommendations in the FRC's revised guidance 'Risk management, internal control and related financial and business reporting' (the Risk Guidance). The Group has a consistently applied methodology for identifying risks at the individual business level for existing operations and for ongoing projects.

The Group's risk appetite is set by the Board. It has been defined taking into consideration the Group's risk tolerance level and is clearly linked to its strategic priorities. The risk appetite forms the basis of the Board's assessment and prioritisation of each risk based on its likely impact on the business operations. A risk scale aligned to the Board's overall risk appetite and consisting of qualitative and quantitative factors has been defined to facilitate a





consistent assessment of the risk exposure across the Group.

At a business level, formal discussions on risk management occur at review meetings at least once a quarter. The respective businesses review their major risks, and changes in their nature and extent since the last assessment and discuss the control measures which are in place and further action plans. The control measures stated in the risk matrix are also periodically reviewed by the business management teams to verify their continued effectiveness. These meetings are chaired by the respective business CEOs and attended by CXOs, senior management and appropriate functional heads. Risk officers have been formally nominated at each of the operating businesses as well as at Group level, whose role is to create awareness of risks at senior management level and to develop and nurture a risk management culture. Risk mitigation plans form an integral part of the performance management process. Structured discussions on risk management also happen at business level with regard to their respective risk matrix and mitigation plans. The leadership teams in the businesses are accountable for governance of the risk

management framework and they provide regular updates to the GRMC.

Each of the businesses has developed its own risk matrix and risk register, which is reviewed by their respective management committee/executive committee, chaired by their CEOs. In addition, each business has developed its own risk register depending on the size of its operations and number of SBUs/locations. Risks across these risk registers are aggregated and evaluated and the Group's principal risks are identified based on the frequency, and potential magnitude and impact of the risks identified.

This element is an important component of the overall internal control process, from which the Board obtains assurance. The scope of work, authority and resources of Management Assurance Services (MAS) are regularly reviewed by the Audit Committee. The responsibilities of MAS include recommending improvements in the control environment and reviewing compliance with our philosophy, policies and procedures. The planning of internal audits is approached from a risk perspective. In preparing the internal audit plan, reference is made to the risk matrix,

and inputs are sought from senior management, business teams and members of the Audit Committee. In addition, we make reference to past audit experience, financial analysis and the current economic and business environment.

Each of the principal subsidiaries has procedures in place to ensure that sufficient internal controls are maintained. These procedures include a monthly meeting of the relevant management committee and quarterly meeting of the audit committee of that subsidiary. Any adverse findings are reported to the Audit Committee. The Chairman of the Audit Committee may request MAS and/or the external auditor to look at certain areas identified by risk management and the internal control framework. The findings by MAS are presented monthly to the Executive Committee and to the Audit Committee periodically. Due to the limitations inherent in any system of internal control, this system is designed to meet the Group's particular needs, and the risks to which it is exposed, rather than to eliminate risk altogether. Therefore, it can only provide reasonable and not absolute assurance against material misstatement or loss.

### Principal Risks and Uncertainties

Vedanta's principal risks and uncertainties as set out below may impact the following areas of the Group's business:

Area	Impact
Business model (BM)	Ability to conduct our operations across the value chain in order to generate revenue and make profit from operations.
Future performance (FP)	Ability to deliver on our financial plans in short/medium term.
Solvency (S)	Ability to meet all our financial obligations.
Liquidity (L)	Ability to meet our short-term obligations/liabilities as they fall due.
Health, safety, environment and communities (HSEC)	Ability to send our employees and contractors home safe and healthy every day and work with our communities and partners to achieve the Group's sustainable development goals.
Reputation (R)	Ability to maintain investor confidence and our social licence to operate.

The order in which these risks appear in the section below does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their impact on our business. The risk direction of each risk has been reviewed based on events, economic conditions, changes in business environment and regulatory changes during the year. While Vedanta's risk management framework is designed to help the organisation meet its objectives, there can be no guarantee that the Group's risk management activities will mitigate or prevent these or other risks from occurring.


# Principal Risks and Uncertainties continued

## Managing our Risks


The Board, with the assistance of management, carries out periodic and robust assessments of the principal risks and uncertainties of the Group and tests the financial plans for each of risks and uncertainties mentioned below.

### Financial risks


#### R1 Access to capital

Impact FP, S, L, R	Mitigation	Direction
<p>The Group may not be able to meet its payment obligations when due or may be unable to borrow funds in the market at an acceptable price to fund actual or proposed commitments. A sustained adverse economic downturn and/or suspension of its operation in any business, affecting revenue and free cash flow generation, may cause stress on the Company's financing and covenant compliance and its ability to raise financing at competitive terms.</p> <p><i>Risk has reduced compared to last year, due to good liquidity and an improved credit profile.</i></p>	<ul style="list-style-type: none"> <li>• A focused team continues to work on refinancing initiatives, reducing cost of borrowing, extending maturity profile and deleveraging the balance sheet.</li> <li>• Track record of good relations with banks, and of raising borrowings in last few years.</li> <li>• Regular discussions with rating agencies. Ratings have been upgraded.</li> <li>• With an improved credit profile and a stronger balance sheet, Vedanta continues to enjoy good access to capital and loan markets and proactively refinances its near-term debt. No concerns envisaged for upcoming maturities.</li> <li>• Group treasury policies such as borrowing, investment, commodity hedging, banking, forex, etc. have been prepared after elaborate benchmarking and risk analysis. Business teams ensure continued compliance with the Group's treasury policies that govern our financial risk management practices.</li> </ul>	

#### R2 Fluctuation in commodity prices (including oil) and currency exchange rates


Impact BM, FP, S, L	Mitigation	Direction
<p>Prices and demand for the Group's products may remain volatile/uncertain and could be influenced by global economic conditions. Volatility in commodity prices and demand may adversely affect our earnings, cash flow and reserves.</p> <p>Our assets, earnings and cash flows are influenced by a variety of currencies due to the diversity of the countries in which we operate. Fluctuations in exchange rates of those currencies may have an impact on our financials.</p>	<ul style="list-style-type: none"> <li>• The Group has a well-diversified portfolio which acts as a hedge against fluctuations in commodities and delivers cash flows through the cycle.</li> <li>• Pursue low-cost production, allowing profitable supply throughout the commodity price cycle.</li> <li>• Vedanta considers exposure to commodity price fluctuations to be an integral part of the Group's business and its usual policy is to sell its products at prevailing market prices and not to enter into price hedging arrangements other than for businesses of custom smelting and purchased alumina, where back-to-back hedging is used to mitigate pricing risks. Strategic hedge, if any, is taken after appropriate deliberations &amp; due approval from ExCo.</li> <li>• Our forex policy prohibits forex speculation.</li> <li>• Robust controls in forex management to hedge currency risk liabilities on a back-to-back basis.</li> <li>• Finance Committee reviews all forex and commodity-related risks and suggests necessary courses of action as needed by business divisions.</li> <li>• Seek to mitigate the impact of short-term movements in currency on the businesses by hedging short-term exposures progressively, based on their maturity. However, large or prolonged movements in exchange rates may have a material adverse effect on the Group's businesses, operating results, financial condition and/or prospects.</li> <li>• Notes to the Financial Statements in the Annual Report give details of the accounting policy followed in calculating the impact of currency translation.</li> </ul>	

### R3 Major project delivery

Impact FP, L	Mitigation	Direction
Shortfall in achievement of expansion projects stated objectives leading to challenges in achieving stated business milestones – existing & new growth projects.	<ul style="list-style-type: none"> <li>Enlisting internationally renowned engineering and technology partners on all projects.</li> <li>Strong focus on safety aspects in the project.</li> <li>Geo-technical audits are being carried out by independent agencies.</li> <li>Reputable contractors are engaged to ensure completion of the project on indicated timelines.</li> <li>Strong &amp; separate empowered organisation working towards ensuring a smooth transition from open pit to underground mining.</li> <li>Mines being developed using best in class technology and equipment and ensuring the highest level of productivity and safety.</li> <li>Stage gate process to review risks and remedy at multiple stages on the way.</li> <li>Robust quality control procedures have also been implemented to check safety and quality of services/design/actual physical work. (Details of projects are appearing in AR.)</li> </ul>	

### Sustainability risks

### R4 Health, safety and environment (HSE)


Impact BM, FP, HSEC, R	Mitigation	Direction
<p>The resources sector is subject to extensive health, safety and environmental laws, regulations and standards. Evolving requirements and stakeholder expectations could result in increased cost or litigation, or threaten the viability of operations in extreme cases.</p> <p>Emissions and climate change: our global presence exposes us to a number of jurisdictions in which regulations or laws have been, or are being, considered to limit or reduce emissions. The likely effect of these changes could be to increase the cost for fossil fuels, impose levies for emissions in excess of certain permitted levels, and increase administrative costs for monitoring and reporting. Increasing regulation of greenhouse gas (GHG) emissions, including the progressive introduction of carbon emissions trading mechanisms and tighter emission reduction targets, is likely to raise costs and reduce demand growth.</p>	<ul style="list-style-type: none"> <li>HSE is a high priority area for Vedanta. Compliance with international and local regulations and standards, protecting our people, communities and the environment from harm and our operations from business interruptions are key focus areas.</li> <li>Vedanta has a Board-level Sustainability Committee, chaired by a Non-Executive Director and attended by the Group CEO, which meets periodically to discuss HSE performance.</li> <li>Policies and standards are in place to mitigate and minimise any HSE-related occurrences. Safety standards issued/continue to be issued to reduce risk level in high risk areas. Structured monitoring and a review mechanism and system of positive compliance reporting are in place.</li> <li>The Company has implemented a set of standards to align its sustainability framework with international practice. A structured sustainability assurance programme continues to operate in the business divisions covering environment, health, safety, community relations and human rights aspects, and is designed to embed our commitment at operational level.</li> <li>HSE experts have been inducted from reputed Indian and global organisations to bring in best-in-class practices.</li> <li>All businesses have appropriate policies in place for occupational health-related matters, supported by structured processes, controls and technology.</li> <li>Strong focus on safety during project planning/execution, and contract workmen safety.</li> <li>Building safety targets into performance management to incentivise safe behaviour and effective risk management.</li> <li>Leadership coaching rolled out across businesses to make better risk decisions. Wave 2 of 'leadership in action' has been launched to identify critical risks and put in place critical controls and processes to measure, monitor and report effectiveness.</li> <li>Leadership remains focused on a zero-harm culture across the organisation and consistent application of 'Life-Saving' performance standards.</li> <li>Carbon forum with business representation monitors developments and sets out defensive policies, strategy and actions.</li> <li>Defining targets and implementing action plans to reduce the carbon intensity of our operations. This includes reducing emission intensity, increasing renewable mix and green cover at locations.</li> <li>Engaging with government on carbon policies and innovation technologies.</li> <li>Institutionalise systems to manage carbon risks and opportunities across the business over the lifecycle of its products.</li> <li>Engage with stakeholders in creating awareness and developing climate change solutions.</li> </ul>	




# Principal Risks and Uncertainties continued

## Managing our Risks

### R5 Managing relationship with stakeholders


Impact BM, FP, HSEC, R	Mitigation	Direction
<p>The continued success of our existing operations and future projects are in part dependent on broad support and a healthy relationship with our respective local communities. Failure to identify and manage local concerns and expectations can have a negative impact on relations and therefore affect the organisation's reputation and social licence to operate and grow.</p>	<ul style="list-style-type: none"> <li>• CSR approach to community programmes is governed by the following key considerations: the needs of the local people and the development plan in line with the new Companies Act in India; CSR guidelines; CSR National Voluntary Guidelines of the Ministry of Corporate Affairs, Government of India; and the UN's Sustainable Development Goals (SDGs).</li> <li>• CSR Committees at business-level decide focus areas of CSR, budget and their respective programmes.</li> <li>• Sustainable development programmes are driven by stakeholder engagement and consultation along with baseline studies and need-based assessments.</li> <li>• Periodic meetings with existing and potential SRI Investors, lenders and analysts, as well as hosting a Sustainable Development Day in London, helps in two-way engagement and understanding the material issues for stakeholders.</li> <li>• Every business has a dedicated CSR team. Key focus areas for CSR are health, nutrition, sanitation, education, sustainable livelihoods and female empowerment. We have a dedicated team of over 180 corporate social responsibility personnel.</li> <li>• Help communities to identify their priorities through participatory need assessment programmes and work closely with them to design programmes that seek to make progress towards improvements in the quality of life of local communities.</li> <li>• Our business leadership teams have periodic engagements with the local communities to build relations based on trust and mutual benefit. Our businesses seek to identify and minimise any potentially negative operational impacts and risks through responsible behaviour – acting transparently and ethically, promoting dialogue and complying with commitments to stakeholders.</li> <li>• Integration of sustainability objectives into long-term plans.</li> </ul>	

### R6 Tailings dam stability


Impact BM, FP, HSEC, R	Mitigation	Direction
<p>A release of waste material leading to loss of life, injuries, environmental damage, reputational damage, financial costs and production impacts. A tailings dam failure is considered to be a catastrophic risk – i.e. a very high severity but very low frequency event that must be given the highest priority.</p> <p><i>The appreciation of risk has improved further in the Group.</i></p>	<ul style="list-style-type: none"> <li>• The Risk Management Committee included tailings dams on the Group Risk Register with a requirement for annual internal review and three-yearly external review.</li> <li>• Operation of tailings dams is executed by suitably experienced personnel within the businesses.</li> <li>• Full review of tailings dams and water storage facilities being carried out in the Group. Follow-up reviews will be conducted based on the results until the control is verified.</li> <li>• Management standard developed with business involvement.</li> <li>• Third-party expert assessment of the dams to identify tailings dams' related risks by reputed international firm. Improvement opportunities/remedial works in line with best practice are progressing.</li> <li>• Individuals responsible for dam management have received training from a reputed agency.</li> <li>• System of monitoring of tailings dams instituted.</li> </ul>	

## Operational risks

## R7 Challenges to operationalise investments in Aluminium and Power business

Impact BM, FP, S, L, R	Mitigation	Direction
<p>Some of our projects have been completed (pending commissioning) and may be subject to a number of challenges during operationalisation phase. These may also include challenges around sourcing raw materials and infrastructure-related aspects.</p> <p><i>Risk reduced compared to last year, due to ramp-up at Jharsuguda progressing satisfactorily.</i></p>	<ul style="list-style-type: none"> <li>Global technical experts have been inducted to strengthen operational excellence.</li> <li>Operationalisation of Jharsuguda facilities progressing satisfactorily.</li> <li>Building of new intermediate facilities/infrastructure progressing well.</li> <li>Continuous focus on plant operating efficiency improvement programme to achieve design parameters, manpower rationalisation, logistics infrastructure and cost reduction initiatives.</li> <li>Continue to pursue developing sources of bauxite.</li> <li>Continuous augmentation of power security and infrastructure.</li> <li>Coal security is being strengthened by pursuing additional coal linkages.</li> <li>Key raw material linkages for alumina/aluminium business: infrastructure-related challenges are being addressed.</li> <li>Strong management team continues to work towards sustainable low-cost of production, operational excellence and securing key raw material linkages.</li> <li>Talwandi Sabo (TSPL) power plant matters are being addressed in a structured manner by a competent team.</li> </ul>	

## R8 Operational turnaround at KCM

Impact BM, FP, S, L, R	Mitigation	Direction
<p>Lower production and higher cost at KCM may impact our profitability.</p>	<ul style="list-style-type: none"> <li>Management team reviewing operations and engaging with all stakeholders in light of operating challenges.</li> <li>Focus at Konkola is to improve efficiency, equipment availability, dewatering and enhance volumes. Committed to improving KCM operating performance.</li> <li>Several cost-saving initiatives and restructuring reviews under way at KCM to preserve cash.</li> <li>Process improvement actions put in place through focused operating teams to improve production performance.</li> <li>Working on the engineering design for accelerated dewatering and development to increase production from the Konkola Mine.</li> <li>Elevated temperature leach project to improve recoveries at the Tailings Leach Plant, has been commissioned and is currently under stabilisation. Planning and engineering for Phase II of the elevated temperature leach under way.</li> <li>KCM has entered into strategic partnerships with expert mining contractors for accelerating development of ore production.</li> <li>Concentrate sourcing tie-ups with high grade mines being pursued.</li> <li>VAT refunds are being pursued.</li> </ul>	


# Principal Risks and Uncertainties continued

## Managing our Risks


### R9 Discovery risk

Impact BM, FP	Mitigation	Direction
Increased production rates from our growth-oriented operations place demand on exploration and prospecting initiatives to replace reserves and resources at a pace faster than depletion. A failure in our ability to discover new reserves, enhance existing reserves or develop new operations in sufficient quantities to maintain or grow the current level of our reserves could negatively affect our prospects. There are numerous uncertainties inherent in estimating ore and oil and gas reserves, and geological, technical and economic assumptions that are valid at the time of estimation. These may change significantly when new information becomes available.	<ul style="list-style-type: none"> <li>• Dedicated exploration cell with continuous focus on enhancing exploration capabilities.</li> <li>• Appropriate organisation and adequate financial allocation in place for exploration.</li> <li>• Strategic priority is to add to our reserves and resources by extending resources at a faster rate than we deplete them, through continuous focus on drilling and exploration programme.</li> <li>• Continue to work towards long-term supply contracts with mines to secure sufficient supply where required.</li> <li>• Exploration-related systems being strengthened, and new technologies being utilised wherever appropriate.</li> <li>• International technical experts and agencies are working closely with our exploration team to build on this target.</li> </ul>	

### R10 Breaches in IT/cybersecurity


Impact FP, R	Mitigation	Direction
Like many global organisations, our reliance on computers and network technology is increasing. These systems could be subject to security breaches resulting in theft, disclosure or corruption of key/strategic information. Security breaches could also result in misappropriation of funds or disruptions to our business operations. A cybersecurity breach could have an impact on business operations.	<ul style="list-style-type: none"> <li>• Group-level standards and policies to ensure uniformity in security stance and assessments.</li> <li>• Chief Information Security Officer (CISO) at Group-level focuses on formulating necessary frameworks, policies and procedures, and for leading any agreed Group-wide initiatives to mitigate risks.</li> <li>• Various initiatives taken up to strengthen IT/cybersecurity controls in last few years.</li> <li>• Cybersecurity risk being addressed through increased standards, ongoing monitoring of threats and awareness initiatives throughout the organisation.</li> <li>• IT system is in place to monitor logical access controls.</li> <li>• Continue to carry out periodic IT security reviews by experts and improve IT security standards.</li> </ul>	

### R11 Loss of assets or profit due to natural calamities

Impact FP, R	Mitigation	Direction
Our operations may be subject to a number of circumstances not wholly within the Group's control. These include damage to or breakdown of equipment or infrastructure, unexpected geological variations or technical issues, extreme weather conditions and natural disasters – any of which could adversely affect production and/or costs.	<ul style="list-style-type: none"> <li>• Vedanta has taken appropriate Group insurance cover to mitigate this risk.</li> <li>• An external agency reviews the risk portfolio and adequacy of this cover and assists us in our insurance portfolio.</li> <li>• Our underwriters are reputed institutions and have capacity to underwrite our risk.</li> <li>• Established mechanism of periodic insurance review in place at all entities. However, any occurrence not fully covered by insurance could have an adverse effect on the Group's business.</li> <li>• Continue to focus on capability building within the Group.</li> </ul>	




## R12 Extension of production sharing contract of Cairn beyond 2020 at less favourable terms


Impact BM, FP, L, S	Mitigation	Direction
<p>Cairn India has 70% participating interest in Rajasthan Block. The production sharing contract (PSC) of Rajasthan Block runs till 2020. Extension of production sharing contract of Cairn beyond 2020 at less favourable terms may have implications.</p> <p>Government of India notified PSC extension policy which applies to Rajasthan Barmer block.</p>	<ul style="list-style-type: none"> <li>• Ongoing dialogue with the Government and relevant stakeholders.</li> <li>• Cairn Steering Committee is regularly reviewing the updates/progress, including plans to meet the timelines, and is continuously engaging with the stakeholders concerned.</li> <li>• Carrying value factors additional 10% profit petroleum share, hence mitigating financial/balance sheet risk.</li> </ul>	

### Compliance risks

## R13 Regulatory and legal risk

Impact BM, FP, R	Mitigation	Direction
<p>We have operations in many countries around the globe. These may be impacted because of legal and regulatory changes in the countries in which we operate resulting in higher operating costs, and restrictions such as the imposition or increase in royalties or taxation rates, export duty, impacts on mining rights/bans, and change in legislation.</p>	<ul style="list-style-type: none"> <li>• The Group and its business divisions monitor regulatory developments on an ongoing basis.</li> <li>• Business-level teams identify and meet regulatory obligations and respond to emerging requirements.</li> <li>• Focus has been to communicate our responsible mining credentials through representations to government and industry associations.</li> <li>• Continue to demonstrate the Group's commitment to sustainability by proactive environmental, safety and CSR practices. Ongoing engagement with local community/media/NGOs.</li> <li>• SOX compliant subsidiaries.</li> <li>• Common compliance monitoring system being implemented in Group companies. Legal requirements and a responsible person for compliance have been mapped in the system.</li> <li>• Legal counsel continues to work on strengthening the framework in the Group and resolution of matters.</li> <li>• Group wide online portal is being rolled out for compliance reporting. Appropriate escalation and review mechanisms are in place.</li> <li>• Competent in-house legal organisation is in place at all the businesses and the legal teams have been strengthened with induction of senior legal professionals across all Group companies.</li> <li>• Standard operating procedures (SOPs) have been implemented across our businesses for compliance monitoring.</li> <li>• Contract management framework has been strengthened with the issue of boiler plate clauses across the Group which will form part of all contracts. All key contract types standardised.</li> <li>• Framework for monitoring performance against anti-bribery and corruption guidelines is also in place.</li> </ul>	

## R14 Tax related matters

Impact S, L, R	Mitigation	Direction
<p>Our businesses are in a tax regime and changes in any tax structure or any tax-related litigation may impact our profitability.</p>	<ul style="list-style-type: none"> <li>• The Tax Council reviews all key tax litigations and provides advice to the Group.</li> <li>• Robust organisation in place at business- and Group-level to handle tax-related matters.</li> <li>• Engage, consult and take opinion from reputable tax consulting firms.</li> <li>• Reliance is placed on appropriate legal opinion and precedence.</li> <li>• Continue to take appropriate legal opinions and actions on tax matters to mitigate the impact of any actions on the Group and its subsidiaries.</li> </ul>	

## Sustainability Report

# Creating

We operate as a responsible business, minimising our impacts and promoting social inclusion across our operations through our focus on safety, environmental protection and community engagement.



*Project Barmer Unnati by Cairn Oil & Gas aimed at improving farmer productivity.*

# a sustainable future

Strategic Report

Directors' Report

Financial Statements

Additional Information



## Sustainability Report

### Our approach to sustainability



Safety is an important value for our workforce.



66

We continue to push forward on our sustainability agenda, knowing that it is a key driver for our business performance. 99

**Phillip Turner**  
Group Head – HSE & Sustainability

# Focused on pushing our sustainability agenda

#### Key statistics

- 3.4 million community beneficiaries (2017: 2.2 million)
- Carbon footprint: 52 million mt (2017: 53 million mt)
- LTIFR: 0.34 (2017: 0.39)
- Water recycling rate: 27% (2017: 24%)
- 4.1 million m<sup>3</sup> of water saved (target: 2.2 million m<sup>3</sup>)
- 2.6 million GJ of energy conserved (target: 1.39 million GJ)
- Community investment: US\$39 million (2017: US\$18 million)

Over the years, Vedanta has grown to become the sixth largest diversified natural resources company globally through a combination of organic growth – as can be seen at our copper business – and acquisition of complementary businesses including Hindustan Zinc, Cairn India, Konkola Copper Mines, BALCO, Sesa Goa, Skorpion Zinc and Black Mountain Mines. These companies are mature, high-performing businesses in their own right with well-developed governance, HSE and community relations management systems.

As a Group we have sought to embed a standardised, high-performance sustainability culture across all our businesses while allowing each to make its day-to-day decisions without interference from any central body. It is in this context that we introduced the Vedanta Sustainability Framework (VSF) in 2011. The goal of the framework is to ensure that all our businesses integrate sustainability principles into their business practices in a consistent and systemic manner. The VSF has enabled them all to understand and integrate sustainability into their operational and decision-making structures.

We use our central oversight bodies including the Board and Group executive committees to set performance expectations (especially on sustainability), and to ensure that our governance standards remain compliant with environmental social governance (ESG) considerations. The individual businesses set their own strategy, technology deliverables, production outcomes, sustainability measures, and other goals.

Finally, preserving our licence to operate is one of our strategic priorities, ensuring sustainability issues are incorporated at Group level into management considerations and decision making.

During the year, we have continued to make progress against our priorities, achieving excellent results in some areas, while reviewing how we operate in others and taking steps to improve outcomes for our stakeholders.

This report is an update of our progress.







Child health is an important component of our CSR programmes.



Encouraging female leaders at our operational sites.



Empowering women by providing them skill based training.

### Responding to material concerns

Last year, Vedanta embarked on an exercise to identify and prioritise those issues that are most material to our business. We sought the views of a diverse group of stakeholders and their responses were presented to our management group, who then prioritised the most important issues for our business.

The resulting materiality matrix is presented below:

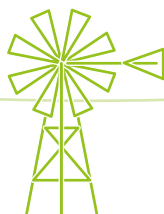
Materiality matrix			
Critical importance	High importance	Average importance	Low importance
Policies and actions to restrict unethical business practices	Leadership development and talent management	Public policy and advocacy	Local hiring and content
Rights of indigenous peoples and human rights	Disclosure on slavery and human trafficking – UK's Modern Slavery Act	Diversity and equal opportunity	
Employee health, safety and well-being	Transparency in reporting on revenue and production figures	Broader economic benefit to host country	
Community engagement and development initiatives	Labour rights and industrial relations	Responsible Supply Chain Management	
Ethics and integrity – compliance to Code of Conduct	Community health and safety		
Environmental management (water management, waste management, air emissions and quality control, biodiversity management, environmental incidents management)	Energy management and climate change		
	Mine and site closure plans		
	Employee retention		
	Tax transparency and reporting		

During the year, we continued our efforts to improve our systems and their performance in all the key issues identified in the matrix through our Sustainability Framework. As the year progressed the following material areas emerged as the most significant drivers of our business – commanding either management or stakeholder attention:

- The safety of our workforce (page 47)
- Environmental management (page 49)
- Retaining our social licence to operate (including community engagement & development initiatives and human rights) (page 52)
- Diversity of our workforce and equal opportunities (page 57)

Our sustainability roadmap sets out our targets and performance during the year on the key material issues, and we set out an overview of our progress during the year against our Sustainability Framework on pages 46–47.





For a more detailed assessment of our sustainability performance, please see our separate Sustainable Development report at [www.vedantaresources.com](http://www.vedantaresources.com).



# Sustainability Report continued

## Our sustainability journey and roadmap

Objectives and targets FY2018	Status	Performance FY2018	Objectives and targets FY2019
<b>The safety of our workforce</b>			
Achieve score >75% in six safety performance standards.		4 of 11 businesses achieved score of 75% or above. 9 of 11 businesses achieved 70% or above.	Achieve score >75% in six safety performance standards.
Extend baseline health assessment across businesses.		Hindustan Zinc, Sterlite Copper, Cairn Oil & Gas, KCM and BALCO have completed their initial exposure survey.	
Zero fatal incidents and 26% reduction in lost time injury frequency rate (LTIFR).		Nine fatalities occurred in the fiscal year. LTIFR improved from 0.39 to 0.34 – a reduction of ~13%.	Zero fatal accidents and an LTIFR of 0.30.
<b>Environment management</b>			
<ul style="list-style-type: none"> <li>Standardise water risk assessment approach for business</li> <li>Undertake water risk assessment for significant businesses with water as a material issue</li> <li>Water savings target: 2.2 million m<sup>3</sup></li> </ul>		Water risk assessment tool developed in collaboration with Antea group, USA. Water risk assessment studies conducted for 30 significant business units across the group. Water savings of 4.1 million m <sup>3</sup> achieved.	Achieve water saving of 4.0 million m <sup>3</sup> .
Compliance with environmental and social management plan for new projects across the business.		Work in progress.	
Complete Biodiversity Management Plan at our Oil & Gas business.		BMP study complete.	
Achieve 50% of fly ash utilisation rate.		90% of the generated fly ash utilised.	Achieve fly ash utilisation of 75%.
We are considering formal GHG reduction targets and we expect to achieve a 16% reduction in carbon intensity by 2020 from a 2012 baseline, which was the first year of audited data.		c. 14% reduction achieved in GHG intensity over baseline of 2012.	Continue our reduction trajectory and formalise our GHG intensity reduction target
Energy Saving: 1.39 million GJ.		Energy saving of 2.6 million GJ achieved.	Achieve 2 million GJ energy saving.
Complete the dam-break analysis of the identified facilities across businesses.		In FY2017, two dams across our businesses had been identified for the analysis. Analysis completed at both. We have taken a serious note of the dam-failure incidents at VAL-Jharsuguda and BALCO and have taken appropriate actions to ensure this is not a recurring issue for our business (ref: page 51).	Develop capability and facilitate strengthening of tailing management practices across the Group.
Initiate the capacity-building of selected professionals on biodiversity.		Not initiated.	
<b>Retaining our social license to operate</b>			
Social impact studies to be continued for remaining sites.		Partnered with TARU Leading Edge to conduct baseline, need, impact and SWOT assessments in all businesses. Work is under way.	Complete the baseline and social impact assessments in all businesses.
Increase the implementation and utilisation rate of the SAP system.		The development of a unified reporting system to record aggregated impact of CSR initiatives, and to manage entire CSR cycle, is in process. IFMR has been commissioned to develop unified indicators, and Goodera (under process) has been identified for providing the software platform.	
Expand the company's flagship Nand Ghar CSR programme to all our businesses.		Nand Ghars constructed: 54 in FY2017-18; 154 till date. 250 under construction.	250 Nand Ghars to be constructed in FY2018-19 and planning for additional 1,000 to be completed.
Embed and encourage employee volunteering for social initiatives.		Employee engagement initiatives have been undertaken in businesses including HZL, Sterlite Copper and BALCO. These initiatives included Khushiya Baatiye, audio description movie for visually impaired children, and mentoring programme by employee families, among other activities.	Develop employee engagement standard policy for the Group.

Objectives and targets FY2018	Status	Performance FY2018	Objectives and targets FY2019
People and diversity			
Employee scorecard coverage to be extended to 100% of professional employees.		Target completed.	–
Ensure 100% coverage of code of conduct training for all new professional employees.		95.7% of our new hires have received the Code of Conduct training. The balance at KCM will be covered within the initial 12 months of their joining date as per the Code of Conduct training calendar.	Continue to focus on Code of Conduct training for all professional employees including new hires.
Increase gender diversity by hiring 20% women this financial year.		~21% of all new full-time hires in FY2018 have been women.	–
Achieve 33% female representation at Vedanta Board-level by 2020.		Currently, female representation on the Board of Vedanta Resources is 14.3%. We continue to focus on our target of achieving 33% representation.	Achieve 33% female representation at Vedanta Board-level by 2020.
–	–	–	Focus on anchoring and engagement of high potential employees through our flagship programme V-Connect.
–	–	–	Focus on Right Management in place in each SBU.



Livelihood initiative for women self-help group members under Project Sahki in Lanjigarh



Skill development Initiative at Cairn Enterprise Centre by Cairn Oil & Gas.



Employees discussing the on-site safety measures at the Lanjigarh Plant.

### A unified approach to sustainability

Our Sustainability Framework is central to our sustainability agenda, focusing on our four strategic pillars:

- Responsible stewardship – we are committed to safeguarding our resources by monitoring, managing and improving the Group's health, safety and environmental performance. Our vision for 'Zero Harm, Zero Waste, Zero Discharge' is an outcome of this approach.
  - Focus areas: code of conduct; ethics; health, safety & environment
- Building strong relationships – we are committed to maintaining an open, ongoing and systematic dialogue with our stakeholders. Our goal is to ensure that we align our business planning, community relations and CSR programmes with stakeholders' needs in order to maintain and strengthen our social licence to operate.
  - Focus areas: stakeholder engagement and management, human rights, neighbourhood dialogue

- Adding and sharing value – we are committed to driving economic empowerment and generating shared value through significant and relevant investment in local communities and national economies.
  - Focus areas: employees, communities, business investments
- Strategic communications – we are committed to transparent and timely disclosure that builds trust. We believe that clear and regular communication and dialogue with all our stakeholders helps create an environment which facilitates our operations.

### Responsible stewardship

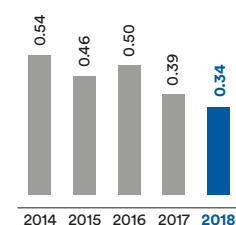
It is of critical importance to us that we take care of the health & safety of our workforce and minimise our environmental impacts to protect our natural resources and those who live around our operations.

### The safety of our workforce

As a result of a rise in fatalities this year, our senior leadership increased attention on health & safety and the message from our Board and senior leadership is very clear: we cannot continue to operate in a manner that puts the lives of individuals at risk.

In order to drive the safety agenda further in our organisation we have implemented a phased programme of new safety systems, which includes fresh approaches to identifying risk areas for accidents and fatalities, developing standards to establish minimum performance requirements, monitoring progress on their adoption, and reviewing performance with senior leadership. This systemic approach has begun to yield results. Safety incidents have reduced over a three-year period, as seen in LTIFR, which has reduced from a high of 0.54 in FY2013–14 to 0.34 in FY2018.

**LTIFR**  
(million man hours)





## Sustainability Report continued



Safety Training Hours

921,550

Employees at Cairn Oil & Gas's Raageshwari Gas Terminal (RGT).

However, of deep concern is that the number of fatalities increased in FY2018 to nine, despite a previous downward trend. Two-thirds of these fatalities occurred in areas that were outside of the focus of our 'fatal risk campaign'. We have introduced additional safety standards in the light of these tragic events, and we are also conducting training and programmes for our workforce so that they can identify, prevent, and manage safety risks. 'Making Better Risk Decisions' (MBRD) training and the Critical Risk Identification training programmes have been developed to impart this kind of awareness and preparedness. Collectively, we have imparted over 921,550 hours of safety training to our employees, contractors and third-party vendors. We also regularly send out updates on learnings from the investigations into 'high potential' and 'fatal' safety incidents.

### Good housekeeping leads to safe workplaces

In FY2018, we launched the international '5S Housekeeping Programme', which provides a process to measure and monitor housekeeping effectiveness. Our goal was to achieve a score of 90% across all of our assets. The thinking was very clear: bad housekeeping is one of the primary reasons why accidents take place. If we can systematically improve it, we are likely to see a drop in safety incidents. So far, we

have been able to drive up the score from an average of 65% to 74%. We hope to close FY2019 at 90%.

### Measure, monitor, report

This year, we supplemented our existing standards with additional rules covering machine guarding; cranes and lifting; molten metals; and pit, dump and stockpile safety. All sites are required to adhere strictly to the provisions in these standards, and their compliance will be audited in our annual Vedanta Sustainability Assurance Protocol (VSAP).

To ensure that every site adheres to all safety principles, we have appointed 'zone-wise' managers who are accountable for the overall safety of their areas. We have mandated that the managers should be chosen from inside the business; people who staff the shop-floor on a daily basis. Combined with an active and engaged leadership, a vigilant ExCo, and the strict application of standard safety procedures, we are confident that we will be able to turn around our safety performance.

To further drive up safety performance, we began redesigning the HSE function to ensure that each business has adequate leadership to influence and drive a safety culture. The newly appointed Chief Health & Safety Officers and Chief Environment Managers have been mandated to increase

their engagement with business and site-based line leaders to implement effective safety controls. We have also appointed experienced employees at regional levels to drive safety performance and ensure that knowledge sharing and lessons-learned are adequately implemented at our sites.

We also recruited 10 globally-experienced HSE experts (with three more planned) to fill roles at a unit and regional level. These experts will be tasked with bringing international best practices in safety to our business units and to build organisational capabilities through coaching our business leaders and specialists.

Finally, FY2018 saw the introduction of 'HSE competency' as a performance metric for each employee to help us track safe behaviour and awareness of safe work practices. We envisage that this indicator will sit alongside other indicators of individual performance and promote those employees who value safety in all their actions.





Total Energy Saved

2.6 million GJ

Total Water Saved

4.1 million m<sup>3</sup>

66

To ensure that every site adheres to all safety principles, we have appointed 'zone-wise' managers who are accountable for the overall safety of their areas. 99

#### Statistics for health & safety

- 921,550 man-hours of safety training
- 100% periodical medical examination
- Lost time injuries reduced from 75 in FY2017 to 72 in FY2018
- Fatalities increased from seven in FY2017 to nine in FY2018
- Sterlite Copper received the British Safety Council's 'Sword of Honour' and Cairn Oil & Gas received the British Safety Council 5-star rating

#### Managing our environmental performance

Vedanta is committed to minimising its environmental footprint. To do this we have instituted measures across the organisation that help us minimise our air emissions, reduce our waste and effluent volumes, and improve the energy and water utilisation efficiency of our operations. We have also taken measures to protect the biodiversity of the regions where we operate.

Our Vedanta Sustainability Framework comprises comprehensive policies and standards on water, energy and carbon, waste, and biodiversity. The framework, combined with objectives and targets on energy, GHG, waste and water management, ensures that each of our businesses follows the same high standards of environmental management.

#### Water management

Effective management of water is critical – both for our operations and for the communities who live in close proximity to us – and the availability of water is a key business risk for our operations. By understanding how we source and use this resource, businesses can de-risk their operations from unplanned stoppages due to the non-availability of water.

This year, we undertook a water risk assessment exercise at 30 of our most significant business locations. This determined water risk based on water-stress information available in global, public databases and in site-specific measurements. The approach evaluated physical, social/regulatory, economic and business risks related to water. In addition to understanding the water risk at each of these locations, our goal is to standardise our water risk assessment approach for Group companies.

Findings from the study informed us that some of our operations in the high water-stress regions of India (Rajasthan, Punjab, Tamil Nadu) had a greater risk of shortages over a period of time than our businesses in other locations. This is because of competitive pressures for water usage in those regions. Based on the findings of the study, each of our businesses has been mandated to put in place appropriate mitigation measures to counter these risks.

To further support our water management, we have rolled out a water management performance standard, along with a guidance note for the uniform implementation of the performance standard.

Our overall water consumption has shown a marginal increase of ~0.7% indicating the improved water efficiency across our businesses.

# Sustainability Report continued



Employees at Cairn Oil & Gas site.



Cairn Oil & Gas's Jeevan Amrit Project providing safe drinking water.

Water recycled	2017-18	2016-17	2015-16
Total water consumption (million m <sup>3</sup> )	280	278	237
Water recycled/reused (million m <sup>3</sup> )	74	67	54
Water recycled (%)	27%	24%	23%

We have initiated several water conservation projects related to operational efficiency and water recovery that have helped achieved a saving of 4.1 million m<sup>3</sup> of water compared to our target of 2.2 million m<sup>3</sup>.

## Energy & carbon management

Our energy & carbon management adopts a two-pronged approach: improving energy and process efficiency and diversifying our energy portfolio to include renewable energy. We are committed to invest in newer technologies and processes to enhance our energy efficiency.

Last year we defined our energy & carbon management performance standard and we are in process of releasing accompanying guidance to adopt a uniform management approach across the business.

Energy consumption (million GJ)	2017-18	2016-17	2015-16
Direct energy consumption	426	413	394
Indirect energy consumption	21	15	11
Total energy consumption	447	428	405

Our total energy consumption increased by 4.3% over the previous year, driven by increased production volumes across our businesses.

This year we achieved our annual energy saving target, and more: through operational efficiency and energy-saving projects we saved about 2.6 million GJ of energy, against the target of 1.39 million GJ.

## Climate-related business risk

Climate change continues to pose an ever-present risk to the planet. India, which has set ambitious targets of reducing its carbon intensity by 33-35% by 2030 and sourcing 40% of its electric power from non-fossil sources, continues to push ahead to meet those targets.

Vedanta also continues to remain committed to decrease its climate change impact. Last year we stated our expectation to reduce our GHG intensity by about 16% from a 2012 baseline by 2020.

Our businesses have made significant progress on our GHG reduction commitment to date. Companies such as Hindustan Zinc and Cairn Oil & Gas have committed to increase their investment in solar power, while other businesses have made significant improvements in their process efficiencies, thereby reducing their GHG emissions. As on 31 March 2018, we have been able to achieve a 14% reduction in our GHG intensity (TCO<sub>2</sub>e/Ton of Product) from our baseline number. This is good news and we are confident of achieving our target by 2020. A 2% decline in our absolute GHG emissions from last year is also testament to this commitment.

GHG emissions (million TCO <sub>2</sub> e)	2017-18	2016-17	2015-16
Scope 1 (direct)	51.10	51.89	39.58
Scope 2 (indirect)	1.20	1.43	1.56
Total	52.30	53.32	41.14

We are also committed to developing an internal carbon price mechanism to manage our climate-related financial risk.



## Case study: water management at KCM

The Konkola Copper Mines in Zambia are considered to be some of the wettest mining operations in the world. The mining processes requires ~ 350,000m<sup>3</sup> of water to be removed per day in order to dewater the mine shafts. Only 10% of this water is used in the processing plant and other mining operations, while the remaining 90% is discharged into a local water body – the Kakosa stream. Historically, prior to Vedanta's ownership, this discharged water had concentrations of total suspended solids (TSS) of 260mg/l; this was significantly higher than the statutory threshold of 100mg/l prescribed by the Zambia Environmental Management Agency. KCM embarked on a 10-year, \$22 million project to improve the quality of the discharge water.

Ore in KCM is mined from 'wet' pits that need to be dewatered. In the past, sediments were removed from the water that flows through the mine before being discharged to the surface.

However, the concentration of suspended solids remained high, which meant that additional measures were needed to improve discharge water quality. The primary means of separating the TSS from the water is via 20 settling tanks, some of which are as deep as 1,850 feet below the ground. In order to improve the efficiency of the settling tanks, four major projects were undertaken:

- Refurbishment of existing underground settlers to make them more efficient;
- Desilting of choked drain drives, which included the removal of mud that had accumulated over the years;
- Procurement and installation of slurry pumps, which allowed the desludging period to be reduced from eight months to three weeks; and finally
- Procurement and use of flocculants to enhance settling.



Employee at Konkola Copper Mines.

The immediate outcomes of this project have been two-fold: (a) TSS levels are now below the statutory threshold of 100mg/l, and (b) wear and tear on pumping infrastructure is notably reduced due to improved water quality, which has lessened abrasive impacts.

### Tailings dam management

Tailings dams are considered a significant HSE risk and have been part of the Group Risk Register since FY2016. A breach in the dam would result in the spillage of accumulated wastes that can pollute the soil and damage property due to a 'flood' event. It is therefore imperative that their integrity is maintained.

Last year we conducted tailing dam risk assessment studies at nine dams across our businesses, which had been internally classified as high-risk. In two out of these nine dams, an additional dam-break analysis was conducted to quantify the impact of dam failure. However, as the findings from the analysis were being studied, one of the dams – located at our Aluminium & Power business in Jharsuguda – experienced a breach in the wall of the ash dyke. This resulted in a spillage of the contained fly-ash onto an adjacent plot of land, which is majority-owned by Vedanta. In anticipation of a lack of storage space for newly produced fly-ash, the regulator (Odisha State Pollution Control Board) imposed partial restrictions on the

operation of our power plants. This restriction was progressively lifted as storage space became available. Remedial measures have been taken at these dams.

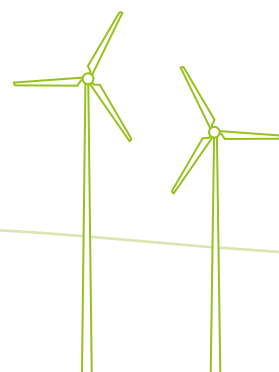
We also experienced a minor overflow of the ash dyke at BALCO. However, the incident did not result in significant environmental, health and safety or social impacts.

These incidents have raised the issue of potential failures in the future and a comprehensive plan to eliminate this risk has been undertaken. A crucial first step is the review of our dams and we have extended the earlier review of nine dams to cover every dam globally to ensure that they are all designed, constructed and managed consistently, in line with global practices. We have engaged an experienced third-party to conduct this evaluation. For those already reviewed, the consultant has taken the review to the next level of detail in terms of management approaches and implementation. The results and progress of interventions are overseen by both our Executive and Risk

Management Committees. We have also rolled out the 'Vedanta Tailing Management Standard', to ensure that we have consistent dam management practices across all group companies.

The assessment was completed in March 2018, and the findings have been shared with our Group Executive Committee and Risk Committee. The businesses are in the process of addressing issues reported from the assessment. We are also appointing a global expert for regular inspections of all our tailings dams and ash dykes. This expert will also provide advice on improving the tailing management system, which will cover the design, construction and operation of these storage dams.

We fully anticipate better management of these structures in the future.





## Sustainability Report continued

### Air quality

We are committed to identifying and managing our emissions to the air. As part of our ambient air quality monitoring process, we monitor particulate matter (PM) and SOx. We also monitor lead and fluoride emissions from our operations, as applicable.

Stack emissions (in MT)	2017-18	2016-17	2015-16	2014-15
Particulate matter	8,739	11,056	7,239	6,008
SOx	192,010	178,324	157,484	144,164

### Waste

According to our Resource Use and Waste Management technical standard, we follow the principle of first reducing the waste, in quantity as well as quality (reducing the toxicity), and then recovering and recycling where possible (either in-house or through authorised recyclers). The last stage is disposal in landfill or by incineration, using authorised, licenced and secured landfills. We aim to remain environmentally friendly across all the stages.

Major wastes generated from our operations are Non-Hazardous, High Volume and Low Effect waste. Hazardous waste includes used/spent oil, waste refractories, aluminium dross, spent pot

lining and residual sludge from smelters, while the High Volume and Low Effect waste includes fly ash, red mud and phospho gypsum.

We have recycled 83% of our overall High Volume and Low Effect waste in sustainable applications and are continuing to develop innovative ways to increase the proportion of waste we recycle.

### Environmental statistics

- We recycled 83% of High Volume and Low Effect waste in sustainable applications
- GHG intensity reduction from a 2012 baseline is on-track (14% achieved against expectation of 16% reduction by 2020)

- We saved 4.1 million m<sup>3</sup> of water against the targeted savings of 2.2 million m<sup>3</sup>
- We conserved 2.6 million GJ of energy against the targeted savings of 1.39 million GJ
- Two incidents related to the partial collapse of our tailings dam and ash-dyke walls at VAL-Jharsuguda and BALCO

### Building strong relationships

We aim to forge strong relationships with our key stakeholders and uphold human rights wherever we operate to maintain our social licence to operate.

## Case study: Fugitive emissions reduction at Cairn Oil & Gas

In the oil & gas industry, fugitive emissions can often constitute a significant proportion of the company's GHG emissions. These invisible and accounted-for emissions are not only a waste of resources, but also have a high global warming potential (GWP), because they are primarily comprised of methane emissions (methane is 23 times more potent than carbon dioxide in terms of GWP). Excessive, unchecked fugitive emissions can also be a drain on resources and a fire-safety threat to the assets.

To check the quantum of its fugitive emissions, Cairn Oil & Gas, along with an independent external expert, conducted a fugitive emissions study for its Rajasthan operations based on the US EPA Method 21 approach. A leak detection and repair (LDAR) programme was carried out to check for gas emissions leaks from process equipment.

Process components covering all joints such as valves, connectors, pumps, sampling connections, compressors, pressure relief devices and open-ended lines were monitored under the 'fugitive emission monitoring' programme in the process plant and well pads.

The findings from the study were surprisingly positive. Fugitive emissions accounted for only 0.011% of the total GHG emissions of the process and well pad areas; significantly lower than the 13% correction factor that was being applied to account for the unmeasured emissions. These numbers also compared favourably with fugitive emissions ranges found in North American oil & gas installations. This study highlights the excellent asset management and upkeep of the facilities of our oil & gas business.



Employees at Cairn Oil & Gas's Mangala Processing Terminal, Barmer.



Mangala Processing Terminal, Barmer.





## Our key stakeholders



### Our approach

At Vedanta we are committed to constructive dialogue with our key stakeholders. We believe that open, ongoing and systemic dialogue is key to building successful relationships with our stakeholders. This also helps us to foresee emerging risks, opportunities and challenges.

Our social responsibility performance standards help ensure effective engagement with relevant stakeholders across multiple industries and geographies; provide adequate grievance mechanisms to help resolve situations of potential conflict; and develop specialised standards for vulnerable communities such as indigenous peoples. The standards follow five principles of engagement:

Ask	Answer	Analyse	Align	Act
Our dialogue begins with questions that solicit feedback. Our stakeholders have access to a number of platforms to reach out to Vedanta personnel and voice concerns.	We disclose not just because we want to be heard, but because we are responsible. We aim to provide a constructive response to feedback received.	We have established a robust investigation process for complaints reported via the whistleblowing mechanism, sustainability ID and group communications ID, involving senior management and relevant personnel.	We work hand-in-hand with stakeholders and align our goals and actions with their high-priority areas. The feedback from all our engagement becomes part of our materiality identification process.	We back up our words with demonstrable actions that move the needle towards promised outcomes.



Trainees at Sesa Technical School, Goa.



Project Khushi initiative at Sterlite Copper.

66 We believe that open, ongoing and systemic dialogue is key to building successful relationships with our stakeholders. 99



## Sustainability Report continued



Green belt in front of Sterlite Copper.

66

**At Tuticorin, as in all our businesses, we are committed to running our operations responsibly and our door remains open for dialogue.** 99

### A note on our operations in Tuticorin

This year, our social licence to operate was challenged by communities living around our Sterlite Copper plant in Tuticorin. The protests, while widespread, are based on misinformation around the perceived pollution caused by the plant. The fears stem from historic incidents, for which the company received legal sanctions in 2013. However, it has since taken corrective measures to ensure that incidents of pollution are not repeated, and the plant now operates well within regulatory limits for air emissions. It is also a zero liquid discharge operation, which means that there is no possibility of effluents polluting local water sources.

We are working with the communities as well as the regulatory bodies to arrive at a solution to the questions raised. We are mindful that pollution will remain a key issue in the region, which is an industry cluster with more than 60 manufacturing units (including thermal power plants, dyeing units, and other larger, medium, and small-scale industries), and we would like to play a key role in reaching long-term solutions that incorporate the views of all stakeholders. We are committed to running our operations responsibly and our door remains open for dialogue.

### Human Rights

For Vedanta, upholding human rights is a fundamental responsibility, and of particular importance since the majority of our operations are in developing countries. It is a material consideration across all our business decisions.

Our Human Rights Policy is aligned to the UN Guiding Principles on business and human rights and includes strict prohibition of child or forced labour – either directly or through contract labour.

Child forced or compulsory, labour is a non-negotiable offence at Vedanta – be it direct or through a contractor. We have systems in place to strictly enforce this policy at all our operations. Further, we carry out periodic inspections of our remote mine locations and require proof of age for all contract workers.

Additionally, our Code of Business Conduct and Ethics underpins our approach to protect the fundamental rights of all our direct and indirect employees, communities and immediate supply chain.



We uphold our workers' right to freedom of association at all our operations. The collective bargaining agreements are based on transparent and fair discussions between the management and union representatives. Our Suppliers' Code of Conduct is implemented as part of the terms and conditions of supplier contracts across the Group and all new suppliers are required to sign, endorse and practice this Code. We also have a Supplier & Contractor Sustainability Management Policy. Both the Code and the Policy clearly communicate our expectations of our suppliers: to operate in compliance with all relevant legislation and follow our policies while executing work for us, or on our behalf.

#### Modern Slavery Act 2015

In accordance with the UK's Modern Slavery Act 2015, we have updated our Supplier Code of Conduct and Contract Conditions, and our Code of Business Conduct and Ethics, to ensure the prevention of modern slavery and human trafficking in our operations and supply chain.

We have also introduced the MSA framework at all our business units. Under this framework, we have a system in place for training of vendors/suppliers, due-diligence, and self-declaration. We perform audits periodically to make sure that all business units follow this framework rigorously.

Implementation of the compliance framework for MSA rests with our Group Commercial team. They have been tasked with ensuring that all our vendors meet the stringent requirements of the Act.

In FY2018, our businesses continued the work to implement the provisions of the Act.

- BALCO has received MSA declaration from ~90% of its vendors.
- At VAL Jharsuguda, we stopped dealing with six suppliers on the basis of non-compliance with the MSA requirements.
- Vedanta Limited (Cairn Oil & Gas) has introduced external due diligence for the Modern Slavery Act at the time of registration of new vendors and has raised awareness of the Act in Vendor conferences. Annual declarations have been obtained from 70% of the vendors, and external audits are in progress at vendor sites.
- IOB has stopped dealing with two vendors after the report of the audit. Of the remaining 15 vendors, most have formulated internal policies in line with the requirements of the MSA. The Company has also received annual MSA declarations from ~60% of our medium risk vendors.



Women Empowerment through self-help groups.

- Konkola Copper Mines completed an audit of high-risk vendors. They have stopped dealing with one vendor as a result of the audit. They also introduced supplier declaration electronically during the registration process and have conducted MSA training programmes for both our internal teams and for contract employees.

#### Adding and sharing value

Our operations are predominantly located in the developing economies of India and Africa. We believe that we have an important role to play in developing the societies and communities where we operate, enabling them to share in the value we create.

#### Our Approach

We are committed to giving back to the stakeholders who play a vital role in powering our growth. Reducing the social and economic divide through generating economic value, distributing wealth, investing in employees and enhancing standards of living are all key elements of our sustainability framework. We not only drive economic growth through taxes, royalties, wages and supplier contracts, but our operations also help to provide the products these communities need to further their development, for example through infrastructure and housing.

#### Communities

Proactive engagement with communities helps to resolve concerns they may have about our operations. It also allows us to understand their expectations from the Company, thereby helping us develop a comprehensive engagement strategy. This strategy includes creating opportunities for employment, using the services of local vendors, and implementing focused CSR and community development activities. Collectively, these actions allow us to create a positive social impact.

The majority of our initiatives are identified, developed and carried out in collaboration with local government bodies and community organisations.

This '4Ps' (public-private-people-partnership) model has inspired us to participate in ambitious long-term projects such as the Nand Ghar initiative.

In FY2018, Vedanta spent US\$39 million on social investments and CSR activities. This is 116% more than the previous year, when we spent US\$18 million on social investment. This money is spent across multiple villages, benefitting nearly 3.4 million people.

#### Project updates

##### Project Nand Ghar

The Nand Ghar Project is our commitment to transform the lives of 85 million children and 20 million women across 1.37 million Anganwadis in India, by building a world-class model of pre-school education, healthcare, nutrition and women's empowerment. The Nand Ghars provide a best-in-class curriculum through e-learning, healthcare with a doctor on the doorstep, hygienic pre-packed meals for nutrition and customised skills training for empowering women economically across India. Today there are 154 Nand Ghars across Rajasthan, Uttar Pradesh, and Madhya Pradesh, Goa and Uttarakhand; and our commitment is to construct 4,000 centres across 11 states in India.

Their impact is paving the way for the Anganwadis model across the country.

##### Children's wellbeing & education

Our focus is on building the capacity of the next generation to create a long-term sustainable impact. Educational programmes include a wide range of activities covering pre-school through to higher education. The total reach of all our education projects extends to some 21 million children. 'Khushi' is one of the largest collaborative projects with the Government, which aims to strengthen the functioning of 3,089 Anganwadis across five districts of Rajasthan. This programme alone impacts nearly 64,000 children. Other programmes in the education space focus on Science, Maths and English in secondary schools.



## Sustainability Report continued



Medical health unit providing door-to door medical care at Jharsuguda.



Project Sakhi initiative by Sterlite Copper.

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The Nand Ghar Project is our commitment to transform the lives of 85 million children and 20 million women across 1.37 million Anganwadis in India, by building a worldclass model of pre-school education, healthcare, nutrition and women's empowerment. 99

### Healthcare

Good health is the cornerstone of community well-being. While we have always invested in healthcare (through mobile health vans, camps and so forth), we are now focusing on creating world-class healthcare facilities, especially in areas where these do not exist. This year saw the opening of the BALCO Medical Centre, a 350-bed cancer hospital in Naya Raipur. The hospital brings modern, comprehensive and high-quality medical care within the reach of the population of Chhattisgarh in particular, and Central India in general. Another step in the same direction is the signing of an MoU between the Government of Odisha and Vedanta Limited (on 27 March 2018), to establish a 500-bed hospital and medical college at Bhawanipatna, in Kalahandi District. Vedanta will spend about US\$15.3 million on the construction of the hospital, which will be run by the State Government. In FY2018, nearly 2.46 million people benefitted through various health initiatives of the Company.

### Women's empowerment

At Vedanta, we believe that women's empowerment is a fundamental building block of a strong and fair society. The Subhalaxmi Cooperative Society was started in 2008 with this objective. What began with 10 women is today among the largest women's cooperative in western Odisha with 3,324 members and 280 Self-Help Groups (SHGs), across 64 villages of three blocks of Jharsuguda. It started with US\$15 as working capital and today it has an earmarked corpus fund of more than US\$34,200, with an average net profit of US\$9,000–10,700 per annum. Around US\$756,000 has been distributed to female entrepreneurs to set up micro enterprises in FY2018. It has now established a special 'Udyami Fund' to support emerging and aspiring micro-enterprises in Jharsuguda. At Vedanta, we work with almost 28,000 women who are members of such SHGs, and during the year nearly 1,900 women set up or expanded their own enterprises.

### Drinking water and sanitation

We focus on drinking water and sanitation, since both are basic requirements for healthy lives and societies. The Jeevan Amrit Project is one of the largest drinking water programmes undertaken by any company in Rajasthan. Cairn's MoU with the Government of Rajasthan is about setting up 330 reverse osmosis (RO) water plants for communities in the water-stressed district of Barmer in Rajasthan. Already, 115 plants have been installed; during the year, they dispensed over four million litres of clean water, benefitting nearly 100,000 people.





### Agriculture and animal husbandry

Because we operate in remote rural locations, agriculture is the backbone of the economy in our surrounding villages. Project Unnati was set up by Cairn to support the farmers of Barmer in enhancing incomes through sustainable farming. As part of an MoU with the Central Arid Zone Research Institute (CAZRI), Jodhpur, 700 farmers were trained in improved farming techniques. This was supported by the installation of irrigation drips for 60,000 horticulture plants across 120 acres. As a result, this year, the farmers in Barmer have harvested over 60 tonnes of Ber, Gunda and Anar.

### Skilling young people

Our skills programmes are focused on helping young people to learn a trade and gain hands-on experience that equips them to secure a job. In FY2018, we helped 3500+ youths to acquire diverse skills and find employment.

### Sports

Sport is one of the most powerful means of connecting with young people. Our Sesa Football Academy (an IOB CSR initiative) was established in 1999 on a reclaimed mine at Sanquelim, with a vision to become a premier academy in India. Over the years, it has directly trained around 175 aspiring footballers at residential academies and reached over 500 youth players. Many of them are today realising their dream of pursuing a footballing career with major clubs. Seven alumni of SFA have played for the Indian national team and eight are playing in the elite Indian Super League 2017–18 season. We have now expanded the football programme to Rajasthan, with Hindustan Zinc setting up a world-class technology-based football academy. This will use science and technology as a differentiator in its approach and is also setting up a network of community feeder academies. 56 such community academies are currently active, training-up nearly 2,000 talented under-14s.

### Statistics for Community

- US\$39 million invested in social investment programmes.
- There are 3.4 million beneficiaries of our community development programmes.

## People and culture

Vedanta has always aspired to build a culture that demonstrates world-class standards in safety, environment and sustainability. People are our most valuable asset and we are committed to providing all our employees with a safe and healthy work environment.

Our culture exemplifies our core values and nurtures innovation, creativity and diversity. We align our business goals with individual goals and enable our employees to grow both personally and professionally.

### Diversity

Diversity remains a strong focus. We are committed to providing equal opportunities to our employees regardless of their race, nationality, religion, gender or age. We are pleased with our progress to date on gender diversity, and women now represent 10.6% of our total workforce and 12.5% of our Board. We have set ourselves a target to reach over 33% women at senior levels by 2020 and aim to achieve 20% diversity amongst our employees.

Since most of our operations are in remote areas, we place a strong emphasis on recruiting employees from among the local population. A significant percentage of the senior management and our employees are recruited from the country in which our operations are located.

### Recruitment

We have put a range of initiatives in place to support us in hiring skilled professionals.

### Global Internship Programme (GIP)

We initiated the programme in FY2017 with the objective of attracting the best talent from the world's leading universities. We select candidates from first year MBA students from premier B-schools including Harvard, INSEAD, London Business School, IIM-Ahmedabad and IIM-Bangalore with the goal of creating lasting business value by onboarding world-class talent. Internships provide these candidates with an opportunity to work with top management, especially the C-suite, on live projects that directly impact the business. They work in a dynamic, fast-paced team environment, and conclude their internship having gained broad experience in several facets of the natural resources industry.

### Vedanta Leadership Development Programme (VLDP)

In FY2017 we also launched the Vedanta Leadership Development Programme for full-time hires. The programme aims to build organisational capability for the future by onboarding best-in-class young talent from top management and technology institutes as full-time employees. We nurture them to be our leaders of tomorrow by providing them with a tailored programme including induction and a range of roles, opportunities, job rotations and anchoring.

During the first year, 19 students joined the programme and in the second year 28 students have been recruited.

### Right Management in Place (RMIP) – strategic hiring

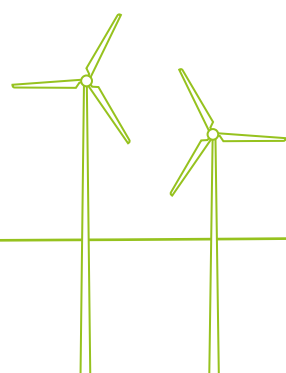
We introduced a recruitment drive to fill several leadership positions including expat/specialist positions to realign the organisational structure and strengthen our management teams across the business. Hiring for these positions focused on recruitment from best-practice companies.

### Talent management and development

We focus on retaining and developing talent from within the Company to take on future leadership roles.

### Internal growth workshops

We have always aimed to be an organisation headed by 'leaders from within'. Recognising internal talent and promoting them to leadership roles has been a driving factor in our rapid growth. Aligned with this philosophy, the Group conducts 'Chairman's Internal Growth Workshops' to identify potential candidates across the Group. These workshops have resulted in the identification of 500+ cross-functional, high-potential new leaders in the Group's businesses to date, who have taken up significantly enhanced roles and responsibilities. Our Internal Growth Workshops have also enabled us to reduce our lateral hiring significantly for critical roles across the Group in the past two years.



## Sustainability Report continued

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The Vedanta Leadership Development Programme (VLDP) aims to build organisational capability for the future by onboarding best-in-class young talent from top institutes. We nurture them to be our leaders of tomorrow. 99



Employee at Oil & Gas operational site.

### 'V Connect' initiative

This initiative was launched across the Group in association with AON as an anchoring/mentoring and training programme covering all 12,000 professionals. The key output has been to derive enhanced engagement levels from employees. To facilitate the programme, a dedicated app – 'Aon Lead' – was introduced. The app allows participants to: schedule their 'connects' with their mentor; get the latest business updates from around the globe; access articles and videos that focus on effective leadership and skill-building; and participate in quizzes and learning challenges. To date, more than 5,000 conversations have been completed using the app.

### Performance management and total rewards

We ensure that we monitor and reward performance.

### V-Perform: One performance system for One Vedanta

V-Perform is a pan-Vedanta initiative to standardise our performance management system (PMS) and processes by leveraging technology. This assists the functions, teams and individuals in tracking performance, generating analytics and taking steps to ensure they are achieving Vedanta's overall business plan and targets. To enhance our safety performance in the workplace and achieve our ultimate vision of zero harm, a safety competency assessment process has also been initiated as part of V-Perform to strengthen our existing safety management system.

### Employee Stock Option Scheme ('ESOS') 2017

At Vedanta Limited, to reward our employees and enable them to share in the financial success of the Company, we have launched an employee stock option scheme, following statutory and shareholder approval.

ESOS 2017 covers the Company's 2,832 employees and aims at rewarding them with wealth creation opportunities, encouraging high-growth performance and reinforcing employee pride. The scheme was launched after obtaining statutory approvals, including shareholders' approval in 2016.

### One Vedanta network

As an international company employing thousands of people working across a range of remote and diverse geographic locations, we recognise the importance of fostering a culture of transparency, collaboration and knowledge-sharing across the organisation to keep employees informed and engaged. As social networking platforms continue to grow in popularity, we have developed One Vedanta – a platform on Workplace by Facebook which enables all Vedanta employees to share content with their peers using a range of interactive tools such as live videos, news feeds, posts and media upload options.

The platform was launched in early 2017 and currently more than 13,000 employees are signed up to this employee engagement tool with 4,000 active conversations per week. On 29 November 2017 a new 'Chairman Connect' bot application was launched on One Vedanta by our Chairman, Anil Agarwal. This application aims to give every employee direct access to the Chairman and leadership team to share ideas, feedback and to post questions. Mr Agarwal's vision is to tap into the rich pool of ideas and experiences shared by employees and to make Vedanta an open and connected organisation.

# Non-Financial Information Statement

We aim to comply with the new Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

Reporting requirement	Policies and standards which govern our approach	Risk management and additional information	
<b>Environmental matters</b>	<ul style="list-style-type: none"> <li>HSE Policy</li> <li>Biodiversity Policy</li> <li>Energy &amp; Carbon Policy</li> <li>Water Management Policy</li> </ul>	Health, safety and environment, page 10 Emissions and climate change, page 37	Sustainability report, pages 42–58
<b>Employees</b>	<ul style="list-style-type: none"> <li>HSE Policy</li> <li>HIV/AIDS Policy</li> <li>Code of Business Conduct and Ethics</li> <li>Policy on Prevention and Prohibition of Sexual Harassment</li> <li>Insider Trading Prohibition Policy</li> </ul>	Workforce diversity, pages 27, 57 Gender diversity, page 32 Our sustainability journey, pages 46–47 Responsible stewardship, pages 47–49 People and culture diversity, pages 57–58 Recruitment, pages 57–58	Talent management and development, pages 57–58 Board diversity and inclusion policy, pages 111–112
<b>Human Rights</b>	<ul style="list-style-type: none"> <li>Human Rights Policy</li> <li>Supplier and Contractor Sustainability Management Policy</li> </ul>	Human rights, pages 54–55 Modern Slavery Act 2015, page 55 Code of conduct and ethics and whistle-blower arrangements, page 123	
<b>Social matters</b>	<ul style="list-style-type: none"> <li>Social Policy</li> <li>Supplier and Contractor Sustainability Management Policy</li> <li>Supplier Code of Conduct</li> <li>Corporate Social Responsibility Policy</li> </ul>	Our contribution to society, page 8 Reaching out to communities, page 13	Our sustainability journey, pages 46–47 Community projects, pages 55–57
<b>Anti-corruption and anti-bribery</b>	<ul style="list-style-type: none"> <li>Code of Business Conduct and Ethics</li> <li>Supplier Code of Conduct</li> <li>Insider Trading Prohibition Policy</li> </ul>	Fraud and UK Bribery Act, page 123 Code of Conduct and Ethics and whistle-blower arrangements, page 123	Sustainability report, pages 54–55
<b>Policy embedding, due diligence and outcomes</b>		Risk overview, pages 34–35	Risk management and internal control framework, page 122
<b>Description of principal risks and impact of business activity</b>		Investment cases for creating value, pages 6–7 Market review, pages 20–23 Principal risks and uncertainties, pages 34–41	Risk management and internal control framework, page 122 Creating value for all our stakeholders, pages 26–29
<b>Description of the business model</b>		Opportunities for Vedanta, pages 20–23	Our business model, pages 26–29
<b>Non-financial key performance indicators</b>		Key performance indicators, pages 32–33 Operational review, various throughout pages 68–99	Alternative performance measures, page 265

## Finance Review



**Arun Kumar**  
Chief Financial Officer

# A strong operational performance complemented by firm commodity prices

### Executive summary

We recorded a strong operational and financial performance in FY2018.

A favourable price environment coupled with volume growth resulted in EBITDA of \$4.1 billion, up 27% y-o-y with a robust margin<sup>o</sup> of 35%. (FY2017: US\$ 3.2 billion, margin<sup>o</sup> 36%).

Market factors resulted in net incremental EBITDA of US\$ 591 million compared to FY2017. The increase was driven by improved commodity prices, but partially offset by an increase in raw material cost (primarily alumina, coal and carbon) and unfavourable foreign exchange impacts.

A strong volume performance contributed to an incremental EBITDA of US\$297 million, driven by record volumes at our Zinc India and Aluminium businesses, following a ramp-up of capacities. This was partially offset by some lower volumes, mainly at our Iron Ore business.

During FY2018, gross debt was reduced by c. US\$3 billion, from US\$18.2 billion at 31 March 2017 to US\$15.2 billion at 31 March 2018. This includes repayment of US\$1.2 billion of temporary borrowing at Zinc India.

Net debt increased to US\$9.6 billion at 31 March 2018 from US\$8.5 billion at 31 March 2017, driven by significant dividend payments from our listed subsidiaries, Zinc India and Vedanta Limited, in April 2017 and March 2018, and the acquisition of AvanStrate Inc.

Debt maturities at Vedanta Resources plc were managed through proactive refinancing of US\$2.4 billion. This extended Vedanta Resources plc's debt maturity to c. four years at 31 March 2018, compared to c. three years at 31 March 2017.

The balance sheet of Vedanta Limited, an Indian listed subsidiary of Vedanta Resources, continues to remain strong with cash and liquid investments of c. US\$5.6 billion and net debt to EBITDA ratio at 0.9x.

### Consolidated operating profit before special items

Operating profit before special items increased by US\$620 million to US\$2,781 million in FY2018. This was driven by a strong operating performance and firm commodity prices, but partially offset by input commodity inflation, unfavourable foreign exchange impacts and higher depreciation and amortisation expenses.

### Consolidated operating profit summary before special items

(US\$ million, unless stated)

Consolidated operating profit before special items	FY2018	FY2017	% change
Zinc	<b>1,861</b>	1,385	34%
India	<b>1,670</b>	1,274	31%
International	<b>191</b>	111	73%
Oil & Gas	<b>388</b>	186	—
Iron Ore	<b>(11)</b>	124	—
Copper	<b>137</b>	116	18%
India/Australia	<b>176</b>	223	(21%)
Zambia	<b>(39)</b>	(107)	—
Aluminium	<b>195</b>	203	(4%)
Power	<b>184</b>	157	17%
Others	<b>27</b>	(10)	—
Total Group operating profit before special items	<b>2,781</b>	2,161	29%



### Consolidated operating profit bridge before special items (US\$ million)

<b>Operating profit before special items for FY2017</b>	2,161
<b>Market and regulatory: US\$591 million</b>	
a) Prices, Premium/Discount	1,320
b) Direct raw material inflation	(646)
c) Foreign exchange movement	(99)
d) Profit petroleum to GOI at Oil & Gas	37
e) Regulatory changes	(21)
<b>Operational: US\$269 million</b>	
f) Volume	297
g) Product and market mix	(14)
h) Cost	(14)
<b>Depreciation and amortisation</b>	(240)
<b>Operating profit before special items for FY2018</b>	2,781

#### a) Prices

Commodity price fluctuations have a significant impact on the Group's business. During FY2018, we saw a positive impact on operating profit of US\$1,320 million.

**Zinc, lead and silver:** Average zinc LME prices during FY2018 increased to US\$3,057 per tonne, up 29% y-o-y; lead LME prices increased to US\$2,379 per tonne, up 19% y-o-y; and silver prices decreased to US\$16.9 per ounce, down 5% y-o-y. The collective impact of these price fluctuations and premium increased operating profits by US\$575 million.

**Aluminium:** Average aluminium LME prices increased to US\$2,046 per tonne in FY2018, up 21% y-o-y and higher premium, positively impacting operating profit by US\$588 million.

**Copper:** Average copper LME prices increased to US\$6,451 per tonne in FY2018, up 25% y-o-y, positively impacting Copper Zambia's operating profit by US\$103 million. (Copper India's profits, as a custom smelting business, are driven by prevailing TC/RC rather than LME prices.)

**Oil & Gas:** The average Brent price for the year was US\$58 per barrel, higher by 18% compared with US\$49 per barrel during FY2017, but partially offset by a higher discount to Brent during the year (FY2018: 12.3%; FY2017: 10.8%). This positively impacted operating profit by US\$128 million.

**Iron Ore:** Iron Ore Goa's price realisation for FY2018 was lower 33% y-o-y, mainly due to the widening discount for our 56% Fe grade material, compared to the benchmark price of 62% Fe iron grade. This was partially offset by higher realisation at our Iron Ore business in Karnataka, which primarily caters for the domestic steel industry in the state. The collective impact resulted in a decrease in operating profit of US\$69 million.

Our usual policy is to sell products at prevailing market prices and not to enter into price hedging arrangements. However, during the period, Zinc India entered into a forward contract to sell 220,000 tonnes of zinc and 30,000 tonnes of lead at average prices of US\$3,084 per tonne and US\$2,418 per tonne respectively, for the period from January 2018 to June 2018. As at 31 March 2018, open quantities stood at 70,000 tonnes of zinc and 15,000 of lead, at average prices of US\$3,075 per tonne and US\$ 2,374 per tonne respectively for the period from April 2018 to June 2018.

#### b) Direct raw material inflation

Prices of key raw materials such as alumina, thermal coal, carbon and metallurgical coke increased significantly in FY2018, with an adverse impact on operating profit of US\$646 million.

#### c) Foreign exchange fluctuation

Most of our operating currencies appreciated against the US dollar during FY2018. Stronger currencies are unfavourable to the Group, given the local cost base and predominantly US dollar-linked pricing.

Adverse currency movements decreased operating profits by US\$99 million compared to FY2017.

Information regarding key exchange rates against the US dollar.

	Average year ended 31 March 2018	Average year ended 31 March 2017	% change	As at 31 March 2018	As at 31 March 2017
Indian rupee	64.45	67.09	(4%)	65.04	64.84
South African rand	13.00	14.07	(8%)	11.83	13.41
Zambian kwacha	9.54	9.95	(4%)	9.50	9.66

## Finance Review continued

### d) Profit petroleum to GOI at Oil & Gas

The profit petroleum outflow to the Government of India (GOI), as per the production sharing contract (PSC), decreased by US\$37 million. The reduction was primarily due to the higher capital expenditure over the previous year.

### e) Regulatory

During FY2018, the Group encountered increased regulatory headwinds, with an additional entry tax provision created at BALCO for US\$10 million, pursuant to a Supreme Court order, and higher electricity duty (ED) in our Aluminium business. This had an adverse impact on operating profit of US\$21 million.

### f) Volumes

Higher volumes contributed to the increased operating profit of US\$297 million, generated by these key Group businesses:

- Zinc India (positive US\$231 million)
  - FY2018 was a year of records, with an all-time high in integrated metal production of 960kt in FY2018, an increase of 18% over FY2017, and record silver volumes of 17.9 million ounces, up 23% on the previous year.
- Aluminium (positive US\$188 million)
  - Our Aluminium business achieved record production of 1.7mt and exited the year with a run-rate of c. 2mtpa, driven by the steady ramp-up of capacities at Jharsuguda and Balco.
- Copper Zambia (negative US\$54 million)
  - The integrated production at Copper Zambia was at 84kt, a decrease of 12% over FY2017.
- Iron Ore (negative US\$42 million)
  - Sales were down due to a low pricing environment and a state-wide ban on Goa mining operations with effect from 16 March 2018.

### g) Product and market mix

During FY2018, incremental aluminium production was sold in export markets, which realise lower premiums than the domestic Indian market. This mainly resulted in an adverse impact from the marketing mix of US\$14 million.

### h) Cost

Costs in the year increased by US\$14 million over FY2017, primarily due to lower ore grade at Zinc India, higher development costs, rehabilitation and the refurbishment cost of equipment at KCM. This was partially offset by volume-led absorption, mainly at HZL.

### Depreciation and amortisation

Depreciation and amortisation increased by US\$240 million against the previous year. This was driven by higher capitalisation at our Aluminium business, higher depreciation at Oil & Gas with the start of growth projects, and higher production at Zinc India.

### Income Statement

(US\$ million, unless stated)

	FY2018	FY2017	% change
Revenue	<b>15,359</b>	11,520	33%
EBITDA <sup>o</sup>	<b>4,051</b>	3,191	27%
EBITDA margin (%) <sup>o</sup>	<b>26%</b>	28%	–
EBITDA margin without custom smelting (%) <sup>o</sup>	<b>35%</b>	36%	–
Special items	<b>683</b>	(17)	–
Depreciation	<b>(1,263)</b>	(928)	36%
Amortisation	<b>(7)</b>	(102)	(93%)
Operating profit	<b>3,464</b>	2,143	62%
Operating profit without special items	<b>2,781</b>	2,161	29%
Net interest expense	<b>(878)</b>	(698)	26%
Interest cost-related special items	<b>(108)</b>	(42)	–
Other gains/(losses) special items	<b>5</b>	–	–
Other gains/(losses)	<b>(1)</b>	(24)	(96%)
Profit before taxation	<b>2,482</b>	1,380	80%
Profit before taxation without special items	<b>1,902</b>	1,439	32%
Income tax expense	<b>(675)</b>	(495)	36%
Income tax (expense)/credit (special items)	<b>(338)</b>	(5)	–
Effective tax rate without special items (%)	<b>35%</b>	34%	–
Profit for the period/year	<b>1,469</b>	880	67%
Profit for the period/year without special items	<b>1,227</b>	943	30%
Non-controlling interest	<b>1,233</b>	902	37%
Non-controlling interest without special items	<b>1,065</b>	909	17%
Attributable profit/(loss)	<b>236</b>	(23)	–
Attributable profit/loss without special items	<b>163</b>	35	–
Underlying attributable profit/(loss) <sup>o</sup>	<b>162</b>	45	–
Basic earnings/(loss) per share (US cents per share)	<b>84.8</b>	(8.2)	–
Basic earnings/(loss) per share without special items (US cents per share)	<b>58.5</b>	12.6	–
Underlying earnings/(loss) per share <sup>o</sup> (US cents per share)	<b>58.3</b>	16.1	–

### Consolidated revenue

Revenue for FY2018 increased by 33% to US\$15,359 million (FY2017: US\$11,520 million). This was mainly driven by firmer commodity prices and record volumes at Zinc India, Copper India and Aluminium, but was partially offset by a lower volume at Iron Ore Goa.

### Consolidated revenue

(US\$ million, unless stated)

	FY2018	FY2017	Net Revenue % change
Zinc	<b>3,903</b>	2,857	37%
India	<b>3,369</b>	2,525	33%
International	<b>535</b>	332	61%
Oil & Gas	<b>1,480</b>	1,223	21%
Iron Ore	<b>487</b>	615	(21%)
Copper	<b>5,116</b>	4,008	28%
India/Australia	<b>3,833</b>	3,134	22%
Zambia	<b>1,283</b>	874	47%
Aluminium	<b>3,588</b>	2,040	76%
Power	<b>877</b>	836	5%
Others <sup>1</sup>	<b>(92)</b>	(59)	—
<b>Revenue</b>	<b>15,359</b>	11,520	33%

<sup>1</sup> Includes port business and eliminations of inter-segment sales, which were lower in the current period.

### Consolidated EBITDA

The consolidated EBITDA<sup>o</sup> by segment is set out below:

(US\$ million, unless stated)

	FY2018	FY2017	% change	Key drivers	EBITDA margin % FY2018	EBITDA margin % FY2017
Zinc	<b>2,122</b>	1,562	36%		<b>54%</b>	55%
India	<b>1,903</b>	1,423	34%	Record volumes and LME	<b>56%</b>	56%
International	<b>219</b>	138	59%	Higher sales and LME	<b>41%</b>	42%
Oil & Gas	<b>849</b>	597	42%	Brent price	<b>57%</b>	49%
Iron Ore	<b>57</b>	194	(71%)	Lower volume and higher discount	<b>12%</b>	32%
Copper	<b>274</b>	258	6%		<b>5%</b>	6%
India/Australia	<b>201</b>	252	(20%)	Lower TC/RC and premia	<b>5%</b>	8%
Zambia	<b>73</b>	6		LME offset by lower volume	<b>6%</b>	1%
Aluminium	<b>452</b>	344	31%	Record volume offset by higher COP	<b>13%</b>	17%
Power	<b>259</b>	245	6%		<b>25%<sup>2</sup></b>	29%
Others <sup>1</sup>	<b>37</b>	(9)	—		<b>—</b>	—
<b>Total</b>	<b>4,051</b>	3,191	27%	EBITDA margin	<b>26%</b>	28%
				Adjusted EBITDA margin <sup>o</sup>	<b>35%</b>	36%

<sup>1</sup> Includes port business and elimination of inter-segment transactions.

<sup>2</sup> Excluding one-offs.

### EBITDA<sup>o</sup> and EBITDA margin<sup>o</sup>

EBITDA<sup>o</sup> for FY2018 increased to US\$4,051 million, up 27% y-o-y. This was primarily driven by firmer commodity prices supported by record volumes at Zinc India and Aluminium, partially offset by input commodity inflation, adverse foreign exchange movement impact and lower volumes at Iron Ore and integrated volumes at KCM. (See 'Operating profit variance' for more details.)

In FY2018, EBITDA margin stood at 26%, and adjusted EBITDA<sup>o</sup> margin was robust at 35%.

### Special items (including interest cost related, and others)

In FY2018 special items included:

- At the Oil & Gas business, a reversal of previously recorded non-cash impairment charge of US\$1,464 million (US\$888 million net of taxes). This followed the progress of key growth projects which are expected to result in enhanced recovery of resources in a commercially viable manner, leading to a higher than forecast oil production, and cost savings.
- A non-cash impairment charge of US\$758 million (US\$534 million net of tax) at Iron Ore Goa, pursuant to a Supreme Court order to cancel all mining leases in Goa, effective 16 March 2018.
- Special items related to interest cost stood at US\$108 million in FY2018, due to a loss incurred on bond buy-back activity in May and August 2017, and a one-time arbitration of an historical vendor claim in the Aluminium business.

Further analysis of special items is set out in Notes 5, 7 and 8 of the financial statements.



## Finance Review continued

### Net interest

Finance costs (excluding special items) was flat y-o-y at US\$1,343 FY2018 (FY2017: US\$ 1,341 million). This was primarily due to:

- Commissioning and capitalisation of new capacities at our Aluminium and Power businesses (c. US\$46 million); and
- The issuance of 7.5% preference shares of US\$464 million to non-controlling shareholders of Oil & Gas, pursuant to the merger with Vedanta Limited in April 2017 (c. US\$39 million).

These increased finance costs were partially offset by lower gross debt and a lower cost of borrowing at 7.2% (FY2017: 7.5%).

Investment revenue in FY2018 decreased to US\$465 million (FY2017: US\$643 million). This was mainly due to lower cash and liquid investments following special dividend pay-outs and our gross debt reduction, as well as a lower return on investments due to a sharp rise in G-Sec yields that resulted in mark-to-market losses on investments.

The average post-tax return on the Group's investments was 5.85% (FY2017: 7.55%), and the average pre-tax return was 7.4% (FY2017: 9.4%).

The combination of marginally higher finance costs and lower investment revenues led to an increase of US\$180 million in net interest expense (excluding interest cost-related special items) during the period.

### Other gains/(losses) excluding special items

Other gains/(losses) excluding special items for FY2018 amounted to US\$(1) million, compared to US\$(24) million in FY2017.

### Taxation

The effective tax rate (ETR) in FY2018 (excluding special items) was 35% compared to 34% in FY2017. This was mainly due to the phasing out of investment allowance claims, a change in the cess rate from 3% to 4% as per the Finance Act 2018, and a change in the profit mix.

### Attributable profit/(loss)

The attributable profit before special items for the year was US\$163 million (FY2017: US\$35 million). This was mainly driven by higher EBITDA<sup>o</sup>, but partially offset by higher expenses from net interest and depreciation.

### Earnings/(loss) per share

Basic earnings per share for the period were 84.8 US cents (FY2017: a loss of 8.2 US cents). The underlying profit was 58.3 US cents per share (FY2017: profit of 16.1 US cents per share).

### Fund flow post-capex

The Group generated free cash flow (FCF)<sup>o</sup> post-capex of US\$925 million (FY2017: US\$1,544 million). This was driven by a strong operating performance and disciplined capital expenditure outflow, partially offset by higher interest expenses and proactive adjustments to managing the working capital funding.

### Fund flow and movement in net debt<sup>o</sup>

Fund flow and movement in net debt in FY2018 are set out below.

(US\$ million, unless stated)

Details	FY2018	FY2017
EBITDA <sup>o</sup>	<b>4,051</b>	3,191
Operating exceptional items	<b>33</b>	–
Working capital movements	<b>(611)</b>	295
Changes in non-cash items	<b>28</b>	29
Sustaining capital expenditure	<b>(385)</b>	(145)
Movements in capital creditors	<b>42</b>	(158)
Sale of property, plant and equipment	<b>10</b>	25
Net interest (including interest cost-related special items)	<b>(925)</b>	(701)
Tax paid	<b>(498)</b>	(324)
Expansion capital expenditure	<b>(820)</b>	(668)
<b>Free cash flow (FCF)<sup>o</sup> post-capex</b>	<b>925</b>	<b>1,544</b>
Dividend paid to equity shareholders	<b>(164)</b>	(138)
Dividend paid to non-controlling interests	<b>(1,414)</b>	(1,393)
Tax on dividend from Group companies	<b>(69)</b>	(455)
Acquisition of subsidiary <sup>1</sup>	<b>(240)</b>	–
Other movements <sup>2</sup>	<b>(122)</b>	(732) <sup>3</sup>
<b>Movement in net debt</b>	<b>(1,084)</b>	<b>(1,175)</b>

1 Includes net debt on acquisition of US\$72 million and acquisition expenses of US\$7 million.

2 Includes foreign exchange movements.

3 Includes preference shares of US\$464 million issued in relation to the Cairn merger.

### Debt, maturity profile and refinancing

In line with our stated financial priorities to deleverage and strengthen the balance sheet, the Group reduced gross debt y-o-y by c. US\$3 billion, from US\$18.2 billion to US\$15.2 billion. This includes repayment of US\$1.2 billion of temporary borrowing at Zinc India.

During FY2018, net debt increased from US\$8.5 billion to US\$9.6 billion y-o-y. This was due to significant dividend payments from our listed subsidiaries, Zinc India and Vedanta Limited, and the acquisition of AvanStrate Inc.

Our total gross debt of US\$15.2 billion comprises:

- US\$11.3 billion as term debt (March 2017: US\$13.8 billion);
- US\$2.7 billion of short-term borrowings (March 2017: US\$2.3 billion);
- US\$0.5 billion preference shares issued pursuant to the Cairn merger (March 2017: US\$0.5 billion); and
- US\$0.7 billion of working capital loans (March 2017: US\$0.4 billion).

Gross debt as at 31 March 2017 included a US\$1.2 billion temporary borrowing at Zinc India, which was repaid during FY2018.

The Group has been proactively managing its debt maturities at Vedanta Resources plc and various operating entities. This included proactive refinancing of US\$2.4 billion at Vedanta Resources plc, which was comprised of a bond and term loans. These transactions have collectively extended average debt maturity to c. four years at 31 March 2018, compared to c. three years at 31 March 2017.

The maturity profile of term debt of the Group (totalling US\$11.3 billion) is summarised below:

Particulars	As at 31 March 2017	As at 31 March 2018	FY2019	FY2020	FY2021	FY2022	FY2023	Beyond FY2023
Debt at Vedanta Resources plc	6.2	<b>5.9</b>	0.4	0.4	0.2	1.4	1.8	1.7
Debt at subsidiaries	7.6	<b>5.4</b>	1.2	1.0	1.4	0.7	0.2	0.9
<b>Total term debt<sup>1</sup></b>	<b>13.8</b>	<b>11.3</b>	<b>1.6</b>	<b>1.4</b>	<b>1.6</b>	<b>2.1</b>	<b>2.0</b>	<b>2.6</b>

<sup>1</sup> Term debt excluding preference shares.

Term debt at our subsidiaries was US\$5.4 billion, with the balance at Vedanta Resources plc. The total undrawn fund-based credit limit was c. US\$0.6 billion as at 31 March 2018.

The Group has been successful in extending its maturing debts through rollovers, new debts and repayment from internal accruals during the period, both at Vedanta Resources plc and subsidiaries.

Cash and liquid investments stood at US\$5.6 billion at 31 March 2018 (31 March 2017: US\$9.7 billion). The portfolio continues to be conservatively invested in debt mutual funds, and in cash and fixed deposits with banks.

### Going concern

The Directors have considered the Group's cash flow forecasts for the next 12-month period, from the date of signing the financial statements for the year ending 31 March 2018. The Board is satisfied that the forecasts and projections show that the Group will be able to operate within the level of its current facilities for the foreseeable future. This takes into account: the effect of reasonably possible changes in trading performance on cash flows and forecast covenant compliance; the transferability of cash within the Group; the flexibility that the Group has over the timings of its capital expenditure; and other uncertainties. For these reasons, the Group continues to adopt the 'going concern' basis in preparing its financial statements.

### Longer-term Viability Statement

In accordance with provision C.2.1 of the UK Corporate Governance Code the Directors have assessed the long-term viability of the Group taking into account the Group's principal risks and its approach to manage them, together with the latest financial forecasts and three-year plan.

### Period of Viability Statement

As per provision C2.2 of the UK Corporate Governance Code, the Directors have reviewed the length of time to be covered by the Viability Statement, particularly given its primary purpose of providing investors with a view of financial viability that goes beyond the period of the Going Concern statement.

The Board of Directors have considered a three-year period to be appropriate for the longer-term viability testing on account of the following key reasons:

- Commodity prices, which are key to the Group's viability, are difficult to forecast beyond three years;
- Capital allocation and refinancing plans are prepared for a period of three years;
- Completion of Growth projects from feasibility study generally requires three years;
- Conversion of exploration projects to mining typically requires three to five years; and
- Internal financial modelling is performed over three-year period.

In assessing the Group's longer-term viability, the going concern assumptions and financial model were used as the starting position. Severe but plausible risks were subsequently quantified both individually and in combination, to apply additional stress-testing into the viability model.

## Finance Review continued

Details of the Group's principal risks and uncertainties are documented in Principal Risks and Uncertainties part of this report. The Directors have considered the following risks as particularly relevant for assessing the longer-term viability:

- Decline in commodity prices;
- Delay in execution of key growth projects;
- Operational turnaround at KCM operations;
- Raw material security at Aluminium business;
- Access to capital/refinancing risk; and
- Adverse outcomes of material legal and tax cases.

