

## **Riding the Next Wave of Growth**



Good morning Ladies and Gentlemen!

Welcome to the 50<sup>th</sup> Annual General Meeting of Vedanta Limited. The last financial year has been a challenging one for our sector, however I am pleased that Vedanta Limited has enjoyed another productive year. We remain fully confident in our key strengths and attributes which are:

- Our large and low-cost, scalable, long-life assets and development projects;
- Our industry-leading operating margins, strong cash flow generation, and dividend-based shareholder returns;
- Our strong balance sheet; and
- Our superior and low-cost growth options.

Despite weak commodity prices and tepid industrial activity, your company recorded revenues of Rs 73,364 crores for the financial year, with an EBITDA of Rs 22,226 crores and an adjusted EBITDA margin of 41%. Vedanta also generated free cash flow of Rs. 3,425 crores after growth capex of Rs 9,618 crores, and increased our full year dividend to Rs 4.1 per share, indicating the strength of our diversified portfolio of Tier 1, long life and low cost assets which have the resilience to generate handsome returns for shareholders through the cycle.

The robust operating margins and cash flow conversion that we have achieved, as well as our cash returns to shareholders through higher dividends, are amongst the highest and the most consistent in the industry, and stand Vedanta in a very advantageous comparative position to its peers.

During the year, we recorded a one-off, non-cash impairment charge to goodwill, largely relating to oil & gas business, of Rs. 19,956 crores. This was on account of the unprecedented drop in oil prices during the year.

Key highlights for the year include our Oil & Gas business which delivered a robust performance with the Mangala & Aishwariya fields outperforming expectations and with strong contributions from our off-shore assets. Looking ahead, increasing gas production at the Raageshwari Deep Gas field and development of Barmer Hill will continue to be a priority for us.

Total mined metal production at our zinc & lead business in India also hit a historic high, supported by all-round performance at the Rampura Agucha mine, one of the largest and lowest cost open pit zinc mines in the world. We also made significant progress on the development of the Rampura Agucha & Sindesar Khurd mines to take our production capacity from 1 million tonnes to 1.2 million tonnes. At Zinc International, while the Lisheen mine in Ireland will reach the end of its life in the middle of the current year, the mine life at Skorpion in Namibia is being extended by two years by deepening the current open pit. We also expect to break ground at our Gamsberg Zinc project in South Africa this month. Gamsberg is one of the world's largest undeveloped zinc deposits.

Our copper smelter in India also recorded the highest ever production and best in class operational efficiencies during the year. And, whilst it was disappointing that iron ore mining in Goa did not resume last year, this has had less of a material impact due to the decline in iron ore prices globally. We have