The Group remains viable under these severe but plausible scenarios taking into consideration the specific mitigations which include capital allocation, dividend policy flexibility, readily available access to lines of credit and assumption around the continued availability of funding or refinancing, by way of capital markets and bank debt.

### Conclusion

While it is impossible to foresee all risks, and the combinations in which they could manifest, based on the results of this assessment and taking into account the Group's current position and principal risks, the Directors have assessed the prospects of the Group, over the next three years, and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a period of three years from 1 April 2018.

### Covenants

The Group is in compliance with its covenants relating to all facilities for the testing period ending 31 March 2018.

### Credit rating

The Group's credit rating by Moody's is at 'Ba3/outlook stable' for CFR Rating and 'B2' for Senior Unsecured notes. Both the CFR and Senior Unsecured rating by S&P is at 'B+/outlook stable'.

We are targeting a further strengthening of our credit profile to attain investment-grade ratings, through our continuous focus on operations to generate increased cash flows, and on financial policies.

### Balance sheet

(US\$ million, unless stated)

	31 March 2018	31 March 2017
Goodwill	12	17
Intangible assets	123	96
Property, plant and equipment	17,727	16,751
Other non-current assets	2,179	2,157
Cash and liquid investments	5,606	9,725
Other current assets	3,591	2,759
<b>Total assets</b>	<b>29,238</b>	<b>31,503</b>
Gross debt	(15,194)	(18,229)
Other current and non-current liabilities	(7,523)	(7,260)
<b>Net assets</b>	<b>6,521</b>	<b>6,015</b>
Shareholders' equity	(339)	(409)
Non-controlling interests	6,860	6,423
<b>Total equity</b>	<b>6,521</b>	<b>6,015</b>

Shareholders' (deficit)/equity was US\$(339) million at 31 March 2018 compared with US\$(409) million at 31 March 2017. This mainly reflects the attributable profit for FY2018 and dividend pay-out of US\$164 million (US cents 59 per share).

Non-controlling interests increased to US\$6,860 million at 31 March 2018 (from US\$6,423 million at 31 March 2017) mainly driven by the profit for the year offset by dividend payments during the year.

### Property, plant and equipment (PPE)

During FY2018, PPE increased to US\$17,727 million (FY2017: US\$16,751 million), mainly due to investment of \$820 million on expansion projects and US\$385 million sustaining capital expenditure, the acquisition of AvanStrate Inc., and a non-cash reversal of previously recorded impairment charge at our Oil & Gas business. However, this was partially offset by an impairment charge at Iron Ore Goa and depreciation charge during the year.

### Contribution to the exchequer

The Group contributed c. US\$5.4 billion to the exchequer in FY2018 compared to US\$6.0 billion in FY2017 through direct and indirect taxes, levies, royalties and dividend.

## Project Capex

(US\$ million)

Capex in progress	Status	Total capex approved <sup>5</sup>	Cumulative spend up to March 2017 <sup>6</sup>	Spent in FY2018	Unspent as at 31 March 2018 <sup>7</sup>
<b>Oil &amp; Gas (a)</b>					
Mangala infill and ASP, Aishwariya & Bhagyam EOR, tight oil & gas etc.		1,863	56	127	<b>1,680</b>
<b>Aluminium</b>					
BALCO – Korba-II 325ktpa smelter and 1200MW power plant (4x300MW) <sup>1</sup>	Smelter: fully operational	1,872	1,965	(1) <sup>3</sup>	<b>(92)</b>
Jharsuguda 1.25mtpa smelter	Line 3 and 4: fully capitalised	2,920	2,746	100	<b>74</b>
	Line 5: two sections capitalised				
<b>Zinc India</b>					
1.2mtpa mine expansion <sup>2</sup>	Phase-wise by FY2020	1,600	967	299	<b>335</b>
Others		150	12	60	<b>77</b>
<b>Zinc International</b>					
Gamsberg mining Project <sup>4</sup>	First production by mid-CY2018	400	68	173	<b>159</b>
<b>Copper India</b>					
Tuticorin smelter 400ktpa	To complete by Q3 FY2020	717	139	50	<b>528</b>
<b>Capex flexibility</b>					
Lanjigarh Refinery (Phase II) – 5mtpa	Under evaluation, subject to bauxite availability	1,570	822	14	<b>734</b>
Skorpion refinery conversion	Currently deferred till pit 112 extension	156	14	–	<b>142</b>
Zinc India (1.2mtpa to 1.35mtpa mine expansion)	Board approved in principle	698	–	–	<b>698</b>

1 Cost overrun due to changes in exchange rate. The total overrun is expected to be US\$120 million up to FY2019.

2 Zinc India total spent to March 2017, adjusted for re-grouping of projects.

3 Positive on account of sale of trial run production.

4 Capital approved US\$400 million excludes interest during construction (IDC).

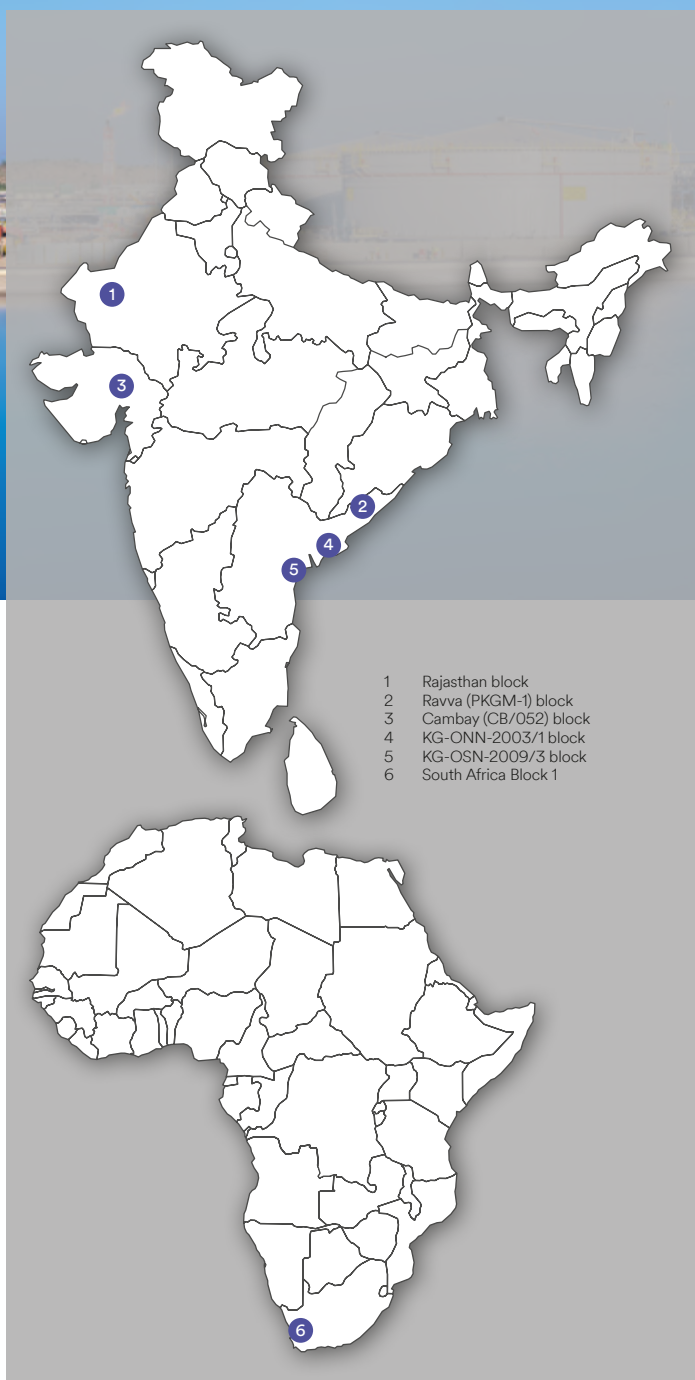
5 Based on exchange rate prevailing at time of approval.

6 Based on exchange rate prevailing at the time of incurrence.

7 Unspent capex represents the difference between total projected capex and cumulative spend as at 31 March 2018.



## Operational Review/Oil & Gas



- 1 Rajasthan block
- 2 Ravva (PKGM-1) block
- 3 Cambay (CB/052) block
- 4 KG-ONN-2003/1 block
- 5 KG-OSN-2009/3 block
- 6 South Africa Block 1

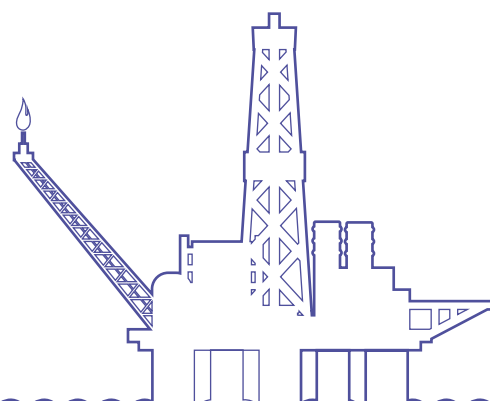


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We exited FY2018 with a gross production run-rate of over 200,000boepd in March which, along with the upside from these growth projects, will trigger significant volume growth for FY2019. 99

**Sudhir Mathur**  
CEO, Oil & Gas Business

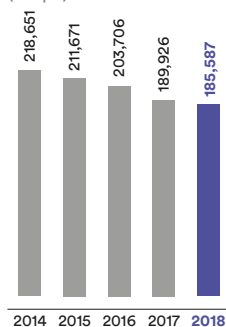
Note: PR-OSN-2004/1 block in Palar-Pennar basin was relinquished during the year



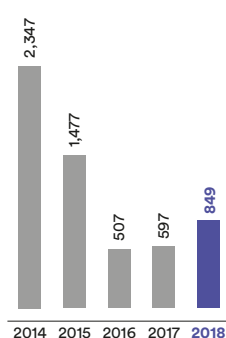


Mangala Processing Terminal in Rajasthan.

**Average daily  
Gross Operated Production**  
(boepd)



**EBITDA**  
(US\$ million)



### The year in summary

During FY2018, we delivered a strong operational and financial performance alongside the award of key contracts to reactivate the capital expenditure cycle.

In pursuit of our vision to contribute 50% of India's domestic crude oil production, we have targeted investments in a high-potential set of projects comprising enhanced oil recovery, tight oil and tight gas and exploration prospects.

We exited FY2018 with a gross production run-rate of over 200,000boepd in March which, along with the upside from these growth projects, will trigger significant volume growth for FY2019.

### Safety

We made significant progress towards the goal of zero harm by reducing our lost time injuries (LTIs) to five, from the previous year's seven. The LTI frequency rate stood at 0.19 (against 0.30 in FY2017).

Building on several safety improvement initiatives, the Oil & Gas business received recognitions for excellence in our safety management systems:

- Vedanta Limited: Cairn Oil & Gas received the Golden Peacock Award for Sustainability for the year 2017.

- Mangala, Bhagyam, Aishwariya and pipeline operations each achieved a 5 Star Rating in the OHSMS Audit by the British Safety Council (BSC).
- The Ravva offshore asset received first prize in the CII-SR-EHS Excellence Award 2017, as well as a 5 Star award and the Golden Peacock Occupational Health & Safety Award for the year 2017.
- The Mangala field in the Rajasthan asset received the Oil Industry Safety Award 2015–16 from OISD, MOPNG in the Oil & Gas Onshore Asset category.

### Environment

We have initiated co-processing for all types of non-recyclable hazardous waste, which can be used in cement industries as an alternative fuel and raw material. This completely eliminates the need for incineration and ensures that zero-waste is sent to landfill. To date, around 4,592mt of non-recyclable hazardous waste has been safely and sustainably handled using the co-processing route.

The Oil & Gas business has also carried out a fugitive emission monitoring study for all its operating assets. This revealed that there has been no significant leakage of fugitive emissions to the atmosphere, and that we are succeeding in minimising our greenhouse gas emissions.

## Operational Review/Oil & Gas continued

### Production performance

	Unit	FY2018	FY2017	% change
<b>Gross production</b>	boepd	<b>185,587</b>	189,926	(2%)
Rajasthan	boepd	<b>157,983</b>	161,571	(2%)
Ravva	boepd	<b>17,195</b>	18,602	(8%)
Cambay	boepd	<b>10,408</b>	9,753	7%
Oil	bopd	<b>177,678</b>	184,734	(4%)
Gas	mmscfd	<b>47.4</b>	31.2	52%
Net production – working interest	boepd	<b>118,620</b>	121,186	(2%)
Oil	bopd	<b>114,774</b>	118,976	(4%)
Gas	mmscfd	<b>23.1</b>	13.3	74%
Gross production	mmboe	<b>67.7</b>	69.3	(2%)
Working interest production	mmboe	<b>43.3</b>	44.2	(2%)

### Prices

	FY2018	FY2017	% change
Average Brent prices – US\$/barrel	<b>57.5</b>	48.6	18%

### Financial performance

(US\$ million, unless stated)

	FY2018	FY2017	% change
Revenue	<b>1,480</b>	1,223	21%
EBITDA <sup>9</sup>	<b>849</b>	597	42%
EBITDA margin	<b>57%</b>	49%	–
Depreciation and amortisation	<b>461</b>	411	12%
Operating profit before special items	<b>388</b>	186	–
Share in Group EBITDA %	<b>21%</b>	19%	–
Capital expenditure	<b>137</b>	62	–
Sustaining	<b>10</b>	6	–
Projects	<b>127</b>	56	–

### Operations

Average gross production for FY2018 was 185,587 barrels of oil equivalent per day (boepd), 2% lower y-o-y primarily due to natural field decline, partially offset by volume ramp-up from infill wells in Mangala and Cambay and continued effective reservoir management practices across assets. All three blocks – Rajasthan, Ravva and Cambay – continued to record a plant uptime of over 99% (FY2017: 99%).

Production details by block are summarised below.

#### Rajasthan block

Rajasthan block production was 2% lower at an average rate of 157,983boepd. This reduction was due to natural decline in the field. However, the decline was partially offset by encouraging results from the new wells added as part of

the Mangala infill activity, the ramp-up of Raageshwari Deep Gas (RDG) Phase I and the continuing efficacy of our reservoir management practices.

At Rajasthan, the drilling programme of 15 infill wells at the Mangala field started during Q2 FY2018. Of these, 13 wells have been brought online with the remaining two wells to be completed in Q1 FY2019.

In order to boost volumes from satellite fields, we began an eight-well drilling campaign. Four wells in NI and NE have been brought online and the remainder are expected to be completed in Q1 FY2019.

RDG Phase I ramped-up fully to 45 million standard cubic feet per day (mmscfd) during FY2018. Gas production from Raageshwari Deep Gas (RDG) in Rajasthan increased to an average of 37mmscfd in

FY2018 (44mmscfd in Q4), with gas sales post-captive consumption of 22mmscfd from an average production of 26mmscfd in FY2017, with gas sales post-captive consumption at 10mmscfd.

#### Ravva block

Production from the Ravva block was down by 8% at an average rate of 17,195boepd, owing to natural decline. Closing of the water-producing zones in two wells, and gas lift optimisation, has helped to enhance production rates from the field, partially offsetting the natural decline.

#### Cambay block

Production from the Cambay block was up by 7% at an average rate of 10,408boepd. This was primarily due to the start of the infill drilling campaign, together with effective reservoir management practices.

At Cambay, we began the four-well infill campaign in January 2018 to enhance production volumes. Drilling of the first well was completed successfully and production began in February 2018. Drilling and completion of the remaining three wells also completed to date.

### Prices

The latter half of FY2018 saw a substantial recovery in crude oil prices, with Brent peaking at US\$71 per barrel in January for the first time since December 2014. The increase was supported by healthy crude demand during the winter season and consistency in OPEC-led output cuts. Brent crude oil averaged US\$58 per barrel, with a closing rate of US\$67 per barrel as at 29 March 2018. The year ended on a positive note as OPEC looked set to continue withholding output for the rest of the year.

### Financial performance

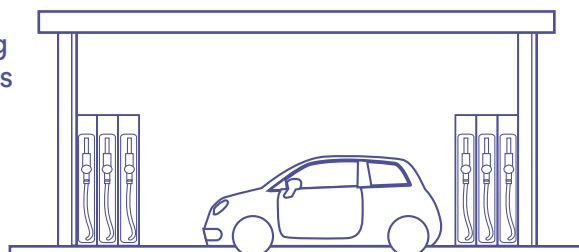
Revenue for FY2018 was 21% higher y-o-y at US\$1,480 million (after profit and royalty sharing with the Government of India), supported by a recovery in oil price realisation. EBITDA for FY2018 was higher at US\$849 million, up 42% y-o-y, due to higher revenue. The Rajasthan water flood operating cost was US\$4.6 per barrel in FY2018 compared to US\$4.3 per barrel in the previous year, primarily driven by increased interventions and production enhancement initiatives. Overall, the blended Rajasthan operating costs

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The Oil & Gas business has reactivated its capital expenditure programme with the objectives of enhancing the exploration portfolio, executing development projects to add incremental volumes and maintaining robust operations to generate free cash flow post-capex. 99

**Sudhir Mathur**

CEO, Oil & Gas Business





increased to US\$6.6 per barrel during FY2018 compared with US\$6.2 per barrel in the previous year, due to the ramp-up in polymer injection volumes.

In Q4 FY2018, reversal of a previously recorded non-cash impairment charge of US\$1,464 million (US\$888 million net of taxes) taken, following the progress on the key growth projects which are expected to result in enhanced recovery of resources in a commercially viable manner leading to a higher forecast to oil production and savings in the cost.

In FY2018 capital expenditure was US\$127 million, which was primarily focused on growth projects including the Mangala infill, the liquid handling upgrade, and the RDG and CB infill campaigns.

## Exploration and development

### Exploration

#### *Rajasthan – (BLOCK RJ-ON-90/1)*

The Group is reactivating its Oil & Gas exploration efforts in the prolific Barmer Basin. The basin provides access to multiple play types, with oil in high permeability reservoirs, tight oil and tight gas. We have engaged global partners to reveal the full potential of the basin and establish >1 billion boe of prospective resources.

We have awarded an integrated contract for a drilling campaign of 7–18 exploration and appraisal wells to build on the resource portfolio, and the well spud is expected by Q2 FY2019.

#### *Krishna-Godavari Basin Offshore – (BLOCK KG-OSN-2009/3)*

A two-well exploratory drilling campaign commenced in April 2018 to establish the potential of the block.

#### *Open Acreage Licensing Policy (OALP)*

Open Acreage Licensing Programme (OALP) provides an opportunity to acquire acreages from all open sedimentary basins of India. The GOI had invited bids for 55 blocks based on receipt of expression of interest. Cairn Oil & Gas submitted bids for all the 55 blocks on offer. These blocks were assessed based on the resource potential, chance of success and proximity to infrastructure in prioritized sedimentary basins of India viz. Barmer, Cambay, Assam and Krishna-Godavari offshore. The Government is expected to award the blocks by June 2018. We intend to increase our exploration portfolio significantly to continue building the resources base.

## Development

The Oil & Gas business has a robust portfolio of development opportunities with the potential to deliver incremental volumes. In order to execute these projects on time and within budget, we have decided on a fundamental change to our project execution strategy. We have devised an 'integrated project development'

strategy, with an in-built risk and reward mechanism to drive incremental value from the schedule and recoveries. This new model is being delivered in partnership with leading global oil field service companies.

#### *Mangala infill – 45 wells*

We are embarking on a significant drilling programme of an additional 45 infill wells in the prolific Mangala field, with an estimated ultimate recovery of 18 million barrels. The contract for the project has been awarded, with first oil expected in Q1 FY2019.

#### *Enhanced oil recovery (EOR) projects*

The valuable learning we gained from the successful implementation of the Mangala polymer EOR project, is being leveraged to enhance production from the Bhagyam and Aishwariya fields. The contracts for these EOR projects have been awarded and preparations are on track with first oil expected in Q1 FY2019. We are targeting incremental recovery of 40 million barrels.

#### *MBA alkaline surfactant polymer (ASP)*

Following a successful pilot test at the Mangala field, the way is now clear to implement the world's largest alkaline surfactant polymer (ASP) project. The work, which will enable incremental recovery from this prolific field, entails drilling wells and developing infrastructure facilities at the Mangala Processing Terminal.

The drilling contract for the ASP implementation has been awarded, and the contract for facilities will be awarded in due course.

With full-field implementation of ASP in the MBA fields, we estimate potential incremental recovery of around 200 million barrels of oil, with first oil expected in Q3 FY2019.

#### *Tight Oil & Gas projects*

##### *Tight oil: Aishwariya Barmer Hill (ABH)*

The Aishwariya Barmer Hill (ABH) stage I production from seven existing wells began during Q2 FY2018. ABH stage II consists of drilling and fracking 39 new wells, creating new surface facilities including well hook-ups, pipeline augmentation and installing a de-gassing facility. The contract for tight oil wells and facilities has been awarded, and work is ongoing on the surface facility for ABH. We expect to start drilling in Q1 FY2019 with first oil expected in Q3 FY2019.

#### *Raageshwari deep gas (RDG) development*

Gas development in the RDG field in Rajasthan continues to be a strategic priority. Phase I of the project, to ramp up production to 45mmcsfd, was completed in December 2017. Phase II is being executed through an integrated development approach to ramp up overall Rajasthan gas production to ~150mmcsfd, and condensate production of 5kboepd. We have awarded contracts, both for the



Employees at the Oil & Gas operation in Rajasthan.

drilling of wells and the gas terminal. Drilling will begin in Q1 FY2019.

#### *Tight oil appraisal fields*

We had made 38 discoveries in the Rajasthan Block, with some comprising complex tight oil reservoirs. In order to monetise them, we will carry out appraisal activities through global technology partnerships over next 12–15 months, prior to conceptualising and developing a full-field development plan. Contract for appraisal of 4 fields targeting 190 mmboe of resources has been awarded.

## Other projects

### *Surface facility upgrade*

In order to maximise production at the Mangala Processing Terminal (MPT), we are focusing on increasing liquid handling capacity to handle additional volumes. We are planning a series of measures to increase the liquid handling and water injection capacities in a phased manner.

## Outlook

The Oil & Gas business has reactivated its capital expenditure programme with the objectives of enhancing the exploration portfolio, executing development projects to add incremental volumes and maintaining robust operations to generate free cash flow post-capex.

For FY2019, we expect to achieve a significant growth in production volume, with total volumes in the range of 220–250kboepd through executing our growth projects, with opex of sub-\$7/boe. We estimate the net capex commitment at US\$600–800 million.

## Strategic priorities

Our focus and priorities will be to:

- evaluate further opportunities to expand the exploration portfolio through OALP and other opportunities;
- execute growth projects within schedule and cost;
- further progress on execution on growth projects to deliver 275–320kboepd in FY2020;
- continue to progress towards zero harm, zero waste and zero discharge; and
- continue to operate at a low cost-base and generate free cash flow post-capex.



## Operational Review/Zinc India



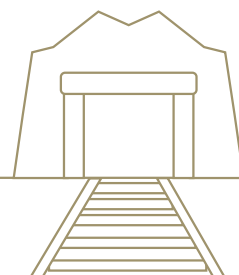
### The year in summary

During FY2018, we continued our robust performance with record production from our mines and smelters, while also maintaining our first quartile position in the global cost curve. The journey that started in 2013, towards a goal of 1.2 million tonnes of production in FY2020, continues apace with a quarterly sustainable production run-rate of 0.3 million tonnes in sight. In parallel, we are focusing on silver and targeting a production of +26 million ounces, in addition to the 1.2 million tonne target.

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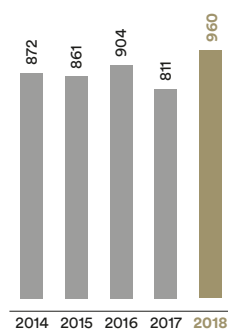
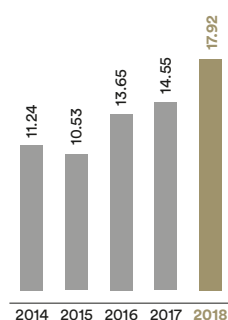
During FY2018, we continued our robust performance with record production from our mines and smelters, while also maintaining our first quartile position in the global cost curve. 99

**Sunil Duggal**  
CEO, Hindustan Zinc Ltd  
and Lead Base Metals  
Group





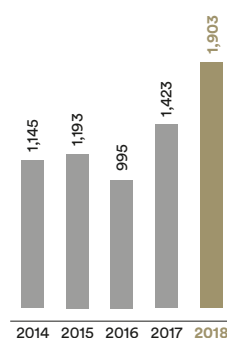
Sindesar Khurd Mine, HZL.

Refined Zinc/Lead  
(kt)Saleable Silver  
(million oz)

We have now successfully transitioned to fully underground mining operations and are looking for another record year of production in FY2019, on our way to the FY2020 goal.

#### Safety

We were deeply saddened to report two fatalities at the Rampura Agucha underground project site and Fumer project site during the year. Both incidents were thoroughly investigated, and the resulting learnings were shared and implemented across the businesses to prevent such tragedies in the future.

EBITDA  
(US\$ million)

These incidents ran counter to an otherwise continuing improvement in injury reduction, which has fallen by approximately 69% over the last five years. During FY2018, lost time injuries (LTIs) fell to 0.27 (FY2017: 0.30). In particular, senior leadership undertook a special drive to increase 'line of fire' awareness.

Hindustan Zinc was awarded the Safety Innovation Award 2017 by the Institution of Engineers (India) for its safety performance and efforts to strengthen safety culture.

#### Environment

The business improved its performance in conservation and maintained recycling performance. During the reporting year, waste recycling rose to 95% compared to 93% in FY2017, and our water recycling rate was 32% (FY2017: 33%).

With the success of the 20 million litres per day (MLD) Sewage Treatment Plant (STP), Phase II of 25 MLD STP is under construction and Phase III is in the pipeline. On completion, it will reduce our fresh water intake at the Rajpura Dariba complex to negligible levels.

# Operational Review/Zinc India continued

## Production performance

Production (kt)	FY2018	FY2017	% change
Total mined metal	947	907	4%
Refinery metal production	960	811*	18%
Refined zinc – integrated	791	672*	18%
Refined lead – integrated <sup>1</sup>	168	139	21%
Production – silver (million ounces) <sup>2</sup>	17.9	14.5	23%

<sup>1</sup> Excluding captive consumption of 6,946 tonnes in FY2018 vs. 5,285 tonnes in FY2017.

<sup>2</sup> Excluding captive consumption of 1,171 thousand ounces in FY2018 vs. 881 thousand ounces in FY2017.

\* Including custom production of 2 kt.

## Prices

	FY2018	FY2017	% change
Average zinc LME cash settlement prices US\$/t	3,057	2,368	29%
Average lead LME cash settlement prices US\$/t	2,379	2,005	19%
Average silver prices US\$/ounce	16.9	17.8	(5)%

## Unit costs

(US\$ per tonne)

	FY2018	FY2017	% change
Zinc (including royalty)	1,365	1,154	18%
Zinc (excluding royalty)	976	830	18%

## Financial performance

(US\$ million, unless stated)

	FY2018	FY2017	% change
Revenue	3,369	2,525	33%
EBITDA <sup>o</sup>	1,903	1,423	34%
EBITDA margin (%)	56%	56%	–
Depreciation and amortisation	233	149	56%
Operating profit before special items	1,670	1,274	31%
Share in Group EBITDA (%)	47%	45%	–
Capital expenditure	465	288	61%
Sustaining	106	50	–
Growth	359	238	51%

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Based on a long-term evaluation of assets and in consultation with global experts, the Company is evaluating plans to increase its mined metal capacity from 1.2mtpa to 1.5mtpa. 99

**Sunil Duggal**

CEO, Hindustan Zinc Ltd and Lead Base Metals Group

The Company is also committed to the Science Based Target initiative, with the goal of reducing GHG emissions by ~23% by 2030, against a 2016 baseline.

Our sustainability activities received several endorsements during the year, including the Sustainable Plus Platinum Label award by the Confederation of Indian Industries (CII), as well as awards for Best Sustainability Practices, Best Carbon Footprint and Best Sustainability Report from the World CSR Day. Zinc India's sustainability performance was ranked No. 11 in the Dow Jones Sustainability Index (Metal and Mining) globally, and No. 3 globally in the Environment category.

## Operations

In FY2018, mined metal production stood at a record 947,000 tonnes, in line with the mine plan.

Ore production was 12.6 million tonnes for FY2018, an increase of 6% compared to FY2017. Although this was impacted by lower production at the Rampura Agucha

open cast mine (1.76mt, down by 47% against 3.30mt in FY2017), this was more than offset by a 27% y-o-y increase from underground mines in FY2018.

Cumulative MIC production was up by 4% due to higher ore production and treatment, partly offset by lower grades. Performance from underground mines remained robust with Q4 FY2018 underground production setting a record and attaining best-ever ore and MIC production. MIC production from underground mines was up by 52% in FY2018.

Integrated metal production increased by 18% to 960kt from 811kt a year ago, due to consistent availability of MIC throughout the year and higher smelter efficiency. Integrated saleable silver production grew by 23% to a record 17.9 million ounces, compared to 14.5 million ounces a year ago, in line with higher production from the Sindesar Khurd Mine.

We closed the fourth quarter of the year with the highest-ever quarterly production of lead and silver. Integrated lead metal production attained a record 50,000 tonnes, 11% higher y-o-y. Integrated silver production also attained a record 5.5 million ounces, 22% higher y-o-y. These increases were in line with the availability of mined metal and enhanced smelter efficiencies.

In Q2 FY2018, the Group sold 220,000 tonnes of zinc and 30,000 tonnes of lead, forward at a price of US\$3,084 per tonne and US\$2,418 per tonne respectively. Of this, 165,000 tonnes were for the period January to March 2018 with the remainder for April to June 2018.

## Prices

Zinc and lead were the leading LME performers in FY2018 with zinc prices up 29% and lead up 19%. The year was marked by a sharp decline in finished goods stocks and a reduced zinc supply from China for part of the year. The combination of scheduled mine closures, strategic production cuts and the impact of environmental inspections in China depleted global stocks of zinc concentrate/mined metal. The consequent constraints on refined production, together with global demand growth of ~2.5%, depleted stocks of refined zinc and ensured that the price rally that started in 2016 was sustained during the year. Similarly, the refined lead market was in deficit during the year, driven by a shortage in mine supply.

Silver experienced a 60% uptrend in CY2017 in industrial demand while supply remained constrained; 70% of annual silver production is as a by-product of copper, zinc and lead extraction processes, for which the mine supply remained subdued in 2017.





### Unit costs

The unit cost of zinc production (excluding royalties) increased to US\$976 per tonne, up 18% y-o-y. The increase was due to higher input raw material prices (primarily imported coal, diesel and metallurgical coke), lower overall grades due to mine mix and Indian rupee appreciation. This was partially offset by higher production.

Including royalties, the cost of zinc production increased to US\$ 1,365 per tonne, 18% higher y-o-y.

Of the total cost of production of US\$1,365 per tonne, government levies amounted to US\$423 per tonne (FY2017: US\$339 per tonne), comprising mainly of royalty payments, the Clean Energy Cess, electricity duty and other taxes.

### Financial performance

Revenue for the year was US\$3,369 million, up 33% y-o-y, primarily due to higher metal volumes and increased commodity prices. EBITDA<sup>9</sup> in FY2018 increased to US\$1,903 million, up 34% y-o-y. The increase was primarily driven by higher volumes, improved zinc and lead prices, but was partially offset by the higher cost of production.

### Projects

The mining projects we have announced are progressing in line with the expectation of reaching 1.2 million tonnes per annum of mined metal capacity in FY2020. Capital mine development was 38,501 metres during the year, an increase of 65% y-o-y.

#### Rampura Agucha

Rampura Agucha underground reached an ore production run-rate of 3.0mtpa towards the end of the year. The main shaft hoisting and south ventilation shaft systems were commissioned during the year, while off-shaft development is on track. Production from the main shaft is expected to start as planned from Q3 FY2019.

#### Sindesar Khurd

Our Sindesar Khurd mine achieved its target capacity of five million tonnes towards the end of the year and is gearing up for higher production. The main shaft was equipped during the year and winder installation work has begun. Production from the shaft is expected to start as scheduled in Q3 FY2019. Civil and structure erection for the new mill is ongoing and expected to be commissioned in Q2 FY2019.

Towards the end of the year, orders were placed for paste fill plants for both the Rampura Agucha and Sindesar Khurd mines.

#### Zawar mine

Our Zawar mine achieved record ore production of 2.2 million tonnes during the year and production capacity has been ramped-up to 3.0mtpa. The existing mill



Safety briefing at HZL.

capacity was debottlenecked to 2.7mtpa. Civil construction work for the new mill is progressing well, with commissioning expected by Q4 FY2019.

The Ministry of Environment, Forest and Climate Change (MoEF) has given environmental clearance for the expansion of ore production at the Kayad mine from 1.0 to 1.2mtpa. The Kayad project is now operating at its rated capacity of 1.2mtpa. The Fumer project at Chanderiya is progressing as scheduled and expected to commission in mid-FY2019.

### Exploration

During the year, gross additions of 19.5 million tonnes were made to reserves and resources (R&R), prior to depletion of 12.6 million tonnes. As at 31 March 2018, Zinc India's combined mineral resources and ore reserves were estimated to be 411 million tonnes, containing 35.7 million tonnes of zinc-lead metal and 1.0 billion ounces of silver. Overall mine-life continues to be more than 25 years.

### Outlook

Mined metal and refined zinc-lead production in FY2019 is expected to be higher than in FY2018, filling the gap caused by completion of open-cast production. Silver production will be around 21–23 million ounces (650–700 metric tonnes).

Cost of production (CoP), before royalty for FY2019, is likely to be in the range of US\$950–975 per tonne.

The project capex for the year will be around US\$400 million.

### Next phase of expansion announced

The Board has in principle approved Phase I of this expansion, which will increase mined metal and smelting capacity from 1.2mtpa to 1.35mtpa, through brownfield expansion of existing mines at an estimated capital expenditure of around US\$700 million.

Phase I includes incremental ore production capacity of 0.5mtpa each at the Rampura Agucha, Sindesar Khurd and Rajpura Dariba mines, bringing the total capacity to 5.0mtpa, 6.5mtpa and 2.0mtpa respectively. The capacity of Zawar mines will be increased by 1.2mtpa to 5.7mtpa. These projects will take total ore production capacity to 20.4mtpa and mined metal capacity from 1.2mtpa to 1.35mtpa. Phase I will be completed in three years and will be executed concurrently with the ongoing expansion, which is now in its final stages.

### Strategic priorities

Our focus and priorities will be to:

- progressively ramp-up underground mines to achieve target run-rate of 1.2mtpa;
- commence work towards expansion to 1.35mtpa;
- successfully commission fumer;
- continue our focus on adding more reserves and resources than we deplete, through exploration;
- bring down the cost to top decile with the focus on operational and commercial efficiencies; and
- improve silver recovery and production through Fumer plants and tailings retreatment.



## Operational Review/**Zinc International**



- 1 Gamsberg, South Africa (under development)
- 2 Skorpion mine, Namibia
- 3 Black Mountain mine, South Africa

Note: Lisheen mine in Ireland had a safe, detailed and fully costed closure after 17 years of operations in November 2015.



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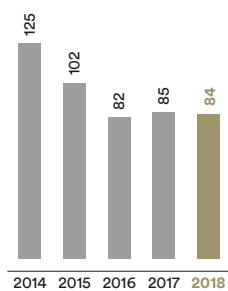
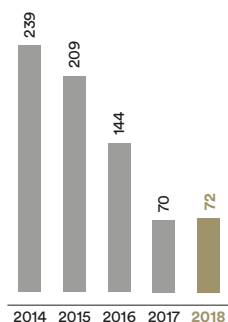
With full ramp-up of Gamsberg Phase I to 250ktpa and the Skorpion Pit 112 expansion, Zinc International will restore volumes to over 400,000 tonnes per annum (tpa) over the next two years. 99

**Deshnee Naidoo**  
CEO, Zinc International  
and Copper Mines  
of Tasmania





Gamsberg site.

Refined Zinc  
(kt)Zinc/Lead mined metal  
(kt)

### The year in summary

FY2018 was a strong year, in terms of stable production and good progress made at our Gamsberg project and Pit 112 extension at Skorpion. The performance was further supported by an improvement in zinc and lead prices due to supply constraints, making these major investments particularly well-timed.

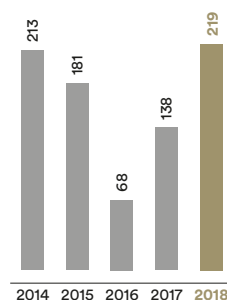
The Gamsberg project represents one of the largest zinc deposits in the world with reserves and resources of 215mt (16mt zinc) and the potential to ramp-up to 600ktpa of zinc production. Indeed, Phase I of the

project only exploits a quarter of the full resource potential. The first production from Gamsberg is expected to commence by mid-CY2018.

With full ramp-up of Gamsberg Phase I to 250ktpa and the Skorpion Pit 112 expansion, Zinc International will restore volumes to over 400,000 tonnes per annum (tpa) over the next two years.

### Safety

With deep regret we reported a fatality at Skorpion Zinc during the year, which occurred during a dewatering drilling operation. The lessons learned, following a thorough investigation, have been shared across the business. This incident ran counter to an otherwise improving trend at Zinc International: lost time injuries decreased to 16 from the previous year's 18, and the frequency rate showed a significant decline to 1.36 (FY2017: 2.24), despite the increased activities of the Gamsberg project.

EBITDA  
(US\$ million)



## Operational Review/Zinc International continued

### Production performance

	FY2018	FY2017	% change
Total production (kt)	157	156	–
Production–mined metal (kt)			
BMM	72	70	3%
Refined metal Skorpion	84	85	(1)%

### Unit costs

	FY2018	FY2017	% change
Zinc	1,603	1,417	13%

### Financial performance

(US\$ million, unless stated)

	FY2018	FY2017	% change
Revenue	535	332	61%
EBITDA	219	138	59%
EBITDA margin	41%	42%	–
Depreciation	28	28	3%
Operating profit before special items	191	111	73%
Share in Group EBITDA %	5%	4%	–
Capital expenditure	238	57	–
Sustaining	65	12	–
Growth	173	45	–



Skimming of final metal ingot production.

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Phase I of the project only exploits a quarter of the full resource potential. We see Gamsberg reaching a potential of 600ktpa through modular expansion in future through Phase II and Phase III projects. 99

**Deshnee Naidoo**

CEO, Zinc International and Copper Mines of Tasmania

Zinc International has further strengthened its efforts in managing risk across its operations with emphasis on business partner selection, on-boarding and management, robust risk management systems and safety culture programmes aimed at achieving our goal of 'zero harm, zero waste and zero discharge'. We achieved a significant improvement in dust control and monitoring, as well as a reduction in lead in blood levels – indeed, zero cases above legal limits were reported for the year.

### Environment

There were no Level 3 and Level 4 incidents reported. The water recycling rate improved to 38% compared to 22% in FY2017. A total of four properties (21,900 ha against a compliance target of 12,900 ha) were purchased in accordance with the Gamsberg biodiversity offset agreement.

### Operations

Production for FY2018 stood at 157,000 tonnes, in line with the previous year. Higher production at BMM, due to higher grades and improved recoveries from process improvements were partially offset by the planned maintenance shutdown at Skorpion's acid plant in Q1 FY2018, and lower levels of ex-pit ore.

Skorpion's production was slightly down on FY2017, impacted by a combination of the planned maintenance shutdown of the acid plant in Q1 FY2018; early closure of Pit 103 for geotechnical reasons; and blending challenges to make up the required plant feed grade (from lower zinc grade stockpiles and high calcium ore).

At BMM, production was 3% higher than the previous year. The increase was due to higher grades from mine plan resequencing, improved drilling accuracy, and higher than planned recoveries from plant flotation optimisation.

### Unit costs

The unit cost of production increased by 13% to US\$1,603 per tonne, up from US\$1,417 in the previous year. This was mainly driven by a combination of reallocation of capitalised stripping costs of Pit 112 at Skorpion due to early ore production, unfavourable local currency appreciation, higher usage of purchased



oxides and sulphur at Skorpion, higher maintenance costs at BMM and lower than planned Copper credits at BMM. This was partly offset by the improvements in energy cost and TCRC savings.

#### Financial performance

During the year, revenue increased by 61% to US\$535 million, driven by higher sales volumes and improved price realisations. The same factors lifted EBITDA to US\$219 million, up 59% from US\$138 million in FY2017. This was partially offset by a higher cost of production.

#### Projects

At Gamsberg, we are on track for the cold commissioning of the concentrator plant in Q1 FY2019. The ore extraction from the South Pit is also on schedule, and as at March 2018 we had completed 80% of pre-stripping and excavated 56 million tonnes of waste. Completion works of mechanical equipment erection, and infrastructure for power and water pipelines for the concentrator, are in progress. We are targeting 500kt of ore stockpile ahead of the first feed to the concentrator plant.

The first phase of the project is expected to have a mine life of 13 years, replacing the production lost by the closure of the Lisheen mine and restoring volumes to over 400,000tpa at Zinc International. First production is on track for commencement in mid-CY2018, with 9–12 months for ramp-up to full production of 250,000tpa. Cost of production is estimated at US\$1000–1,150 per tonne of MIC. Indeed, Phase I of the project only exploits a quarter of the full resource potential. We see Gamsberg reaching a potential of 600ktpa through modular expansion in future through Phase II and Phase III projects. Gamsberg Phase II can start immediately after completion of Phase I and will have some synergies with Phase I. The mine plans have been developed and an expanded mega pit design has been completed to enable a faster and efficient Phase II execution. In terms of output, we can expect to add another 200 to 250ktpa metal in concentrate in 2–3 years.

At Skorpion, the Pit 112 extension project is progressing well, and waste stripping has ramped-up to its peak run-rate. ~45% of waste stripping was completed by the end



Ball mill, Gamsberg project site.

of Q4 FY2018 and is expected to be fully complete by Q4 FY2019, on schedule. To execute Pit 112 and ensure no interruption in ore treatment, Skorpion Zinc restructured the business by outsourcing mining to a Tier I mining contractor. This also resulted in the successful secondment of some owner-employees into the contract. Further optimisation of Pit 112 is in progress to reduce waste stripping by ~8 million tonnes and optimise the project cost. This project has increased Skorpion's mine life by another 2.5 years and will contribute 250,000 tonnes of metal over this period.

#### Exploration

During the year, we made gross additions of 1.3 million metal tonnes to reserves and resources (R&R), prior to depletion. As at 31 March 2018, Zinc International's combined mineral resources and ore reserves were estimated at 304 million tonnes, containing 20.5 million tonnes of zinc-lead metal.

#### Outlook

In FY2019, we expect production volumes to be around 250kt. The cost of production excluding Gamsberg is expected to be around US\$1,850–1,950 per tonne, with Skorpion's CoP expected to be higher due to reallocation of pre-stripping costs at Pit 112, lower grades coupled with higher royalties at BMM, and input price inflation.

#### Strategic priorities

Our focus and priorities will be to:

- successful commencement of Gamsberg in FY2019, with targeted first production by mid-CY2018 and progress towards ramp up to Phase I production of 250kt in FY2020;
- carry out a project study for Swartberg Phase II and Gamsberg Phase II to extend the life of the Black Mountain complex; and
- complete the feasibility study for an integrated smelter-refinery with 250ktpa metal production.





## Operational Review/**Iron Ore**



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We continue to engage with Government for the potential restart of mining operations at Goa. 99

**Naveen Singhal**  
CEO, Sesa Goa –  
Iron Ore Business

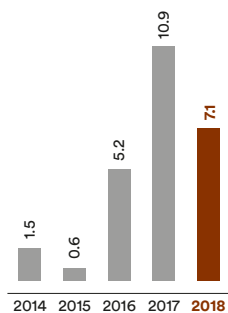
### The year in summary

FY2018 was a challenging year for our Goa operations, due to a low pricing environment and the cancellation of mining leases by the Supreme Court of India. During the year we successfully revisited our product strategy for high-grade production from Goa to improve realisations, but the full benefit will only accrue if mining resumes. Significant uncertainty over the resumption of mining at Goa under the current leases led to non-cash impairment charge in March 2018.



Employees at Iron Ore operations.

#### Production (Mt)



At Karnataka we achieved our full permitted allocations of 2.3mt in FY2018, and with the increase in the mining cap for the state of Karnataka, allocation has increased from 2.3 to 4.5mt in May 2018.

#### Safety

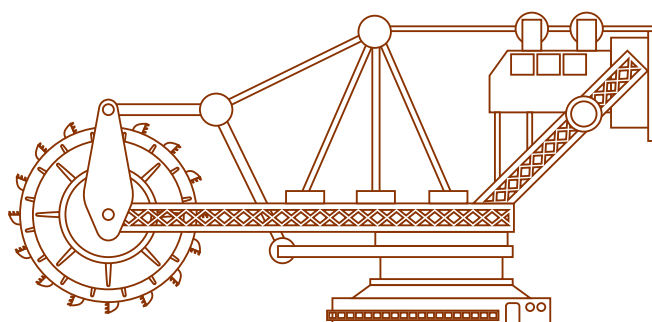
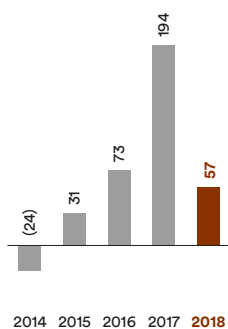
With deep regret we reported two fatalities during the year at our Goa operations. These were thoroughly investigated, and learnings are being implemented towards our journey of zero harm. We continue to invest time, effort and resources to make our business and behaviours safer.

Separately, we are pleased to report a further decline in lost time injuries to 0.13 in FY2018 (FY2017: 0.41).

#### Environment

We recycle all of the wastewater generated at our operations in Goa. They are classified as 'zero discharge operations', with the exception of the blow-down of the power plant's cooling tower, which is treated and discharged according to the consent's conditions. During the period, waste recycling stood at 117% (FY2017: 90%) due to the additional recycling of waste previously stored at the site.

#### EBITDA (US\$ million)





## Operational Review/**Iron Ore** continued

### Production performance

Production (dmt)	FY2018	FY2017	% change
Saleable ore	<b>7.1</b>	10.9	(35%)
Goa	<b>4.9</b>	8.8	(44%)
Karnataka	<b>2.2</b>	2.1	2%
Pig iron (kt)	<b>646</b>	708	(9%)
<b>Sales (dmt)</b>			
Iron ore	<b>7.6</b>	10.2	(26)%
Goa	<b>5.4</b>	7.4	(26)%
Karnataka	<b>2.2</b>	2.7	(21)%
Pig iron (kt)	<b>645</b>	714	(10)%

### Financial performance

(US\$ million, unless stated)

	FY2018	FY2017	% change
Revenue	<b>487</b>	615	(21%)
EBITDA	<b>57</b>	194	(71%)
EBITDA margin	<b>12%</b>	32%	–
Depreciation	<b>69</b>	70	(2%)
Operating (loss) before special items	<b>(11)</b>	124	–
Share in Group EBITDA %	<b>1%</b>	6%	–
Capital expenditure	<b>11</b>	4	–
Sustaining	<b>11</b>	4	–

### Operations

Production at Goa stood at 4.9 million tonnes and sales were 5.4 million tonnes during FY2018. However, production and sales were impacted by a low pricing environment. During the year, we revisited our product strategy and produced a higher quality ore through beneficiation and blending to improve our realisations per tonne.

However, on 7 February, the Honourable Supreme Court of India issued a judgement directing that all mining operations in the state of Goa were to cease with effect from 16 March 2018. Pursuant to this order, we halted our mining activities. We have an inventory of 0.9 million tonnes, which will be sold in Q1 FY2019.

At Karnataka, we produced and sold 2.2 million tonnes during FY2018, in line with the allocated environmental clearance (EC) limits. The Honourable Supreme Court has increased the cap on production of iron ore for the state from 30 to 35 million tonnes, and accordingly increase in our allocation for Karnataka from 2.3 to 4.5 million tonnes in May 2018.

During the year, pig iron production was 9% lower y-o-y at 646,000 tonnes. This was due to lower metallurgical coke availability, caused by weather-related supply disruptions in Australia in Q1 FY2018 and a local contractors' strike in Q2 FY2018.

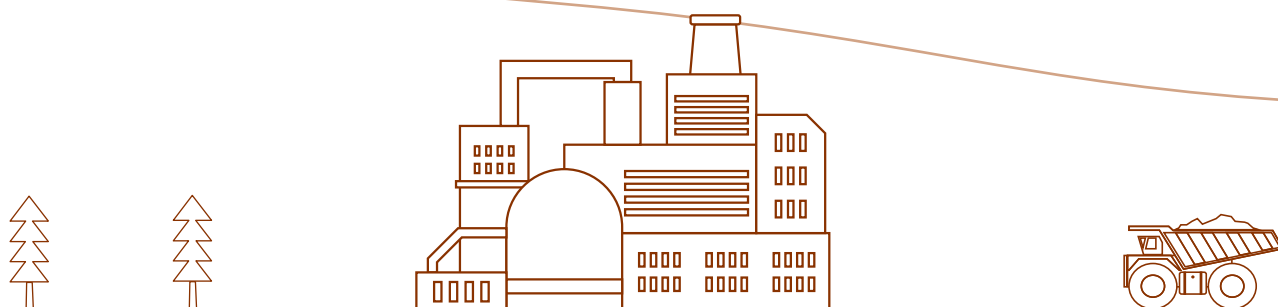
### Prices

Prices for 62% Fe grade averaged US\$68.43 per tonne on a CFR basis, which was flat compared to the previous year. The net realisation for our grades at Goa was 33% lower y-o-y, primarily driven by the widening of the discount.

Our Iron Ore business in Karnataka, which primarily caters to the domestic steel industry in the state, saw a 49% increase in net realisations where the prices are discovered through e-auctions.



Pig iron plant at Amona, Goa.





Sanquelim reclaimed iron ore mine, Goa.

### Financial performance

In FY2018, EBITDA decreased to US\$57 million compared with US\$194 million in FY2017. This was mainly due to lower volume and realisations at Goa, partly offset by higher realisations at Karnataka.

In light of the Supreme Court of India judgement above, the Company has taken an impairment (non-cash item) of US\$534 million net of taxes (US\$758 million gross of taxes). This is mainly related to mining reserves.

### Outlook

The Company continues to explore all legal avenues to secure the reinstatement of mining operations in Goa.

At Karnataka, the production is expected to be 4.5mt.

### Strategic priorities

Our focus and priorities will be to:

- enhance environmental clearance limits in Karnataka, and ramp-up to full capacity;
- bring about a resumption of mining operations in Goa through continuous engagement with government and the judiciary; and
- increase our footprint in iron ore by continuing to participate in auctions across the country, including Jharkhand.

66

The Honourable Supreme Court has increased the cap on production of iron ore for the state from 30 to 35 million tonnes, and accordingly increase in our allocation for Karnataka from 2.3 to 4.5 million tonnes in May 2018. 99

**Naveen Singhal**  
CEO, Sesa Goa  
Iron Ore Business





## Operational Review/**Copper India**



Note: Mt Lyell mine in Australia is under care and maintenance.



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The reporting year was another strong one for Copper India, achieving an all-time-high production of copper cathodes. 99

**P Ramnath**  
CEO, Copper India

### The year in summary

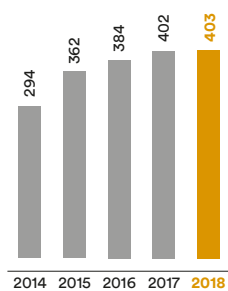
The reporting year was another strong one for Copper India, achieving an all-time-high production of copper cathodes. Indeed, this was the third successive year of record-breaking output.

The year also marked the next phase of growth at Copper India with the expansion of the copper smelter capacity from 400ktpa to 800ktpa. On completion, this project will rank Tuticorin as one of the world's largest single-location copper smelting complexes.

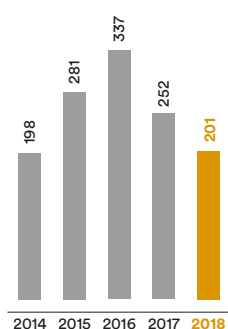


Copper smelter at Tuticorin.

#### Production (kt)



#### EBITDA (US\$ million)



Smelting operations at Tuticorin are halted, pending renewal of consent to operate (CTO) and we continue to evaluate our next course of action.

#### Safety

With deep regret, we recorded a fatality in the course of our operations during the year. As a result, and following an investigation, we instituted changes in operating procedures.

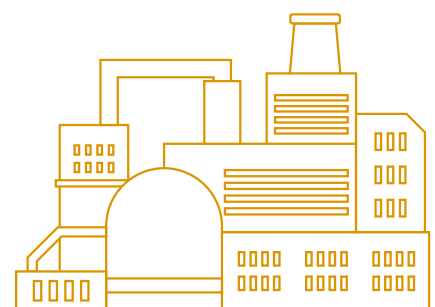
This incident ran counter to a significant underlying improvement in our safety performance. Our lost time injuries fell to 1 (FY2017: 4) and our frequency rate dropped to 0.08 (FY2017: 0.37).

A number of safety initiatives, following a practice of single point accountability, have made a significant contribution to enhancing our safety performance. By using a robotic crawler for measuring the thickness of the storage tanks (thereby eliminating the need for scaffolding), and by using drones to measure the thickness of the stacks, we have achieved the lowest injury frequency rate for five years.

Our progress was recognised when Sterlite Copper-Tuticorin received the British Safety Council's Five Star Rating and also secured its Sword of Honour recognition. Additionally, implementing 'bow tie' software analysis to risk-assess critical activities, and training employees on making better risk decisions, have also contributed to putting our safety performance on a firmer footing.

#### Environment

During the period, our water recycling rate decreased from 16% to 12% y-o-y. The overall disposal of copper slag and gypsum for sustainable applications stood at 104%, due to the additional use of waste stored previously on the site. Sterlite Copper-Tuticorin received the highest CII-EHS Five Star Rating award for excellence in EHS practices.



# Operational Review/Copper India continued

## Production performance

Production (kt)	FY2018	FY2017	% change
India – cathode	403	402	0%

## Prices

	FY2018	FY2017	% change
Average LME cash settlement prices (US\$ per tonne)	6,451	5,152	25%
Realised TC/RCs (US cents per lb)	21.3	22.4	(5%)

## Unit costs

(US cents per lb)

	FY2018	FY2017	% change
Unit conversion costs (CoP)	5.7	5.0	15%

## Financial performance

(US\$ million, unless stated)

	FY2018	FY2017	% change
Revenue	3,833	3,134	22%
EBITDA <sup>o</sup>	201	252	(20%)
EBITDA margin	5%	8%	
Depreciation and amortisation	25	29	(14%)
Operating profit before special items	176	223	(21%)
Share in Group EBITDA %	5%	8%	–
Capital expenditure	84	23	–
Sustaining	34	16	–
Growth	50	7	–

## Operations

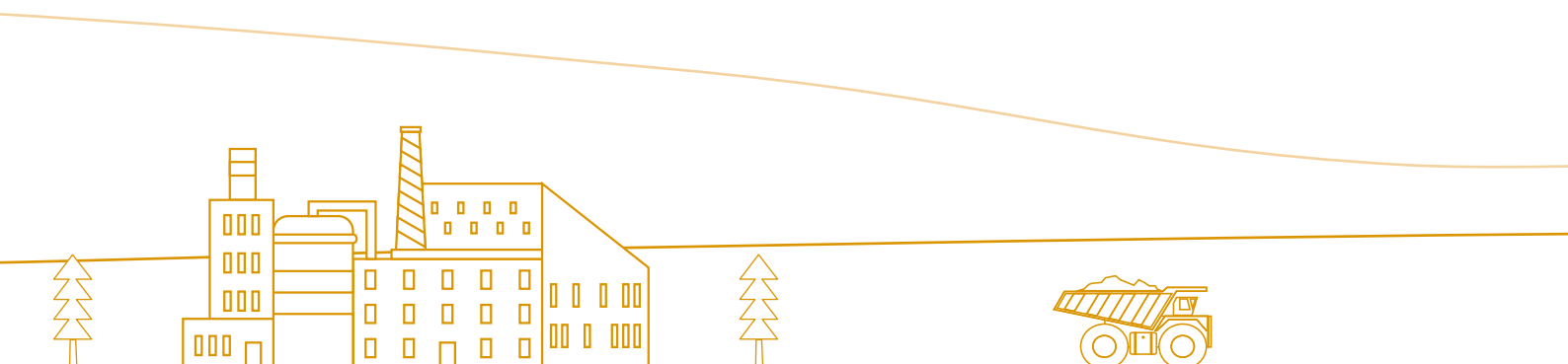
In FY2018, we achieved a record 403,000 tonnes of copper cathode production through in-house technological upgrades and debottlenecking, albeit with a few unplanned outages spread over the year. This represents consistent improvement in operational efficiencies and record production year after year. Our plant achieved average utilisation of 95% throughout the year with overall equipment effectiveness (OEE) of 85%.

The installation of bag houses before the scrubbers led to a significant reduction in hazardous cake generation, which also extends the life of the secured land fill (SLF). Further, we continued to remain focused on improving our safety and environmental performance, with encouraging results. During the year, there were zero liquid discharges, and we recorded our lowest-ever lost time injury frequency rate (LTIFR).

The 160MW power plant at Tuticorin operated at a plant load factor (PLF) of 43% in FY2018, compared with 56% in FY2017. This was mainly the result of a lower offtake due to weaker demand in Southern India. The Group continues to explore viable supply options to enter into a power purchase agreement.

Smelting operations at Tuticorin were halted as part of a planned maintenance shutdown for approximately 15 days, with effect from 25 March 2018. At the same time, we made an application to renew the consent to operate (CTO) for the smelter. However, this was rejected pending further clarifications and the shutdown was therefore extended as we evaluate our next course of action.

Our copper mine in Australia has remained under extended care and maintenance since 2013. However, we continue to evaluate various options for its profitable restart, given the current favourable government support and prices.



### Prices

In CY2018, copper LME touched a four-year high of US\$7,216 amid global growth in demand. Data from the International Copper Study Group showed that there was deficit of 150,000 tonnes in CY2017, driven mainly by the Chinese property market.

Wood Mackenzie also reported that the world mined production of copper is estimated to have risen by 0.6% to 20.22 million tonnes, while refinery production is estimated to have increased by 1.9% to 23.49 million tonnes, compared to projected demand of 23.47 million tonnes in CY2018.

Average LME copper prices increased by 25% and treatment and refining charges (TC/RCs) were down by 5.3%, compared with FY2017.

TC/RC for CY2018 will be lower at 82/8.2. This would be approximately 11% down y-o-y, mainly due to mine disruptions resulting in a decline in concentrate availability. Global mine supply is expected to grow slowly, but by enough to keep the market in balance. The potential for labour disruption in 2018 was again thrown into focus with the recent (brief) strike action at Escondida and Southern Copper's mines, as well as violence at Grasberg.

### Unit costs

At the Tuticorin smelter, the cost of production increased from 5.0 US cents per lb to 5.7 US cents per lb, mainly due to higher coal and fuel prices, and currency appreciation, but this was partially offset by higher by-product credit. Sulphuric acid realisation was influenced significantly with Abu Dhabi National Oil Company (ADNOC) increasing prices from US\$84 per tonne to US\$124 per tonne y-o-y.



Copper cathodes.

### Financial performance

During the year, EBITDA was US\$201 million, a decrease of 20% on the previous year's US\$252 million. The reduction was mainly due to lower TCs/RCs, lower premia, higher cost of production and local currency appreciation, but partially offset by favourable macro factors.

### Projects

In Q3 FY2018, the Board approved the expansion of the copper smelter at Tuticorin from 400ktpa to 800ktpa. All the required statutory approvals have been obtained and we envisage the project being executed on an EPC basis; this includes engineering, procurement, supply, construction, commissioning and demonstration of complete performance guarantees.

In November 2017, we awarded the EPC contract for three packages – the smelter, refinery and sulphuric acid plant. The site mobilisation and civil works began in January 2018. In the case of the oxygen plant, 60% of the major civil foundations had been completed by March 2018, as scheduled. An EPC contract for the

phosphoric acid plant has also been awarded and mobilisation will start shortly. Contracts for other packages such as the effluent treatment plant and sewage treatment plant/the de-salination plant are expected to be awarded by May 2018.

Total capex commitment at 31 March 2018 was US\$424 million, against the approved capex of US\$ 717 million. The expansion project is expected to be completed by Q3 FY2020.

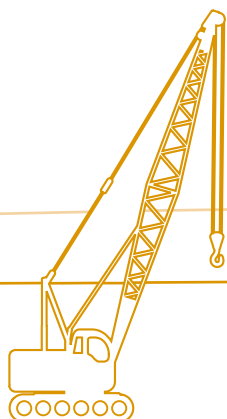
### Outlook

Production is expected to remain at around 100,000 tonnes per quarter.

### Strategic priorities

Our focus and priorities will be to:

- progress towards expansion to 800kt production capacity by FY2020;
- engage with government and relevant authorities to enable the restart of operations at Copper India;
- sustain operating efficiencies, reducing our cost profile; and
- continuously upgrade technology to ensure high-quality products and services that sustain market leadership and surpass customer expectations.





## Operational Review/**Copper Zambia**



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We are implementing a new contractor-partnering model that allocates clear end-to-end responsibility, and on a pay-for-results basis. 99

**Steven Din**  
CEO, Konkola Copper Mines

### The year in summary

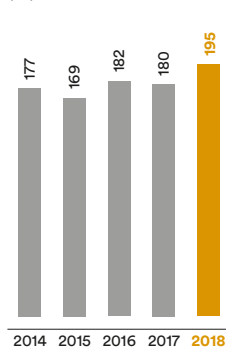
Copper Zambia had another challenging year in terms of production, but we are now turning the corner with a refinement of the operating strategy. We are implementing a new contractor-partnering model that allocates clear end-to-end responsibility, and on a pay-for-results basis. This change in approach is starting to yield results.



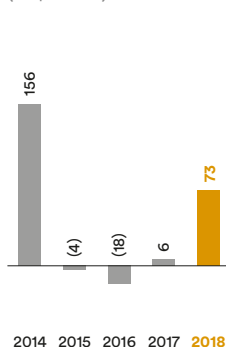


Konkola Deep mine shaft and conveyor belt

#### Finished Copper (Kt)



#### EBITDA (US\$ million)



At the Konkola underground mine, we are focusing on accelerated dewatering and development rates. Technology interventions are also delivering results at the smelter and Tailings Leach Plant (TLP).

We are confident that the new approach and re-engineering of design parameters secures our 50-year vision for mining at KCM. Our focus is being communicated under the slogan 'Volume growth, product quality, and environmental sustainability'.

#### Safety

We deeply regret that there were two fatal accidents during the reporting year. One contractor employee was fatally injured in an ore tramming operation at the Nchanga underground mine, and another contractor employee lost his life during a sloughing incident at the open pit. Both incidents were thoroughly investigated and the lessons learned have been shared for implementation with the rest of the organisation.

These incidents have only sharpened our focus on the journey towards 'zero harm' and we were pleased to see the LTIFR decreasing, from 0.32 to 0.30 y-o-y. We continue to run active safety interventions and initiatives, and this year we conducted safety training for some 12,500 people, both employees and contractors. We intend to reinforce this work with the implementation of over 100 key-control data sheets in the coming months. During the year, the British Safety Council audited our OHS management system, which again showed an improvement in reporting near-misses.

#### Environment

Improving our water management practices remains a top priority for the business. During the year, we successfully reduced our specific water consumption from 183 to 171 m<sup>3</sup>/T for the business. Further improvement projects are under way which will not only improve the current performance but will start to set standards for the industry in water and air quality.



# Operational Review/Copper Zambia continued

## Production performance

Production (kt)

Particulars	FY2018	FY2017	% change
Total mined metal	91	94	(3%)
Konkola	37	36	3%
Nchanga	13	12	6%
Tailings Leach Plant	41	46	(11%)
Finished copper	195	180	9%
Integrated	84	96	(12%)
Custom	111	84	32%

## Unit costs (integrated production)

(US cents per lb)

	FY2018	FY2017	% change
Unit costs excluding royalty	239.1	208.6	15%
Unit costs including royalty <sup>1</sup>	314.8	278.9	13%

<sup>1</sup> Including sustaining capex and interest cost.

## Financial performance

(US\$ million, unless stated)

	FY2018	FY2017	% change
Revenue	1,283	874	47%
EBITDA	73	6	—
EBITDA margin	6%	1%	—
Depreciation and amortisation	112	113	(1%)
Operating loss before special items	(39)	(107)	—
Share in group EBITDA (%)	2%	0%	—
Capital expenditure	24	28	(15%)
Sustaining	24	28	(15%)
Growth	—	—	—



Mill concentrator at Nchanga.

66

The Konkola underground mine remains a key priority. The operational philosophy, re-designed to include contractor-partnering, is central to the ramp-up plan. 99

Steven Din

CEO, Konkola Copper Mines

## Operations

Mined metal production of 91,000 tonnes was 3% lower y-o-y, primarily impacted by a low availability of trackless equipment in H1 and the preventive maintenance programmes at TLP in H2.

We have put in place a contractor-partnering model, and are mobilising resources for sustained secondary development and production from a new production area at the Konkola underground mine. The waste mining programme to access high-grade ore at the open pit is progressing well, and our focused preventive maintenance programmes at TLP are expected to start delivering volume improvements from Q1 FY2019.

### Konkola

At Konkola, production increased to 37,000 tonnes, up 3% y-o-y, driven by improved fleet availability, development rates and dewatering efficiency. Indeed, Konkola's highest production of the year was achieved in March 2018, a positive sign of a start to stabilisation. The team is clearly focused on accelerated development and moving towards benchmark operational parameters that will pave the way for future production ramp-up.

### Nchanga

At Nchanga, production increased to 13,000 tonnes, up 6% y-o-y, primarily due to restarting production at the underground mine in June 2017, following its care and maintenance programme. The open cast mines are clearly focused on waste excavation programmes for enhanced access to high-grade ore body.

### Tailings Leach Plant

TLP's production stood at 41,000 tonnes, down 11% y-o-y, due mainly to lower feed grades. Focused preventive maintenance programmes were implemented as part of the contractor-partnering model which will start delivering volume improvements going forward.

### Smelter and refinery

Production of finished copper (excluding TLP) increased to 154,000 tonnes in FY2018, compared to 134,000 tonnes in FY2017. Custom volumes reached levels of 111,000 tonnes in FY2018, up 32% y-o-y.





### Others

The water level at the Kariba Dam has significantly improved due to a healthy rainy season, resulting in an improved power situation in Zambia. As a result, ZESCO has lifted the force majeure that had been in place since 2015.

### Unit costs (integrated production)

In FY2018, the unit cost of production (excluding royalties) increased by 15% to 239.1 US cents per lb. This increase y-o-y was a result of: higher secondary development at the Konkola underground mine, to prepare for the production ramp-up; one-off costs associated with the Konkola pump chamber maintenance cost, to improve dewatering efficiencies; silt removal from TLP downstream, in preparing for water management during the monsoon season; and increased maintenance costs to improve plant reliability and mobile fleet availability.

However, the cost increase was partially offset by improved cobalt credits, new power tariffs effective from January 2017, and one-off credits related to the power provision reversal for FY2016.

### Financial Performance

Revenue in FY2018 was higher at US\$1,283 million, compared with US\$874 million in the previous year. This was mainly due to improved metal prices and increased custom sales volumes. EBITDA for the year stood at US\$73 million compared with US\$6 million in FY2017. This includes a one-off credit related to the power provision reversal of US\$28 million.

### Outlook

Full-year production for FY2019 is expected to reach 115–125kt of integrated production and 110–120kt of custom production. An integrated C1 cost for FY2019 is expected at 220–240 US cents per pound.

### Konkola underground mine

The Konkola underground mine remains a key priority. The operational philosophy, re-designed to include contractor-partnering, is central to the ramp-up plan. A feasibility study to develop a deeper flat level is underway as part of the 'dry mine' project.



Control system operator at Nchanga.

### Nchanga operations

At Nchanga, the focus continues to be plant reliability at the TLP, and on driving productivity in the open cast mines.

### Smelter and refinery

We are targeting higher feed rates above 80 tonnes per hour (tph), refinery ramp-up and greater cost efficiencies by installing oil-fired boilers for electrolyte heating, which has now been commissioned.

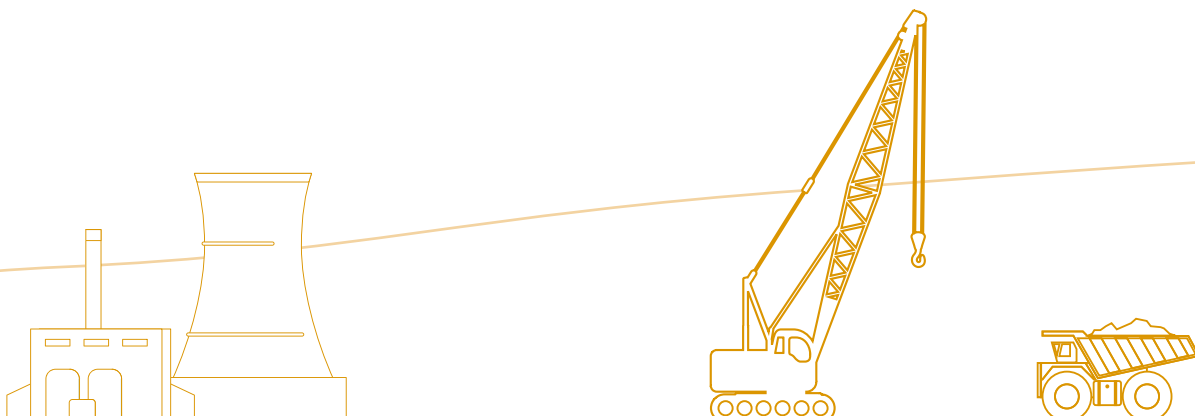
### Exploration

During the year, reserves and resources (R&R) depleted by 12.5 million tonnes due to production and by 9.5 million tonnes due to updating of the Konkola resource model. As at 31 March 2018, KCM's combined mineral resources and ore reserves were estimated to be 691.2 million tonnes, containing 15.2 million tonnes of copper. Overall mine-life continues to be more than 50 years.

### Our strategic priorities

Our focus and priorities will be to:

- deliver volume growth through successful implementation of the vendor partnering model;
- increase production of the underground mine at Konkola with an additional, deeper horizontal development;
- improve equipment availability and reliability;
- ensure a reliable Tailings Leach facility with the potential to increase recoveries;
- reduce the cost base through the contractor business-partnering model and value-focused initiatives; and
- strengthen the team expertise with strong mining, maintenance and health & safety specialists.





## Operational Review/**Aluminium**



**Abhijit Pati**  
CEO, Aluminium,  
Jharsuguda

66

FY2018 was a milestone year for our Aluminium business, as we achieved record aluminium production of 1.7 million tonnes. 99

**Abhijit Pati**  
CEO, Aluminium, Jharsuguda



**Samir Cairae**  
CEO, Diversified Metals  
(India)





Jharsuguda smelter and power operations.



**Vikas Sharma**  
CEO, BALCO



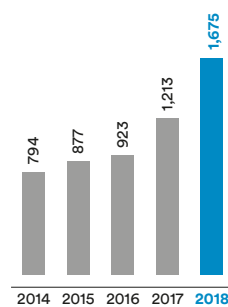
**Ajay Dixit**  
CEO, Alumina and Power

66 We are working towards a step change in local bauxite sourcing to feed the alumina refinery. 99

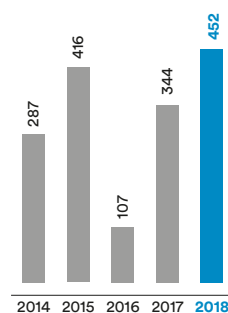
**Ajay Dixit**  
CEO, Alumina and Power



**Total Aluminium**  
(Kt)



**EBITDA**  
(US\$ million)



### The year in summary

FY2018 was a milestone year for our Aluminium business, as we achieved record aluminium production of 1.7 million tonnes, with ramp-up at BALCO complete and ramp-up at Jharsuguda nearly complete, despite a pot outage at Jharsuguda I at the beginning of the year. We now have a strong base to target production of two million tonnes in FY2019; indeed, our annualised exit run-rate in March 2018 was already broadly equivalent to that figure. There were headwinds in terms of the cost of production (CoP), primarily due to input commodity inflation and temporary coal shortages in the domestic market. Input commodity prices continue to be volatile. Therefore, as a strategy, we have looked at ways to optimise our controllable costs, while also increasing the price realisation in order to improve profitability in a sustainable way going forward.

We continue to explore the feasibility of expanding our alumina refinery capacity. Our vision is to expand from two to four million and then up to six million tonnes per annum, subject to bauxite availability and regulatory approvals.

# Operational Review/Aluminium continued

## Production performance

Production (kt)

	FY2018	FY2017	% change
Alumina – Lanjigarh	1,209	1,208	–
Total aluminium production	1,675	1,213	38%
Jharsuguda I	440	525	(16)%
Jharsuguda II <sup>1</sup>	666	261	–
BALCO I	259	256	1%
BALCO II <sup>2</sup>	310	171	81%
Jharsuguda 1800MW (surplus power sales in million units) <sup>3</sup>	–	511	–

<sup>1</sup> Including trial run production of 61.8kt in FY2018 vs. 95kt in FY2017.

<sup>2</sup> Including trial run production of 16.1kt in FY2018 vs. 47kt in FY2017.

<sup>3</sup> Jharsuguda 1,800MW and BALCO 270MW have been moved from the Power to the Aluminium segment since 1 April 2016.

## Prices

(US\$ per tonne)

	FY2018	FY2017	% change
Average LME cash settlement prices	2,046	1,688	21%

## Unit costs

(US\$ per tonne)

	FY2018	FY2017	% change
Alumina cost (ex-Lanjigarh)	326	282	16%
Aluminium hot metal production cost	1,887	1,463	29%
Jharsuguda CoP	1,867	1,440	30%
BALCO CoP	1,923	1,506	28%

## Financial performance

(US\$ million, unless stated)

	FY2018	FY2017	% change
Revenue	3,588	2,040	76%
EBITDA	452	344	31%
EBITDA margin	13%	17%	–
Depreciation and amortisation	257	141	82%
Operating profit before special items	195	203	(4)%
Share in Group EBITDA (%)	11%	11%	–
Capital expenditure	218	291	(25)%
Sustaining	105	28	–
Growth	113	263	(57)%

## Safety

The business faced safety challenges during the year and, with deep regret, we recorded a fatality due to a vehicle accident. After a thorough investigation, the lessons learned were shared for implementation across all our businesses. Lost time injuries rose to 22 (FY2017: 15), and the frequency rate increased to 0.39 compared to 0.32 in the previous year. We do not regard the year's safety performance as acceptable and are targeting measurable improvements as the result of enhanced safety programmes that we have put in place.

These include equipping site safety leaders with tools for more robust risk analysis, such as 'bow tie' software and experience based quantification (EBQ), to help them identify the need for critical controls. We have also delivered specialist skill and competency training in areas such as crane and forklift operation, rigging and rescue.

On a positive note, the Lanjigarh refinery achieved zero LTIs for the second consecutive year, and we seek to replicate its success across the business.

## Environment

We recycled 11% of the water we used in FY2018. In Lanjigarh, as part of waste management, a total of 2226.306mt of vanadium sludge, and 100% of fly ash and lime grit, has been recycled. Red mud utilisation for FY2018 stood at 246.3kt.

In August 2017, a partial collapse of a section of the ash dyke wall at Jharsuguda resulted in the State Pollution Control Board (SPCB) directing temporary closure of five power units in Jharsuguda (3x135MW, 2x600MW). Orders to restart three of the power plants were issued on 20 September 2017, followed by an order to restart the remaining two units on 13 November 2017.

## Alumina refinery: Lanjigarh

At Lanjigarh, production was flat y-o-y at 1,209,000 tonnes. We had expected to achieve a higher production, but lower bauxite availability from our mines at Chhattisgarh, as well as temporary issues with rail logistics, meant constraints on bauxite supply from other sources. We continue to evaluate the possible Lanjigarh refinery expansion, subject to bauxite availability.

## Aluminium smelters

We ended the year with record production of 1.7 million tonnes (including trial run) and exited it with a run-rate of around two million tonnes per annum. Production excluding the trial run totalled 1.6 million tonnes.

## Jharsuguda I smelter

Production from this smelter was 16% lower y-o-y; this followed a pot outage incident in April 2017 that affected 228 pots of the Jharsuguda I smelter. However, these pots were fully restored by Q3 FY2018.

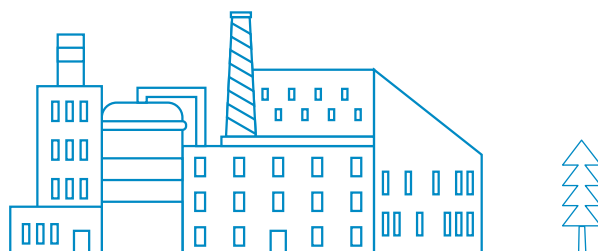
## Jharsuguda II smelter

Jharsuguda II smelter continued its ramp-up during the year. Line 1 was completed during Q3 FY2018. Line 2 was completed in Q4 FY2017, which delivered steady operations throughout the year. At Line 3, 220 pots were powered on as of 31 March 2018, and the full ramp-up was delayed due to infrastructure development works undertaken by the railway authorities for capacity enhancement. It is expected to be fully ramped up by H1 FY2019. We continue to evaluate Line 4.

## BALCO I & II smelters

The BALCO I smelter continued to show consistent production, delivering 259,000 tonnes during the year; this comfortably exceeded its rated capacity of 245,000 tonnes.

The ramp-up of BALCO II smelter was completed in Q1 FY2018 and the plant continues to operate consistently with production of 310,000 tonnes – an increase of 81% y-o-y.





### Coal linkages

We continue to focus on ensuring the long-term security of our coal supply, and at competitive prices. We added 4mtpa of coal linkages during FY2018, ending the period with a total coal linkage of 10mtpa.

During the year we experienced temporary disruptions in the domestic coal supply from Coal India. The disruption, both in terms of quality and quantity, resulted in an increase in the cost of captive power.

### Prices

Average LME prices for aluminium in FY2018 stood at US\$2,046 per tonne, an increase of 21% y-o-y. It also reached a six-year high of \$2,266 per tonne before moderating back towards the end of the year. Prices were driven by the anti-pollution supply reforms in China, increases in raw material prices and trade tariff announcements by the US.

### Unit costs

During FY2018, the cost of alumina production was 16% up y-o-y at US\$326 per tonne, mainly due to input commodity inflation (principally caustic soda), and currency appreciation.

In FY2018, the total bauxite requirement of about 3.8 million tonnes was met from three sources: captive mines (29%), domestic sources (41%) and imports (30%). In the previous year, the bauxite mix was captive mines (31%), domestic sources (23%) and imports (46%).

The CoP of hot metal at Jharsuguda was US\$1,867 per tonne, up from US\$1,440 in FY2017. The increase was primarily due to input commodity inflation (imported alumina and carbon), higher power cost and currency appreciation. The power cost was higher due to disruptions in domestic coal supply from Coal India resulting in procurement of coal and power from alternative sources at higher prices. We also incurred one-off costs related to pot outages in April 2017, and temporary power imports as a result of the ash dyke incident.

The cost of production at BALCO increased to US\$1,923 per tonne from US\$1,506 in FY2017, up 28% y-o-y. This was primarily due to input commodity inflation (imported alumina and carbon), higher power cost due to coal shortages and rupee appreciation.

### Financial performance

EBITDA was higher at US\$452 million (FY2017: US\$344 million), driven mainly by volume ramp-up and increased LME prices. This was partially offset by the increase in the cost of production.



Employee transporting aluminium wire rods.

### Outlook

#### Volume and cost

In FY2019, aided by the full ramp-up of the third line of Jharsuguda II, we anticipate aluminium volume of two million tonnes.

As input commodity prices continue to be volatile, we have looked at ways to optimise our controllable costs, while also increasing the price realisation in order to improve profitability in a sustainable way.

#### Alumina and bauxite

During FY2019, we expect production of around 1.5-1.6 million tonnes per annum. We are working towards a step change in local bauxite sourcing to feed the alumina refinery. We have entered into a long-term contract with Odisha Mining Corporation (OMC) for supply of bauxite.

#### Power

In FY2019, we aim to improve the realisations from the 10mtpa of coal linkages already in place, and increase linkages further. We are also hopeful that the disruption in coal supply experienced in FY2018 will not continue into the next reporting year.

We are also working towards reduction in GCV losses as well as improvement in plant operating parameters which should deliver higher PLFs and reduction in non-coal costs.

### Marketing

We are targeting an increase in value-added production in FY2019 to 1.0 million tonnes. We will also be focusing on increasing the domestic and OEM sales further.

### Cost of production

We expect a reduction in COP by c. US\$120-170/t in FY2019 by optimising controllable costs and through elimination of one-offs. This will imply a COP of US\$1,725-1,775/t, assuming costs of imported alumina, coal e-auctions and carbon at average FY2018 levels. We are targeting a medium-term COP target of US\$1,500/t with continued focus on sourcing of low cost bauxite, alternate sourcing of alumina, improve plant operating parameters, increase in linkage coal mix and strategic partnership with carbon suppliers.

### Strategic priorities

Our focus and priorities will be to:

- achieve steady state production of 2mt in FY2019;
- reduce controllable costs in the aluminium business;
- firm up bauxite sourcing and the supply chain, diversify imported alumina sourcing;
- improve coal linkage realisation (10mtpa) and further increase coal linkage;
- improve power plant operating parameters and reduction in non-coal cost; and
- improve realisations through gaining a higher domestic market share, and by increasing our value-added product (VAP).



## Operational Review/**Power**



Note: MALCO is under care and maintenance since 26 May 2017.



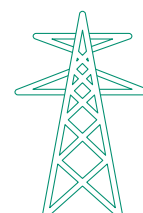
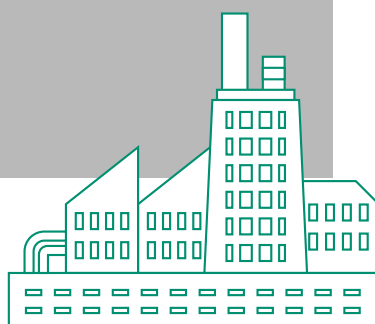
# 66

FY2018 was an important year for the Talwandi Sabo Power plant (TSPL), where we achieved a consistent availability of over 85% from Q2 onwards. 99

**Ajay Dixit**  
CEO, Alumina and Power

### The year in summary

FY2018 was an important year for the Talwandi Sabo Power plant (TSPL), where we achieved a consistent availability of over 85% from Q2 onwards. The entire operational and maintenance activities were transferred to a single contractor in order to enhance operational efficiencies.



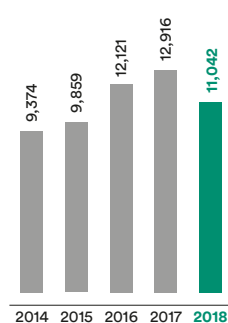




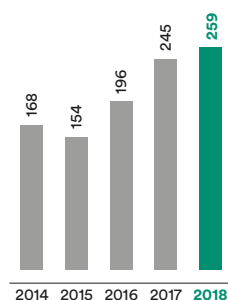
BALCO power plant.

**Sales**

(Million kwh)

**EBITDA**

(US\$ million)



However, the plant load factors for the Jharsuguda and Balco IPP were impacted, primarily by domestic coal shortages.

**Safety**

We recorded one lost time injury during the year (FY2017: 1). The frequency rate of 0.20 compared to 0.25 previously.

Separately, in April 2017 TSPL experienced a fire incident in the conveyor belt of the coal handling plant (CHP). This was due to the spontaneous ignition of coal dust, impacting our operations in Q1 FY2018. Full operation was restored, and is now protected by comprehensive fire detection, protection and suppression systems, complete with dust extraction and dust suppression capabilities.

**Environment**

One of the main environmental challenges for power plants is the management and recycling of fly ash. We recorded an improvement in our overall waste recycling rate, from 55% in FY2017 to 67% in this reporting year.

Water reuse and recycling rates remained broadly consistent at 10% in FY2018, compared to 11% in the previous year.

**Operations**

TSPL achieved significantly higher power sales in FY2018, due to full operation of the 1980MW power plants. However, this was partially offset by the fire incident mentioned above, which resulted in 65 days of shutdown in Q1 FY2018. The power purchase agreement with the Punjab state compensates us based on the availability of the plant. Average availability for the full year was 74%, in line with previous guidance.

The Jharsuguda 600MW power plant operated at a lower plant load factor (PLF) of 25% in FY2018 (FY2017: 68%), due to disruptions in coal supply in the domestic market.

The 600MW BALCO IPP operated at a PLF of 44% in FY2018 (FY2017: 58%), due to the temporary coal shortages and weak external power demand.

The MALCO plant has been placed under care and maintenance, effective from 26 May 2017, due to low demand in Southern India.





# Operational Review/Power continued

## Production performance

	FY2018	FY2017	% change
Total power sales (MU)	<b>11,041</b>	12,916	(15%)
Jharsuguda 600 MW*	<b>1,172</b>	3,328	(65%)
BALCO 600 MW	<b>1,536</b>	2,609	(41%)
MALCO	<b>4</b>	190	(98%)
HZL wind power	<b>414</b>	448	(8%)
TSPL	<b>7,915</b>	6,339	25%
TSPL – availability	<b>74%</b>	79%	–

## Unit sales and costs

	FY2018	FY2017	% change
Sales realisation (US cents/kWh) <sup>1</sup>	<b>4.5</b>	4.2	6%
Cost of production (US cents/kWh) <sup>1</sup>	<b>3.6</b>	3.1	16%
TSPL sales realisation (US cents/kWh) <sup>2</sup>	<b>5.4</b>	4.9	10%
TSPL cost of production (US cents/kWh) <sup>2</sup>	<b>3.9</b>	3.4	16%

1 Power generation excluding TSPL.

2 TSPL sales realisation and cost of production is considered above based on availability declared during the respective period.

## Financial performance

(US\$ million, unless stated)

	FY2018	FY2017	% change
Revenue	<b>877</b>	836	5%
EBITDA	<b>259</b>	245	6%
EBITDA margin	<b>25%*</b>	29%	–
Depreciation and amortisation	<b>75</b>	88	(15%)
Operating profit before special items	<b>184</b>	157	17%
Share in Group EBITDA%	<b>6%</b>	8%	–
Capital expenditure	<b>2</b>	60	(96%)
Sustaining	<b>2</b>	–	–
Project	<b>–</b>	60	–

\* Excluding one-offs.



TSPL power plant.

## Unit sales and costs

Average power sales prices, excluding TSPL, remained flat in FY2018 due to continued weaker prices in the open access market.

During the year, the average generation cost was higher at 3.6 US cents per kWh (FY2017: 3.1 per kWh) due to temporary disruptions in the coal supply.

TSPL's average sales price was higher at 5.4 US cents per kWh compared with 4.9 US cents per kWh in FY2017, and power generation cost was higher at 3.9 US cents per kWh compared with 3.4 US cents per kWh in the previous year, driven mainly by increased coal prices.

## Financial performance

EBITDA for the year was 6% higher y-o-y at US\$259 million. This includes a one-off revenue recognition of US\$35 million and \$22 million at BALCO and at Jharsuguda IPP respectively.

## Outlook

During FY2019, we will remain focused on increasing the plant availability of TSPL (80%) and achieving higher plant load factors at the Balco and Jharsuguda IPP.

## Strategic priorities

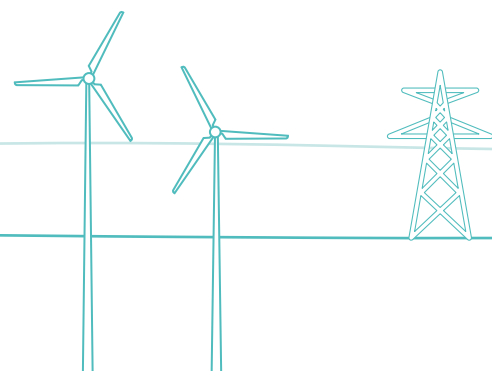
Our focus and priorities will be to:

- resolve pending legal issues and recover aged power debtors;
- tie-up for the balance capacity under open access for BALCO;
- achieve high plant load factors for the Jharsuguda and Balco IPP; and
- improve power plant operating parameters to deliver higher PLFs/availability and reduce the non-coal cost.

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During FY2019, we will remain focused on increasing the plant availability of TSPL (80%) and achieving higher plant load factors at the Balco and Jharsuguda IPP. 99

Ajay Dixit  
CEO, Power





*Transshipment at port.*

### Port Business

#### Vizag General Cargo Berth (VGCB)

During FY2018, VGCB operations showed an increase of 31% in discharge and 22% in dispatch compared to FY2017. This was mainly driven by an increase in zonal imports volume in the second half of FY2018. This was partially offset by restrictions in handling road-bound cargo, imposed by a High Court order in April 2017. However, these restrictions were removed in September 2017.



# Board of Directors



**Anil Agarwal, 65**



**Executive Chairman**

## Date of appointment

Mr Agarwal was appointed to the Board in May 2003 and became the Executive Chairman in March 2005.

## Background

Mr Agarwal founded the Group in 1976. In over three decades, the Group, under his leadership and with his strategic guidance, has grown from an Indian domestic miner into a global natural resources group with a world-class portfolio of large, diversified, structurally low-cost assets. His entrepreneurial style of identifying and turning around companies has led the Group's expansive and profitable growth. He is also known for his commitment to ensuring that the growth and profitability of the Group aids the eradication of poverty through development initiatives within the communities in which Vedanta operates.

## Current position

Director of Sterlite Technologies Limited and chairman emeritus of Vedanta Limited.

## Previous experience

Chairman of Vedanta Limited.

## Key to committees

- ★ Committee Chairman/Chair
- Audit Committee
- Remuneration Committee
- Nominations Committee
- Sustainability Committee



**Navin Agarwal, 57**

**Executive Vice Chairman**

## Date of appointment

Mr Agarwal was appointed to the Board in November 2004 and became the Executive Vice Chairman in June 2005.

## Background

Mr Agarwal has been associated with the Group since its inception and has over 35 years of strategic executive experience. He is Chairman of Vedanta Limited and has been instrumental in leading the growth of the Group through organic projects and acquisitions. He plays a pivotal role in providing direction for development of the top leadership talent at the group. He is credited with creating a culture of business excellence and delivering superior benchmark performance through application of advanced technology and global best practices. He has led Vedanta's evolution to the highest standards of corporate governance and enhanced transparent engagement with key stakeholders.

## Current position

Executive Chairman of Vedanta Limited.

## Previous experience

- Chairman of Vedanta's Executive Committee;
- Chairman of Cairn India Limited



**Deepak Parekh, 74**

**Independent Non-Executive Director and Senior Independent Director**

## Date of appointment

Mr Parekh joined the Board in June 2013.

## Background

Mr Parekh has a diversity of both executive and non-executive global experience across a number of sectors including financial services, infrastructure, pharmaceuticals, electronics and leisure.

## Current positions

- Chairman of Housing Development Finance Corporation, India's leading financial services conglomerate;
- Non-executive chairman of GlaxoSmithKline Pharmaceuticals Limited and Siemens, in India; and
- Director of Indian Hotels Company Limited, Network 18 Media and Investments Ltd, Fairfax Holdings Corporation and DP World.

## Previous experience

Various directorships including Mahindra & Mahindra and Exide.

## Qualifications and awards

Mr Parekh was a recipient of the Padma Bhushan in 2006, Knight in the Order of the Legion of Honour by the French Republic in 2010, Bundesverdienstkreuz – Cross of the Order of Merit by the Federal Republic of Germany in 2014. He was also the first international recipient of the ICAEW outstanding achievement award in 2010.



**Geoffrey Green, 68**

**Independent Non-Executive Director**

## Date of appointment

Mr Green was appointed to the Board in August 2012.

## Background

Mr Green has a wealth of knowledge in respect of UK corporate governance, regulatory and strategic matters, with many years of legal and commercial experience advising major UK listed companies on corporate and governance issues, mergers and acquisitions and corporate finance.

## Current position

Non-executive chairman of the Financial Reporting Review Panel, one of the main subsidiary bodies of the Financial Reporting Council.

## Previous experience

- Partner at Ashurst LLP;
- Senior partner and chairman of Ashurst's management board for 10 years; and
- Head of Ashurst's Asian practice based in Hong Kong, and was responsible for leading the firm's strategy and business development for the region.

## Qualifications

Mr Green has a degree in law from Cambridge University and qualified as a solicitor at Ashurst LLP.

## Board Skills and Experience

The Directors have a broad range of professional experience and expertise as shown below. The skills required for the Board to fulfil its responsibilities are kept under regular review as detailed in the Effectiveness section on pages 110–113.



**Ekaterina (Katya) Zotova, 40**

**Independent  
Non-Executive Director**

**Date of appointment**

Ms Zotova was appointed to the Board in August 2014.

**Background**

Ms Zotova has a wide range of commercial experience in the oil & gas industry including strategy, portfolio management, corporate finance and mergers and acquisitions.

**Current position**

- Senior external advisor to McKinsey & Company.

**Previous experience**

- Principal at L1 Energy LLP/ Pamplona Capital where she was responsible for major merger & acquisition transactions;
- Head of International Acquisitions and Divestments for Citigroup's oil & gas investment banking division where she worked directly with oil majors and national oil companies; and
- A variety of finance, business development and mergers & acquisitions roles during her 14-year career at Royal Dutch Shell including Head of Portfolio Management for Upstream International.

**Qualifications**

Ms Zotova has a summa cum laude degree in finance and management from the Academy of National Economy in Moscow and an MBA from Rotterdam School of Management/Columbia Business School.

**Ravi Rajagopal, 63**

**Independent  
Non-Executive Director**

**Date of appointment**

Mr Rajagopal was appointed to the Board in July 2016.

**Background**

Mr Rajagopal has substantial international executive experience having worked in a variety of senior finance and operational roles at a number of global companies.

**Current positions**

- Non-executive director of Fortis Healthcare Limited.
- Chairman, JM Financial Services, Singapore and senior advisor to JM Financial Services, India's largest investment bank.

**Previous experience**

- CFO for Europe and group financial controller at Diageo plc;
- Global head of Business Development at Diageo plc;
- A variety of senior positions both in finance and general management at ITC India (a BAT plc associate in India); and
- A non-executive director of United Spirits, India until October 2016.

**Qualifications**

Mr Rajagopal has a degree in Commerce from Madras University and is a fellow of the Institute of Chartered Accountants of India and the Cost and Works Accountants of India. He has also completed the Advanced Management Programme at Harvard Business School.

**Edward T Story, 74**

**Independent  
Non-Executive Director**

**Date of appointment**

Mr Story was appointed to the Board in June 2017.

**Background**

Mr Story brings to the Board over 50 years of global executive experience in the oil & gas industry.

**Current position**

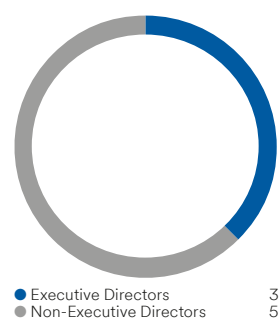
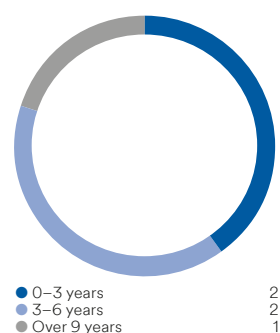
President and chief executive officer of SOCO International PLC, an international oil & gas exploration and production company listed on the London Stock Exchange with operations in Vietnam, Thailand, Republic of Congo (Brazzaville) and Angola.

**Previous experience**

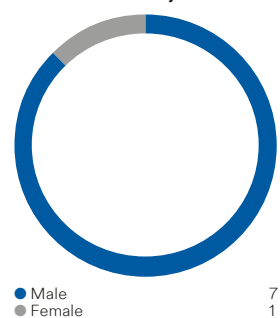
- Senior executive positions at various international oil and gas companies such as Snyder Oil Corporation, Conquest Exploration Company, Superior Oil Company, Exxon Corporation and Esso Standard Oil;
- A non-executive director of Cairn Energy plc and;
- A non-executive director of Cairn India Limited.

**Qualifications**

Mr Story holds a Bachelor of Science degree from Trinity University, San Antonio, Texas, a Master's degree in Business Administration from the University of Texas and an honorary Doctorate degree by the Institute of Finance and Economics of Mongolia.

**Board balance****Non-Executive Director tenure****International experience**

Jurisdictions of the Directors' executive and non-executive experience

**Gender diversity**

# Executive Committee

## Kuldip Kaura Chief Executive Officer

### Background and experience

Mr Kaura was appointed as Chief Executive Officer (Interim) on 1 September 2017. Prior to that, he was President, Chairman's Office since May 2016. He has over four decades of experience across engineering and mining roles, having previously served at senior levels in various reputable companies including as Chief Executive Officer of Vedanta Resources plc, managing director at ABB, India and managing director and chief executive officer of a cement major in India, ACC Limited. Mr Kaura holds a degree in mechanical engineering, BE (Hons.) from the Birla Institute of Technology and Science (BITS), Pilani and an executive education at London Business School and the Swedish Institute of Management Stockholm, Sweden.

## Tarun Jain Director, Vedanta Limited

### Background and experience

Mr Jain is a Director of Vedanta Limited. He joined the Group in 1984 and has over 34 years of executive experience in finance, audit, accounting, taxation and mergers and acquisitions. He is responsible for the Group's strategic financial matters including corporate finance, corporate strategy, business development and mergers and acquisitions.

Mr Jain also serves on the board of Bharat Aluminium Company Limited, Sterlite (USA) Inc and was a director of Cairn India Limited until its merger with Vedanta Limited. Mr Jain is a graduate of the Institute of Cost and Works Accountants of India and a fellow of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India.

## G.R. Arun Kumar Chief Financial Officer

### Background and experience

Mr Kumar was appointed as Vedanta's Chief Financial Officer and Whole-Time Director of Vedanta Limited on 30 September 2016. Prior to this, he was Executive Vice President, Finance and Deputy Chief Financial Officer. Mr Kumar joined the Group in 2013 as Chief Financial Officer of Vedanta's Aluminium & Power business. He has over 22 years of senior executive experience in finance having worked at companies including General Electric and Hindustan Unilever Limited. Prior to joining the Group, Mr Kumar was the chief financial officer – Asia Pacific (Appliances and Lighting) for General Electric, based out of Shanghai. He has a Bachelor of Commerce from Loyola University, Chennai and is a fellow member of the Institute of Chartered Accountants of India.

## Sunil Duggal Chief Executive Officer, Base Metals and Zinc India

### Background and experience

Mr Duggal joined the Group in August 2010 and was appointed as Chief Executive Officer and whole time director of HZL in October 2015. He currently also leads the Base Metals Group. Mr Duggal has over 32 years of experience of leading high performance teams and more than 18 years in leadership positions

nurturing business, evaluating opportunities and risks and successfully improving efficiency and productivity whilst reducing costs and inefficiencies. He has been a significant driver of growth and the enhancement of the culture of safety at HZL. Mr Duggal has led the value-adding adoption of best-in-class mining and smelting techniques, machineries, state-of-the-art environment-friendly technologies, mechanisation and automation of operational activities. He is an electrical engineering graduate from Thapar Institute of Engineering & Technology, Patiala and is an alumni of IMD, Lausanne, Switzerland and IIM, Kolkata.

## Deshnee Naidoo Chief Executive Officer, Africa Base Metals

### Background and experience

Ms Naidoo was appointed as Chief Executive Officer, Africa Base Metals in May 2018 and will lead KCM in addition to Zinc International and Copper Mines of Tasmania (CMT). She joined the Group in 2014 and was appointed Chief Executive Officer of Zinc International and CMT in February 2015. Ms Naidoo has over 20 years of experience in the natural resources industry, including platinum, thermal coal, manganese and zinc. Prior to joining the Group, Ms Naidoo held various senior and executive roles at AngloAmerican, such as the strategic long-term planning manager, corporate finance manager and deputy head of the CEO's office. She was appointed as the CFO of AngloAmerican Thermal Coal in 2011, where she managed thermal coal and manganese across South Africa, South America and Australia. Ms Naidoo holds a Bachelor's degree in Chemical Engineering from the University of Natal and Certification in Finance and Accounting from the University of Witwatersrand, Johannesburg.

## Sudhir Mathur Chief Executive Officer, Oil & Gas business

### Background and experience

Mr Mathur joined the Group in September 2012 and was appointed as Chief Executive Officer of the Group's Oil & Gas business in November 2017. He was formerly chief financial officer of Cairn India Limited and was also its acting chief executive officer from June 2016 until the merger of Cairn India Limited with Vedanta Limited. He has over 32 years of experience working across industries and has substantial expertise in finance and strategic planning. Mr Mathur also has a proven track record in deploying capital to enable value creation and accelerate business growth. Prior to joining the Group, Mr Mathur was chief financial officer of Aircel Cellular Ltd and was responsible for strategy, finance, supply chain management and regulatory affairs. He has previously also held senior executive positions in Delhi International Airport Ltd., Idea Cellular, Ballarpur Industries Limited and PricewaterhouseCoopers India. Mr Mathur has a Bachelors degree in Economics from Delhi University and a Masters of Business Administration from Cornell University.

## Samir Cairae Chief Executive Officer, Aluminium and Power

### Background and experience

Mr Cairae was appointed as CEO Diversified Metals in January 2016 and currently leads the Group's Aluminium and Power businesses. He has extensive and varied experience in a number of corporate roles in India, China, Philippines and France including strategy, M&A, industrial operations and managing industrial operations in both growth and turnaround situations. Prior to joining Vedanta, Mr Cairae headed the global industrial function for Lafarge's 150 cement operations in over 45 countries. He has previously also held various senior leadership positions at Lafarge and Schlumberger. He holds a graduate degree in Electrical Engineering from the Indian Institute of Technology (IIT), Kanpur, and a Masters in Management from the Hautes Etudes Commerciales (HEC) School of Management, Paris.

## P Ramnath Chief Executive Officer, Copper India

### Background and experience

Mr Ramnath joined the Company in September 2011 and is the Chief Executive Officer of Copper India and Fujairah Gold, UAE. He is also a board member for MALCO Energy Limited, a subsidiary company of Vedanta Limited. Prior to joining the Company, he was the chief operating officer of JK Paper Ltd. He has over 32 years of experience across many varied sectors which include chemicals, specialty chemicals and paper industries at Jubilant Life Sciences Ltd, Praxair India, SNF Ion Exchange Ltd, Bakelite Hylam Limited and Reliance Industries Limited. Mr Ramnath holds a Bachelor's degree in Chemical Engineering from Osmania University, Hyderabad and has a post graduate diploma from the Indian Institute of Management, Bengaluru.

## Naveen Singhal Chief Executive Officer, Iron Ore

### Background and experience

Naveen Singhal is the Chief Executive Officer of Vedanta Sesa Goa Iron Ore, the Iron Ore business vertical of Vedanta Limited. Mr Singhal comes with over three decades of experience, of which 22 years has been in the natural resources arena having handled various portfolios in metals and mining and the cement industry. Naveen joined Vedanta in 2003 and was instrumental in driving the growth projects in Hindustan Zinc from conceptualisation to commissioning through best-in-class mining and smelting technologies, mechanisation and automation alongside effective stakeholder management. He has been a key pillar to bringing about strategic alignment in business with his strong techno-commercial mindset. Prior to joining Vedanta, he had served in leadership roles at Swaraj Mazda, Shri Ram & Dunkan Goenka Group and played a pivotal role in the areas of supply chain management, assets acquisition, business turnaround strategy, general management and project management. Mr Singhal has a bachelor degree in mechanical and industrial engineering from IIT, Roorkee and has a post graduate diploma in industrial engineering and management from NITIE, Mumbai.

### Steven Din Chief Executive Officer, KCM

#### Background and experience

Mr Din was appointed Chief Executive Officer of KCM in May 2014. He has 22 years of experience in the natural resources industry, with over 15 years' experience in African mining and oil & gas. Prior to joining the Group, Mr Din was chief executive officer of Essar Minerals in Zimbabwe. Mr Din spent a large part of his mining career with Rio Tinto where he was managing director and president for Simandou in Guinea, managing director of Strategic Projects for Rio Tinto in Senegal, chief financial officer and executive director of Palabora Copper Mines in South Africa and senior vice president and chief financial officer for Rio Tinto Iron & Titanium based in London. Mr Din will be leaving the Group in June 2018 to pursue opportunities outside the Group.

### Rajagopal Kishore Kumar Director – Strategy & Business Development

#### Background and experience

Mr Kumar, a chartered accountant, joined the Group in April 2003 and was appointed as Director – Strategy and Business Development in February 2018. He has over 33 years of experience covering accountancy, commerce, marketing, supply chain management, mergers and acquisitions, human capital development, business turnaround, and policy advocacy. He was previously Chief Executive Officer, Iron Ore and led the Group's Port business. Mr Kumar has previously also held various executive roles in the Group including Chief Executive Officer of Sterlite Copper from 2007 to 2008, Chief Executive Officer of KCM from 2008 to 2011, Chief Executive Officer of Zinc International from 2011 to 2013 and Chief Executive Officer, Africa (Base Metals) from 2013 to 2015. Prior to joining the Group, Mr Kumar worked at Hindustan Unilever Limited for 14 years.

### M Siddiqi Group Director, Projects

#### Background and experience

Mr Siddiqi joined the Group in 1991 and, having risen through various operational roles, has 42 years of industry experience. He was formerly Chief Executive Officer, Aluminium and led the setting up of the Group's large aluminium and power projects including BALCO smelters and captive power plants. He also played a key role in setting up the Group's copper smelter at Tuticorin and copper refinery at Silvassa. Prior to joining the Group, Mr Siddiqi held senior positions in Hindustan Copper Limited. Mr Siddiqi has a mechanical engineering degree from the Indian Institute of Technology, New Delhi and a PG Diploma in Management from AIMA, New Delhi.

### Dilip Golani Director, Management Assurance

#### Background and experience

Mr Golani joined the Group in April 2000 and currently heads the Group's Management Assurance function. He has over 25 years of operational experience and previously headed the Sales and Marketing function at Hindustan Zinc Limited and the Group Performance Management function. Prior to joining the Group, Mr Golani was a member of Unilever's corporate audit team responsible for auditing the Unilever group companies in Central Asia, Middle East and Africa region. He was also formerly responsible for managing the operations and marketing functions for one of the export businesses at Unilever India and has worked at Union Carbide India Limited and Ranbaxy Laboratories. Mr Golani has a degree in mechanical engineering and a post graduate degree in industrial engineering and management from NITIE.

### Phillip Turner Head – Group HSE and Sustainability

#### Background and experience

Mr Turner joined the Group in September 2014 as Head of Group Health and Safety. He currently heads the Group HSE and Sustainability function. Mr Turner has over 35 years of experience within mining, heavy engineering and manufacturing organisations. He was previously General Manager Risk & Sustainability of JK Tech, a wholly-owned subsidiary of the University of Queensland. He has also previously held a number of senior corporate and operational roles at Rio Tinto in Australia, Canada and the UK including responsibility for HSE and sustainability assurance. Mr Turner has held senior roles at mining company, North Limited and at BHP Petroleum's offshore operations. Mr Turner has a Master of Applied Science degree in Risk Management from Ballarat University; Bachelor of Science degree in Chemistry/Physics from Deakin University; Graduate Diploma in Occupational Hygiene from Deakin University; and Graduate Diploma in Occupational Hazard Management from Ballarat C.A.E.

### Suresh Bose Head – Group Human Resources

#### Background and experience

Mr Bose joined Vedanta in February 2002 and, following a long career within various HR specialist roles at several of the Group's businesses including Aluminium, Copper and corporate, was appointed as Head – Group Human Resources in September 2015. Mr Bose has over 26 years of experience in the HR function and has formerly held key HR roles at HMT, Larsen & Toubro, Ford, Mahindra & Mahindra and AGRC Armenia. He has a dual Masters in Personnel Management & Industrial Relations from Tata Institute of Social Sciences, Mumbai and the Institute of Social Studies from The Hague, Netherlands.

### Scott Caithness Director – Exploration

#### Background and experience

Mr Caithness was appointed Head of Exploration for Hindustan Zinc Limited, in November 2015 before moving into the role of Director – Exploration, Group-wide in October 2017. Mr Caithness has over 30 years of experience within the Exploration industry.

Prior to joining the Group, Mr Caithness co-founded and was managing director of unlisted Australian exploration company, Indian Pacific Resources Limited. He spent 18 years with Rio Tinto Exploration where he held a number of senior corporate and operational roles in Australia, Papua New Guinea and India including establishing Rio Tinto Exploration's first exploration office in India. In addition, Mr Caithness held senior roles at Indophil Resources and the Australian Trade Commission. He was also associated with Vedanta, as Head of Exploration in the year 2005–06. Mr Caithness has a Bachelor of Applied Science degree in Geology from RMIT University in Melbourne, Australia.

### Arun Arora Head – Corporate Communications

#### Background and experience

Mr Arora joined Vedanta Group in 2014, as Chief Communication Officer, Cairn Oil & Gas. He was subsequently appointed as Head Corporate Communications in September 2017. Mr Arora has over 30 years' experience in various facets of communications including branding, advertising, media, social and digital media, publications, crisis communication and internal communications with employees and various stakeholders. He has a degree in Mechanical Engineering, MBA (Marketing) and additional qualifications in Journalism and Mass Communications. Prior to joining Vedanta Group, Mr Arora had worked with, and headed the communications functions of organisations including Escorts, Maruti Suzuki, GMR DIAL, Jindal Steel & and GVK, encompassing sectors such as automobiles, airports, infrastructure, power, roads, steel, mining and oil & gas.

In addition to the members of the Executive Committee, the Chief Executive Officers of the Group's Aluminium Jharsuguda, BALCO and Alumina businesses attend all Executive Committee meetings as standing invitees.



# Corporate Governance Report

## Chairman's Introduction



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The Board is responsible for the long term success of the Group and good governance underpins our activities to ensure that we balance the needs of a broad range of stakeholders. 99

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 March 2018. We are committed to maintaining the highest standards of corporate governance and ethical business practices. The spirit of good governance guides how we do business and underpins how we serve our stakeholders.

### Board composition

We have spent a significant amount of time over the last year reviewing the Board's composition and our succession planning arrangements to ensure that we have the right balance of skills and experience, as well as independence, to enable the Board to fulfil its stewardship responsibilities. We had a number of changes to the Board during the year. Mr Mehta retired from the Board at the last AGM and Mr Albanese stepped down from the Board on 31 August 2017. We would like to thank them for their dedication and expertise during their tenure. We appointed a new Non-Executive Director, Edward Story, who has a wealth of oil & gas industry experience. The search for the Company's new Chief Executive Officer culminated in the appointment of Mr Venkatakrishnan, who will join the Board on 31 August 2018. He will be standing for election by shareholders at the Company's 2018 Annual General Meeting. These appointments demonstrate the Board's commitment to enhancing sector experience. I am pleased to confirm that, following these changes, we continue to have a highly diverse, experienced and balanced Board.

### Board Evaluation

Following an externally facilitated evaluation of the Board's effectiveness in 2017, an internal review was undertaken this year. Details of the 2018 Board evaluation and actions agreed for the year ahead are disclosed on pages 115–116.

### Diversity

Increasing diversity, particularly of gender, remains a topical issue. We have an inclusive culture in which diversity in all its forms is valued and recognised. We are committed to achieving at least 33% female representation on the Board by 2020 and request the inclusion of women on candidate longlists for consideration as standard. The Board is driving efforts to address gender imbalances across the Group in a holistic way. In a highly male dominated industry, we are working to reduce the barriers to progression of female talent. Further details can be found on pages 111–112.

### HSE

Regrettably, we had nine fatalities across the Group during the year. Lessons have been learned from each incident and corrective actions taken. While we have standards in place to prevent such occurrences, we also recognise the need to transform our HSE culture across the Group, particularly in relation to safety. To achieve this we embarked on a major drive to recruit globally experienced HSE specialists to ensure that every business has the necessary expertise in this area. Further, we have recently appointed Chief Health & Safety Officers and Chief Environment Managers at each of our operating assets to lead the HSE effort. We are determined to embed the importance of safety both across our workforce and contractors as well as the communities in which we operate. We have held over 20 interactive safety workshops for school children to further initiate safety consciousness and reduce safety risk tolerances at the grassroots level. Based on the experience of other major companies, we know that these efforts will deliver the long-term HSE performance that we need in order to reach our goal of 'Zero Harm, Zero Waste, Zero Discharge'. Details of our HSE activities are given in the sustainability section on page 47.

### Stakeholder engagement

As a Board we are conscious that stakeholder engagement is currently in the spotlight. The Board considers its responsibilities to a broad range of stakeholders and incorporates this into its decision making process. The Group is working to continually improve its own engagement with its various stakeholders and details of how we engage are given in the sustainability section on pages 42–58.

Yours sincerely,

**Anil Agarwal**  
Executive Chairman  
23 May 2018

## Statement of compliance with the UK Corporate Governance Code

The Corporate Governance Report set out over the following pages describes Vedanta's governance structure, the principal activities of the Board and its Committees and the policies and practices that enable the Board to fulfil its stewardship responsibilities.

It demonstrates how the Company has applied the main principles of the April 2016 edition of the UK Corporate Governance Code (the Code) for the year ended 31 March 2018. Further details of how the Company has applied the provisions of the Code are also contained in the reports of each Board Committee and the Directors' Remuneration Report. Disclosures on share capital and related matters as required by the Disclosure Guidance and Transparency Rules (DTR 7.2.6) may be found in the Directors' Report on pages 146–150. A copy of the Code is available at [www.frc.org.uk](http://www.frc.org.uk).

### Statement of compliance with the code

It is the Board's view that the Company has, throughout the financial year ended 31 March 2018, fully complied with all the provisions of the Code, with the exception of the following:

#### Code provision A.3.1

Mr Anil Agarwal was appointed as Executive Chairman in 2005. Since founding the Group in 1976, he has steered its growth, including the Company's flotation on the London Stock Exchange. As Mr Agarwal was previously the Company's Chief Executive Officer and, through Volcan Investments Limited (Volcan), members of his family have a controlling interest in the Company, he did not meet the independence criteria as defined in the Code on his appointment in 2005. Mr Agarwal is pivotal in helping to achieve the strategic objectives of Vedanta through his skills in seeking out value-creating acquisitions and projects. As he dedicates himself full-time to the Group, he is able to balance his executive duties with providing leadership to the Board. As Executive Chairman, Mr Agarwal encourages debate and challenge and ensures that decisions are reached by consensus. For these reasons, the Board unanimously agrees that his continued involvement in an executive capacity is important for the success of the Group.

#### Code provision B.2.1

Volcan Investments Limited (Volcan) is a controlling shareholder as per the definition under the UK Listing Rules and has an agreement with the Company to safeguard the independence provisions as set out in the UK Listing Rules (Relationship Agreement). Under the terms of the Relationship Agreement, Volcan will be consulted on all appointments to the Board. The Nominations Committee therefore works collaboratively with Volcan when making appointments to the Board and, to this extent, differs from the process set out in Code Provision B.2.1 which stipulates that the Nominations Committee should lead the process for Board appointments.

The Board is satisfied that the above deviations from the provisions of the Code are not detrimental to the Company's governance for the reasons highlighted and that good governance remains an intrinsic part of the Group's culture and operations.

## Leadership

For more information on leadership see pages 106–110

## Effectiveness

For more information on effectiveness see pages 111–116

## Accountability

For more information on accountability see pages 117–124

## Relations with shareholders and other stakeholders

For more information on relations with shareholders and other stakeholders see pages 125–126

## Remuneration

For more information on Directors' remuneration see pages 129–143

# Corporate Governance Report continued

## Leadership

The Company's Board of Directors provides entrepreneurial leadership for the Group and strategic direction to management. It is collectively responsible for promoting the long-term success of the Group through the creation and delivery of sustainable shareholder value. The reporting structure, as shown below, between the Board, Board Committees and Management Committees forms the backbone of the Group's Corporate

Governance framework. As part of its decision-making processes, the Board considers the long-term consequences of its decisions, the interests of various stakeholders including employees, the impact of the Group's operations on the environment and the need to conduct its business ethically. This is achieved through a prudent and robust risk management framework, internal controls and strong governance processes.

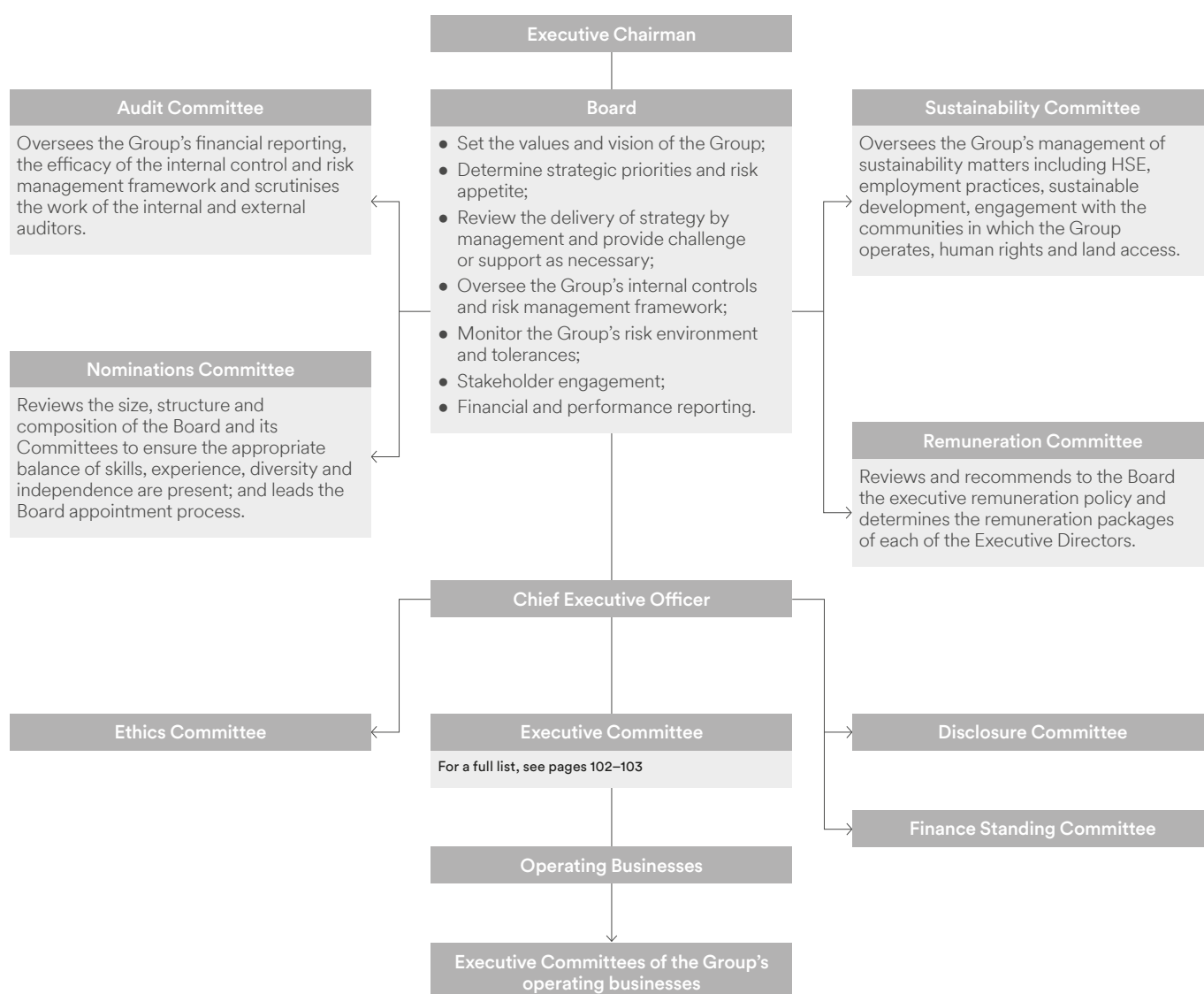
### Board

Comprises of seven directors including the Executive Chairman, Executive Vice Chairman and five Non-Executive Directors.

### Board Committees

The Board delegates certain responsibilities to committees which operate within their defined terms of reference. The Board has four established Committees, shown below (together, the Board Committees).

For more information see pages 114–128





Each Board Committee has formally delegated duties and responsibilities included in its terms of reference, which are available on the Company's website at [www.vedantaresources.com/boardcommittees](http://www.vedantaresources.com/boardcommittees). The Board Committees' terms of reference are reviewed regularly to ensure that they comply with current legal and regulatory requirements, reflect corporate best practice and facilitate the effective operation of the relevant Board Committee. The chair of each of the Board Committees reports formally to the Board on their respective Committee's activities following each meeting. Additionally, from time to time, the Board Committees submit reports and recommendations to the Board on any matter which they consider significant to the Group.

Only the members of each Board Committee have the right to attend its meetings. The Directors who serve on each of the Board Committees are shown in their respective reports. In addition, the Group Chief Executive Officer, Kuldip Kaura, the Chief Executive Officer, Base Metals and Zinc India, Mr Sunil Duggal, who is also Chairman of the Group Ethics Committee; and Chief Executive Officer, Africa Base Metals, Ms Deshnee Naidoo, are also members of the Sustainability Committee.

### Division of responsibilities

There is a clear division between the functioning of the Board in providing effective oversight and the executive responsibility for the operation of the Company's business. The Board has an established policy which prescribes how it discharges its mandate. This policy sets out the roles and responsibilities of the Executive Chairman, Executive Vice Chairman, Chief Executive Officer, Senior Independent Director and Non-Executive Directors, which are summarised below.

The role of the Executive Chairman	The role of the Executive Vice Chairman	The role of the Chief Executive Officer
<p>The Executive Chairman is responsible for:</p> <ul style="list-style-type: none"> <li>Leading the Board and ensuring that it discharges its responsibilities effectively;</li> <li>Developing succession plans for Board appointments for approval by the Board;</li> <li>Identifying strategic priorities and new business opportunities to enhance shareholder value;</li> <li>Promoting the highest standards of integrity, probity and governance;</li> <li>Chairing the Board meetings and facilitating the active engagement of all Directors;</li> <li>Overseeing the Directors' induction, performance and ongoing development; and</li> <li>Engaging with the Company's shareholders and other stakeholders to ensure that an appropriate balance is maintained between the various interests.</li> </ul>	<p>The Executive Vice Chairman is responsible for:</p> <ul style="list-style-type: none"> <li>Supporting the Executive Chairman in executing the overall vision and strategy of the Group;</li> <li>Leading the Group's principal subsidiary, Vedanta Limited, as its chairman;</li> <li>Enhancing and sustaining the Group's overall HSE, people, digital &amp; technology, ethics and compliance practices at global standards;</li> <li>Overseeing stakeholder engagement in India and globally around investors and partners;</li> <li>Ensuring effective execution of growth projects to deliver value; and</li> <li>Providing mentoring to some of the key corporate functions like the people function, management assurance and investor relations including key leadership development.</li> </ul>	<p>The Chief Executive Officer is responsible for:</p> <ul style="list-style-type: none"> <li>Ensuring effective implementation of Board decisions;</li> <li>Developing operational business plans for the Board's approval;</li> <li>Providing leadership to the senior management team for the delivery of the Group's operational business plans following Board approval;</li> <li>Providing oversight and management of all of the Group's operations and performance including environmental, social, governance, health and safety and sustainability;</li> <li>Managing the Group's risk profile in line with the risk appetite set by the Board;</li> <li>Ensuring that prudent and robust risk management and internal control systems are in place throughout the Group;</li> <li>Recommending annual budgets to the Board for approval;</li> <li>Supporting the Executive Chairman in maintaining effective communications with various stakeholders; and</li> <li>Leading the Executive Committee.</li> </ul> <p>The responsibilities outlined above also applied to Mr Kuldip Kaura from the date of his appointment as Group Chief Executive Officer to the date of this report.</p>

Other Directors, management and advisers may attend meetings at the invitation of the relevant Board Committee chair. The Group Company Secretary acts as Secretary to the Board, Audit, Nominations and Remuneration Committees and attends all their meetings while the Head of HSE and Sustainability attends the Sustainability Committee meetings to formally record each meeting. Reports of each of the Board Committees are provided on pages 114–128.

At the invitation of the Audit Committee, the Executive Directors, Chief Executive Officer, Chief Financial Officer, Director, MAS and other members of the senior management team regularly attend Audit Committee meetings to report on issues and facilitate discussions with the external auditor. The external auditor attends Audit Committee meetings to ensure effective communication of matters relating to the external audit of the Group's full year and interim financial statements. The Audit Committee also meets bi-annually with representatives from the external auditor without management being present.

All Board Committees are authorised to obtain legal or other professional advice as necessary at the expense of the Company, to secure the attendance of external advisers at their meetings and to seek information from any employee of the Company in order to perform their duties.

# Corporate Governance Report continued

## Leadership

The role of the Senior Independent Director	Non-Executive Directors
<p>The Senior Independent Director plays a key role on the Board. He is responsible for:</p> <ul style="list-style-type: none"> <li>• Acting as an intermediary for shareholders who wish to raise concerns that they have been unable to resolve through the normal channels of communication;</li> <li>• Acting as a sounding board for the Executive Chairman and serving as an intermediary for the Non-Executive Directors where necessary;</li> <li>• Meeting with the Non-Executive Directors at least once a year to appraise the Executive Chairman's performance and on such other occasions as are deemed appropriate; and</li> <li>• Meeting with a range of shareholders, when requested, to develop a better understanding of their issues and concerns and reporting the outcomes of such meetings at subsequent Board meetings.</li> </ul>	<p>The Non-Executive Directors are responsible for helping to develop the Company's strategy and providing rigorous, objective and constructive challenge to create accountability and drive performance. Collectively, the current Non-Executive Directors have the appropriate balance of expertise and independent judgement, together with a good understanding of the Group's risk environment to enable them to provide effective oversight in the context of uncertainty and volatile markets.</p>

### Management committees

#### The Executive Committee

The Executive Committee supports the Chief Executive Officer in the day-to-day running of the Group and meets monthly. It is responsible for implementing the strategy adopted by the Board, allocating resources in line with delegated authorities, managing risk and monitoring the operational and financial performance of the Group. Authority is delegated by the Executive Committee to the respective Chief Executive Officer of each of the Group's businesses. The Group Chief Executive Officer keeps the Board informed of the Executive Committee's activities through his standing reports to the Board.

#### The Finance Standing Committee

The Finance Standing Committee has delegated authority from the Board for approval of certain matters including approval of financing arrangements and corporate guarantees below the financial threshold required for Board approval; and allotment of shares pursuant to the Company's share plans. It comprises of the Executive Chairman, Executive Vice Chairman, Chief Executive Officer, Chief Financial Officer and Director of Vedanta Limited. The Company Secretary updates the Board on the activities of the Finance Standing Committee at the subsequent Board meeting and the minutes of all Finance Standing Committee meetings are reviewed by the Board.

#### Ethics Committee

The Ethics Committee is a management committee whose core purpose is to reinforce Vedanta's zero tolerance of unethical behaviour. The Ethics Committee ensures uniformity and consistency in the decision making process following investigation of integrity incidents. Members of the Ethics Committee include the CEO, Base Metals and Zinc India, who chairs the Committee and Director – MAS amongst others.

#### Disclosure Committee

The Company has established a Disclosure Committee which meets as required to deal with the control of price sensitive information within the Group and to ensure that timely announcements are made in accordance with the Company's obligations under the Market Abuse Regulation and the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules. It comprises of Director of Vedanta Limited, Chief Financial Officer, Director – Investor Relations, Group Head of Corporate Finance and Strategy and the Group Company Secretary.

#### Key matters reserved for Board consideration

The duties of the Board are set out in its terms of reference, including those matters specifically reserved for its consideration. These include:

- **Regulated activity** – approval of the Group's annual and half-year reports and financial statements, declaration of the interim dividend and the recommendation of the final dividend;
- **Group structure** – approval of any material restructuring or reorganisation of the Group;
- **Capital expenditure** – approval of major capital expenditure projects, acquisitions and disposals of assets in excess of defined thresholds;
- Approval of a variety of matters which are determined by their nature to have a significant likely impact for the Group;
- **Board changes** – approval of any appointments to or removals from the Board of Directors.

The Board's terms of reference also set out those matters which must be reported to the Board, such as details of fatalities within the Group and the adoption or material amendment to the Group policies relating to business conduct, environment and health and safety.

The formal schedule of reserved matters is replicated in internal delegation of authorities within the Group to provide the businesses with flexibility to operate whilst ensuring that strategic matters are always considered and decided by the Board. The Board reviews its schedule of reserved matters regularly.

### Board meetings

The Board had eight meetings during the year, of which one was held at the Group's office in Mumbai, India. Four Board meetings during the year were called at short notice to consider and approve specific ad hoc transactional matters and/or senior management changes. In addition to formal meetings, written resolutions are passed with the approval of the whole Board on routine matters as required in order to facilitate efficient decision-making. The Non-Executive Directors, led by the Senior Independent Director also met during the year without the Executive Directors present to appraise the Executive Chairman's performance.

Details of the Directors' attendance at Board and Board Committee meetings are shown below:

Name	Date of appointment	Board	%	Nominations Committee	%	Audit Committee	%	Sustainability Committee	%	Remuneration Committee	%
<b>Executive Directors</b>											
Anil Agarwal <sup>1</sup>	16 May 2003	7/8	88	5/5	100	n/a	n/a	n/a	n/a	n/a	n/a
Navin Agarwal <sup>2</sup>	24 Nov 2004	7/8	88	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Non-Executive Directors</b>											
Deepak Parekh <sup>3</sup>	1 Jun 2013	7/8	88	4/5	80	6/7	86	n/a	n/a	2/2	100
Geoffrey Green	1 Aug 2012	8/8	100	n/a	n/a	7/7	100	n/a	n/a	2/2	100
Katya Zotova <sup>4</sup>	1 Aug 2014	6/8	75	5/5	100	n/a	n/a	5/5	100	2/2	100
Ravi Rajagopal <sup>5</sup>	1 Jul 2016	7/8	88	n/a	n/a	7/7	100	5/5	100	n/a	n/a
Edward T Story <sup>6</sup>	1 Jun 2017	7/7	100	n/a	n/a	5/5	100	n/a	n/a	n/a	n/a
<b>Former Directors</b>											
Tom Albanese <sup>7</sup>	1 Apr 2014	5/5	100	n/a	n/a	n/a		2/2	100	n/a	n/a
Aman Mehta <sup>8</sup>	24 Nov 2004	4/4	100	2/2	100	2/2	100	n/a	n/a	1/1	100

1 Mr Anil Agarwal did not attend one meeting of the Board due to a conflict of interest on the subject under consideration at the meeting.

2 Mr Navin Agarwal did not attend one meeting of the Board due to a conflict of interest on the subject under consideration at the meeting.

3 Mr Deepak Parekh did not attend one meeting each of the Board and Board Committees on which he serves, which were held on the same day, due to a prior commitment.

4 Ms Zotova was unable to attend two meetings of the Board due to commitments which had been booked prior to the meetings being scheduled for these dates.

5 Mr Rajagopal was unable to attend one meeting of the Board due to a commitment which had been booked prior to the meeting being scheduled for this date.

6 Mr Story joined the Board on 1 June 2017 and attended all meetings of the Board and Board Committees which he was entitled to attend.

7 Mr Albanese resigned from the Board on 31 August 2017 and attended all the meetings of the Board and Board Committees which he was entitled to attend.

8 Mr Mehta retired from the Board on 14 August 2017 and attended all meetings of the Board and Board Committees which he was entitled to attend.

A Director who is unable to attend a Board or Board Committee meeting nonetheless receives all the papers and materials for discussion at the meeting. Following his/her review of the meeting materials, the Director provides his/her feedback to the Company Secretary so that it can be conveyed to the rest of the Board/Board Committee at the meeting.

### Vedanta Board culture

The Board operates in an open and collaborative manner to support and constructively challenge management to deliver operational success. The Directors harness their collectively wide-ranging expertise and experience to shape decision-making.



# Corporate Governance Report continued

## Leadership

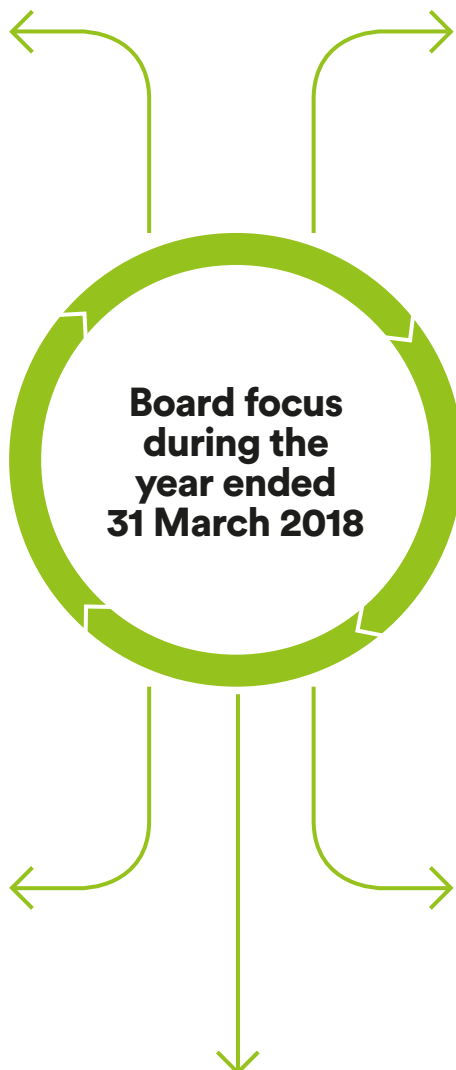
The main items of business considered by the Board during the year are shown below:

### Strategy

- Undertook a strategic review with detailed presentations from the leaders of the Group's Oil & Gas, Aluminium and Copper India businesses;
- Approved the strategic expansion projects for the Group's Oil & Gas and Sterlite Copper businesses;
- Considered new business opportunities including the submission of bids by the Group for steel assets such as Electrosteel Steels Limited and Essar Steel Limited under the Indian Insolvency and Bankruptcy Code;
- Approved the acquisition of a controlling stake in Japanese substrate glass manufacturer, Avanstrate Inc;
- Discussed the Supreme Court of India judgement in respect of the mining ban in Goa and the potential impact for the Group;
- Reviewed HSE goals and performance across the Group as part of the Board's annual strategic review, with focus on progress made towards the Zero Harm, Zero Waste and Zero Discharge goal;
- Held a dedicated session to review Technology and Digitisation, a key strategic pillar for the Group's growth.

### Monitoring operational and financial performance

- Approved the Group's Business Plan FY2018-FY2019
- Reviewed the Group's operational performance, including safety and environment across its businesses, through updates from the Chief Executive Officer at each scheduled Board meeting;
- Reviewed the fatal incidents across the Group and received updates on corrective actions taken to prevent recurrences;
- Reviewed the Group's financial performance and debt management initiatives through updates from the Chief Financial Officer at each scheduled Board meeting;
- Approved the going concern statement and Viability Statement for inclusion in the Company's Annual Report and Accounts.
- Approved the Group's Annual Report and full- and half-year financial results;
- Declared the Company's 2017 final and 2018 interim dividends;
- Approved the Company's US\$1billion liability management proposals including a bond issuance, tender offer for the Company's existing 2019 and 2021 Bonds and entry into a syndicated loan facility for US\$575 million.



### Governance and risk

- Approved the grant of a waiver in respect of the non-compete clause under the Relationship Agreement for Volcan Investments Limited, which was a related party transaction, prior to Volcan acquiring a substantial shareholding in AngloAmerican Plc;
- Reviewed the Group's progress on compliance with the Modern Slavery Act;
- Reviewed the findings of the Board and Board Committee evaluation and agreed appropriate actions;
- Convened the Company's 2017 Annual General Meeting and approved the business to be considered at the meeting;
- Received updates from each of the Board Committees;
- Approved amendments to the Group's Code of Conduct and Ethics;
- Received governance updates on regulatory matters such as EU Market Abuse Regulation, Corporate Governance Reform proposals, General Data Protection Regulation;
- Approved changes to the Finance Standing Committee's terms of reference and membership.

### Stakeholder feedback

- Received regular investor relations updates with feedback from shareholders and other stakeholders;
- Received an update from the Sustainability Committee Chair on feedback from the Company's third Sustainable Development Day;
- Received an update from management in respect of the progress of a commitment made to a stakeholder at the Company's AGM;
- Held direct interactions with a number of employees from different businesses across the Group on HSE initiatives and the efforts to embed safety consciousness and the ultimate goal of 'Zero Harm, Zero Waste and Zero Discharge'.

### Board and senior management changes

- Approved the appointment of a Non-Executive Director;
- Approved the appointment of the Company's interim Chief Executive Officer.
- Received updates on senior management changes within the Group; and
- Approved the appointment in principle of Mr Venkatakrishnan as the Company's new Chief Executive Officer, subject to the agreement of terms by the Remuneration Committee.

Subsequent to the year end, there were two additional meetings of the Board held to consider transactional matters. A meeting was held to approve the publication of a shareholder circular for the acquisition of a controlling stake in Electrosteel Steels Limited by Vedanta Limited as the transaction constituted a Class 1 transaction under the UK Listing Rules. A second meeting was held to consider and approve the submission of the Group's bid for Essar Steel Limited in India, which was subject to insolvency proceedings.

# Corporate Governance Report

## Effectiveness

### Relationship agreement with controlling shareholder

The Company has a written legally binding Relationship Agreement with its controlling shareholder, Mr Anil Agarwal, and his associate, Volcan Investments Limited (Volcan). The original Relationship Agreement entered into at the time of admission of the Company's shares to the premium listing segment of the Official List of the Financial Conduct Authority (FCA) and to trading on the London Stock Exchange plc's main market for listed securities (Listing) in 2003 and amended in December 2011 was further amended in November 2014 to comply with the revised Listing Rules for the protection for minority shareholders which came into force in May 2014.

The Relationship Agreement ensures that the Group is able to carry on business independently of Volcan, the Agarwal family and their associates and that the controlling shareholder complies with the independence provisions set out in Listing Rule 6.1.4D. Under the terms of the Relationship Agreement, the Board and Nominations Committee will at all times consist of a majority of Directors who are independent of Volcan and the Agarwal family, while the Remuneration and Audit Committees shall at all times comprise solely of Non-Executive Directors. However, Volcan is entitled to nominate for appointment as Director such number of persons as is one less than the number of Directors who are independent of Volcan, the Agarwal family and their associates. As the Board is comprised of a majority of independent Non-Executive Directors and Vedanta's ability to operate independently of Volcan is protected by the Relationship Agreement, the Board considers that there are adequate safeguards for the protection of minority shareholder interests.

The Audit Committee is responsible for reviewing matters arising in relation to the Relationship Agreement and related party transactions on behalf of the Board. During the year, there were no contracts of significance between the Company, or its subsidiary undertakings, and the controlling shareholder. During the year, the independent Directors considered and approved a waiver in respect of the provision in the Relationship Agreement restricting Volcan from acquiring more than five per cent in aggregate of any class of shares, debentures or other securities in issue of any company which is listed on any stock exchange which engages in the smelting, refining or mining of base metals or minerals. Subsequent to the grant of this waiver by the Company, Volcan, through its wholly owned subsidiary, entered into an arrangement to acquire 271,802,858 shares of AngloAmerican Plc, amounting to 19.35% of its issued share capital as at 12 October 2017, the date the share purchases were completed (19.34% as at 31 March 2018).

The Company has complied with the independence provisions in the Relationship Agreement and so far as the Company is aware, the controlling shareholder and its associates have complied with the independence provisions and the procurement obligation included in the Relationship Agreement.

### Board balance

In accordance with the Code, it is the Company's policy that at least half the Board, excluding the Executive Chairman, comprises of independent Non-Executive Directors to ensure that an appropriate balance is maintained between Executive and Non-Executive Directors for effective governance and so that no individual or small group of Directors can dominate the decision-making process.

The Nominations Committee undertakes an evaluation of each Director's independence on appointment, annually prior to recommending their re-election by shareholders, as well as when any Director's circumstances change and warrant a re-evaluation.

The Nominations Committee has carefully considered the independence of each of the Non-Executive Directors and recommended to the Board that they be proposed for re-election by shareholders.

Prior to the appointment of Mr Story as a Non-Executive Director, the Nominations Committee considered his independence and potential for conflict of interest as he was formerly a non-executive director of Cairn India Limited. Mr Story was adjudged to be independent of Cairn India for the purposes of Cairn India's own corporate governance requirements. Accordingly, Mr Story's relationship with Cairn India was unlikely to be sufficiently close for this, of itself, to result in him being adjudged to have a material business relationship with the Company. As Cairn India Limited was part of PLC's consolidated group, it was determined that he was independent of the Company on his appointment. Any potential conflict of interest arising from his former directorship of Cairn India Limited was eliminated on completion of its merger with Vedanta Limited.

The Nominations Committee also considered the independence of Mr Geoffrey Green in respect of his former role at Ashurst LLP and his current role as Chairman of the Financial Reporting Review Panel (FRRP). As Mr Green relinquished his role at Ashurst LLP in April 2015 and the fees of £166,312 (USD 217,460) which was paid to Ashurst LLP during the year amounted to less than 1% of the Group's revenue expenditure, the Nominations Committee determined that his independence was not compromised. It was further determined that there had been no conflicts which arose during the year out of his role at the FRRP.

The Board regards each of the five Non-Executive Directors as being fully independent in character and judgement and free from any relationship or circumstance that could affect or appear to affect their independent judgement.

As the majority of Directors are independent Non-Executive Directors, the Board has an appropriate balance between Executive and Non-Executive Directors and the right mix of skills and experience for effective decision-making.

### Diversity and the process for Board appointments

The Board recognises the benefit that diversity in all its forms, including but not limited to, age, gender, race, ethnic origin, cultural and educational background, can bring to Board debate and perspective. It is the Board's view that, while efforts should be made to address the gender imbalance on the Board and across the Group, all appointments should be made on merit, measured against objective criteria, rather than to fulfil targets.

The Board has a rich diversity, with Directors having a variety of backgrounds and a wide range of international, professional and sector experience including mining, oil & gas, corporate finance, banking, diplomacy and governance.

The Nominations Committee regularly reviews the balance of independence, skills, experience and diversity on the Board to identify any gaps and those criteria which are required to enhance the effectiveness of the Board and Board Committees. These criteria form the basis of the search for new Directors. When a particular skill gap on the Board is identified, a role specification is prepared with these criteria which is used to shortlist candidates for interviews with the Chairman. A further shortlist is then presented to the Board with the Nomination Committee's recommendation. The Committee may engage external Board recruitment agencies to ensure that it considers a wide and diverse range of candidates. Details of the criteria and how they applied in relation to the new Board appointments during the year and to the date of this Report are given in the Nominations Committee Report on page 115.

# Corporate Governance Report continued

## Effectiveness

### Diversity and Inclusion Policy

The Board has formalised its approach to diversity and inclusion with its approval of the Group's Diversity and Inclusion Policy. The policy reinforces the Group's commitment to promoting an inclusive environment, in which every member of its workforce feels valued and respected, with a zero tolerance of discrimination and harassment. While our commitment extends to embracing diversity in all its forms, including but not limited to, age, gender, ethnicity, abilities, sexual orientation and religious beliefs, the Group is specifically focusing on improving the gender balance.

The objective of the Diversity and Inclusion Policy is to have a workforce which is representative of countries and communities in which we operate and where every individual is valued, respected and empowered to utilise their different abilities and experiences to realise their full potential.

### Gender diversity

The Company currently has one woman on its Board (13%) while its two principal listed subsidiaries in India, Vedanta Limited and Hindustan Zinc Limited, have two female directors each on their boards, 22% and 25% respectively. At a senior management level, we have 5.8% women on the Group Executive Committee. We have 14% female representation in aggregate on the executive committees of our businesses and 16.6% female representation on the subsidiary business unit executive committees. A number of the Company's business and functional heads are women including in roles such as CEO, Africa Base Metals, Director-Investor Relations and Head of Tax, to name a few.

The Board is driving the efforts to address gender imbalances across the Group in a holistic way by addressing the barriers to female progression in a heavily male dominated industry. Our Group companies have adopted path-breaking initiatives for redressing gender imbalance. We have well-defined diversity hiring targets, as we hire from the market and premiere colleges across the globe. Our empanelled search firms are necessarily mandated to present diverse slates for staffing and recruitment. Internally, we ensure that the interview panels have the right diversity mix, ensuring fairness in our selection practices.

Every year, we recruit a large number of graduate engineering trainees, management trainees and associates for the Vedanta Leadership Development Programme, from across the globe, at the entry level and we endeavour to appoint at least 50% female candidates through campus recruitment. This provides us with a strong and solid base for developing future homegrown diverse leaders at Vedanta. During the year, 20.87% of the recruitment across the Group comprised of women.

We also encourage the concept of 'second career opportunity' for women returning from sabbaticals and career breaks due to maternity or other family commitments. From time to time, hiring initiatives are launched, targeting this particular talent pool.

At our Oil & Gas business, 2017 was a hallmark year as we increased our gender diversity ratio from 9% to over 16%. We hired over 160 entry level management trainees and graduate engineer trainees with 74% of them being women. We also made significant headway in enlarging gender representation in middle and top management through focused career growth opportunities.

The Group's Gender Intelligence and Leadership (GIL) programme was launched in the Oil & Gas business as a pilot initiative which aims to cover 300 people managers by the end of Q2 2018. The programme aims to sensitise the Group's business leaders and people managers to gender issues, encourages them to question the status quo and deep rooted assumptions to eradicate bias, identify alternatives and opportunities that are more inclusive and reinforce a culture of diversity and inclusion in the workplace. The programme has been a huge success and will shortly be launched across the Group. Family friendly policies including enhanced maternity leave, paternity and adoption leave, benchmarked against global best practice, have been rolled out across our businesses in India, in excess of legal requirements and encourage the return of women to work.

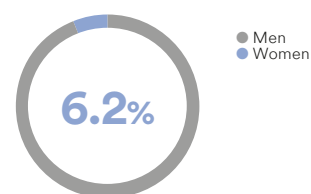
### Board induction

On appointment to the Board, each Director undergoes a comprehensive induction programme which is tailored to their individual needs but is intended to provide an introduction to the Group's operations, challenges and risks. Newly-appointed Directors also receive an overview of their duties, corporate governance policies and Board processes. During the year, Mr Edward Story completed his induction following his appointment to the Board. This included:

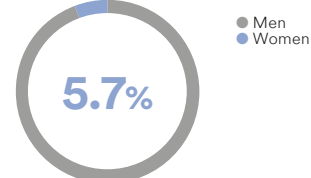
- Guidance for directors of UK public listed companies;
- Information in respect of the Group's governance documents such as the Company's Articles of Association, Board Charter, Schedule of Matters Reserved for the Board, terms of reference for the Board and Board Committees he serves on;
- Minutes of all Board meetings held in the previous year;
- Minutes of all Audit Committee meetings held in the previous year;
- Information on Vedanta values and key business policies such as the Code of Business Conduct and Ethics;
- Directors' and Officers' Liability Insurance cover; and
- Board effectiveness review and action plan.

### Progress on measurable objectives

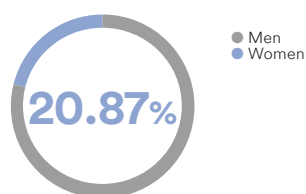
**Women in senior management**  
(FY 2017–18)



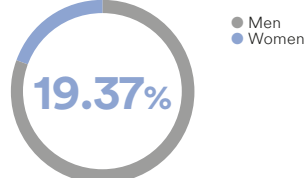
(FY 2016–17)



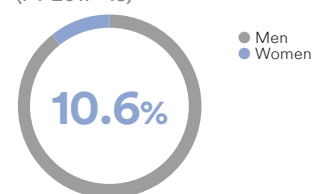
**Women recruited during the year**  
(FY 2017–18)



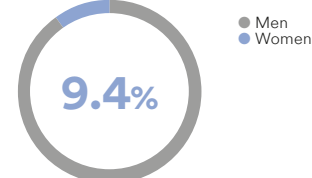
(FY 2016–17)



**Total full time female employees across the Group**  
(FY 2017–18)



(FY 2016–17)



Following Mr Rajagopal's succession as the Chairman of the Company's Audit Committee, a specific tailored induction programme was also arranged in respect of the enhanced responsibilities of the Audit Committee to enable him to effectively discharge his duties. This included:

- Site visits to the Group's aluminium operations at Jharsuguda and Lanjigarh including meetings with their respective management committees
  - Site visit to the VGCB plant;
  - HSE and Sustainability overviews
  - Meetings with the CSR teams at Jharsuguda and Lanjigarh and attendance at some of their community engagement initiatives such as Vedanta hospital and DAV school in Lanjigarh.
- Mr Rajagopal also visited the Subbulaxmi Cooperative Society, Vedanta Ltd, Jharsuguda's flagship initiative established in 2008, an all-female cooperative covering 64 villages and over 3,200 members, with the aim of bettering the financial prospects of women in the region through provision of micro finance loans for business enterprises.
- Meetings with the Finance team, including the Chief Financial Officer, at the Group's offices in Mumbai and New Delhi;
  - Briefings from the external auditor and Director, MAS.

#### Ongoing Board training and development

The Board is committed to the continuing development of its Directors and they are offered training as required to assist them in the performance of their duties. There are also procedures in place to provide the Directors with appropriate and timely information, including receiving information between meetings regarding Group business development and financial performance. The Directors have access to the Company's professional advisers, where necessary, as well as to the Group Company Secretary, who is responsible for ensuring that Board procedures are followed. The Group Company Secretary is also responsible for advising the Board on governance matters.

During the year, the Audit Committee held a dedicated meeting to receive training which covered the following:

- Reforms and changes to the guidance for audit committees;
- Expectations and requirements of audit committees;
- Reporting developments and practice;
- Best practice for audit committees including the impact of culture;
- The 'Fair, Balanced and Understandable' challenge; and
- Considerations for the assessment of key risks facing the Group.

The Board and senior management received legal and regulatory updates on corporate governance developments including the General Data Protection Regulations. The Board also received a briefing from the Company's Sponsor, Lazard LLP on the Directors' responsibilities in connection with the publication of a Shareholder Circular for the acquisition of a controlling interest in Electrosteel Steels Limited by the Company's principal subsidiary, Vedanta Limited.

#### Directors' conflicts of interest

The Board has an established procedure for the disclosure of interests and other related matters in line with published guidance and the Companies Act 2006. Each Director must promptly disclose actual or potential conflicts and any changes, to the Board which are noted at each Board meeting. The Board considers and authorises potential or actual conflicts, as appropriate. Directors with a conflict do not participate in the discussion or vote on the matter in question. These procedures have proved to be effective during the year under review. Related party transactions, which include those in respect of any Director, are disclosed in Note 39 on pages 237–240.

The Nominations Committee reviewed all situations entered in the Conflicts Register annually and remains satisfied that the independence of those Directors who have external board appointments has not been compromised.

#### Time commitment

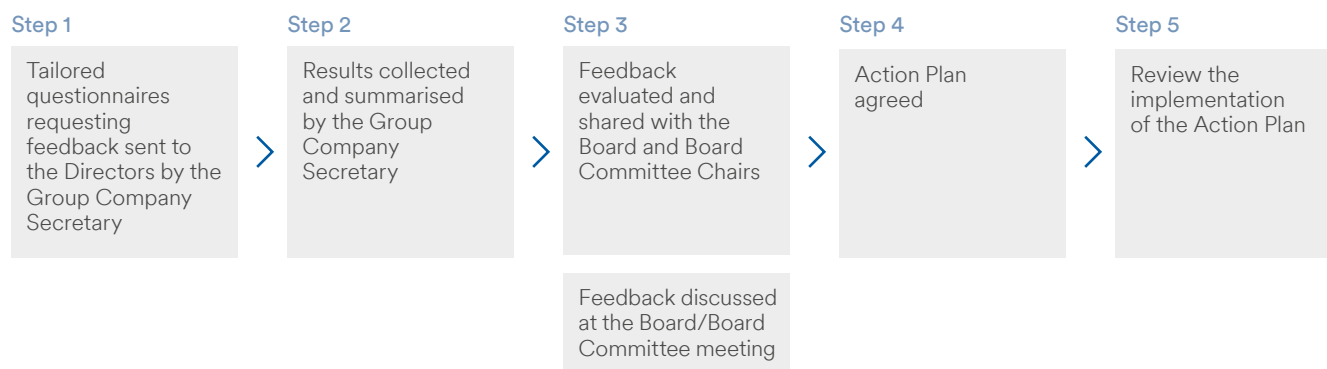
The Directors are all required to commit sufficient time to fulfil their responsibilities. Non-Executive Directors may serve on a number of other boards provided they continue to demonstrate their commitment to their role as Directors of the Company. The Nominations Committee monitors the extent of Directors' other interests to ensure that the effectiveness of the Directors and the Board as a whole is not compromised.

Prior to their appointment, the Company's Non-Executive Directors are notified that they are expected to spend a minimum of 20 days per annum on the Company's business, with greater time commitment during periods of heightened strategic and commercial activity, as set out in their letters of appointment. The Non-Executive Directors' letters of appointment are available on request from the Company Secretary. Non-Executive Directors are also required to disclose their other time commitments and seek the agreement of the Executive Chairman prior to accepting any additional appointments in order to ensure that they have sufficient time to fulfil their role as a Director.

Executive Directors may be permitted to accept one external non-executive board position at a listed company and to retain any fees paid to them in respect of such appointment, subject to the agreement of the Board.

#### Board evaluation

The effectiveness of the Board is crucial to the overall success of the Group and the Company undertakes a formal assessment of the operation the Board, Board Committees and individual Directors annually. The evaluation is an important part of the Board's corporate governance framework. Pursuant to the Code, the Company carries out a comprehensive externally facilitated Board effectiveness review at least once every three years. This year, the Company undertook an internal review of the effectiveness of the Board, Board Committees and Directors. This review process is shown below and further details of the outcome of the review are given in the Nominations Committee Report on pages 115–116.





# Nominations Committee Report

## Effectiveness



**Anil Agarwal**  
Chairman  
22 May 2018

### Current members

Anil Agarwal (Chairman)  
Deepak Parekh  
Katya Zotova

I am pleased to present the Nominations Committee's report for the financial year ended 31 March 2018. This report explains how the Committee has fulfilled its responsibilities throughout the year. Please refer to page 109 for details of attendance at meetings of the Committee.

### Summary of the Nominations Committee's activities during the year

The main items of business considered by the Nominations Committee during the year are shown below:

#### Board composition and succession planning

- Reviewed the balance of skills, experience, independence and diversity on the Board and Board Committees;
- Approved key search criteria for recruitment of a new Non-Executive Director;
- Engaged search consultancy, RGF to assist in the Board recruitment process;
- Reviewed shortlisted candidates and recommended the appointment of Mr Edward T Story as a Non-Executive Director;
- Reviewed the composition of the Board Committees and succession planning arrangements in respect of Mr Mehta's retirement from the Board on 14 August 2017. Accordingly, the composition of the Audit Committee was refreshed with the appointment of Edward T Story as a member to ensure that the Audit Committee as a whole has competence relevant to the sector;
- Recommended the appointment of Mr Kaura as the Company's interim Chief Executive Officer to fill the vacancy following Mr Albanese's resignation from the Board;
- Commenced the recruitment process for the role of the Company's Chief Executive Officer.



#### Governance

- Reviewed the feedback from the annual review of the Nominations Committee's effectiveness and approved improvement actions;
- Reviewed the feedback from the Board annual effectiveness review in respect of the composition of the Board and Board Committees;
- Approved the disclosures in the Nominations Committee Report in the Company's Annual Report FY2017.

#### Non-Executive Director review

- Reviewed the performance, external commitments and independence of each of the Non-Executive Directors prior to recommending their re-appointment by shareholders at the Annual General Meeting.

The Nominations Committee is chaired by the Company's Executive Chairman and is comprised of a majority of Non-Executive Directors in accordance with the Code. In the event of a conflict of interest, the Executive Chairman will abstain from the discussions and another member of the Nominations Committee will chair the meeting. The Group Company Secretary acts as Secretary to the Nominations Committee and attends all meetings. Other Directors, members of the senior management team and external advisers may attend meetings at the invitation of the Nominations Committee, as appropriate. The Chairman of the Nominations Committee provides an update to the Board in respect of the Nominations Committee's activities during the year. The Nominations Committee met on five occasions during the year.

### Key responsibilities

The Nominations Committee is responsible for making recommendations to the Board on the structure, size and composition of the Board and Board Committees, ensuring that the appropriate mix of skills, experience, diversity and independence is present on the Board for it to function effectively. The Nominations Committee also leads the process for new Board appointments, advises the Board on succession planning arrangements and oversees the development of management talent within the Group. The Nominations Committee works collaboratively with Volcan Investments Limited on new Board appointments in accordance with the terms of the Relationship Agreement between the Company, Mr Anil Agarwal and Volcan Investments Limited.

The responsibilities of the Nominations Committee are set out in its terms of reference which can be found on the Company's website at [www.vedantaresources.com/board-committees](http://www.vedantaresources.com/board-committees).

### Board succession

A key priority for the Nominations Committee during the year was the succession of the Chief Executive Officer. Following Mr Albanese's resignation from the Board, Mr Kuldeep Kaura was appointed as the interim Chief Executive Officer until a permanent successor was appointed. Mr Kaura has a wealth of leadership experience including his prior role as the Company's Chief Executive Officer which boosted the mining expertise on the Board and provided continuity until a suitable permanent successor was found. The Chairman of the Nominations Committee led the external search for suitable candidates with extractive industry experience and a proven track record of delivering improved business performance. Following an extensive process including meetings with the Chairman and the interim Chief Executive Officer, Mr Venkatakrishnan was appointed as the Company's Chief Executive Officer with effect from 31 August 2018. He will be standing for election by the Company's shareholders at the 2018 AGM.

Mr Aman Mehta retired from the Board following the conclusion of the 2017 AGM. The Nominations Committee reviewed the succession arrangements in respect of this and refreshed the composition of the Board and Board Committees. The key criteria sought for new Non-Executive Director appointments included prior extractive industry experience and a good understanding of both the UK market and Indian business environment. Following an exhaustive search facilitated by RGF, Mr Edward Story was appointed as a Non-Executive Director on 1 June 2017. RGF has no connection with the Group, other than to assist the Nominations Committee in its Board recruitment efforts.

Mr Story, who has extractive industry experience, was also appointed as a member of the Audit Committee to meet the requirement for the Audit Committee as a whole to have competence relevant to the sector in which the Group operates. Mr Deepak Parekh succeeded Mr Mehta as the Company's Senior Independent Director.

Mr Rajagopal was appointed as Chairman of the Audit Committee on 14 August 2017. As shown in his biography on page 101, Mr Rajagopal is a qualified accountant and has extensive executive experience with a strong financial background in large listed companies. The Board is therefore satisfied that Mr Rajagopal has recent and relevant financial experience and competence in accounting as required by the Code.

### Review of external commitments

The Nominations Committee was mindful of shareholder concerns over Mr Parekh's external appointments in light of the significant shareholder vote against his re-election as a Director of the Company and shareholder feedback in respect of this. Following careful consideration of Mr Parekh's external appointments, none of which has any exceptional circumstances which would require additional time commitment, the Nominations Committee determined that the wealth of his expertise and experience across a diverse range of sectors was a huge benefit to the Board and the Group. Furthermore, Mr Parekh's other appointments did not compromise his commitment to the Board as he was able to attend the majority of Board meetings held during the year, including those held at short notice, and participate fully in discussions. During the year, Mr Parekh also reduced his external commitments by stepping down from the board of Mahindra & Mahindra.

The Nominations Committee is satisfied that each of the Non-Executive Directors commits sufficient time to their duties in relation to the Company.

### Effectiveness review

The Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors, and that the Board evaluation should be externally facilitated at least every three years.

As the Company carried out an external evaluation which was conducted by Prism Board Room in 2017, this year the effectiveness review was undertaken internally, facilitated by the Group Company Secretary, through tailored questionnaires. The questionnaires were pragmatically structured to draw out significant issues that were relevant to the Board and each of the Board Committees, to assist in identifying any areas for improvement. The Executive Chairman's performance was evaluated by the Non-Executive Directors, led by the Senior Independent Director, and the conclusions of the evaluation were fed back to the Executive Chairman. An internal review of the progress made on the prior year's planned actions was also undertaken.

A report in respect of the feedback from the Directors in the Board evaluation questionnaires and suggested recommendations for areas to focus on in the coming year was prepared by the Group Company Secretary and presented to the Board for consideration, following which an action plan was agreed.

Overall, the review determined that the Board and Board Committees operate effectively. There is a good balance of skills and experience on the Board to support and challenge management for the delivery of stakeholder goals.

# Nominations Committee Report continued

## Effectiveness

Specific progress made during the year against the previously agreed areas of focus is summarised as follows:

Area	Specific focus	Progress during the year
<b>Board composition</b>	Succession for role of Chief Executive Officer	<p>The Nominations Committee reviewed the composition of the Board in light of Mr Albanese's departure. Due to the length of the recruitment process, and in order to provide continuity of leadership, the Nominations Committee recommended to the Board the appointment of Mr Kuldip Kaura as interim Chief Executive Officer until a permanent successor was found as he had previous experience of leading the Executive Committee.</p> <p>Subsequently, Mr Venkatakrishnan, who has a wealth of extractive industry experience, was appointed as the Company's Chief Executive Officer.</p>
<b>Health &amp; Safety</b>	Health & Safety strategy and implementation	<p>During the year, Management reviewed the Group's HSE strategy and details of actions taken are given in the Sustainability section on page 47.</p> <p>HSE will remain a key focus area for the new Chief Executive Officer.</p>
<b>Board development</b>	Ongoing training to ensure Directors have the skills to fulfil their duties	Additional training sessions were arranged for members of the Audit Committee in respect of the responsibilities of the Committee.
<b>Board administration</b>	Information papers for the Board	Information papers to the Board and Board Committees were revised to focus on objectives and key risks/issues to the Group's businesses. These include those matters which are financially material in addition to those which can impact the Group's reputation and control environment.

### Board evaluation Action Plan for 2018

- A dedicated conceptual strategy session will be arranged with enhanced engagement between Non-Executive Directors and senior management;
- Business level management will be invited to Board discussions to enable the Board get a better first-hand understanding of key challenges and the strategic impact for the Group.
- Safety remains a risk and of paramount importance and while a number of initiatives have already been implemented to drive the Group's goal of 'Zero Harm, Zero Waste and Zero Discharge', the Board's and Management's focus should remain on driving a cultural change to this key risk.
- More time allocation to safety, environment issues, 'license to operate' and frequent interaction with local HSE specialists to iron out issues relating to ESG.

### Nominations Committee performance evaluation

As part of the Board's annual evaluation of its effectiveness and that of its Committees, described on page 115, the Nominations Committee assessed its own effectiveness. The members of the Nominations Committee agreed that its overall performance had been effective during the year.

# Audit Committee Report

## Accountability



**Ravi Rajagopal**  
Chairman  
22 May 2018

### Current members

Ravi Rajagopal  
(Chairman)  
Geoffrey Green  
Deepak Parekh  
Edward T Story

I am pleased to present the Audit Committee's report for the financial year ended 31 March 2018. This report explains how the Committee has fulfilled its responsibilities throughout the year.

The Audit Committee is comprised solely of independent Non-Executive Directors in accordance with the Code. The Audit Committee met on seven occasions during the year. Please refer to page 109 for details of attendance at meetings of the Committee.

The Directors who serve on the Audit Committee have the necessary qualifications and bring a wide range and depth of financial and commercial experience across various industries. Their collective knowledge, skills, experience and objectivity enables the Audit Committee to work effectively and to challenge management.

### Responsibilities

The Audit Committee assists the Board in the discharge of its responsibility for maintaining and monitoring the integrity of the Group's financial statements, assessing the effectiveness of the Group's system of risk management and internal controls, internal audit processes and the independence and objectivity of the external auditor. The work of the Audit Committee aims to reassure shareholders that their interests are properly protected in respect of the Group's financial and risk management and reporting and the Audit Committee regularly updates the Board in respect of this.

The Audit Committee has been delegated responsibility by the Board to oversee the Company's procedures and systems in relation to risk management and internal control which are adopted by the Company. In order to carry out its duties effectively, the Audit Committee receives high quality and detailed information from management and the internal and external auditor which is reviewed regularly, discussed and challenged by the Audit Committee, as required.



# Audit Committee Report continued

## Accountability

### Summary of the Audit Committee's activities during the year

The main areas covered by the Audit Committee during the year are summarised below:

#### Financial reporting

It is one of the Audit Committee's key duties to monitor the integrity of the Company's financial statements. As part of this process it reviews in detail the preliminary results statements, the Annual Report and Accounts and half-year report. The appropriateness of accounting policies used is considered, accounting judgements are reviewed and the external audit findings discussed. Details of financial reporting procedures in place are given on page 119 of the Corporate Governance Report.

- Review and approval of preliminary announcements, Annual Report and financial statements;
- Review of key significant issues for year-end audit (further details on page 120);
- Six-monthly reviews of significant accounting issues and receipt of reports on key accounting issues;
- Review and approval of the half-year report;
- Review of the Group's financial statements for the nine-month period ended 31 December 2017;
- Discussions on impairment reviews;
- Review of pending tax issues;
- Review of Audit Committee Report for the Annual Report and Accounts FY2017;
- Review of legal cases to ensure appropriate provisions are made and disclosed;
- Review of the going concern basis for the preparation of the financial statements including working capital forecasts, monthly projections and funding requirements;
- Review of the Group's Viability Statement.

#### The audit and external auditor

- Review of the significant audit risks with the external auditor during interim review and year-end audit;
- Consideration of external audit findings and review of significant issues raised;
- Review of key audit issues and management's report;
- Review of the materiality figure for the external audit;
- Review of the independence of the external auditor and the provision of non-audit services including non-audit fees paid to the external auditor;
- Approval of the revised Non-Audit Services Policy for the Group;
- Review of the external auditor's performance and making recommendations in respect of the reappointment of the external auditor;
- Review of the management representation letter;
- Review of the audit plan, scope of the 2018 external audit of the financial statements and key risk areas for the 2018 audit.



### Audit Committee focus during the year ended 31 March 2018

#### Internal controls, risk management and governance

Details of the Company's internal control and risk management processes are discussed on pages 122–123. The Audit Committee reviews these processes and output from the regular review of risks carried out during the year by the internal audit function.

- Internal audit review including the internal control framework, changes to the control gradings within the Group and whistleblower cases;
- Reviewing the Group's risk management infrastructure, risk profile, significant risks, risk matrix and resulting action plans;
- Reviewing reports from subsidiary company audit committees;
- Reviewing feedback from the Audit Committee's performance evaluation;
- Reviewing the Group's cybersecurity controls;
- Approving the updated terms of reference of the Audit Committee in respect of the requirements of the UK Corporate Governance Code 2016 and guidance for Audit Committees issued by the FRC.

#### Internal audit

- Review of internal audit observations and monitoring of implementation of any corrective actions identified;
- Review of the performance of the internal audit function;
- Review of 2017–2018 internal audit plan;
- Review of the Group's Anti-Bribery Policy and its implementation.

#### Fraud and whistleblowing

- Receiving reports on fraud and monitoring the effectiveness of the whistleblower policy to ensure that it remains robust and fit for purpose;
- Receiving updates on the whistleblower arrangements and status of reported incidents across the Group.

### Financial Reporting

The Audit Committee oversees the integrity of the Company's financial reporting process in order to ensure that the information provided to the Company's shareholders is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Audit Committee reviewed and challenged the key accounting and other judgements presented by management throughout the year and for the preparation of the Annual Report and Accounts FY2018. As a result, and as supported by the high standard of reporting by management, the Audit Committee concluded that it has discharged its responsibilities effectively.

The Group has a comprehensive financial reporting system, which is reviewed and modified in line with accounting standards to ensure that all published financial information is accurate. Vedanta's financial reporting procedures include five main elements:

#### 1) Financial information supplied by subsidiary companies and consolidated at central level:

- Management accounts are prepared on a monthly basis and reviewed by the Executive Committee;
- Management accounts are reviewed by the Board at least quarterly;
- Performance is monitored against key performance indicators throughout the financial year and forecasts are updated as appropriate; and
- Annual operational budgets are prepared by each operating subsidiary and consolidated into a Group Budget which is reviewed and approved by the Board.



#### 2) External auditor assurance:

- Full-year audit and interim review are carried out on the published financial statements by the Company's external auditor, Ernst & Young LLP.



#### 3) Review by the Audit Committee of:

- Year-end reporting plans;
- Legal, tax and accounting issues;
- Consideration of the financial statements and disclosures in accordance with financial reporting standards; and
- Going concern and viability statements with supporting cash flow, liquidity and funding forecasts.



#### 4) The internal audit function (MAS) provides an independent assurance in respect of processes, physical verification and management information system accuracy for operating companies.

- Plans and carries out internal audits through arrangements with leading international accounting and audit firms;



#### 5) Review by the Audit Committee and the Board of the preliminary and half-year announcements, the Annual Report and Accounts and any other announcements including financial information.

### Annual Report and Accounts FY2018 review

#### The audit process

A detailed audit plan (the Audit Plan) was prepared by the external auditor, E&Y, which is reviewed by the Audit Committee. The Audit Plan sets out the audit scope, key audit risks identified, materiality issues, the client team working on the audit and the audit timetable. The audit scope covers the significant components of the audit and audit plans for each component and geographical location. Each of the key audit risks and the external auditor's response on how it will investigate these risks is considered by the Audit Committee.

#### Significant issues considered by the Audit Committee

The preparation of financial statements requires management to make judgements, estimates and assumptions, that affect the application of accounting policies and the reported amount of assets, liabilities, income, expenses and disclosures of contingent liabilities at the date of these financial statements and the reported amount of revenues and expenses for the years presented.

The Audit Committee reviews whether the Group's accounting policies are appropriate, and management's estimate and judgements applied in the financial statements are reasonable.

The Audit Committee also reviewed the disclosures made in the financial statements. The views of the statutory auditor on these significant issues were also considered by the Audit Committee.

# Audit Committee Report continued

## Accountability

The significant issues that were considered by the Audit Committee in relation to the financial statements are outlined below:

Significant issues	How these issues were addressed
<p><b>Impairment/reversal of impairment assessment of:</b></p> <ul style="list-style-type: none"> <li>● Rajasthan Oil &amp; Gas block including exploration and evaluation assets</li> <li>● Copper operations in Zambia</li> <li>● Alumina refinery assets at Lanjigarh</li> <li>● Iron Ore business at Goa</li> <li>● Assets under construction</li> </ul> <p>More information is provided in Note 2(c) and Note 5 to the financial statements</p>	<p>Given the progress on key Growth Projects which is expected to result in the enhanced recovery of resources in a commercially viable manner, leading to a higher forecast of oil production; and adoption of integrated development strategy for various projects leading to savings in cost, Rajasthan oil &amp; gas block including exploration and evaluation assets were considered for reversal of previously recognised impairment.</p> <p>The Committee reviewed the significant assumptions including the oil price, future production estimates and the discount rate. A reversal of the previously recorded impairment charge of US\$499.9 million has been recorded against oil &amp; gas properties and US\$964.6 million has been recorded against exploration and evaluation assets.</p> <p>Impairment assessment of copper operations in Zambia is considered a significant issue due to the delay in production ramp up and other operational challenges. The significant assumptions of commodity prices, increase in production and discount rate were reviewed by the Committee.</p> <p>The partly complete Lanjigarh refinery expansion programme within the Aluminium business unit received regulatory approvals during FY2015–16 to expand unconditionally up to 4 MTPA. Impairment assessment of Alumina refinery assets at Lanjigarh is considered a significant issue due to delays in obtaining local bauxite mining approvals/gaining access to local bauxite. The Committee reviewed the progress made on the bauxite sourcing and the various initiatives taken by the Group.</p> <p>The mining operations in Goa were stopped with effect from 16 March 2018 pursuant to an order passed by the Honourable Supreme Court of India on 7 February 2018. The Committee reviewed the recoverability assessment of various assets considering fresh mining leases (not fresh renewals or other renewals) and fresh environmental clearances would only be granted in accordance with the provisions of Mines and Minerals (Development and Regulation) (MMDR) Act. An impairment charge of US\$758.5 million has been recognised against these assets.</p> <p>The Committee also reviewed the carrying value of various other projects classified under 'Assets under construction'. A provision for loss of US\$39.0 million has been recognised against certain old items of 'Assets under construction' which are no longer expected to be used.</p> <p>The Committee was also informed that the impairment assessment approach and assumptions are consistent across all business segments. With the existence of sufficient headroom over carrying value of assets it was concluded that no impairment is required for Zambia copper operations and Lanjigarh assets.</p>
<p><b>Revenue recognition across the business:</b></p> <ul style="list-style-type: none"> <li>● Provisional pricing for sale of goods</li> <li>● Oil &amp; Gas revenue</li> <li>● Power tariff with Grid Corporation of Odisha Limited ('GRIDCO')</li> <li>● Power Purchase agreement with Punjab State Power Corporation Limited ('PSPCL')</li> </ul> <p>More information is provided in Note 2(b) and Note 5 to the financial statements</p>	<p>The Committee reviewed the process and compliance around the Group's revenue recognition policy and its consistent application. The Committee also sought management's view on revenue recognition principles.</p> <p>The Committee was satisfied that the cut-off procedures, transfer of risks and process followed for the pricing of goods were consistent and it concluded that these risks have been mitigated.</p> <p>The Committee reviewed the developments in the various disputes with GRIDCO and PSPCL. The receivables were reviewed for recoverability together with revenue recognition in terms of the requirements of IAS 18. The assessment was supported by legal opinions from external legal counsel, wherever required.</p> <p>The Committee considered the revenue recognition and recoverability of receivables to be fairly stated in the financial statements.</p>

<b>Litigation, environmental and regulatory risks</b> Additional information on these matters is disclosed in Note 38 to the financial statements	<p>A comprehensive legal paper was placed before the Committee for its consideration. The mitigating factors were discussed by the Committee with senior management.</p> <p>The Committee also reviewed the probable, possible and remote analysis carried out by management and disclosure of contingent liabilities in the financial statements. In all significant cases, management's assessment was supported by legal opinions from external legal counsel.</p>
<b>Taxation</b> Additional information on these matters is disclosed in Note 38 to the financial statements	<p>A comprehensive tax paper outlining taxation disputes in respect of withholding taxes following past acquisitions, eligibility of tax incentives and output taxes and other matters was placed before the Committee for its consideration. The Committee discussed these tax issues and reviewed the assessment of probable, possible and remote analysis and the process followed by management.</p> <p>The contingent liability disclosure was also reviewed by the Committee. The Committee considered whether the developments in the Cairn India Limited (now merged with Vedanta Limited) withholding tax matter, justified reduction in the contingent liability and concurred with the management's assessment on the reduction. In certain cases, views of tax experts supporting management's assessment were also provided to the Committee.</p>
<b>Recoverability of various income tax balances</b> Refer to Notes 31 and 41 to the financial statements	<p>The Committee reviewed the recoverability of deferred tax assets and other income tax receivables and the Zambian Revenue Authority receivables (KCM VAT) and accepted management's assessment of the recoverability of these balances.</p>
<b>Copper operations India</b>	<p>The Committee was briefed that the annual consent to operate (CTO) under the Air and Water Acts for the Group's copper smelter in India has been rejected for want of further clarifications and consequently, the operations are currently suspended. The Committee was further briefed about the state of compliances and the actions taken by the Company. Upon review, the Committee accepted management's assessment regarding carrying the capitalised costs on its balance sheet.</p>
<b>Disclosure of Special items</b> Refer to Note 5 to the financial statements	<p>The Committee reviewed each of the items classified as special items and the related disclosures to ensure that the separate disclosure of these items in the financial statements was appropriate.</p>



# Audit Committee Report continued

## Accountability

### Fair, balanced and understandable

At the request of the Board, the Audit Committee considered whether the Annual Report and Accounts FY2018 is fair, balanced and understandable and whether it provides the necessary information for shareholders and stakeholders to assess the Company's performance, business model and strategy. Such assessments are provided in the Chairman's and Chief Executive Officer's statements and the Strategic Report of this Annual Report and Accounts FY2018.

The Audit Committee and the Board are satisfied that the Annual Report and Accounts FY2018 meets this requirement as both positive and negative developments in the year were considered at length. In justifying this statement, the Audit Committee has considered the robust process which operates in creating the Annual Report and Accounts FY2018, including:

- Evaluation and verification of the inputs from the business functions, to include the well-established financial reporting system within Vedanta to ensure accuracy and consistency;
- Progress through various levels of review, including review by the Executive Committee and senior management across the Group;
- Consideration is given to the completeness of the information and to ensuring that there are no significant omissions in order to enable shareholders to assess the Company's performance;
- Management Assurance Services (MAS) conduct internal audit reviews with conclusions and recommendations presented to the Audit Committee;
- Revisions to regulatory requirements are considered and incorporated;
- Advice is also received by the Audit Committee from external advisers in order to make the recommendation to the Board that the Annual Report and Accounts FY2018 as a whole is fair, balanced and understandable;
- Members of the Audit Committee received an advance draft of the Annual Report and Accounts FY2018 enabling them to assess and challenge whether the various reports within the Annual Report are consistent and in line with their understanding of the business;
- A meeting of the Audit Committee is held to formally review and sign-off the draft Annual Report and Accounts FY2018; and
- A meeting of the Board is held to review and provide final sign-off.

### Risk management and internal control framework

Vedanta's risk management framework serves to identify, assess and report on the principal and emerging risks facing the Group's businesses in a consistent manner. The Group's organisational structures, policies and procedures, standards and Code of Business Conduct and Ethics together form the system of internal control that governs how the Group conducts its business and manages the associated risks.

The responsibilities, processes and information flows for ensuring that significant risks are recognised and reported up to the Board are shown below:

#### The Board

- Sets 'risk appetite';
- Reviews significant reported risks.



#### The Audit Committee

- Reviews the effectiveness of internal control/risk systems and reports to the Board;
- Reviews the risk matrix, significant risks, status of risks and mitigating factors;
- Considers and approves remedial actions where appropriate;
- Reviews action plans put in place to mitigate risks;
- Reviews significant findings reported by the internal audit function, MAS;
- Reviews internal audit plans;
- Assesses the effectiveness of the internal audit function;
- Reviews whistleblower reports presented by MAS.



#### MAS

- Plans and carries out internal audits through arrangements with leading international accounting and audit firms;
- Recommends improvements to the Group's internal control system;
- Reviews compliance with Group policies and procedures;
- Facilitates the updating of the risk matrix;
- Discusses findings in respect of the risk management and internal control framework with senior management and reports to the Audit Committee;
- Presents the findings of these audits to the Executive Committee, with each Business Executive Committee made responsible for closing any findings from the audits;
- Investigates whistleblower cases.

The Director – MAS attends all the Company's Executive Committee and Audit Committee meetings. During the year, the MAS team supported the respective business teams at Vedanta Limited and its subsidiaries towards compliance with the US Sarbanes-Oxley Act 2002 requirements (the Act), including documenting internal controls as required by section 404 of the Act. KCM is excluded from the scope of the Act. The effectiveness of internal controls is assessed by Vedanta's own administration and certified by independent auditors, as set forth in the Act.

Vedanta's risk management framework serves to identify, assess and respond to the principal and emerging risks facing the Group's business and is designed to be simple and consistent and provide clarity on managing and reporting risks to the Board. The Group's management systems, organisational structures, processes, standards and Code of Conduct and Ethics together form the system of internal control that governs how the Group conducts its business and manages the associated risks.

The Audit Committee reviewed the internal control system in place during the year and up to the date of this Report to ensure that it remains effective. The review included a report on the risk matrix, significant risks and actions put in place to mitigate these risks. Any

weaknesses identified by the review were addressed by enhanced procedures to strengthen the relevant controls and these are in turn reviewed at regular intervals.

During the year, the Committee continued to monitor the market conditions, risks and uncertainties relevant to the Group, reviewed the risk management framework and reported to the Board on relevant risks affecting the Group. The Committee received regular updates from management confirming that risks relevant to the Group were appropriately categorised to ensure that the Committee understood the potential impact to the Group and adequate resources were allocated to manage the risks. The Committee has reviewed the Principal Risks and Uncertainties for the Group disclosed in the Annual Report and Accounts FY2018 and consider them to be appropriate.

#### **Fraud and UK Bribery Act**

The Board has a zero tolerance policy for corruption and the Company is committed to the elimination of fraud, with each suspected case thoroughly investigated and concluded.

Vedanta has in place strong policies underlining its beliefs in honest and ethical conduct. These policies act as an effective tool in minimising various risks to which businesses are exposed during the course of day-to-day operations as well as strategic actions.

Vedanta's Code of Business Conduct and Ethics contains general guidelines for conducting the business of the Company, consistent with the highest standards of business ethics. This code stipulates a higher standard than required by commercial practice or applicable laws, rules or regulations. Vedanta also maintains a Supplier Code of Conduct which ensures that all its suppliers and service providers are also operating with the highest standards on business ethics.

In addition to the above Company policies, Vedanta has developed a stringent Compliance and an Ethics framework under which the Company has issued various 'Standard Operating Procedures' laying down processes and procedures to manage compliances across the Group.

The Company also has a comprehensive mechanism for addressing the various complaints filed under the policies of the Company including a whistleblower policy under which anyone can raise a concern with regards to the Company or any of its employees, Directors or officers. The Head-Management Assurance ensures investigation of all complaints and submits regular reports on any complaints received to the Company's Audit Committee for review.

#### **Code of Business Conduct and Ethics and whistleblower arrangements**

All Vedanta employees are expected to observe high ethical standards which are enshrined in the Vedanta Code of Business Conduct and Ethics, and employees in key positions are required to complete the Annual Code of Conduct Certification form. The annual certification process reinforces the Group's commitment to ethical practices and promoting an ethical culture across the Group.

The Group's Whistleblower Policy forms part of the Vedanta Code of Business Conduct and Ethics and enables employees of the Company, its subsidiaries and all external stakeholders to raise concerns about suspected wrongdoing within the Group in confidence. The Whistleblower Policy also covers the requirements of the UK legislation in respect of slavery and human trafficking reporting.

The Audit Committee is responsible for reviewing the adequacy of the Group's whistleblower arrangements. It regularly reviews the Group's whistleblower arrangements and monitors the outcome of investigations, ensuring that all reported whistleblower incidents are appropriately investigated and actioned.

Under the Whistleblower Policy adopted by each of the businesses in the Group, all complaints are reported to the Director – Management Assurance who is independent of operating management and the businesses. Dedicated email addresses and a centralised database have been created to facilitate the receipt of complaints and for ease of reporting. The Company operates a web-based portal and a 24x7 freephone ethics helpline with multiple local language options, where integrity related concerns or violations of the Group's Code of Business Conduct and Ethics can be reported anonymously.

Following an investigation, established cases are brought to the Group Ethics Committee for decision-making. The Ethics Committee ensures uniformity and consistency in the decision-making process following investigation of reported whistleblower incidents and other ethics violations. All cases are taken to their logical closure. A summary of cases along with the outcome of the investigations and action taken, is presented periodically to the audit committees of the respective businesses as well as at Group level.

#### **Review of MAS**

The Audit Committee is responsible for reviewing the performance and effectiveness of MAS during the year. MAS undertakes an annual self-assessment of its performance which is based on set parameters. This includes the robustness of the control environment; progress against the Audit Plan; implementation status; feedback from process owners; key governance matters driven or facilitated by MAS including the whistleblower arrangements, asset optimisation, sustainability assurance and risk management; and benchmarking of MAS practices and external quality review of internal audit systems by one of the Big 4 firms in line with their global standards. The results of the assessment were reviewed by the Audit Committee and were considered satisfactory.

#### **External auditor**

The Company's external auditor is E&Y. A resolution to re-appoint E&Y as the Group's external auditor will be proposed at the Company's 2018 Annual General Meeting.

#### **External auditor independence and provision of non-audit services by the external auditor**

The Audit Committee is responsible for reviewing the external auditor's independence and assessing their ongoing effectiveness. The objectivity of the external auditor is a crucial aspect in providing external assurance and such objectivity and independence is maintained through the following:

In accordance with the Auditing Practices Board Ethical Standards, E&Y has rules in place to ensure that none of its employees working on Vedanta's audit hold any shares in the Company. E&Y is also required to inform the Company of any significant facts and matters that may reasonably be thought to bear on its independence or on the objectivity of the Audit Engagement Partner and the audit team. The lead partner must change every five years. The Company's Audit Engagement Partner is currently Mirco Bardella, who was appointed with effect from 5 August 2016. The Company also has a policy which restricts employment of former employees of the external auditor to maintain the auditor's independence.

# Audit Committee Report continued

## Accountability

### External auditor remuneration

The Audit Committee is responsible for determining the external auditor's remuneration on behalf of the Board, subject to the approval by shareholders at the Company's forthcoming Annual General Meeting. The Audit Committee considers and approves all the fees that the Company pays for audit, audit-related and non-audit services performed by E&Y.

### Non-audit services

The Group's policy on the provision of non-audit services by the external auditor specifies the services which the external auditor is permitted to undertake. It also specifies non-audit services which E&Y is prohibited from undertaking in order to safeguard their objectivity as such services present a high risk of conflict and could undermine the external auditor's independence. The Company's Non-Audit Services Policy was reviewed and updated in November 2016 to reflect the requirements of the FRC's revised UK Corporate Governance Code 2016, guidance for Audit Committees and the EU Audit Directive.

Prohibited non-audit services include work relating to the financial statements that will ultimately be subject to audit, certain tax, consultancy and advisory services and the provision of internal audit services amongst others. The policy also identifies those services which the external auditor is permitted to deliver to the Group. These include work on mergers and acquisitions, regulatory reviews, any certification required under loan agreements or bond covenants, assurance opinion on bond issuance work and assurance work in respect of compliance and corporate governance amongst others.

The external auditor's independence is also safeguarded by limiting the aggregate value of non-audit services performed by E&Y. In accordance with the FRC's Ethical Standards 2016, a cap for non-audit services will be set at 70% of the average audit fees based on a three-year average and will first be applied from the fourth year commencing on 1 April 2020. The Audit Committee monitors all non-audit services each year to ensure that they are in compliance with the requirements. Of the permitted services, any assignment in excess of US\$30,000 is only awarded to the external auditor with the prior approval of the Audit Committee.

All permitted non-audit services and the fees paid to the external auditor for non-audit work are reported to the Audit Committee. A breakdown of the non-audit fees paid to E&Y is disclosed in Note 28 to the financial statements.

Non-audit work, which is not prohibited, is only undertaken by the external auditor, where, because of their knowledge and experience with the Group and/or for reasons of confidentiality, it is more efficient or prudent to engage the external auditor.

### Performance of the external auditor

The Audit Committee is pivotal in monitoring the performance of the external auditor and the Group's relationship with the external auditor. During the year, the Audit Committee reviewed E&Y's effectiveness using a survey comprising of a range of questions covering objectivity, quality and efficiency. The results of the survey were positive and the Audit Committee concluded that E&Y had provided a high quality audit.

### FRC's Corporate Reporting Review

The Company's Annual Report and Accounts FY2017 had not been reviewed by the FRC's Corporate Reporting Review team.

### Competition and Markets Authority 2014 Order

During the year ended 31 March 2018, the Company was compliant with the Competition and Markets Authority 2014 Order on mandatory tendering and audit committee responsibilities.

### Audit Committee performance evaluation

As part of the Board's annual evaluation of its effectiveness and that of its Committees, described on page 115, the Audit Committee assessed its own effectiveness. The members of the Audit Committee agreed that its overall performance had been effective during the year.

### The year ahead

The Audit Committee's priorities for the forthcoming year include:

- Review of the integration of AvanStrate Inc and Electrosteel Steels Limited into the Group and the management of risks associated with such integration;
- Oversight of management's progress on the various business Growth Projects approved by the Board.

# Relations with Shareholders

The Board recognises the value of maintaining an ongoing dialogue with the Company's shareholders to ensure a mutual understanding of the Group's strategy, performance and governance. Investors are kept informed of the Group's performance and significant developments through regular corporate updates and regulatory announcements. These communications are available on the Company's website at [www.vedantaresources.com](http://www.vedantaresources.com).

## Institutional shareholders

The Group arranges regular meetings with institutional investors, analysts, brokers and fund managers which are attended by the Chief Executive Officer and managed by the Investor Relations team to keep investors informed and develop an understanding of the views of major shareholders. The Senior Independent Director and other Non-Executive Directors are available, on request, to meet with major investors to discuss any specific issues.

The Company arranges site visits to the Group's major operations for institutional investors, analysts and brokers from time to time to provide them with a better understanding of the strengths, capabilities and challenges of the Group's business operations. There were no site visits undertaken during the year under review.

The Board is kept informed of share price performance, shareholder sentiment and issues raised by the Company's investors, brokers and analysts through regular updates from the Director, Investor Relations and the Group Company Secretary.

The Company also holds an annual Sustainable Development Day to engage with the Company's stakeholders on the activities undertaken by the Group in the pursuit of its goal of 'Zero Harm, Zero Waste and Zero Discharge' and to get a better understanding of and address stakeholders' concerns on sustainability matters.

## Retail shareholders

The Company is committed to ongoing engagement with its retail shareholders and we promptly respond to any queries. Shareholders are encouraged to access communications from the Company through the website at [www.vedantaresources.com](http://www.vedantaresources.com).

## Annual General Meeting

The Board welcomes the opportunity to meet with the Company's shareholders at its Annual General Meeting (AGM). All of the Company's Directors attend the AGM in order to answer questions from shareholders.

Details of the 2018 AGM will be communicated to shareholders separately.

## Shareholder engagement activity 2018

Topic	Activity during the year	Purpose
<b>Operational and financial updates</b>	<ul style="list-style-type: none"> <li>Q4 FY2017, Q1-Q3 FY2018 Production Results</li> <li>FY2017 Preliminary results &amp; FY2018 Interim Results</li> </ul>	Update on the operational and financial performance as well as other key developments in the Group
<b>Credit and Equity Investor meetings and conferences</b>	<ul style="list-style-type: none"> <li>FY2017 preliminary results roadshow (London)</li> <li>H1 FY2018 interim results roadshow (London)</li> <li>Roadshows in respect of the US\$1bn bond offering due 2024</li> <li>Standard Chartered South Asia Credit Markets Conference</li> <li>Barclays Access India Day</li> </ul>	Discuss Group strategy and performance, understand shareholder/ bondholder perspective and gather feedback  Led by Group and Business CEOs, and the Investor Relations team
<b>Analyst or (and) investor events</b>	<ul style="list-style-type: none"> <li>Capital Markets Day</li> <li>Oil &amp; Gas Day (India)</li> <li>Zinc Day (India)</li> </ul>	Discuss strategy, performance and growth plans across the Group and key businesses, led by Group and Business CEOs
<b>Sustainable development events</b>	<ul style="list-style-type: none"> <li>3rd Vedanta Sustainable Development Day (London)</li> </ul>	Engage with analysts, investors and other stakeholders on the Group's HSE activities



# Stakeholder Engagement

The Board recognises that open, ongoing and systematic dialogue is the key to successful relationships with its various stakeholders. The Group has a five-point roadmap which guides the stakeholder engagement process and further details can be found on page 53.

The Board is responsible to shareholders for delivering returns on their investment

Stakeholder	Types of Engagement	Types of Interventions	Initiatives in FY2017–18
<b>Local Community</b>	Community group meetings, village council meetings, community needs/ social impact assessments, public hearings, grievance mechanisms, cultural events, engaging philanthropically with communities via Vedanta Foundation	<ul style="list-style-type: none"> <li>Community engagement initiatives</li> <li>Infrastructure projects</li> <li>Land &amp; resettlement</li> <li>Local employment</li> </ul>	<ul style="list-style-type: none"> <li>Began work to conducting baseline, need, impact and SWOT assessments in all BUs.</li> <li>US\$39 million invested in Social Investment</li> <li>3.4 million beneficiaries of community development programmes</li> <li>Community grievance process followed at all operations</li> </ul>
<b>Employees</b>	Chairman's workshops, Chairman's/ CEO's town hall meetings, feedback sessions, performance management systems, various meetings at plant level, V-Connect mentor programme, event management committee and welfare committee, women's club, etc	<ul style="list-style-type: none"> <li>Employee health &amp; safety</li> <li>Training &amp; leadership development</li> <li>Gender diversity</li> <li>Succession planning</li> </ul>	<ul style="list-style-type: none"> <li>921,550 man-hours of training on safety</li> <li>21% of all new hires are women</li> <li>Identification of top talents and future leaders through workshops</li> </ul>
<b>Shareholders, Investors &amp; Lenders</b>	Regular updates, investor meetings, Sustainability Day for investor interaction, site visits, annual general meeting and conference, quarterly results calls, dedicated contact channel – <a href="mailto:ir@vedanta.co.in">ir@vedanta.co.in</a> and <a href="mailto:sustainability@vedanta.co.in">sustainability@vedanta.co.in</a>	<ul style="list-style-type: none"> <li>Economic performance</li> <li>ESG (Environmental, Social and Governance) performance</li> <li>Adherence to international standards for new projects</li> <li>Sustainability risk management</li> </ul>	<ul style="list-style-type: none"> <li>US\$15.4 billion in revenue with a final dividend of 65 US cents per share</li> <li>3rd Sustainability Day hosted in London</li> <li>Sustainability assurance audits conducted through Vedanta Sustainability Assurance Programme (VSAP)</li> <li>Our subsidiary, Vedanta Limited, ranked 15th in the Dow Jones Sustainability Index in the Metals and Mining Category</li> </ul>
<b>Civil Society including non-governmental and other organisations</b>	Partnerships with and membership of international organisations, working relationships with organisations on specific projects, engagement with international, national, and local NGOs, conferences and workshops, dedicated contact channel – <a href="mailto:sustainability@vedanta.co.in">sustainability@vedanta.co.in</a>	<ul style="list-style-type: none"> <li>Project partnerships</li> <li>Community development</li> <li>Human rights compliance – Modern Slavery Act</li> </ul>	<ul style="list-style-type: none"> <li>Membership of international organisations including the United Nations Global Compact, TERI, CII, The World Business Council for Sustainable Development (WBCSD), and Indian Biodiversity Business Initiative (IBBI)</li> <li>Focus towards implementing Sustainable Development Goals.</li> </ul>
<b>Industry (Suppliers, Customers, Peers, Media)</b>	Customer satisfaction surveys, scorecards, in-person visits to customers, supplier, and vendor meetings	<ul style="list-style-type: none"> <li>Contractual integrity – payments</li> <li>Partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Hotline service and email ID to receive whistle-blower complaints</li> <li>Compliance to the Modern Slavery Act</li> </ul>
<b>Governments</b>	Participation in government consultation programmes, engagement with national, state, and regional government bodies at business and operational level	<ul style="list-style-type: none"> <li>Economic performance</li> <li>Community development</li> <li>Environmental initiatives</li> </ul>	<ul style="list-style-type: none"> <li>US\$39 million invested in community development</li> <li>US\$5.3 billion in payments to the exchequer</li> </ul>

# Sustainability Committee Report

## Accountability



**Katya Zotova**  
Chair  
22 May 2018

### Current members

Katya Zotova (Chair)  
Ravi Rajagopal  
Kuldip Kaura  
Deshnee Naidoo  
Sunil Duggal

I am pleased to present the Sustainability Committee Report for the financial year ended 31 March 2018. This report explains how the Committee has fulfilled its responsibilities throughout the year.

### Summary of the Sustainability Committee's activities during the year

The main areas covered by the Sustainability Committee are summarised below:

#### Sustainability framework

- Review of the Sustainability Committee performance and terms or reference;
- Oversee development and roll out of four new safety performance standards;
- Review and approve annual HSE & sustainability targets;
- Periodic review of HSE programmes and performance;
- Review VSAP score and VSF implementation for the Group;
- Review sustainability issues significant to the Group and stakeholders.

#### Health and safety

- Review of the Group's safety incidents and performance;
- Oversee the implementation of corrective actions in respect of fatal accidents;
- Review progress on implementation of the safety performance standards;
- Review of progress on the safety standard implementation at BALCO mines.

### Sustainability Committee focus during the year

#### Environment

- Review outcome of third party tailing dam assessment and implementation of corrective actions;
- Review of the Group's resource conservation targets and achievements;
- Review of progress on KCM's environment projects.

#### Community relations and engagement

- Stakeholder engagement at the Company's Sustainable Development Day;
- Review of the outcome of the BALCO chimney social remedial measure;
- Review of the Group's stakeholder engagement strategy.

#### System development and performance reporting

- Review of the results of the performance evaluation of the Sustainability Committee;
- Review of the Sustainability Committee terms of reference.

## Sustainability Committee Report continued

# Accountability

Our focus remains on our philosophy of 'Zero Harm, Zero Waste and Zero Discharge' and we can report some good achievements last year. However, we also had disappointments. From our expectation and stated goal of eliminating fatalities, we have to report that nine deaths occurred across our businesses in the last financial year. This led to much soul-searching by our senior leadership, by the Sustainability Committee (including an extraordinary meeting) and the Board.

The Executive Committee has taken the role of monitoring implementation of key issues directly addressing safety leadership, implementation of standards and risk management. At each monthly Executive Committee meeting, these are discussed with all businesses present and performance is compared with interventions as required.

As a result of the fatal accidents, we also introduced four new safety performance standards covering Crane & Lifting, Machine Guarding; Molten Materials; and Pits, Stockpiles and Waste Dump Stability. While these actions saw an improvement, we did have one fatality in Q4 near the end of our financial year. We will continue to increase our efforts this year with a particular emphasis on leadership's role and capability in managing safety in work teams and on task hazard assessment.

A key area of focus will be on the engagement and management of business partners (or contractors) who are over represented on our safety statistics.

To boost our HSE performance and capability, we have inducted 10 global experts into operating businesses with three further appointments planned in Q1 of the FY2019 year. These experts have been brought on board to design and implement programmes needed at the business level to address high potential incidents and eliminate fatalities, in addition to improving our overall HSE performance.

We have continued to improve in the area of social performance and this has been seen positively in several areas. Despite this, we did have an unfortunate incident at our Tuticorin smelter that started due to dissatisfaction with the contracting arrangements with local providers and then escalated to a more significant social and environmental concern. We continue to engage with the community and regulatory authorities to resolve this.

During the year, we undertook third party assessments of all our tailing dams and ash dykes following an ash dyke breach at our aluminium business in India. Further, we are in the process of engaging a reputed consultant to provide engineering advice in developing and implementing effective tailing management systems to our Indian businesses.

Our operations focussed on air, water, waste and energy management to minimize their environmental impact and we achieved our annual target on resource conservation. This year, the Company also conducted a Group-wide water risk assessment exercise to identify potential water-related business risks.

The Committee regularly reviewed and will continue to review progress on significant sustainability issues for the Group such as safety performance at BALCO mines, KCM water and emission management projects, and the outcomes of social measures following the BALCO chimney incident.

During the year, we welcomed Mr Kaura as a member of the Committee following his appointment as Interim Group Chief Executive Officer and I take pleasure in also inviting Sunil Duggal, CEO, Base Metals and Zinc India; and Deshnee Naidu, CEO – Africa Base Metals to join the Committee. We look forward to their contributions in strengthening our performance.

Further details on each of the above initiatives can be found in the Company's Sustainable Development Report 2017-18 and on the Company's website at [www.sustainability.vedantaresources.com/home](http://www.sustainability.vedantaresources.com/home).

### Sustainability Committee performance evaluation

As part of the Board's annual evaluation of its effectiveness and that of its Committees, described on page 115, the Sustainability Committee assessed its own effectiveness. The members of the Sustainability Committee agreed that its overall performance had been effective during the year.

# Remuneration Committee Report



Dear shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2018. The report sets out details of the Remuneration Policy, which previously received shareholder approval in 2017 and which is substantially unchanged from the past policy approved in 2014.

The Company reviewed the Remuneration Policy during the year and believes that it remains appropriate.

Tom Albanese served as Chief Executive Officer under a fixed term contract which ended on 31 August 2017, at which point he stepped down from the Board and left the Company. Kuldip Kaura served as Chief Executive Officer from that date and on 16 April 2018 the Board announced that Srinivasan Venkatakrishnan would join the company as Chief Executive Officer and a member of the Board on 31 August 2018.

## Business Performance at a Glance

We have continued to build on our status as a large and diversified asset base of long-life, low-cost assets. During FY2018 we delivered a robust performance creating a clear pathway for sustainable growth. This was driven by favourable commodity prices and record volumes at our Zinc and Aluminium businesses which ensured delivery of strong shareholder returns.

A synopsis of the Business Performance is outlined below:

## Financial & Operational Performance:

During FY2018, a combination of a strong operating performance driven by favourable commodity prices and record production at Zinc India and Aluminium resulted in an EBITDA of US\$4.1 billion with robust margins of 35% (FY2017: US\$3.2 billion and 36%). Market factors resulted in net incremental EBITDA of US\$591 million compared to FY2017. The increase was driven by improved commodity prices, but partially offset by input commodity inflation and unfavourable foreign exchange impacts. A strong volume performance contributed to an incremental EBITDA of US\$297 million.

We further strengthened our financial position, through our continued focus on deleveraging our balance sheet and extending maturity commitments. During FY2018, gross debt reduced by c. US\$3 billion, from US\$18.2 billion as at 31 March 2017 to US\$15.2 billion as at 31 March 2018. This includes repayment of US\$1.2 billion of temporary borrowing at Zinc India.

The Group has proactively managed its debt maturities at Vedanta Resources plc and various operating entities. This included proactive refinancing of US\$2.4 billion at Vedanta Resources plc,

which was comprised of a bond and term loans. These transactions have collectively extended average debt maturity to c. 4 years at 31 March 2018, compared to c. 3 years at 31 March 2017.

We have been well positioned during the recent upturn in the market, with the strong performance of zinc and aluminium in the commodities market playing to our particular strengths. The Company continued to remain focused on free cash from across its businesses by reinforcing discipline in working capital management, and operational cost controls.

## Strategic Parameters:

In addition to the financial performance, we also achieved significant strategic milestones during the financial year 2018 that will fuel the next level of stability and agility to catapult growth. To further enhance our effectiveness on Regulatory framework and create value to the organisation, Board and the key executives led various key initiatives and achieved significant success and progress in the following areas: Improvement in Group Balance Sheet primarily driven by proactive refinancing of \$2.4 billion through bond issuance and bank loans, extension of maturity profile at Vedanta Resources plc, reduction in gross debt, improvement in credit ratings etc.

## Sustainability and Safety Scorecard:

The philosophy of a sustainable development agenda is at the core of Vedanta's strategic priorities and governs every business decision. Employee safety and achieving zero harm remained our number one priority and we have made progress reducing our lost time injury rate by 13% from 0.39 to 0.34, but deeply regret the nine fatalities at our operations. Fatality prevention remains the centre point of our focus and we have recruited 12 global HSE experts to help lift the performance of each of our businesses. We have also seen improvements in our environmental performance. Our GHG intensity reduced by 14% from the 2012 baseline. This is in line with our expectations of reducing GHG intensity by 16% by 2020. We exceeded the water and energy conservation targets by 188% and 189% respectively. Additionally, fly ash utilization increased to 90% during the fiscal year against a target of 50%. We continue to remain focused on reducing our environmental footprint and improving our resource efficiency.

The Company had set stringent targets for itself and the business performance for the year, as evaluated against the measures and targets set, resulted in a bonus of 42.11% of the maximum for the Executive Chairman, Executive Vice Chairman and erstwhile Group CEO (on pro-rata basis), details of which are provided in the relevant part of the Annual Report on Remuneration. (Refer to Annexure B Annual Bonus computation – Executive Directors on page 137 for the factors that determine the computation of 42.11%)

During the year, the Remuneration Committee took up various matters pertaining to the remuneration of the Executive Directors of the Company, which included determining the remuneration for the year 2017–18, approving the annual bonus to be paid to the executives and the long-term incentive design and grant of options.

Since we are not proposing any changes to our Remuneration Policy this year, there will only be an advisory vote on the Annual Report on Remuneration, which provides details of the remuneration earned by Directors in the past financial year as well as the way in which we propose to operate the policy in the coming year. However, for clarity, we have reproduced the Remuneration Policy which was approved by shareholders in 2017.

We hope that we will receive your support on the new Remuneration Policy and approval of the Annual Report on Remuneration at the forthcoming AGM.

Yours sincerely,

**Geoffrey Green**  
Chairman



# Directors' Remuneration Policy Report

The Company's Remuneration Policy was put to a binding shareholder vote and was approved at the 2017 AGM and continues to be in effect.

## Policy overview

The key objective of the Group's broad Remuneration Policy is to ensure that competitive and fair awards are linked to key deliverables and are also aligned with market practice and shareholders' expectations.

The Committee ensures that remuneration policies and practices are designed to attract, retain and motivate the Executive Directors and the senior management group, while focusing on the delivery of the Group's strategic and business objectives. The Committee is also focused on aligning the interests of the Executive Directors and the senior management group with those of shareholders, to build a sustainable performance culture.

When setting remuneration for the Executive Directors, the Committee takes into account the business performance, developments in the natural resources sector and, considering that the majority of the Group's operations are based in India, similar information for high-performing Indian companies.

The Committee has set remuneration taking into consideration both UK and Indian market practice to ensure it is globally competitive as the Executive Directors are based in India (with the exception of Mr Anil Agarwal, who is UK based), along with the majority of the Group's professional management team. The Committee also considers the inflation rates prevalent in the UK and India in the setting of remuneration.

The Committee recognises that the financial performance of the Company is heavily influenced by macro-economic considerations such as commodity prices and exchange rate movements. These factors are therefore taken into consideration when setting executive remuneration.

## How the views of shareholders are taken into account

The Committee considers the AGM to be an opportunity to meet and communicate with investors and considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings held from time to time, is then considered as part of the Company's annual review of Remuneration Policy.

In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be proposed to the Remuneration Policy. Details of votes cast for and against the resolution to approve last year's Remuneration Report and any matters discussed with shareholders during the year are set out in the Annual Report on Remuneration.

## How the views of employees are taken into account

In setting the policy for Executive Directors' remuneration, the Committee considers the pay and employment conditions across the Group, including annual base compensation increases across the general employee population and the overall spend on annual bonuses. Employees may be eligible to participate in the annual bonus arrangement and receive awards under the ESOP or LTIP. Opportunities and performance metrics may vary by employee level, with specific business metrics incorporated where possible.

The Committee does not formally consult with employees in respect of the design of the Executive Directors' Remuneration Policy, although the Committee will keep this under review.

### Summary of the Remuneration Policy for Directors

The following table sets out the key aspects of the Remuneration Policy for Directors:

Elements of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<b>Base compensation<sup>1</sup></b>	Reflects individual's experience and role within the Group.  Reward for performance of everyday activities.	The Committee reviews base compensation annually, taking account of the scale of responsibilities, the individual's experience and performance.  Changes are implemented with effect from 1 April each year.  Base compensation is paid in cash on a monthly basis.  Base compensation is typically set with reference to a peer group of UK-listed mining comparator companies. Comparisons are also made against positions of comparable status, skill and responsibility in the metals and mining industries globally, and in the manufacturing and engineering industries more generally.	There is no prescribed maximum annual increase. Base compensation increases are applied in line with the annual review and are competitive within the UK and Indian market and internationally for comparable companies. The Committee is also guided by the general increase for the employee population but on occasions may need to recognise, for example, development in role and/or change in responsibility.	Business and individual performance are considered when setting base compensation.
<b>Taxable benefits</b>	To provide market-competitive benefits.	Benefits vary by role and are reviewed periodically. Benefits are set in line with local market practices.	The value of benefits is based on the cost to the Company and is not pre-determined.	n/a
<b>Pension</b>	To provide for sustained contribution and contribute towards retirement planning.	Directors receive pension contributions into their personal pension plan or local provident scheme or cash in lieu of pension contribution.  Contribution rates are set in line with local market practices.	Annual contribution of up to 20% of base compensation.	n/a
<b>Annual bonus</b>	Incentivises executives to achieve specific, predetermined goals during the financial year.	50% paid in cash and 50% deferred into shares which will vest 40% after the first year and 30% after the second and third years, subject to continued employment.  Determined by the Committee after year end, based on performance against the pre-determined financial and non-financial metrics.  Not pensionable.  Clawback provisions apply for overpayments due to misstatement or error and other circumstances.	Up to 150% of base compensation per annum.	The bonus is measured against a balanced scorecard of performance metrics. At least 50% of the bonus potential will be based on financial performance and the remainder of the bonus potential will be based on operational, strategic and sustainability measures.  The Committee has the ability to adjust the bonus outturn if it believes that the outturn is not reflective of the Group's underlying performance or warranted based on the Health, Safety and Environment (HSE) record.

## Directors' Remuneration Policy Report continued

Elements of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<b>Performance Share Plan (PSP)</b>	Encourage and reward strong performance aligned to the interests of shareholders.	Annual grant of nominal-cost options which vest after three years, subject to Company performance and continued employment. There is an additional holding period of two years post vesting.  Clawback provisions apply for overpayments due to misstatement or error and other circumstances.	Up to 150% of base compensation per annum.	<p>Performance conditions are focused on the delivery of increased shareholder value over the medium to long term.</p> <p>No less than 50% of an award will be linked to relative total shareholder return (TSR).</p> <p>30% of the award will vest for achieving threshold performance (for the TSR element this is median performance), increasing pro-rata to full vesting for the achievement of stretch performance targets.</p> <p>The Committee has the ability to adjust the PSP outturn if it believes that the outturn is not reflective of the Group's underlying performance or warranted based on the HSE record.</p>
<b>Share ownership guidelines</b>	To increase alignment between executives and shareholders.	<p>Executive Directors are required to retain any vested shares (net of tax) under the Group's share plans until the guideline is met.</p> <p>Any new Executive Director will have a period of five years from recruitment or promotion to the Board to build up their shareholding to the required level.</p>	200% of base compensation for Executive Directors.	n/a
<b>Non-Executive Directors' fees</b>	To attract and retain high-calibre Non-Executive Directors through the provision of market-competitive fees.	<p>Fees are paid in cash.</p> <p>Fees are determined based on the significant travel and time commitments, the risk profile of the Company and market practice for similar roles in international mining groups.</p>	<p>As for the Non-Executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase for the employee population but on occasions may need to recognise, for example, development in role and/or change in responsibility.</p> <p>Additional fees may be paid if there is a material increase in time commitment and the Board wishes to recognise this additional workload.</p>	Business and individual performance are considered when setting fees.

<sup>1</sup> Base compensation includes base salary plus fixed cash allowances and statutory benefits, which are a normal part of the fixed remuneration package for employees in India.

### Selection of performance metrics

The annual bonus is based against a balanced scorecard of financial, operational, sustainability and strategic metrics. The mix of targets will be reviewed each year by the Committee to ensure that they remain appropriate to reflect the priorities for the Group in the year ahead. A sliding scale of targets is set to encourage continuous improvement and challenge the delivery of stretch performance.

The PSP is measured against financial and strategic metrics. The sole metric for the 2017 PSP is relative TSR performance, which provides an external assessment of the Company's performance against the market. It also aligns the rewards received by executives with the returns received by shareholders. A sliding scale of challenging performance targets is set. The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each PSP grant. The Committee reserves the discretion to set different targets for future awards, providing that, in the opinion of the Committee, the new targets are no less challenging in light of the circumstances at the time than those used previously. The targets for awards granted under this Remuneration Policy are set out for shareholder approval in the Annual Report on Remuneration.

### Approach to recruitment and promotions

The remuneration package for a new Executive Director – i.e. base compensation, taxable benefits, pension, annual bonus and long-term incentive awards – would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment and would reflect the experience of the individual.

The base compensation for a new executive may be set below the normal market rate, with phased increases over the first few years, as the executive gains experience in their new role. Annual bonus potential will be limited to 150% of base compensation and long-term incentives will be limited to 150% of base compensation per annum.

In addition, the Committee may offer additional share-based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer and would reflect the nature, time horizons and performance requirements attached to that remuneration.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses and continuing allowances as appropriate.

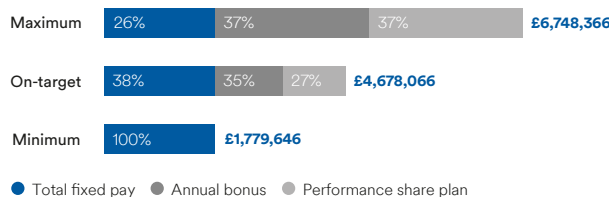
For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy at that time.

### Remuneration scenarios for Executive Directors

The charts below illustrate how the Executive Directors' remuneration packages vary at different levels of performance under the policy. The Company recently appointed a new CEO, Mr Srinivasan Venkatakrishnan, and the remuneration charts below also include the figures for Mr Venkatakrishnan, who is set to join the Group by 31 August 2018. Although he is joining in the middle of the year, the chart illustrates annual remuneration for the CEO.

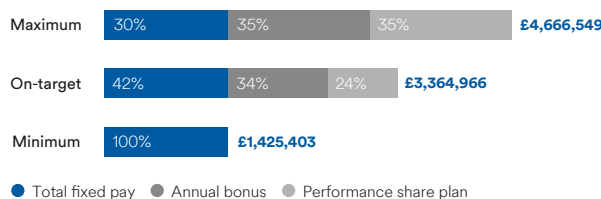
#### Executive Chairman

Total Remuneration (£000)



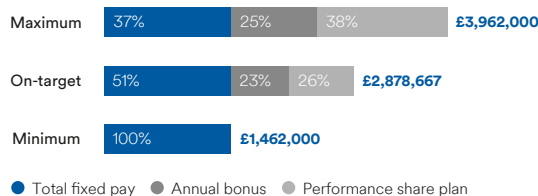
#### Executive Vice Chairman

Total Remuneration (£000)



#### Chief Executive Officer 2018–19

Total Remuneration (£000)



- 1 Base compensation levels are based on those applying on 1 April 2018 (converted at a rate of INR 85.4732: £1).
- 2 The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 31 March 2018.
- 3 The value of pension receivable by the Executive Vice Chairman and Chief Executive Officer in 2018–19 is taken to be 15% and 20% of base compensation respectively.
- 4 The on-target level of bonus is assumed to be two-thirds of the maximum annual bonus opportunity.
- 5 The on-target level of the PSP is assumed to be 50% of the face value of the award at grant.
- 6 Share price movement and dividend accrual have not been incorporated into the values shown above.

### Service contracts for Executive Directors

The Committee reviews the contractual terms for new Executive Directors to ensure these reflect best practice.

Mr Anil Agarwal is employed under a contract of employment with the Company for a rolling-term, but which may be terminated by not less than six months' notice. Provision is made in Mr Anil Agarwal's contract for payment to be made in lieu of notice on termination which is equal to base compensation.

Mr Navin Agarwal has a letter of appointment with the Company which is a rolling contract and may be terminated by giving six months' notice. Mr Navin Agarwal has a service agreement with Vedanta Limited which expires on 31 July 2018, with a notice period of three months or base compensation in lieu thereof.



## Directors' Remuneration Policy Report continued

Mr Tom Albanese had a separate letter of appointment with the Company and Vedanta Limited on a fixed three-year term which was extended for a five-month term and expired on 31 August 2017. He has received all the payments to be made in lieu of expiry of contract as were applicable as per the agreement.

On 15 April 2018 the Company entered into a new agreement with Mr Srinivasan Venkatakrishnan regarding his appointment as Executive Director and CEO effective 31 August 2018. He will be on a fixed three-year term which expires on 31 August 2021 with a notice period of three months or base compensation in lieu thereof.

It is the Group's policy that the notice period in the Directors' service contracts does not exceed 12 months.

Copies of all Executive Directors' service contracts and the letters of appointment of the Non-Executive Directors are available for inspection during normal business hours at the registered office of the Company and are available for inspection at the AGM.

### Payments for loss of office

The Executive Directors' service contracts provide for pay in lieu of notice in respect of base compensation, as set out above.

The annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal pay-out date. Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules.

The default treatment under the PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on the original vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduce pro-rata to reflect the proportion of the performance period actually served. However, the Committee has discretion to determine that awards vest at an earlier date and/or to disapply time pro-rating, although it is envisaged that this would only be applied in exceptional circumstances. Any such incidents, where discretion is applied by the Committee, will be disclosed in the next year's Annual Report on Remuneration.

The default treatment for deferred annual bonus awards is that any outstanding awards lapse on cessation of employment. However, in certain good leaver circumstances (as described under the PSP above) awards will normally vest in full on the original vesting date.

In determining whether an executive should be treated as a good leaver or not, the Committee will take into account the performance of the individual and the reasons for their departure.

In the event of a change of control, all unvested awards under the deferred annual bonus and long-term incentive arrangements would vest, to the extent that any performance conditions attached to the relevant awards have been achieved. The award will be pro-rated for the period of the financial year served.

### Letters of appointment for Non-Executive Directors

The Non-Executive Directors have letters of appointment which may be terminated by either party giving three months' notice. The Non-Executive Directors' letters of appointment set out the time requirements expected of them in the performance of their duties. Non-Executive Directors are normally expected to spend at least 20 days per year in the performance of their duties for the Company. There is no provision in the letters of appointment of the Non-Executive Directors for compensation to be paid in the event of early termination.

### Legacy arrangements

For avoidance of doubt, in approving this Directors' Remuneration Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the vesting of past share awards) that have been disclosed to and approved by shareholders in this and previous Remuneration Reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

# Annual Report on Remuneration

This part of the report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the UK's Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2018 AGM. This report contains both auditable and non-auditable information. The information subject to audit by the Group's auditor, Ernst & Young LLP, has been identified accordingly.

## Membership of the Remuneration Committee

The members of the Remuneration Committee who served during the year, all of whom are independent Non-Executive Directors, are shown in the Corporate Governance section along with their attendance at Remuneration Committee meetings, please refer to page 109.

The Committee's responsibilities are set out in its terms of reference, which are available on the Company's website at [www.vedantaresources.com](http://www.vedantaresources.com) or on request from the Company Secretary. The Committee's terms of reference were reviewed during the year, and no further amendments have been made in the year ended 31 March 2018.

The Committee's responsibilities primarily include:

- setting the Group's overall policy on executive and senior management remuneration;
- determining the remuneration packages for individual Executive Directors, including base compensation, performance-based short and long-term incentives, pensions and other benefits;
- approving the design and operation of the Company's share incentive schemes; and
- reviewing and determining the terms of the service agreements of the Executive Directors.

## Advisers to the Committee

The Committee retained New Bridge Street (NBS), a trading name of Aon plc, to provide independent advice on remuneration matters. NBS is a signatory to the Remuneration Consultants Group's Code of Conduct, which requires its advice to be objective and impartial. NBS does not provide any other services to the Company. Other pay information for employees below Board level is provided to the Company by Aon in India. The Committee has reviewed the operating processes in place at NBS and is satisfied that the advice it receives is objective and independent. The Committee considers various external reports from NBS on remuneration in the UK as well as India to provide detailed insights that aid remuneration decisions. The fees paid to NBS in respect of work carried out in 2017–18 were £108,060. In addition, advisers to the Committee during the year, and their roles, are set out below.

- Mr Suresh Bose (Head of Group HR) and Manoj Kumar Sharma (Group Head of Total Rewards) advise the Committee on general remuneration policies and practices followed in India and the global market, Executive Directors' remuneration and benefits and remuneration policy applicable to the wider employee population within the Group.
- The Executive Directors provide input on remuneration packages for the senior management group to ensure parity amongst senior management in different businesses but in similar roles. Executive Directors may attend meetings at the invitation of the Committee, but no Director is present during discussions about their own remuneration.
- New Bridge Street reviewed and confirmed the Company's TSR Performance in respect of the Long-Term Incentive Plan.

## Statement of shareholder voting

At the 2017 Annual General Meeting, a resolution was proposed to shareholders to approve the Directors' Remuneration Report for the year ended 31 March 2017. This resolution was passed with the following votes from shareholders:

	Director's Remuneration Policy	Annual Report on Remuneration
Votes cast in favour	230,551,064 (99.26%)	221,944,178 (95.55%)
Votes cast against	1,720,063 (0.74%)	10,328,880 (4.45%)
Total votes cast	232,271,127	232,273,058
Votes withheld	2,032	1,100

# Annual Report on Remuneration

## Single total figure for remuneration (audited)

The table below summarises Directors' remuneration received during the year ended 31 March 2018 and the prior year for comparison.

		Base compensation including salary or fees £000	Taxable benefits £000	Pension £000	Annual bonus £000	Long-term incentives £000 <sup>9</sup>	Total £000 <sup>10,11</sup>
<b>Executive Directors</b>							
Anil Agarwal <sup>1</sup>	2017/18	1,608	123		1,016	1,044	3,791
	2016/17	1,608	124		1,029	35	2,796
Navin Agarwal <sup>2,3,7</sup>	2017/18	1,101	119	177	700	646	2,744
	2016/17	1,081	83	173	692	25	2,054
Tom Albanese <sup>4,7</sup>	2017/18	412	38	107	263		819
	2016/17	1,000	138	261	640		2,039
<b>Non-Executive Directors<sup>5</sup></b>							
Geoffrey Green	2017/18	115					115
	2016/17	108					108
Ed Story	2017/18	79					79
	2016/17	–					–
Aman Mehta <sup>6</sup>	2017/18	112					112
	2016/17	239					239
Deepak Parekh	2017/18	125					125
	2016/17	109					109
Katya Zotova	2017/18	122					122
	2016/17	119					119
Ravi Rajagopal	2017/18	111					111
	2016/17	77					77

1 Mr Anil Agarwal's taxable benefits in kind include provision of medical benefits; car and fuel in the UK for business purposes.

2 There has been no increase in the base compensation of Mr Navin Agarwal and the change in compensation reflected in the table is purely on account of movement in currency exchange (GBP vs INR) during the year FY 2017–18. Furthermore, he is based out of India and is drawing the majority of his remuneration in INR. For the financial year ended 31 March 2018, Mr Navin Agarwal received a Vedanta Limited salary of INR 85,618,845 excluding medical and leave travel allowances, Vedanta Resources plc fees of £85,000, Hindustan Zinc Limited fees of INR 250,000 and Commission of INR 1,000,000.

3 Mr Navin Agarwal's taxable benefits in kind include housing and related benefits and use of a car and driver.

4 Mr Tom Albanese's taxable benefits in kind include housing and related benefits, and use of a car and driver (grossed up to tax) in India and medical benefits in UK.

5 Non-Executive Directors are reimbursed for expenses incurred while on Company business. No other benefits are provided to Non-Executive Directors.

6 Mr Aman Mehta retired from the Board post conclusion of the AGM in 2017. The above amount for Mr Aman Mehta includes a commission of INR 6,554,795 and Sitting Fees of INR 800,000 received from Vedanta Limited in FY 2017–18.

7 All of the Group's pension schemes are based on cash contribution and do not confirm an entitlement to a defined benefit. Pension contributions are made into the Deputy Executive Chairman's, and Chief Executive Officer's personal pension schemes (or local provident fund) and will become payable on retirement, normally at age 58. The Executive Chairman does not receive pension benefits.

8 Amounts shown for 2017/18 relate to the payment of the annual bonus for the year ended 31 March 2018. 50% of the annual bonus figures shown in the table are paid in cash and the balance 50% is paid in the form of deferred shares to vest in the staggered manner in three years in the ratio 40:30:30 subject to continued employment except for Mr Tom Albanese who will be paid the annual bonus in cash owing to his contract closure effective 31 August 2017. Further details of this payment are set out below.

9 The amount shown here pertains to the Performance Share Plan (PSP) 2014. The performance period for PSP 2014 came to a close on 31 March 2017. Upon testing as per the scheme rules, Vedanta stood at 6th position against its peers in the TSR Basket with a 28.6% TSR Achievement which made the potential EDs eligible for vesting of 60% against the grant made to them. However, this was not made part of the Remuneration Table in FY 2016–17 as the vesting period completed on 16 November 2017.

10 NIC Contribution as per the statutory requirement is made for all Executive and Non-Executive Directors.

11 The exchange rate applicable as at 31 March 2017 was INR87.7138 to £1; and at 31 March 2018 was INR85.4732 to £1.

## Voluntary disclosures – Chief Executive (non-Board position)

Upon the departure of former Chief Executive Officer, Mr Tom Albanese, on 31 August 2017, Kuldip Kaura was appointed as the Interim Chief Executive Officer (CEO) of the Company effective 1 September 2017. He is responsible for leading the senior management team and for the executive management of the Group. Mr Kaura, along with other leaders of the Group, is responsible for leading the day-to-day operation of the Group's core operations and growth in various businesses. Kuldip Kaura is not a member of the Board of the Company, consequently, the following disclosures have been made voluntarily to demonstrate the remuneration arrangements that the Committee believe are appropriate for the CEO, including the variable pay mechanisms (Annual Bonus Plan and LTIP) designed to motivate the CEO to implement the Group's strategy effectively.

### Single total figure for remuneration for CEO (audited)

The table below summarises Directors' remuneration received during the year ended 31 March 2018 and the prior year for comparison.

		Base compensation including salary or fees £000	Taxable Benefits £000	Pension £000	Annual bonus £000 <sup>2</sup>	Long-term incentives £000	Total £000 <sup>3,4</sup>
<b>CEO (not on the Board)</b>							
Kuldip Kaura <sup>1</sup>	2017/18	524	57		293		874
<b>Total</b>		524	57		293		874

- 1 The remuneration for Mr Kuldip Kaura as appended above is for the period for which he was appointed as the Interim CEO for the Company i.e. from 1 September, 2017 onwards. His base compensation includes an amount of USD 400,000 which is paid by Vedanta Limited. The taxable benefits in kind for Mr Kaura include accommodation and provision of medical benefits in the UK.
- 2 Since Mr Kaura is a Group Executive Committee member, the annual bonus for Mr Kuldip Kaura has been computed based on the maximum of 125% of his Base Pay as applicable to other members of the Group Executive Committee. The annual bonus pay-out has been computed for the period 1 September 2017 to 31 March, 2018 payable at 55.03% of his base pay. 80% of the annual bonus will be paid in cash and the balance 20% in the form of deferred shares of the Company to vest in the staggered manner in two years in the ratio 50:50 subject to continued employment.
- 3 NIC contribution as per the statutory requirement is made.
- 4 The exchange rate applicable as at 31 March 2018 was INR85.4732 to £1.

Mr Kuldip Kaura, during his association as the Chief Executive Offices of the Company, was also awarded 34,580 cash option units linked to the shares of Vedanta Resources plc equivalent to GBP 280,790 at grant price of GBP 8.12 per unit vesting determined over a three-year period after meeting the performance condition.

Prior to his appointment as CEO, he was awarded 25,900 cash option units linked to the shares of Vedanta Resources plc equivalent to GBP 178,451 at grant price of GBP 6.89 per unit vesting determined over a three-year period after meeting the performance condition.

### Annual bonus (audited)

The annual bonus for the 2017–18 financial year was based on performance against a balanced scorecard of financial and sustainability measures and strategic projects. Performance against these targets is set out below:

Annual Bonus Computation – Executive Directors							Annexure B	
Factors	Parameters	Weighting as a percentage of total bonus	Actual achieved (\$m)	Threshold performance hurdle (33% of maximum payable)	On-target performance hurdle (70% of maximum payable) (£m)	Achievement	Payout (% of parameter)	Payout % as per weightings
Financial performance <sup>1</sup>	EBITDA	30.00%	4,051	70.00%	5,273	76.82%	34.18%	20.51%
	Free cash flow <sup>2</sup>	30.00%	1,738		2,692	64.57		
	Subtotal financial (as per Scheme)	60.00%			100.00%	70.70%		
Sustainability and Safety Scorecard <sup>3</sup>	Sustainability	7.50%	Score as per Scorecard of the Group under this parameter			74.00%	74.00%	5.55%
	Safety	2.50%				62.00%	62.00%	1.55%
	Fatality	10.00%	The safety target was not met so no bonus was payable under this element			0.00%	0.00%	0.00%
Personal/strategic objectives	Stakeholder management and regulatory	20.00%	Parameters: 1) Formulate an executable strategy for next phase of growth 2) Turnaround of KCM (cash flow & NPV of KCM) 3) Regulatory advances: Iron Ore volume; key tax matters, PSC extension 4) Strengthen balance sheet further by deleveraging and extending term maturities 5) Raw material securitisation – supply chain solution for bauxite 6) Perception improvement in our social license to operate efforts			72.50%	72.50%	14.50%
Total		100.00%	Payout as a percentage of maximum payout opportunity					42.11%
Payout		150.00%	Paid as a percentage of base pay (calculated as per total score)					63.16%

- 1 For financial performance, a weighted achievement of both the elements is considered for assessing the threshold and for arriving at the pay-out: 70% achievement of business plan targets is considered as threshold, which entails 33.33% of the pay-out opportunity, with 70% pay-out for 100% achievement and stretching to 100% of pay-out opportunity at 120% achievement of the targets. For other elements, pay-out is pro-rated with respect to performance levels, increasing to full payment at stretch performance.
- 2 The Free Cash Flow (FCF)<sup>3</sup> represented is adjusted for impact of disruption in banking around Letter of Undertakings in March 2018 and Cairn India dividend paid.
- 3 The sustainability, as well as safety performance, score is the Group average score calculated based on the scorecard which includes resource use and management, stakeholder engagement and management, compliance and training, incident investigation and change management. The impact of fatalities has also been incorporated, which has impacted the annual bonus pay-out for the Executive Directors. The fatality parameter has a 10% weightage which has resulted in Nil pay-out on this parameter.



## Annual Report on Remuneration continued

For determining the bonus, the business performance for the year has been evaluated in terms of the metrics approved for the year 2017–18. Following evaluation against the set metrics, the achievement of targets is 42.11% of the maximum, and subsequently a bonus of 63.16% of salary is proposed for the Executive Chairman, Executive Vice Chairman and the erstwhile Group CEO. The bonus payment in relation to performance in the 2017–18 financial year will be payable 50% in cash and 50% in shares under the Deferred Share Bonus Plan, except for Mr Tom Albanese whose annual bonus award has been pro-rated owing to his contract closure effective 31 August 2017 and will be paid in cash.

### Performance Share Plan awards granted and vested during the year (audited)

The following award was granted to the Executive Directors on 14 November 2017 under the PSP scheme:

	Type of award	Basis of award granted (% of base compensation)	Share price at date of grant	Share price at date of grant Number of shares over which award was granted	Face value of award (£000)	% of face value that would vest at threshold performance	Vesting determined by performance over
Anil Agarwal	Nominal-cost option	90%	£8.12	178,230	1,447	30%	3-year period
Navin Agarwal	Nominal-cost option	85%	£8.12	122,440	994	30%	

The performance condition attached to the above award is based on Vedanta Resources' relative TSR against the comparator group of industry peers. 30% of the awards will vest at median performance, with full vesting for upper quintile performance.

There are two comparator groups – the Global Comparator Group and the Indian Comparator Group (since the majority of our operations are in India). The percentage of the shares comprised in the awards that vest depends on the Company's TSR relative to the companies in the comparator groups on the basis of a ratio of 75:25 weighting as indicated below:

Global Comparator Group (75% weighting) – the companies comprising the TSR comparator group are AngloAmerican, BHP Billiton, Rio Tinto, Glencore Xstrata, Vale, Antofagasta, Rusal, South 32, Santos, Korean Zinc, Fortescue, Alcoa, Boliden, First Quantum, and CNOOC Limited.

Indian Comparator Group (25% weighting) – the companies comprising the TSR comparator group are Reliance Industries Ltd., ONGC, Tata Steel, JSW Steel, Hindalco Industries and Adani Power.

**Share plan awards<sup>1</sup> (audited)**

The table below shows the Directors' interests in the Company's share plans:

		31 March 2017 Number of shares	Granted in 2017-18 Number of shares	Vested in 2017-18 Number of shares	Lapsed in 2017-18 Number of shares	31 March 2018 Number of shares	Exercise price US cents	Award price £	Earliest/latest exercise date
<b>Anil Agarwal</b>									
17 November 2014	PSP <sup>3</sup>	135,000	–	135,000	–	–	0.1	8.09	17 Nov 17 – 17 May 18
30 December 2015	PSP	275,000	–	–	–	275,000	0.1	2.717	30 Dec 18 – 30 Jun 19
4 January 2016	DSBP	41,197	–	20,599	–	20,598	0	6.534	22 May 16 – 22 May 18
8 September 2016	DSBP <sup>2</sup>	119,084	–	47,634	–	71,450	0	3.753	19 May 17 – 19 May 19
11 November 2016	PSP	210,000	–	–	–	210,000	0.1	8.215	10 Nov 19 – 19 May 20
25 August 2017	DSBP	–	85,861	–	–	85,861	0	5.995	19 Jun 18 – 19 Jun 20
14 November 2017	PSP	–	178,230	–	–	178,230	0.1	8.12	14 Nov 20 – 14 May 21
<b>Navin Agarwal</b>									
17 November 2014	PSP <sup>3</sup>	84,000	–	84,000	–	–	0.1	8.09	17 Nov 17 – 17 May 18
30 December 2015	PSP	130,000	–	–	–	130,000	0.1	2.717	30 Dec 18 – 30 Jun 19
4 January 2016	DSBP	36,217	–	18,109	–	18,108	0	4.435	12 Aug 16 – 12 Aug 18
8 September 2016	DSBP <sup>2</sup>	57,697	–	23,079	–	34,618	0	5.177	1 Sep 17 – 1 Sep 19
11 November 2016	PSP	125,000	–	–	–	125,000	0.1	8.215	10 Nov 19 – 10 May 20
25 August 2017	DSBP	–	47,563	–	–	47,563	0	7.585	25 Aug 18 – 25 Aug 20
14 November 2017	PSP	–	122,440	–	–	122,440	0.1	8.12	14 Nov 20 – 14 May 21
<b>Total</b>		<b>1,213,195</b>	<b>434,094</b>	<b>328,421</b>		<b>1,318,868</b>			
		31 March 2017 Number of shares	Granted in 2017-18 Number of shares	Vested in 2017-18 Number of shares	Lapsed in 2017-18 Number of shares	31 August 2017 Number of shares	Exercise price US cents	Award price £	Earliest/latest exercise date
<b>Tom Albanese</b>									
17 November 2014	PSP <sup>3,4</sup>	102,000	–	–	–	102,000	0.1	8.09	17 Nov 17 – 17 May 18
30 December 2015	PSP	200,000	–	–	–	200,000	0.1	2.717	30 Dec 18 – 30 Jun 19
4 January 2016	DSBP	25,163	–	–	–	25,163	0	4.435	12 Aug 16 – 12 Aug 18
8 September 2016	DSBP <sup>2</sup>	53,690	–	–	–	53,690	0	5.177	1 Sep 17 – 1 Sep 19
11 November 2016	PSP	140,000	–	–	–	140,000	0.1	8.215	10 Nov 19 – 10 May 20
5 August 2017	DSBP	–	42,203	–	–	42,203	0.1	7.585	5 Aug 18 – 5 Aug 20
<b>Total</b>		<b>520,853</b>	<b>42,203</b>			<b>563,056</b>			

1 The grant for PSP 2018 will be included in the above table as and when granted.

2 50% of the annual bonus for the previous year was paid as deferred shares during the year that will vest in a span of three years.

3 The performance period for PSP 2014 came to a close on 31 March 2017. Upon testing as per the scheme rules, Vedanta stood in sixth position against its peers in the TSR basket with a 28.6% TSR achievement, which made the Executive Directors eligible for vesting of 60% against the grant made to them. The options vested at the close of the vesting period on 17 November 2017.

4 Tom Albanese exercised these options in April 2018.

# Annual Report on Remuneration continued

## External appointments

The Board's policy on external appointments is that an Executive Director may, only with the prior approval of the Board, accept an appointment external to the Group (other than any appointment as a Non-Executive Director to related parties or Volcan Investments Limited (Volcan) in the case of Messrs Anil Agarwal and Navin Agarwal) of a publicly listed company anywhere and that the fees for any such appointment may be retained by the individual.

Mr Tom Albanese is no longer an Executive Director at Vedanta Resources but during the tenure of his contract, he was a non-executive director at Franco-Nevada Corporation and was entitled to retain any remuneration paid to him. His remuneration for this position was C\$65,445 (this figure is inclusive of fees earned as well as the share-based payments). None of the other Executive Directors currently receive fees for non-executive appointments with other companies.

## Directors' interests in ordinary shares (audited)

The interests of the Directors in the shares of the Company as at the year-end are set out below:

	Beneficially owned at 31 March 2017 or on appointment	Beneficially owned at 31 March 2018 or on departure	Outstanding LTIP, ESOP and DSBP awards (not subject to performance)	Shareholding as a % of base compensation <sup>3</sup>	Shareholding requirement met?
Anil Agarwal <sup>1</sup>	187,488,102	187,488,102	—	82,434%	Yes
Anil Agarwal <sup>2</sup>	146,762	441,050	177,909		
Navin Agarwal <sup>2,4</sup>	272,437	467,616	100,289	300%	Yes
Tom Albanese	91,569	91,569	223,056	65%	No
Geoffrey Green	—	—	—	n/a	n/a
Ed Story	—	—	—	n/a	n/a
Aman Mehta	—	—	—	n/a	n/a
Deepak Parekh	—	—	—	n/a	n/a
Katya Zotova	—	—	—	n/a	n/a
Ravi Rajagopal	—	—	—	n/a	n/a

1 Mr Anil Agarwal's holding of 187,488,102 Vedanta ordinary shares are registered in the name of Volcan Investments Limited, which is a company owned by a family trust.

2 Mr Anil Agarwal and Mr Navin Agarwal each held nominee shares in direct and indirect subsidiaries. These holdings are non-beneficial.

3 Based on share price of £7.07 as at 31 March 2018.

4 51,660 shares are held by Navin Agarwal's son and wife as well, which were purchased from the market in March 2015.

No changes in the above Directors' interests have taken place between 31 March 2018 and the date of this report.

## Leaving terms for Tom Albanese (former CEO)

Tom Albanese served as Chief Executive under a fixed term contract which ended on 31 August 2017, at which point he stepped down from the Board and left the Company. Mr Albanese received no additional salary or benefit payments in termination, since there was no unexpired notice period under his contract. He was awarded a pro-rated bonus for the 2017/18 year, paid at the end of the year and tested on the same basis as the other Executive Directors, and paid wholly in cash. He was also given good leaver status on his long-term incentive awards; this means that the awards will be preserved and vest on the date originally intended, subject to the fulfilment of the performance criteria and with the number of shares vesting adjusted pro rata for the period of time served since grant.

## Recruitment terms for Srinivasan Venkatakrishnan (incoming CEO)

On 16 April 2018 the Board announced that Srinivasan Venkatakrishnan would join the Company as Chief Executive on 31 August 2018. Mr Venkatakrishnan's base pay was set to be in line with that of the former permanent Chief Executive, Tom Albanese – namely, a base pay of £1 million, benefits in line with our normal practice, pension of 20% of base pay, additional allowance of 5% on base pay, annual bonus opportunity of 100% of base pay (which is lower than that applicable for Tom Albanese) and long-term incentive opportunity of 150% of base pay. In light of the need for Mr Venkatakrishnan to relocate himself and his family from South Africa, the Company will provide additional benefits intended to ease this transition including the provision of temporary accommodation and relocation assistance. In addition, to facilitate Mr Venkatakrishnan's recruitment, it was necessary to compensate him for bonus and share awards which he would lose as a result of leaving his previous company to join Vedanta. These payments comprise:

- An award of shares worth £255,394 vesting in January 2019, in compensation for his forgone annual bonus
- Two awards of shares worth £752,705 and £387,520, vesting in March 2019 and March 2020 respectively, in compensation for awards under previous deferred bonus and bonus co-investment plans
- Two awards of shares worth £459,429 and £669,510, vesting in March 2019 and March 2020 respectively in compensation for awards under a long-term incentive plan

## Payments to past Directors (audited)

No payments were made to past Executive Directors during the year ended 31 March 2018.

**Payments for loss of office (audited)**

No payments were made in respect of loss of office during the year ended 31 March 2018.

**Percentage change in remuneration levels**

The table below shows the movement in base compensation, taxable benefits and annual bonus for the Executive Chairman between the 2016–17 and 2017–18 financial years, compared to that for the average employee.

	Change
<b>Executive Chairman (£000)</b>	
Base compensation	3%
Taxable benefits	Nil%
Bonus	-1%
<b>Average employee (£000)</b>	
Base compensation	10%
Taxable benefits	Nil
Bonus	-3%

**Relative importance of spend on pay**

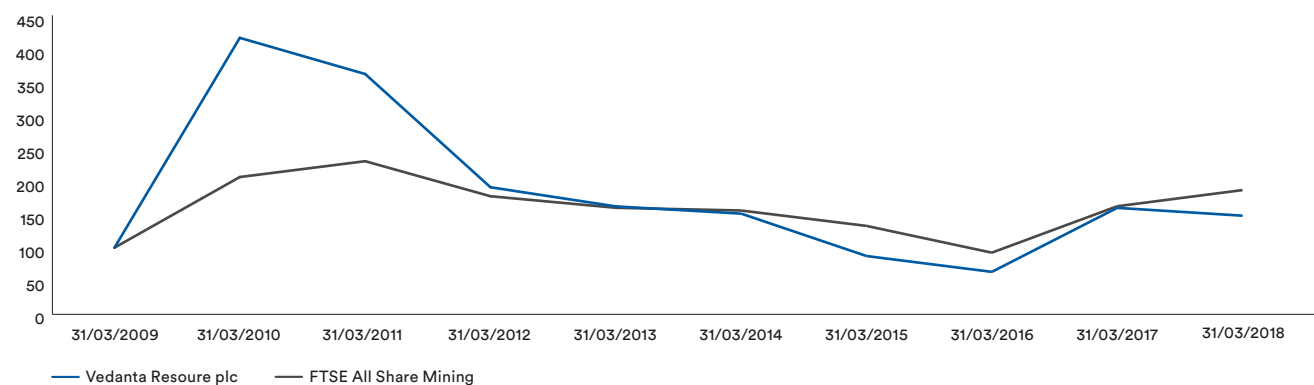
The table below shows the movement in spend on staff costs between the 2016–17 and 2017–18 financial years, compared to dividends.

US\$ million	2016–17	2017–18	% change
Staff costs	US\$591.1	US\$630.7	6.7%
Number of staff <sup>1</sup>	25,035	25,083	0.2%
Dividends	138.4	165.4	20%

<sup>1</sup> The number of staff is the average number of employees during the year.

**Performance graph and Executive Chairman pay**

The graph below shows the TSR in respect of the Company over the last ten financial years, compared with the TSR for the FTSE All Share Mining Index. The FTSE All Share Mining Index was chosen as it is most relevant to compare the Company's performance against its peers.

**Total Shareholder Return  
Value (£) (rebased)**

Source: FactSet

This graph shows the value, at 31 March 2018, of £100 invested in Vedanta Resources plc on 31 March 2009, compared with the value of £100 invested in the FTSE All Share Mining Index on the same date.

All other points plotted are the values at intervening financial year-end.



# Annual Report on Remuneration continued

The total remuneration figures for the Executive Chairman during each of the last eight financial years are shown in the table below. The Executive Chairman's remuneration is shown since he is the highest-paid Executive Director. Consistent with the calculation methodology for the single figure for total remuneration, the total remuneration figure includes the total annual bonus and long-term incentive award based on that year's performance. The annual bonus pay-out and long-term incentive award vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	Year ending 31 March							
	2011	2012	2013	2014	2015	2016 <sup>2</sup>	2017 <sup>2</sup>	2018 <sup>2</sup>
LTIP/ESOP vesting (%)	40%	n/a <sup>1</sup>	36%	nil%	nil%	nil%	60% <sup>3</sup>	n/a <sup>1</sup>
Annual bonus (%)	43%	39%	40%	44%	37.2%	37.06%	42.68%	42.11%
Total remuneration (£000)	£2,066	£2,010	£2,556	£2,376	£2,634	£2,625	£2,796	£3,785

1 Due to the timings of long-term incentive grants, there were no awards with performance periods ending during these financial years.

2 The performance achievement regarding the awards granted during FY2016, FY2017 and FY2018 is yet to be evaluated as the performance period has not yet completed for these grants.

3 The performance period for PSP 2014 came to a close on 31 March 2017. Upon testing as per the scheme rules, Vedanta stood in sixth position against its peers in the TSR basket with a 28.6% TSR achievement, which made the Executive Directors eligible for vesting of 60% against the grant made to them.

## Remuneration decisions taken in respect of the financial year ending 31 March 2019

### Base compensation

In setting base compensation for 2017/18, the Committee considered external market data and the increase in base compensation for the senior management group and the workforce generally, where the average increase across the Group will be 10%. However, this increase is very much confined to middle and junior management employees. The pay increase for other senior executives will be in the lower quartile. Similarly, this increase will not apply to the Executive Directors. The Committee reviewed the remuneration of the Executive Directors and the increase is in line with the general level of increase in the UK market at comparable positions and the base compensation will be as follows:

	Base compensation from 1 April 2017 £000	Base compensation from 1 April 2018 £000	% increase
Anil Agarwal	1,608	1,656	3%
Navin Agarwal <sup>1,3</sup>	1,101	1,129	3%
Kuldip Kaura <sup>2,3</sup>	905	932	3%

1 The increment awarded to Mr Navin Agarwal is only on the Indian component and any other change reflected in the table is purely on account of movement in currency exchange (GBP vs INR) during the year FY 2017-18. Furthermore, he is based out of India and is drawing the majority of his remuneration in INR.

2 The increment awarded to Mr Kuldip Kaura is on both the UK as well as Indian component.

3 The annual increment for both Mr Navin Agarwal and Mr Kuldip Kaura will also be tabled to the Vedanta Limited Board for approval.

### Annual bonus awards to be granted in 2018-19

The annual bonus opportunity for the year 2018-19 will be 150% of base compensation for Messrs Anil Agarwal and Navin Agarwal; 100% of base compensation for the newly appointed CEO, Mr Srinivasan Venkatakrishnan, and 125% of base pay for Mr Kuldip Kaura. The annual bonus will be based on the following metrics.

Factor	Parameter	Weighting
Financial performance (against target) <sup>1</sup>	EBITDA	35%
	Free cash flow	25%
Personal objectives	Sustainability scorecard	7.5%
	Safety scorecard	2.5%
	Fatality <sup>2</sup>	10%
	Strategic objectives	20%

1 For financial performance, a weighted achievement of both the elements is considered for assessing the threshold and for arriving at the pay-out: 70% achievement of business plan targets is considered as threshold, which entails 33.33% of the pay-out opportunity, with 70% pay-out for 100% achievement and stretching to 100% of pay-out opportunity at 120% achievement of the targets. For other elements, pay-out is pro-rated with respect to performance levels, increasing to full payment at stretch performance.

2 At Vedanta, safety is led from the top. While the Group has shown a significant improvement in overall safety metrics over the last few years, the Board of Directors had decided last year to lead by example and link 10% of incentive pay to the elimination of fatalities. We have chosen to do this by progressive reduction in fatalities to zero by FY2019. A further 2.5% of incentive pay is linked to the implementation of the safety performance standard designed to prevent fatalities, as audited annually by our Management Assurance team. Through this process we will encourage all the leaders in Vedanta and its subsidiaries to follow and establish a positive safety culture across the Group.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. Full retrospective disclosure of the targets and performance against them will be shown in next year's Annual Report on Remuneration.

**PSP awards to be granted in 2018–19**

The Executive Directors' 2019 PSP opportunity will be 150% of base compensation. The 2018–19 award will be subject to the following performance conditions:

Performance condition	Threshold target (30% vesting)	Stretch target (100% vesting)	End measurement point
Relative TSR vs bespoke group of companies	Median	Upper quintile	Final three months of the performance period i.e. three months to 31 March 2021

The performance condition attached to the above award is based on Vedanta Resources' relative TSR against the comparator group of industry peers. 30% of the award will vest at median performance, with full vesting for upper quintile performance.

As set out within the Remuneration Policy, a holding period will be attached to vested PSP awards, requiring the vested shares to be held (net of tax) for a further two years.

**Non-Executive Directors' fees**

As detailed in the Remuneration Policy, fees for the Non-Executive Directors are determined by the Board, based on the significant travel and time commitments, the risk profile of the Company and market practice for similar roles in international mining groups. A summary of the current fees is as follows:

	2017–18 £000	2018–19 £000
<b>Board membership</b>		
Non-Executive Director	85	85
Senior Independent Non-Executive Director	18	18
<b>Committee membership</b>		
Audit Committee Chairman	20	20
Remuneration Committee Chairman	20	20
Nominations Committee Chairman	–	–
Sustainability Committee Chairman	20	20
Member of Audit Committee	10	10
Member of Remuneration Committee	10	10
Member of Nominations Committee	7.5	7.5
Member of Sustainability Committee	10	10

**Approval of the Directors' Remuneration Report**

The Directors' Remuneration Report, including both the Directors' Remuneration Policy Report and the Annual Report on Remuneration, was approved by the Board on 22 May 2018.

**Geoffrey Green**

Chairman of the Remuneration Committee

# Directors' Report

## Purpose of the Directors' Report

The Directors are pleased to present their Annual Report on the business of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2018.

The purpose of the Directors' Report is to provide shareholders with certain statutory information about the Company, its Directors and operations. The Strategic Report informs shareholders of, and helps them assess, how the Directors have performed in their duty to promote the success of the Company. In addition, as a company listed on the London Stock Exchange, it

is required to provide information which includes, amongst other things, details of the Company's share capital, voting rights, rules on Directors' appointments and significant agreements that alter on any change of control.

Information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended to be included in the Directors' Report but, which is instead included in the Strategic Report or elsewhere in the Annual Report, is set out in the table below.

<b>Review of the business and future developments of the business of the Company</b>	Strategic Report on pages 1–99
<b>Employment policies and employee involvement</b>	Strategic Report on page 57
<b>Research and development</b>	Details can be found on pages 147 and 190

Information required by Listing Rule 9.8.4R as amended to be included in the Directors' Report, but which is instead included elsewhere in the Annual Report, is set out in the table below.

<b>Subject</b>	<b>Section in the Annual Report</b>
<b>Directors' emoluments</b>	Directors' Remuneration Report on page 129
<b>Long-term incentive schemes</b>	Details of the Group's employee share schemes are set out in Note 32 of the consolidated financial statements and also on pages 138–139 of the Directors' annual report on remuneration. Details of the shares held by the Vedanta Resources plc Employee Benefit Trust can be found in the Directors' Report on page 147 and in Note 32 of the Consolidated Financial Statements on page 220.
<b>Parent participation in a placing by a listed subsidiary</b>	None
<b>Interest capitalised by the Group</b>	Note 7 of the Consolidated Financial Statements on page 189
<b>Publication of unaudited financial information</b>	None
<b>Contract of significance in which a Director is interested</b>	None
<b>Contract of significance with a controlling shareholder</b>	None
<b>Provision of services by a controlling shareholder</b>	None
<b>Non pre-emptive issues of equity for cash</b>	None
<b>Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings</b>	None
<b>Agreements with the controlling shareholder</b>	Corporate Governance Report on page 111

### Strategic Report

The Strategic Report has been prepared in accordance with the Companies Act 2006 ('the Act') which requires the Company to set out a fair review of the business of the Group during the financial year, including an analysis of the position of the Group at the end of the financial year and the trends and factors likely to affect the future development, performance and position of the business. The Strategic Report can be found on pages 1–99.

The Strategic Report and other sections of this Annual Report contain forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's ability to control or predict. Forward looking statements and past performance are therefore not guarantees of future performance. The information contained in the Strategic Report has been prepared on the basis of information and knowledge available to the Directors at the date of preparation and the Company does not undertake to update or revise the content during the year ahead.

### Corporate governance

In accordance with the Financial Conduct Authority's Disclosure and Transparency Rules DTR 7.2.1, the disclosures required by DTR 7.2.2R to DTR 7.2.5 and DTR 7.2.7 may be found in the Corporate Governance Report on pages 100–143. The Corporate Governance Report is incorporated into this Directors' Report by reference. Information referred to in DTR 7.2.6 is located in this Directors' Report.

### Review of business and future developments

A review of the business and future developments of the Group is presented in the Strategic Report on pages 1–99.

### Greenhouse gas (GHG) emissions reporting

Climate change is a growing concern globally, and recent record temperature trends will likely accelerate this concern. We acknowledge the global concern on climate change and recognise that concentrated and sustained global actions are required to reduce the scale of the problem and to adapt to its impacts. We feel this will require multiple solutions, including using innovative technology to improve energy efficiency and find more carbon neutral solutions. It is vitally important that every country is provided with the right incentives for the development and communication of climate-friendly processes and practices.

At Vedanta we are working towards implementing our energy and carbon management plans to reduce our GHG emissions. Our energy and carbon management approach hinges on a two-pronged strategy; improving energy and process efficiency, while diversifying our energy portfolio to include renewable energy to the extent possible. We are committed to the cause of tackling climate change and have constituted the Chief Operating Officers (COOs') forum to advise and facilitate the implementation of the Group's climate change programme.

In addition to optimising our consumption, we are also looking at diversifying our energy portfolio. Mindful of the long-term impact of traditional grid-energy, we are evaluating renewable energies like solar and wind. This year, the HZL business installed 16 MW of solar power plant.

We calculate and report greenhouse gas inventory i.e. Scope 1 (process emissions and other direct emissions) and Scope 2 (purchased electricity) as defined under the World Business Council for Sustainable Development (WBCSD) and World Resource Institute (WRI) GHG protocols. The increase in GHG emissions during the year was due to the ramp-up in our Aluminium and Power businesses. The relative increase in GHG emissions in the power sector was higher compared to revenue generated, resulting in overall higher GHG intensity.

### GHG emissions (tonnes of CO<sub>2</sub>)

Business	FY2018		FY2017	
	Scope 1	Scope 2	Scope 1	Scope 2
Zinc India	4,830,185	154,564	4,288,645	114,211
Zinc International	87,919	594,167	54,168	644,554
Copper India & Australia	624,738	87,591	147,078	515,274
Copper Africa	150,306	4,780	153,127	4,613
Aluminium	30,889,044	237,024	24,808,807	52,542
Power	11,168,053	7,451	18,996,251	6,736
Oil & Gas	1,550,610	84,980	1,465,348	70,827
Iron Ore	1,837,129	18,428	1,982,484	18,986
Others	–	11,641	–	4,922
<b>Total</b>	<b>51,137,984</b>	<b>1,200,626</b>	<b>51,896,907</b>	<b>1,432,665</b>



## Directors' Report continued

The GHG intensity ratio below expresses Vedanta's annual GHG emissions in relation to the Group's consolidated revenue.

### GHG intensity ratio (tonnes of CO<sub>2</sub>/Millions US\$)

Business	FY2018	FY2017
Zinc India	1,480	1,744
Zinc International	1,276	2,102
Copper India & Australia	186	212
Copper Africa	121	180
Aluminium	8,676	12,187
Power	12,760	22,734
Oil & Gas	1,105	1,256
Iron Ore	3,806	3,252
Others	406	-83
<b>Consolidated Group</b>	<b>3,382</b>	<b>4,629</b>

### Dividends

The Directors recommend a final dividend for the year ended 31 March 2018 of 41.0 US cents per ordinary share (2017: 35.0 US cents per ordinary share). Subject to shareholders approving this recommendation at the Company's Annual General Meeting on 13 August 2018, the final dividend will be paid on 22 August 2018 to shareholders on the register of members as at 20 July 2018. An interim dividend of 24 US cents per ordinary share (2017: 20 US cents) was paid on 14 December 2017 to shareholders on the register of members on 24 November 2017.

### Executive Committee

The members of the Executive Committee as at the date of this Report are shown together with their biographical details on pages 102–103. During the year and up to the date of this Report, the composition of the Executive Committee was refreshed. The following ceased to be members of the Executive Committee:

Tom Albanese

New additions to the Executive Committee during the year and up to the date of this Report include:

Naveen Singhal	Chief Executive Officer, Iron Ore
P Ramnath	Chief Executive Officer, Vedanta Limited Copper
Steven Din	Chief Executive Officer, KCM
Scott Caithness	Director, Exploration
Arun Arora	Head, Corporate Communications

### Directors

The Directors as at the date of this Report are shown together with their biographical details on pages 100–101. During the year and up to the date of this Report, the following Board appointments and retirements occurred:

Edward T Story was appointed on 1 June 2017

Aman Mehta retired on 14 August 2017

Tom Albanese resigned on 31 August 2017

Details of the remuneration of the Directors, their interests in the shares of the Company and service contracts are contained in the Directors' Remuneration Report on pages 129–143.

### Appointment and replacement of Directors

The Company's Articles of Association (the Articles) specify that the minimum number of Directors of the Company, unless determined by ordinary resolution, shall be two. There is no limit on the maximum number of Directors. The Company or the Board may appoint any person to be a Director. Any Director appointed by the Board shall hold office only until the next general meeting and is then eligible for election by shareholders.

In accordance with the UK Corporate Governance Code, all Directors will retire and submit themselves for re-election at the Company's forthcoming Annual General Meeting. Details of Directors' contracts or letters of appointment are included in the Directors' Remuneration Report. The performance of each Director was reviewed and it was found that each of them continues to make an effective and valuable contribution to the deliberations of the Board and demonstrate commitment to the role. The performance of the Chairman was reviewed by the Senior Independent Director and discussed with the other Non-Executive Directors.

As the Company is Premium listed and has a controlling shareholder, under the UK Listing Rules, the appointment of the Company's independent Non-Executive Directors must be approved by a majority vote of not only all shareholders of the Company but also of the independent shareholders of the Company (that is, the shareholders of the Company entitled to vote on the election of Directors who are not controlling shareholders of the Company). If a resolution to elect or re-elect an independent Non-Executive Director is not approved by a majority vote of both the shareholders as a whole and the independent shareholders of the Company at the Annual General Meeting, a further resolution may be put forward to be approved by the shareholders as a whole at a meeting which must be held more than 90 days after, but within 120 days, of the Annual General Meeting when the first vote was held.

### Powers of the Directors

Subject to the provisions of the Companies Act and the Company's Articles and to any directions given by special resolution, the business of the Company is to be managed by the Board, which may exercise all the powers of the Company.

### Directors' emoluments

Details of the Directors' emoluments and any waiver are included in the Directors' Remuneration Report on pages 136–139.

### Long-term incentive schemes

Details of the long-term incentive schemes operated by the Company, namely the Performance Share Plan (PSP) and the Deferred Share Bonus Plan (DSBP), are included in the Directors' Remuneration Report on pages 138–139.

### Dividend waiver

As noted in the Remuneration Committee Report of this document, the Company operates a DSBP under which bonus payments to the Executive Chairman, Executive Vice Chairman and Group Chief Executive Officer are payable partly in cash and partly in deferred share awards which vest over a staggered period of two or three years, subject to service conditions being met. Pending vesting, Sanne Fiduciary Services Limited (SFSL) holds any shares that are the subject of awards under the DSBP as nominee on behalf of the relevant executives. SFSL, on behalf of the relevant executives, has waived the right to receive dividends on these shares as well as any voting rights attaching to these shares pending vesting of these awards in accordance with the rules of the DSBP. As at 31 March 2018, there were 162,581 shares in respect of the DSBP and 278,199 shares in respect of Forfeitable Share Awards granted under the DSBP to Anil Agarwal and Navin Agarwal. Other than the waiver of dividends by SFSL as described above, there have been no arrangements under which a shareholder has waived or agreed to waive dividends or future dividends during the year ended 31 March 2018.

### Directors' and officers' liability insurance and indemnities

The Company purchases and maintains liability insurance for its Directors and Officers and those of the subsidiaries of the Group, as permitted by the Act. The insurance policy does not provide cover where the Director has acted fraudulently or dishonestly. The Company believes that it is appropriate to provide such cover to protect Directors from innocent error as the Directors carry significant liability under criminal and civil law and under the UK Listing, Prospectus and Disclosure and Transparency Rules, and face a range of penalties.

In addition, the Company's Articles contain an indemnity provision in favour of the Directors against proceedings brought by third parties, subject to the Act, to allow the Company to pay legal defence costs for the Director where the Director is exonerated.

### Employees

Information on the Group's employees and its policies with respect to employees can be found in the Sustainability Report section of the Strategic Report. In summary, the Group's commitment to communication and dialogue with employees continues. The existence of a Group-wide intranet enables engagement and communication with employees throughout the Group. It also helps management to share information, ideas and opportunities quickly and to achieve a common awareness on the part of all employees of the financial and economic factors affecting the performance of the Company. Employees have opportunities to voice their opinions and ask questions through the Group intranet and engage in question and answer sessions with the Executive Chairman.

### Political donations

It is the Board's policy that neither Vedanta nor any of its subsidiary companies outside India may, under any circumstances, make donations or contributions to political organisations. Subsidiaries in India may make political donations or contributions as this is customary in India and permitted under local legislation. In exceptional circumstances, if political donations or contributions are deemed necessary in the United Kingdom and European Union for legitimate business reasons, they will not be made without the approval of the Board and shareholders at a general meeting. Any political donations made in India will be disclosed in the Company's Annual Report and Accounts. The Company and its subsidiaries did not make any political donations during the financial year ended 31 March 2018 (2017: nil).

### Research and development

The Group's business units carry out research and development activities necessary to further their operations.

### Post-balance sheet events

Post-balance sheet events have been disclosed in Note 43 to the financial statements.

### Material shareholdings

As at 10 August 2018, the Company had received notifications of control of 3% or more over the Company's total voting rights and capital in issue<sup>1</sup> as set out below:

Name of shareholder	Nature of holding	Number of ordinary shares of US\$0.10 each	Percentage of total voting rights
Volcan Investments Limited <sup>2</sup>	Indirect	187,488,102	68.61%
Standard Life Investment <sup>3</sup> (Holdings Limited)	Indirect	–	Below 5%
Viktor Falk <sup>3</sup>	Direct	8,340,408	3.10%

<sup>1</sup> The voting rights at 31 March 2018 were 272,875,228 ordinary shares (net of treasury shares and shares held in Global Depositary Receipt).

<sup>2</sup> The number of shares held by Volcan Investments Limited as at 31 March 2018 was 187,488,102 (68.71% of the total voting rights).

<sup>3</sup> There had been no changes notified to the Company for the shareholdings in Vedanta held by Standard Life Investment and Viktor Falk between 31 March 2018 and 10 August 2018.

## Directors' Report continued

### Articles of Association, share capital and voting rights

The following description summarises certain provisions in the Company's Articles and applicable English law concerning companies. This is a summary only and the relevant provisions of the Act, or the Articles, should be consulted if further information is required. Copies of the Company's current Articles are available for inspection at the Company's registered office during normal business hours. They are also available from Companies House and the Company's website at [www.vedantaresources.com](http://www.vedantaresources.com).

### Amendments to the articles

The Company's Articles may be amended only by special resolution passed by the Company's shareholders.

### Share capital

As at 31 March 2018 the issued share capital of the Company was comprised of 303,987,039 ordinary shares of 10 US cents each and 50,000 deferred shares of £1 each.

### Rights and obligations attaching to shares

The rights and obligations attaching to the ordinary and deferred shares are set out in the Articles. Details of the issued share capital together with movements in the Company's issued share capital during the year are shown in Note 35 of the financial statements.

Vedanta currently holds 22,502,483 ordinary shares in treasury. A further 1,704,333 shares, which had previously been purchased under Vedanta's Buyback Programme, were held by an independent company, Gorey Investments Limited (Gorey), and this company will not vote on these shares. These shares purchased by Gorey will be treated in the consolidated accounts of Vedanta as treasury shares.

6,904,995 ordinary shares of 10 US cents each were issued on the conversion of certain convertible bonds issued by one of the Company's subsidiaries. These 6,904,995 ordinary shares are held through a global depository receipt and carry no voting rights. Apart from the above, each ordinary share carries the right to one vote at general meetings of the Company. Holders of deferred shares are not entitled to attend, speak or vote at any general meeting of the Company, nor are they entitled to the payment of any dividend or to receive notice of general meetings.

Further details of the rights attaching to the deferred shares are set out in the Articles and summarised in Note 35 of the financial statements.

### Variation of rights

Subject to the provisions of the Act, the rights attached to any class of shares may be varied with the consent of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

### Deadlines for exercising voting rights

Votes may be exercised at general meetings in relation to the business being transacted either in person, by proxy or, in relation to corporate members, by corporate representatives. The Articles provide that forms of proxy shall be submitted not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

### Restrictions on voting and the transfer of shares

No member shall be entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares in the capital of the Company, either in person or by proxy, in respect of any share held by him unless all monies payable by him in respect of that share have been fully paid. Furthermore, no shareholder shall be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll if he has been served with a notice after failing to provide the Company with information concerning interests in his shares that is required to be provided under the Act.

With the exception of restrictions on the transfer of unpaid shares and ordinary shares held under the Company's employee share incentive plans whilst the shares are subject to the rules of the plans, there are no restrictions on the transfer rights attaching to the Company's ordinary shares or the transfer of securities in the Company.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights.

### Issue of shares

The powers of the Company's Directors are subject to relevant legislation and, in certain circumstances (including in relation to the issue or buying back by the Company of its shares), are subject to authority being given to the Directors by shareholders in general meeting. At the Company's 2018 Annual General Meeting, shareholders will be asked to renew the Directors' authority to allot new securities. Details are contained in the 2018 Notice of Annual General Meeting (Notice of AGM).

Subject to the provisions of the Act, the Company has authority under its Articles to allot new shares in the Company. Such authority would be exercised having regard to the Statement of Principles published by the Pre-emption Group.

### Shares held in uncertificated form

Subject to the provisions of the Uncertificated Securities Regulations 2001, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

### Dividends and distributions

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution. The treasury shares directly held by the Company are not entitled to receive a dividend.

Dividends may be declared and paid in any currency or currencies that the Board shall determine. The Board may also determine the exchange rate and the relevant date for determining the value of the dividend in any currency.

### Purchase of the Company's own shares

The Directors had authority, under a shareholders' resolution dated 5 August 2016, to make market purchases of up to approximately 10% of the Company's ordinary shares. The authority expires at the conclusion of the Company's 2018 Annual General Meeting or on 1 October 2018, whichever is the earlier. A resolution to obtain a further authority will be proposed at the 2018 Annual General Meeting. During the year the Company did not purchase any shares under its previously announced share buyback programme.

As at 31 March 2018, the Company held a total of 24,206,816 ordinary shares in treasury equivalent to 8.03% (2017: 8.03%) of the issued share capital.

### Agreements: change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements and capital market borrowing. The following are considered to be significant in terms of their likely impact on the business of the Group as a whole:

- 1 The 6% bonds due in 2019 of which US\$252 million is outstanding, US\$670 million 8.25% bonds due US\$1,000 million 6.375% bonds due in 2022, US\$500 million 7.125% bonds due in 2023 and US\$1,000 million 6.125% bonds due in 2024 where a change of control together with a rating decline requires the Company to make an offer to purchase all of the outstanding bonds at 101% of the principal amount together with any accrued and unpaid interest.
- 2 Under various other financing facilities entered into by the Group where a change of control gives the majority lenders the right to declare the loans immediately payable.

All of the Company's employee share incentive plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions and pro-rata reduction as may be applicable under the rules of the employee share incentive plans.

There are no agreements between the Company and any of its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

### Disclosure of information to auditors

In accordance with section 418 of the Act, each Director who held office at the date of approval of this Directors' Report confirms that:

- so far as he/she is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Policy on derivatives and financial instruments

An explanation of the Group's financial management objectives and policies, together with details of the Group's exposure to price risk, credit risk, liquidity and cash flow risk and foreign currency risk, appears in Note 29 to the financial statements.

### Share allotments

During the year, there has not been any allotment, for cash, of equity securities otherwise than to holders of the Company's equity shares authorised by the Company's shareholders.

### Share allotments by significant subsidiaries

During the year, Vedanta Limited, a significant subsidiary of the Company, allotted equity securities for cash otherwise than to the holders of Vedanta Limited's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by Vedanta Limited's shareholders. Details of the allotments are given overleaf:



## Directors' Report continued

Classes of shares allotted	Number of shares allotted	Aggregate nominal value	Consideration received for the allotments	Names of the allottees	Market price of the allotted securities	Date on which the terms of the issue were fixed
Equity shares	Rs. 752,500,000	Rs. 752,500,000	Nil. Shares issued pursuant to the merger of Cairn India with Vedanta Limited.	Shares allotted to 222,992 shareholders of erstwhile Cairn India. Shares allotted rank pari passu with the existing shares of Vedanta Limited	Rs. 243.55 (Closing price as per NSE on the date of allotment)	28 April 2017
Equity shares	2400	Rs. 2400	Nil. Shares issued from abeyance category since they were sub-judice in nature. Allotment made in pursuance of a Court Order.	Harshaben Jayantkumar Shah	Rs. 282.3 (Closing price as per NSE on the date of allotment)	26 March 2018

### Share placing

The Company has not participated in any share placing during the year ended 31 March 2018.

### Relationship agreement with the Company's controlling shareholder

Details of the Relationship Agreement between the Company and its controlling shareholder, Volcan Investments Limited, are provided in the Corporate Governance Report on page 111.

### Going concern

The Directors have considered the Group's cash flow forecasts for the next 12-month period, from the date of signing the financial statements ending 31 March 2018. The Board is satisfied that the Group's forecasts and projections show that the Group will be able to operate within the level of its current facilities for the foreseeable future. This takes into account reasonably possible changes in trading performance on cash flows and forecast covenant compliance; the transferability of cash within the Group; the flexibility that the Group has over the timings of its capital expenditure; and other uncertainties. For these reasons, the Group continues to adopt the going concern basis in preparing its financial statements.

### Longer Term Viability statement

In accordance with paragraph C2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group's viability over a longer period than the 12 months required by the going concern assessment. Details of this assessment are included in the Strategic Report on page 65.

### Strategic Report

The Strategic Report as set out on pages 1–99 and the Directors' Report as set out on pages 144–150 were prepared in accordance with the applicable UK company law and were approved by the Board on 22 May 2018.

Signed on behalf of the Board

### Deepak Kumar Company Secretary

22 May 2018  
Vedanta Resources plc  
5th Floor, 6 St Andrew Street,  
London, EC4A 3AE

Registered in England Number 4740415

# Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility Statement

Each of the Directors confirms that to the best of his/her knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 22 May 2018 and is signed on its behalf by:

**Navin Agarwal**  
Executive Vice Chairman  
22 May 2018

**G.R. Arun Kumar**  
Chief Financial Officer  
22 May 2018

# Independent Auditors' Report

To the members of Vedanta Resources plc

## Opinion

In our opinion:

- Vedanta Resources plc's Group financial statements and parent Company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## What we have audited

The Group and parent Company financial statements of Vedanta Resources plc for the year ended 31 March 2018 comprise:

Group	Parent Company
the Consolidated Income Statement;	the Company Balance Sheet;
the Consolidated Statement of Comprehensive Income;	the Company Statement of Changes in Equity; and
the Consolidated Statement of Financial Position;	the related Notes 1 to 11 to the Company financial statements.
the Consolidated Cash Flow Statement;	
the Consolidated Statement of Changes in Equity; and	
the related Notes 1 to 45 to the Group financial statements.	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 34–41 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 34 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 152 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 152 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Overview of our audit approach



<b>Materiality</b>	<ul style="list-style-type: none"> <li>Overall Group materiality of \$81 million which represents approximately 2% of EBITDA.</li> <li>EBITDA represents an earnings-based measure for determining materiality and we consider this to be the most relevant performance measure to the users of the financial statements.</li> </ul>
<b>Audit scope</b>	<ul style="list-style-type: none"> <li>We performed an audit of the complete financial information of 11 components and audit procedures on specific balances for a further four components.</li> <li>The components where we performed full or specific audit procedures accounted for 94% of EBITDA, 91% of revenue and 92% of total assets.</li> <li>For the remaining 42 components in the Group we have performed limited procedures appropriate to respond to the risk of material misstatement.</li> <li>We have obtained an understanding of the entity-level controls of the Group which assists us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.</li> </ul>
<b>What has changed</b>	<ul style="list-style-type: none"> <li>In the current year the tax and legal claim matters, which were previously classified as two separate key audit matters, have been combined under the heading claims and exposures relating to taxation and litigation. This is due to their similarity in nature as both tax and legal claims tend to be settled through a similar legal process.</li> <li>We considered the recoverability of disputed receivables as a new key audit matter in the current year. We have split revenue recognition from the recoverability of receivables as the audit risks and related audit response for each were different. In addition, we have placed an increased focus on receivables where the balance is under dispute rather than general trade receivables. However, this does not indicate an increased risk in either of these matters.</li> </ul>



# Independent Auditors' Report continued

## To the members of Vedanta Resources plc

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<b>Recoverability of property, plant and equipment and Exploration &amp; Evaluation assets</b> Refer to the Audit Committee Report page 120; Accounting policies pages 171–172; and Note 17 of the Consolidated Financial Statements page 197		
<p>At 31 March 2018 the carrying value of property, plant and equipment (PP&amp;E) was \$17,727 million (2017: \$16,751 million), including \$2,327 million of Evaluation and Exploration (E&amp;E) assets (2017: \$1,400 million).</p> <p>Recoverability of PP&amp;E and E&amp;E assets has been identified as a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the carrying value of the assets being assessed.</li> <li>• The size of recent impairment charges and reversals.</li> <li>• The recent challenges in respect of the Group's licences to operate in certain jurisdictions.</li> <li>• The assessment of the recoverable amount of the Group's Cash Generating Units (CGUs) involves significant judgements about the future cash flow forecasts and the discount rate that is applied.</li> </ul> <p>We focused our effort on those CGU's with impairment and impairment reversal indicators. The key judgements centred on forecast production profiles, forecast volumes, prices and discount rate assumptions.</p> <p>The following impairment was identified in the current year:</p> <ul style="list-style-type: none"> <li>• Vedanta Limited Iron Ore: The Supreme Court judgment stipulating the cessation of operations in Goa from 16 March 2018 resulting in an impairment of \$758.5 million (see Note 5).</li> </ul> <p>In addition, the following impairment reversal was identified:</p> <ul style="list-style-type: none"> <li>• Vedanta Limited Oil and Gas: At the Rajasthan block there was a significant increase in viable reserves due to the implementation of an enhanced extraction process. A total \$1,447.4 million impairment reversal was recorded (see Note 5).</li> </ul> <p>The overall Group impairment (including reversal of impairment) risk has increased in the current year due to the significant charges and reversal recognised during the year.</p>	<p>In addressing this key audit matter procedures were performed by both our group and component teams. Macroeconomic assumptions and consistency of approach were ensured by the group team with location specific inputs addressed by component teams.</p> <p><b>To address this key audit matter we have:</b></p> <ul style="list-style-type: none"> <li>• Critically assessed through an analysis of internal and external factors impacting the entity, whether there were any indicators of impairment (or reversal of impairment) in line with IAS 36 for PP&amp;E and IFRS 6 for E&amp;E assets across the Group.</li> <li>• Specifically in relation to the CGUs where impairment and impairment reversal indicators were identified, we have obtained and evaluated the valuation models used to determine the recoverable amount by challenging the key assumptions used by management including: <ul style="list-style-type: none"> <li>– Considering forecasted volumes in relation to asset development plans.</li> <li>– Critically assessing management's forecasting accuracy by comparing prior year forecasts to actual results and assessing the potential impact of any variances.</li> <li>– Corroborating the price assumptions used in the models against analyst consensus.</li> <li>– Testing the appropriateness of the weighted average cost of capital used to discount the impairment models through engaging our internal valuations experts.</li> <li>– Testing the integrity of the models together with their clerical accuracy.</li> </ul> </li> <li>• We assessed the competence and objectivity of the Group's external experts, to satisfy ourselves that these parties are appropriate in their roles within the estimation process.</li> </ul> <p>We performed full and specific scope audit procedures over this risk area in 11 components (full and specific scope), which covered 97% of the risk amount. Triggers were identified in four locations (including Iron Ore and Vedanta Oil and Gas) where full impairment tests were prepared and audit procedures were performed over these valuation models.</p>	<p>We are satisfied that the impairment reversal in relation to the Oil and Gas CGU's and the impairment of the CGU's impacted by the Goa ruling are fairly stated and that there are no further impairments or impairment reversals at other CGUs in the Group.</p> <p>We conclude that the related disclosures as per IAS 36 are appropriately presented in the financial statements.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<b>Accounting for assets under construction</b>		
Refer to the Audit Committee Report page 120; Accounting policies page 170; and Note 17 of the Consolidated Financial Statements page 197		
At 31 March 2018 the carrying value of assets under construction was \$2,255 million (2017: \$2,366 million).	We performed our audit procedures on the asset under construction balances across the Group. Due to the local considerations impacting our assessments our procedures were performed predominantly by the component teams under the direction and supervision of the group engagement team.	Based on our evaluation of the asset under construction projects and other procedures performed, we are satisfied that projects completed in the current year have been treated in accordance with IAS 16 and that the overall assets under construction balances are recoverable.
Accounting for assets under construction has been identified as a key audit matter due to:	<b>To address this key audit matter we have:</b>	
<ul style="list-style-type: none"> <li>the significant judgement involved in assessing when an asset is available for use as intended by management. At this point, revenue and operating costs associated to the asset cease to be capitalised to the statement of financial position and depreciation should commence.</li> <li>Multiple construction projects across the Group that have been previously placed on hold or for which completion is taking longer than expected. There is therefore a risk relating to the viability of these projects and thus the recoverability of the balance.</li> </ul>	<ul style="list-style-type: none"> <li>Considered the stage of completion of ongoing projects specifically in relation to ascertaining when the assets will be available for use as intended by management.</li> <li>Assessed project timelines by tracking project progress against forecast spend and management budgets.</li> <li>Assessed the accounting treatment of testing costs during the testing phase where applicable.</li> <li>Ensured costs associated with assets which came into production in the year cease to be capitalised and depreciation charges commenced.</li> <li>Assessed the viability and recoverability of long outstanding projects and performed inspections to confirm that the machinery and material related to these projects is not obsolete.</li> </ul>	
Additionally, we considered recent impairment charges recognised in respect of assets under construction which resulted from changes in project plans.		
The risk has decreased in the current year due to some significant projects being commissioned in the current year and some projects, previously put on hold, restarting construction.	We performed audit procedures over this risk area in nine components (full and specific scope), which covered 98% of the balance impacted by this risk.	
<b>Revenue recognition</b>		
Refer to the Audit Committee Report page 120; Accounting policies pages 168–169; and Note 4 of the Consolidated Financial Statements page 187		
For the year ended 31 March 2018 the Group recognised revenue from operations of \$15,359 million (2017: \$11,520 million).	We performed our audit procedures across the Group's revenue streams considering the revenue recognition policies. Our procedures were performed mainly by the component teams under the direction and supervision of the Group engagement team.	Based on the procedures performed we consider revenue to be fairly stated in the financial statements.
Revenue recognition has been identified as a key audit matter due to the diverse and complex revenue streams across the Group.	<b>To address this key audit matter we have:</b>	
We have identified the following key areas for consideration:	<ul style="list-style-type: none"> <li>Performed walkthroughs of the revenue recognition processes at each full scope component and assessed the design effectiveness of key controls.</li> <li>Tested the controls, including IT controls, over the revenue recognition process to confirm operating effectiveness.</li> <li>Inspected the term of the agreements to assess the reasonability of the inputs used in the calculation of the power tariff in respect of the revenue recognised for GRIDCO and PSPCL. Other procedures relating to the revenue of the Power division are mentioned in the recoverability of disputed receivables section.</li> <li>Inspected the terms of Vedanta Oil &amp; Gas' profit sharing agreements and tested the underlying cost recovery and profit petroleum calculation used by management.</li> <li>Selected a sample of sales across the Group made pre and post year end, agreeing the date of revenue recognition to third party support, such as bills of lading, to confirm sales are recognised according to contract conditions.</li> <li>Examined invoice samples with complex shipping terms to ensure that revenue has been recognised appropriately.</li> <li>Re-calculated the provisional pricing adjustments and validated the prices used to third party data.</li> <li>For the zinc and lead price forwards taken out during the year, we involved our specialists to inspect the hedging documentation, and tested any resulting realised and unrealised loss, including the agreement of market forward rates used in determining the unrealised fair value loss at year end.</li> </ul>	
<ul style="list-style-type: none"> <li>Complex calculation of power tariff agreements with Grid Corporation of Odisha Limited (GRIDCO) and Punjab State Power Corporation Limited (PSPCL).</li> <li>Complexity associated with the calculation of profit petroleum within the Vedanta Limited Oil &amp; Gas division.</li> <li>Cut-off: The variety of terms that define when title, risk and rewards are transferred to the customer, as well as the high value of the transactions, give rise to the risk that revenue is not recognised in the correct period.</li> <li>Measurement: At the end of each reporting period there are a number of contracts that are either provisionally priced or subject to hedging arrangements through forward contracts. These calculations are based on estimations and susceptible to potential manipulation.</li> </ul>		
The level of risk has remained the same compared to the prior year but has been split from the receivables matter as the related audit risks and audit response for each were different.	We performed audit procedures over this risk area in nine full scope components, where revenue was present, which covered 92% of the revenue balance impacted by this risk.	

# Independent Auditors' Report continued

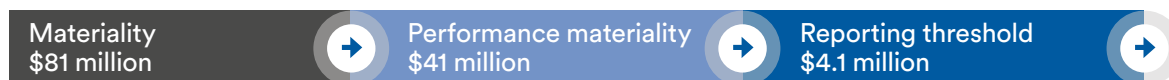
## To the members of Vedanta Resources plc

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Recoverability of disputed receivables</b> Refer to the Audit Committee Report page 121; Accounting policies page 176; and Note 38 and Note 41 of the Consolidated Financial Statements on pages 232–237 and page 240 respectively</p> <p>At 31 March 2018 the value of disputed receivables to which we identified additional risk was \$590 million (2017: \$367 million).</p> <p>There are entities within the Group that have significant receivables for which the recovery is subject to increased risk due to disagreements over the quantification or timing of the balance. Some of these balances are subject to litigation. The risk is specifically related to the PSPCL (TPSL), GRIDCO (Vedanta Limited Power) and the Zambian Revenue Authority (KCM VAT) receivables. These receivables also all have long outstanding elements of their balance.</p> <p>The level of risk has remained the same compared to the prior year but has been split from the revenue recognition matter as the related audit risks and audit response for each were different.</p>	<p>In addressing this key audit matter procedures were performed by the component teams under the direction and supervision of the group engagement team.</p> <p><b>To address this key audit matter we have:</b></p> <ul style="list-style-type: none"> <li>Assessed the recoverability of the GRIDCO and PSPCL receivables by: <ul style="list-style-type: none"> <li>Inspecting the relevant state regulatory commission, appellate tribunal and Supreme Court rulings.</li> <li>Examining the underlying power purchase agreements.</li> <li>Inspecting external legal opinions in respect of the merits of the cases.</li> <li>Holding meetings with the external lawyers where applicable to determine the basis of their conclusions in respect of cases.</li> </ul> </li> <li>Assessed the recoverability of the KCM VAT receivables by: <ul style="list-style-type: none"> <li>Involving our tax specialists to assess the basis of the refunds claimed.</li> <li>Inspecting correspondence with the Tax Authority and assessing the availability of any potential future tax offset arrangements.</li> <li>Substantiating any subsequent refunds that have been received post-year end to appropriate supporting documentation.</li> <li>Reviewing press releases made by the Tax Authority which highlight the intentions of the Tax Authority related to refunds of VAT in Zambia.</li> </ul> </li> </ul> <p>We performed audit procedures over this risk area in three full scope components, which covered 100% of the risk amount.</p>	<p>Based on the procedures performed we consider the disputed receivables to be fairly stated in the financial statements.</p>
<p><b>Claims and exposures relating to taxation and litigation</b> Refer to the Audit Committee Report page 121; Accounting policies pages 173 and 174; and Note 38 of the Consolidated Financial Statements pages 232–237</p> <p>The Group has disclosed in Note 38 contingent liabilities of \$3,618 million for tax and legal claims (2017: \$5,713 million) of which \$2,704 million (2017: \$4,352 million) relates to income tax matters.</p> <p>Taxation and litigation exposures have been identified as a key audit matter due to the large number of complex tax and legal claims across the Group, particularly in relation to the operations located in India.</p> <p>There is significant judgement required by management in assessing the exposure of each case and thus a risk that such cases may not be adequately provided for or disclosed.</p> <p>Recent material tax cases have included:</p> <ul style="list-style-type: none"> <li>In 2015 a demand was received by the former Cairn India Limited (CIL) ordering payment to the Tax Authority of withholding taxes not paid on the acquisition of Cairn India. Based on information received during the year the Group have reassessed this exposure and have removed the interest portion.</li> <li>In the current year, the Supreme Court in India upheld the constitutional validity of entry tax on imported goods. The Group's potential exposure in respect of entry tax as a whole is \$201 million.</li> </ul> <p>We focused on this matter because of the potential financial impact on the financial statements. Additionally, the treatment of taxation and litigation cases require significant judgement due to the complexity of the cases, timescales for resolution and the need to negotiate with various authorities.</p> <p>We consider the level of risk to have remained unchanged compared to the prior year.</p>	<p>Our procedures were performed centrally where cases impacted a number of components. For location-specific issues, component teams undertook the majority of the procedures under the direction and supervision of the Group audit team.</p> <p><b>To address this key audit matter we have:</b></p> <ul style="list-style-type: none"> <li>Obtained the Group legal and tax summary and critically assessed management's position through discussions with the Head of Legal, Head of Tax and operational management, on both the probability of success in significant cases, and the magnitude of any potential loss.</li> <li>Inspected external legal opinions (where considered necessary) and other evidence to corroborate management's assessment of the risk profile in respect of legal claims.</li> <li>Engaged internal tax specialists to technically appraise the tax positions taken by management with respect to local tax issues.</li> <li>Ensured that the management assessment of similar cases is consistent across the Group or that differences in positions are adequately justified.</li> <li>Assessed the relevant disclosures made within the financial statements to ensure they appropriately reflect the facts and circumstances of the respective tax and legal exposures and are in accordance with the requirements of IAS 37.</li> </ul> <p>We performed audit procedures over this risk area in 11 full scope components, which covered 98% of the risk amount.</p>	<p>We are satisfied the accounting treatment in respect of potential tax exposures and legal cases is appropriate based on our procedures performed.</p> <p>We conclude that the related disclosures are appropriately presented in the financial statements.</p>

### Our application of materiality

The scope of our work is influenced by materiality. We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

As we develop our audit strategy, we determine materiality at the overall level and at the individual account level (referred to as our 'performance materiality').



### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be \$81 million (2017: \$64 million), which is approximately 2% (2017: 2%) of EBITDA. The higher materiality threshold was due to an increase in Group EBITDA to \$4,051 million (2017: \$3,191 million) driven by higher commodity prices and increased volumes in certain components compared to the prior year. Our materiality amount provides a basis for determining the nature and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures. Materiality is assessed on both quantitative and qualitative grounds. With respect to disclosure and presentational matters, amounts in excess of the quantitative thresholds above may not be adjusted if their effect is not considered to be material on a qualitative basis.

### Rationale for basis

We believe that EBITDA provides us with an earnings-based measure that is significant to users of the financial statements on which we could set our materiality. EBITDA is a key performance indicator for the Group and is also a key metric used by the Group in the assessment of the performance of management. We also noted that market and analyst commentary on the performance of the Group uses EBITDA as a key metric. We therefore considered EBITDA to be the most appropriate performance metric on which to base our materiality calculation as we considered that to be the most relevant performance measure to the stakeholders of the entity.

We determined materiality for the parent Company to be \$13.1 million (2017: \$10.7 million), which is 1% (2017: 1%) of equity.

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

We set our performance materiality at 50% of planning materiality calculated as \$41 million (2017: \$32 million). This was based upon our overall risk analysis, our assessment of the Group's control environment, the short reporting cycle and the number and amounts of individual misstatements (corrected and uncorrected) identified in the prior periods as well as the nature of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was \$6.8 million to \$22.0 million (2017: \$5.0 million to \$14.9 million).

### Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$4.1 million (2017: 0.8 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. In the prior year we were requested by the Audit Committee to report to the previous auditors' threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Vedanta Resources plc Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



# Independent Auditors' Report continued

To the members of Vedanta Resources plc

## Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

The Group has decentralised processes and controls over the key areas of our audit focus with responsibility lying with component management for the majority of estimation processes and significant risk areas. We have tailored our audit response accordingly and thus for the majority of our focus areas, audit procedures were undertaken directly by the component audit teams, including testing on the verification of operational data and other routine processes, under the direction and supervision of the Group engagement team.

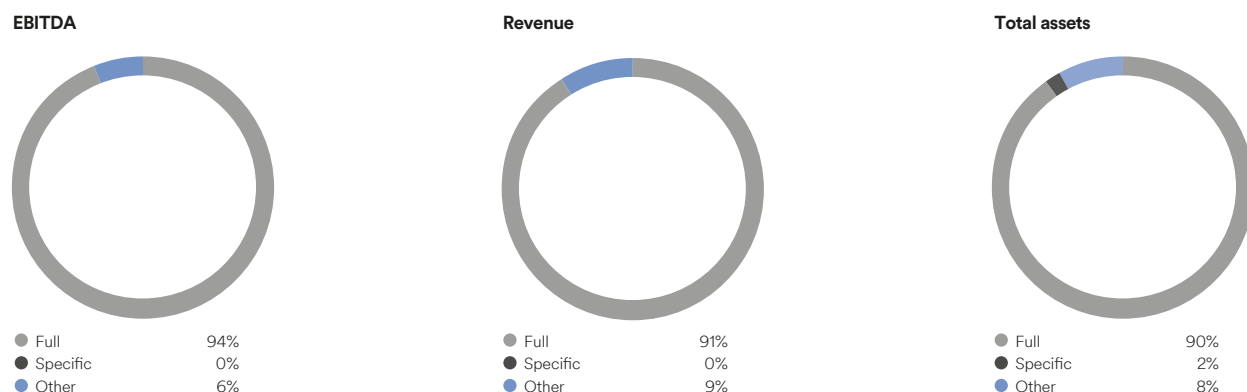
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 57 reporting components of the Group, we selected 15 components covering entities within India, Zambia and South Africa which represent the principal business units within the Group.

Of the 15 components selected, we performed an audit of the complete financial information of 11 components (full scope components) which were selected based on their size or risk characteristics. For the remaining four components ('specific components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 94% (2017: 100%) of the Group's EBITDA, 91% (2017: 99%) of the Group's revenue and 92% (2017: 90%) of the Group's total assets. For the current year, the full scope components contributed 94% (2017: 99%) of the Group's EBITDA, 91% (2017: 99%) of the Group's revenue and 90% (2017: 85%) of the Group's total assets. The specific scope components contributed 0% (2017: 1%) of the Group's EBITDA, 0% (2017: 0%) of the Group's revenue and 2% (2017: 5%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of the specified significant accounts tested for the Group. The charts below illustrate the coverage obtained from the work performed by our audit teams.

Of the remaining 42 components that together represent 6% of the Group's EBITDA, none are individually greater than 2% of the Group's EBITDA. For these components, we performed other procedures, including analytical reviews, consolidation adjustment audit procedures and in some instances completed statutory financial statement audits. This ensured we responded appropriately to any potential risks of material misstatement to the Group financial statements.

We have obtained an understanding of the entity level controls of the Group as a whole which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.



\* Investments in companies within the Group have been eliminated in the calculation of the coverage of total assets.

## Changes from the prior year

In the current year the scoping for Black Mountain Mining has changed from full scope to a specific scope component for PP&E. This is due to the relatively small contribution to Group EBITDA, with the focus remaining on the Gamsberg project asset under construction balance. Namibia Holdings Limited scoping has changed from full scope component to a review scope component as a result of its smaller contribution to the Group EBITDA. Due to the downgrade to risk in respect of the entity and its minimal contribution to the Group's metrics, Fujairah Gold has been classified as an other scope component rather than a full scope component.

## Integrated team structure

The overall audit strategy is determined by the senior statutory auditor, Mirco Bardella. The senior statutory auditor is based in the UK however, since Group management and many operations reside in India, the Group audit team includes members from both the UK and India. The senior statutory auditor visited India three times during the current year's audit and members of the Group audit team in both jurisdictions work together as an integrated team throughout the audit process. Whilst in India, he focused his time on the significant risk and judgement areas of the audit, interactions with management and Group and component teams. During the current year's audit he reviewed key working papers and met with key representatives of the integrated and Indian component audit teams for certain full scope components to discuss the audit approach and issues arising from their work.

### Involvement with component teams

In establishing our overall approach to the Group audit, we determined the split of work that needed to be undertaken at each of the components by the Group audit engagement team, or by component auditors from other EY global network firms operating under the Group team instruction.

It was concluded that audit procedures on 10 full scope components would be performed directly by the component audit team and the procedures on one full scope component, the parent Company, would be performed by the Group audit team. The Group team reviewed the work performed by components and ensured sufficient audit evidence had been obtained as a basis to form part of our opinion on the Group as a whole. In addition the integrated Group team also included key members of certain full scope components ensuring knowledge was transferred effectively through the team. The work on specific scope components was either performed by the Group audit team directly or by a component team and reviewed by the Group audit team.

The Group audit team established a programme of planned visits. During the current year's audit cycle, visits were undertaken by senior members of the Group audit team to certain component teams in India together with the team in Zambia. These visits involved key members of the Group audit team meeting with local management and discussing the audit approach with the component teams together with any issues arising from their work. In addition, the Group audit team participated in key discussions, via conference calls with all full and specific scope entities.

### Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 151** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on pages 117–124** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 105** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

# Independent Auditors' Report continued

## To the members of Vedanta Resources plc

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 151, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the report framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code) and the mining licence and relevant tax compliance regulations in India, South Africa, Zambia and other jurisdictions in which the Group operates.
- We understood how Vedanta Resources plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where instances of risk behaviour patterns were identified, we performed additional audit procedures to address each identified risk. These procedures included testing manual journals and review of key contracts and were designed to provide reasonable assurance that the financial statements were free of material fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, Group management, internal audit and relevant members of management at full and specific scope components; and focused testing, as referred to in the key audit matters section above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Other matters we are required to address

- We were officially appointed by the Company on 5 August 2016 at the AGM to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ending 31 March 2017 to 31 March 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company and we remain independent of the Group and the parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

### Mirco Bardella (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

22 May 2018

### Notes

- The maintenance and integrity of the Vedanta Resources plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated Income Statement

For the year ended 31 March 2018

(US\$ million except as stated)	Note	Year ended 31 March 2018			Year ended 31 March 2017		
		Before special items	special items	Total	Before special items	Special items	Total
Revenue	4	15,358.7	–	15,358.7	11,520.1	–	11,520.1
Cost of sales	5	(11,973.6)	33.1	(11,940.5)	(8,789.2)	–	(8,789.2)
<b>Gross profit</b>		<b>3,385.1</b>	<b>33.1</b>	<b>3,418.2</b>	<b>2,730.9</b>	<b>–</b>	<b>2,730.9</b>
Other operating income		89.2	–	89.2	73.4	–	73.4
Distribution costs		(276.5)	–	(276.5)	(274.9)	–	(274.9)
Administrative expenses		(417.3)	–	(417.3)	(368.8)	–	(368.8)
Impairment (charge)/reversal, loss on PP&E	5	–	649.9	649.9	–	(17.3)	(17.3)
<b>Operating profit/(loss)</b>		<b>2,780.5</b>	<b>683.0</b>	<b>3,463.5</b>	<b>2,160.6</b>	<b>(17.3)</b>	<b>2,143.3</b>
Investment revenue	6	465.1	–	465.1	642.6	–	642.6
Finance costs	7	(1,342.6)	(108.2)	(1,450.8)	(1,340.6)	(41.6)	(1,382.2)
Other gains and (losses) [net]	8	(1.0)	5.3	4.3	(23.8)	–	(23.8)
<b>Profit/(loss) before taxation (a)</b>		<b>1,902.0</b>	<b>580.1</b>	<b>2,482.1</b>	<b>1,438.8</b>	<b>(58.9)</b>	<b>1,379.9</b>
<b>Net tax expense (b)</b>	12	<b>(674.7)</b>	<b>(338.5)</b>	<b>(1,013.2)</b>	<b>(495.4)</b>	<b>(4.9)</b>	<b>(500.3)</b>
<b>Profit/(loss) for the year from continuing operations (a+b)</b>		<b>1,227.3</b>	<b>241.6</b>	<b>1,468.9</b>	<b>943.4</b>	<b>(63.8)</b>	<b>879.6</b>
<b>Attributable to:</b>							
Equity holders of the parent		162.6	73.0	235.6	34.8	(57.5)	(22.7)
Non-controlling interests		1,064.7	168.6	1,233.3	908.6	(6.3)	902.3
<b>Profit/(loss) for the year from continuing operations</b>		<b>1,227.3</b>	<b>241.6</b>	<b>1,468.9</b>	<b>943.4</b>	<b>(63.8)</b>	<b>879.6</b>
<b>Earnings/(loss) per share (US cents)</b>							
Basic earnings/(loss) per ordinary share	13	58.5	26.3	84.8	12.6	(20.8)	(8.2)
Diluted earnings/(loss) per ordinary share	13	56.9	25.9	82.8	12.3	(20.8)	(8.2)



# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
<b>Profit for the year from continuing operations</b>	<b>1,468.9</b>	<b>879.6</b>
<b>Items that will not be reclassified subsequently to income statement:</b>		
Remeasurement of net defined benefit plans (Note 33)	1.1	(0.8)
Tax effects on net defined benefit plans	0.5	0.6
<b>Total (a)</b>	<b>1.6</b>	<b>(0.2)</b>
<b>Items that may be reclassified subsequently to income statement:</b>		
Exchange differences arising on translation of foreign operations	56.9	216.3
Gain in fair value of available-for-sale financial assets (Note 18)	13.9	4.1
Cumulative (losses)/gains of cash flow hedges	(62.4)	9.5
Tax effects arising on cash flow hedges	24.4	(5.7)
Losses/(gains) on cash flow hedges recycled to income statement	54.8	(12.2)
Tax effects arising on cash flow hedges recycled to income statement	(19.0)	4.2
<b>Total (b)</b>	<b>68.6</b>	<b>216.2</b>
<b>Other comprehensive income for the year (a+b)</b>	<b>70.2</b>	<b>216.0</b>
<b>Total comprehensive income for the year</b>	<b>1,539.1</b>	<b>1,095.6</b>
Attributable to:		
Equity holders of the parent	267.1	64.5
Non-controlling interests	1,272.0	1,031.1
<b>Total comprehensive income for the year</b>	<b>1,539.1</b>	<b>1,095.6</b>

# Consolidated Statement of Financial Position

As at 31 March 2018

(US\$ million)	Note	As at 31 March 2018	As at 31 March 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	15	12.2	16.6
Intangible assets	16	123.1	95.6
Property, plant and equipment	17	17,727.3	16,750.8
Leasehold land		57.0	55.3
Financial asset investments	18	24.5	10.7
Non-current tax assets	31	521.1	434.6
Other non-current assets	19	659.2	544.4
Financial instruments (derivatives)	29	–	0.6
Deferred tax assets	31	916.7	1,111.0
		<b>20,041.1</b>	<b>19,019.6</b>
<b>Current assets</b>			
Inventories	20	2,037.7	1,670.1
Trade and other receivables	21	1,526.9	1,084.8
Financial instruments (derivatives)	29	24.0	1.6
Current tax assets		2.2	2.1
Liquid investments	22	4,807.8	8,043.0
Cash and cash equivalents	23	798.7	1,682.2
		<b>9,197.3</b>	<b>12,483.8</b>
<b>Total assets</b>		<b>29,238.4</b>	<b>31,503.4</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	24	(5,460.3)	(7,658.5)
Trade and other payables	27a	(6,077.5)	(6,223.4)
Financial instruments (derivatives)	29	(22.1)	(126.9)
Retirement benefits	33	(18.0)	(7.5)
Provisions	30	(22.1)	(17.5)
Current tax liabilities		(53.9)	(37.8)
		<b>(11,653.9)</b>	<b>(14,071.6)</b>
<b>Net current liabilities</b>		<b>(2,456.6)</b>	<b>(1,587.8)</b>
<b>Non-current liabilities</b>			
Medium and long-term borrowings	24	(9,733.5)	(10,570.2)
Trade and other payables	27b	(142.8)	(68.5)
Financial instruments (derivatives)	29	(18.1)	(8.6)
Deferred tax liabilities	31	(743.0)	(371.1)
Retirement benefits	33	(62.4)	(59.6)
Provisions	30	(351.8)	(327.3)
Non-equity non-controlling interests	25	(11.9)	(11.9)
		<b>(11,063.5)</b>	<b>(11,417.2)</b>
<b>Total liabilities</b>		<b>(22,717.4)</b>	<b>(25,488.8)</b>
<b>Net assets</b>		<b>6,521.0</b>	<b>6,014.6</b>
<b>Equity</b>			
Share capital	35	30.4	30.1
Share premium		201.5	201.5
Treasury shares	35	(558.3)	(557.9)
Share-based payment reserve	32	13.3	28.2
Hedging reserve		(92.5)	(90.9)
Other reserves		154.3	140.5
Retained earnings		(87.5)	(160.0)
<b>Equity attributable to equity holders of the parent</b>		<b>(338.8)</b>	<b>(408.5)</b>
Non-controlling interests	36	6,859.8	6,423.1
<b>Total equity</b>		<b>6,521.0</b>	<b>6,014.6</b>

Financial Statements of Vedanta Resources plc with registration number 4740415 were approved by the Board of Directors on 22 May 2018 and signed on their behalf by

**Navin Agarwal**  
Executive Vice Chairman

# Consolidated Cash Flow Statement

For the year ended 31 March 2018

(US\$ million)	Note	Year ended 31 March 2018	Year ended 31 March 2017
<b>Operating activities</b>			
Profit before taxation		2,482.1	1,379.9
<b>Adjustments for:</b>			
Depreciation and amortisation		1,270.7	1,030.5
Investment revenues		(465.1)	(642.6)
Finance costs		1,450.8	1,382.2
Other gains and (losses) [net]		(4.3)	23.8
(Profit)/loss on disposal of PP&E		(0.5)	5.2
Write-off of unsuccessful exploration costs		–	6.5
Share-based payment charge		19.5	13.4
Impairment charge/reversal (net), loss on PP&E		(649.9)	17.3
Other non-cash items		10.0	3.5
<b>Operating cash flows before movements in working capital</b>		<b>4,113.3</b>	<b>3,219.7</b>
Increase in inventories		(354.5)	(266.7)
(Increase)/decrease in receivables		(606.5)	18.8
Increase in payables		261.7	522.3
<b>Cash generated from operations</b>		<b>3,414.0</b>	<b>3,494.1</b>
Dividend received		4.0	0.1
Interest income received		223.5	298.0
Interest paid		(1,415.6)	(1,417.5)
Income taxes paid		(567.2)	(778.7)
Dividends paid		(164.4)	(138.4)
<b>Net cash inflow from operating activities</b>		<b>1,494.3</b>	<b>1,457.6</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and intangibles		(1,104.3)	(873.9)
Proceeds on disposal of property, plant and equipment		10.4	25.2
Proceeds from redemption of liquid investments	26	16,863.0	15,284.8
Purchases of liquid investments	26	(13,421.5)	(14,363.3)
Acquisition through business combination	11	(134.4)	–
<b>Net cash from investing activities</b>		<b>2,213.2</b>	<b>72.8</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares		0.3	0.0
Purchase of shares under DSBP scheme		(2.4)	(2.0)
Dividends paid to non-controlling interests of subsidiaries		(1,414.4)	(1,393.3)
Acquisition of additional interests in subsidiary/share purchase by subsidiary		(31.4)	(21.4)
Exercise of stock options in subsidiary		5.2	2.9
(Repayment of)/proceeds from working capital loan (net)	26	(612.2)	1,709.1
Proceeds from other short-term borrowings	26	1,115.4	3,193.8
Repayment of other short-term borrowings	26	(4,362.4)	(4,324.0)
Buyback of non-convertible bond	26	(1,128.5)	(858.5)
Proceeds from medium and long-term borrowings	26	3,640.2	2,146.4
Repayment of medium and long-term borrowings	26	(1,816.9)	(205.9)
Buyback of convertible bond	26	–	(590.3)
<b>Net cash used in financing activities</b>		<b>(4,607.1)</b>	<b>(343.2)</b>
Net (decrease)/increase in cash and cash equivalents		(899.6)	1,187.2
Effect of foreign exchange rate changes		16.1	66.7
Cash and cash equivalents at beginning of the year		1,682.2	428.3
<b>Cash and cash equivalents at end of the year</b>	<b>23 &amp; 26</b>	<b>798.7</b>	<b>1,682.2</b>

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

(US\$ million)	Attributable to equity holders of the Company							Total	Non-controlling Interests	Total equity
	Share capital (Note 35)	Share premium	Treasury shares	Share-based payment reserves	Hedging reserve	Other reserves	Retained earnings			
<b>At 1 April 2017</b>	<b>30.1</b>	<b>201.5</b>	<b>(557.9)</b>	<b>28.2</b>	<b>(90.9)</b>	<b>140.5</b>	<b>(160.0)</b>	<b>(408.5)</b>	<b>6,423.1</b>	<b>6,014.6</b>
Profit/(loss) for the year	—	—	—	—	—	—	235.6	235.6	1,233.3	1,468.9
Other comprehensive income/(loss) for the year	—	—	—	—	(1.6)	33.1	—	31.5	38.7	70.2
<b>Total comprehensive income/(loss) for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1.6)</b>	<b>33.1</b>	<b>235.6</b>	<b>267.1</b>	<b>1,272.0</b>	<b>1,539.1</b>
Acquisition of shares under DSBP scheme	—	—	(0.9)	—	—	—	(1.5)	(2.4)	—	(2.4)
Transfers <sup>(1)</sup>	—	—	—	—	—	(19.3)	19.3	—	—	—
Dividends paid/payable (Note 14)	—	—	—	—	—	—	(164.4)	(164.4)	(828.3)	(992.7)
Exercise of stock options	0.3	—	0.5	(27.0)	—	—	26.5	0.3	—	0.3
Recognition of share-based payment (Note 32)	—	—	—	12.1	—	—	—	12.1	—	12.1
Non-controlling interest on business combination (Note 11)	—	—	—	—	—	—	—	—	11.5	11.5
Recognition of put option liability/derecognition of non controlling interest (Note 27 b)	—	—	—	—	—	—	(20.7)	(20.7)	(22.0)	(42.7)
Other changes in non-controlling interests*	—	—	—	—	—	—	(22.3)	(22.3)	3.5	(18.8)
<b>At 31 March 2018</b>	<b>30.4</b>	<b>201.5</b>	<b>(558.3)</b>	<b>13.3</b>	<b>(92.5)</b>	<b>154.3</b>	<b>(87.5)</b>	<b>(338.8)</b>	<b>6,859.8</b>	<b>6,521.0</b>

\* Includes purchase of shares by Vedanta Limited through ESOP trust for its stock options and share-based payment charge by subsidiaries.

(US\$ million)	Attributable to equity holders of the Company							Total	Non-controlling Interests	Total equity
	Share capital (Note 35)	Share premium	Treasury shares	Share-based payment reserves	Convertible bond reserve	Hedging reserve	Other reserves			
<b>At 1 April 2016</b>	<b>30.1</b>	<b>201.5</b>	<b>(557.2)</b>	<b>29.9</b>	<b>6.0</b>	<b>(87.7)</b>	<b>(1.4)</b>	<b>(334.0)</b>	<b>(712.8)</b>	<b>7,565.2</b>
Profit for the year	—	—	—	—	—	—	—	(22.7)	(22.7)	902.3
Other comprehensive income for the year	—	—	—	—	—	(3.2)	90.4	—	87.2	128.8
<b>Total comprehensive income/(loss) for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(3.2)</b>	<b>90.4</b>	<b>(22.7)</b>	<b>64.5</b>	<b>1,031.1</b>
Acquisition of shares under DSBP scheme	—	—	(0.8)	—	—	—	—	(1.2)	(2.0)	(2.0)
Convertible bond transfer	—	—	—	—	(6.0)	—	—	6.0	—	—
Transfers <sup>(1)</sup>	—	—	—	—	—	—	51.5	(51.5)	—	—
Dividends paid/payable (Note 14)	—	—	—	—	—	—	—	(137.5)	(137.5)	(1,340.1)
Exercise of stock options	0.0	—	0.1	(15.1)	—	—	—	15.0	—	0.0
Recognition of share-based payment (Note 32)	—	—	—	13.4	—	—	—	—	13.4	13.4
Change in non-controlling interest-merger (Note 42)	—	—	—	—	—	—	—	368.4	368.4	(817.1)
Other changes in non-controlling interests*	—	—	—	—	—	—	—	(2.5)	(2.5)	(16.0)
<b>At 31 March 2017</b>	<b>30.1</b>	<b>201.5</b>	<b>(557.9)</b>	<b>28.2</b>	<b>—</b>	<b>(90.9)</b>	<b>140.5</b>	<b>(160.0)</b>	<b>(408.5)</b>	<b>6,423.1</b>

\* Includes purchase of shares by Vedanta Limited through ESOP trust for its stock options and additional stake purchased during the year in erstwhile Cairn India Limited and share-based payment charge by subsidiaries.



# Consolidated Statement of Changes in Equity continued

For the year ended 31 March 2018

## OTHER RESERVES COMPRISE

(US\$ million)	Currency translation reserve	Merger reserve <sup>2</sup>	Investment revaluation reserve	Other reserves <sup>3</sup>	Total
<b>At 1 April 2016</b>	<b>(2,255.2)</b>	<b>4.4</b>	<b>4.1</b>	<b>2,245.3</b>	<b>(1.4)</b>
Exchange differences on translation of foreign operations	87.9	–	–	–	87.9
Gain in fair value of available-for-sale financial assets	–	–	2.5	–	2.5
Remeasurements	–	–	–	–	0.0
Transfer from/(to) retained earnings <sup>1</sup>	–	–	–	51.5	51.5
<b>At 1 April 2017</b>	<b>(2,167.3)</b>	<b>4.4</b>	<b>6.6</b>	<b>2,296.8</b>	<b>140.5</b>
Exchange differences on translation of foreign operations	25.5	–	–	–	25.5
Gain in fair value of available-for-sale financial assets	–	–	6.9	–	6.9
Remeasurements	–	–	–	0.7	0.7
Transfer from/(to) retained earnings <sup>1</sup>	–	–	–	(19.3)	(19.3)
<b>At 31 March 2018</b>	<b>(2,141.8)</b>	<b>4.4</b>	<b>13.5</b>	<b>2,278.2</b>	<b>154.3</b>

- 1 Transfer to other reserve during the year ended 31 March 2018 includes US\$3.5 million of legal reserve and withdrawal of US\$22.8 million from debenture redemption reserve (31 March 2017: US\$51.5 million of debenture redemption reserve).
- 2 The merger reserve arose on incorporation of the Company during the year ended 31 March 2004. The investment in Twin Star had a carrying amount value of US\$20.0 million in the accounts of Volcan. As required by the Companies Act 1985, Section 132, upon issue of 156,000,000 ordinary shares to Volcan, Twin Star's issued share capital and share premium account have been eliminated and a merger reserve of US\$4.4 million arose, being the difference between the carrying value of the investment in Twin Star in Volcan's accounts and the nominal value of the shares issued to Volcan.
- 3 Other reserves includes legal reserves of US\$3.8 million (31 March 2017: US\$0.3 million), debenture redemption reserve of US\$156.2 million (31 March 2017: US\$178.9 million) and balance mainly includes general reserve. Debenture redemption reserve is required to be created under the Indian Companies Act from annual profits until such debentures are redeemed. Legal reserve is required to be created by Fujairah Gold by appropriation of 10% of profits each year until the balance reaches 50% of the paid-up share capital. This reserve is not available for distribution except in circumstances stipulated by the Articles of Incorporation. Under the erstwhile Indian Companies Act, 1956, general reserve was created in relation to Group's Indian subsidiaries through an annual transfer of net income to general reserve at a specified percentage in accordance with applicable regulations. The purpose of these transfers is to ensure that the total dividend distribution is less than total distributable reserves for that year. The said requirement was dispensed with w.e.f. 1 April 2013 and there are no restrictions of use of these reserves.

# Notes to the Financial Statements

As at and for the year ended 31 March 2018

## 1. Presentation of financial statements

### General information

Vedanta Resources plc ('Company' or 'VRplc') is a company incorporated and domiciled in the United Kingdom and is a London listed diversified global natural resources major. The Group produces aluminium, copper, zinc, lead, silver, iron ore, oil & gas, commercial energy and glass substrate. Vedanta has operations in India, Zambia, Namibia, South Africa, Ireland, Liberia, UAE, Japan, South Korea, Taiwan and Australia. These financial statements are presented in US dollars being the functional currency of the Company and all values are rounded to one decimal of the nearest million except where otherwise indicated.

### Compliance with applicable law and IFRS

The financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards (IFRS), Article 4 of the IAS Regulation and IFRS as adopted by the European Union and related interpretations.

### Basis of preparation and basis of measurement

The financial statements have been prepared on a going concern basis using historical cost convention, except for derivative financial instruments, available-for-sale financial assets, liquid investments which are remeasured at fair value at the end of each reporting period and defined benefit obligations measured in accordance with IAS 19, as explained in the accounting policies below.

Certain comparative figures appearing in these consolidated financial statements have been regrouped and/or reclassified to better reflect the nature of those items.

### Parent Company financial statements

The financial statements of the parent Company, Vedanta Resources plc, incorporated in the United Kingdom, have been prepared in accordance with FRS 101 and UK company law. The Company financial statements and associated notes have been presented separately.

## 2(a) Accounting policies

### (i) Basis of consolidation

#### Subsidiaries:

The consolidated financial statements incorporate the results of the Company and all its subsidiaries (the 'Group'), being the companies that it controls. Control is evidenced where the Group has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is demonstrated through existing rights that give the ability to direct relevant activities, which significantly affect the entity returns.

The financial statements of subsidiaries are prepared for the same reporting year as the parent Company. Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies in line with accounting policies of the Group.

For non-wholly owned subsidiaries, a share of the profit/(loss) for the financial year and net assets is attributed to the non-controlling interests as shown in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position.

Liability for put option issued to non-controlling interests which do not grant present access to ownership interest to the Group is recognised at present value of the redemption amount, and is reclassified from equity. At the end of each reporting period, the non-controlling interests subject to put option is derecognised and the difference between the amount derecognised and present value of the redemption amount, which is recorded as a financial liability, is accounted for as an equity transaction.

For acquisitions of additional interests in subsidiaries, where there is no change in control, the Group recognises a reduction to the non-controlling interest of the respective subsidiary with the difference between this figure and the cash paid, inclusive of transaction fees, being recognised in equity. In addition, upon dilution of controlling interests the difference between the cash received from sale or listing of the subsidiary shares and the increase to non-controlling interest is also recognised in equity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intra-Group balances and transactions and any unrealised profits arising from intra-Group transactions are eliminated. Unrealised losses are eliminated unless costs cannot be recovered.

### Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is considered when there is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint venture. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group has joint operations within its Oil & Gas segment and participates in several unincorporated joint operations which involve the joint control of assets used in oil and gas exploration and producing activities. The Group accounts for its share of assets, liabilities, income and expenditure of joint ventures in which the Group holds an interest. Liabilities in unincorporated joint ventures, where the Group is the operator, is accounted for at gross values (including share of other partners) with a corresponding receivable from the venture partners. These have been included in the financial statements under the appropriate headings.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 2(a) Accounting policies continued

### *Investments in associates:*

Investments in associates are accounted for using the equity method. An associate is an entity over which the Group is in a position to exercise significant influence over operating and financial policies. Goodwill arising on the acquisition of associates is included in the carrying value of investments in the associate. Investment in associates is initially recorded at the cost to the Group and then, in subsequent periods, the carrying value is adjusted to reflect the Group's share of the associate's consolidated post-acquisition profits or losses, other changes to the associate's net assets and is further adjusted for impairment losses, if any. The Consolidated Income Statement and Consolidated Statements of Comprehensive Income include the Group's share of associate's results, except where the associate is generating losses, share of such losses in excess of the Group's interest in that associate are not recognised. Losses recognised under the equity method in excess of the Group's investment in ordinary shares are applied to the other components of the Group's interest that forms part of Group's net investment in the associate in the reverse order of their seniority (i.e. priority in liquidation).

If the Group's share of losses in an associate equals or exceeds its interests in the associate, the Group discontinues the recognition of further losses. Additional losses are provided for, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### *(ii) Business combinations*

Acquisitions are accounted for under the acquisition method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except certain assets and liabilities required to be measured as per the applicable standards.

Excess of fair value of purchase consideration and the acquisition date non-controlling interest over the acquisition date fair value of identifiable assets acquired and liabilities assumed is recognised as goodwill. Goodwill arising on acquisitions is reviewed for impairment annually. Where the fair values of the identifiable assets and liabilities exceed the cost of acquisition, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the surplus is credited to the income statement in the period of acquisition. Where it is not possible to complete the determination of fair values by the date on which the first post-acquisition financial statements are approved, a provisional assessment of fair value is made and any adjustments required to those provisional fair values are finalised within 12 months of the acquisition date.

The Group makes adjustments to the provisional fair value amounts recognised at the date of acquisition to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognised as of that date. The Group applies the measurement period adjustments retrospectively to the consolidated financial statements to reflect the measurement period adjustments as retrospectively recorded on the date of the acquisition as if measurement period adjustments had been recorded initially at the date of acquisition.

Any non-controlling interest in an acquiree is measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This accounting choice is made on a transaction by transaction basis.

Acquisition expenses are charged to the income statement.

If the Group acquires a group of assets in a company that does not constitute a business combination in accordance with IFRS 3 Business Combinations, the cost of the acquired group of assets is allocated to the individual identifiable assets acquired based on their relative fair value.

### *(iii) Revenue recognition*

Revenues are measured at the fair value of the consideration received or receivable, net of discounts, volume rebates, outgoing sales taxes, goods and service tax, excise duty and other indirect taxes. Revenues from sales are recognised when all significant risks and rewards of ownership of the commodity sold are transferred to the customer and the commodity has been delivered to the shipping agent. Revenues from sale of by-products are included in revenue.

Certain of the Group's sales contracts provide for provisional pricing based on the price on the London Metal Exchange (LME), as specified in the contract, when shipped. Final settlement of the price is based on the applicable price for a specified future period. The Group's provisionally priced sales are marked to market using the relevant forward prices for the future period specified in the contract and is adjusted in revenue.

Revenue from oil, gas and condensate sales represent the Group's share of oil, gas and condensate production, recognised on a direct entitlement basis, when significant risks and rewards of ownership are transferred to the buyers. Direct entitlement basis represents entitlement to variable physical volumes of hydrocarbons, representing recovery of the costs incurred and a stipulated share of the production remaining after such cost recovery. The stipulated share of production is arrived at after reducing government's share of profit petroleum which is accounted for when the obligation (legal or constructive) in respect of the same arises.

Revenue from sale of power is recognised when delivered and measured based on rates as per bilateral contractual agreements with buyers and at a rate arrived at based on the principles laid down under the relevant Tariff Regulations as notified by the regulatory bodies, as applicable.

## 2(a) Accounting policies continued

Where the Group acts as a port operator, revenues and costs relating to each construction contract of service concession arrangements are recognised over the period of each arrangement only to the extent of costs incurred that are probable of recovery. Revenues and costs relating to operating phase of the port contract are measured at the fair value of the consideration received or receivable for the services provided.

Revenue from rendering of services is recognised on the basis of work performed.

### Interest income

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

### Dividends

Dividend income is recognised in the income statement only when the right to receive payment is established, provided it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

### (iv) Special items

Special items are those items that management considers, by virtue of their size or incidence (including but not limited to impairment charges and acquisition and restructuring related costs), should be disclosed separately to ensure that the financial information allows an understanding of the underlying performance of the business in the year, so as to facilitate comparison with prior periods. Also tax charges related to special items and certain one-time tax effects are considered special. Such items are material by nature or amount to the year's result and require separate disclosure in accordance with IFRS. The determination as to which items should be disclosed separately requires a degree of judgement.

### (v) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses, if any. The Group determines the amortisation period as the period over which the future economic benefits will flow to the Group after taking into account all relevant facts and circumstances. Amortisation method, residual values and estimated useful life of intangible assets are reviewed annually or more frequently if events or changes in circumstances indicate a potential impairment.

Intangible assets arising out of service concession arrangements are accounted for as intangible assets where the Group has a contractual right to charge users of services when the projects are completed and is measured at the cost determined as the fair value of the consideration received or receivable of such construction services. Such assets are amortised on straight-line basis over the balance of licence period. The concession period is 30 years from the date of the award.

Software is amortised over the estimated useful life of five years. Technological know-how and the acquired brand are amortised over the estimated useful life of ten years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the Consolidated Income Statement when the asset is derecognised.

### (vi) Property, plant and equipment (PP&E)

#### Relating to mineral assets – Mining properties and leases

The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as property, plant and equipment under the heading 'Mining properties and leases' in the year in which they are incurred.

When a decision is taken that a mining property is viable for commercial production (i.e. when the Group determines that the mining property will provide sufficient and sustainable returns relative to the risk and decides to proceed with the mine development), all further pre-production primary development expenditure other than land, buildings, plant and equipment is capitalised as part of the cost of the mining property until the mining property is capable of commercial production.

The stripping cost incurred during the production phase of a surface mine are deferred to the extent the current period stripping cost exceeds the average period stripping cost over the life of mine and is recognised as an asset if such cost provides a benefit in terms of improved access to ore in future periods and certain criteria are met.

When the benefit from the stripping costs are realised in the current period, the stripping costs are accounted for as the cost of inventory. If the costs of inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. The Company uses the expected volume of waste compared with the actual volume of waste extracted for a given value of ore/mineral production for the purpose of determining the cost of the stripping activity asset. Deferred stripping costs are included in mining properties within Property, plant and equipment and disclosed as a part of mining properties. After initial recognition, the stripping activity asset is depreciated on a unit of production method over the expected useful life of the identified component of the ore body.

In circumstances where a mining property is abandoned, the cumulative capitalised costs relating to the property are written off in the period in which it occurs i.e. when the Group determines that the mining property will not provide sufficient and sustainable returns relative to the risks and the Group decides not to proceed with the mine development.

Commercial reserves are proved and probable reserves as defined by the 'JORC' Code, 'MORC' Code or 'SAMREC' Code. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 2(a) Accounting policies continued

### Relating to oil and gas assets – Developing/producing assets

For oil and gas assets, a successful efforts-based accounting policy is followed.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within property, plant and equipment – development/producing assets (oil & gas properties) on a field-by-field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed.

Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the income statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

### Exploration and evaluation assets

Exploration and evaluation expenditure incurred prior to obtaining the mining right or the legal right to explore are expensed as incurred.

Exploration and evaluation expenditure incurred after obtaining the mining right or the legal right to explore, are capitalised as property, plant and equipment and stated at cost less impairment, if any. Exploration and evaluation assets are transferred to the appropriate category of property, plant and equipment when the technical feasibility and commercial viability has been determined. Exploration and evaluation assets are assessed for impairment and impairment loss, if any, is recognised prior to reclassification.

Exploration expenditure includes all direct and allocated indirect expenditure associated with finding specific mineral resources which includes depreciation and applicable operating costs of related support equipment and facilities and other costs of exploration activities:

- Acquisition costs – costs associated with acquisition of licences and rights to explore, including related professional fees.
- General exploration costs – costs of surveys and studies, rights of access to properties to conduct those studies (e.g. costs incurred for environment clearance, defence clearance, etc.), and salaries and other expenses of geologists, geophysical crews and other personnel conducting those studies.
- Costs of exploratory drilling and equipping exploratory and appraisal wells.

Exploration expenditure incurred in the process of determining oil and gas exploration targets is capitalised initially within property, plant and equipment-exploration and evaluation assets and subsequently allocated to drilling activities (under oil and gas properties and/or exploration and evaluation assets as appropriate). Exploration drilling costs are initially capitalised on a well-by-well basis until the success or otherwise of the well has been established. The success or failure of each exploration effort is judged on a well-by-well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial.

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalised exploration costs are transferred into a single field cost centre within property, plant and equipment – development/producing assets (oil and gas properties) after testing for impairment. Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are written off to the income statement.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence-by-licence basis. Costs are held and are not amortised or depreciated, within exploration and evaluation assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus/deficit is recognised in the income statement.

### Other property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the income statement for the period during which such expenses are incurred.

Gains and losses on disposal of an item of property, plant and equipment computed as the difference between the net disposal proceeds and the carrying amount of the asset is included in the income statement when the asset is derecognised. Major inspection and overhaul expenditure is capitalised, if the recognition criteria are met.

### (vii) Assets under construction

Assets in the course of construction are capitalised in the assets under construction account. At the point when an asset is capable of operating in the manner intended by management, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs (net of income) associated with the commissioning of an asset and any obligatory decommissioning costs are capitalised until the period of commissioning has been completed and the asset is ready for its intended use.

### (viii) Depreciation and amortisation

Mining properties and other assets in the course of development or construction, freehold land and goodwill are not depreciated or amortised.

## 2(a) Accounting policies continued

### Relating to mining properties

The capitalised mining properties are amortised on a unit-of-production basis over the total estimated remaining commercial reserves of each property or group of properties and are subject to impairment review. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future capital expenditure required to access the commercial reserves. Changes in the estimates of commercial reserves or future capital expenditure are dealt with prospectively.

Leasehold land and buildings are depreciated on a straight-line basis over the period of the lease or, if shorter, their useful economic life.

### Relating to oil & gas assets

All expenditure carried within each field is depreciated from the commencement of production on a unit of production basis, which is the ratio of oil & gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or group of fields which are reliant on common infrastructure.

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to access the commercial reserves. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

### Others

Other buildings, plant and equipment, office equipment and fixtures, and motor vehicles are stated at cost less accumulated depreciation and any provision for impairment. Depreciation commences when the assets are ready for their intended use. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Buildings operations and administration	30–60 years
Plant and machinery	15–40 years
Office equipment and fixtures	5–10 years
Motor vehicles	8–10 years

Major inspection and overhaul costs are depreciated over the estimated life of the economic benefit to be derived from such costs. The carrying amount of the remaining previous overhaul cost is charged to the income statement if the next overhaul is undertaken earlier than the previously estimated life of the economic benefit.

The Group reviews the residual value and useful life of an asset at least at each financial year end and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

### (ix) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Such assets and disposal groups are presented separately on the face of the Consolidated Statements of Financial Position.

### (x) Impairment

#### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the consolidated statements of income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in the Consolidated Statements of Comprehensive Income is transferred to the Consolidated Statements of Income on recognition of impairment. An impairment loss is reversed, if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the Consolidated Statements of Income. For available-for-sale financial assets that are equity securities, the change in fair value is recognised directly in the Consolidated Statement of Comprehensive Income.

In respect of trade and other receivables, the Group would not provide for impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 2(a) Accounting policies continued

### Non-financial assets

Impairment charges and reversals are assessed at the level of cash-generating units. A cash-generating unit (CGU) is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Formal impairment tests are carried out at the year end for goodwill. In addition, formal impairment tests for all assets are performed when there is an indication of impairment. The Group conducts an internal review of asset values annually, which is used as a source of information to assess for any indications of impairment or reversal of previously recognised impairment losses. Internal and external factors, such as worse economic performance than expected, changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment or reversal of previously recognised impairment losses.

If any such indication exists then an impairment review is undertaken, the recoverable amount is calculated, as the higher of fair value less costs of disposal and the asset's value in use.

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants less costs of disposal and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general. Fair value for mineral and oil and gas assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted at an appropriate post-tax discount rate to arrive at the net present value.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. The cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Value in use is determined by applying assumptions specific to the Group's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result to a fair value calculation.

The carrying amount of the CGU is determined on a basis consistent with the way the recoverable amount of the CGU is determined. The carrying amount is net of deferred tax liability recognised in the fair value of the assets acquired in a business combination.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the Consolidated Income Statement.

Any reversal of the previously recognised impairment loss is limited to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised except if initially attributed to goodwill.

### Exploration and evaluation assets:

In assessing whether there is any indication that an exploration and evaluation asset may be impaired, the Company considers, as a minimum, the following indicators:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and
- reserve information prepared annually by external experts.

When a potential impairment is identified, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration and evaluation assets is attributed. Exploration areas in which reserves have been discovered but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. To the extent that capitalised expenditure is no longer expected to be recovered, it is charged to the income statement.

### (xi) Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants relating to tangible fixed assets are deducted in calculating the carrying amount of the assets and recognised in the Consolidated Income Statement over the expected useful lives of the assets concerned as a reduced depreciation expense. Other grants (including grants related to revenue) are credited to the Consolidated Income Statement on a systematic basis as and when the related expenditure is incurred.

## 2(a) Accounting policies continued

### (xii) Inventories

Inventories and work-in-progress are stated at the lower of cost and net realisable value.

#### *Cost is determined on the following basis:*

- Purchased copper concentrate is recorded at cost on a first-in, first-out (FIFO) basis; all other materials including stores and spares are valued on weighted average basis; except in the Oil and Gas business where stores and spares are valued on a FIFO basis.
- Finished products are valued at raw material cost plus costs of conversion, comprising labour costs and an attributable proportion of manufacturing overheads based on normal levels of activity and are moved out of inventory on a FIFO basis, however, cost of finished goods of oil and condensate is determined on a quarterly weighted average basis.
- By-products and scrap are valued at net realisable value. Net realisable value is determined based on estimated selling price, less further costs expected to be incurred to completion and disposal.

### (xiii) Taxation

Tax expense represents the sum of current tax and deferred tax.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date and includes any adjustment to tax payable in respect of previous years.

Subject to the exceptions below, deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and on carry forward of unused tax credits and unused tax losses:

- Tax payable on the future remittance of the past earnings of subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- Deferred income tax is not recognised on initial recognition as well as on the impairment of goodwill which is not deductible for tax purposes or on the initial recognition of an asset or liability in a transaction that is not a business combination, which at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Deferred tax assets including MAT are recognised only to the extent that it is more likely than not that they will be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or equity).

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as business combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Subsequently deferred tax is charged or credited in the income statement/other comprehensive income as the underlying temporary difference is reversed.

### (xiv) Retirement benefit schemes

The Group operates or participates in a number of defined benefits and contribution schemes, the assets of which are (where funded) held in separately administered funds.

For defined benefit schemes the cost of providing benefits under the plans is determined by actuarial valuation each year separately for each plan using the projected unit credit method by third party qualified actuaries.

Remeasurement including effects of asset ceiling and return on plan assets (excluding amounts included in interest on the net defined benefit liability) and actuarial gains and losses arising in the year are recognised in full in other comprehensive income and are not recycled to the income statement.

Past service costs are recognised in the income statement on the earlier of:

- the date of the plan amendment or curtailment, and
- the date that the Group recognises related restructuring costs.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset at the beginning of the period. Defined benefit costs are split into current service cost, past service cost, net interest expense or income, and gains and losses on curtailments or settlements.

Current service cost and past service costs are recognised within cost of sales and administrative expenses and distribution expenses. Net interest expense or income is recognised within finance costs.

For defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits are the contributions payable in the year, recognised as and when the employee renders related service.

The Group reassessed its accounting for death-in-service obligations with respect to the recognition of these liabilities. The Group had previously accounted for these liabilities as defined benefit schemes and the cost of providing benefits under the plans was determined by an actuarial valuation each year, which was performed separately for each plan using the projected unit credit method by third party qualified actuaries.



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 2(a) Accounting policies continued

On 1 April 2017, the Group elected to derecognise these liabilities, as the Group believes that a present obligation does not exist with regards to these liabilities. The Group applied the change in policy retrospectively, but have not adjusted the prior year figures in these financial statements as they are not material.

### (xv) Share-based payments

Certain employees (including Executive Directors) of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards is determined with the assistance of an external valuer and the fair value at the grant date is expensed on a proportionate basis over the vesting period based on the Group's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations.

The resultant increase in equity is recorded in share-based payment reserve.

In case of cash-settled transactions, a liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined with the assistance of an external valuer.

### (xvi) Provisions, contingent liabilities and contingent assets

Provisions represent liabilities for which the amount or timing is uncertain. Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in the income statement as a finance cost. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the consolidated financial statements.

Contingent assets are not recognised but disclosed in the financial statements when an inflow of economic benefit is probable.

### (xvii) Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine or oil fields. Such costs, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the income statement over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, changes to lives of operations, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the income statement.

Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present value and charged to the income statement as extraction progresses. Where the costs of site restoration are not anticipated to be material, they are expensed as incurred.

### (xviii) Leases

#### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

## 2(a) Accounting policies continued

### *Group as a lessee*

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on the borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

### *Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from an operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

### *(xix) Foreign currency translation*

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. For all principal operating subsidiaries, the functional currency is normally the local currency of the country in which they operate with the exception of KCM and the Oil and Gas business which has a US dollar functional currency as that is the currency of primary economic environment in which they operate. In the financial statements of individual Group companies, transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies are translated into the functional currency at exchange rates prevailing on the reporting date. Non-monetary assets and liabilities denominated in other currencies and measured at historical cost or fair value are translated at the exchange rates prevailing on the dates on which such values were determined.

All exchange differences are included in the income statement, except, where the monetary item is designated as an effective hedging instrument of the currency risk of designated forecast sales which are recognised in the other comprehensive income. These include the exchange differences on foreign currency borrowings relating to the asset under construction, and for future productive use, and are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purposes of consolidation, the income statement items of those businesses for which the US dollar is not the functional currency are translated into US dollars at the average rates of exchange during the year/exchange rates as on the date of transaction. The related Consolidated Statements of Financial Position are translated into US dollars at the rates as at the reporting date. Exchange differences arising on translation are recognised in the Consolidated Statements of Comprehensive Income. On disposal of such entities, the deferred cumulative exchange differences recognised in equity relating to that particular foreign operation are recognised in the Consolidated Income Statement.

### *(xx) Financial asset investments*

Financial asset investments are classified as available-for-sale under IAS 39 and are initially recorded at fair value plus transaction costs that are directly attributable to the acquisition of financial asset investments and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses on financial asset investments are recognised through other comprehensive income. On disposal or impairment of the investments, the gains and losses in equity are recycled to the income statement.

Investments in equity instruments are recorded in non-current assets unless they are expected to be sold within one year.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 2(a) Accounting policies continued

### (xxi) Liquid investments

Liquid investments represent short-term investments that do not meet the definition of cash and cash equivalents for one or more of the following reasons:

- They have a maturity profile greater than 90 days;
- They may be subject to a greater risk of changes in value than cash;
- They are held for investment purposes.

These include Short-term marketable securities and other Bank Deposits.

Short-term marketable securities are categorised as held for trading and are initially recognised at fair value with any gains or losses arising on remeasurement recognised in the Consolidated Income Statement.

Other bank deposits are subsequently measured at amortised cost using the effective interest method.

### (xxii) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand, short-term deposits with banks and short-term highly liquid investments that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

### (xxiii) Trade receivables

Trade receivables are stated at their transaction value as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance for impairment of trade receivables is made where there is an event, which based on previous experience, is an indication of a reduction in the recoverability of the carrying value of the trade receivables.

Trade receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised on non-current receivables on specific items by applying the effective interest rate method.

### (xxiv) Trade payables

Trade and other payables are recognised at their transaction cost, which is its fair value, and subsequently measured at amortised cost except for the put option liability that is measured at fair value.

### (xxv) Bills of exchange payable

The Group enters into arrangements whereby financial institutions make direct payments to suppliers for raw materials and project materials. The financial institutions are subsequently repaid by the company at a later date providing working capital timing benefits. These are normally settled up to 12 months (for raw materials) and up to 36 months (for project materials). Where these arrangements are for raw materials with a maturity of up to 12 months, the economic substance of the transaction is determined to be operating in nature and these are recognised as bills of exchange (under Trade and other payables). Where these arrangements are for project materials with a maturity up to 36 months, the economic substance of the transaction is determined to be financing in nature, and these are classified as projects buyers' credit within borrowings in the Statement of Financial Position. Interest expense on these are recognised in the finance cost.

### (xxvi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### (xxvii) Borrowings

Interest bearing loans and overdrafts are recorded initially at the fair value. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis and charged to the income statement using the effective interest method. They are netted against the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### (xxiii) Convertible bonds

Convertible bonds denominated in the functional currency of the issuing entity are accounted for as compound instruments. The equity components and the liability components are separated out on the date of the issue. The equity component is recognised in a separate reserve and is not subsequently remeasured. The liability component (net of transaction cost) is held at amortised cost. The interest expense on the liability component is calculated by applying the effective interest rate, being the prevailing market interest rate at the date of issuance for similar non-convertible debt. The difference between this amount and interest paid is added to the carrying amount of the liability component.

Convertible bonds not denominated in the functional currency of the issuing entity or where a cash conversion option exists, are split into two components: a debt component and a component representing the embedded derivative in the convertible bond. The debt component represents a liability for future coupon payments and the redemption of the principal amount. The embedded derivative, a financial liability, represents the value of the option that bondholders have to convert into ordinary shares. At inception the embedded derivative is recorded at fair value and the remaining balance, after deducting a share of issue costs, is recorded as the debt component. Subsequently, the debt component is measured at amortised cost and the embedded derivative is measured at fair value at each balance sheet date with the change in the fair value recognised in the income statement. The embedded derivative and the debt component are disclosed together and the current/non-current classification follows the classification of the debt component which is the host contract.

**2(a) Accounting policies continued****(xxix) Borrowing costs**

Borrowing cost includes interest expense as per effective interest rate (EIR) and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time that the assets are substantially ready for their intended use i.e. when they are capable of commercial production. Borrowing costs relating to the construction phase of a service concession arrangement are capitalised as part of the cost of the intangible asset. Where funds are borrowed specifically to finance a qualifying capital project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such short-term investments is deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the year.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Capitalisation of interest on borrowings related to construction or development projects is ceased when substantially all the activities that are necessary to make the assets ready for their intended use are complete or when delays occur outside of the normal course of business.

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial liability or a shorter period, where appropriate, to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options).

**(xxx) Current and non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the Group's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as non-current.

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the Group's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within 12 months after the reporting date; or
- the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current only.

**(xxxi) Financial instruments fair valued through profit and loss****Held for trading financial assets**

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling in the near term. The change in fair value of trading investments incorporates any dividend and interest earned on the held for trading investments and is accounted for in the income statement.

**Derivative financial instruments**

In order to hedge its exposure to foreign exchange, interest rate and commodity price risks, the Group enters into forward contracts, option contracts, swap contracts and other derivative financial instruments. The Group does not hold derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are remeasured at their fair value at subsequent balance sheet dates. The resultant gains or losses are recognised in the income statement unless these are designated as effective hedging instruments.



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 2(a) Accounting policies continued

### (xxxii) Hedge accounting

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

#### *Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Hedge accounting is discontinued when the Group revokes the hedge relationship, the hedging instrument or hedged item expires or is sold, terminated, or exercised or no longer meets the criteria for hedge accounting.

#### *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in the Consolidated Statements of Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts recognised in the Consolidated Statement of Comprehensive Income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in the Consolidated Statement of Comprehensive Income is transferred to the carrying amount of the asset when it is recognised. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in the Consolidated Statement of Comprehensive Income is transferred to the income statement.

#### *Hedge of net investment in foreign operation*

For derivative instruments that are designated and qualify as a hedge of a net investment in a foreign operation, the gain or loss is reported in the Consolidated Statement of Comprehensive Income as part of the exchange difference on translation of foreign operations to the extent it is effective. Any ineffective portions of net investment hedges are recognised in the income statement immediately. Under a hedge of a net investment, the cumulative gain or loss remains in the Consolidated Statement of Comprehensive Income when the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer qualifies for hedge accounting or the Group revokes designation of the hedge relationship. The cumulative gain or loss is recognised in the income statement as part of the gain/loss on disposal when the net investment in the foreign operation is disposed.

Derivative financial instruments that do not qualify for hedge accounting are marked to market at the financial position date and gains or losses are recognised in the income statement immediately.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses recognised in the income statement.

## 2(b) Application of new and revised standards

The Group has adopted with effect from 1 April 2017, the following new amendments and pronouncements.

### *IAS 7 Statement of Cash Flows*

Narrow-scope amendments: The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The required disclosure is given in Note 26.

### *Amendments to IAS 12*

Recognition of Deferred Tax Assets for Unrealised Losses: These amendments clarify that unrealised losses on debt instruments measured at fair value for financial reporting purposes but at cost for tax purposes can give rise to a deductible temporary difference and how such a temporary difference should be assessed in determining whether a deferred tax asset should be recognised. This does not have any significant impact on the amounts reported in the financial statements.

### *Amendments to IFRS 12 Disclosure of Interests in Other Entities issued in the Annual Improvements Cycle 2014–2016*

The amendments to IFRS 12 introduced in the 2014–2016 annual improvement cycle clarify that all requirements of that Standard (other than those covered by an existing exemption from disclosure of summarised financial information on interests in subsidiaries, joint ventures and associates) apply to interests classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. This does not have any impact on the financial statements.

The Group has not early adopted any other amendments, standards or interpretations that have been issued but are not yet effective. The Group plans to adopt new amendments, standards or interpretations as and when they become they effective.

**2(b) Application of new and revised standards continued***Recently issued accounting pronouncements and not effective for the year ended 31 March 2018:*

Standards not yet effective for the financial statements for the year ended 31 March 2018	Effective for annual periods beginning on or after
Amendments to IAS 40 – Transfers of Investment Property	1 January 2018*
Amendments to IFRS 2 – Classification and measurement of Share-Based Payment Transactions	1 January 2018
Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Annual Improvements to IFRSs 2014–2016 Cycle	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	1 January 2019*
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	1 January 2019*
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019*
Annual Improvements to IFRSs 2015–2017 Cycle	1 January 2019*
IFRS 17 Insurance Contracts	1 January 2021*

\* Subject to EU endorsement

Except specifically covered below, the Group is evaluating the requirements of these standards, improvements and amendments and has not yet determined the impact on financial statements.

**IFRS 9 Financial Instruments**

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9, Financial Instruments. The standard reduces the complexity of the current rules on financial instruments as mandated in IAS 39. IFRS 9 has fewer classification and measurement categories as compared to IAS 39. It eliminates the rule-based requirement of segregating embedded derivatives from financial assets and tainting rules pertaining to held to maturity investments. For financial assets which are debt instruments, IFRS 9 establishes a principle based approach for classification based on cash flow characteristics of the asset and the business model in which an asset is held. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income on such equity investment would ever be reclassified to profit or loss. It requires the entity, which chooses to designate a liability as at fair value through profit or loss, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income. IFRS 9 replaces the 'incurred loss model' in IAS 39 with an 'expected credit loss' model. The measurement uses a dual measurement approach, under which the loss allowance is measured as either 12-month expected credit losses or lifetime expected credit losses. The standard also introduces new presentation and disclosure requirements. The effective date for the adoption of IFRS 9 is annual periods beginning on or after 1 January 2018, though early adoption is permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group has completed its assessment of the effects of transition to IFRS 9 and will adopt the same from 1 April 2018. The areas impacted on adopting IFRS 9 on the Group are detailed below.

**Classification and measurement**

IFRS 9 establishes a principle-based approach for classification of financial assets based on cash flow characteristics of the asset and the business model in which an asset is held. The measurement and accounting treatment of the Group's financial assets is materially unchanged with the exception of equity securities previously categorised as available-for-sale. These will be held at fair value through other comprehensive income, meaning the recycling of gains and losses on disposal and impairment losses is no longer permitted for this category.

**Impairment**

Based on the Group's assessment, under the expected credit loss model, the impairment of financial assets held at amortised cost is not expected to have a material impact on the Group's results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place.

**Hedge accounting**

The Group plans to adopt the IFRS 9 hedge accounting requirements. The adoption of the new standard would have no effect on the amounts recognised in relation to the existing hedging arrangements.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 2(b) Application of new and revised standards continued

### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard replaces most of the current revenue recognition guidance. The core principle of the new standard is for companies to recognise revenue when the control of the goods and services is transferred to the customer as against the transfer of risk and rewards. The amount of revenue recognised should reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively including service revenues and contract modifications and improved guidance for multiple element arrangements. The new standard comes into effect for the annual reporting periods beginning on or after 1 January 2018 with early application permitted.

In order to identify the potential impact of the standard on the Group's consolidated financial statements, the Group has analysed contracts of the relevant revenue streams of the Group. The work done is focused on evaluating the contractual arrangements across the Group's principal revenue streams, particularly key terms and conditions which may impact the timing of revenue recognition and measurement of revenue.

Based on the work carried out, the impact in implementing IFRS 15 on the Group results is detailed below:

On the basis of the analysis conducted, the new standard would result in identification of freight and insurance services as a separate performance obligation implying segregation of revenue on account of sale of goods and sale of services. The revenue on account of these services is required to be deferred along with the associated costs and recognised over time as this obligation is fulfilled.

The Group has products which are provisionally priced at the date revenue is recognised. Revenue in respect of such contracts will be recognised when control passes to the customer and will be measured at the amount the entity expects to be entitled – being the estimate of the price expected to be received at the end of the measurement period. Post transfer of control of goods, provisional pricing features will be accounted in accordance with IFRS 9 'Financial Instruments' rather than IFRS 15 and therefore the IFRS 15 rules on variable consideration do not apply. These 'provisional pricing' adjustments i.e. the consideration received post transfer of control will continue to be included in consolidated revenue on the face of the income statement and these would be disclosed by way of note to the financial statements.

The implementation of changes required as per IFRS 15 as mentioned above is identified to be not materially affecting the current recognition and measurement of revenues, though there would be significant additional disclosure requirements for the Group to comply with.

The Group will adopt the modified transitional approach to implementation where any transitional adjustment is recognised in retained earnings at 1 April 2018 without adjustment of comparatives and the new standard will only be applied to contracts that remain in force at that date.

### *IFRS 16 Leases*

IFRS 16 Leases, specifies recognition, measurement and disclosure criteria for leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The new standard will come into effect for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. The Group is currently in the process of determining the potential impact of adopting the above standard and expects to implement the same from 1 April 2019.

## 2(c) Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenues and expenses for the years presented. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

The information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as given below:

### *Significant Estimates:*

#### *(i) Oil & Gas reserves*

Oil & Gas reserves are estimated on a proved and probable entitlement interest basis. Proven and probable reserves are estimated using standard recognised evaluation techniques. The estimate is reviewed annually. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Net entitlement reserves estimates are subsequently calculated using the Group's current oil price and cost recovery assumptions, in line with the relevant agreements.

Changes in reserves as a result of factors such as production cost, recovery rates, grade of reserves or oil & gas prices could impact the depreciation rates, carrying value of assets and environmental and restoration provisions.

**2(c) Significant accounting estimates and judgements continued****(ii) Carrying value of exploration and evaluation oil and gas assets**

The recoverability of a project is assessed under IFRS 6. Exploration assets are assessed by comparing the carrying value to higher of fair value less cost of disposal or value in use, if an impairment indicator exists. Change to the valuation of exploration assets is an area of judgement. Further details on the Group's accounting policies on this are set out in accounting policy above. The amounts for exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established, or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Details of impairment charge/reversal impact and the assumptions used are disclosed in Note 5.

**(iii) Carrying value of developing/producing oil and gas assets**

Management perform impairment tests on the Group's developing/producing oil and gas assets where indicators of impairment or impairment reversal of previous recorded impairment are identified in accordance with IAS 36.

The impairment assessments are based on a range of estimates and assumptions, including:

Estimates/assumption	Basis
Future production	Proved and probable reserves, resource estimates and, in certain cases, expansion projects
Commodity prices	Management's best estimate benchmarked with external sources of information, to ensure they are within the range of available analysts' forecast
Discount to price	Management's best estimate based on historical prevailing discount
Extension of PSC	Assumed that PSC for Rajasthan block would be extended till 2030 on the expected commercial terms as per the announced government policy
Discount rates	Cost of capital risk-adjusted for the risk specific to the asset/CGU

Any subsequent changes to cash flows due to changes in the above mentioned factors could impact the carrying value of the assets.

Details of impairment charge/reversal impact and the assumptions and sensitivities used are disclosed in Note 5.

**(iv) Mining properties and leases**

The carrying value of mining property and leases is arrived at by depreciating the assets over the life of the mine using the unit of production method based on proved and probable reserves. The estimate of reserves is subject to assumptions relating to life of the mine and may change when new information becomes available. Changes in reserves as a result of factors such as production cost, recovery rates, grade of reserves or commodity prices could thus impact the carrying values of mining properties and leases and environmental and restoration provisions.

In the current year the Group has reassessed the parameters for mine development depletion including cost to complete at HZL, which has resulted in an additional depletion charge of \$57.3 million for the current year.

Management performs impairment tests when there is an indication of impairment or impairment reversal. The impairment assessments are based on a range of estimates and assumptions, including:

Estimates/assumptions	Basis
Future production	Proved and probable reserves, resource estimates (with an appropriate conversion factor) considering the expected permitted mining volumes and, in certain cases, expansion projects
Commodity prices	Management's best estimate benchmarked with external sources of information, to ensure they are within the range of available analysts' forecast
Exchange rates	Management best estimate benchmarked with external sources of information
Discount rates	Cost of capital risk-adjusted for the risk specific to the asset/CGU

Details of impairment charge are disclosed in Note 5.



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 2(c) Significant accounting estimates and judgements continued

### (v) Assessment of impairment at Lanjigarh Refinery

During financial year 2015-16, the Group has received the necessary approvals for expansion of the Lanjigarh refinery to 4 million tonnes per annum (MTPA). Accordingly, second stream operations were commenced in Alumina refinery from April 2016 and the refinery was debottlenecked to nameplate capacity of 2 MTPA in this year. We continue to explore the feasibility of expanding our alumina refinery capacity, from 2 to 4 million and then up to 6 million tonnes per annum, subject to bauxite availability and regulatory approvals.

The State of Odisha has abundant bauxite resources and given the initiatives by the Government of Odisha, management is confident that bauxite will be made available in the short to medium term. The Group has entered into agreements with various suppliers internationally and domestically to ensure the availability of bauxite to run its refinery.

Recoverability value assessment during the previous year ended 31 March 2017 including sensitivity analysis on the key assumptions indicated recoverable value exceeds the carrying value. No negative developments have occurred since the previous year and accordingly, it is not expected that the carrying amount would exceed the recoverable amount and hence the recoverable value for the year ended 31 March 2018 was not re-determined.

As at 31 March 2018, the carrying amount of property, plant and equipment related to alumina refinery operations at Lanjigarh and related mining assets is US\$1,043.5 million (31 March 2017 : US\$1,099.4 million).

### (vi) Assessment of impairment of Goa iron ore mines:

Pursuant to an order passed by the Honourable Supreme Court of India on 7 February 2018, the second renewal of the mining leases granted by the State of Goa in 2014-15 to all miners including Vedanta were cancelled. Consequently, all mining operations stopped with effect from 16 March 2018 until fresh mining leases (not fresh renewals or other renewals) and fresh environmental clearances are granted in accordance with the provisions of The Mines and Minerals (Development and Regulation) (MMDR) Act. Significant uncertainty exists over the resumption of mining at Goa under the current leases. The Group has assessed the recoverable value of all its assets and liabilities associated with existing mining leases which led to a non-cash impairment charge in March 2018. Details of this impairment charge and method of estimating recoverable value is disclosed in Note 5.

### (vii) Assessment of impairment at Konkola Copper Mines (KCM)

The KCM operations in Zambia have experienced lower equipment availability, throughput constraints and other operational challenges including production ramp-up. Due to these factors, the Group has reviewed the carrying value of its property, plant and equipment at KCM as at balance sheet date, estimated the recoverable amounts of the assets and concluded that there was no impairment because the recoverable amount (estimated based on fair value less costs of disposal) exceeded the carrying amounts.

The Group has also carried out a sensitivity analysis on key variables like movement in copper prices, discount rate and production. Based on the sensitivity analysis, the recoverable amount is still expected to exceed the carrying value.

The carrying value of assets as at 31 March 2018 is US\$1,575.8 million (31 March 2017: US\$1,663.6 million).

### (viii) Restoration, rehabilitation and environmental costs

Provision is made for costs associated with restoration and rehabilitation of mining sites as soon as the obligation to incur such costs arises. Such restoration and closure costs are typical of extractive industries and they are normally incurred at the end of the life of the mine or oil fields. The costs are estimated on an annual basis on the basis of mine closure plans and the estimated discounted costs of dismantling and removing these facilities and the costs of restoration are capitalised as soon as the obligation to incur such costs arises. The provision for decommissioning oil and gas assets is based on the current estimate of the costs for removing and decommissioning producing facilities, the forecast timing and currency of settlement of decommissioning liabilities and the appropriate discount rate.

A corresponding provision is created on the liability side. The capitalised asset is charged to the income statement over the life of the operation through the depreciation of the asset and the provision is increased each period via unwinding the discount on the provision. Management estimates are based on local legislation and/or other agreements. The actual costs and cash outflows may differ from estimates because of changes in laws and regulations, changes in prices, analysis of site conditions and changes in restoration technology. Details of such provision are set out in Note 30.

### (ix) Provisions and liabilities

Provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances which may be subject to change especially when taken in the context of the legal environment in India. The actual cash outflows may take place over many years in the future and hence the carrying amounts of provisions and liabilities are regularly reviewed and adjusted to take into account the changing circumstances and other factors that influence the provisions and liabilities. This is set out in Note 30.

### (x) The HZL and BALCO call options

The Group had exercised its call option to acquire the remaining 49% interest in BALCO and 29.5% interest in HZL. The Government of India has, however, contested the validity of the options and disputed their valuation performed in terms of the relevant agreements, the details of which are set out in Note 40. In view of the lack of resolution on the options, the non-response to the exercise and valuation request from the Government of India, the resultant uncertainty surrounding the potential transaction and the valuation of the consideration payable, the Group considers the strike price of the options to be at fair value; accordingly, the value of the option would be nil, and hence, the call options have not been recognised in the financial statements.

## 2(c) Significant accounting estimates and judgements continued

### (xi) Recoverability of deferred tax and other income tax assets

The Group has carry forward tax losses, unabsorbed depreciation and MAT credit that are available for offset against future taxable profit. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the unused tax losses or tax credits can be utilised. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the assets. This requires assumptions regarding future profitability, which is inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets and consequential impact in the income statement.

Additionally, the Group has tax receivables on account of refund arising on account of past amalgamation and relating to various tax disputes. The recoverability of these receivables involve application of judgement as to the ultimate outcome of the tax assessment and litigations. This pertains to the application of the legislation, which in certain cases is based upon management's interpretation of country specific tax law, in particular India, and the likelihood of settlement. Management uses in-house and external legal professionals to make informed decisions.

The details of MAT assets (recognised and unrecognised) are set out in Note 31.

### (xii) Copper operations India

The annual consent to operate (CTO) under the Air and Water Acts for copper smelter in India was rejected by the State Pollution Control Board on 9 April 2018 for want of further clarifications and consequently, the operations have presently been suspended. The Company has filed an appeal in the Tribunal. Even though there can be no assurance regarding the final outcome of the process, as per the Company's assessment, it is in compliance with the applicable regulations and expects the renewal of CTO in the next few months.

The carrying value of assets as at 31 March 2018 is US\$256.3 million.

### Judgements:

#### (i) Assessment of IFRIC 4 – Determining whether an arrangement contains a lease

The Group has ascertained that the Power Purchase Agreement (PPA) entered into between one of the Subsidiary and a State Grid qualifies to be an operating lease under IAS 17 'Leases'. Accordingly, the consideration receivable under the PPA relating to recovery of capacity charges towards capital cost have been recognised as operating lease rentals and in respect of variable cost that includes fuel costs, operations and maintenance etc. is considered as revenue from sale of products/services.

Significant judgement is required in segregating the capacity charges due from the State Grid, between fixed and contingent payments. The Group has determined that since the capacity charges under the PPA are based on the number of units of electricity made available by its Subsidiary which would be subject to variation on account of various factors like availability of coal and water for the plant, there are no fixed minimum payments under the PPA, which requires it to be accounted for on a straight-line basis. The contingent rents recognised are disclosed in Note 38.

#### (ii) Contingencies

In the normal course of business, contingent liabilities may arise from litigation, taxation and other claims against the Group. A tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation.

Where it is management's assessment that the outcome cannot be reliably quantified or is uncertain, the claims are disclosed as contingent liabilities unless the likelihood of an adverse outcome is remote. Such liabilities are disclosed in the notes but are not provided for in the financial statements.

When considering the classification of legal or tax cases as probable, possible or remote, there is judgement involved. This pertains to the application of the legislation, which in certain cases is based upon management's interpretation of country specific applicable law, in particular India, and the likelihood of settlement. Management uses in-house and external legal professionals to make informed decisions.

Although there can be no assurance regarding the final outcome of the legal proceedings, the Group does not expect them to have a materially adverse impact on the Group's financial position or profitability. These are set out in Note 38.

#### (iii) Revenue recognition and receivable recovery in relation to the Power division

In certain cases, the Group's Power customers are disputing various contractual provisions of Power Purchase Agreements (PPA). Significant judgement is required in both assessing the tariff to be charged under the PPA in accordance with IAS 18 and to assess the recoverability of withheld revenue currently accounted for as receivables.

In assessing this critical judgement, management considered favourable external legal opinions the Group has obtained in relation to the claims and favourable court judgements in the related matter. In addition, the fact that the contracts are with government-owned companies implies the credit risk is low. Refer Note 38.

#### (iv) Special items

Special items are those items that management considers, by virtue of their size or incidence (including but not limited to impairment charges and acquisition and restructuring related costs), should be disclosed separately to ensure that the financial information allows an understanding of the underlying performance of the business in the year, so as to facilitate comparison with prior periods. Also tax charges related to special items and certain one-time tax effects are considered special. Such items are material by nature or amount to the year's result and require separate disclosure in accordance with IFRS.

The determination as to which items should be disclosed separately requires a degree of judgement. The details of special items is set out in Note 5.

## Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

### 3. Segment information

The Group is a diversified natural resources Group engaged in exploring, extracting and processing minerals and oil and gas. We produce zinc, lead, silver, copper, aluminium, iron ore, oil and gas, commercial power and glass substrate and have a presence across India, Zambia, South Africa, Namibia, UAE, Ireland, Australia, Liberia, Japan, South Korea and Taiwan. The Group is also in the business of port operations and manufacturing of glass substrate.

The Group's reportable segments defined in accordance with IFRS 8 are as follows:

- Zinc – India
- Zinc – International
- Oil & Gas
- Iron Ore
- Copper-India/Australia
- Copper-Zambia
- Aluminium
- Power

'Others' segment mainly comprises of port/berth and glass substrate business and those segments which do not meet the quantitative threshold for separate reporting.

Management monitors the operating results of reportable segments for the purpose of making decisions about resources to be allocated and for assessing performance. Segment performance is evaluated based on the EBITDA of each segment. Business segment financial data includes certain corporate costs, which have been allocated on an appropriate basis. Inter-segment sales are charged based on prevailing market prices.

The following tables present revenue and profit information and certain asset and liability information regarding the Group's reportable segments for the years ended 31 March 2018 and 31 March 2017. Items after operating profit are not allocated by segment.

## 3. Segment information continued

## (a) Reportable segments

Year ended 31 March 2018

(US\$ million)	Zinc-India	Zinc- International	Oil & Gas	Iron Ore	Copper- India*/ Australia	Copper- Zambia	Aluminium	Power	Others	Elimination	Total operations
<b>REVENUE</b>											
Sales to external customers	3,368.7	534.7	1,479.6	483.4	3,832.3	1,181.3	3,583.7	853.6	41.4	–	15,358.7
Inter-segment sales <sup>1</sup>	–	–	–	4.1	0.4	101.7	3.9	23.4	1.9	(135.4)	–
<b>Segment revenue</b>	<b>3,368.7</b>	<b>534.7</b>	<b>1,479.6</b>	<b>487.5</b>	<b>3,832.7</b>	<b>1,283.0</b>	<b>3,587.6</b>	<b>877.0</b>	<b>43.3</b>	<b>(135.4)</b>	<b>15,358.7</b>
Segment result											
EBITDA <sup>2</sup>	1,902.8	219.5	849.1	57.3	200.6	73.2	452.4	258.9	37.4	–	4,051.2
Depreciation and amortisation <sup>3</sup>	(232.9)	(28.3)	(461.3)	(68.6)	(24.9)	(111.8)	(256.9)	(75.1)	(10.9)	–	(1,270.7)
<b>Operating profit/(loss) before special items</b>	<b>1,669.9</b>	<b>191.2</b>	<b>387.8</b>	<b>(11.3)</b>	<b>175.7</b>	<b>(38.6)</b>	<b>195.5</b>	<b>183.8</b>	<b>26.5</b>	<b>–</b>	<b>2,780.5</b>
Investment revenue											465.1
Finance costs											(1,342.6)
Other gains and (losses) net											(1.0)
Special items											580.1
<b>PROFIT BEFORE TAXATION</b>											<b>2,482.1</b>
Segment assets	2,575.2	862.0	3,706.0	613.2	1,447.0	2,017.2	7,440.4	2,950.3	424.0	–	22,035.3
Financial asset investments											24.5
Deferred tax assets											916.7
Liquid investments											4,807.8
Cash and cash equivalents											798.7
Tax assets											523.3
Others											132.1
<b>TOTAL ASSETS</b>											<b>29,238.4</b>
Segment liabilities	(637.6)	(170.3)	(851.3)	(249.8)	(1,367.8)	(757.6)	(2,061.0)	(268.2)	(30.5)	–	(6,394.1)
Short-term borrowings											(5,460.3)
Current tax liabilities											(53.9)
Medium and long-term borrowings											(9,733.5)
Deferred tax liabilities											(743.0)
Others											(332.6)
<b>TOTAL LIABILITIES</b>											<b>(22,717.4)</b>
Other segment information											
Additions to property, plant and equipment including intangible assets**	473.0	254.7	162.6	21.6	84.1	27.4	221.0	11.1	281.4		1,536.9
Impairment reversal/(losses) <sup>4</sup>	–	–	1,447.4	(758.5)	–	–	–	–	–	–	688.9

\* The annual consent to operate (CTO) under the Air and Water Acts for copper smelters in India was rejected by the State Pollution Control Board on 9 April 2018 for want of further clarification and consequently the operations have presently been suspended. The matter is presently pending in Tribunal.

\*\* Including acquisition through business combination.



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 3. Segment information continued

Year ended 31 March 2017

(US\$ million)	Zinc-India	Zinc- International	Oil & Gas	Iron Ore	Copper- India/ Australia	Copper- Zambia	Aluminium	Power	Others	Elimination	Total operations
<b>REVENUE</b>											
Sales to external customers	2,521.9	332.4	1,222.7	609.3	3,131.4	830.1	2,037.1	822.6	12.6	–	11,520.1
Inter-segment sales <sup>1</sup>	3.1	–	–	6.1	2.3	44.2	2.9	13.3	1.0	(72.9)	–
<b>Segment revenue</b>	<b>2,525.0</b>	<b>332.4</b>	<b>1,222.7</b>	<b>615.4</b>	<b>3,133.7</b>	<b>874.3</b>	<b>2,040.0</b>	<b>835.9</b>	<b>13.6</b>	<b>(72.9)</b>	<b>11,520.1</b>
Segment result EBITDA <sup>2</sup>	1,423.2	138.3	597.2	194.2	252.2	5.9	344.2	244.8	(8.9)	–	3,191.1
Depreciation and amortisation <sup>3</sup>	(149.2)	(27.5)	(411.0)	(69.9)	(28.9)	(113.3)	(141.0)	(88.2)	(1.5)	–	(1,030.5)
<b>Operating profit/(loss) before special items</b>											
	<b>1,274.0</b>	<b>110.8</b>	<b>186.2</b>	<b>124.3</b>	<b>223.3</b>	<b>(107.4)</b>	<b>203.2</b>	<b>156.6</b>	<b>(10.4)</b>	<b>–</b>	<b>2,160.6</b>
Investment revenue											642.6
Finance costs											(1,340.6)
Other gains and (losses) net											(23.8)
Special items	–	–	–	–	–	–	–	–	–	–	(58.9)
<b>PROFIT BEFORE TAXATION</b>											<b>1,379.9</b>
Segment assets	2,422.7	553.2	2,548.9	1,409.0	1,183.5	2,006.8	7,103.5	2,837.5	85.6	–	20,150.7
Financial asset investments											10.7
Deferred tax assets											1,111.0
Liquid investments											8,043.0
Cash and cash equivalents											1,682.2
Tax assets											436.7
Others											69.1
<b>TOTAL ASSETS</b>											<b>31,503.4</b>
Segment liabilities	(615.7)	(173.7)	(716.7)	(228.2)	(1,708.1)	(570.0)	(1,561.5)	(266.0)	(25.9)	–	(5,865.8)
Short-term borrowings											(7,658.5)
Current tax liabilities											(37.8)
Medium and long-term borrowings											(10,570.2)
Deferred tax liabilities											(371.1)
Others											(985.4)
<b>TOTAL LIABILITIES</b>											<b>(25,488.8)</b>
Other segment information											
Additions to property, plant and equipment including intangible assets	325.1	74.6	151.9	11.5	24.9	28.3	280.6	82.0	0.5	–	979.4
Impairment reversal/(losses) <sup>4</sup>	–	–	12.6	–	–	–	(29.9)	–	–		(17.3)

### 3. Segment information continued

- 1 Transfer prices for inter-segment sales are on an arm's length basis in a manner similar to transactions with third parties. However, inter-segment sales at BALCO amounting to US\$20.6 million for the year ended 31 March 2018 (31 March 2017 US\$6.2 million), is at cost.
- 2 EBITDA is a non-IFRS measure and represents earnings before special items, depreciation, amortisation, other gains and losses, interest and tax.
- 3 Depreciation and amortisation is also provided to the chief operating decision maker on a regular basis.
- 4 Included under special items (Note 5).

#### (b) Geographical segmental analysis

The Group's operations are located in India, Zambia, Namibia, South Africa, UAE, Liberia, Ireland, Australia, Japan, South Korea and Taiwan. The following table provides an analysis of the Group's sales by region in which the customer is located, irrespective of the origin of the goods.

(US\$ million)	Year ended 31 March 2018	Percentage	Year ended 31 March 2017	Percentage
India	8,262.1	54%	6,712.1	58%
China	2,184.7	14%	1,501.9	13%
UAE	620.5	4%	716.5	6%
Malaysia	827.8	5%	431.2	4%
Others	3,463.6	23%	2,158.4	19%
<b>Total</b>	<b>15,358.7</b>	<b>100%</b>	<b>11,520.1</b>	<b>100%</b>

The following is an analysis of the carrying amount of non-current assets, and additions to property, plant and equipment, analysed by the country in which the assets are located. No material non-current assets are located in the United Kingdom and no significant additions to property, plant and equipment have been made there.

(US\$ million)	Carrying amount of non-current assets <sup>1</sup>	
	As at 31 March 2018	As at 31 March 2017
India	16,045.1	15,496.6
Zambia	1,623.6	1,639.0
Namibia	170.7	112.7
South Africa	570.1	322.3
Taiwan	188.4	—
Others	130.5	27.5
<b>Total</b>	<b>18,728.4</b>	<b>17,598.1</b>

1 Non-current assets do not include deferred tax assets, derivative assets, financial asset investments and other non-current financial assets.

#### Information about major customers

No customer contributed 10% or more to the Group's revenue during the year ended 31 March 2018 and 31 March 2017.

### 4. Total revenue

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Sale of products (including excise duty)	15,426.7	11,998.7
Less: Excise duty	(163.9)	(588.2)
<b>Sale of products (net of excise duty)</b>	<b>15,262.8</b>	<b>11,410.5</b>
Sale of services	31.2	71.4
Export incentives	64.7	38.2
<b>Total revenue</b>	<b>15,358.7</b>	<b>11,520.1</b>

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 5. Special items

(US\$ million)	Note	Year ended 31 March 2018			Year ended 31 March 2017		
		Special items	Tax effect of special items	Special items after tax	Special items	Tax effect of special items	Special items after tax
Reversal of provision of DMF <sup>1</sup>		45.8	(15.9)	29.9	—	—	—
Gratuity-change in limits <sup>2</sup>		(12.7)	2.9	(9.8)	—	—	—
<b>Gross profit special items</b>		<b>33.1</b>	<b>(13.0)</b>	<b>20.1</b>	<b>—</b>	<b>—</b>	<b>—</b>
Impairment reversal of Oil and Gas assets <sup>3</sup>		1,447.4	(569.9)	877.5	12.6	(4.9)	7.7
Impairment of Iron Ore assets <sup>4</sup>		(758.5)	224.6	(533.9)	—	—	—
Impairment of assets under construction- Aluminium <sup>5</sup>		—	—	—	(29.9)	—	(29.9)
<b>Total impairment charge</b>		<b>688.9</b>	<b>(345.3)</b>	<b>343.6</b>	<b>(17.3)</b>	<b>(4.9)</b>	<b>(22.2)</b>
Loss on unusable assets under construction – Aluminium <sup>5</sup>		(39.0)	13.6	(25.4)	—	—	—
<b>Operating special items</b>		<b>683.0</b>	<b>(344.7)</b>	<b>338.3</b>	<b>(17.3)</b>	<b>(4.9)</b>	<b>(22.2)</b>
Financing special items <sup>6</sup>		(108.2)	6.2	(102.0)	(41.6)	—	(41.6)
Bargain gain net of acquisition cost <sup>7</sup>		5.3	—	5.3	—	—	—
<b>Special items</b>		<b>580.1</b>	<b>(338.5)</b>	<b>241.6</b>	<b>(58.9)</b>	<b>(4.9)</b>	<b>(63.8)</b>

- During the year ended 31 March 2018, the Group has recognised the reversal of provisions of US\$45.8 million relating to contribution to the District Mineral Foundation. Effective 12 January 2015, the Mines and Minerals Development and Regulation Act, 1957 prescribed the establishment of the District Mineral Foundation (DMF) in any district affected by mining related operations. The provisions required contribution of an amount equivalent to a percentage of royalty not exceeding one-third thereof, as may be prescribed by the Central Government of India. The rates were prescribed on 17 September 2015 for minerals other than coal, lignite and sand and on 20 October 2015 for coal, lignite and sand as amended on 31 August 2016. The Supreme Court order dated 13 October 2017 has determined the prospective applicability of the contributions from the date of the notification fixing such rate of contribution and hence DMF would be effective;
  - for minerals other than coal, lignite and sand from the date when the rates were prescribed by the Central Government; and
  - for coal, lignite and sand, DMF would be effective from the date when the rates were prescribed by the Central Government of India or from the date on which the DMF was established by the State Government by a notification, whichever is later.
 Pursuant to the aforesaid order, the Group has recognised a reversal of DMF provision for the period for which DMF is no longer leviable.
- The Indian subsidiaries of the Company participate in a defined benefit plan (the 'Gratuity Plan') covering certain categories of employees. In a few of these companies, the maximum liability was capped at the statutory prescribed limit of INR 1 million (US\$0.2 million). Consequent to the increase in the statutory limit to INR 2 million (US\$0.3 million), the increase in provision representing past service cost has been recognised as special items.
- During the year ended 31 March 2018, the Group has recognised net impairment reversal of US\$1,447.4 million on its assets in the oil and gas segment comprising of:
  - reversal of previously recorded impairment charge of US\$1,464.5 million relating to Rajasthan oil and gas block ('CGU') mainly following the progress on key Growth Projects expected to result in the enhanced recovery of resources in a commercially viable manner leading to a higher forecast of oil production and adoption of an integrated development strategy for various projects leading to savings in cost. Of this reversal, US\$499.9 million reversal has been recorded against oil and gas properties and US\$964.6 million reversal has been recorded against exploratory and evaluation assets. The recoverable amount of the CGU, US\$2,514.0 million (March 2017: US\$2,007.0 million), was determined based on the fair value less costs of disposal approach, a Level-3 valuation technique in the fair value hierarchy, as it more accurately reflects the recoverable amount based on our view of the assumptions that would be used by a market participant. This is based on the cash flows expected to be generated by the projected oil and natural gas production profiles up to the expected dates of cessation of production sharing contract (PSC)/cessation of production from each producing field based on current estimates of reserves and risk resources. Reserves assumptions for fair value less costs of disposal discounted cash flow tests consider all reserves that a market participant would consider when valuing the asset, which are usually broader in scope than the reserves used in a value-in-use test. Discounted cash flow analysis used to calculate fair value less costs of disposal use assumption for oil price of US\$62 per barrel for FY2019 (March 2017: US\$58 per barrel) and scales up to the long-term nominal price of US\$65 per barrel over the next three years thereafter (March 2017: US\$70 per barrel) derived from a consensus of various analyst recommendations. Thereafter, these have been escalated at a rate of 2.5% per annum (March 2017: 2.5% per annum). The cash flows are discounted using the post-tax nominal discount rate of 10.1% (March 2017: 10.2%) derived from the post-tax weighted average cost of capital after factoring in the risks ascribed to PSC extension including successful implementation of key Growth Projects. Based on the sensitivities carried out by the Group, change in crude price assumptions by US\$ 1/bbl and changes to discount rate by 0.5% would lead to a change in recoverable value by US\$64 million and US\$53 million respectively.
  - Impairment charge of US\$17.1 million representing the carrying value of assets relating to exploratory wells in Block PR-OSN-2004/1 which has been relinquished during the year.
 During the year ended 31 March 2017, the Group has recognised net impairment reversal of US\$12.6 million relating to Rajasthan block net of the charge in relation to change in the decommissioning liability due to change in discount rate in the previous year. Of this net reversal, US\$63.0 million charge has been recorded against Oil & Gas properties and US\$75.6 million reversal has been recorded against exploratory and evaluation assets.

## 5. Special items continued

- 4 During the year ended 31 March 2018, the Group has recognised an impairment charge of US\$758.5 million as against the net carrying value of US\$865.0 million on its iron ore assets in Goa in the Iron Ore segment. Pursuant to an order passed by the Hon'ble Supreme Court of India on 7 February 2018, the second renewal of the mining leases granted by the State of Goa in 2014–15 to all miners including Vedanta were cancelled. Consequently, all mining operations stopped with effect from 16 March 2018 until fresh mining leases (not fresh renewals or other renewals) and fresh environmental clearances are granted in accordance with the provisions of The Mines and Minerals (Development and Regulation) (MMDR) Act. Significant uncertainty exists over the resumption of mining at Goa under the current leases. The Group has assessed the recoverable value of all its assets and liabilities associated with existing mining leases which led to a non-cash impairment charge in March 2018. The recoverable value of the mining reserve (grouped under 'mining property and leases') has been assessed as Nil, as there is no reasonable certainty towards re-award of these mining leases. Similarly, upon consideration of past precedence, the provision for restoration and rehabilitation with respect to these mines has been assessed as Nil, as the Group believes that the same would be carried out by the future successful bidder at the time of mine closure. The net recoverable value of other assets and liabilities has been assessed at US\$114.0 million based on the fair value less cost of sales methodology using a Level 3 valuation technique. The fair value was determined based on the estimated selling price of the individual assets using depreciated replacement cost method.
- 5 During the year ended 31 March 2018, the Group has recognised a loss of US\$39.0 million relating to certain items of capital work-in-progress at the aluminium operations, which are no longer expected to be used. During the year ended 31 March 2017, the Group has recognised a US\$29.9 million impairment charge relating to certain old items of capital work-in-progress at the Alumina refinery operations.
- 6 a) During the year ended 31 March 2018, the Group has recognised US\$90.6 million loss as financing costs arising on the bond buybacks completed during the year. Similarly, during the year ended 31 March 2017, the Group has reclassified US\$41.6 million as a special item under finance cost arising on the bond buybacks completed during the year then ended.  
b) Charge pursuant to unfavourable arbitration order – US\$17.6 million (Refer Note 38 – Vedanta Limited: Contractor claim)
- 7 On 28 December 2017, the Group through its wholly owned subsidiary, acquired 51.6% equity stake in AvanStrate Inc. (ASI) for a cash consideration of JPY 1 million (\$0.01 million) and acquired debts for JPY 17,058 million (\$150.8 million) and incurred acquisition expenses of US\$7.0 million. Additionally, a loan of JPY 814.8 million (\$7.2 million) was extended to ASI. The transaction has been accounted for on a provisional basis in the financial statements under IFRS 3 and the resultant bargain purchase gain, net of US\$7.0 million of acquisition expenses, has been recorded in the income statement.

## 6. Investment revenue

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Fair value gain on financial assets held for trading	258.1	483.5
<b>Interest income:</b>		
Interest – financial assets held for trading	108.5	87.3
Interest – bank deposits	21.0	26.5
Interest – loans and receivables	71.6	48.3
<b>Dividend income:</b>		
Dividend – available-for-sale investments	–	0.1
Dividend – financial assets held for trading	4.0	–
Foreign exchange gain/(loss) (net)	1.9	(3.1)
	<b>465.1</b>	<b>642.6</b>

## 7. Finance costs

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Interest on bonds and other borrowings	1,203.8	1,210.0
Coupon interest on convertible bonds	–	15.5
Accretive interest on convertible bonds	–	3.1
Other borrowing and finance costs (including bank charges)	172.0	186.3
Total interest cost	<b>1,375.8</b>	<b>1,414.9</b>
Unwinding of discount on provisions (Note 30)	13.0	13.0
Net interest on defined benefit arrangements	7.9	12.4
Special items (Note 5)	108.2	41.6
Capitalisation of finance costs/borrowing costs (Note 17)	(54.1)	(99.7)
	<b>1,450.8</b>	<b>1,382.2</b>

All borrowing costs are capitalised using rates based on specific borrowings with the interest rate of 8.1% per annum.



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 8. Other gains and (losses) (net)

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Gross foreign exchange (losses)	(11.0)	(16.4)
Qualifying exchange losses capitalised (Note 17)	–	1.9
Net foreign exchange (losses)	<b>(11.0)</b>	<b>(14.5)</b>
Change in fair value of financial liabilities measured at fair value	(1.1)	(0.4)
Net (loss)/gain arising on qualifying hedges and non-qualifying hedges	11.1	(8.9)
Bargain gain net of acquisition cost (Note 5)	5.3	–
	<b>4.3</b>	<b>(23.8)</b>

## 9(a). Profit/(loss) for the year has been stated after charging/(crediting):

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Depreciation and amortisation	1,270.7	1,030.5
Costs of inventories recognised as an expense	5,533.0	3,586.2
Auditor's remuneration for audit services (Note 28)	2.5	2.2
Research and development	1.3	1.2
Net loss/(profit) on disposal of property, plant and equipment	(0.5)	5.2
Provision for receivables*	75.6	3.8
Impairment of assets	692.9	29.9
Impairment reversal of oil & gas assets	(1,447.4)	(12.6)
Employee costs	630.7	591.1

\* Includes provision of US\$65.6 million relating to Iron Ore business recognised as special items (refer Note 5).

## 9(b). Exchange gain/(loss) recognised in the Consolidated Income Statement:

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Cost of sales	44.8	6.4
Investment revenue	1.9	(3.1)
Other gains and losses	(11.0)	(14.5)
<b>Total</b>	<b>35.7</b>	<b>(11.2)</b>

## 10. Employee numbers and costs

Average number of persons employed by the Group in the year\*

Class of business	Year ended 31 March 2018	Year ended 31 March 2017
Zinc	6,035	6,170
– India	4,506	4,556
– International	1,529	1,614
Iron Ore	2,869	2,928
Copper	7,724	7,994
– India/Australia	1,162	1,196
– Zambia	6,562	6,798
Aluminium	6,296	5,684
Power	223	335
Oil & Gas	1,780	1,763
Other	156	161
	<b>25,083</b>	<b>25,035</b>

**10. Employee numbers and costs continued****Costs incurred during the year in respect of employees and Executive Directors**

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Salaries and wages	544.0	531.5
Defined contribution pension scheme costs (Note 33)	16.4	13.8
Defined benefit pension scheme costs (Note 33)	37.1	29.5
Share-based payments charge	20.5	16.3
Gratuity – Special items (Note 5)	12.7	–
	<b>630.7</b>	<b>591.1</b>

\* Non-IFRS measure.

**11. Business Combination**

On 28 December 2017, the Group acquired 51.63% equity stake in AvanStrate Inc. (ASI) for a cash consideration of JPY 1 million (US\$0.01 million) and acquired debts for JPY 17,058 million (US\$150.8 million). Additionally, a loan of JPY 814.8 million (US\$7.2 million) was extended to ASI. ASI is involved in manufacturing of glass substrate. The financial results of ASI from the date of acquisition to 31 March 2018 have been included in the Consolidated Financial Statements of the Group.

As per the shareholding agreement (SHA) entered with the other majority shareholder holding 46.6% in ASI, the Group has a call option, conversion option to convert part of its debt given to ASI into equity of ASI as well as it has issued put option to the other majority shareholder. These are exercisable as per the terms mentioned in the SHA.

The fair values and business combination have been accounted for on a provisional basis under IFRS 3, in so far as it relates to property, plant and equipment and other intangible assets, and the resultant bargain gain as computed below has been recognised in the Consolidated Income Statement.

The fair value of the identifiable assets and liabilities of ASI as at the date of the acquisition were provisionally estimated as below:

(US\$ million) Particulars	Provisional fair value
Property, plant and equipment	242.2
Intangible assets	32.1
Deferred tax assets	19.7
Other non-current assets	6.4
<b>Non-current assets</b>	<b>300.4</b>
Inventories	21.6
Trade and other receivables	36.0
Cash and cash equivalents	23.6
<b>Current assets</b>	<b>81.2</b>
<b>Total assets (A)</b>	<b>381.6</b>
Medium and long-term borrowings (excluding borrowings from immediate parent)	98.7
Deferred tax liabilities	77.5
Trade and other payables	23.6
<b>Total liabilities (B)</b>	<b>199.8</b>
<b>Net assets (A-B)</b>	<b>181.8</b>
Satisfied by:	
Cash consideration paid for 51.63% stake and debt acquired	158.0
Non-controlling interest on acquisition (48.37% of net assets after adjustment of fair value of borrowings from immediate parent of US\$158.0 million)	11.5
<b>Bargain gain</b>	<b>12.3</b>
<b>Acquisition costs</b>	<b>(7.0)</b>

The gross carrying amount of trade and other receivables equals the fair value of trade and other receivables. None of the trade and other receivables was impaired and the full contractual amounts were expected to be realised. Property, plant and equipment have been valued using the cost approach – cost of reproduction based on new (CRN) method. For estimating CRN, appropriate indices were used to develop trend factors that have been applied on the acquisition/historical costs of the different assets over the period during which the asset has been commissioned or, in other words, life spent. The estimated CRN was further adjusted for applicable physical deterioration to arrive at fair value. The physical deterioration was based on the estimated age and remaining useful life. Fair value of assumed debt was determined using the yield-method, wherein, the expected cash flows including interest component and principal repayments have been discounted at an appropriate market interest rate.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 11. Business Combination continued

Since the date of acquisition, ASI has contributed US\$23.3 million to the Group revenue and has reduced the profit before taxation by US\$10.8 million (including impact of borrowings from the immediate parent) for the year ended 31 March 2018. If ASI had been acquired at the beginning of the year, the Group revenue would have been US\$15,465.8 million and the profit before taxation of the Group would have been US\$2,477.9 million.

Non-controlling interest has been measured at the non-controlling interest's proportionate share of ASI's identifiable net assets.

## 12. Tax

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
<b>Current tax:</b>		
Current tax on profit for the year	515.6	589.5
Charge/(credit) in respect of current tax for earlier years	6.1	(1.5)
<b>Total current tax</b>	<b>521.7</b>	<b>588.0</b>
<b>Deferred tax: (Note 31)</b>		
Origination and reversal of temporary differences	140.0	(83.0)
Charge in respect of deferred tax for earlier years	13.0	(9.6)
Charge in respect of special items (Note 5)	338.5	4.9
<b>Total deferred tax</b>	<b>491.5</b>	<b>(87.7)</b>
<b>Net tax expense</b>	<b>1013.2</b>	<b>500.3</b>
<b>Effective tax rate</b>	<b>40.8%</b>	<b>36.2%</b>

### Tax expense

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Tax effect of special items (Note 5)	338.5	4.9
Tax expense – others	674.7	495.4
<b>Net tax expense</b>	<b>1,013.2</b>	<b>500.3</b>

A reconciliation of income tax expense applicable to accounting profit/(loss) before tax at the Indian statutory income tax rate to income tax expense/(credit) at the Group's effective income tax rate for the year ended 31 March 2018 is as follows. Given the majority of the Group's operations are located in India, the reconciliation has been carried out from the Indian statutory income tax rate.

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Accounting profit before tax	2,482.1	1,379.9
Indian statutory income tax rate	34.608%	34.608%
<b>Tax at local statutory income tax rate</b>	<b>859.0</b>	<b>477.6</b>
Disallowable expenses	21.0	58.0
Non-taxable income	(37.4)	(96.5)
Tax holidays and similar exemptions	(157.5)	(204.8)
Effect of tax rates differences of subsidiaries operating in other jurisdictions	72.9	76.1
Dividend distribution tax	62.7	244.5
Unrecognised tax assets (net)	165.2	149.2
Changes in deferred tax balances due to change in income tax rate from 34.608% to 34.944%	11.5	–
Capital gains subject to lower tax rate	(11.8)	(68.0)
Investment allowances	–	(74.7)
Charge/(credit) in respect of previous years	19.1	(11.1)
Others	8.5	(50.0)
<b>Total</b>	<b>1,013.2</b>	<b>500.3</b>

Certain businesses of the Group within India are eligible for specified tax incentives which are included in the table above as tax holidays and similar exemptions. Most of such tax exemptions are relevant for the companies operating in India. These are briefly described as under:

**12. Tax continued****The location-based exemption**

In order to boost industrial and economic development in undeveloped regions, provided certain conditions are met, profits of newly established undertakings located in certain areas in India may benefit from a tax holiday. Such a tax holiday works to exempt 100% of the profits for the first five years from the commencement of the tax holiday, and 30% of profits for the subsequent five years. This deduction is available only for units established up to 31 March 2012. However, such an undertaking would continue to be subject to the Minimum Alternative tax ('MAT').

The Group has such types of undertakings at Haridwar and Pantnagar, which are part of Hindustan Zinc Limited (Zinc India). In the current year, Haridwar and Pantnagar units are eligible for deduction at 30% of taxable profits.

**Sectoral benefit – power plants**

To encourage the establishment of certain power plants, provided certain conditions are met, tax incentives exist to exempt 100% of profits and gains for any ten consecutive years within the 15-year period following commencement of the power plant's operation. The Group currently has total operational capacity of 8.4 Giga Watts (GW) of thermal-based power generation facilities and wind power capacity of 274 Mega Watts (MW). However, such undertakings generating power would continue to be subject to the MAT provisions.

The Group has power plants which benefit from such deductions at various locations of Hindustan Zinc Limited (where such benefits have been drawn), and Talwandi Sabo Power Limited, Vedanta Limited and Bharat Aluminium Company Limited (where no benefit has been drawn).

The Group operates a zinc refinery in the Export Processing Zone, Namibia which has been granted tax exempt status by the Namibian government.

In addition, the subsidiaries incorporated in Mauritius are eligible for tax credit to the extent of 80% of the applicable tax rate on foreign source income.

The total effect of such tax holidays and exemptions was US\$157.5 million for the year ended 31 March 2018 (31 March 2017: US\$204.8 million).

**13. Earnings/(loss) per share**

Basic earnings/loss per share amounts are calculated by dividing net profit/loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Weighted average number of treasury shares, 24,373,820 (2017: 24,347,664) outstanding during the year are excluded from the total outstanding shares for the calculation of EPS.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for the impact of share options issued by the subsidiary) by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options). The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Year ended 31 March 2018	Year ended 31 March 2017
(US\$ million)		
Net profit/(loss) attributable to equity holders of the parent	235.6	(22.7)

**Earnings/(loss) per share based on profit/(loss) for the year**

	Year ended 31 March 2018	Year ended 31 March 2017
(US\$ million except as stated)		
Profit/(loss) for the year attributable to equity holders of the parent	235.6	(22.7)
Weighted average number of shares of the Company in issue (million)	277.7	277.3
Earnings/(loss) per share on profit/(loss) for the year (US cents per share)	84.8	(8.2)

**Computation of adjusted weighted average number of shares**

	Year ended 31 March 2018	Year ended 31 March 2017
Weighted average number of ordinary shares for basic earnings per share (million)	277.7	277.3
Effect of dilution:		
Potential ordinary shares relating to share option awards	4.7	5.0
<b>Adjusted weighted average number of shares of the Company in issue (million)</b>	<b>282.4</b>	<b>282.3</b>



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 13. Earnings/(loss) per share continued

Computation of adjusted profit/(loss) attributable to equity holders of the parent

	Year ended 31 March 2018	Year ended 31 March 2017
Profit/(loss) for the year attributable to equity holders of the parent	235.6	(22.7)
Effect of dilution:		
Reduction in attributable profit on account of stock options of subsidiary	(1.8)	—
<b>Adjusted profit/(loss) for the year attributable to equity holders of the parent (US\$ million)</b>	<b>233.8</b>	<b>(22.7)</b>

Diluted earnings/(loss) per share on profit/(loss) for the year

(US\$ million except as stated)	Year ended 31 March 2018	Year ended 31 March 2017
Adjusted profit/(loss) for the year attributable to equity holders of the parent	233.8	(22.7)
Adjusted weighted average number of shares of the Company in issue (million)	282.4	277.3
<b>Diluted earnings/(loss) per share on profit/(loss) for the year (US cents per share)</b>	<b>82.8</b>	<b>(8.2)</b>

The outstanding awards of 4.7 million as at 31 March 2018 under the LTIP are reflected in the diluted earnings per share through an increased number of weighted average shares.

For the year ended 31 March 2017, the effect of 5.0 million potential ordinary shares, which relate to share option awards under the LTIP scheme, on the attributable loss for the year was anti-dilutive and thus these shares were not considered in determining diluted loss per share.

The loss for the previous year would have decreased if holders of the convertible bonds in Vedanta had exercised their right to convert their bond holdings into Vedanta equity as this conversion would have lowered interest payable on the convertible bond. The adjustment in respect of the convertible bonds had an anti-dilutive impact on the number of shares and earnings/loss and thus diluted EPS is not disclosed.

## Earnings/(loss) per share based on underlying profit/(loss) for the year (Non-GAAP)

Underlying earnings is an alternative earnings measure, which the management considers to be a useful additional measure of the Group's performance. The Group's underlying profit/loss is the loss for the year after adding back special items, other losses/(gains) [net] (Note 8) and their resultant tax (including taxes classified as special items) and non-controlling interest effects. This is a non-GAAP measure.

(US\$ million)	Note	Year ended 31 March 2018	Year ended 31 March 2017
Profit/(loss) for the year attributable to equity holders of the parent		235.6	(22.7)
Special items	5	(580.1)	58.9
Other gains/(losses) [net]	8	1.0	23.8
Tax and non-controlling interest effect of special items (including taxes classified as special items) and other gains/(losses) [net]		505.3	(15.4)
<b>Underlying attributable profit/(loss) for the year</b>		<b>161.8</b>	<b>44.6</b>
Reduction in attributable profit on account of stock options of subsidiary		(1.8)	—
<b>Adjusted underlying profit for the year</b>		<b>160.0</b>	<b>44.6</b>

Basic earnings per share on underlying profit for the year (Non-GAAP)

(US\$ million except as stated)	Year ended 31 March 2018	Year ended 31 March 2017
Underlying profit for the year	161.8	44.6
Weighted average number of shares of the Company in issue (million)	277.7	277.3
<b>Earnings/(loss) per share on underlying profit for the year (US cents per share)</b>	<b>58.3</b>	<b>16.1</b>

**13. Earnings/(loss) per share** *continued***Diluted earnings per share on underlying profit for the year (Non-GAAP)**

(US\$ million except as stated)	Year ended 31 March 2018	Year ended 31 March 2017
Adjusted underlying profit for the year	160.0	44.6
Adjusted weighted average number of shares of the Company in issue (million)	282.4	282.3
<b>Diluted earnings/(loss) per share on underlying profit for the year (US cents per share)</b>	<b>56.7</b>	<b>15.8</b>

The outstanding awards of 4.7 million under the LTIP (31 March 2017: 5.0 million) are reflected in the diluted underlying earnings per share through an increased number of weighted average shares.

The profit for the previous year would have increased if holders of the convertible bonds in Vedanta had exercised their right to convert their bond holdings into Vedanta equity. The impact on profit for the previous year of this conversion would have lowered interest payable on the convertible bond. The adjustment in respect of the convertible bonds had an anti-dilutive impact on the number of shares and earnings/loss and thus diluted EPS is not disclosed.

**14. Dividends**

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Amounts recognised as distributions to equity holders:		
<b>Equity dividends on ordinary shares:</b>		
Final dividend for FY 2016–17: 35.0 US cents per share (FY 2015–16: 30.0 US cents per share)	96.9	82.4
Interim dividend paid during the year: 24.0 US cents per share (FY 2016–17: 20.0 US cents per share)	67.5	55.1
Proposed for approval at AGM		
Equity dividends on ordinary shares:		
Final dividend for FY 2017–2018: 41.0 US cents per share (FY 2016–2017: 35.0 US cents per share)	114.6	96.9

**15. Goodwill**

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Cost (gross carrying amount)	16.6	16.6
Impairment losses	(4.4)	—
<b>Net carrying amount at 31 March</b>	<b>12.2</b>	<b>16.6</b>

Goodwill is allocated for impairment testing purposes to the following CGU's. The allocation of goodwill to CGU's is as follows:

- US\$12.2 million Copper India (as at 31 March 2018 and 31 March 2017)
- US\$4.4 million (as at 31 March 2017) – impaired during the year – refer to Note 5

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The Company has undertaken an impairment review of goodwill of US\$12.2 million as at 31 March 2018. The carrying amount of goodwill allocated to the relevant cash generating unit is considered to be insignificant in comparison with the total carrying value of the cash generating unit. The carrying amount of goodwill was evaluated using the higher of fair value less cost of disposal ('FVLCD') or value in use based on discounted future cash flows of the cash generating unit to which the goodwill pertains and comparing this to the total carrying value of the relevant cash generating units. It was determined that the carrying amount of goodwill is not impaired and nor was impairment indicated following a reasonably possible change in a key assumption.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 16. Intangible assets

Intangible assets include Port concession rights to operate a general cargo berth for handling coal at the outer harbour of the Visakhapatnam port on the east coast of India, software licences, technological know-how, acquired brand and others.

(US\$ million)	Port concession rights <sup>1</sup>	Software licence	Others <sup>2</sup>	Total
<b>Cost</b>				
<b>As at 1 April 2016</b>	<b>91.5</b>	<b>10.5</b>	<b>9.3</b>	<b>111.3</b>
Addition	0.4	7.1	0.8	8.3
Disposal	(1.0)	(0.6)	–	(1.6)
Foreign exchange differences	2.1	0.6	0.2	2.9
<b>As at 1 April 2017</b>	<b>93.0</b>	<b>17.6</b>	<b>10.3</b>	<b>120.9</b>
Addition	0.1	0.9	0.2	1.2
Disposal	(0.3)	(1.2)	–	(1.5)
Acquisition through business combination (Note 11)	–	0.2	31.9	32.1
Foreign exchange differences	(0.3)	0.2	1.9	1.8
<b>As at 31 March 2018</b>	<b>92.5</b>	<b>17.7</b>	<b>44.3</b>	<b>154.5</b>
<b>Accumulated amortisation</b>				
<b>As at 1 April 2016</b>	<b>10.4</b>	<b>8.0</b>	<b>0.7</b>	<b>19.1</b>
Charge for the year	3.4	2.4	0.4	6.2
Disposal	(0.1)	(0.6)	–	(0.7)
Foreign exchange differences	0.3	0.4	–	0.7
<b>As at 1 April 2017</b>	<b>14.0</b>	<b>10.2</b>	<b>1.1</b>	<b>25.3</b>
Charge for the year	3.5	3.9	–	7.4
Disposal	–	(1.2)	–	(1.2)
Foreign exchange differences	(0.1)	0.1	(0.1)	(0.1)
<b>As at 31 March 2018</b>	<b>17.4</b>	<b>13.0</b>	<b>1.0</b>	<b>31.4</b>
<b>Net book value</b>				
As at 1 April 2016	81.1	2.5	8.6	92.2
As at 1 April 2017	79.0	7.4	9.2	95.6
<b>As at 31 March 2018</b>	<b>75.1</b>	<b>4.7</b>	<b>43.3</b>	<b>123.1</b>

1 Vizag General Cargo Berth Private Limited (VGCB), a special purpose vehicle, was incorporated for the coal berth mechanisation and upgrades at Visakhapatnam port. VGCB is wholly owned by Vedanta Limited. The project is to be carried out on a design, build, finance, operate, transfer basis and the concession agreement between Visakhapatnam Port and VGCB was signed in June 2010. In October 2010, VGCB was awarded with the concession after fulfilling conditions stipulated as a precedent to the concession agreement. Visakhapatnam Port has provided, in lieu of licence fee an exclusive licence to VGCB for designing, engineering, financing, constructing, equipping, operating, maintaining, and replacing the project/project facilities and services. The concession period is 30 years from the date of the award of the concession. The capacity of upgraded berth would be 10.18 mmtpa and that the Visakhapatnam Port would be entitled to receive 38.10% share of the gross revenue as royalty. VGCB is entitled to recover a tariff from the user(s) of the project facilities and services as per its tariff notification. The tariff rates are linked to the Wholesale Price Index (WPI) and would accordingly be adjusted as specified in the concession agreement every year. The ownership of all infrastructure assets, buildings, structures, berths, wharfs, equipment and other immovable and movable assets constructed, installed, located, created or provided by VGCB at the project site and/or in the port's assets pursuant to concession agreement would be with VGCB until expiry of this concession agreement. The cost of any repair, replacement or restoration of the project facilities and services shall be borne by VGCB during the concession period. VGCB has to transfer all its rights, titles and interest in the project facilities and services free of cost to Visakhapatnam Port at the end of the concession period.

2 Others include technological know-how and acquired brand relating to the acquisition of AvanStrate Inc.

## 17. Property, plant and equipment

(US\$ million)	Mining property and leases	Land and buildings	Plant and equipment <sup>1</sup>	Assets under construction	Oil & Gas properties	Exploratory and evaluation assets	Others	Total
<b>Cost</b>								
<b>At 1 April 2016</b>	<b>2,615.5</b>	<b>1,646.0</b>	<b>11,421.2</b>	<b>3,409.2</b>	<b>9,770.2</b>	<b>9,983.1</b>	<b>149.5</b>	<b>38,994.7</b>
Additions	141.6	19.4	226.1	419.9	151.1	–	13.0	971.1
Transfers	8.0	15.4	1,492.0	(1,382.3)	–	(140.2)	7.1	–
Reclassification	77.1	–	(43.8)	(29.3)	–	–	(33.3)	(29.3)
Unsuccessful exploration costs	–	–	–	–	–	(6.5)	–	(6.5)
Disposals	(54.8)	(8.1)	(63.6)	(18.0)	–	–	(38.6)	(183.1)
Foreign exchange differences	75.9	43.6	295.4	45.1	–	–	15.9	475.9
<b>At 1 April 2017</b>	<b>2,863.3</b>	<b>1,716.3</b>	<b>13,327.3</b>	<b>2,444.6</b>	<b>9,921.3</b>	<b>9,836.4</b>	<b>113.6</b>	<b>40,222.8</b>
Additions	252.2	24.5	341.2	474.9	138.7	19.6	10.3	1,261.4
Transfers	11.1	3.8	552.1	(568.2)	30.8	(30.8)	1.2	–
Disposal	–	(0.7)	(142.2)	(15.7)	(2.2)	(9.8)	(2.9)	(173.5)
Acquisition through business combination (Note 11)	–	49.2	163.1	26.8	–	–	3.1	242.2
Foreign exchange differences	53.4	12.9	33.6	16.3	–	–	2.4	118.6
<b>At 31 March 2018</b>	<b>3,180.0</b>	<b>1,806.0</b>	<b>14,275.1</b>	<b>2,378.7</b>	<b>10,088.6</b>	<b>9,815.4</b>	<b>127.7</b>	<b>41,671.5</b>
<b>Accumulated depreciation, amortisation and impairment</b>								
<b>At 1 April 2016</b>	<b>1,300.9</b>	<b>284.7</b>	<b>3,676.1</b>	<b>46.4</b>	<b>8,539.0</b>	<b>8,511.9</b>	<b>39.0</b>	<b>22,398.0</b>
Charge for the year	125.4	65.0	410.9	–	409.7	–	11.3	1,022.3
Disposal	(54.8)	(7.3)	(24.2)	–	–	–	(37.9)	(124.2)
Reclassification	23.0	1.0	(30.5)	–	–	–	6.5	–
Impairment/(impairment reversal) of assets (Note 5)	–	–	–	29.9	63.0	(75.6)	–	17.3
Foreign exchange differences	30.8	13.6	100.1	2.0	–	–	12.1	158.6
<b>At 1 April 2017</b>	<b>1,425.3</b>	<b>357.0</b>	<b>4,132.4</b>	<b>78.3</b>	<b>9,011.7</b>	<b>8,436.3</b>	<b>31.0</b>	<b>23,472.0</b>
Charge for the year	182.7	51.7	557.4	–	460.7	–	10.8	1,263.3
Disposal	–	–	(125.1)	–	(2.2)	–	(1.3)	(128.6)
Reclassification	–	–	0.4	–	–	–	(0.4)	–
Impairment/(impairment reversal) of assets (Note 5)	638.3	12.8	28.7	45.5	(499.9)	(947.5)	0.5	(721.6)
Foreign exchange differences	11.5	9.6	37.2	(0.4)	–	–	1.2	59.1
<b>At 31 March 2018</b>	<b>2,257.8</b>	<b>431.1</b>	<b>4,631.0</b>	<b>123.4</b>	<b>8,970.3</b>	<b>7,488.8</b>	<b>41.8</b>	<b>23,944.2</b>
<b>Net book value</b>								
At 1 April 2016	1,314.6	1,361.3	7,745.1	3,362.8	1,231.2	1,471.2	110.5	16,596.7
At 1 April 2017	1,438.0	1,359.3	9,194.9	2,366.3	909.6	1,400.1	82.6	16,750.8
<b>At 31 March 2018</b>	<b>922.2</b>	<b>1,374.9</b>	<b>9,644.1</b>	<b>2,255.3</b>	<b>1,118.3</b>	<b>2,326.6</b>	<b>85.9</b>	<b>17,727.3</b>

- 1 Plant and equipment include refineries, smelters, power plants and related facilities. Other tangible fixed assets include office equipment and fixtures, and light vehicles. At 31 March 2018, land with a carrying value of US\$166.2 million (31 March 2017: US\$131.1 million) was not depreciated.
- 2 During the year ended 31 March 2018, interest and foreign exchange losses capitalised was US\$54.1 million (31 March 2017: US\$101.6 million).
- 3 Certain property, plant and equipment are pledged as collateral against borrowings, the details related to which have been described in Note 24 on Borrowings.



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 18. Financial asset investments

Financial asset investments represent investments classified and accounted for as available-for-sale investments

### Available-for-sale investments

(US\$ million)	As at 31 March 2018	As at 31 March 2017
At 1 April	10.7	6.5
Movements in fair value	13.9	4.1
Exchange difference	(0.1)	0.1
<b>At 31 March</b>	<b>24.5</b>	<b>10.7</b>

Financial asset investment represents quoted investments in equity shares that present the Group with an opportunity for returns through dividend income and gains in value. These securities are held at fair value based on market prices. These are classified as non-current as on 31 March 2018 and 31 March 2017.

## 19. Other non-current assets

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Site restoration fund	61.3	50.5
Others <sup>1, 2</sup>	310.2	248.7
<b>Financial (A)</b>	<b>371.5</b>	<b>299.2</b>
Deposits with government authorities	164.0	57.5
Claims and other receivables	123.7	187.7
<b>Non-financial (B)</b>	<b>287.7</b>	<b>245.2</b>
<b>Total (A+B)</b>	<b>659.2</b>	<b>544.4</b>

1 Includes trade receivables in Power business (Refer to Note 38 – Other Matters).

2 Includes US\$15.9 million of restricted bank deposits maintained as debt service reserve account (31 March 2017: Nil).

## 20. Inventories

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Raw materials and consumables	1,329.4	896.6
Work-in-progress	578.2	585.1
Finished goods	130.1	188.4
	<b>2,037.7</b>	<b>1,670.1</b>

Inventories with a carrying amount of US\$1,251.3 million (31 March 2017: US\$790.4 million) have been pledged as security against certain bank borrowings of the Group.

Inventory held at net realisable value amounted to US\$168.2 million (31 March 2017: US\$71.0 million). The write-down of inventories amounts to US\$6.8 million (31 March 2017: US\$2.2 million) and has been charged to the consolidated income statement.

## 21. Trade and other receivables

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Trade receivables <sup>1</sup>	644.3	387.4
Trade receivables from related parties	3.7	1.5
Cash call/receivables from joint operations	98.8	130.3
Other receivables	82.9	34.4
<b>Financial (A)</b>	<b>829.7</b>	<b>553.6</b>
Balance with Government authorities	233.1	231.8
Advances for supplies	309.0	183.1
Other receivables	155.1	116.3
<b>Non-financial (B)</b>	<b>697.2</b>	<b>531.2</b>
<b>Total (A+B)</b>	<b>1,526.9</b>	<b>1,084.8</b>

1 Refer Note 38 – Other matters.

The credit period given to customers ranges from zero to 90 days. Other receivables, under non-financial, primarily include excise balances, customs balances, advances to suppliers and claims receivables.

## 22. Liquid investments

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Bank deposits <sup>1</sup>	482.5	882.6
Other investments	4,325.3	7,160.4
	<b>4,807.8</b>	<b>8,043.0</b>

1 Includes US\$48.7 million of restricted bank deposits for closure costs/for securing banking facilities. The amount in the prior year relates to US\$59.0 million of bank deposits for securing banking facilities. It also includes US\$8.9 million of restricted bank deposits maintained as debt service reserve account (31 March 2017: US\$7.9 million).

Bank deposits are made for periods of between three months and one year depending on the cash requirements of the companies within the Group and earn interest at the respective fixed deposit rates.

Other investments include mutual fund investments and investment in bonds which are held for trading and recorded at fair value with changes in fair value reported through the income statement. These investments do not qualify for recognition as cash and cash equivalents due to their maturity period and risk of change in value of the investments. Refer to Note 29 for further details.

## 23. Cash and cash equivalents

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Cash and cash equivalents consist of the following:		
Cash at bank and in hand	604.8	1,323.7
Short-term deposits	158.3	185.3
Restricted cash and cash equivalents <sup>1</sup>	35.6	173.2
<b>Total</b>	<b>798.7</b>	<b>1,682.2</b>

1 Restricted cash and cash equivalents includes US\$35.6 million (31 March 2017: US\$156.0 million) kept in a specified bank account to be utilised solely for the purposes of payment of dividends to non-controlling shareholders, which is being carried as a current liability. Of the same, US\$21.8 million (31 March 2017: US\$99.0 million) has been utilised to pay dividends to the non-controlling shareholders subsequent to the Balance Sheet date. Restricted cash and cash equivalents as at 31 March 2017 further includes US\$17.2 million kept in short-term deposits under lien, which can be utilised by the Group for the repayment of bills of exchange facilities against which these have been pledged as security.

Short-term deposits are made for periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 24. Borrowings

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Short-term borrowings consist of:		
Banks and financial institutions	3,606.7	5,587.9
Current portion of medium and long-term borrowings	1,853.6	2,070.6
Short-term borrowings (A)	5,460.3	7,658.5
Medium and long-term borrowings consist of:		
Banks and financial institutions	5,892.0	6,595.5
Bonds	3,360.1	3,457.6
Non-convertible debentures	1,779.2	2,109.1
Preference shares (Note 42)	462.8	464.2
Other	93.0	14.4
<b>Medium and long-term borrowings</b>	<b>11,587.1</b>	<b>12,640.8</b>
Less: Current portion of medium and long-term borrowings	(1,853.6)	(2,070.6)
<b>Medium and long-term borrowings, net of current portion (B)</b>	<b>9,733.5</b>	<b>10,570.2</b>
<b>Total (A+B)</b>	<b>15,193.8</b>	<b>18,228.7</b>

At 31 March 2018, the Group had available US\$613.0 million (31 March 2017: US\$911.0 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group facilities are subject to certain financial and non-financial covenants. The primary covenants which must be complied with include fixed charge cover ratio, net borrowing to EBITDA ratio, total net assets to borrowings ratio and net interest expense to EBITDA ratio.

*Details of the bonds and non-convertible debentures issued by the Group have been provided below:*

(US\$ million)	As at 31 March 2018	As at 31 March 2017
<b>Particulars</b>		
<b>Bonds:</b>		
6.125% bonds due August 2024	991.7	—
9.50% bonds due July 2018*	—	361.1
6.00% bonds due January 2019	223.6	744.3
8.25% bonds due June 2021	640.0	865.4
6.375% bonds due July 2022	993.2	991.5
7.125% bonds due June 2023	494.1	495.3
0.23% bonds due December 2032 (Repayable in 10 instalments)	17.5	—
	<b>3,360.1</b>	<b>3,457.6</b>

\* The bond has been pre-paid during the year.

## 24. Borrowings continued

(US\$ million)	As at 31 March 2018	As at 31 March 2017
<b>Non-convertible debentures</b>		
9.24% NCDs due December 2022*	–	77.1
7.60% NCDs due May 2019	53.7	–
9.10% NCDs due April 2018**	384.4	385.6
9.17% NCDs due July 2018**	184.5	185.1
9.45% NCDs due August 2020	307.5	308.5
7.80% NCDs due December 2020	76.9	–
9.24% NCDs due October 2022*	–	77.1
9.40% NCDs due November 2022*	–	77.1
9.40% NCDs due December 2022*	–	77.1
9.36% NCDs due October 2017	–	150.4
9.36% NCDs due December 2017	–	81.0
7.90% NCDs due March 2020**	30.7	–
8.00% NCDs due July 2020	46.1	–
10.25% NCDs due August 2017	–	77.1
7.85% NCDs due August 2020	76.9	–
9.70% NCDs due September 2017	–	27.8
9.27% NCDs due November 2017	–	30.8
8.91% NCDs due April 2018	153.7	153.9
8.20% NCDs due November 2019	46.1	46.3
7.75% NCDs due September 2019	38.4	38.6
8.25% NCDs due September 2020	65.3	–
8.65% NCDs due September 2019	23.1	23.1
8.70% NCDs due April 2020	92.2	92.5
8.75% NCDs due April 2021	38.4	38.6
8.75% NCDs due September 2021	38.4	38.6
8.25% NCDs due October 2019	46.1	46.3
7.95% NCDs due April 2020**	46.1	46.3
7.50% NCDs due November 2019**	30.7	30.2
	<b>1,779.2</b>	<b>2,109.1</b>

\* The NCDs have been pre-paid during the year.

\*\* The debenture holders of these NCDs and the Company have put and call option at the end of 5 years from the respective date of the allotment of the NCDs.



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 24. Borrowings continued

### Security details

The Group has taken borrowings in various countries towards the funding of its acquisitions and working capital requirements. The borrowings comprise of funding arrangements from various banks and financial institutions taken by the parent and subsidiaries. Out of the total borrowings of US\$15,193.8 million (31 March 2017: US\$18,228.7 million) shown above, total secured borrowings are US\$5,655.1 million (31 March 2017: US\$6,161.7 million) and unsecured borrowings are US\$9,538.7 million (31 March 2017: US\$12,067.0 million). The details of security provided by the Group in various countries, to various lenders on the assets of the parent and subsidiaries are as follows:

Facility category	Security details	(US\$ million)	
		As at 31 March 2018	As at 31 March 2017
Buyers credit (grouped under banks and financial institutions)	First pari passu charge on the entire current assets of Vedanta Limited, both present and future. First pari passu charge on all rights, title, claim and benefit in all the whole of the current assets of the borrower, both present and future, including stock and raw material, stock in process, semi-finished, finished goods and stores and spares not relating to plant and machinery (consumable stores and spares).	19.3	–
	Secured by first charge on entire stock of raw material, semi-finished goods, finished goods, consumable stores and spares and such other movables including book debts and bills of Vedanta Limited's Iron Ore division at Goa and charge on Iron Ore Goa's all other current assets including outstanding monies and receivables on pari passu basis.	0.3	–
	Other secured buyers credit.	–	115.4
Cash credit (grouped under banks and financial institutions)	Secured by first pari passu charge on current assets, present and future of Vedanta Limited.	47.3	102.1
	Secured by hypothecation of stock of raw materials, work-in-progress, semi-finished, finished products, consumable stores and spares, bills receivables, book debts and all other movables, both present and future in BALCO. The charges rank pari passu among banks under the multiple banking arrangements, for fund and non-fund based facilities.	0.1	0.1
	First pari passu charge on the entire current assets of Vedanta Limited, both present and future. First pari passu charge on all rights, title, claim and benefit in all the whole of the current assets of the borrower, both present and future, including stock and raw material, stock in process, semi-finished, finished goods and stores and spares not relating to plant and machinery (consumable stores and spares).	98.2	–
	Secured by first charge on entire stock of raw material, semi-finished goods, finished goods, consumable stores and spares and all book debts of Vedanta Limited's Iron Ore division at Goa on pari passu basis.	25.6	25.5
	Secured by a first pari passu charge on all present and future inventories, book debts and all other current assets of TSPL.	90.5	–
	Secured by hypothecation of stock of raw materials, work-in-progress, semi-finished, finished products, consumable stores and spares, bills receivables, book debts and all other movables, both present and future in BALCO. The charges rank pari passu among banks under the multiple banking arrangements, both for fund based and non-fund based facilities.	26.2	–

## 24. Borrowings continued

		(US\$ million)	
Facility category	Security details	As at 31 March 2018	As at 31 March 2017
External commercial borrowings (grouped under banks and financial institutions)	The facility is secured by first pari passu charge on all movable property, plant and equipments related to power plants and aluminium smelters located at Korba both present and future along with secured lenders.	74.7	73.9
	The facility is secured by first pari passu charge on all movable project assets related to the 1200 MW power project and 3.25 LTPA Smelter project both present and future along with secured lenders at BALCO.	50.0	49.8
	Other secured external commercial borrowings.	–	233.2
Non-convertible debentures	a) Secured by way of movable fixed assets in relation to the Lanjigarh Refinery Expansion Project including 210 MW Power Project for the Lanjigarh Refinery Expansion Project at Lanjigarh, Orissa.	568.8	647.6
	b) Secured by way of 'movable fixed assets' in relation to the 1.6 MTPA aluminium smelter along with 1215 MW (135MW * 9) captive power plant located in Jharsuguda and 1 MTPA alumina refinery along with 90 MW co-generation power plant located at Lanjigarh in Odisha State and shall include all present movable plant and machinery, machinery spares, tools and accessories, fixtures, mechanical and electrical equipment, machinery and all other movable fixed assets and all estate, right, title, interest, property, claims and demands whatsoever in relation to assets.		
	c) The whole of the movable fixed assets of the 1.6 MTPA aluminium smelter along with 1215 MW captive power plant in Jharsuguda and 1 MTPA alumina refinery along with 75 MW co-generation plant in Lanjigarh, including its movable plant and machinery, capital works-in-process, machinery spares, tools and accessories, and other movable fixed assets.		
	First pari passu charge on the movable fixed assets both present and future of 2400 MW (600 MW*4) Jharsuguda power plant.	384.3	385.5
	Secured by way of first ranking pari passu charge on movable fixed assets in relation to the Lanjigarh Refinery Expansion Project (having capacity beyond 2 MTPA and up to 6 MTPA) situated at Lanjigarh, Orissa. The Lanjigarh Refinery Expansion Project shall specifically exclude the '1 MTPA alumina refinery of the Company along with 90 MW power plant in Lanjigarh' and all its related capacity expansions.	238.3	239.1
	Secured by way of movable fixed assets of the Lanjigarh Refinery Expansion Project including 210 MW Power Project for the Lanjigarh Refinery Expansion Project with a minimum security cover of 1 time of the outstanding amount of the debenture.	130.6	–
	Secured by first pari passu charge over plant, property, equipment (excluding coal block) of BALCO.	76.8	–
	Secured by first pari passu charge on movable and/or immovable fixed assets of TSPL with a minimum asset cover of 1 time during the tenure of NCD.	161.4	84.8
	Secured by first pari passu charge on movable and/or immovable fixed assets of TSPL with a minimum asset cover of 1.1 times during the tenure of NCD.	153.7	212.5
	Secured by way of first pari passu charge on the specific movable and/or immovable property, plant and equipment of VGCB, as may be identified and notified by the Issuer to the Security Trustee from time to time, with minimum asset coverage of 1 time of the aggregate face value of bonds outstanding at any point of time.	65.3	–
	Other secured non-convertible debentures.	–	539.6

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 24. Borrowings continued

Facility category	Security details	(US\$ million)	
		As at 31 March 2018	As at 31 March 2017
Term loans (grouped under banks and financial institutions)	Secured by first pari passu charge on fixed assets of TSPL both present and future.	626.6	561.4
	Secured by first pari passu charge by way of hypothecation on the entire movable property, plant and equipment (including WIP) of the Aluminium and Power Project, both present and future except for assets acquired under buyer's credit where there is a second charge; and mortgage by deposit of documents of title of the land pertaining to the property, plant and equipment. Aluminium and Power Project shall mean the manufacturing facilities comprising of (i) alumina refinery having output of 1 MTPA along with co-generation captive power plant with an aggregate capacity of 75 MW at Lanjigarh, Orissa, (ii) aluminium smelter having an output of 1.6 MTPA along with a 1215 (9x135) MW CPP at Jharsuguda, Orissa.	314.9	410.1
	Secured by creating first pari passu charge by way of hypothecation of the movable property, plant and equipment except for assets acquired under buyer's credit where there is a second charge, and mortgage on all the immovable property, plant and equipment of the Aluminium division of Vedanta Limited, both present and future, including leasehold land.	848.7	1,433.1
	Secured by a first pari passu charge by way of hypothecation on the entire movable property, plant and equipment (including CWIP) of the project at Vedanta Limited's Jharsuguda Aluminium division except for assets acquired under buyer's credit where there is a second charge, both present and future; and mortgage by deposit of documents of title of the land pertaining to the property, plant and equipment.	290.6	299.5
	Secured by aggregate of the net property, plant and equipment of the Aluminium division and the Lanjigarh Expansion Project reduced by the outstanding amount of other borrowings having first pari passu charge on the property, plant and equipment of the Aluminium division and the Lanjigarh Expansion Project except for assets acquired under buyer's credit where there is a second charge.	189.6	192.0
	Secured by first pari passu charge on moveable property, plant and equipment (except for coal block) of the Company.	232.3	–
	Secured by first pari passu charge on all present and future moveable fixed assets including but not limited to plant and machinery, spares, tools and accessories of borrower (excluding of coal block assets ) by way of a deed of hypothecation.	151.9	–
	Secured by charge on Cairn Energy Hydrocarbons Limited's (CEH) all banks accounts, cash and investments, all receivables and current assets (but excluding any shares issued to CEH by its subsidiaries, all of its rights, title and interest in and to Production Sharing Contract and all of its fixed assets of any nature).	426.3	–
	Secured against company assets of KCM.	293.4	–
	Other secured term loans.	–	556.5
Others	Secured by way of first charge over AvanStrate's asset.	69.4	–
<b>Total</b>		<b>5,655.1</b>	<b>6,161.7</b>

## 25. Non-equity non-controlling interests

As at 31 March 2018, non-equity non-controlling interests amounts to US\$11.9 million (31 March 2017: US\$11.9 million), being deferred shares in KCM held by ZCCM. The deferred shares have no voting rights or rights to KCM's dividends, but are entitled on a winding up to a return of up to US\$0.99 per share once all of KCM's ordinary shares have received a distribution equal to their par value and any share premium created on their issue and which remains distributable to them.

The deferred shares are held at historic cost, being the fair value attributed to them at the time of initial acquisition of KCM in the year ended 31 March 2005. They are classified as non-current liabilities as they are repayable only on the winding up of KCM, for an amount different than the pro rata share of net assets upon liquidation. The shares have been valued at US\$0.99 per share, which is the maximum amount payable to the deferred shareholders. These deferred shares have not been discounted as the effect would not be material.

26. Movement in net debt<sup>1</sup>

(US\$ million)	Cash and cash equivalents	Liquid investments	Total cash and liquid investments	Debt due within one year		Debt due after one year	
				Debt carrying value	Debt carrying value	Debt-related derivatives <sup>2</sup>	Total net debt
<b>At 1 April 2016</b>	<b>428.3</b>	<b>8,508.2</b>	<b>8,936.5</b>	<b>(4,313.8)</b>	<b>(11,949.5)</b>	<b>(2.0)</b>	<b>(7,328.8)</b>
Cash flow	1,187.2	(921.5)	265.7	74.1	(1,144.6)	–	(804.8)
Other non-cash changes <sup>3</sup>	–	321.0	321.0	(3,266.6)	2,643.4	2.0	(300.2)
Foreign exchange currency translation differences	66.7	135.3	202.0	(152.2)	(119.5)	–	(69.7)
<b>At 1 April 2017</b>	<b>1,682.2</b>	<b>8,043.0</b>	<b>9,725.2</b>	<b>(7,658.5)</b>	<b>(10,570.2)</b>	<b>–</b>	<b>(8,503.5)</b>
Cash flow	(923.2)	(3,441.5)	(4,364.7)	3,859.2	(694.8)	–	(1,200.3)
Net debt on acquisition through business combination (Note 11)	23.6	–	23.6	–	(98.7)	–	(75.1)
Other non-cash changes <sup>3</sup>	–	208.8	208.8	(1,668.6)	1627.5	–	167.7
Foreign exchange currency translation differences	16.1	(2.5)	13.6	7.6	2.7	–	23.9
<b>At 31 March 2018</b>	<b>798.7</b>	<b>4,807.8</b>	<b>5,606.5</b>	<b>(5,460.3)</b>	<b>(9,733.5)</b>	<b>–</b>	<b>(9,587.3)</b>

1 Net debt is a Non-IFRS measure and represents total debt after fair value adjustments under IAS 32 and 39 as reduced by cash and cash equivalents and liquid investments.

2 Debt related derivatives exclude derivative financial assets and liabilities relating to commodity contracts and forward foreign currency contracts.

3 Other non-cash changes comprises of interest accretion on convertible bonds, amortisation of borrowing costs, foreign exchange difference on net debt and preference shares issued on merger and reclassification between debt due within one year and debt due after one year. It also includes US\$208.8 million (31 March 2017: US\$321.0 million) of fair value movement in investments and accrued interest on investments.

## 27. Trade and other payables

## (a) Current trade and other payables

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Bills of exchange	1,447.8	1,550.8
Dividend payable to NCI	46.1	671.6
Trade payables	1,652.8	1,515.8
Project creditors	507.7	578.8
Other payables	1,008.5	729.8
<b>Financial (A)</b>	<b>4,662.9</b>	<b>5,046.8</b>
Statutory liabilities	453.4	308.2
Advance from customers <sup>1</sup>	886.4	783.9
Other payables	74.8	84.5
<b>Non-financial (B)</b>	<b>1,414.6</b>	<b>1,176.6</b>
<b>Total (A+B)</b>	<b>6,077.5</b>	<b>6,223.4</b>

Non-interest bearing trade payables are normally settled on 60 to 90-day terms.

Interest bearing trade and other payables amount to US\$1,447.8 million (31 March 2017: US\$1,550.8 million).

Bills of exchange are interest-bearing liabilities and are normally settled within a period of 12 months. These represent arrangements whereby operational suppliers of raw materials are paid by financial institutions, with the Company recognising the liability for settlement with the institutions at a later date.

The fair values of the trade and other payables are not materially different from the carrying values presented.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 27. Trade and other payables continued

### (b) Non-current trade and other payables

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Security deposits and retentions	1.5	0.2
Project creditors	19.2	47.1
Put option liability with non-controlling interests <sup>2</sup>	45.9	—
Others	9.5	21.2
Financial (A)	<b>76.1</b>	<b>68.5</b>
Advance from customers <sup>1</sup>	66.7	—
Non-financial (B)	<b>66.7</b>	<b>—</b>
<b>Total (A+B)</b>	<b>142.8</b>	<b>68.5</b>

- Advance from customers include amounts received under long term supply agreements. The advance payment plus a fixed rate of return/discount will be settled by supplying the respective commodity over a period up to 24 months under an agreed delivery schedule as per the terms of the respective agreements. As these are contracts that the Group expects, and has the ability, to fulfil through delivery of a non-financial item, these are recognised as advance from customers and will be released to the income statement as the respective commodity is delivered under the agreements. The portion of the advance that is expected to be settled within the next 12 months has been classified as a current liability.
- The non-controlling shareholders of ASI have an option to offload their shareholding to the Group. The option is exercisable after 5 years from the date of acquisition at a price higher of US\$0.757 per share and the fair market value of the share. Therefore, the liability is carried at higher of the two. Subsequent changes to the put option liability are treated as equity transaction and hence accounted for in equity.

## 28. Auditor's remuneration

The table below shows the fees payable globally to the Company's auditor, Ernst & Young LLP, for statutory external audit and audit related services, as well as fees paid to other accountancy firms for statutory external audit and audit related services in each of the two years ended 31 March:

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Fees payable to the Company's auditor for the audit of Vedanta Resources plc annual accounts	0.7	0.7
The audit of the Company's subsidiaries pursuant to legislation	1.8	1.5
<b>Total audit fees</b>	<b>2.5</b>	<b>2.2</b>
Fees payable to the Company's auditor and their associates for other services to the Group		
Other services pursuant to legislation <sup>1</sup>	1.8	1.8
Tax services <sup>2</sup>	0.1	0.0
Corporate finance services <sup>3</sup>	0.8	0.7
Other services <sup>4</sup>	0.4	0.2
<b>Total non-audit fees</b>	<b>3.1</b>	<b>2.7</b>
<b>Total fees paid to the Company's auditor</b>	<b>5.6</b>	<b>4.9</b>
Audit fees payable to other auditors of the Group's subsidiaries	0.0	0.0
Non-audit fees payable to other auditors of the Group's subsidiaries	—	—
<b>Total fees paid to other auditors</b>	<b>0.0</b>	<b>0.0</b>

- Other services pursuant to legislation principally comprise assurance services, being quarterly reviews of the Group's subsidiaries results and the half year review of the Group's results.
- Tax services principally comprise certification and assurance services as required by Indian and overseas tax regulations.
- Corporate finance services principally comprise services in connection with debt raising transactions, Group simplification and other acquisition related certifications. These assurance-related services are ordinarily provided by the auditor.
- Includes certification related services.



## 29. Financial instruments

### Financial assets and liabilities

The following tables present the carrying value and fair value of each category of financial assets and liabilities as at 31 March 2018 and 31 March 2017:

(US\$ million) As at 31 March 2018	Held for trading	Loans and receivables	Available-for-sale	Derivatives	Total carrying value	Total fair value
<b>Financial assets</b>						
Financial instruments (derivatives)	–	–	–	24.0	24.0	24.0
Financial asset investments held at fair value	–	–	24.5	–	24.5	24.5
Liquid investments						
– Bank deposits	–	482.5	–	–	482.5	482.5
– Other investments	4,325.3	–	–	–	4,325.3	4,325.3
Cash and cash equivalents	–	798.7	–	–	798.7	798.7
Trade and other receivables	–	829.7	–	–	829.7	829.7
Other non-current assets	–	371.5	–	–	371.5	371.5
<b>Total</b>	<b>4,325.3</b>	<b>2,482.4</b>	<b>24.5</b>	<b>24.0</b>	<b>6,856.2</b>	<b>6,856.2</b>

(US\$ million) As at 31 March 2018	Amortised cost	Derivatives	Others*	Total carrying value	Total fair value
<b>Financial liabilities</b>					
Financial instruments (derivatives)	–	(40.2)	–	(40.2)	(40.2)
Trade and other payables	(4,693.1)	–	(45.9)	(4,739.0)	(4,739.0)
Borrowings	(15,193.8)	–	–	(15,193.8)	(15,310.5)
<b>Total</b>	<b>(19,886.9)</b>	<b>(40.2)</b>	<b>(45.9)</b>	<b>(19,973.0)</b>	<b>(20,089.7)</b>

\* Represents put option liability accounted for at fair value – refer to Note 27(b).

(US\$ million) As at 31 March 2017	Held for trading	Loans and receivables	Available-for-sale	Derivatives	Total carrying value	Total fair value
<b>Financial assets</b>						
Financial instruments (derivatives)	–	–	–	2.2	2.2	2.2
Financial asset investments held at fair value	–	–	10.7	–	10.7	10.7
Liquid investments						
– Bank deposits	–	882.6	–	–	882.6	882.6
– Other investments	7,160.4	–	–	–	7,160.4	7,160.4
Cash and cash equivalents	–	1,682.2	–	–	1,682.2	1,682.2
Trade and other receivables	–	553.6	–	–	553.6	553.6
Other non-current assets	–	299.2	–	–	299.2	299.2
<b>Total</b>	<b>7,160.4</b>	<b>3,417.6</b>	<b>10.7</b>	<b>2.2</b>	<b>10,590.9</b>	<b>10,590.9</b>

(US\$ million) As at 31 March 2017	Amortised cost	Derivatives	Total carrying value	Total fair value
<b>Financial liabilities</b>				
Financial instruments (derivatives)	–	(135.5)	(135.5)	(135.5)
Trade and other payables	(5,115.3)	–	(5,115.3)	(5,115.3)
Borrowings	(18,228.7)	–	(18,228.7)	(18,374.5)
<b>Total</b>	<b>(23,344.0)</b>	<b>(135.5)</b>	<b>(23,479.5)</b>	<b>(23,625.3)</b>

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 29. Financial instruments continued

The below tables summarise the categories of financial assets and liabilities as at 31 March 2018 and 31 March 2017 measured at fair value:

(US\$ million)	As at 31 March 2018		
	Level 1	Level 2	Level 3
<b>Financial assets</b>			
At fair value through profit or loss			
– Held for trading	1,163.3	3,162.0	–
– Financial instruments (derivatives)		24.0	
Available-for-sale investments			
– Financial asset investments held at fair value	22.9	–	1.6
<b>Total</b>	<b>1,186.2</b>	<b>3,186.0</b>	<b>1.6</b>
<b>Financial liabilities</b>			
At fair value through profit or loss/designated for hedging			
– Financial instruments (derivatives)	–	40.2	–
Trade and other payables	–	–	45.9
<b>Total</b>	<b>–</b>	<b>40.2</b>	<b>45.9</b>

	As at 31 March 2017		
	Level 1	Level 2	Level 3
<b>Financial assets</b>			
At fair value through profit or loss			
– Held for trading	2,891.9	4,268.5	–
– Financial instruments (derivatives)	–	2.2	–
Available-for-sale investments			
– Financial asset investments held at fair value	9.2	–	1.5
<b>Total</b>	<b>2,901.1</b>	<b>4,270.7</b>	<b>1.5</b>
<b>Financial liabilities</b>			
At fair value through profit or loss/designated for hedging			
– Financial instruments (derivatives)	–	135.5	–
<b>Total</b>	<b>–</b>	<b>135.5</b>	<b>–</b>

The below table summarises the fair value of financial liabilities other than those where carrying value is determined to be the fair value and which are carried at amortised cost as at 31 March 2018 and 31 March 2017:

(US\$ million)	As at 31 March 2018		As at 31 March 2017	
	Level 1	Level 2	Level 1	Level 2
<b>Financial liabilities</b>				
– Borrowings	(3,444.2)	(11,866.3)	(3,622.8)	(14,751.7)
<b>Total</b>	<b>(3,444.2)</b>	<b>(11,866.3)</b>	<b>(3,622.8)</b>	<b>(14,751.7)</b>

The fair value of the financial assets and liabilities are at the amount that would be received to sell an asset and paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values:

- Investments traded in active markets are determined by reference to quotes from the financial institutions; for example: Net asset value (NAV) for investments in mutual funds declared by mutual fund house. For other listed securities traded in markets which are not active, the quoted price is used wherever the pricing mechanism is the same as for other marketable securities traded in active markets. Other current investments are valued on the basis of market trades, poll and primary issuances for securities issued by the same or similar issuer and for similar maturities or based on the applicable spread movement for the security derived based on the aforementioned factor(s).
- Trade and other receivables, cash and cash equivalents (including restricted cash and cash equivalents), bank deposits, trade and other payables and short-term borrowings: Approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Other non-current financial assets and financial liabilities: Fair value is calculated using a discounted cash flow model with market assumptions, unless the carrying value is considered to approximate to fair value.
- Long-term fixed-rate and variable rate borrowings: Fair value has been determined by the Group based on parameters such as interest rates, specific country risk factors, and the risk characteristics of the financed project. Listed bonds are fair valued based on the prevailing market price. For all other long-term fixed-rate and variable-rate borrowings, either the carrying amount approximates the fair value, or fair value has been estimated by discounting the expected future cash flows using a discount rate equivalent to the risk-free rate of return adjusted for the appropriate credit spread.

## 29. Financial instruments continued

- Quoted available-for-sale financial asset investments: Fair value is derived from quoted market prices in active markets.
- Derivative financial assets/liabilities: The Group enters into derivative financial instruments with various counterparties. Interest rate swaps, foreign exchange forward contracts and commodity forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques by the Group include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and forward rate curves of the underlying commodity. Commodity contracts are valued using the forward LME rates of commodities actively traded on the listed metal exchange i.e. London Metal Exchange, United Kingdom (UK).

For all other financial instruments, the carrying amount is either the fair value, or approximates the fair value.

The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and the value of other financial instruments recognised at fair value.

The estimated fair value amounts as at 31 March 2018 have been measured as at that date. As such, the fair values of these financial instruments subsequent to reporting date may be different than the amounts reported at each year-end.

There were no transfers between Level 1, Level 2 and Level 3 during the year.

### **Risk management framework**

The Group's businesses are subject to several risks and uncertainties including financial risks.

The Group's documented risk management policies act as an effective tool in mitigating the various financial risks to which the businesses are exposed to in the course of their daily operations. The risk management policies cover areas such as liquidity risk, commodity price risk, foreign exchange risk, interest rate risk, counterparty credit risk and capital management.

Risks are identified at both the corporate and individual subsidiary level with active involvement of senior management. Each operating subsidiary in the Group has in place risk management processes which are in line with the Group's policy. Each significant risk has a designated 'owner' within the Group at an appropriate senior level. The potential financial impact of the risk and its likelihood of a negative outcome are regularly updated.

The risk management process is coordinated by the Management Assurance function and is regularly reviewed by the Group's Audit Committee. The Audit Committee is aided by the other committees of the Board including the Risk Management Committee, which meets regularly to review risks as well as the progress against the planned actions. Key business decisions are discussed at the periodic meetings of the Executive Committee. The overall internal control environment and risk management programme including financial risk management is reviewed by the Audit Committee on behalf of the Board.

The risk management framework aims to:

- improve financial risk awareness and risk transparency
- identify, control and monitor key risks
- identify risk accumulations
- provide management with reliable information on the Group's risk situation
- improve financial returns

### **Treasury management**

Treasury management focuses on liability management, capital protection, liquidity maintenance and yield maximisation. The treasury policies are approved by the Committee of the Board. Daily treasury operations of the subsidiary companies are managed by their respective finance teams within the framework of the overall Group treasury policies. Long-term fund-raising including strategic treasury initiatives are managed jointly by the business treasury team and the central team at corporate treasury while short-term funding for routine working capital requirements is delegated to subsidiary companies. A monthly reporting system exists to inform senior management of the Group's investments and debt position, exposure to currency, commodity and interest rate risk and their mitigants including the derivative position. The Group has a strong system of internal control which enables effective monitoring of adherence to Group's policies. The internal control measures are effectively supplemented by regular internal audits.

The investment portfolio at the Group is independently reviewed by CRISIL Limited and Group portfolio has been rated as Tier I or 'Very Good' meaning highest safety. The investments are made keeping in mind safety, liquidity and yield maximisation.

The Group uses derivative instruments to manage the exposure in foreign currency exchange rates, interest rates and commodity prices. The Group does not acquire or issue derivative financial instruments for trading or speculative purposes. The Group does not enter into complex derivative transactions to manage the treasury and commodity risks. Both treasury and commodities derivative transactions are normally in the form of forward contracts, interest rate and currency swaps and these are subject to the Group's policies.

### **Commodity risk**

The Group is exposed to the movement of base metal commodity prices on the London Metal Exchange. Any decline in the prices of the base metals that the Group produces and sells will have an immediate and direct impact on the profitability of the businesses. As a general policy, the Group aims to sell the products at prevailing market prices. The commodity price risk in import of input commodities such as Copper Concentrate and Alumina, for our Copper and Aluminium business respectively, is hedged on a back-to-back basis ensuring no price risk for the business. Hedging is used primarily as a risk management tool and, in some cases, to secure future cash flows in cases of high volatility by entering into forward contracts or similar instruments. The hedging activities are subject to strict limits set out by the Board and to a strictly defined internal control and monitoring mechanism. Decisions relating to hedging of commodities are taken at the Executive Committee level, the basis clearly laid down in guidelines.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 29. Financial instruments continued

Whilst the Group aims to achieve average LME prices for a month or a year, average realised prices may not necessarily reflect the LME price movements because of a variety of reasons such as uneven sales during the year and timing of shipments.

The Group is also exposed to the movement of the international crude oil price and the discount in the price of Rajasthan crude oil to the Brent price.

Financial instruments with a commodity price risk are entered into in relation to the following activities:

- economic hedging of prices realised on commodity contracts
- cash flow hedging of revenues and forecasted highly probable transactions

### **Aluminium**

The requirement of the primary raw material, alumina, is partly met from own sources and the rest is purchased primarily on negotiated price terms. Sales prices are linked to the LME prices. At present, the Group, on selective basis, hedges the aluminium content in outsourced alumina to protect its margins.

The Group also enters into hedging arrangements for its aluminium sales to realise average month of sale LME prices.

### **Copper**

The Group's custom smelting copper operations at Tuticorin are benefited by a natural hedge except to the extent of a possible mismatch in quotation periods between the purchase of concentrate and the sale of finished copper. The Group's policy on custom smelting is to generate margins from Treatment charges/Refining charges or TcRc, improving operational efficiencies, minimising conversion cost, generating a premium over LME on sale of finished copper, sale of by-products and from achieving import parity on domestic sales. Hence, mismatches in quotation periods are managed to ensure that the gains or losses are minimised. The Group hedges this variability of LME prices through forward contracts and tries to make the LME price a pass-through cost between purchases of copper concentrate and sales of finished products, both of which are linked to the LME price.

TcRc is a major source of income for the Indian copper smelting operations. Fluctuation in TcRc is influenced by factors including demand and supply conditions prevailing in the market for mine output. The Group's Copper business has a strategy of securing a majority of its concentrate feed requirement under long-term contracts with mines.

KCM is largely an integrated copper producer and whenever hedging is done, it is with an intention to protect the Group from price fluctuations in copper. KCM also engages in hedging for its custom smelting operations in line with the Group's policy on custom smelting at Tuticorin, as explained above.

### **Zinc, lead and silver**

The sales prices are linked to the LME prices. The Group also enters into hedging arrangements for its Zinc, Lead and Silver sales to realise average month of sale LME prices.

### **Zinc International**

Raw material for zinc and lead is mined in Namibia and South Africa with sales prices linked to the LME prices.

### **Iron ore**

The Group sells its Iron Ore production from Goa on the prevailing market prices and from Karnataka through the e-auction route as mandated by State Government of Karnataka in India.

### **Oil & Gas**

The prices of various crude oils are based upon the price of the key physical benchmark crude oil such as Dated Brent, West Texas Intermediate, and Dubai/Oman, etc. The crude oil prices move based upon market factors like supply and demand. The regional producers price their crude basis these benchmark crude with a premium or discount over the benchmark based upon quality differential and competitiveness of various grades.

Natural gas markets are evolving differently in important geographical markets. There is no single global market for natural gas. This could be owing to difficulties in large-scale transportation over long distances as compared to crude oil. Globally, there are three main regional hubs for pricing of natural gas, which are USA (Henry Hub Prices), UK (NBP Price) and Japan (imported gas price, mostly linked to crude oil).

### **Provisionally priced financial instruments**

On 31 March 2018, the value of net financial liabilities linked to commodities (excluding derivatives) accounted for on provisional prices was US\$467.6 million (31 March 2017: liability of US\$465.5 million). These instruments are subject to price movements at the time of final settlement and the final price of these instruments will be determined in the financial year beginning 1 April 2018.

## 29. Financial instruments continued

Set out below is the impact of a 10% increase in LME prices on pre-tax profit/(loss) for the year and pre-tax equity as a result of changes in value of the Group's commodity financial instruments:

### For the year ended 31 March 2018:

(US\$ million except as stated) Commodity price sensitivity	Total exposure	Effect on pre-tax profit/(loss) of a 10% increase in the LME	Effect on pre-tax equity of a 10% increase in the LME
Copper	(568.1)	(56.8)	—

### For the year ended 31 March 2017:

(US\$ million except as stated) Commodity price sensitivity	Total exposure	Effect on profit/(loss) of a 10% increase in the LME 31 March 2017	Effect on total equity of a 10% increase in the LME 31 March 2017
Copper	(543.0)	(54.3)	—

The above sensitivities are based on volumes, costs, exchange rates and other variables and provide the estimated impact of a change in LME prices on profit and equity assuming that all other variables remain constant. A 10% decrease in LME prices would have an equal and opposite effect on the Group's financial statements.

Included above is also the impact of a 10% increase in closing copper LME for provisionally priced copper concentrate purchased at Vedanta Limited Copper division custom smelting operations of US\$56.6 million (31 March 2017: US\$48.2 million), which is pass-through in nature and as such will not have any impact on the profitability.

### Financial risk:

The Group's Board approved financial risk policies include monitoring, measuring and mitigating the liquidity, currency, interest rate and counterparty risk. The Group does not engage in speculative treasury activity but seeks to manage risk and optimise interest and commodity pricing through proven financial instruments.

#### (a) Liquidity risk

The Group requires funds both for short-term operational needs as well as for long-term investment programmes mainly in growth Projects. The Group generates sufficient cash flows from the current operations which together with the available cash and cash equivalents and liquid investments provide liquidity both in the short term as well as in the long term. Anticipated future cash flows, together with undrawn fund based committed facilities of US\$613.0 million, and cash and liquid investments of US\$5,606.5 million as at 31 March 2018, are expected to be sufficient to meet the liquidity requirement of the Group in the near future.

During FY2018, Moody's upgraded the Group's corporate family ratings from B1/Stable to Ba3/Stable on account of improved operating performance and significant reduction in gross debt which led to improved financial metrics. S&P has maintained their rating at B+/Stable. The Group remains committed to maintain a healthy liquidity, a low gearing ratio, deleveraging and strengthening the balance sheet.

The maturity profile of the Group's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Group:

### At 31 March 2018

(US\$ million) Payment due by period	< 1 year	1–3 years	3–5 years	> 5 years	Total
Trade and other payables <sup>1</sup>	4,469.0	30.2	45.9	—	4,545.1
Bank and other borrowings <sup>2</sup>	6,425.6	4,163.5	4,823.4	2,956.2	18,368.7
Derivative liabilities	22.1	18.1	—	—	40.2
<b>Total</b>	<b>10,916.7</b>	<b>4,211.8</b>	<b>4,869.3</b>	<b>2,956.2</b>	<b>22,954.0</b>

### At 31 March 2017

(US\$ million) Payment due by period	< 1 year	1–3 years	3–5 years	> 5 years	Total
Trade and other payables <sup>1</sup>	4,827.0	38.3	—	30.2	4,895.5
Bank and other borrowings <sup>2</sup>	8,780.3	5,387.9	4,508.7	2,735.0	21,411.9
Derivative liabilities	126.9	8.6	—	—	135.5
<b>Total</b>	<b>13,734.2</b>	<b>5,434.8</b>	<b>4,508.7</b>	<b>2,765.2</b>	<b>26,442.9</b>

1 Excludes accrued interest which has been included with borrowings.

2 Includes medium and long-term borrowings, short-term borrowings and committed interest payments.



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 29. Financial instruments continued

At 31 March 2018, the Group had access to following funding facilities:

(US\$ million) As at 31 March 2018	Total facility	Drawn	Undrawn
Fund/non-fund based	12,003.4	10,256.2	1,747.2
<b>Total</b>	<b>12,003.4</b>	<b>10,256.2</b>	<b>1,747.2</b>

(US\$ million) As at 31 March 2017	Total facility	Drawn	Undrawn
Fund/non-fund based	11,905.5	10,283.7	1,621.8
<b>Total</b>	<b>11,905.5</b>	<b>10,283.7</b>	<b>1,621.8</b>

### (b) Foreign currency risk

Fluctuations in foreign currency exchange rates may have an impact on the Consolidated Income Statement, the Consolidated Statements of Change in Equity, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the respective consolidated entities.

Considering the countries and economic environment in which the Group operates, its operations are subject to risks arising from the fluctuations primarily in the US dollar, Australian dollar, Namibian dollar, AED, ZAR, GBP, INR, JPY and Euro against the functional currencies of its subsidiaries.

Exposures on foreign currency loans are managed through the Group-wide hedging policy, which is reviewed periodically to ensure that the results from fluctuating currency exchange rates are appropriately managed.

The Group's presentation currency is the US dollar. The majority of the assets are located in India and the Indian rupee is the functional currency for the Indian operating subsidiaries except for Oil and Gas business. Natural hedges available in the business are identified at each entity level and hedges are placed only for the net exposure. Short-term net exposures are hedged progressively based on their maturity. A more conservative approach has been adopted for project expenditures to avoid budget overruns, where cost of the project is calculated taking into account the hedge cost. However, all new long-term borrowing exposures are being hedged. The hedge mechanisms are reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. The following analysis is based on the gross exposure as at the reporting date which could affect the Consolidated Income Statement. The exposure summarised below is mitigated by some of the derivative contracts entered into by the Group as disclosed under the section on 'Derivative financial instruments'.

The carrying amount of the Group's financial assets and liabilities in different currencies are as follows:

(US\$ million)	At 31 March 2018		At 31 March 2017	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
USD	1,220.6	10,164.0	1,551.9	11,624.7
INR	5,490.1	9,473.6	8,951.4	11,727.6
Kwacha	–	11.8	0.2	31.0
EURO	6.3	68.8	27.9	41.6
ZAR	15.9	53.2	19.0	29.3
NAD	33.9	23.7	12.1	16.0
Others	89.4	177.9	28.4	9.3
<b>Total</b>	<b>6,856.2</b>	<b>19,973.0</b>	<b>10,590.9</b>	<b>23,479.5</b>

The Group's exposure to foreign currency arises where a Group company holds monetary assets and liabilities denominated in a currency different to the functional currency of that entity, with USD (US dollar) being the major non-functional currency of the Group's main operating subsidiaries.

The foreign exchange rate sensitivities calculated by aggregation of the net foreign exchange rate exposure with a simultaneous parallel shift in foreign exchange rates in the currencies by 10% against the functional currencies of the respective entities.

## 29. Financial instruments continued

Set out below is the impact of a 10% strengthening in the functional currencies of the respective entities on pre-tax profit/(loss) and pre-tax equity arising as a result of the revaluation of the Group's foreign currency financial assets/liabilities:

(US\$ million)	31 March 2018		
	Closing exchange rate	Effect on pre-tax profit/(loss) of 10% increase in currency	Effect on pre-tax equity of 10% increase in currency
USD	65.0441	233.8	—

(US\$ million)	31 March 2017		
	Closing exchange rate	Effect on pre-tax profit/(loss) of 10% increase in currency	Effect on pre-tax equity of 10% increase in currency
USD	64.8386	317.3	—

A 10% weakening of the functional currencies of the respective entities would have an equal and opposite effect on the Group's financial statements.

### (c) Interest rate risk

At 31 March 2018, the Group's net debt of US\$9,587.3 million (31 March 2017: US\$8,503.5 million net debt) comprises cash, cash equivalents and liquid investments of US\$5,606.5 million (31 March 2017: US\$9,725.2 million) offset by debt of US\$15,193.8 million (31 March 2017: US\$18,228.7 million).

The Group is exposed to interest rate risk on short-term and long-term floating rate instruments and on the refinancing of fixed rate debt. The Group's policy is to maintain a balance of fixed and floating interest rate borrowings and the proportion of fixed and floating rate debt is determined by current market interest rates. The borrowings of the Group are principally denominated in Indian rupees and US dollars with mix of fixed and floating rates of interest. The USD floating rate debt is linked to US dollar LIBOR and INR floating rate debt to bank's base rates. The Group has a policy of selectively using interest rate swaps, option contracts and other derivative instruments to manage its exposure to interest rate movements. These exposures are reviewed by appropriate levels of management on a monthly basis.

The Group invests cash and liquid investments in short-term deposits and debt mutual funds, some of which generate a tax-free return, to achieve the Group's goal of maintaining liquidity, carrying manageable risk and achieving satisfactory returns.

Floating rate financial assets are largely mutual fund investments which have debt securities as underlying assets. The returns from these financial assets are linked to market interest rate movements; however, the counterparty invests in the agreed securities with known maturity tenure and return and hence has manageable risk.

The exposure of the Group's financial assets to interest rate risk is as follows:

(US\$ million)	At 31 March 2018			At 31 March 2017		
	Floating rate financial assets	Fixed rate financial assets	Non-interest bearing financial assets	Floating rate financial assets	Fixed rate financial assets	Non-interest bearing financial assets
Financial assets	3,021.5	2,259.7	1,551.0	5,379.4	3,043.0	2,166.3
Derivative assets	—	—	24.0	—	—	2.2
<b>Total financial assets</b>	<b>3,021.5</b>	<b>2,259.7</b>	<b>1,575.0</b>	<b>5,379.4</b>	<b>3,043.0</b>	<b>2,168.5</b>

The exposure of the Group's financial liabilities to interest rate risk is as follows:

(US\$ million)	At 31 March 2018			At 31 March 2017		
	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities
Financial liabilities	6,483.0	10,211.1	3,238.7	8,253.5	11,896.7	3,193.8
Derivative liabilities	—	—	40.2	—	—	135.5
<b>Total financial liabilities</b>	<b>6,483.0</b>	<b>10,211.1</b>	<b>3,278.9</b>	<b>8,253.5</b>	<b>11,896.7</b>	<b>3,329.3</b>

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 29. Financial instruments continued

The weighted average interest rate on the fixed rate financial liabilities is 6.8% (31 March 2017: 7.5%) and the weighted average period for which the rate is fixed is 2.5 years (31 March 2017: 2.4 years).

Considering the net debt position as at 31 March 2018 and the investment in bank deposits, corporate bonds and debt mutual funds, any increase in interest rates would result in a net loss and any decrease in interest rates would result in a net gain. The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the balance sheet date.

The below table illustrates the impact of a 0.5% to 2.0% increase in the interest rate of floating rate financial assets/liabilities (net) on profit/(loss) and equity and represents management's assessment of the possible change in interest rates. The year end balances are not necessarily representative of the average debt outstanding during the year. This analysis also assumes that all other variables, in particular foreign currency rates, remain constant.

At 31 March 2018:

(US\$ million)	Effect on pre-tax profit/(loss) during the year ended 31 March 2018	Effect on pre-tax profit/(loss) during the year ended 31 March 2017
Increase in interest rates		
0.5%	(17.3)	(14.4)
1.0%	(34.6)	(28.7)
2.0%	(69.2)	(57.5)

A reduction in interest rates would have an equal and opposite effect on the Group's financial statements.

### (d) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group is exposed to credit risk from trade receivables, cash and cash equivalents, liquid investments and other financial instruments.

The Group has clearly defined policies to mitigate counterparty risks. For short-term investments, counterparty limits are in place to limit the amount of credit exposure to any one counterparty. This, therefore, results in diversification of credit risk for our mutual fund and bond investments. For derivative and financial instruments, the Group attempts to limit the credit risk by only dealing with reputable banks and financial institutions.

Credit risk on receivables is limited as almost all credit sales are against letters of credit and guarantees of banks of national standing. Moreover, given the diverse nature of the Group's businesses trade receivables are spread over a number of customers with no significant concentration of credit risk. During the year ended 31 March 2018 and 31 March 2017, no single customer accounted for 10% or more of the Group's net sales or for any of the Group's primary businesses. The history of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, the Group does not expect any material risk on account of non-performance by any of our counterparties.

The Group's maximum gross exposure to credit risk at 31 March 2018 is US\$6,856.2 million (31 March 2017: US\$10,590.9 million).

Of the year end trade and other receivable balance the following, though overdue, are expected to be realised in the normal course of business and hence, are not considered impaired as at 31 March:

(US\$ million)	2018	2017
Neither past due nor impaired	585.1	248.4
<b>Past due but not impaired</b>		
– Less than 1 month	125.9	130.6
– Between 1–3 months	59.9	34.0
– Between 3–12 months	111.9	199.3
– Greater than 12 months	238.0	188.6
<b>Total</b>	<b>1,120.8</b>	<b>800.9</b>

## 29. Financial instruments continued

### **Derivative financial instruments**

The Group uses derivative instruments as part of its management of exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Group does not acquire or issue derivative financial instruments for trading or speculative purposes. The Group does not enter into complex derivative transactions to manage the treasury and commodity risks. Both treasury and commodities derivative transactions are normally in the form of forward contracts and these are subject to the Group guidelines and policies.

The fair value of all derivatives is separately recorded on the balance sheet within other financial assets (derivatives) and other financial liabilities (derivatives), current and non-current. Derivatives that are designated as hedges are classified as current or non-current depending on the maturity of the derivative.

The use of derivatives can give rise to credit and market risk. The Group tries to control credit risk as far as possible by only entering into contracts with reputable banks and financial institutions. The use of derivative instruments is subject to limits, authorities and regular monitoring by appropriate levels of management. The limits, authorities and monitoring systems are periodically reviewed by management and the Board. The market risk on derivatives is mitigated by changes in the valuation of the underlying assets, liabilities or transactions, as derivatives are used only for risk management purposes.

### **Embedded derivatives**

Derivatives embedded in other financial instruments or other contracts are treated as separate derivative contracts, when their risks and characteristics are not closely related to those of their host contracts.

### **Cash flow hedges**

The Group enters into forward exchange and commodity price contracts for hedging highly probable forecast transactions and accounts for them as cash flow hedges and states them at fair value. Subsequent changes in fair value are recognised in other comprehensive income until the hedged transaction occurs, at which time, the respective gain or losses are reclassified to the Consolidated Income Statement. These hedges have been effective for the year ended 31 March 2018.

The Group uses foreign exchange contracts from time to time to optimise currency risk exposure on its foreign currency transactions. The Group hedged part of its foreign currency exposure on capital commitments during fiscal year 2018. Fair value changes on such forward contracts are recognised in the Consolidated Statement of Comprehensive Income.

The majority of cash flow hedges taken out by the Group during the year comprise non-derivative hedging instruments for hedging the foreign exchange rate of highly probable forecast transactions and commodity price contracts for hedging the commodity price risk of highly probable forecast transactions.

The cash flows related to above are expected to occur during the year ending 31 March 2019 and consequently may impact the Consolidated Income Statement for that year depending upon the change in the commodity prices and foreign exchange rates movements. For cash flow hedges regarded as basis adjustments to initial carrying value of the property, plant and equipment, the depreciation on the basis adjustments made is expected to affect the Consolidated Income Statement over the expected useful life of the property, plant and equipment.

### **Fair value hedges**

The fair value hedges relate to forward covers taken to hedge currency exposure and commodity price risks.

The Group's sales are on a quotational period basis, generally one month to three months after the date of delivery at a customer's facility. The Group enters into forward contracts for the respective quotational period to hedge its commodity price risk based on average LME prices. Gains and losses on these hedge transactions are substantially offset by the amount of gains or losses on the underlying sales. Net gains and losses are recognised in the income statement.

The Group uses foreign exchange contracts from time to time to optimise currency risk exposure on its foreign currency transactions. Fair value changes on such forward contracts are recognised in the Consolidated Income Statement.

### **Non-qualifying/economic hedge**

The Group enters into derivative contracts which are not designated as hedges for accounting purposes, but provide an economic hedge of a particular transaction risk or a risk component of a transaction. Hedging instruments include copper, aluminium and zinc future contracts on the LME and certain other derivative instruments. Fair value changes on such derivative instruments are recognised in the Consolidated Income Statement.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 29. Financial instruments continued

The fair value of the Group's open derivative positions at 31 March 2018, recorded within financial instruments (derivative), is as follows:

(US\$ million)	As at 31 March 2018		As at 31 March 2017	
	Liability	Asset	Liability	Asset
<b>Current</b>				
<b>Cash flow hedges</b>				
– Commodity contracts	(14.6)	18.2	(13.2)	0.1
– Forward foreign currency contracts	–	0.1	(2.1)	0.1
<b>Fair value hedges</b>				
– Commodity contracts	(0.1)	0.7	(0.5)	–
– Forward foreign currency contracts	(1.4)	2.2	(82.1)	–
<b>Non-qualifying hedges</b>				
– Commodity contracts	(2.3)	0.6	(3.7)	1.4
– Forward foreign currency contracts	(3.5)	2.1	(25.1)	–
– Other (foreign currency swap)	(0.2)	0.1	(0.2)	–
<b>Total</b>	<b>(22.1)</b>	<b>24.0</b>	<b>(126.9)</b>	<b>1.6</b>
<b>Non-current</b>				
<b>Fair value hedges</b>				
– Forward foreign currency contracts	(16.4)	–	(8.6)	0.6
<b>Non-qualifying hedges</b>				
– Commodity contracts	(0.1)	–	–	–
– Forward foreign currency contracts	(1.6)	–	–	–
<b>Total</b>	<b>(18.1)</b>	<b>–</b>	<b>(8.6)</b>	<b>0.6</b>
<b>Grand total</b>	<b>(40.2)</b>	<b>24.0</b>	<b>(135.5)</b>	<b>2.2</b>

### Hedging reserve reconciliation

(US\$ million)	Hedging reserves	Non-controlling interests	Total
<b>At 1 April 2016</b>	<b>(87.7)</b>	<b>(52.6)</b>	<b>(140.3)</b>
Amount recognised in OCI	3.3	0.5	3.8
Amount transferred to income statement	(5.0)	(3.0)	(8.0)
Exchange difference	(1.5)	(0.9)	(2.4)
<b>At 1 April 2017</b>	<b>(90.9)</b>	<b>(56.0)</b>	<b>(146.9)</b>
Amount recognised in OCI	(13.7)	(24.3)	(38.0)
Amount transferred to income statement	12.2	23.6	35.8
Exchange difference	(0.1)	(0.1)	(0.2)
<b>At 31 March 2018</b>	<b>(92.5)</b>	<b>(56.8)</b>	<b>(149.3)</b>



## 30. Provisions

(US\$ million)	Restoration, rehabilitation and environmental	KCM Copper price participation	Other	Total
<b>At 1 April 2016</b>	<b>191.7</b>	<b>102.0</b>	<b>25.8</b>	<b>319.5</b>
Additions	4.1	–	12.5	16.6
Amounts used	(12.8)	(6.0)	(1.2)	(20.0)
Unwinding of discount (Note 7)	12.6	0.4	–	13.0
Change in estimates	112.4	–	–	112.4
Reclassifications to trade payables	–	(96.3)	(4.4)	(100.7)
Exchange differences	8.8	(0.1)	(4.7)	4.0
<b>At 1 April 2017</b>	<b>316.8</b>	<b>–</b>	<b>28.0</b>	<b>344.8</b>
Additions	8.1	–	6.4	14.5
Amounts used	(1.0)	–	–	(1.0)
Unused amounts reversed	(9.5)	–	–	(9.5)
Unwinding of discount (Note 7)	13.0	–	–	13.0
Change in estimates	23.1	–	–	23.1
Reclassified during the year	(6.1)	–	(12.5)	(18.6)
Exchange differences	3.4	–	0.2	3.6
Acquisition through business combination	4.0	–	–	4.0
<b>At 31 March 2018</b>	<b>351.8</b>	<b>–</b>	<b>22.1</b>	<b>373.9</b>
Current 2018	7.8	–	14.3	22.1
Non-current 2018	344.0	–	7.8	351.8
	<b>351.8</b>	<b>–</b>	<b>22.1</b>	<b>373.9</b>
Current 2017	9.8	–	7.7	17.5
Non-current 2017	307.0	–	20.3	327.3
	<b>316.8</b>	<b>–</b>	<b>28.0</b>	<b>344.8</b>

**Restoration, rehabilitation and environmental**

The provisions for restoration, rehabilitation and environmental liabilities represent the management's best estimate of the costs which will be incurred in the future to meet the Group's obligations under existing Indian, Australian, Zambian, Namibian, South African and Irish law and the terms of the Group's mining and other licences and contractual arrangements. These amounts are calculated by considering discount rates within the range of 2% to 12%, and become payable on closure of mines and are expected to be incurred over a period of one to 30 years. The discount rates at major units are in the range of 2% to 12% at Zinc International and of 2% to 4% at the Oil & Gas division.

Within India, the principal restoration and rehabilitation provisions are recorded within Cairn India where a legal obligation exists relating to the oil and gas fields, where costs are expected to be incurred in restoring the site of production facilities at the end of the producing life of an oil field. The Group recognises the full cost of site restoration as a liability when the obligation to rectify environmental damage arises.

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production from a producing field.

**KCM copper price participation**

KCM and ZCCM-IH, through a consent order recorded in the English Court, agreed to settle the price participation payments in stages and consequently US\$96.3 million had been reclassified to trade payables during the previous year.

Subsequently, during the current year, the London High Court has given a ruling that ZCCM-IH is entitled to its claim on interest at an accelerated rate for US\$25.0 million.

Accordingly, the Company has recognised, an additional charge of US\$25.0 million for the year.

**Others**

Others include provision for deferred cash liability. The expected period of settlement of deferred cash liability is 2 to 3 years.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 31. Non-current tax assets and deferred tax (assets)/liabilities

Non-current tax assets of US\$521.1 million (31 March 2017: US\$434.6 million) mainly represents income tax receivable from Indian tax authorities by Vedanta Limited relating to the refund arising consequent to the Scheme of Amalgamation & Arrangement made effective in August 2013 pursuant to approval by the jurisdiction High Court and receivables relating to matters in tax disputes in Group companies including tax holiday claim.

The Group has accrued significant amounts of deferred tax. The majority of the deferred tax liability represents accelerated tax relief for the depreciation of capital expenditure and the fair value uplifts created on acquisitions, net of losses carried forward by Vedanta Limited (post reorganisation) and MAT credits carried forward in Vedanta Limited, Cairn Energy Hydrocarbons Limited and Hindustan Zinc Limited.

The amounts of deferred tax on temporary differences, recognised or not recognised, in the Consolidated Statement of Financial Position is as follows:

### Deferred tax (assets)/liabilities For the year ended 31 March 2018

(US\$ million)	Opening balance as at 1 April 2017	Charged/ (credited) to income statement	Charged/ (credited) to OCI	Deferred tax on acquisition through business combination (Refer Note 11)	Exchange difference transferred to translation of foreign operation	Total as at 31 March 2018
Property, plant and equipment, Exploration and Evaluation and other intangible assets	2,178.9	297.5	–	(3.3)	10.4	2,483.5
Unabsorbed depreciation/business loss	(989.3)	72.5	–	–	1.5	(915.3)
Voluntary retirement scheme	(7.4)	1.0	–	–	0.0	(6.4)
Employee benefits	(28.1)	1.7	(0.5)	–	(0.4)	(27.3)
Fair value of derivative assets/liabilities	(4.7)	1.4	(5.4)	–	0.1	(8.6)
Fair value of other assets/liabilities	176.6	(96.5)	–	61.1	4.3	145.5
MAT credit	(1,915.6)	200.3	–	–	11.3	(1,704.0)
Other temporary differences	(150.3)	13.6	–	–	(4.4)	(141.1)
<b>Total</b>	<b>(739.9)</b>	<b>491.5</b>	<b>(5.9)</b>	<b>57.8</b>	<b>22.8</b>	<b>(173.7)</b>

Unused tax losses/unused tax credit on which no deferred tax asset has been recognised:

### As at 31 March 2018

(US\$ million)	Within one year	Greater than one year, less than five years	Greater than five years	No expiry date	Total
Unutilised business losses	614.5	865.9	2.2	1,601.6	3,084.2
Unabsorbed depreciation	–	–	–	25.3	25.3
Capital losses	19.6	21.8	–	–	41.4
Unused tax credit	–	–	46.1	1.3	47.4
<b>Total</b>	<b>634.1</b>	<b>887.7</b>	<b>48.3</b>	<b>1,628.2</b>	<b>3,198.3</b>

**31. Non-current tax assets and deferred tax (assets)/liabilities continued****Deferred tax asset/liabilities***For the year ended 31 March 2017*

(US\$ million)	Opening balance as at 1 April 2016	Charged/ (credited) to income statement	Charged/ (credited) to OCI	Exchange difference transferred to translation of foreign operation	Total as at 31 March 2017
Property, plant and equipment, Exploration and Evaluation and other intangible assets	2,175.0	(33.1)	–	37.0	2,178.9
Unabsorbed depreciation/business loss	(816.1)	(156.8)	–	(16.4)	(989.3)
Voluntary retirement scheme	(8.9)	1.7	–	(0.2)	(7.4)
Employee benefits	(23.9)	(3.3)	(0.6)	(0.3)	(28.1)
Fair value of derivative assets/liabilities	(2.2)	(3.9)	1.5	(0.1)	(4.7)
Fair value of other assets/liabilities	134.2	37.8	–	4.6	176.6
MAT credit	(1,966.7)	96.4	–	(45.3)	(1,915.6)
Other temporary differences	(126.6)	(26.5)	–	2.8	(150.3)
<b>Total</b>	<b>(635.2)</b>	<b>(87.7)</b>	<b>0.9</b>	<b>(17.9)</b>	<b>(739.9)</b>

Unused tax losses/unused tax credit on which no deferred tax asset has been recognised:

*For the year ended 31 March 2017*

(US\$ million)	Within one year	Greater than one year, less than five years	Greater than five years	No expiry date	Total
Unutilised business losses	470.3	1,268.7	–	1,520.3	3,259.3
Unabsorbed depreciation	–	–	–	37.0	37.0
Capital losses	–	–	–	–	–
Unused tax credit	–	–	45.6	1.3	46.9
<b>Total</b>	<b>470.3</b>	<b>1,268.7</b>	<b>45.6</b>	<b>1,558.6</b>	<b>3,343.2</b>

No deferred tax asset has been recognised on these unutilised tax losses as there is no evidence that sufficient taxable profit will be available in future against which they can be utilised by the respective entities.

Deferred tax assets and liabilities have been offset where they arise in the same legal entity and taxing jurisdiction but not otherwise. Accordingly, the net deferred tax (assets)/liability has been disclosed in the Consolidated Statement of Financial Position as follows:

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Deferred tax assets	(916.7)	(1,111.0)
Deferred tax liabilities	743.0	371.1
<b>Net deferred tax (assets)/liabilities</b>	<b>(173.7)</b>	<b>(739.9)</b>

**Unrecognised MAT credit**

(US\$ million)	As at 31 March 2018	As at 31 March 2017
2023	2.1	2.1
2024	8.0	8.0
2025	7.9	8.0
2026	15.9	16.0
2027	9.8	9.8
2028	1.2	1.2
2029	0.6	0.5
2032	0.6	–
<b>Total</b>	<b>46.1</b>	<b>45.6</b>

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 31. Non-current tax assets and deferred tax (assets)/liabilities continued

Deferred tax assets in the Group have been recognised to the extent there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse.

MAT credits are taxes paid to Indian tax authorities which can be offset against future tax liabilities, subject to certain restrictions, within a period of 15 years from the year of origination. The Group recognises MAT assets only to the extent it expects to realise the same within the prescribed period.

The Group has not recognised any deferred tax liabilities for taxes that would be payable on the Group's share in unremitted earnings of certain of its subsidiaries because the Group controls when the liability will be incurred and it is probable that the liability will not be incurred in the foreseeable future. The amount of the Group's share of unremitted earnings are US\$4,830.0 million, US\$5,160.4 million as at 31 March 2018 and 31 March 2017 respectively.

## 32. Share-based payments

### Employee share schemes

The Group aims to provide superior rewards for outstanding performance and a high proportion of 'at risk' remuneration for Executive Directors. Three employee share schemes were approved by shareholders on listing in 2003. In 2014, the Board introduced a Performance Share Plan ('PSP') which is the primary arrangement under which share-based incentives are provided to the Executive Directors and the wider management group. In 2015, the Board also introduced a Deferred Share Bonus Plan (DSBP). In 2016, Vedanta Limited (subsidiary of Vedanta Resources plc) introduced an Employee Stock Option Scheme 2016 (ESOS), which was approved by the Vedanta Limited shareholders.

### *The Vedanta Resources Long-Term Incentive Plan (the 'LTIP') and Employee Share Ownership Plan (the 'ESOP') and Performance Share Plan (the 'PSP')*

The maximum value of shares that can be conditionally awarded to an Executive Director in a year is 150% of annual salary. In respect of Mr Navin Agarwal and Mr Tom Albanese, salary means the aggregate of their salary payable by Vedanta Resources plc and their cost to the Company (CTC) payable by Vedanta Limited. The maximum value of shares that can be awarded to members of the wider management group is calculated by reference to the grade average CTC and individual grade of the employee. The performance conditions attaching to outstanding awards are as follows:

PSP – dependent on the level of employee, part of these awards will be subject to a continued service condition only with the remainder measured in terms of total shareholder return ('TSR') (being the movement in a company's share price plus reinvested dividends), is compared over the performance period with the performance of the companies as defined in the scheme from the grant date. The extent to which an award vests will depend on the Company's TSR rank against a group or groups of peer companies at the end of the performance period and as moderated by the Remuneration Committee. The vesting schedule is shown in the table below, with adjusted straight-line vesting in between the points shown and rounding down to the nearest whole share.

### *Vedanta's TSR performance against comparator group*

	(% of award vesting)
Below median	–
At median	30
At or above upper quintile	100

The performance condition is measured by taking the Company's TSR over the three months immediately preceding the date of grant and over the three months immediately preceding the end of the performance period, and comparing its performance with that of the comparator group or groups. The information to enable this calculation to be carried out on behalf of the Remuneration Committee ('the Committee') is provided by the Company's advisers. The Committee considers that this performance condition, which requires that the Company's total return has outperformed a group or groups of industry peers, provides a reasonable alignment of the interests of the Executive Directors and the wider management group with those of the shareholders.

Initial awards under the PSP were granted on 17 November 2014. The Company issued further awards on 1 January 2015 and subsequently on 30 December 2015 and 12 May 2016. All these plans were equity-settled. The exercise price of the awards is 10 US cents per share and the performance period is three years, with no re-testing being allowed. On 2 March 2017 and 14 November 2017 the Company also launched cash-based plans under the same scheme. In the cash-based scheme launched in November 2017, business performance set against business plan for the financial year is included as an additional condition.

ESOP – measured in terms of business performance set against business plan for the financial year comprising operational deliverables, enabler parameters and sustainability performance specific to each company. The vesting schedule is graded over three years and varies from company to company with a minimum vesting of 30% triggering at either 80% or 85% business score. In another tranche, the vesting schedule is staggered over a period of three years from the date of grant, with 70% vesting based on the achievement of business performance and the remaining 30% based on continued employment with the Group until the end of the third year.

Initial awards under the ESOP were granted on 24 September 2012 with further awards being made on 16 May 2013. The exercise price of the awards is 10 US cents per share and the performance period is one year.

The exercise period is six months from the date of vesting.

### 32. Share-based payments continued

#### LTIP

Measured in terms of total shareholder return ('TSR') (being the movement in a company's share price plus reinvested dividends), is compared over the performance period with the performance of the companies as defined in the scheme from the grant date. The extent to which an award vests will depend on the Company's TSR rank against a group of peer companies (adapted comparator group) at the end of the performance period and as moderated by the Remuneration Committee. The vesting schedule is shown in the table below, with adjusted straight-line vesting in between the points shown and rounded down to the nearest whole share.

#### *Vedanta's TSR performance against adapted comparator group*

	(% of award vesting)
Below median	–
At median	40
At or above upper quartile	100

The performance condition is measured by taking the Company's TSR over the four weeks immediately preceding the date of grant and over the four weeks immediately preceding the end of the performance period, and comparing its performance with that of the comparator group described above. The information to enable this calculation to be carried out on behalf of the Remuneration Committee ('the Committee') is provided by the Company's advisers. The Committee considers that this performance condition, which requires that the Company's total return has outperformed a group or groups of industries peers, provides a reasonable alignment of the interests of the Executive Directors and the wider management group with those of the shareholders.

Initial awards under the LTIP were granted on 26 February 2004. In FY2017, the Company issued awards under the LTIP scheme on 11 November 2016. During the current year, the Company further issued awards under this scheme on 14 November 2017. The exercise price of the awards is 10 US cents per share and the performance period is three years, with no re-testing being allowed.

#### *The Vedanta Resources Deferred Share Bonus Plan (the 'DSBP')*

In 2015, Vedanta introduced the DSBP, with initial awards being made in May 2015 and August 2015. In 2016, fresh awards were granted in May 2016 and September 2016. Further, in 2017, fresh awards were granted in June 2017 and August 2017. Under the plan, a portion of the annual bonus is deferred into shares and the awards granted under this scheme are not subject to any performance conditions, but only to service conditions being met. The vesting schedule is staggered over a period of one to three years. In the case of the DSBP, the shares are purchased from the open market and allotted to employees, officers and directors. As on 31 March 2018, the options outstanding under the DSBP scheme are 440,780.

In general, the awards will be settled in equity. The awards are accounted for in accordance with the requirements applying to equity settled, share-based payment transactions. The fair value of each award on the day of grant is equal to the average of the middle market quotations of its share price for 5 dealing days before the grant date.

Further details on these schemes are available in the Remuneration Report of the Annual Report.



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 32. Share-based payments continued

The details of share options for the year ended 31 March 2018 and 31 March 2017 is presented below:

Year of grant	Exercise date	Exercise price US cents per share	Options outstanding 1 April 2017	Options granted during the year	Options lapsed during the year	Options lapsed during the year owing to performance conditions	Options exercised during the year	Options outstanding at 31 March 2018
2014	17 November 2017 – 17 May 2018	10	4,247,283	–	(120,483)	(963,690)	(26,79,770)	483,340
2015	1 January 2018 – 1 July 2018	10	21,500	–	(6,000)	(6,655)	–	8,845
2015	30 December 2018 – 30 June 2019	10	4,930,183	–	(430,857)	–	–	4,499,326
2016	12 May 2019 – 12 November 2019	10	32,000	–	–	–	–	32,000
2016	11 November 2019 – 11 May 2020	10	475,000	–	(103,056)	–	–	371,944
2017	2 March 2020 – 2 September 2020 (cash-based plan)	–	678,550	–	(50,890)	–	–	627,660
2017	14 November 2020 – 14 May 2020 (cash-based plan)	–	–	805,900	(25,720)	–	–	780,180
2017	14 November 2020 – 14 May 2020	10	–	300,670	–	–	–	300,670
			<b>10,384,516</b>	<b>1,106,570</b>	<b>(737,006)</b>	<b>(970,345)</b>	<b>(26,79,770)</b>	<b>7,103,965</b>

Year of grant	Exercise date	Exercise price US cents per share	Options outstanding 1 April 2016	Options granted during the year	Options lapsed during the year	Options lapsed during the year owing to performance conditions	Options exercised during the year	Options outstanding at 31 March 2017
2011	1 October 2014 – 1 April 2015*	10	3,200	–	–	–	(3,200)	–
2012	1 January 2015 – 1 July 2015*	10	2,800	–	–	–	(2,800)	–
2012	1 April 2015 – 1 October 2015*	10	1,760	–	(1,080)	–	(680)	–
2012	24 September 2013 – 24 March 2016*	10	74,750	–	(16,749)	–	(58,001)	–
2013	16 May 2014 – 16 November 2016	10	781,997	–	(66,227)	–	(715,770)	–
2014	17 November 2017 – 17 May 2018	10	4,658,329	–	(411,046)	–	–	4,247,283
2015	1 January 2018 – 1 July 2018	10	21,500	–	–	–	–	21,500
2015	30 December 2018 – 30 June 2019	10	5,418,842	–	(488,659)	–	–	4,930,183
2016	12 May 2019 – 12 November 2019	10	–	32,000	–	–	–	32,000
2016	11 November 2019 – 11 May 2020	10	–	475,000	–	–	–	475,000
2017	2 March 2020 – 2 September 2020 (cash-based plan)	–	–	679,270	(720)	–	–	678,550
			<b>10,963,178</b>	<b>1,186,270</b>	<b>(984,481)</b>	<b>–</b>	<b>(780,451)</b>	<b>10,384,516</b>

\* The exercise period of the schemes expiring before 31 March 2016 was extended up to June 2016.

In the year ended 31 March 2018, 1,707,351 options lapsed in total (year ended 31 March 2017: 984,481) and 2,679,770 options exercised (year ended 31 March 2017: 780,451). As at 31 March 2018, 7,103,965 options remained outstanding and 492,185 options were exercisable at the year end. The weighted average share price for the share options exercised during the year ended 31 March 2018 was GBP 7.44 (year ended 31 March 2017: GBP 4.82). The weighted average maturity period for the options outstanding as on 31 March 2018 is 18 months (year ended 31 March 2017: 23 months).

Most of the share-based awards of the Group are equity-settled as defined by IFRS 2 'Share-based Payment'. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed on a straight-line basis over the vesting period. Where an award is cash-settled the fair value is recalculated at each reporting date until the liability is settled.

The fair values were calculated using the Stochastic valuation model with suitable modifications to allow for the specific performance conditions of the respective schemes. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends, expected term and the risk-free rate of interest. Expected volatility has been calculated using historical return indices over the period to the date of grant that is commensurate with the performance period of the award. The volatilities of the industry peers have been modelled based on historical movements in the return indices over the period to the date of grant which is also commensurate with the performance period for the option. The history of return indices is used to determine the volatility and correlation of share prices for the comparator companies and is needed for the Stochastic valuation model to estimate their future TSR performance relative to the Company's TSR performance. All options are assumed to be exercised immediately after vesting.

### 32. Share-based payments continued

The assumptions used in the calculations of the charge in respect of the PSP/LTIP awards granted during the year ended 31 March 2018 and 31 March 2017 are set out below:

	Year ended 31 March 2018 PSP/LTIP		Year ended 31 March 2017 PSP/LTIP		
	November 2017	November 2017	March 2017	November 2016	May 2016
Number of instruments	805,900	300,670	679,270	475,000	32,000
Exercise price	US\$0.10	US\$0.10	US\$0.10	US\$0.10	US\$0.10
Share price at the date of grant	GBP7.8	GBP7.8	GBP8.92	GBP8.22	GBP3.45
Contractual life	3 years	3 years	3 years	3 years	3 years
Expected volatility	61.33%	61.33%	66.3%	63.5%	61.4%
Expected option life	3 years	3 years	3 years	3 years	3 years
Expected dividends	5.77%	5.77%	4.6%	4.8%	6.0%
Risk-free interest rate	0.51%	0.51%	0.10%	0.31%	0.38%
Expected annual forfeitures	10%p.a.	10%p.a.	10%p.a.	10%p.a.	10%p.a.
Fair value per option granted	GBP3.1/GBP6.6	GBP3.1	GBP5.6/GBP7.8	GBP5.15	GBP1.80

The Group recognised total expenses of US\$12.1 million (including expenses on DSBP of US\$1.9 million) and US\$13.4 million (including expenses on DSBP of US\$1.6 million) related to equity-settled-share-based payment transactions in the year ended 31 March 2018 and 31 March 2017 respectively.

The total expense recognised on account of cash-settled share-based plans during the year ended 31 March 2018 is US\$1.0 million (31 March 2017 : US\$0.1 million) and the carrying value of cash-settled share-based compensation liability as at 31 March 2018 is US\$1.1 million.

#### The Vedanta Limited Employee Stock Option Scheme (ESOS) 2016

During the year 2016, Vedanta Limited (subsidiary of Vedanta Resources plc) introduced an Employee Stock Option Scheme 2016 (ESOS), which was approved by the Vedanta Limited shareholders. The maximum value of shares that can be conditionally awarded to an Executive Committee in a year is 125% of annual salary. The maximum value of options that can be awarded to members of the wider management group is calculated by reference to the grade average CTC and individual grade of the employee. The performance conditions attached to the award is measured by comparing the Company's performance in terms of TSR over the performance period with the performance of the companies as defined in the scheme. The extent to which an award vests will depend on Vedanta Limited's TSR rank against a group or groups of peer companies at the end of the performance period and as moderated by the Remuneration Committee. Dependent on the level of employee, part of these awards will be subject to a continued service condition only with the remainder measured in terms of TSR. The vesting schedule is shown in the table below, with adjusted straight-line vesting in between the points shown and rounding down to the nearest whole share.

#### Vedanta's TSR performance against comparator group

	(% of award vesting)
Below median	—
At median	30
At or above upper decile	100

The performance condition is measured by taking Vedanta Limited's TSR at the start and end of the performance period (without averaging), and comparing its performance with that of the comparator group or groups. The information to enable this calculation to be carried out on behalf of the Remuneration Committee (the Committee) is provided by the Company's advisers. The Committee considers that this performance condition, which requires that Vedanta Limited's total return has outperformed a group of industry peers, provides a reasonable alignment of the interests of participants with those of the shareholders.

Initial awards under the ESOS were granted on 15 December 2016. Further, in 2017 fresh awards were granted in September 2017, October 2017 and November 2017. The exercise price of the awards is 1 INR per share and the performance period is three years, with no re-testing being allowed. However, in the scheme launched in November 2017 business performance set against business plan for the financial year is included as an additional condition.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 32. Share-based payments continued

The details of share options for the year ended 31 March 2018 and 31 March 2017 is presented below:

Year of grant	Exercise Date	Options outstanding 1 April 2017	Options granted during the year	Options lapsed during the year	Options lapsed during the year owing to performance conditions	Options exercised during the year	Options outstanding 31 March 2018
2017	15 December 2016 – 14 December 2019	7,803,400	–	(704,798)	–	–	7,098,602
2018	1 September 2017 – 31 August 2020	–	10,048,650	(431,310)	–	–	9,617,340
2018	16 October 2017 – 15 October 2020	–	11,570	–	–	–	11,570
2018	1 November 2017 – 31 October 2020	–	28,740	–	–	–	28,740
		<b>7,803,400</b>	<b>10,088,960</b>	<b>(1,136,108)</b>	<b>–</b>	<b>–</b>	<b>16,756,252</b>

Year of grant	Exercise Date	Options outstanding 1 April 2016	Options granted during the year	Options lapsed during the year	Options lapsed during the year owing to performance conditions	Options exercised during the year	Options outstanding 31 March 2017
2016	15 December 2016 – 14 December 2019	–	8,000,000	(196,600)	–	–	7,803,400
		<b>–</b>	<b>8,000,000</b>	<b>(196,600)</b>	<b>–</b>	<b>–</b>	<b>7,803,400</b>

In the year ended 31 March 2018, 1,136,108 options lapsed. As at 31 March 2018, 16,756,252 options remained outstanding.

The fair value of all awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed on a straight-line basis over the vesting period.

The fair values were calculated using the Stochastic valuation model with suitable modifications to allow for the specific performance conditions of the respective schemes. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends, expected term and the risk-free rate of interest. Expected volatility has been calculated using historical return indices over the period to date of grant that is commensurate with the performance period of the award. The volatilities of the industry peers have been modelled based on historical movements in the return indices over the period to date of grant which is also commensurate with the performance period for the option. The history of return indices is used to determine the volatility and correlation of share prices for the comparator companies and is needed for the Stochastic valuation model to estimate their future TSR performance relative to Vedanta Limited's TSR performance. All options are assumed to be exercised immediately after vesting.

The assumptions used in the calculations of the charge in respect of the ESOS awards granted during the year ended 31 March 2018 and 31 March 2017 are set out below:

	March 2018 ESOS September, October & November 2017	March 2017 ESOS December 2016
Number of instruments	10,081,350	8,000,000
Exercise price	INR 1	INR 1
Share price at the date of grant	INR 308.9	INR 235.9
Contractual life	3 years	3 years
Expected volatility	48%	48%
Expected option life	3 years	3 years
Expected dividends	3.7%	3.2%
Risk-free interest rate	6.5%	6.5%
Expected annual forfeitures	10% p.a.	10% p.a.
Fair value per option granted	INR 275.3/INR 161.1	INR 213.6/INR 82.8

The Group recognised total expenses of US\$7.4 million (2017: US\$1.0 million) related to equity-settled, share-based plan under the above scheme in the year ended 31 March 2018.

### 33. Retirement benefits

The Group participates in defined contribution and benefit schemes, the assets of which are held (where funded) in separately administered funds.

For defined contribution schemes the amount charged to the Consolidated Income Statement is the total amount of contributions payable in the year.

For defined benefit schemes, the cost of providing benefits under the plans is determined by actuarial valuation separately each year for each plan using the projected unit credit method by independent qualified actuaries as at the year end. Remeasurement gains and losses arising in the year are recognised in full in the Consolidated Statement of Comprehensive Income for the year.

#### (i) Defined contribution schemes

The Group contributed a total of US\$16.4 million and US\$13.8 million for the years ended March 31 2018 and 2017 respectively, to the following defined contribution plans.

#### Indian pension schemes

##### Central Recognised Provident Fund

In accordance with the Indian Provident Fund Act, employees are entitled to receive benefits under the Provident Fund. Both the employee and the employer make monthly contributions to the plan at a pre-determined rate (12%) of an employee's basic salary. All employees have an option to make additional voluntary contributions. These contributions are made to the fund administered and managed by the Government of India (GOI) or to independently managed and approved funds. The Group has no further obligations under the fund managed by the GOI beyond its monthly contributions which are charged to the Consolidated Income Statement in the period they are incurred. Where the contributions are made to independently managed and approved funds, shortfall in actual return, if any, from the return guaranteed by the State are made by the employer. There is no such shortfall in the actual return for independently managed funds for the year ended 31 March 2018 and 31 March 2017.

The benefits are paid to employees on their retirement or resignation from the Group.

#### Superannuation

Superannuation, another pension scheme applicable in India, is applicable only to executives in grade M4 and above. However, in case of the Cairn India Group and Iron Ore segment, the benefit is applicable to all executives. In Cairn India, it is applicable from the second year of employment. Certain companies hold policies with the Life Insurance Corporation of India (LIC), to which they contribute a fixed amount relating to superannuation, and the pension annuity is met by the LIC as required, taking into consideration the contributions made. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

#### Pension Fund

The Pension Fund was established in 1995 and is managed by the Government of India. The employee makes no contribution to this fund but the employer makes a contribution of 8.33% of salary each month subject to a specified ceiling per employee. This must be provided for every permanent employee on the payroll.

At the age of superannuation, contributions cease and the individual receives a monthly payment based on the level of contributions through the years, and on their salary scale at the time they retire, subject to a maximum ceiling of salary level. The Government funds these payments, thus the Group has no additional liability beyond the contributions that it makes, regardless of whether the central fund is in surplus or deficit.

#### Australian Pension Scheme

The Group also operates defined contribution pension schemes in Australia. The contribution of a proportion of an employee's salary into a superannuation fund is a compulsory legal requirement in Australia. The employer contributes 9.5% of the employee's gross remuneration where the employee is covered by the industrial agreement and 12.5% of the basic remuneration for all other employees, into the employee's fund of choice. All employees have the option to make additional voluntary contributions.

#### Zambian Pension Scheme

The KCM Pension Scheme is applicable to full-time permanent employees of KCM (subject to the fulfilment of certain eligibility criteria). The management of the scheme is vested in the trustees consisting of representatives of the employer and the members. The employer makes a monthly contribution of 5% to the KCM Pension Scheme and the member makes a monthly contribution of 5%.

All contributions to the KCM Pension Scheme in respect of a member cease to be payable when the member attains normal retirement age of 55 years, or upon leaving the service of the employer, or when the member is permanently medically incapable of performing duties in the service of the employer. Upon such cessation of contribution on the grounds of normal retirement, or being rendered medically incapable of performing duties, or early voluntary retirement, the member is entitled to receive his accrued pension. The member is allowed to commute his/her accrued pension subject to certain rules and regulations.

The Group has no additional liability beyond the contributions that it makes. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

#### Skorpion Zinc Provident Fund, Namibia

The Skorpion Zinc Provident Fund is a defined contribution fund and is compulsory to all full-time employees under the age of 60. Company contribution to the fund is a fixed percentage of 9% per month of pensionable salary, whilst the employee contributes 7% with the option of making additional contributions, over and above the normal contribution, up to a maximum of 12%.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 33. Retirement benefits continued

Normal retirement age is 60 years and benefit payable is the member's fund credit which is equal to all employer and employee contributions plus interest. The same applies when an employee resigns from Skorpion Zinc. The Fund provides disability cover which is equal to the member's fund credit and a death cover of 2 times annual salary in the event of death before retirement.

The Group has no additional liability beyond the contributions that it makes. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

### *Black Mountain (Pty) Limited, South Africa Pension and Provident Funds*

Black Mountain Mining (Pty) Ltd has two retirement funds, both administered by Alexander Forbes, a registered financial service provider. Both funds form part of the Alexander Forbes umbrella fund and are defined contribution funds.

Membership of both funds is compulsory for all permanent employees under the age of 60.

### *Lisheen Mine, Ireland Pension Funds*

Lisheen Pension Plan is for all employees. Lisheen pays 5% and employees pays 5% with the option to make Additional Voluntary Contributions ('AVC's') if desired. Executive contributions are 15% by Lisheen and a minimum of 5% by the employee with the option to make AVC's if desired. Death benefit is three times salary for employees and four times salary for executives. Pension and life cover ceases at 65. On wind-up of the pension schemes, the benefits will be paid out to the remaining members in accordance with the scheme rules and Irish Revenue tax regulations.

The Group has no additional liability beyond the contributions that it makes. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

## (ii) Defined benefit schemes

### *(a) Contribution to provident fund trust (the trusts) of Iron Ore division, BALCO, HZL, SRL and SMCL*

The provident funds of Iron ore division, BALCO, HZL, SRL and SMCL are exempted under section 17 of The Employees Provident Fund and Miscellaneous Provisions Act, 1952. Conditions for grant of exemption stipulate that the employer shall make good deficiency, if any, between the return guaranteed by the statute and actual earning of the Fund. Based on actuarial valuation in accordance with IAS 19 and the Guidance note issued by the Institute of Actuaries of India for interest rate guarantee of exempted provident fund liability of employees, there is no interest shortfall that is required to be met by the Iron Ore division, BALCO, HZL, SRL and SMCL as at 31 March 2018 and 31 March 2017. Having regard to the assets of the fund and the return in the investments, the Group does not expect any deficiency in the foreseeable future. The Group contributed a total of US\$9.7 million and US\$8.3 million for the years ended 31 March 2018 and 2017 respectively in relation to the independently managed and approved funds. The present value of obligation and the fair value of plan assets of the trust are summarised below.

(US\$ million) particulars	As at 31 March 2018	As at 31 March 2017
Fair value of plan assets of trusts	232.8	205.6
Present value of defined benefit obligation	(225.9)	(202.2)
<b>Net liability from defined benefit scheme</b>	<b>–</b>	<b>–</b>

Particulars	% allocation of plan assets of the trust	
	Year ended 31 March 2018	Year ended 31 March 2017
Government securities	71.2	77.2
Debentures/bonds	28.0	22.6
Fixed deposits	0.2	0.2
Equity instruments	0.6	–
	<b>100.0</b>	<b>100.0</b>

### *(b) Post-retirement medical benefits:*

The Group has a scheme of post-retirement medical benefits for employees at BMM and BALCO. Based on an actuarial valuation conducted as at year end, a provision is recognised in full for the benefit obligation. The obligation relating to post-retirement medical benefits as at 31 March 2018 was US\$10.0 million (reclassified US\$5.5 million from provisions during the current year). The obligation under this plan is unfunded. The Group considers these amounts as not material and accordingly has not provided further disclosures as required by IAS 19 (Revised 2011) 'Employee benefits'. The remeasurement gain and net interest on the obligation of post-retirement medical benefits of US\$0.7 million and US\$0.5 million for the year ended 31 March 2018 have been recognised in other comprehensive income and finance cost respectively.



### 33. Retirement benefits continued

#### (c) Post-employment benefits:

##### India – Gratuity Plan

The Indian subsidiaries of the Company contribute to a defined benefit plan (the Gratuity Plan) covering certain categories of employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, disability or termination of employment being an amount based on the respective employee's last drawn salary and the number of years of employment with the Group.

Based on actuarial valuations conducted as at year end using the projected unit credit method, a provision is recognised in full for the benefit obligation over and above the funds held in the Gratuity Plan. For entities where the plan is unfunded, full provision is recognised in the Consolidated Statements of Financial Position.

The Iron Ore division of Vedanta Limited, Sesa Resources Limited, Sesa Mining Corporation, Limited and Hindustan Zinc Limited have constituted a trust recognised by Indian income tax authorities for gratuity to employees. Contributions to the trust are funded with Life Insurance Corporation of India (LIC), ICICI Prudential Life Insurance Company Limited and HDFC Standard Life Insurance.

##### Zambia

Specified permanent employees of KCM are entitled to receive medical and retirement severance benefits. This comprises two months' basic pay for every completed year of service with an earliest service start date of 1 July 2004. Under this scheme, benefits are provided based on final pensionable pay and a full actuarial valuation of the scheme is carried out on an annual basis. The accruals are not contributed to any fund and are in the form of provisions in KCM's accounts.

On the death of an employee during service, a lump sum amount is paid to his or her dependants. This amount is equal to 60 months' basic pay for employees who joined before 1 April 2000 and 30 months' basic pay for employees who joined on or after 1 April 2000. For fixed term contract employees, the benefit payable on death is 30 months' basic pay.

As at 31 March 2018, membership of pension schemes across Vedanta Limited, BALCO, HZL, TSPL, and KCM stood at 22,941 employees (31 March 2017: 22,054). The deficits, principal actuarial assumptions and other aspects of these schemes are disclosed in further detail in notes given below.

Amounts of US\$70.4 million and US\$67.1 million in respect of defined benefit schemes were outstanding as at 31 March 2018 and 31 March 2017 respectively.

Contributions to all pension schemes in the year ending 31 March 2019 are expected to be around US\$6.1 million. (Actual contribution during the year ended 31 March 2018: US\$5.0 million.)

#### Principal actuarial assumptions

Principal actuarial assumptions used to calculate the defined benefit schemes' liabilities are:

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Discount rate	7.7% to 18.50%	7.6% to 22.95%
Salary increases	2% to 15%	5.0 %to 15%

In India, the mortality tables used, assume that a person aged 60 at the end of the balance sheet date has a future life expectancy of 19 years.

Assumptions regarding mortality for Indian entities are based on the mortality table of 'Indian Assured Lives Mortality (2006–2008)', published by the Institute of Actuaries of India.

Assumptions regarding mortality for KCM are based on World Health Organisation Life Tables for 1999 applicable to Zambia, which has been taken as a reference point. Based on this, a mortality table which is appropriate for the workers of Konkola Copper Mines plc has been derived.

#### Balance sheet recognition

(US\$ million) Particulars	As at 31 March 2018	As at 31 March 2017
Fair value of pension scheme assets	52.1	49.1
Present value of pension scheme liabilities	(122.5)	(116.2)
Net liability arising from defined benefit obligations	(70.4)	(67.1)

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 33. Retirement benefits continued

Amounts recognised in income statement in respect of defined benefit schemes:

(US\$ million) Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Current and past service cost	20.0	8.8
Net interest cost	7.4	12.4
<b>Total charge to the income statement</b>	<b>27.4</b>	<b>21.2</b>

Amounts recognised in the Statement of Comprehensive Income:

(US\$ million) Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Actuarial gains/(losses) on defined benefit obligation	0.6	(1.0)
Actuarial (gains)/losses on plan asset (excluding amount included in net interest cost)	0.2	(0.2)
<b>Remeasurement of the net defined benefit liability (gains)/losses</b>	<b>(0.4)</b>	<b>0.8</b>

### Movements in the present value of defined benefit obligations

The movement during the year ended 31 March 2018 of the present value of the defined benefit obligation was as follows:

(US\$ million) Particulars	As at 31 March 2018	As at 31 March 2017
Opening balance	(116.2)	(110.0)
Current and past service cost	(20.0)	(8.8)
Gratuity benefits paid	7.7	10.2
Derecognition of death benefit obligation during the year	23.4	—
Reclassification from provisions	(7.0)	—
Interest cost of scheme liabilities	(11.2)	(16.1)
Remeasurement gains/(losses)	0.6	(1.0)
Foreign exchange differences	0.2	9.5
<b>Closing balance</b>	<b>(122.5)</b>	<b>(116.2)</b>

### Movements in the fair value of plan assets

(US\$ million) Particulars	As at 31 March 2018	As at 31 March 2017
Opening balance	49.1	43.5
Contributions received	5.0	7.1
Benefits paid	(5.4)	(5.8)
Remeasurement gains/(losses)	(0.2)	0.2
Interest income	3.8	3.7
Foreign exchange differences	(0.2)	0.4
<b>Closing balance</b>	<b>52.1</b>	<b>49.1</b>

### 33. Retirement benefits continued

All the plan assets of the Group are invested in the qualified insurance policies.

#### Sensitivity analysis

Below is the sensitivity analysis determined for significant actuarial assumptions for the determination of defined benefit obligations and based on reasonably possible changes of the respective assumptions occurring at the end of reporting year while holding all other assumptions constant.

(US\$ million)	Increase/ (decrease) in defined benefit obligation
<b>Discount rate</b>	
Increase by 0.50%	(3.2)
Decrease by 0.50%	3.3
<b>Salary increase</b>	
Increase by 0.50%	3.0
Decrease by 0.50%	(2.9)

The above sensitivity analysis may not be representative of the actual benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

#### Risk analysis

The Group is exposed to a number of risks in the defined benefit plans. Most significant risks pertaining to defined benefits plans and management estimation of the impact of these risks are as follows:

##### Investment risk

Most of the Indian defined benefit plans are funded with Life Insurance Corporation of India. The Group does not have any liberty to manage the fund provided to Life Insurance Corporation of India.

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to Government of India bonds for the Group's Indian operations. If the return on plan asset is below this rate, it will create a plan deficit.

##### Interest risk

A decrease in the interest rate on plan assets will increase the plan liability.

##### Longevity risk/Life expectancy

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and at the end of the employment. An increase in the life expectancy of the plan participants will increase the plan liability.

##### Salary growth risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liability.

### 34. Capital management

The Group's objectives when managing capital are to safeguard continuity, maintain a strong credit rating and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth.

The Group sets the amount of capital required on the basis of annual business and long-term operating plans which include capital and other strategic investments. The funding requirement is met through a mixture of equity, internal accruals, convertible bonds and other long-term and short-term borrowings.

The Group monitors capital using a gearing ratio, being the ratio of net debt as a percentage of total capital.

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Total equity	6,521.0	6,014.6
Net debt	9,587.3	8,503.5
Total capital	16,108.3	14,518.1
<b>Gearing ratio</b>	<b>59.5%</b>	<b>58.6%</b>

The increase in the gearing ratio compared to 2017 ratio is primarily due to increase in net debt pursuant to special dividend paid by a subsidiary of the Company.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 35. Share capital

Shares in issue	As at 31 March 2018		As at 31 March 2017	
	Number	Paid up amount (US\$ million)	Number	Paid up amount (US\$ million)
Ordinary shares of 10 US cents each	303,987,039	30.4	301,300,825	30.1
Deferred shares of £1 each	50,000	–	50,000	–
	<b>304,037,039</b>	<b>30.4</b>	<b>301,350,825</b>	<b>30.1</b>

### *Rights and obligations attaching to shares*

The rights and obligations attaching to the ordinary and deferred shares are set out in the Articles.

During the year ended 31 March 2018, the Company issued 2,686,214 shares at par value of 10 US cents per share to the employees pursuant to the Vedanta Performance Share Plan (31 March 2017: 778,027 shares).

The holders of deferred shares do not have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting. The deferred shares have no rights to dividends and, on a winding-up or other return of capital, entitle the holder only to the payment of the amounts paid on such shares after repayment to the holders of ordinary shares of the nominal amount paid up on the ordinary shares plus the payment of £100,000 per ordinary share. Of the 50,000 deferred shares, one deferred share was issued at par and has been fully paid, and 49,999 deferred shares were each paid up as to one-quarter of their nominal value.

As on 31 March 2018, 6,904,995 ordinary shares which were issued on the conversion of certain convertible bonds issued by one of the Group's subsidiaries are held through Global Depositary Receipts and carry no voting rights. Apart from the above, each ordinary share carries the right to one vote at general meetings of the Company and is entitled to dividends.

At 31 March 2018, the total number of treasury shares held was 24,369,395 (31 March 2017: 24,370,066). Out of these, 1,704,333 shares, which had previously been purchased under Vedanta's Buyback Programme, were held by an independent company, Gorey Investments Limited (Gorey) and this company will not vote on these shares. These shares purchased by Gorey are treated as treasury shares.

## 36. Non-controlling interests ('NCI')

The Group consists of a parent Company, Vedanta Resources Plc, incorporated in the UK and a number of subsidiaries held directly and indirectly by the Group which operate and are incorporated around the world. Note 44 to the financial statements lists details of the interests in the subsidiaries.

Non-controlling interests that are material to the Group relate to Hindustan Zinc Limited (HZL), Cairn India Holdings Limited (CIHL) and its subsidiaries and Vedanta Limited.

As at 31 March 2018, NCIs hold an economic interest of 67.38%, 49.75% and 49.75% respectively in HZL, CIHL and its wholly owned subsidiaries, and Vedanta Limited. In ASI (partly owned subsidiary of CIHL), the NCI's economic interest is 74.06%. The respective NCI holdings as at 31 March 2017 were 67.46% and 49.87% in HZL and Vedanta Limited respectively.

Pursuant to the merger of Cairn India Limited with Vedanta Limited, the NCI holding in CIHL as at 31 March 2017 was 49.87%.

Principal place of business of HZL, CIHL and its subsidiaries and Vedanta Limited is set out under Note 44.

### 36. Non-controlling interests ('NCI') continued

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

The summarised financial information below is on a 100% basis and before inter-company eliminations.

(US\$ million) Particulars	Year ended 31 March 2018					Year ended 31 March 2017				
	HZL	CIHL and its subsidiaries	Vedanta Limited	Others**	Total	HZL	Cairn India	Vedanta Limited	Others**	Total
Profit/(loss) attributable to NCI	968.1	251.5	508.0	(494.3)	1,233.3	771.6	284.3	454.0	(607.6)	902.3
Equity attributable to NCI	3,772.1	1,021.7	6,258.4	(4,192.4)	6,859.8	3,254.7	–	6,888.6*	(3,720.2)	6,423.1
Dividends paid/payable to NCI	(221.4)	–	(606.9)	–	(828.3)	(781.7)	(40.5)	(517.9)	–	(1,340.1)

\* Includes erstwhile Cairn India Limited merged with Vedanta Limited in March 2017.

\*\* Others consist of investment subsidiaries of Vedanta Limited, other individual non-material subsidiaries and consolidation adjustments.

Summarised financial information in respect of the components of the Group including subsidiaries that have material non-controlling interests is set out below:

(US\$ million) Particulars	As at 31 March 2018					As at 31 March 2017				
	HZL	CIHL and its subsidiaries	Vedanta Limited	Others**	Total	HZL	CIHL and its subsidiaries	Vedanta Limited*	Others	Total
Non-current assets	2,830.3	2,413.2	19,046.7	(4,249.1)	20,041.1	2,621.5	2,679.2	14,161.2	(442.3)	19,019.6
Current assets	3,712.3	1,105.5	3,573.6	805.9	9,197.3	5,337.6	1,411.9	2,988.8	2,745.5	12,483.8
Current liabilities	(912.9)	(408.0)	(7,625.6)	(2,707.4)	(11,653.9)	(3,102.8)	(183.2)	(7,375.1)	(3,410.5)	(14,071.6)
Non-current liabilities	(31.2)	(1,124.8)	(2,414.7)	(7,492.8)	(11,063.5)	(31.5)	(81.6)	(3,380.7)	(7,923.4)	(11,417.2)
<b>Net assets</b>	<b>5,598.5</b>	<b>1,985.9</b>	<b>12,580.0</b>	<b>(13,643.4)</b>	<b>6,521.0</b>	<b>4,824.8</b>	<b>3,826.3</b>	<b>6,394.2</b>	<b>(9,030.7)</b>	<b>6,014.6</b>

\* Includes erstwhile Cairn India Limited now merged with Vedanta Limited in March 2017.

\*\* Others consist of investment subsidiaries of Vedanta Limited, other individual non-material subsidiaries and consolidation adjustments.

(US\$ million) Particulars	Year ended 31 March 2018					Year ended 31 March 2017				
	HZL	CIHL and its subsidiaries	Vedanta Limited	Others**	Total	HZL	Cairn India	Vedanta Limited	Others**	Total
Revenue	3,393.9	714.0	7,030.2	4,220.6	15,358.7	2,551.3	1,222.7	4,786.2	2,959.9	11,520.1
Profit/(loss) for the year	1,436.8	511.7	1,021.1	(1,500.7)	1,468.9	1,305.4	456.3	1,226.3	(2,108.4)	879.6
Other comprehensive income/(loss)***	(6.2)	–	7.1	12.4	13.3	(0.6)	1.0	1.8	(1.7)	0.5

\*\* Others consist of investment subsidiaries of Vedanta Limited, other individual non-material subsidiaries and consolidation adjustments.

\*\*\* Excluding exchange differences arising on translation of foreign operations

The effect of changes in ownership interests in subsidiaries that did not result in a loss of control is as follows:

(US\$ million) As at 31 March 2018					
	HZL	CIHL and its subsidiaries	Vedanta Limited	Others	Total
Changes in NCI due to merger (Note 42)	–	–	–	–	–
Other changes in non-controlling interests	–	(10.5)	3.5	–	(7.0)
(US\$ million) As at 31 March 2017					
	HZL	Cairn	Vedanta Limited	Others	Total
Changes in NCI due to merger (Note 42)	403.7	(1,001.7)	813.4	(1,032.5)	(817.1)
Other changes in non-controlling interests	–	0.9	(16.9)	–	(16.0)



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 37. Joint arrangements

### Joint operations

The Group's principal licence interests in its oil and gas business are joint operations. The principal licence interests for the year ended 31 March 2018 and 31 March 2017 are as follows:

Oil & Gas blocks/fields	Area	Participating Interest
<b>Operating blocks</b>		
Ravva block	Krishna Godavari	22.50%
CB-OS/2 – Exploration	Cambay Offshore	60.00%
CB-OS/2 – Development and production	Cambay Offshore	40.00%
RJ-ON-90/1 – Exploration	Rajasthan Onshore	100.00%
RJ-ON-90/1 – Development and production	Rajasthan Onshore	70.00%
KG-OSN-2009/3	Krishna Godavari Offshore	100.00%
South Africa Block 1	Orange Basin South Africa Offshore	60.00%
<b>Relinquished blocks</b>		
PR-OSN-2004/1 <sup>1</sup>	Palar Basin Offshore	35.00%
<b>Non-operating blocks</b>		
KG-ONN-2003/1 <sup>2</sup>	Krishna Godavari Onshore	49.00%

1 Relinquished on 30 June 2017.

2 Operatorship has been transferred to Oil and Natural Gas Corporation (ONGC) w.e.f. July 7, 2014.

## 38. Commitments, guarantees, contingencies and other disclosures

### Commitments

The Group has a number of continuing operational and financial commitments in the normal course of business including:

- Exploratory mining commitments;
- Oil and gas commitments;
- Mining commitments arising under production sharing agreements; and
- Completion of the construction of certain assets.

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Capital commitments contracted but not provided	1,893.4	1,351.5

Commitments primarily related to the expansion projects:

	As at 31 March 2018	As at 31 March 2017
<b>Oil &amp; Gas sector</b>		
Cairn India	668.3	22.0
<b>Aluminium sector</b>		
BALCO-325 KTPA smelter and 1200 MW power plant (4 x 300 MW)	33.9	50.2
Lanjigarh Refinery (Phase II) 5.0 MTPA	205.2	249.0
Jharsuguda 1.25 MTPA smelter	75.5	332.9
<b>Power sector</b>		
Jharsuguda 2400 MW Power Plant	15.0	32.8
<b>Zinc sector</b>		
Zinc India (mines expansion)	305.1	239.7
Gamsberg mining and milling project	162.5	206.0
<b>Copper sector</b>		
Tuticorin Smelter 400 KTPA	424.0	217.6
Others	3.9	1.3
<b>Total</b>	<b>1,893.4</b>	<b>1,351.5</b>

### 38. Commitments, guarantees, contingencies and other disclosures continued

#### Guarantees

Companies within the Group provide guarantees within the normal course of business.

A summary of the most significant guarantees is set out below:

As at 31 March 2018, US\$308.2 million of guarantees were advanced to banks, suppliers etc. in the normal course of business (31 March 2017: US\$281.0 million). The Group has also entered into guarantees and bonds advanced to the customs authorities in India of US\$107.3 million (31 March 2017: US\$67.7 million) relating to the export and payment of import duties on purchases of raw material and capital goods.

#### Cairn PSC guarantee to Government

The Group has provided Parent Company guarantee for the Cairn India Group's obligation under the Production Sharing Contract ('PSC').

Vedanta Limited has provided various other guarantees under the Cairn India Group's bank facilities for the Cairn India Group's share of minimum work programme commitments of US\$26.2 million included in the above outstanding as of 31 March 2018 (31 March 2017: US\$19.9 million).

#### Export obligations

The Indian entities of the Group have export obligations of US\$1,904.2 million (31 March 2017: US\$2,647.3 million) on account of concessional rates of import duty paid on capital goods under the Export Promotion Capital Goods Scheme and under the Advance Licence Scheme for import of raw material laid down by the Government of India.

In the event of the Group's inability to meet its obligations, the Group's liability would be US\$169.3 million (31 March 2017: US\$261.7 million), reduced in proportion to actual exports, plus applicable interest.

The Group has given bonds of US\$226.3 million (31 March 2017: US\$258.6 million) to custom authorities against these export obligations.

#### Contingencies

The Group discloses the following legal and tax cases as contingent liabilities.

#### HZL: Department of Mines and Geology

The Department of Mines and Geology of the State of Rajasthan issued several show cause notices in August, September and October 2006 to HZL, totalling US\$51.3 million as at 31 March 2018 and 31 March 2017. These notices alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at HZL's Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan during the period from July 1968 to March 2006. HZL believes it is unlikely that the claim will lead to a future obligation and thus no provision has been made in the financial statements. HZL had filed appeals (writ petitions) in the High Court of Rajasthan in Jodhpur. The High Court restrained the Department of Mines and Geology from undertaking any coercive measures to recover the penalty. Central Government has also been made a party to the case and the matter is likely to be listed now for hearing after completion of pleadings by the Central Government.

#### Richter and Westglobe: Income tax

The Group, through its subsidiaries Richter Holdings Limited and Westglobe Limited, in 2007 acquired the entire stake in Finsider International Company Limited (FICL) based in the United Kingdom which held 51% shares of Sesa Goa Ltd, an Indian Company. In October 2013, the Indian Tax Authorities (Tax Authorities) have served an order on Richter and Westglobe for alleged failure to deduct withholding tax on capital gains on the indirect acquisition of shares in April 2007.

The Tax Authorities determined the liability for such non-deduction of tax as US\$134.7 million in the case of Richter and US\$89.8 million in the case of Westglobe, comprising tax and interest as at 31 March 2018 and 31 March 2017. Richter and Westglobe filed appeals before the first appellate authority. Appeals (writ petitions) were filed in the High Court of Karnataka challenging the constitutional validity of retrospective amendments made by the Finance Act 2012 and in particular the imposition of obligations to deduct tax on payments made against an already concluded transaction. The Karnataka High Court passed interim orders and directed that the adjudication of liability (TDS quantum and interest) shall no longer remain in force since the tax department passed the orders on merits travelling beyond the limited issue of jurisdiction. The jurisdiction issue will be heard by the High Court.

#### Erstwhile Cairn India Limited: Income tax

In March 2014, Cairn India Limited (referred to as Cairn India) received a show cause notice from the Indian Tax Authorities ('Tax Authorities') for not deducting withholding tax on the payments made to Cairn UK Holdings Limited (CUHL), for acquiring shares of Cairn India Holdings Limited (CIHL), as part of their internal reorganisation. The Tax Authorities have stated in the notice that a short-term capital gain has accrued to CUHL on transfer of the shares of CIHL to Cairn India, in the financial year 2006-2007, on which tax should have been withheld by Cairn India. Pursuant to this various replies were filed with the Tax Authorities.

Cairn India also filed a writ petition before the Delhi High Court wherein it has raised several points for assailing the aforementioned Income Tax Authority's order. The matter is next listed for hearing on 6 July 2018 before the Honourable Delhi High Court.

After several hearings, the Income Tax Authority, in March 2015, issued an order holding Cairn India as 'assessee in default' and raised a demand totalling US\$3,150.9 million (including interest of US\$1,575.4 million). Cairn India had filed an appeal before the First Appellate Authority, Commissioner of Income Tax (Appeals) which vide order dated 3 July 2017 confirmed the tax demand against Cairn India. Cairn India has challenged the Commissioner of Income Tax's (Appeals) order before the Income Tax Appellate Tribunal (ITAT).

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 38. Commitments, guarantees, contingencies and other disclosures continued

Separately CUHL, on whom the primary liability of tax lies, has received an Order from the ITAT holding that the transaction is taxable in view of the clarification made in the Act but also acknowledged that being a retrospective transaction, interest would not be levied. Hence affirming a demand of US\$1,575.5 million excluding the interest portion that had previously been claimed. The tax department is appealing this order.

As a result of the above order from ITAT, the Group now considers the risk in respect of the interest portion of claim to be remote. Further, as per the recent attachment notice received from the Tax Recovery Officer appointed for CUHL, they have adjusted the dividend of US\$102.6 million which was due to CUHL and was recovered by the tax department. Vedanta Limited has further remitted additional dividend of US\$68.0 million further reducing the principal liability to US\$1,404.9 million. Accordingly, the Group has revised the contingent liability to US\$1,404.9 million.

Additionally, the tax department has initiated the process of selling the attached CUHL investment in equity and preference shares of Vedanta Limited valuing US\$937.8 million based on the quoted price as at 31 March 2018.

In the event, the case is finally decided against Cairn India, along with interest, the potential liability would be US\$3,150.9 million.

Separately, but in connection with this litigation, Vedanta Resources plc has filed a Notice of Claim against the Government of India ('GOI') under the UK India Bilateral Investment Treaty (the BIT). The International Arbitration Tribunal recently passed a favourable order on jurisdiction and now the matter will be heard on merits – the hearing is scheduled in April–May 2019. The Government of India has challenged the jurisdiction order of Arbitration Tribunal before the High Court of Singapore.

### *Vedanta Limited: Contractor claim*

Shenzhen Shandong Nuclear Power Construction Co. Limited ('SSNP') subsequent to terminating the EPC contract invoked arbitration as per the contract alleging non-payment of their dues towards construction of a 210 MW co-generation power plant for the 6 MTPA expansion project, and filed a claim of US\$252.4 million. SSNP also filed a petition under Section 9 of the Arbitration and Conciliation Act, 1996 before the Bombay High Court requesting for interim relief. The Bombay High Court initially dismissed their petition, but on a further appeal by SSNP, the Division Bench of the Bombay High Court directed Vedanta Limited to deposit a bank guarantee for an amount of US\$28.7 million as a security, being a prima facie representation of the claim, until arbitration proceedings are completed. Vedanta Limited has deposited a bank guarantee of an equivalent amount. Based on the assessment, the Company had booked the liability for US\$30.7 million in earlier years.

On 9 November 2017, the Arbitral Tribunal has pronounced the award in favour of SSNP for US\$34.0 million along with the interest and cost of US\$18.1 million (@ 9% p.a. from date of filing petition, i.e. 18 April 2012). The amount is payable subject to SSNP handing over all the plant drawings to the Company. Given the Company was already carrying a part provision it recognised additional liability of US\$21.4 million including interest and cost making the total liability towards SSNP as US\$52.1 million. The additional amount recognised in the income statement includes US\$17.6 million which has been presented under special items.

The company has challenged the award under section 34 of The Arbitration and Conciliation Act, 1996, which was dismissed. Subsequently, the company has filed an appeal under section 37 of The Arbitration and Conciliation Act, 1996 with the Delhi High Court. The court has granted a stay subject to deposit of the award amount, which has been complied by the Company. The hearing on the arguments in the matter have been completed and the matter has now been reserved for orders.

### *Ravva Joint Venture arbitration proceedings: ONGC Carry*

Cairn India Limited (referred to as Cairn India) is involved in a dispute against the Government of India relating to the recovery of contractual costs in terms of calculation of payments that the contractor party were required to make in connection with the Ravva field.

The Ravva Production Sharing Contract PSC obliges the contractor parties to pay a proportionate share of ONGC's exploration, development, production and contract costs in consideration for ONGC's payment of costs related to the construction and other activities it conducted in Ravva prior to the effective date of the Ravva PSC (the ONGC Carry). The question as to how the ONGC Carry is to be recovered and calculated, along with other issues, was submitted to an International Arbitration Tribunal in August 2002 which rendered a decision on the ONGC Carry in favour of the contractor parties whereas four other issues were decided in favour of GOI in October 2004 (Partial Award).

The GOI then proceeded to challenge the ONGC Carry decision before the Malaysian courts, as Kuala Lumpur was the seat of the arbitration. The Federal Court of Malaysia which adjudicated the matter on 11 October 2011, upheld the Partial Award. Per the decision of the Arbitral Tribunal, the contractor parties and GOI were required to arrive at a quantification of the sums relatable to each of the issues under the Partial Award.

Pursuant to the decision of the Federal Court, the contractor parties approached the Ministry of Petroleum and Natural Gas (MoPNG) to implement the Partial Award while reconciling the statement of accounts as outlined in the Partial Award.

However, MoPNG on 10 July 2014 proceeded to issue a Show Cause Notice alleging that since the Partial Award has not been enforced, the profit petroleum share of GOI has been short-paid. MoPNG threatened to recover the amount from the sale proceeds payable by the oil marketing companies to the contractor parties. The contractor party replied to the Show Cause Notice taking various legal contentions.

### 38. Commitments, guarantees, contingencies and other disclosures continued

As the Partial Award did not quantify the sums, therefore, contractor parties approached the same Arbitral Tribunal to pass a Final Award in the subject matter since it had retained the jurisdiction to do so. The Arbitral Tribunal was reconstituted and the Final Award was passed in October 2016 in Cairn India's favour. GOI's challenge of the Final Award was dismissed by the Malaysian High Court. GOI has challenged the decision before the Court of Appeal, the procedural hearing for which is scheduled on 30 August 2018. Further, Cairn India has also filed for the enforcement of the Partial Award and Final Award with Delhi High Court which is scheduled to be heard on 4 September 2018. While Cairn India does not believe the GOI will be successful in its challenge, if the Arbitral Award is reversed and such reversal is binding, Cairn India could be liable for approximately US\$63.9 million plus interest.

#### *Proceedings related to the Imposition of Entry Tax*

Vedanta Limited and other Group companies i.e. Bharat Aluminium Company Limited (BALCO) and Hindustan Zinc Limited (HZL) challenged the constitutional validity of the local statutes and related notifications in the states of Chhattisgarh, Odisha and Rajasthan pertaining to the levy of entry tax on the entry of goods brought into the respective states from outside.

Post some contradictory orders of High Courts across India adjudicating on similar challenges, the Supreme Court referred the matters to a nine judge bench. Post a detailed hearing, although the bench rejected the compensatory nature of tax as a ground of challenge, it maintained status quo with respect to all other issues which have been left open for adjudication by regular benches hearing the matters.

Following the order of the nine judge bench, the regular bench of the Supreme Court proceeded with hearing the matters. The regular bench remanded the entry tax matters relating to the issue of discrimination against domestic goods bought from other States to the respective High Courts for final determination but retained the issue of jurisdiction for levy on imported goods, for determination by the regular bench of the Supreme Court. Following the order of the Supreme Court, the Group filed writ petitions in respective High Courts.

On 9 October 2017, the Supreme Court has held that states have the jurisdiction to levy entry tax on imported goods. With this Supreme Court judgment, imported goods will rank *pari passu* with domestic goods for the purpose of levy of Entry tax. Vedanta Limited and its subsidiaries have amended their appeals (writ petitions) in Orissa and Chhattisgarh to include imported goods as well. With respect to Rajasthan, the State Government has filed a counter petition in the Rajasthan High Court, whereby it has admitted that it does not intend to levy the entry tax on imported goods.

The issue pertaining to the levy of entry tax on the movement of goods into a Special Economic Zone (SEZ) remains pending before the Odisha High Court. The Group has challenged the levy of entry tax on any movement of goods into an SEZ based on the definition of 'local area' under the Odisha Entry Tax Act which is very clear and does not include an SEZ. In addition, the Government of Odisha further through its SEZ Policy 2015 and the operational guidelines for administration of this policy dated 22 August 2016, exempted the entry tax levy on SEZ operations.

The total claims against Vedanta Limited and its subsidiaries are US\$203.0 million (31 March 2017: US\$165.0 million).

#### *TSPL: Proceedings related to claim for Liquidated Damages*

TSPL entered into a long-term PPA with PSPCL for the supply of power. Due to delays in the fulfilment of certain obligations by PSPCL as per the PPA and force majeure events, there was a delay in completion of the project as per the PPA timelines. TSPL has received notices of claims from PSPCL seeking payment of Liquidated damages (LD) for delay in commissioning of Unit I, II and III totalling to US\$146.4 million as on 31 March 2018 and 31 March 2017.

During the financial year 2014-15, PSPCL had invoked the Performance Bank Guarantee (PBG) of US\$23.1 million to recover the LD on account of delay in the Commercial Operation Date (COD). Against the PBG, invocation stay was granted by PSERC and this was later upheld by APTEL as well. The matter was referred to arbitration by a panel of three Arbitrators. The arbitration proceedings have concluded and the order was passed on 18 September 2017 in TSPL's favour. The said claim of US\$146.4 million was part of contingent liability as on 31 March 2017, however pursuant to the order passed, the claim has been considered to be resolved with no exposure remaining for the Company. PSPCL has filed a Sec 34 Application, which is to be listed on 27 July 2018.

#### *BALCO: Challenge against imposition of Energy Development Cess*

BALCO challenged the imposition of Energy Development Cess levied on generators and distributors of electrical energy @ 10 paise per unit on the electrical energy sold or supplied before the High Court on the grounds that the Cess is effectively on production and not on consumption or sale since the figures of consumption are not taken into account and the Cess is discriminatory since captive power plants are required to pay @ 10 paise while the State Electricity Board is required to pay @ 5 paise. The High Court of Chhattisgarh by order dated 15 December 2006 declared the provisions imposing ED Cess on CPPs as discriminatory and therefore ultra vires the Constitution. The Company has sought refund of ED Cess paid till March 2006 amounting to US\$5.3 million.

The State of Chhattisgarh moved an SLP in the Supreme Court and whilst issuing notice has stayed the refund of the Cess already deposited and the Supreme Court has also directed the State of Chhattisgarh to raise the bills but no coercive action be taken for recovery for the same. Final argument in this matter started before the Supreme Court. In case the Supreme Court overturns the decision of the High Court, BALCO would be liable to pay an additional amount of US\$100.8 million (31 March 2017: US\$88.6 million) and the Company may have to bear a charge of US\$106.1 million (31 March 2017: US\$88.6 million).

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 38. Commitments, guarantees, contingencies and other disclosures continued

### *South Africa Carry Cost*

As part of the farm-in agreement for Block 1, the Group was required to carry its joint venture partner, Petro SA, up to a gross expenditure of US\$100.0 million for a work programme including 3D and 2D seismic studies and at least one exploration well. The Group has spent US\$38.0 million towards exploration expenditure and a minimum carry of US\$62.0 million (including drilling one well) was outstanding at the end of the initial exploration period. The Group had sought an extension for execution of deed for entry into the second renewal phase of the exploration period with a request to maintain status quo of the prior approvals due to uncertainty in the proposed changes in fiscal terms impacting the Group financial interest in the block. The same was granted by the South African authority subject to risk of exploration right getting expired on account of recent High Court judgments. After assessing past judicial precedents followed by independent legal advice, the Group has provided for the requisite damages as applicable under the South African Regulations and obligation for the aforesaid carry cost of US\$62.0 million has been assessed as possible and disclosed as a contingency.

### *Class actions against KCM on behalf of Zambian nationals*

Vedanta and KCM had challenged the jurisdiction of the English courts to hear and adjudicate the claims by Zambian residents in relation to KCM's operations in Zambia. The allegations relate to claims of personal injury, significant pollution, environmental damage and claims for aggravated and exemplary damages and for injunctive relief. These allegations are currently defended by KCM. On 27 May 2016, the English High Court of Justice, Queen's Bench Division, Technology and Construction Court ruled that the English courts have jurisdiction to hear and adjudicate the claims. Vedanta and KCM appealed this ruling.

The English Court of Appeal released a judgement on 13 October 2017, dismissing this appeal and ruling that the English courts have jurisdiction to hear and adjudicate the claims. This judgement relates solely to the jurisdiction of the English courts to hear these claims.

Vedanta and KCM had sought permission from the Supreme Court of London to appeal the Court's decision, which has been granted by the Supreme Court on 23 March 2018.

There has been no hearing or proceeding in any court on the merits of any of these claims to date, none has been scheduled, and the amount of the claims has not been specified. Given the stage of proceedings the amount is presently not quantifiable.

### *Miscellaneous disputes-Income Tax*

The Group is involved in various tax disputes amounting to US\$1,074.6 million (31 March 2017: US\$966.3 million) relating to income tax. These mainly relate to the disallowance of tax holiday for 100% Export Oriented Undertaking under section 10B of the Income Tax Act, 1961, disallowance of tax holiday benefit on production of gas under section 80IB of the Income Tax Act, 1961, tax holiday for undertakings located in certain notified areas under section 80IC of the Income Tax Act, 1961, disallowance of tax holiday benefit for power plants under section 80IA of the Income Tax Act, 1961, on account of depreciation disallowances, disallowance under section 14A of the Income Tax Act and interest thereon which are pending at various appellate levels.

The Group believes that these disallowances are not tenable and accordingly no provision is considered necessary.

### *Miscellaneous other disputes*

The Group is subject to various claims and exposures which arise in the ordinary course of conducting and financing its business from the excise, indirect tax authorities and others. These claims and exposures mostly relate to the assessable values of sales and purchases or to incomplete documentation supporting the companies' returns or other claims.

The approximate value of claims (excluding the items as set out separately above) against the Group companies total US\$571.9 million (31 March 2017: US\$623.4 million).

The Group considers that it can take steps such that the risks can be mitigated and that there will be no significant unprovided liabilities arising.

### *Other Matters*

In July 2017, the Appellate Tribunal for Electricity dismissed the appeal filed by one of the Group's subsidiaries, Talwandi Sabo Power Limited (TSPL) with respect to the interpretation of how the calorific value of coal and costs associated with it should be determined. TSPL has filed the appeal before the Honourable Supreme Court, which by an order dated 7 March 2018 has decided the matter in favour of the Company. The outstanding trade receivables in relation to this dispute as at 31 March 2018 is US\$123.3 million (US\$90.0 million as at 31 March 2017). This was classified as other non-current asset as at 31 March 2017 which has been reclassified to trade and other receivables as at 31 March 2018.

In another matter relating to assessment of whether there has been a change in law following the execution of the Power Purchase Agreement, the Appellate Tribunal for Electricity has dismissed the appeal in July 2017 filed by TSPL. TSPL has filed an appeal before the Honourable Supreme Court to seek relief which is yet to be listed. The outstanding trade receivables in relation to this dispute and other matters as at 31 March 2018 is US\$59.3 million (US\$40.2 million as at 31 March 2017). The Group, based on external legal opinion and its own assessment of the merits of the case, remains confident that it is highly probable that the Supreme Court will uphold TSPL's appeal and has thus continued to treat these balances as recoverable.

Additionally, at Vedanta Limited US\$111.8 million as at 31 March 2018 (31 March 2017: US\$113.2 million) were outstanding on account of certain disputes with another customer relating to computation of tariffs and differential revenues recognised with respect to tariffs pending finalisation by the state regulatory commission.



**38. Commitments, guarantees, contingencies and other disclosures continued****Operating Lease commitments: As lessee**

(i) Operating leases are in relation to the office premises, office equipment and other assets, some of which are cancellable and some are non-cancellable. There is an escalation clause in the lease agreements during the primary lease period. There are no restrictions imposed by lease arrangements and there are no sub-leases. There are no contingent rents. The total of the future minimum lease payments under non-cancellable leases are as under:

(US\$ million) Particulars	As at 31 March 2018	As at 31 March 2017
Within one year of the balance sheet date	0.6	0.4
Within two to five years from the balance sheet date	0.8	0.4
<b>Total</b>	<b>1.4</b>	<b>0.8</b>

Lease payments recognised as expenses during the year ended 31 March 2018, on non-cancellable leases, is US\$0.2 million (31 March 2017: US\$1.1 million).

(ii) TSPL has ascertained that the Power Purchase Agreement (PPA) entered with Punjab State Power Corporation Limited (PSPCL) qualifies to be an operating lease under IAS 17 'Leases'. Based on the assessment that the lease payments by PSPCL are subject to variations on account of various factors like availability of coal, water, etc., the management has determined the entire consideration receivable under the PPA relating to recovery of capacity charges towards capital cost to be contingent rent under IAS 17. The contingent rent recognised as revenue in the statement of profit and loss during the year ended 31 March 2018 and 31 March 2017 is US\$190.0 million and US\$188.9 million respectively.

**39. Related party transactions**

The information below sets out transactions and balances between the Group and various related parties in the normal course of business for the year ended 31 March 2018.

**Sterlite Technologies Limited ('STL')**

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Sales to STL	10.8	127.8
Recovery of expenses	–	0.0
Purchases	0.1	2.6
Net interest income	–	1.3
Net amounts receivable at year end	0.8	4.0
Net amounts payable at year end	–	0.2
Outstanding advance received at year end	–	2.1
Dividend income	0.1	0.1
Investment in equity share	22.9	9.2

Sterlite Technologies Limited is related by virtue of having the same controlling party as the Group, namely Volcan. Pursuant to the terms of the Shared Services Agreement dated 5 December 2003 entered into by the Company and STL, the Company provides various commercial services in relation to STL's businesses on an arm's length basis and at normal commercial terms. For the year ended 31 March 2018, the commercial services provided to STL were performed by certain senior employees of the Group on terms set out in the Shared Services Agreement. The services provided to STL in this year amounted to US\$0.04 million (31 March 2017: US\$0.03 million).

**Sterlite Power Transmission Limited ('SPTL')**

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Sales to SPTL	175.1	2.6
Purchases	2.0	0.4
Other income from SPTL	0.0	–
Net interest received	0.1	–
Net amounts receivable at year end	0.8	–
Investment in equity share	1.6	1.5
Net amounts payable at year end	0.5	–

Sterlite Power Transmission Limited is related by virtue of having the same controlling party as the Group, namely Volcan.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 39. Related party transactions continued

### Vedanta Foundation

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Donation*	0.0	10.2
Net advance given at year end	0.8	—

\* Donation for 31 March 2017 includes donation in kind, having fair market value of US\$1.7 million.

The Vedanta Foundation is a registered not-for-profit entity with a broad focus mainly on education, nutrition and livelihood. The Vedanta Foundation is a related party as it is controlled by members of the Agarwal family who control Volcan. Volcan is also the majority shareholder of Vedanta Resources plc.

### Sesa Goa Community Foundation Limited

Following the acquisition of erstwhile Sea Goa Limited, the Sesa Goa Community Foundation Limited, a charitable institution, became a related party of the Group on the basis that key management personnel of the Group have significant influence on the Sesa Goa Community Foundation Limited. During the year ended 31 March 2018, US\$0.8 million (31 March 2017: US\$0.3 million) was paid to the Sesa Goa Community Foundation Limited.

### Sterlite Iron and Steel Limited

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Loan given/repaid	0.0	0.0
Loan balance receivable at year end	0.7	0.7
Net amount receivable at year end (including interest and advance given)	1.9	1.9
Net interest income	0.1	0.1

Sterlite Iron and Steel Limited is a related party by virtue of having the same controlling party as the Group, namely Volcan.

### Vedanta Medical Research Foundation

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Donation	12.8	5.2
Guarantees given balance at year end	5.3	—
Guarantees given during the year	5.3	—

Vedanta Medical Research Foundation is a related party of the Group on the basis that key management personnel of the Group exercise significant influence.

### Volcan Investments Limited

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Net amount receivable at the year end	0.6	0.4
Recovery of expenses	0.3	0.2
Dividend paid	110.6	93.7

Volcan Investments Limited is a related party of the Group by virtue of being an ultimate controlling party of the Group.

Bank guarantee has been provided by the Group on behalf of Volcan in favour of the Income tax department, India as collateral in respect of certain tax disputes of Volcan. The guarantee amount is US\$17.7 million (31 March 2017: US\$17.7 million).

Volcan Investments Limited is a related party of the Group by virtue of being an ultimate controlling party of the Group.

### Cairn Foundation

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Net amount payable at the year end	1.7	2.8
Donation	2.5	1.8

Cairn Foundation, though not a related party as per the definition under IAS 24, related party disclosure has been included by way of a voluntary disclosure, following the best corporate governance practices.

**39. Related party transactions continued****India Grid Trust**

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Dividend income	1.2	—
Investment redeemed during the year	0.1	—
Investment in equity share at year end	18.8	—

India Grid Trust is a related party of the Group on the basis that the ultimate controlling party of the Group, Volcan Investments Limited, exercises significant influence.

**Associates**

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Investment made during the year	0.0	—
Investment redeemed during the year	0.1	—
Loan balance receivable at year end	1.2	1.0

**Post-Retirement employees benefit trust**

Details of transactions during the year with post-retirement employee benefit trusts. The below mentioned trusts are related parties because these are employee trusts.

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
BALCO Employees Provident Fund Trust	2.0	2.4
Hindustan Zinc Ltd. Employee Contributory Provident Fund Trust	4.7	4.6
Sesa Group Employees Provident Fund	0.7	0.9
Sesa Resources Limited Employees Provident Fund	0.1	0.1
Sesa Mining Corporate Limited Employees Provident Fund	0.2	0.1
HZL Employee Group Gratuity Trust	2.5	3.8
Sesa Group Employees Gratuity Fund and Sesa Group Executives Gratuity Fund	0.2	0.8
Sesa Resources Limited Employees Gratuity Fund	0.0	0.1
Sesa Mining Corporation Limited Employees Gratuity Fund	0.0	0.1
HZL Superannuation Fund	0.4	0.3
Sesa Group Executives Superannuation Scheme	0.3	0.2
Sesa Resources Limited and Sesa Mining Corporation Limited Employees Superannuation Fund	0.0	0.0

Details of balance payable at the end of the year to post-retirement employee benefit trusts.

(US\$ million)	As at 31 March 2018	As at 31 March 2017
BALCO Employees Provident Fund Trust	0.8	0.7
Hindustan Zinc Ltd. Employee Contributory Provident Fund Trust	1.4	0.4
Sesa Group Employees Provident Fund	0.3	0.2
Sesa Resources Limited Employees Provident Fund	0.0	0.0
Sesa Mining Corporate Limited Employees Provident Fund	0.0	0.0
HZL Superannuation Fund	0.0	0.0
Sesa Group Executives Superannuation Scheme	0.0	0.1
Sesa Resources Limited and Sesa Mining Corporation Limited Employees Superannuation Fund	0.0	0.0

**Remuneration of Key Management Personnel**

(US\$ million)	Year ended 31 March 2018	Year ended 31 March 2017
Short-term employee benefits	19.5	20.0
Post-employment benefits	0.7	1.0
Share-based payments	5.5	3.9
	<b>25.7</b>	<b>24.9</b>
Compensation for Non-Executive Directors	0.9	0.9
Commission/sitting fees to KMP	0.0	0.0

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise).

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 39. Related party transactions continued

### Other related party#

(US\$ million)	(US\$ million) Year ended 31 March 2018	(US\$ million) Year ended 31 March 2017
Salary paid to relative	1.2	1.2
Commission/sitting fees to relatives of KMP	0.0	0.0

# close relative of the Executive Chairman.

## 40. Share Transactions Call Options

### a. HZL

Pursuant to the Government of India's policy of divestment, the Group in April 2002 acquired 26% equity interest in HZL from the Government of India. Under the terms of the Shareholder's Agreement ('SHA'), the Group had two call options to purchase all of the Government of India's shares in HZL at fair market value. The Group exercised the first call option on 29 August 2003 and acquired an additional 18.9% of HZL's issued share capital. The Group also acquired an additional 20% of the equity capital in HZL through an open offer, increasing its shareholding to 64.9%. The second call option provides the Group the right to acquire the Government of India's remaining 29.5% share in HZL. This call option is subject to the right of the Government of India to sell 3.5% of HZL shares to HZL employees. The Group exercised the second call option on 21 July 2009. The Government of India disputed the validity of the call option and has refused to act upon the second call option. Consequently the Group invoked arbitration which is in the early stages. The next date of hearing is scheduled for 24 November 2018. The Government of India without prejudice to the position on the Put/Call option issue has received approval from the Cabinet for divestment and the Government is looking to divest through the auction route. Meanwhile, the Supreme Court has, in January 2016, directed status quo pertaining to disinvestment of Government of India's residual shareholding in a public interest petition filed which is currently pending and sub-judice.

### b. BALCO

Pursuant to the Government of India's policy of divestment, the Group in March 2001 acquired 51% equity interest in BALCO from the Government of India. Under the terms of the SHA, the Group has a call option to purchase the Government of India's remaining ownership interest in BALCO at any point from 2 March 2004. The Group exercised this option on 19 March 2004. However, the Government of India has contested the valuation and validity of the option and contended that the clauses of the SHA violate the (Indian) Companies Act, 1956 by restricting the rights of the Government of India to transfer its shares and that as a result such provisions of the SHA were null and void. In the arbitration filed by the Group, the arbitral tribunal by a majority award rejected the claims of the Group on the grounds that the clauses relating to the call option, the right of first refusal, the 'tag-along' rights and the restriction on the transfer of shares violate the (Indian) Companies Act, 1956 and are not enforceable. The Group has challenged the validity of the majority award in the High Court of Delhi and sought for setting aside the arbitration award to the extent that it holds these clauses ineffective and inoperative. The Government of India also filed an application before the High Court of Delhi to partially set aside the arbitral award in respect of certain matters involving valuation. The matter is currently scheduled for hearing by the Delhi High Court on 3 July 2018. Meanwhile, the Government of India without prejudice to its position on the Put/Call option issue has received approval from the Cabinet for divestment and the Government is looking to divest through the auction route.

In view of the lack of resolution on the options, the non-response to the exercise and valuation request from the Government of India, the resultant uncertainty surrounding the potential transaction and the valuation of the consideration payable, the Group considers the strike price of the options to be at fair value, and hence the call options have not been recognised in the financial statements.

## 41. Konkola Copper Mines: Value Added Tax

As of 31 March 2018, backlog Value Added Tax (falling under older VAT rule 18 regime) on inputs amounting to US\$72 million (31 March 2017 : US\$71 million) for 10 month's period between October 2013 to December 2014 was pending for refund from the Government of Republic of Zambia (GRZ). Based on various VAT audits to the satisfaction of Zambia Revenue Authority (ZRA), KCM was granted refunds for US\$56 million in FY2017.

During FY2018, Government of Republic of Zambia have initiated an industry-wide audit of governance and documentations surrounding VAT rules through independent professional audit firms in order to have a more comprehensive review of compliance and governance in VAT regime between 1 January 2013 to 31 December 2015.

The Company believes the new comprehensive review would only reaffirm the position of its compliance, given positive outcomes in earlier audits as conducted by ZRA. Accordingly, the Company does not recognise any provision against the carrying amount of this receivable, however due to delays in start of the comprehensive assessment, the VAT receivables of US\$72 million related to the period under audit has been reclassified to 'Other non-current assets' in the Statement of Financial Position as at 31 March 2018.

## 42. Group Restructuring

Consequent to the receipt of all substantive approvals for the merger of Cairn India Limited with Vedanta Limited on 27 March 2017, the merger was accounted for in the financial year ended 31 March 2017. As per the terms of the scheme, upon the merger becoming effective, non-controlling i.e. public shareholders of Cairn India Limited received one equity share in Vedanta Limited of face value Re 1 each (US\$0.0) and four 7.5% Redeemable Preference Shares in Vedanta Limited of INR10 each (US\$0.2) for each equity share held in Cairn India Limited. No shares were issued to Vedanta Limited or any of its subsidiaries for their shareholding in Cairn India Limited. Cairn India Limited ceased to be a separate legal entity with effect from 11 April 2017.

The above had resulted in a decrease in the shareholding of the Company in Vedanta Limited (merged entity) from 62.85% to 50.13% and an increase in the shareholdings of erstwhile Cairn India Limited's subsidiaries from 37.64% to 50.13%. Given the Company continues to control Vedanta Limited, this was accounted for as an equity transaction with no gain or loss recognised in the income statement.

### 43. Subsequent events

There are no material adjusting or non-adjusting subsequent events, except as disclosed in Note 2 (c)(xii) and below.

Vedanta Limited's resolution plan to acquire Electrosteel Steels Limited (ESL) was approved by the National Company Law Tribunal (NCLT) in India on 17 April 2018 and the Competition Commission of India has subsequently approved the acquisition of ESL by Vedanta Limited. Further, the proposed acquisition was approved by the shareholders of the Company on 18 May 2018. In regard to an appeal filed before it, the National Company Law Appellate Tribunal (NCLAT) has directed that pending final resolution, status quo on ESL as on 1 May 2018 is to be maintained until the appeal is resolved. The Steering Committee, already constituted, shall continue to run the operations of ESL until final resolution.

### 44. List of Subsidiaries

The financial statements comprise the financial statements of the following subsidiaries:

Subsidiaries	Principal activities	Registered Address	The Company's economic percentage holding		Country of incorporation	Immediate holding company	Immediate percentage holding	
			31 March 2018	31 March 2017			31 March 2018	31 March 2017
Direct Subsidiaries of the Parent Company								
Vedanta Resources Holding Limited ('VRHL')	Holding company	5th Floor, 6 St. Andrew Street, London EC4A 3AE	100.00%	100.00%	United Kingdom	VR plc	100.00%	100.00%
Vedanta Resources Jersey Limited ('VRJL')	Investment company	47 Esplanade, St. Helier, Jersey JE1 0BD	100.00%	100.00%	Jersey(CI)	VR plc	100.00%	100.00%
Vedanta Resources Jersey II Limited ('VRJL-II')	Investment company	47 Esplanade, St. Helier, Jersey JE1 0BD	100.00%	100.00%	Jersey(CI)	VR plc	100.00%	100.00%
Vedanta Finance (Jersey) Limited ('VFJL')	Investment company	47 Esplanade, St. Helier, Jersey JE1 0BD	100.00%	100.00%	Jersey(CI)	VR plc	100.00%	100.00%
Vedanta Jersey Investments Limited ('VJIL')	Investment company	13 Castle Street, St. Helier, Jersey JE4 5UT Channel Islands	100.00%	100.00%	Jersey(CI)	VR plc	100.00%	100.00%
Indirect Subsidiaries of the Parent Company								
Vedanta Limited	Copper smelting, Iron Ore mining, Aluminium mining, refining and smelting, Power generation, Oil and Gas exploration, and production	Vedanta Limited 1st Floor, 'C' wing, Unit 103, Corporate Avenue, Atul Projects, Chakala, Andheri (East), Mumbai-400093, Maharashtra, India	50.25%	50.13%	India	Twin Star	37.20%	37.11%
Bharat Aluminium Company Limited ('BALCO')	Aluminium mining and smelting	Aluminium Sadan, 2nd Floor, Core-6-Scope Complex, 7 Lodi Road, New Delhi-110 003	25.63%	25.56%	India	Vedanta Limited	51.00%	51.00%
Copper Mines of Tasmania Pty Limited ('CMT')	Copper mining	C/O Henry Davis York, 44 Martin Place, Sydney, New South Wales	50.25%	50.13%	Australia	MCBV	100.00%	100.00%
Fujairah Gold FZC	Gold and Silver processing	P.O. Box 3992, Fujairah, United Arab Emirates	50.25%	50.13%	UAE	MEL	100.00%	100.00%
Hindustan Zinc Limited ('HZL')	Zinc mining and smelting	Yashad Bhawan, Udaipur (Rajasthan) – 313004	32.62%	32.54%	India	Vedanta Limited	64.92%	64.92%



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 44. List of Subsidiaries continued

Subsidiaries	Principal activities	Registered Address	The Company's economic percentage holding		Country of incorporation	Immediate holding company	Immediate percentage holding	
			31 March 2018	31 March 2017			31 March 2018	31 March 2017
Monte Cello BV ('MCBV')	Holding company	WTC Schipol Airport, Tower B, 5th Floor, Schipol Boulevard 231, 1118 BH Schipol, The Netherlands	50.25%	50.13%	Netherlands	Vedanta Limited	100.00%	100.00%
Monte Cello Corporation NV (MCNV')	Holding company	Kaya Flamboyen 3c, Curaçao, Netherlands Antilles	100.00%	100.00%	Curaçao	Twin Star	100.00%	100.00%
Konkola Copper Mines PLC ('KCM')	Copper mining and smelting	Private Bag KCM (C) 2000, Stand M 1408, Fern Avenue, Chingola	79.42%	79.42%	Zambia	VRHL	79.42%	79.42%
KCM Smelter Co Limited	Production and marketing of copper slimes	Private Bag KCM (C) 2000, Stand M 1408, Fern Avenue, Chingola	79.42%	79.42%	Zambia	KCM	79.42%	79.42%
Sesa Resources Limited ('SRL')	Iron ore	Sesa Ghor, 20 EDC Complex, Patto, Panaji (Goa)-403001	50.25%	50.13%	India	Vedanta Limited	100.00%	100.00%
Sesa Mining Corporation Limited	Iron ore	Sesa Ghor, 20 EDC Complex, Patto, Panaji (Goa)-403001	50.25%	50.13%	India	SRL	100.00%	100.00%
Thalanga Copper Mines Pty Limited ('TCM')	Copper mining	C/o Henry Davis York, 44 Martin Place, Sydney, New South Wales	50.25%	50.13%	Australia	MCBV	100.00%	100.00%
Twin Star Holdings Limited ('Twin Star')	Holding company	C/o SGG Corporate Services LTD Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	100.00%	100.00%	Mauritius	VRHL	100.00%	100.00%
MALCO Energy Limited ('MEL')	Power generation	SIPCOT Industrial Complex, Madurai Bypass Road, Thoothukudi (Tamil Nadu) – 628 002	50.25%	50.13%	India	Vedanta Limited	100.00%	100.00%
Richter Holding Limited ('Richter')	Investment company	66, Ippocratous Street, 1015 Nicosia, Cyprus	100.00%	100.00%	Cyprus	VRCL	100.00%	100.00%
Westglobe Limited	Investment company	C/o SGG Corporate Services LTD Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	100.00%	100.00%	Mauritius	Richter	100.00%	100.00%
Finsider International Company Limited	Investment company	5th Floor, 6 St. Andrew Street, London EC4A 3AE	100.00%	100.00%	United Kingdom	Richter	60.00%	60.00%
Vedanta Resources Finance Limited ('VRFL')	Investment company	5th Floor, 6 St. Andrew Street, London EC4A 3AE	100.00%	100.00%	United Kingdom	VRHL	100.00%	100.00%
Vedanta Resources Cyprus Limited ('VRCL')	Investment company	66, Ippocratous Street, 1015 Nicosia, Cyprus	100.00%	100.00%	Cyprus	VRFL	100.00%	100.00%

## 44. List of Subsidiaries continued

Subsidiaries	Principal activities	Registered Address	The Company's economic percentage holding		Country of incorporation	Immediate holding company	Immediate percentage holding	
			31 March 2018	31 March 2017			31 March 2018	31 March 2017
Welter Trading Limited ('Welter')	Investment company	28th Oktovriou Street, 205 Louloupis Court, 1st Floor P.C. 3035, Limassol, Cyprus	100.00%	100.00%	Cyprus	VRCL	100.00%	100.00%
Lakomasko B.V.	Investment company	Herengracht 458, 1017 CA Amsterdam, The Netherlands	50.25%	50.13%	Netherlands	THL Zinc Holding B.V.	100.00%	100.00%
THL Zinc Ventures Limited	Investment company	C/o SGG Corporate Services LTD Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	50.25%	50.13%	Mauritius	Vedanta Limited	100.00%	100.00%
Twin Star Energy Holdings Limited ('TEHL') <sup>1</sup>	Holding company	C/o SGG Corporate Services LTD Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	50.25%	50.13%	Mauritius	BFL	100.00%	100.00%
THL Zinc Limited	Investment company	C/o SGG Corporate Services LTD Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	50.25%	50.13%	Mauritius	THL Zinc Ventures Ltd	100.00%	100.00%
Sterlite (USA) Inc.	Investment company	Corporation Service Company, 2711 Centerville Road, Suite 400, City of Wilmington, Country of New Castle, Delaware, 19808	50.25%	50.13%	USA	Vedanta Limited	100.00%	100.00%
Talwandi Sabo Power Limited	Power generation	Vill. Banawala, Mansa – Talwandi Sabo Road, Distt. Mansa, Punjab – 151302	50.25%	50.13%	India	Vedanta Limited	100.00%	100.00%
Twin Star Mauritius Holdings Limited ('TMHL') <sup>1</sup>	Holding company	C/o SGG Corporate Services LTD Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	50.25%	50.13%	Mauritius	TEHL	100.00%	100.00%
THL Zinc Namibia Holdings (Pty) Limited ('VNHL')	Mining and Exploration	24 Orban Street, Klein Windhoek, Windhoek	50.25%	50.13%	Namibia	THL Zinc Ltd	100.00%	100.00%
Skorpion Zinc (Pty) Limited ('SZPL')	Acquisition of immovable and movable properties	24 Orban Street, Klein Windhoek, Windhoek	50.25%	50.13%	Namibia	VNHL	100.00%	100.00%
Namzinc (Pty) Limited ('SZ')	Mining	24 Orban Street, Klein Windhoek, Windhoek	50.25%	50.13%	Namibia	SZPL	100.00%	100.00%
Skorpion Mining Company (Pty) Limited ('NZ')	Mining	24 Orban Street, Klein Windhoek, Windhoek	50.25%	50.13%	Namibia	SZPL	100.00%	100.00%

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 44. List of Subsidiaries continued

Subsidiaries	Principal activities	Registered Address	The Company's economic percentage holding		Country of incorporation	Immediate holding company	Immediate percentage holding	
			31 March 2018	31 March 2017			31 March 2018	31 March 2017
Amica Guesthouse (Pty) Ltd	Accommodation and catering services	24 Orban Street, Klein Windhoek, Windhoek	50.25%	50.13%	Namibia	SZPL	100.00%	100.00%
Rosh Pinah Healthcare (Pty) Ltd	Leasing out of medical equipment and building and conducting services related thereto	24 Ondye Drive, Rosh Pinah	34.67%	34.59%	Namibia	SZPL	69.00%	69.00%
Black Mountain Mining (Pty) Ltd	Mining	24 Orban Street, Klein Windhoek, Windhoek	37.19%	37.10%	South Africa	THL Zinc Ltd	74.00%	74.00%
THL Zinc Holding BV	Investment company	Penge Road, Aggeneys	50.25%	50.13%	Netherlands	Vedanta Limited	100.00%	100.00%
Lisheen Mine Partnership	Mining Partnership Firm	Killoran, Moyne, Thurles, Co. Tipperary	50.25%	50.13%	Ireland	VLML	50.00%	50.00%
Vedanta Lisheen Holdings Limited ('VLHL')	Investment Company	Killoran, Moyne, Thurles, Co. Tipperary	50.25%	50.13%	Ireland	THL Zinc Holding BV	100.00%	100.00%
Vedanta Exploration Ireland Limited	Exploration Company	Killoran, Moyne, Thurles, Co. Tipperary	50.25%	50.13%	Ireland	VLHL	100.00%	100.00%
Vedanta Lisheen Mining Limited ('VLML')	Mining	Killoran, Moyne, Thurles, Co. Tipperary	50.25%	50.13%	Ireland	VLHL	100.00%	100.00%
Killoran Lisheen Mining Limited	Mining	Killoran, Moyne, Thurles, Co. Tipperary	50.25%	50.13%	Ireland	VLHL	100.00%	100.00%
Killoran Lisheen Finance Limited	Investment Company	Killoran, Moyne, Thurles, Co. Tipperary	50.25%	50.13%	Ireland	VLHL	100.00%	100.00%
Lisheen Milling Limited	Manufacturing	Killoran, Moyne, Thurles, Co. Tipperary	50.25%	50.13%	Ireland	VLHL	100.00%	100.00%
Vizag General Cargo Berth Private Limited	Infrastructure	Sterlite Industries(I) Limited, SIPCOT Industrial Complex, Madurai Bypass Road, T.V. Puram P.O Tuticorin – 628002, Tamil Nadu, India	50.25%	50.13%	India	Vedanta Limited	100.00%	100.00%
Paradip Multi Cargo Berth Private Limited	Infrastructure	Sterlite Industries(I) Limited, SIPCOT Industrial Complex, Madurai Bypass Road, T.V. Puram P.O Tuticorin – 628002, Tamil Nadu, India	50.25%	50.13%	India	Vedanta Limited	100.00%	100.00%

## 44. List of Subsidiaries continued

Subsidiaries	Principal activities	Registered Address	The Company's economic percentage holding		Country of incorporation	Immediate holding company	Immediate percentage holding	
			31 March 2018	31 March 2017			31 March 2018	31 March 2017
Sterlite Ports Limited ('SPL')	Infrastructure	Sterlite Industries <sup>1</sup> Limited, SIPCOT Industrial Complex, Madurai Bypass Road, T.V. Puram P.O Tuticorin – 628002, Tamil Nadu, India	50.25%	50.13%	India	Vedanta Limited	100.00%	100.00%
Maritime Ventures Private Limited	Infrastructure	Sterlite Industries <sup>1</sup> Limited, SIPCOT Industrial Complex, Madurai Bypass Road, T.V. Puram P.O Tuticorin – 628002, Tamil Nadu, India	50.25%	50.13%	India	SPL	100.00%	100.00%
Goa Sea Ports Private Limited	Infrastructure	Sterlite Industries <sup>1</sup> Limited, SIPCOT Industrial Complex, Madurai Bypass Road, T.V. Puram P.O Tuticorin – 628002, Tamil Nadu, India	50.25%	50.13%	India	SPL	100.00%	100.00%
Bloom Fountain Limited ('BFL')	Operating (Iron Ore) and Investment Company	C/o SGG Corporate Services Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	50.25%	50.13%	Mauritius	Vedanta Limited	100.00%	100.00%
Western Cluster Limited	Mining Company	Amir Building, 18th Street, Sinkor, Tubman Boulevard, Sinkor, Monrovia, Liberia, West Africa	50.25%	50.13%	Liberia	BFL	100.00%	100.00%
Sesa Sterlite Mauritius Holdings Limited <sup>1</sup>	Investment company	C/o SGG Corporate Services LTD Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	50.25%	50.13%	Mauritius	BFL	100.00%	100.00%
Vedanta Finance UK Limited	Investment company	5th Floor, 6 St. Andrew Street, London EC4A 3AE	100.00%	100.00%	United Kingdom	Welter	100.00%	100.00%
Valliant (Jersey) Limited	Investment Company	47 Esplanade, St. Helier, Jersey JE1 0BD Channel Islands	100.00%	100.00%	Jersey(CI)	VRJL-II	100.00%	100.00%
Cairn India Holdings Limited	Investment company	4th Floor, 22–24 New Street, St. Paul's Gate, St. Helier, Jersey JE1 4TR Channel Islands	50.25%	50.13%	Jersey	Vedanta Limited	100.00%	100.00%
Cairn Energy Hydrocarbons Ltd	Oil & gas exploration, development and production	Summit House, 4–5 Mitchell Street, Edinburgh EH6 7BD, Scotland	50.25%	50.13%	Scotland	Cairn India Holdings Limited	100.00%	100.00%

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 44. List of Subsidiaries continued

Subsidiaries	Principal activities	Registered Address	The Company's economic percentage holding		Country of incorporation	Immediate holding company	Immediate percentage holding	
			31 March 2018	31 March 2017			31 March 2018	31 March 2017
Cairn Exploration (No. 2) Limited	Oil & gas exploration, development and production	Summit House, 4-5 Mitchell Street, Edinburgh EH6 7BD, Scotland	50.25%	50.13%	Scotland	Cairn India Holdings Limited	100.00%	100.00%
Cairn Energy Gujarat Block 1 Limited	Oil & gas exploration, development and production	Summit House, 4-5 Mitchell Street, Edinburgh, EH6 7BD, Scotland	50.25%	50.13%	Scotland	Cairn India Holdings Limited	100.00%	100.00%
Cairn Energy Discovery Limited	Oil & gas exploration, development and production	Summit House, 4-5 Mitchell Street, Edinburgh, EH6 7BD, Scotland	50.25%	50.13%	Scotland	Cairn India Holdings Limited	100.00%	100.00%
Cairn Energy India Pty Limited	Oil & gas exploration, development and production	Level 12, 680 George Street, Sydney NSW 2000, Australia	50.25%	50.13%	Australia	Cairn India Holdings Limited	100.00%	100.00%
CIG Mauritius Holdings Private Limited	Investment company	Abax Corporate Services Ltd. 6th Floor, Tower A, 1 CyberCity, Ebene, Mauritius	50.25%	50.13%	Mauritius	Cairn Energy Hydrocarbons Limited	100.00%	100.00%
CIG Mauritius Private Limited	Investment company	Abax Corporate Services Ltd. 6th Floor, Tower A, 1 CyberCity, Ebene, Mauritius	50.25%	50.13%	Mauritius	CIG Mauritius Holding Private Limited	100.00%	100.00%
Cairn Lanka Private Limited	Oil & gas exploration, development and production	Level 27, West Tower, World Trade Centre, Echelon Square, Colombo 1, Sri Lanka	50.25%	50.13%	Sri Lanka	CIG Mauritius Pvt Ltd	100.00%	100.00%
Cairn South Africa Pty Limited	Oil & gas exploration, development and production	22 Bree Street, Cape Town, 8001, South Africa	50.25%	50.13%	South Africa	Cairn Energy Hydrocarbons Limited	100.00%	100.00%
Avanstrate (Japan) Inc. ('ASI') <sup>2</sup>	LCD glass substrate manufacturing	1-11-1 Nishi-Gotanda, Shinagawa-ku, Tokyo, Japan	25.63%	—	Japan	Avanstrate (Japan) Inc.	51.63%	—
Avanstrate Korea <sup>2</sup>	LCD glass substrate manufacturing	84, Hyeongoksandan-ro, Cheongbuk-myeon, Pyeongtaek-city, Gyeonggi-province 451-831, South Korea	25.63%	—	South Korea	Avanstrate (Japan) Inc.	100%	—
Avanstrate Taiwan <sup>2</sup>	LCD glass substrate manufacturing	No 8, Industry 3rd Road, Annan District, Tainan 709-55, Taiwan, R.O.C.	25.63%	—	Taiwan	Avanstrate (Japan) Inc.	100%	—

1 Under liquidation.

2 On 28 December 2017, the Group through its wholly owned subsidiary, acquired 51.6% equity stake in AvanStrate Inc. (ASI) (Refer to Note 5).

3 Subsequent to the balance sheet date, Vedanta Star Limited, a 100% subsidiary of Vedanta Limited was incorporated on 23 April 2018.

The Group owns directly or indirectly through subsidiaries, more than half of the voting power of all of its subsidiaries as mentioned in the list above, and has power over the subsidiaries, is exposed or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.

## 45. Ultimate controlling party

At 31 March 2018, the ultimate controlling party of the Group was Volcan, which is controlled by persons related to the Executive Chairman, Mr Anil Agarwal. Volcan is incorporated in the Bahamas, and does not produce Group accounts.



# Company Balance Sheet

As at 31 March 2018

(US\$ million)	Note	As at 31 March 2018	As at 31 March 2017
<b>Fixed assets</b>			
Tangible assets	2	0.1	0.1
Investments in subsidiaries	3	1,226.3	1,226.3
Investment in preference shares of subsidiaries	4	–	4.7
Financial asset investment	5	0.2	0.3
		<b>1,226.6</b>	<b>1,231.4</b>
<b>Current assets</b>			
Debtors due within one year	6	2,207.0	2,151.4
Debtors due after one year	6	2,565.0	2,358.8
Investments	7	8.9	14.6
Cash and cash equivalents		54.3	0.9
		<b>4,835.2</b>	<b>4,525.7</b>
<b>Creditors: amounts falling due within one year</b>			
Trade and other creditors	8	(77.1)	(88.4)
External borrowings	8	(252.0)	(173.8)
Loan from subsidiary	8	–	(176.5)
		<b>(329.1)</b>	<b>(438.7)</b>
<b>Net current assets</b>		<b>4,506.1</b>	<b>4,087.0</b>
<b>Total assets less current liabilities</b>		<b>5,732.7</b>	<b>5,318.4</b>
<b>Creditors: amounts falling due after one year</b>			
Loan from subsidiary	9	(176.5)	–
External borrowings	9	(4,237.1)	(4,250.8)
		<b>(4,413.6)</b>	<b>(4,250.8)</b>
<b>Net assets</b>		<b>1,319.1</b>	<b>1,067.6</b>
<b>Capital and reserves</b>			
Called up share capital		30.4	30.1
Share premium account		201.5	201.5
Share-based payment reserve		13.3	28.2
Other reserves		(2.1)	(2.0)
Treasury shares		(490.6)	(490.6)
Profit and loss account		1,566.6	1,300.4
<b>Equity shareholders' funds</b>		<b>1,319.1</b>	<b>1,067.6</b>

The separate Financial Statements of Vedanta Resources plc, registration number 4740415 were approved by the Board of Directors on 22 May 2018 and signed on its behalf by

**Navin Agarwal**  
Executive Vice Chairman

# Company Statement of Changes in Equity

For the year ended 31 March 2018

(US\$ million)	Share capital*	Share premium	Share-based payment reserve	Treasury Shares**	Retained earnings	Other Reserves	Total
<b>Equity shareholders' funds at 1 April 2017</b>	<b>30.1</b>	<b>201.5</b>	<b>28.2</b>	<b>(490.6)</b>	<b>1,300.4</b>	<b>(2.0)</b>	<b>1,067.6</b>
Profit for the year	—	—	—	—	407.0	—	407.0
Dividends paid (Note 14 of Group financial statements)	—	—	—	—	(165.4)***	—	(165.4)
Exercise of stock options (Note 32 of Group financial statements)	0.3	—	(27.0)	—	27.0	—	0.3
Recognition of share-based payments (Note 32 of Group financial statements)	—	—	12.1	—	—	—	12.1
Gift to Employees Benefit Trust****	—	—	—	—	(2.4)	—	(2.4)
Movement in fair value of financial asset investment	—	—	—	—	—	(0.1)	(0.1)
<b>Equity shareholders' funds as at 31 March 2018</b>	<b>30.4</b>	<b>201.5</b>	<b>13.3</b>	<b>(490.6)</b>	<b>1,566.6</b>	<b>(2.1)</b>	<b>1,319.1</b>

(US\$ million)	Share capital*	Share premium	Share-based payment reserve	Convertible bond reserve	Treasury Shares**	Retained earnings	Other Reserves	Total
<b>Equity shareholders' funds at 1 April 2016</b>	<b>30.1</b>	<b>201.5</b>	<b>29.9</b>	<b>10.8</b>	<b>(490.6)</b>	<b>724.6</b>	<b>(2.2)</b>	<b>504.1</b>
Profit for the year	—	—	—	—	—	690.2	—	690.2
Dividends paid (Note 14 of Group financial statements)	—	—	—	—	—	(138.4)***	—	(138.4)
Exercise of stock options (Note 32 of Group financial statements)	0.0	—	(15.1)	—	—	15.1	—	0.0
Recognition of share-based payments (Note 32 of Group financial statements)	—	—	13.4	—	—	—	—	13.4
Gift to Employees Benefit Trust****	—	—	—	—	—	(1.9)	—	(1.9)
Convertible bond transfer (Note 28 of Group financial statements)	—	—	—	(10.8)	—	10.8	—	—
Movement in fair value of financial asset investment	—	—	—	—	—	—	0.2	0.2
<b>Equity shareholders' funds as at 31 March 2017</b>	<b>30.1</b>	<b>201.5</b>	<b>28.2</b>	<b>—</b>	<b>(490.6)</b>	<b>1,300.4</b>	<b>(2.0)</b>	<b>1,067.6</b>

\* For details, refer Note 35 of Group financial statements.

\*\* At 31 March 2018, the total number of treasury shares held by the Company was 22,502,483 (31 March 2017: 22,502,483).

\*\*\* Total dividends of US\$165.4 million (2017:US\$138.4) million includes dividend of US\$1.0 million (US\$0.9 million) paid to a separate investment trust which is consolidated in the Group's financial statements with that element of dividends paid by the Company being eliminated (Refer to Note 14 of Group financial statements).

\*\*\*\* Gift to Employees Benefit Trust relates to net purchase of treasury shares under the employee Deferred Share Bonus Plan (Refer to Note 32 of Group financial statements).

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 1. Company accounting policies

### *Basis of Accounting*

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' (FRS 100) issued by the Financial Reporting Council and in accordance with 101 Reduced Disclosure Framework (FRS 101). Accordingly, these financial statements have been prepared on a going concern basis and in accordance with the provisions of the UK Companies Act 2006 and applicable UK accounting standards.

These financial statements have been prepared under the historical cost convention.

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit after tax for the year of the Company amounted to US\$407.0 million (2017: Profit US\$690.2 million)

These financial statements are presented in US dollars being the functional currency of the Company.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- The requirements of paragraph 38, 134 and 136 of IAS 1 'Presentation of Financial Statements'
- The requirements of IAS 7 'Statement of Cash Flows';
- The requirements of IFRS 7 'Financial Instruments : Disclosures';
- The requirements of Paragraph 17 of IAS 24 'Related party disclosures';
- The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' in relation to standards not yet effective.

### *Significant accounting policies*

#### *Investments in subsidiaries*

Investments in subsidiaries represent equity holdings in subsidiaries except preference shares, valued at cost less any provision for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### *Investment in preference shares of subsidiaries*

Investments in preference shares of subsidiaries are stated at fair value. The fair value is represented by the face value of the preference shares as the investments are redeemable at any time for their face value at the option of the Company.

#### *Cash and cash equivalents*

Cash and cash equivalents in the balance sheet comprise of cash at bank, short-term bank deposits and cash in hand.

#### *Financial asset investments*

Financial asset investments are classified as available-for-sale under IAS 39 and are initially recorded at cost and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses on financial asset investments are recognised directly in equity. On disposal or impairment of the investments, the gains and losses in equity are recycled to the income statement.

#### *Currency translation*

Transactions in currencies other than the functional currency of the Company, being US dollars, are translated into US dollars at the spot exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into US dollars at year end exchange rates, or at a contractual rate if applicable.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment.

#### *Deferred taxation*

Deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, subject to the recoverability of deferred tax assets. Deferred tax assets and liabilities are not discounted.

#### *Share-based payments*

The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards are determined with the assistance of an external valuer and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised. Amounts recharged to subsidiaries in respect of awards granted to employees of subsidiaries are recognised as intercompany debtors/creditors until repaid.

The resultant increase in equity is recorded in share-based payment reserve.

In case of cash-settled transactions, a liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined with the assistance of an external valuer.

# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 1. Company accounting policies continued

### *Borrowings*

Interest bearing loans are recorded at the net proceeds received i.e. net of direct transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on accruals basis and charged to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### *Convertible Bonds*

The Convertible bond issued by VRJL and VRJL-II are accounted for as a compound instrument. The gross proceeds (net of issue costs) were lent to the Company by VRJL and VRJL-II. The equity component has been recognised in a separate reserve of the Company and is not subsequently remeasured. The recognition of the equity component by the Company acts to reduce the payable to VRJL and VRJL-II which arises once the gross proceeds are borrowed. The liability component is held at amortised cost. The interest expensed on the liability component is calculated by applying an effective interest rate. The difference between interest expensed and interest paid is added to the carrying amount of the liability component.

### *Financial instruments*

The Company has elected to take the exemption provided in paragraph 8 of FRS 101 in respect of these parent Company financial statements. Full disclosures are provided in Note 29 to the financial statements of the Group for the year ended 31 March 2018.

### *Derivative financial instruments*

Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are remeasured at their fair value at subsequent balance sheet dates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account. The hedged item is recorded at fair value and any gain or loss is recorded in the profit and loss account and is offset by the gain or loss from the change in the fair value of the derivative.

Derivative financial instruments that do not qualify for hedge accounting are marked to market at the balance sheet date and gains or losses are recognised in the profit and loss account immediately.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

### *Cash flow statement*

The Company financial statements are prepared under FRS 101, which does not require application of IAS 7. Accordingly, the Company does not present the individual company cash flow statement.

### *Financial guarantees*

Guarantees issued by the Company on behalf of subsidiaries are designated as 'Insurance Contracts'. Accordingly, these are shown as contingent liabilities. (Note 10)

### *Debtors*

Debtors are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts. An allowance for impairment for debtors is made where there is an indication of a reduction in the recoverability of the carrying value of the debtor.

### *Creditors*

Creditors are stated at their nominal value.

## 2. Company tangible fixed assets

(US\$ million)	
Cost	
<b>At 1 April 2016</b>	<b>2.3</b>
Additions	0.0
<b>At 31 March 2017</b>	<b>2.3</b>
Additions	0.1
<b>At 31 March 2018</b>	<b>2.4</b>
Accumulated depreciation	
<b>At 1 April 2016</b>	<b>2.1</b>
Charge for the period	0.1
<b>At 31 March 2017</b>	<b>2.2</b>
Charge for the period	0.1
<b>At 31 March 2018</b>	<b>2.3</b>
Net book value	
At 1 April 2016	0.2
At 31 March 2017	0.1
<b>At 31 March 2018</b>	<b>0.1</b>

## 3. Investments in subsidiaries

(US\$ million)	
Cost	
At 1 April 2016	1,226.3
<b>At 1 April 2017</b>	<b>1,226.3</b>
<b>At 31 March 2018</b>	<b>1,226.3</b>

At 31 March 2018, the Company held 157,538,524 shares in Vedanta Resources Holdings Limited ('VRHL') (March 2017: 157,538,524 shares), being 100% of VRHL's issued equity share capital. The Company also held one deferred share in VRHL (March 2017: one). At 31 March 2018, the Company held two shares in Vedanta Finance Jersey Limited ('VFJL') (March 2017: two), two shares in Vedanta Resources Jersey Limited ('VRJL') (March 2017: two), two shares in Vedanta Resources Jersey II Limited ('VRJL-II') (March 2017: two), two shares in Vedanta Jersey Investment Limited ('VJIL') (March 2017: two), being 100% of its issued equity share capital.

VRHL is an intermediary holding company incorporated in the United Kingdom (Note 44 of the financial statements of the Group) and registered in England and Wales. VFJL, VRJL, VJIL and VRJL-II are companies, registered and incorporated in Jersey, established to raise funds for the Vedanta Group.

## 4. Investment in preference shares of subsidiaries

(US\$ million)	
Fair value	
<b>At 1 April 2017</b>	<b>4.7</b>
Additions	—
Redemption	(4.7)
<b>At 31 March 2018</b>	<b>—</b>
<b>At 1 April 2016</b>	<b>4.7</b>
Additions	—
Redemption	—
<b>At 31 March 2017</b>	<b>4.7</b>

As at 31 March 2018, the Company held nil preference shares in Vedanta Resources Jersey Limited (VRJL) (31 March 2017: 47 preference shares). During the year, all the preference shares have been redeemed by VRJL.



# Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

## 5. Financial asset investment

(US\$ million)	
Fair value	
<b>At 1 April 2017</b>	<b>0.3</b>
Fair value movement	(0.1)
<b>At 31 March 2018</b>	<b>0.2</b>
<b>At 1 April 2016</b>	<b>0.1</b>
Fair value movement	0.2
<b>At 31 March 2017</b>	<b>0.3</b>

The investment relates to an equity investment in the shares of Victoria Gold Corporation. At 31 March 2018, the investment in Victoria Gold Corporation was revalued and loss of US\$0.1 million (2017: gain of US\$0.2 million) was recognised in equity.

## 6. Company debtors

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Amounts due from subsidiary undertakings	4,771.0	4,509.4
Prepayments and accrued income	0.9	0.5
Other taxes	0.1	0.3
<b>Total</b>	<b>4,772.0</b>	<b>4,510.2</b>
Debtors due within one year	2,207.0	2,151.4
Debtors due after one year	2,565.0	2,358.8
<b>Total</b>	<b>4,772.0</b>	<b>4,510.2</b>

### Amounts due from subsidiary undertakings

At 31 March 2018, the Company had loans due from VRHL of US\$2,110.4 million (2017: US\$1,790.3 million) which represented the funds being loaned for funding the subsidiaries. Out of the total loan, US\$1,423.4 million bears interest at 6.82%, US\$500.0 million at 5.8%, US\$140.0 million at US\$LIBOR plus 385 basis points and US\$47.0 million at 9.7%.

At 31 March 2018, the Company had loans of US\$2,270.3 million (2017: US\$1,757.1 million) due from Vedanta Resources Jersey II Limited (VRJL-II). Out of the total loan, US\$522.9 million bears interest at 6.82%, US\$1,200.0 million at 6.50%, US\$121.4 million at LIBOR plus 300 basis points, US\$60.0 million at 6.5%, US\$121.0 million at 6.75% and US\$245.0 million at 6 months US\$LIBOR plus 430 basis points.

At 31 March 2018, the Company had loans of US\$83.9 million (2017: US\$125.0 million) due from Vedanta Resources Jersey Limited (VRJL) bearing interest at 6.75%.

The Company was owed US\$298.5 million (2017: US\$344.9 million) of accrued interest from VRHL and VRJL-II and VRJL.

As at 31 March 2018, the Company had dividend receivable from VRHL of US\$ NIL million (2017: US\$475.0 million).

In addition to the loans, the Company was also owed US\$7.9 million (2017: US\$17.0 million) of other receivables from Group companies.

## 7. Company current asset investments

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Bank term deposits	8.9	14.6
<b>Total</b>	<b>8.9</b>	<b>14.6</b>

## 8. Company creditors: amounts falling due within one year

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Accruals	(77.1)	(88.4)
Loan from subsidiary (Note 9)	–	(176.5)
Term loans	–	(173.8)
<b>Bonds:</b>		
6% bonds due in January 2019	(252.0)	–
<b>Total</b>	<b>(329.1)</b>	<b>(438.7)</b>

### 8. Company creditors: amounts falling due within one year continued

As at 31 March 2017 loans from subsidiaries included a loan of US\$176.5 million due to Vedanta Finance UK Limited. During the year, its maturity has been extended to January 2021 and the rate of interest has been amended to US\$LIBOR plus 410 basis points. Accordingly, the loan has been reclassified to creditors falling due after one year.

In April 2013, the Company entered into a Standby Letter of Credit agreement arranged by Axis Bank for an amount of US\$150.0 million at a commission of 1% per annum payable quarterly. This facility was funded by the Bank of India to the extent of US\$148.5 million with interest rate at three months US\$LIBOR plus 290 basis points. The facility was payable in two equal annual instalments starting April 2017. During the year, the total amount outstanding under this facility of US\$148.5 million was repaid out of which US\$74.2 million was shown under creditors falling due within one year and US\$74.3 million was shown under creditors falling due after one year respectively in the previous year.

In December 2013, the Company entered into a facility agreement with the Bank of India for borrowing up to US\$100 million at an interest rate of US\$LIBOR plus 357 basis points repayable to the extent of 50% in October 2017 and balance in January 2018. During the year, the Company repaid the total amount outstanding under this facility.

### 9. Company creditors: amounts falling due after one year

(US\$ million)	As at 31 March 2018	As at 31 March 2017
Loan from subsidiary (Note 8)	(176.5)	–
Term loans	(1,087.7)	(716.8)
<b>Bonds:</b>		
6.125% bonds due August 2024	(991.7)	–
9.50% bonds due July 2018*	–	(378.8)
8.25% bonds due June 2021*	(667.4)	(895.1)
6.375% bonds due July 2022	(993.2)	(991.5)
7.125% bonds due May 2023	(497.1)	(496.5)
6% bonds due January 2019*	(252.0)	(772.1)
<b>Less: current maturities (Note 8)</b>		
6% bonds due January 2019	252.0	–
<b>Total</b>	<b>(4,413.6)</b>	<b>(4,250.8)</b>

\* Prepaid fully/partially during the current year.

Term loans are made up of the following loans that the Company has entered into:

- In March 2015, the Company entered into a facility agreement with State Bank of India for borrowing up to US\$350.0 million. US\$100.0 million is repayable in March 2020 and bears interest at a rate of US\$LIBOR plus 370 basis points. US\$250.0 million bears interest at a rate of US\$LIBOR plus 403 basis points repayable in two instalments being US\$100.0 million due in June 2021 and US\$150.0 million in June 2022. As at 31 March 2018, the outstanding amount under this facility is US\$350.0 million.
- In January 2016, the Company entered into a facility agreement with State Bank of India for borrowing up to US\$300.0 million. US\$120.0 million is repayable in February 2022 and bears interest at a rate of US\$LIBOR plus 450 basis points. US\$180.0 million is repayable in February 2023 and bears interest at a rate of US\$LIBOR plus 453 basis points. As at 31 March 2018, the outstanding amount under this facility is US\$300.0 million.
- During the current year, the Company entered into a facility agreement with Syndicate Bank for borrowing up to US\$100.0 million and bears interest at a rate of 3 months US\$LIBOR plus 325 basis points. US\$1.0 million is repayable in November 2021 and US\$99.0 million is repayable in November 2022. As at 31 March 2018, the outstanding amount under this facility is US\$100.0 million.
- During the current year, the Company entered into facility agreements with Yes Bank in different tranches for borrowings up to US\$150.0 million and bears interest at a rate of 3 months US\$LIBOR plus 299 basis points. US\$15.0 million is repayable in July 2020, US\$20.0 million is repayable in January 2021, US\$25.0 million is repayable in July 2021, US\$40.0 million is repayable in January 2022 and US\$50.0 million is repayable in July 2022. As at 31 March 2018, the outstanding amount under this facility is US\$150.0 million.
- During the current year, the Company entered into facility agreements with State Bank of India in different tranches for borrowings up to US\$200.0 million and bears interest at a rate of US\$LIBOR plus 339 basis points. The loan is repayable in January 2025. As at 31 March 2018, the outstanding amount under this facility is US\$200.0 million.

## Notes to the Financial Statements continued

As at and for the year ended 31 March 2018

### 10. Company contingent liabilities

The Company has given a corporate guarantee to Konkola Copper Mines for an amount of US\$689.1 million (2017: US\$709.0 million).

The Company has guaranteed US\$170.0 million (out of which, US\$34.0 million has been repaid during the year) (2017: US\$170.0 million) for a loan facility entered by Valliant Jersey Limited with ICICI bank and US\$180.0 million for loan facility entered by Vedanta Finance Jersey Limited (VFJL) with ICICI bank which has been fully repaid during the year (2017: US\$120.6 million).

The Company has guaranteed US\$500.0 million for a syndicated facility agreement entered by its subsidiary, Welter Trading Limited with Standard Chartered Bank as facility agent. The loan has been fully repaid during the year (2017: US\$500.0 million).

The Company has guaranteed US\$500.0 million for loan facility entered by Monte Cello NV with ICICI bank. The loan has been fully repaid during the year (2017: US\$500.0 million).

The Company has guaranteed US\$100.0 million for revolving credit facility entered by Twin Star Holdings Limited with First Abu Dhabi Bank PJSC as facility agent. (2017: US\$80.0 million).

The Company has guaranteed US\$500.0 million for a syndicated facility entered by Twin Star Holdings Limited with Axis Bank as lead arranger and facility agent. During the year, US\$100.0 million was repaid under this facility. (2017: US\$500 million).

The Company has guaranteed US\$1,200.0 million for a syndicated facility entered by Twin Star Mauritius Holdings Limited with Standard Chartered Bank as facility agent. During the previous years US\$600.0 million has been repaid and during the year the balance US\$600.0 million has been repaid. Hence, the guarantee stands withdrawn. (2017: US\$600.0 million).

The Company has guaranteed US\$500.0 million for a loan facility entered by Twin Star Mauritius Holdings Limited with Standard Chartered Bank and First Gulf Bank PJSC of which \$250.0 million is under a commodity murabaha structure (Islamic financing) and balance \$250.0 million is under a conventional loan structure. During the previous years, US\$50.0 million has been repaid and during the year the balance US\$450 million has been repaid (2017: US\$450.0 million).

The Company has guaranteed US\$1,250.0 million for a loan facility entered by its subsidiaries THL Zinc Limited with Cairn India Holdings Limited (Intercompany loan). During the year, the guarantee has been withdrawn. (2017: US\$1,250.0 million).

The Company has guaranteed US\$900.0 million for a loan facility entered by its subsidiaries Twin Star Mauritius Holdings Limited with Fujairah Gold FZC (Intercompany loan). During the year, the guarantee has been withdrawn. (2017: US\$900.0 million).

The Company has provided a guarantee for the Cairn India Group's (now merged with Vedanta Limited) obligation under the Production Sharing Contract ('PSC').

The Company has provided guarantee for the redeemable preference shares issued by its subsidiary Twin Star Mauritius Holdings Limited to its intermediate parent Bloom Fountain Limited amounting to US\$2,200.0 million. During the year, the guarantee has been withdrawn. (2017: US\$2,200.0 million).

During the year, the Company has guaranteed US\$180.0 million for a facility agreement entered by Vedanta Resources Jersey II Limited with Yes Bank as facility agent. (2017: Nil).

During the year, the Company has guaranteed US\$100.0 million for a facility agreement entered by Welter Trading Limited with Axis Bank as facility agent. (2017: Nil).

During the year, the Company has guaranteed US\$575.0 million for a facility agreement entered by Twin Star Holdings Limited with Citicorp International Limited as facility agent. (2017: Nil).

During the year, the Company has guaranteed US\$100.0 million for a facility agreement entered by Twin Star Holdings Limited with First Abu Dhabi Bank PJSC as facility agent. US\$80.0 million was drawn under this facility and US\$8.0 million was repaid during the year. (2017: Nil).

## 11. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with wholly owned subsidiaries.

Transactions entered into and trading balances outstanding at 31 March with other related parties, are as follows:

(US\$ millions) Name of Company	Relationship	Nature of transaction	2018	2017
Vedanta Limited	Subsidiary	Management and Brand Fees charged	53.1	8.8
Konkola Copper Mines Plc	Subsidiary	Management and Guarantee Fees charged	2.7	2.9
Sterlite Technologies Limited	Related Party	Management Fees charged	0.0	0.0
Volcan Investments Limited	Holding Company	Dividend paid	110.6	93.7
Vedanta Limited	Subsidiary	Receipt of Service	(0.5)	(0.5)
Vedanta Limited	Subsidiary	(Reimbursement)/Payment of expenses	(1.7)	0.1
Vedanta Limited	Subsidiary	Recovery against share option expense	7.6	9.4
Konkola Copper Mines Plc	Subsidiary	Recovery against share option expense	1.3	1.7
Copper Mines of Tasmania Pty Limited	Subsidiary	Recovery against share option expense	0.0	0.0
Fujariah Gold FZC	Subsidiary	Recovery against share option expense	0.1	0.1
Vedanta Lisheen Holdings Limited	Subsidiary	Recovery against share option expense	0.0	(0.0)
Namzinc Pty Limited	Subsidiary	Recovery against share option expense	0.0	(0.2)
Black Mountain Mining (Pty) Limited	Subsidiary	Recovery against share option expense	0.3	0.1
Western Cluster Limited	Subsidiary	Recovery against share option expense	0.0	0.0
Twin Star Mauritius Holdings Limited*	Subsidiary	Reimbursement of Expenses	0.0	0.1
Twin Star Energy Holdings Limited*	Subsidiary	Reimbursement of Expenses	0.1	0.0
THL Zinc Limited	Subsidiary	Reimbursement of Expenses	0.0	0.0
THL Zinc Ventures Limited	Subsidiary	Reimbursement of Expenses	0.0	0.0
Konkola Copper Mines Plc	Subsidiary	Reimbursement of Expenses	0.3	0.7
Cairn India Holdings Limited	Subsidiary	Reimbursement of Expenses	0.8	0.0
Sesa Sterlite Mauritius Holdings Limited*	Subsidiary	Reimbursement of Expenses	0.0	–

### Outstanding balances

(US\$ millions) Name of Company	Relationship	Nature of transaction	2018	2017
Vedanta Limited	Subsidiary	(Payable)/Receivable	(7.6)	3.2
Konkola Copper Mines Plc	Subsidiary	Receivable	12.0	7.7
Sterlite Technologies Limited	Related Party	Receivable	0.1	0.1
Copper Mines of Tasmania Pty Limited	Subsidiary	Receivable	0.0	0.0
Fujariah Gold FZC	Subsidiary	(Payable)/Receivable	0.0	0.1
Vedanta Lisheen Holdings Limited	Subsidiary	(Payable)	(0.0)	(0.0)
Namzinc Pty Limited	Subsidiary	(Payable)	(0.1)	(0.1)
Black Mountain Mining (Pty) Limited	Subsidiary	Receivable/(Payable)	0.3	(0.0)
Western Cluster Limited	Subsidiary	Receivable	0.1	0.1
Twin Star Mauritius Holdings Limited*	Subsidiary	Receivable	–	0.1
Twin Star Energy Holdings Limited*	Subsidiary	Receivable	–	0.1
THL Zinc Limited	Subsidiary	Receivable	–	0.0
THL Zinc Ventures Limited	Subsidiary	Receivable	0.0	0.0
Monte Cello BV	Subsidiary	(Payable)	(1.0)	(1.0)
Cairn India Holdings Limited	Subsidiary	Receivable	0.8	–
Sesa Sterlite Mauritius Holdings Limited*	Subsidiary	Receivable	0.0	–
Bloom Fountain Limited*	Subsidiary	Receivable	0.1	–

\* During the year, Twin Star Mauritius Holdings Limited, Twin Star Energy Holdings Limited and Sesa Sterlite Mauritius Holdings Limited have filed for liquidation and have assigned their payables to the Company to their parent company, Bloom Fountain Limited.

# Five Year Summary

## Summary Consolidated Income Statement

(US\$ million except as stated)	Year ended 31 March 18	Year ended 31 March 17	Year ended 31 March 16	Year ended 31 March 15	Year ended 31 March 14 <sup>1</sup>
<b>Revenue</b>	15,358.7	11,520.1	10,737.9	12,878.7	12,945.0
<b>EBITDA</b>	<b>4,051.2</b>	<b>3,191.1</b>	<b>2,336.4</b>	<b>3,741.2</b>	<b>4,491.2</b>
Depreciation and amortisation	(1,270.7)	(1,030.5)	(1,455.2)	(2,005.7)	(2,203.1)
Special items	683.0	(17.3)	(5,210.1)	(6,744.2)	(138.0)
<b>Operating profit</b>	<b>3,463.5</b>	<b>2,143.3</b>	<b>(4,328.9)</b>	<b>(5,008.7)</b>	<b>2,150.1</b>
Net finance (costs)/investment revenues	(981.4)	(763.4)	(655.1)	(631.5)	(1,032.0)
<b>Profit before taxation</b>	<b>2,482.1</b>	<b>1,379.9</b>	<b>(4,984.0)</b>	<b>(5,640.2)</b>	<b>1,118.1</b>
Net tax credit/(expense)	(1,013.2)	(500.3)	1,481.9	1,852.5	(128.7)
<b>Profit after taxation</b>	<b>1,468.9</b>	<b>879.6</b>	<b>(3,502.1)</b>	<b>(3,787.7)</b>	<b>989.4</b>
Non-controlling interests	1,233.3	(902.3)	1,664.7	1,989.1	(1,185.4)
<b>Profit attributable to equity shareholders in parent</b>	<b>235.6</b>	<b>(22.7)</b>	<b>(1,837.4)</b>	<b>(1,798.6)</b>	<b>(196.0)</b>
Dividends	(182.1)	(137.5)	(110.6)	(171.3)	(162.5)
<b>Retained (loss)/profit</b>	<b>53.5</b>	<b>(160.2)</b>	<b>(1,948.0)</b>	<b>(1,969.9)</b>	<b>(358.5)</b>
<b>Basic earnings per share (US cents per share)</b>					
On profit for the financial year	84.8	(8.2)	(665.8)	(654.5)	(71.7)
On Underlying Profit for the financial year	58.3	16.1	(131.9)	(14.2)	14.7
Dividend per share (US cents per share)	65.0	55.0	30.0	63.0	61.0

1 Restated

## Summary Consolidated Statement of Financial Position

(US\$ million except as stated)	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Goodwill	12.2	16.6	16.6	16.6	16.6
Intangible assets	123.1	95.6	92.2	101.9	108.6
Property, plant and equipment	17,727.3	16,750.8	16,647.8	23,352.0	31,043.5
Financial asset investments	24.5	10.7	6.5	4.2	1.7
<b>Total</b>	<b>17,887.1</b>	<b>16,873.7</b>	<b>16,763.1</b>	<b>23,474.7</b>	<b>31,170.4</b>
Stocks	2,037.7	1,670.1	1,365.8	1,605.7	1,742.5
Debtors	1,526.9	1,084.8	1,344.3	1,839.2	1,739.9
Cash and Liquid Investments	5,606.5	9,725.2	8,936.5	8,209.8	8,937.9
<b>Total</b>	<b>9,171.1</b>	<b>12,480.1</b>	<b>11,646.6</b>	<b>11,654.7</b>	<b>12,420.3</b>
Short-term borrowings	(5,460.3)	(7,658.5)	(4,313.8)	(3,179.2)	(4,358.5)
Other current liabilities	(6,193.6)	(6,413.1)	(6,097.8)	(5,003.4)	(4,931.5)
<b>Total current liabilities</b>	<b>(11,653.9)</b>	<b>(14,071.6)</b>	<b>(10,411.6)</b>	<b>(8,182.6)</b>	<b>(9,290.0)</b>
<b>Net current assets</b>	<b>(2,456.4)</b>	<b>(1,587.8)</b>	<b>1,288.8</b>	<b>3,528.8</b>	<b>3,541.9</b>
<b>Total assets less current liabilities</b>	<b>17,584.7</b>	<b>17,431.8</b>	<b>19,907.7</b>	<b>28,806.3</b>	<b>36,084.3</b>
Long-term borrowings	(9,733.5)	(10,570.2)	(11,949.5)	(13,488.6)	(12,512.7)
Other long-term liabilities	(160.9)	(77.1)	(224.7)	(194.4)	(230.7)
Provisions and deferred tax assets	(1,157.2)	(758.0)	(869.2)	(2,854.0)	(5,354.2)
<b>Total long term liabilities</b>	<b>(11,051.6)</b>	<b>(11,405.3)</b>	<b>(13,043.4)</b>	<b>(16,537.0)</b>	<b>(18,097.6)</b>
Equity Non-controlling interests	(6,859.4)	(6,423.1)	(7,565.2)	(10,654.3)	(13,964.4)
Non-equity Non-controlling interest	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)
<b>Net assets attributable to the equity holders of the parent</b>	<b>(338.2)</b>	<b>(408.5)</b>	<b>(712.8)</b>	<b>1,603.1</b>	<b>4,010.4</b>



## Turnover

(US\$ million)	2018	2017	2016	2015	2014
Zinc	3,903.4	2,857.4	2,502.5	2,943.9	2,856.8
India	3,368.7	2,525.0	2,111.0	2,357.0	2,195.4
International	534.7	332.4	391.5	586.9	661.4
Oil & Gas	1,479.6	1,222.7	1,322.3	2,397.5	3,092.8
Iron Ore	487.5	615.4	350.0	326.5	267.1
Copper	5,115.7	4,008.0	4,169.7	4,777.8	4,676.2
India/Australia	3,832.7	3,133.7	3,197.2	3,700.7	3,404.8
Zambia	1,283.0	874.3	972.5	1,077.1	1,271.4
Aluminium	3,587.6	2,040.0	1,694.3	2,081.9	1,785.4
Power	877.0	835.9	707.5	588.1	622.7
Other	(92.1)	(59.3)	(8.4)	(237.0)	(355.0)
Group	15,358.7	11,520.1	10,737.9	12,878.7	12,945.0

## EBITDA

(US\$ million)	2018	2017	2016	2015	2014
Zinc	2,122.3	1,561.5	1,063.1	1,373.3	1,358.4
India	1,902.8	1,423.2	995.0	1,192.5	1,145.0
International	219.5	138.3	68.1	180.8	213.4
Oil & Gas	849.1	597.2	570.4	1,476.8	2,347.0
Iron Ore	57.3	194.2	73.4	31.4	(24.2)
Copper	273.8	258.1	318.7	277.2	354.2
India/Australia	200.6	252.2	336.6	281.0	197.9
Zambia	73.2	5.9	(17.9)	(3.8)	156.3
Aluminium	452.4	344.2	106.7	415.5	287.3
Power	258.9	244.8	196.3	153.8	168.4
Other	37.4	(8.9)	7.8	13.2	0.1
Group	4,051.2	3,191.1	2,336.4	3,741.2	4,491.2

## EBITDA Margin

(%)	2018	2017	2016	2015	2014
Zinc	54	55	42	47	48
India	56	56	47	51	52
International	41	42	17	31	32
Oil & Gas	57	49	43	62	76
Iron Ore	12	32	21	10	(9)
Copper	5	6	8	6	8
India/Australia	5	8	11	8	6
Zambia	6	1	(2)	(0)	12
Aluminium	13	17	6	20	16
Power	25 <sup>1</sup>	29	28	26	27
Group	26	28	22	29	35

1 Excluding one-offs.

## Five Year Summary continued

### Production

(000's MT)	2018	2017	2016	2015	2014
Aluminium	1,675	1,213	923	877	794
BALCO <sup>1</sup>	569	427	332	324	252
Jharsuguda Aluminium <sup>2</sup>	1,106	786	592	553	542
Copper	599	582	566	531	471
Copper India	403	402	384	362	294
KCM	195	180	182	169	177
Iron Ore (WMT)	7,903	12,300	5,630	667	1,577
Zinc total	876	757	841	836	874
HZL	791	672	759	734	749
Skorpion	84	85	82	102	125
Zinc and Lead MIC	72	70	144	209	239
BMM	72	70	63	59	67
Lisheen	–	–	81	150	172
Oil & Gas – gross production (mmboe)	67.7	69.3	74.6	77.3	79.8
Oil & Gas – working interest (mmboe)	43.3	44.2	46.9	48.4	50.1

1 BALCO – including trial run production of 16 KT in 2018 and 47 in 2017.

2 Jharsuguda – including trial run production of 62 KT in 2018 and 95 in 2017.

### Cash costs of production in US cents

(US cents/lb)	2018	2017	2016	2015	2014
Aluminium – BALCO	87.2	68.3	75.3	89.0	80.8
Aluminium – Jharsuguda	84.7	65.3	68.9	73.9	72.6
Copper India	5.7	5.0	5.7	6.4	9.7
Copper – KCM	239.1	208.6	197.9	257.7	238.4
Zinc including royalty – HZL	61.9	52.4	47.4	49.6	44.7
Zinc without royalty – HZL	44.3	37.6	36.5	39.4	37.4
Zinc COP – Skorpion	84.7	75.1	73.8	70.1	56.7
Zinc COP – BMM	58.8	51.1	62.7	74.3	52.2
Zinc COP – Lisheen	0.0	0.0	56.7	52.8	50.1
Oil & Gas (Opex) (US\$/boe)	6.6	6.2	6.5	6.2	4.1

### Cash costs of production in INR

(INR/mt)	2018	2017	2016	2015	2014
Aluminium – BALCO	123,947	101,051	108,629	119,922	107,728
Aluminium – Jharsuguda	120,349	96,622	99,408	99,676	96,893
Copper India	8,112	9,047	8,203	8,639	12,994
Zinc including royalty	87,971	77,454	68,408	66,805	59,561
Zinc without royalty	62,882	55,679	52,629	53,071	49,834

### Capital expenditure

(US\$ million)	2018	2017	2016	2015	2014
Sustaining	385.0	145.4	184.9	221.4	321.6
Expansion	819.8	668.2	565.8	1,530.8	1,424.7
<b>Total capital expenditure</b>	<b>1,204.8</b>	<b>813.6</b>	<b>750.7</b>	<b>1,752.2</b>	<b>1,746.3</b>

**Net cash/(debt)**

(US\$ million)	2018	2017	2016	2015	2014
Zinc	3,507	3,881	5,415	5,073	4,514
India	3,411	3,741	5,318	4,937	4,345
International	96	140	97	137	169
Oil & Gas	754	4,185	3,240	2,857	3,912
Iron Ore	(176)	(404)	(459)	(634)	(512)
Copper	(382)	(496)	(494)	(705)	(882)
India/Australia	(7)	57	132	33	(159)
Zambia	(375)	(553)	(627)	(738)	(723)
Aluminium	(4,400)	(5,098)	(4,131)	(4,068)	(3,204)
Power	(1,693)	(1,574)	(1,802)	(1,577)	(737)
Other	(7,197)	(8,997)	(9,096)	(9,406)	(11,010)
Group	(9,587)	(8,503)	(7,329)	(8,460)	(7,920)

**Gearing**

(%)	2018	2017	2016	2015	2014
Gearing	60%	59%	52%	41%	31%

**Group Free Cash Flow**

(US\$ million)	2018	2017	2016	2015	2014
Group Free Cash Flow after Capital Creditors	1,745.0	2,211.8	2,338.7	2,578.0	2,695.0
Group Free Cash Flow after Project Capex	925.2	1,543.6	1,772.9	1,047.3	1,269.9

**Capital employed**

(US\$ million)	2018	2017	2016	2015	2014
Average capital employed	15,313	14,350	17,448	23,312	26,694

**ROCE**

(%)	2018	2017	2016	2015	2014
ROCE	14.9%	12.8%	3.4%	5.2%	5.6%

# Production and Reserves Summary

## Copper

### Copper Production Summary

Facility	Product	Year ended 31 March 2018 mt	Year ended 31 March 2017 mt
Tuticorin	Copper anode	328,076	400,620
	Sulphuric acid	1,033,250	1,043,748
	Phosphoric acid	191,746	200,119
	Copper cathode	216,749	216,119
	Copper rods	67,207	71,178
Silvassa	Copper cathode	186,418	186,611
	Copper rods	135,332	136,352
KCM	Finished Copper	195,337	179,837

### Copper Mining Summary

Mine	Type of mine	Ore mined		Copper concentrate		Copper in concentrate	
		31 March 2018 mt	31 March 2017 mt	31 March 2018 mt	31 March 2017 mt	31 March 2018 mt	31 March 2017 mt
Mt Lyell (CMT)	Underground	—	—	—	—	—	—
Konkola & NUG (KCM)	Underground	4,726,590	3,182,001	218,085	173,794	49,780	47,854

### Copper Mine Resource and Reserve Summary

Mine	Type of mine	Resources				Reserves	
		Measured and indicated million mt	Copper grade %	Inferred million mt	Copper grade %	Proved and probable reserves million mt	Copper grade %
Mt Lyell (CMT)	Underground	29.6	1.09	30	1.06	—	—
Konkola (KCM)	Underground	147.8	1.86	319.8	3.07	223.6	1.18

Resources are additional to Reserves

## Aluminium, Alumina and Bauxite

### Aluminium Production Summary

Company	Year ended 31 March 2018 mt	Year ended 31 March 2017 mt
BALCO	569,050	427,079
Jharsuguda Aluminium	1,106,041	786,323

### Alumina Production Summary

Company	Year ended 31 March 2018 mt	Year ended 31 March 2017 mt
Jharsuguda Aluminium	1,209,314	1,207,957

### Bauxite Production Summary

Company	Year ended 31 March 2018 mt	Year ended 31 March 2017 mt
BALCO – Mainpat	589,320	73,170
BALCO – Bodai Daldali	581,920	1,065,300

**Bauxite Mine Resource and Reserve Summary**

Mine	Resources			Reserves		
	Measured and indicated million mt	Aluminium grade %	Inferred million mt	Aluminium grade %	Proved and probable reserves million mt	Aluminium grade %
BALCO						
Mainpat	9.1	44.7	1.0	45.5	5.2	43.2
Bodai-Daldali	5.3	44.5	0.9	46.2	2.8	42.8
<b>Total BALCO</b>	<b>14.4</b>	<b>44.6</b>	<b>1.9</b>	<b>45.8</b>	<b>8.1</b>	<b>43.1</b>
MALCO						
Kolli Hills and Yercaud	0.8	44.0			0.2	43.0

Resources are additional to Reserves.

**Hindustan Zinc****Zinc and Lead Production Summary:**

Company	Year ended 31 March 2018 mt	Year ended 31 March 2017 mt
HZL		
Zinc	791,461	671,988
Lead	168,247	139,009

**Zinc and Lead Mining Summary:****a) Metal mined and metal concentrate**

Mine	Type of mine	Ore mined		Zinc concentrate		Lead concentrate		Bulk concentrate	
		31 March 2018 mt	31 March 2017 mt	31 March 2018 mt	31 March 2017 mt	31 March 2018 mt	31 March 2017 mt	31 March 2018 mt	31 March 2017 mt
Rampura Agucha <sup>1</sup>	Open cut	29,63,564	4,321,192	606,700	1,121,463	57,198	92,228	–	–
Rampura Agucha	Underground	20,78,623	13,79,746	456,938	–	33,997	–	–	–
Rajpura Dariba	Underground	895,568	745,534	76,495	65,012	18,394	14,851	–	–
Sindesar Khurd	Underground	45,00,000	3,664,768	326,890	230,677	146,148	109,007	–	–
Zawar	Underground	21,76,111	1,770,000	51,288	3,441	32,849	3,088	41,697	113,015
<b>Total</b>		<b>12,613,866</b>	<b>11,881,240</b>	<b>1,518,310</b>	<b>1,420,593</b>	<b>288,585</b>	<b>219,174</b>	<b>41,697</b>	<b>113,015</b>

<sup>1</sup> Includes development ore MT from Kayar.**b) Metal in Concentrate (MIC)**

Mine	Type of mine	Zinc concentrate		Lead concentrate	
		31 March 2018 mt	31 March 2017 mt	31 March 2018 mt	31 March 2017 mt
Rampura Agucha	Open cut & Underground	532,998	568,724	52,355	54,705
Rajpura Dariba	Underground	37,237	31,799	7,100	6,082
Sindesar Khurd	Underground	162,709	116,944	84,070	60,203
Zawar	Underground	40,071	38,497	30,842	30,029
<b>Total</b>		<b>773,015</b>	<b>755,964</b>	<b>174,368</b>	<b>151,019</b>



## Production and Reserves Summary continued

### Zinc and Lead Mine Resource and Reserve Summary Zinc India

Mine	Resources						Reserves		
	Measured and indicated million mt	Zinc grade %	Lead grade %	Inferred million mt	Zinc grade %	Lead grade %	Proved and probable reserves million mt	Zinc grade %	Lead grade %
Rampura Agucha	16.2	15.0	1.9	34.3	10.0	2.6	46.0	13.8	1.9
Rajpura Dariba	22.9	6.9	2.1	27.8	6.4	1.8	9.3	4.9	1.7
Zawar	22.3	4.8	1.8	67.8	4.6	2.6	10.4	3.0	2.1
Kayad	1.5	14.3	2.0	1.3	4.6	1.9	5.5	5.6	0.8
Sindesar Khurd	15.8	4.8	3.0	75.6	3.6	1.8	34.6	4.0	3.0
Bamnia Kalan	5.4	4.5	1.6	14.7	3.7	1.8	—	—	—
<b>Total</b>	<b>84.1</b>	<b>7.5</b>	<b>2.1</b>	<b>221.5</b>	<b>5.3</b>	<b>2.2</b>	<b>105.7</b>	<b>8.3</b>	<b>2.2</b>

Resources are additional to Reserves.

### Zinc International

Mine	Resources						Reserves		
	Measured and indicated million mt	Zinc grade %	Lead grade %	Inferred million mt	Zinc grade %	Lead grade %	Proved and probable reserves million mt	Zinc grade %	Lead grade %
Skorpion	2.92	9.12	—	1.84	8.65	—	2.74	9.88	—
BMM									
– Deeps	10.60	2.88	2.97	—	—	—	5.59	2.98	2.24
– Swartberg	35.68	0.84	3.70	26.49	2.19	3.04	2.33	0.62	3.26
– Gamsberg	97.91	6.20	0.54	64.36	7.81	0.52	53.18	6.63	0.51

Resources are additional to Reserves.

### Zinc Production Summary:

Company	Year ended 31 March 2018 mt	Year ended 31 March 2017 mt
Skorpion	84,215	85,427

### Zinc and Lead Mining Summary:

#### a) Metal mined and metal concentrate

Mine	Type of mine	Ore mined		Zinc concentrate		Lead concentrate	
		31 March 2018 mt	31 March 2017 mt	31 March 2018 mt	31 March 2017 mt	31 March 2018 mt	31 March 2017 mt
Skorpion	Open Cast	537,066	1,206,176	—	—	—	—
BMM	Underground	1,605,892	1,590,600	55,501	58,005	65,381	59,518
<b>Total</b>	<b>Underground</b>	<b>2,142,958</b>	<b>2,796,776</b>	<b>55,501</b>	<b>58,005</b>	<b>65,381</b>	<b>59,518</b>

#### b) Metal in Concentrate (MIC)

Mine	Type of mine	Zinc in concentrate		Lead in concentrate	
		31 March 2018 mt	31 March 2017 mt	31 March 2018 mt	31 March 2017 mt
BMM	Underground	27,175	28,708	45,113	41,770

## Iron Ore

## Iron Ore Production Summary

Company	Year ended 31 March 2018 million wmt	Year ended 31 March 2017 million wmt
<b>Vedanta Limited</b>		
Saleable Iron Ore	7.9	12.3
Goa	4.3	8.8
Karnataka	2.3	2.3
Dempo	1.3	1.2

## Iron Ore Resource and Reserve Summary

Mine	Resources			Reserves		
	Measured and indicated million mt	Iron ore grade %	Inferred million mt	Iron ore grade %	Proved and probable reserves million mt	Iron ore grade %
Iron ore Karnataka	43.8	43.6	10.5	42.9	45.9	54.1

During the year ended 31 March 2018, The Honourable Supreme Court of India issued a judgment directing that all mining operations in the state of Goa were to cease with effect from 16 March 2018. Pursuant to this order, we halted our mining activities. The Company has taken an impairment (non-cash item) of US\$534 million net of taxes (US\$758 million gross of taxes) pursuant to this order. This is mainly related to mining reserves. Therefore, the Company has not shown any Reserves and Resources related to Iron Ore Goa.

## Oil &amp; Gas

The Oil & Gas reserves data set out below are estimated on the basis set out in the section headed 'Presentation of Information'.

## Cairn India

The Company's gross reserve estimates are updated at least annually based on the forecast of production profiles, determined on an asset-by-asset basis, using appropriate petroleum engineering techniques. The estimates of reserves and resources have been derived in accordance with the Society for 'Petroleum Engineers Petroleum Resources Management System (2007)'. The changes to the reserves are generally on account of future development projects, application of technologies such as enhanced oil recovery techniques and true up of the estimates. The management's internal estimates of hydrocarbon reserves and resources at the period end, based on the current terms of the PSCs, are as follows:

Particulars	Gross proved and probable hydrocarbons initially in place (mmboe)		Gross proved and probable reserves and resources (mmboe)		Net working interest proved and probable reserves and resources (mmboe)	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Rajasthan MBA Fields	2,288	2,197	371	410	260	287
Rajasthan MBA EOR	—	—	335	272	235	191
Rajasthan Block Other Fields	3,460	4,034	430	478	301	334
Ravva Fields	733	696	45	41	10	9
CBOS/2 Fields	251	225	34	23	13	9
Other fields	335	335	48	48	24	24
<b>Total</b>	<b>7,066</b>	<b>7,486</b>	<b>1,263</b>	<b>1,273</b>	<b>842</b>	<b>854</b>

The Company's net working interest proved and probable reserves is as follows:

Particulars	Proved and Probable reserves		Proved and Probable reserves	
	Oil (mmstb)	Gas (bscf)	Oil (mmstb)	Gas (bscf)
<b>Reserves as of 1 April 2016*</b>	<b>160.20</b>	<b>55.05</b>	<b>144.73</b>	<b>28.47</b>
Additions/revision during the year	(4.81)	(2.48)	(1.60)	(8.83)
Production during the year	(43.43)	(4.84)	(43.43)	(4.84)
<b>Reserves as of 31 March 2017**</b>	<b>111.96</b>	<b>47.73</b>	<b>99.70</b>	<b>14.80</b>
Additions/revision during the year	27.68	12.01	13.44	20.95
Production during the year	(41.86)	(8.42)	(41.86)	(8.42)
<b>Reserves as of 31 March 2018***</b>	<b>97.78</b>	<b>51.32</b>	<b>71.27</b>	<b>27.32</b>

\* Includes probable oil reserves of 40.05 mmstb (of which 27.31 mmstb is developed) and probable gas reserves of 29.80 bscf (of which 5.81 bscf is developed).

\*\* Includes probable oil reserves of 32.37 mmstb (of which 20.62 mmstb is developed) and probable gas reserves of 37.84 bscf (of which 4.92 bscf is developed).

\*\*\* Includes probable oil reserves of 26.77 mmstb (of which 5.00 mmstb is developed) and probable gas reserves of 25.12 bscf (of which 4.17 bscf is developed).

## Production and Reserves Summary continued

### **Source of information:**

In respect of all businesses, the information has been certified by geologist on behalf of Group management.

### **Basis of Preparation**

Ore reserves and mineral resources reported herein comply with the 'The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves', other than those relating to Konkola Copper Mines plc ('KCM') which complies with the South African Code for Reporting of Mineral Reserves and Mineral Resources (the 'SAMREC Code'). The former code is prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists, and Minerals Council of Australia, and is commonly referred to as the 'JORC Code'. As at the date of this document, the editions of the JORC and SAMREC Codes in force are dated December 2004 and March 2000, respectively. The JORC and SAMREC Codes recognise a fundamental distinction between resources and reserves.

The terms and definitions in the SAMREC Code are consistent with those used in the JORC Code with minor differences in terminology – the JORC Code uses the term Ore Reserve whilst the SAMREC Code uses the term Mineral Reserve. For the purposes of ore and mineral resources reported herein, the term ore resources have been used throughout.

Oil and Gas reserves and resources have been prepared according to the Petroleum Resources Management Systems (PRMS) approved in March 2007 by the Society of Petroleum Engineers, the world Petroleum Council, the American Association of Petroleum Geologist, and the Society of Petroleum Evaluation Engineers.

Mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into Measured, Indicated and Inferred categories reflecting decreasing confidence in geological and/or grade continuity. The reporting of resource estimates carries the implication that there are reasonable prospects for eventual economic exploitation. An Ore or Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource. It includes the effect of dilution and losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, need to have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.

These assessments demonstrate at the time of reporting that extraction could be reasonably justified. Ore Reserves are sub-divided in order of decreasing confidence into Proved Ore Reserves and Probable Ore Reserves.

The Measured and Indicated mineral resources have been reported as being inclusive of those mineral resources modified to produce the ore reserves, in addition to the ore reserves. The resource and reserve estimates provided herein comply with the resource and reserve definitions of the JORC Code, other than those relating to KCM which comply with the SAMREC Code.

## Other Information

### Alternative performance measures

#### Introduction

Vedanta Group is committed to providing timely and clear information on financial and operational performance to investors, lenders and other external parties, in the form of Annual Reports, disclosures, RNS feeds and other communications. We regard high standards of disclosure as critical to business success.

Alternative Performance Measure (APM) is an evaluation metric of financial performance, financial position or cash flows that is not defined or specified under International Financial Reporting Standards (IFRS).

The APMs used by the group fall under two categories:

- Financial APMs: These financial metrics are usually derived from financial statements, prepared in accordance with IFRS. Certain financial metrics cannot be directly derived from the financial statements as they contain additional information such as profit estimates or projections, impact of macro-economic factors and changes in regulatory environment on financial performance.
- Non-Financial APMs: These metrics incorporate non-financial information that management believes is useful in assessing the performance of the Group.

APMs are not uniformly defined by all the companies, including those in the Group's industry. APM's should be considered in addition to, and not a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS.

#### Purpose

The Group uses APMs to improve comparability of information between reporting periods and business units, either by adjusting for uncontrollable or one-off factors which impacts upon IFRS measures or, by aggregating measures, to aid the user of the Annual Report in understanding the activity taking place across the Group's portfolio.

APMs are used to provide valuable insight to analysts and investors along with Generally Accepted Accounting Practices (GAAP). We believe these measures assist in providing a holistic view of the Company's performance.

**Alternative performance measures (APMs) are denoted by ♦ where applicable.**

♦ APM terminology*	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements
EBITDA	Operating profit/(loss) before special items	Operating Profit/(Loss) before special items Add: Depreciation & Amortisation
EBITDA margin (%)	No direct equivalent	Not applicable
Adjusted revenue	Revenue	Revenue Less: revenue of custom smelting operations at our Copper & Zinc business
Adjusted EBITDA	Operating profit/(loss) before special items	EBITDA Less: EBITDA of custom smelting operations at our Copper & Zinc business
Adjusted EBITDA margin	No direct equivalent	Not applicable
Underlying profit/(loss)	Attributable profit/(loss) before special items	Attributable profit/(loss) before special items Less: NCI share in other gains/(losses) (net of tax)
Underlying earnings per share	Basic earnings per share before special items	Underlying attributable profit/(loss) divided by weighted average number of shares of the company in issue
Project Capex	Expenditure on Property, Plant and Equipment (PPE)	Gross Addition to PPE Less: Gross disposals to PPE Add: Accumulated Depreciation on disposals Less: Decommissioning liability Less: Sustaining Capex
Free cash flow	Net cash flow from operating activities	Net Cash flow from operating activities Less: purchases of property, plant and equipment and intangibles less proceeds on disposal of property, plant and equipment Add: Dividend paid and dividend distribution tax paid Add/less: Other non-cash adjustments
Net debt	Borrowings and debt related derivatives Less: cash and cash equivalents and liquid investment	No Adjustments
ROCE	No direct Equivalent	Not Applicable

\* Glossary and definition section includes further description as relevant.

## Other Information continued

ROCE for FY2018 is calculated based on the working summarised below. The same method is used to calculate the ROCE for all previous years (stated at other places in the report).

Particulars	Year ended 31 March 2018
Operating profit before special items	2,781
Less: cash tax outflow	(498)
Operating profit after tax (a)	2,283
Opening capital employed (b)	14,518
Closing capital employed (c)	16,108
Average capital employed (d) = (a+b)/2	15,313
<b>ROCE (a)/(d)</b>	<b>14.9%</b>



# Glossary and Definitions

## Adapted Comparator Group

The new comparator group of companies used for the purpose of comparing TSR performance in relation to the LTIP, adopted by the Remuneration Committee on 1 February 2006 and replacing the previous comparator group comprising companies constituting the FTSE Worldwide Mining Index (excluding precious metals)

## AGM or Annual General Meeting

The annual general meeting of the Company

## Aluminium business

The Aluminium business of the Group, comprising of its fully-integrated bauxite mining, alumina refining and aluminium smelting operations in India, and trading through the Bharat Aluminium Company Limited and Jharsuguda Aluminium (a division of Vedanta Limited), in India

## Articles of Association

The Articles of Association of Vedanta Resources plc

## Attributable Profit

Profit for the financial year before dividends attributable to the equity shareholders of Vedanta Resources plc

## BALCO

Bharat Aluminium Company Limited, a company incorporated in India.

## BMM

Black Mountain Mining Pty

## Board or Vedanta Board

The Board of Directors of the Company

## Board Committees

The committees reporting to the Board: Audit, Remuneration, Nominations, and Sustainability, each with its own terms of reference

## Businesses

The Aluminium business, the Copper business, the Zinc, Lead, Silver, Iron Ore, Power and Oil & Gas business together

## Cairn India

Erstwhile Cairn India Limited and its subsidiaries

## Capital Employed

Net assets before Net (Debt)/Cash

## Capex

Capital expenditure

## CEO

Chief Executive Officer

## CFO

Chief Financial Officer

## CII

Confederation of Indian Industries

## CO<sub>2</sub>

Carbon dioxide

## CMT

Copper Mines of Tasmania Pty Limited, a company incorporated in Australia

## Company or Vedanta

Vedanta Resources plc

## Company financial statements

The audited financial statements for the Company for the year ended 31 March 2018 as defined in the Independent Auditor's Report on the individual Company Financial Statements to the members of Vedanta Resources plc

## Copper business

The copper business of the Group, comprising:

- A Copper smelter, two refineries and two copper rod plants in India, trading through Vedanta Limited, a company incorporated in India;
- One copper mine in Australia, trading through Copper Mines of Tasmania Pty Limited, a company incorporated in Australia; and
- An integrated operation in Zambia consisting of three mines, a leaching plant and a smelter, trading through Konkola Copper Mines PLC, a company incorporated in Zambia.

## Copper India

Copper Division of Vedanta Limited comprising of a copper smelter, two refineries and two copper rod plants in India

## Cents/lb

US cents per pound

## CRRRI

Central Road Research Institute

## CRISIL

CRISIL Limited (a S&P Subsidiary) is a rating agency incorporated in India

## CSR

Corporate social responsibility

## CTC

Cost to company, the basic remuneration of executives, which represents an aggregate figure encompassing basic pay, pension contributions and allowances

## CY

Calendar year

## DDT

Dividend distribution tax

## Deferred shares

Deferred shares of £1.00 each in the Company

## DFS

Detailed feasibility study

## DGMS

Director General of Mine Safety in the Government of India

## Directors

The Directors of the Company

## DMF

District Mineral Fund

## DMT

Dry metric tonne

## Dollar or \$

United States dollars, the currency of the United States of America

## EAC

Expert advisory committee

## Glossary and Definitions continued

### EBITDA

EBITDA is a non-IFRS measure and represents earnings before special items, depreciation, amortisation, other gains and losses, interest and tax.

### EBITDA Margin

EBITDA as a percentage of turnover

### Economic Holdings or Economic Interest

The economic holdings/interest are derived by combining the Group's direct and indirect shareholdings in the operating companies. The Group's Economic Holdings/Interest is the basis on which the Attributable Profit and net assets are determined in the consolidated accounts

### E&OHSAS

Environment and occupational health and safety assessment standards

### E&OHS

Environment and occupational health and safety management system

### EPS

Earnings per ordinary share

### ESOP

Employee share option plan

### ESP

Electrostatic precipitator

### Executive Committee

The Executive Committee to whom the Board has delegated operational management. It comprises of the Chief Executive Officer and the senior management of the Group

### Executive Directors

The Executive Directors of the Company

### Expansion Capital Expenditure

Capital expenditure that increases the Group's operating capacity

### Financial Statements or Group financial statements

The consolidated financial statements for the Company and the Group for the year ended 31 March 2018 as defined in the Independent Auditor's Report to the members of Vedanta Resources plc

### FY

Financial year i.e. April to March

### GAAP, including UK GAAP

Generally Accepted Accounting Principles, the common set of accounting principles, standards and procedures that companies use to compile their financial statements in their respective local territories

### GDP

Gross domestic product

### Gearing

Net Debt as a percentage of Capital Employed

### GJ

Giga joule

### Government or Indian Government

The Government of the Republic of India

### Gratuity

A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

### Group

The Company and its subsidiary undertakings and, where appropriate, its associate undertaking

### Gross finance costs

Finance costs before capitalisation of borrowing costs

### HIIP

Hydrocarbons Initially in Place

### HSE

Health, safety and environment

### HZL

Hindustan Zinc Limited, a company incorporated in India

### IAS

International Accounting Standards

### IFRIC

IFRS Interpretations Committee

### IFRS

International Financial Reporting Standards

### INR

Indian Rupees

### Interest cover

EBITDA divided by gross finance costs (including capitalised interest) excluding accretive interest on convertible bonds, unwinding of discount on provisions, interest on defined benefit arrangements less investment revenue

### IPP

Independent power plant

### Iron Ore Sesa

Iron Ore Division of Vedanta Limited, comprising of a Iron ore mines in Goa and Karnataka in India

### Jharsuguda Aluminium

Aluminium Division of Vedanta Limited, comprising of an aluminium refining and smelting facilities at Jharsuguda and Lanjigarh in Odisha in India.

### KCM or Konkola Copper Mines

Konkola Copper Mines PLC, a company incorporated in Zambia

### Key Result Areas or KRAs

For the purpose of the remuneration report, specific personal targets set as an incentive to achieve short-term goals for the purpose of awarding bonuses, thereby linking individual performance to corporate performance

### KPIs

Key performance indicators

### KTPA

Thousand tonnes per annum

### Kwh

Kilo-watt hour

### LIBOR

London inter bank offered rate

**LIC**

Life Insurance Corporation

**Listing or IPO (Initial Public Offering)**

The listing of the Company's ordinary shares on the London Stock Exchange on 10 December 2003

**Listing Particulars**

The listing particulars dated 5 December 2003 issued by the Company in connection with its Listing or revised listing filled in 2011

**Listing Rules**

The listing rules of the Financial Services Authority, with which companies with securities that are listed in the UK must comply

**LME**

London Metals Exchange

**London Stock Exchange**

London Stock Exchange plc

**Lost time injury**

An accident/injury forcing the employee/contractor to remain away from his/her work beyond the day of the accident

**LTIFR**

Lost time injury frequency rate: the number of lost time injuries per million man hours worked

**LTIP**

The Vedanta Resources Long-Term Incentive Plan or Long-Term Incentive Plan

**MALCO**

The Madras Aluminium Company Limited, a company incorporated in India

**Management Assurance Services (MAS)**

The function through which the Group's internal audit activities are managed

**MAT**

Minimum alternative tax

**MBA**

Mangala, Bhagyam, Aishwariya oil fields in Rajasthan

**MIC**

Metal in concentrate

**MOEF**

The Ministry of Environment, Forests and Climate change of the Government of the Republic of India

**mt or tonnes**

Metric tonnes

**MU**

million Units

**MW**

Megawatts of electrical power

**NCCBM**

National Council of Cement and Building Materials

**Net (Debt)/Cash**

Total debt after fair value adjustments under IAS 32 and 39, cash and cash equivalents, liquid investments and debt related derivative

**NGO**

Non-governmental organisation

**Non-Executive Directors**

The Non-Executive Directors of the Company

**Oil & Gas business**

Oil & Gas division of Vedanta Limited, is involved in the business of exploration, development and production of Oil & Gas

**Ordinary Shares**

Ordinary shares of 10 US cents each in the Company

**ONGC**

Oil and Natural Gas Corporation Limited, a company incorporated in India

**OPEC**

Organisation of the Petroleum Exporting Countries

**PBT**

Profit before tax

**PPE**

Property plant and equipment

**Provident Fund**

A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

**PSC**

A 'production sharing contract' by which the Government of India grants a license to a company or consortium of companies (the 'Contractor') to explore for and produce any hydrocarbons found within a specified area and for a specified period, incorporating specified obligations in respect of such activities and a mechanism to ensure an appropriate sharing of the profits arising there from (if any) between the Government and the Contractor

**PSP**

The Vedanta Resources Performance Share Plan

**Recycled water**

Water released during mining or processing and then used in operational activities

**Relationship Agreement**

The agreement between the Company, Volcan Investments Limited and members of the Agarwal family which had originally been entered into at the time of the Company's listing in 2003 and was subsequently amended in 2011 and 2014 to regulate the ongoing relationship between them, the principal purpose of which is to ensure that the Group is capable of carrying on business independently of Volcan, the Agarwal family and their associates

**Return on Capital Employed or ROCE**

Operating profit before special items net of tax outflow, as a ratio of average capital employed

**RO**

Reverse osmosis

**Senior Management Group**

For the purpose of the remuneration report, the key operational and functional heads within the Group

**SEWT**

Sterlite Employee Welfare Trust, a long-term investment plan for Sterlite senior management

**SHGs**

Self help groups

## Glossary and Definitions continued

### SBU

Strategic Business Unit

### SEBI

Securities and Exchange Board of India

### STL

Sterlite Technologies Limited, a company incorporated in India

### Special items

Items which derive from events and transactions that need to be disclosed separately by virtue of their size or nature (refer to Note 2(A) (IV) special items of accounting policies)

### Sterling, GBP or £

The currency of the United Kingdom

### Superannuation fund

A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

### Sustaining Capital Expenditure

Capital expenditure to maintain the Group's operating capacity

### TCM

Thalanga Copper Mines Pty Limited, a company incorporated in Australia

### TC/RC

Treatment charge/refining charge being the terms used to set the smelting and refining costs

### TGT

Tail gas treatment

### TLP

Tail Leaching Plant

### tpa

Metric tonnes per annum

### TPM

Tonne per month

### TSPL

Talwandi Sabo Power Limited, a company incorporated in India

### TSR

Total shareholder return, being the movement in the Company's share price plus reinvested dividends

### Twin Star

Twin Star Holdings Limited, a company incorporated in Mauritius

### Twin Star Holdings Group

Twin Star and its subsidiaries and associated undertaking

### US cents

United States cents

### UK Corporate Governance Code or the Code

The UK Corporate Governance Code 2014 issued by the Financial Reporting Council

### Vedanta Limited (formerly known as Sesa Sterlite Limited/Sesa Goa Limited)

Vedanta Limited, a company incorporated in India engaged in the business of oil & gas exploration and production, copper smelting, iron ore mining, alumina & aluminium production and Energy generation

### VFJL

Vedanta Finance (Jersey) Limited, a company incorporated in Jersey

### VGCB

Vizag General Cargo Berth Private Limited, a company incorporated in India

### Volcan

Volcan Investments Limited, a company incorporated in the Bahamas

### VRCL

Vedanta Resources Cyprus Limited, a company incorporated in Cyprus

### VRFL

Vedanta Resources Finance Limited, a company incorporated in the United Kingdom

### VRHL

Vedanta Resources Holdings Limited, a company incorporated in the United Kingdom

### Water Used for Primary Activities

Total new or make-up water entering the operation and used for the operation's primary activities; primary activities are those in which the operation engages to produce its product

### WBCSD

World Business Council for Sustainable Development

### ZCI

Zambia Copper Investment Limited, a company incorporated in Bermuda

### ZCCM

ZCCM Investments Holdings plc, a company incorporated in Zambia

### ZRA

Zambia Revenue Authority

# Shareholder Information

## Shareholder interests as at 31 March 2018

	2018	2017
Number of shareholders	1,938	2,158
Number of shares in issue	303,987,039	300,522,798

## By size of holding

	Shareholders %		Shares %	
	2018	2017	2018	2017
500 and under	51.86	52.61	0.07	0.07
501 to 1,000	12.28	12.38	0.06	0.06
1,001 to 10,000	20.79	20.78	0.44	0.45
10,001 to 100,000	9.29	8.80	2.28	2.02
100,001 to 1,000,000	4.54	4.20	8.78	8.52
Over 1,000,000	1.24	1.23	88.37	88.87
	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## Company website

The Company's half-year and Annual Reports and results announcements are available on our website at [www.vedantaresources.com](http://www.vedantaresources.com). Shareholders can also access on the website the latest information about the Company and press announcements as they are released, together with details of future events and who to contact for further information.

## Registrar

For information about the Annual General Meeting, shareholdings and dividends and to report changes in personal details, shareholders should contact:

### Computershare Investor Services PLC

The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ  
United Kingdom  
Telephone: +44 (0)370 707 1388  
Email: [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)

Computershare provide a free self-service website, Investor Centre, through which you can view your share balance, change your address, view your dividend payment and tax information and update your payment instructions. For further information, visit [www.investorcentre.co.uk](http://www.investorcentre.co.uk).

## Beware of share fraud

Shareholders should be very wary of any unsolicited calls or correspondence offering to buy or sell shares at a discounted price. These calls are typically from fraudsters operating 'boiler rooms'. Boiler rooms use increasingly sophisticated means to approach investors and often leave their victims out of pocket. If you are concerned that you may have been targeted by fraudsters, please contact the FCA Consumer Helpline on 0800 111 6768 (freephone) or 0300 500 8082 from the UK or +44 207 066 1000 from outside the UK.

## Dividend Mandate and Currency Option

The Registrar can arrange for the dividends declared by the Company to be paid directly into a shareholder's UK bank account. To take advantage of this facility, please contact the Registrar who will provide a Dividend Mandate Form. This arrangement is only available in respect of dividends paid in UK pounds sterling. Consequently, you may only take advantage of this arrangement if you have also completed a Currency Election Form and returned it together with the Dividend Mandate Form to the registrar by 23 July 2018. If you have already completed and returned a Currency Election Form and/or a Dividend Mandate Form, you need take no further action. Currency election and dividend mandate forms are also available online through the Investor Centre service [www.investorcentre.co.uk](http://www.investorcentre.co.uk).



# Contacts

## Investor Relations

For investor enquiries, please contact:

Rashmi Mohanty

Director – Investor Relations

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+91 22 6646 1531 (Mumbai)

Email: [ir@vedanta.co.in](mailto:ir@vedanta.co.in)

## Registered Number

4740415

## Registered Office

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5th Floor, 6 St Andrew Street

London EC4A 3AE

## Company Secretary

Deepak Kumar

## Head Office

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London W1J 8DZ

Telephone: +44 (0)20 7499 5900

Fax: +44 (0)20 7491 8440

## Auditor

Ernst & Young LLP

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London SE1 2AF

## Solicitors

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5 Appold Street

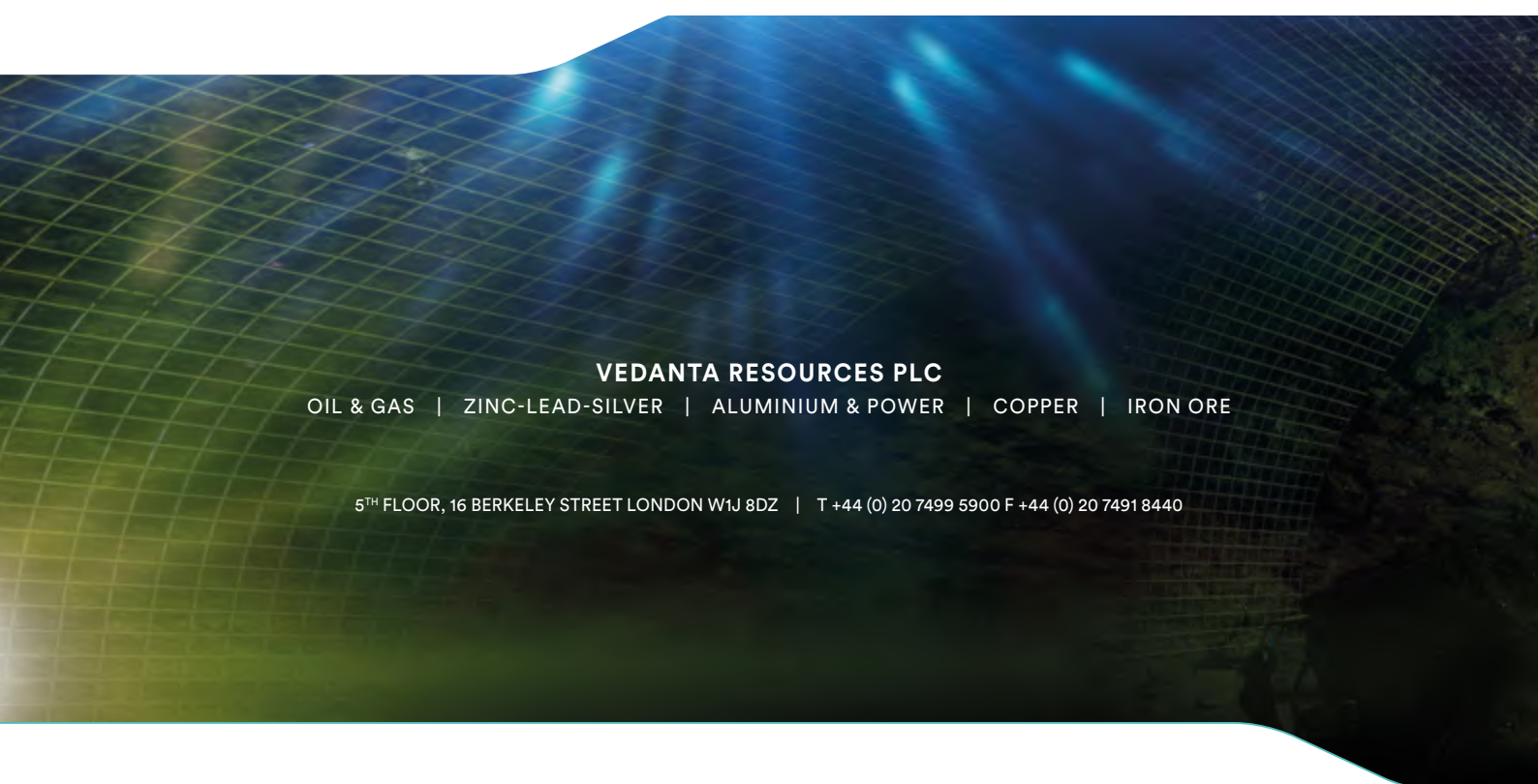
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## VEDANTA RESOURCES PLC

OIL & GAS | ZINC-LEAD-SILVER | ALUMINIUM & POWER | COPPER | IRON ORE

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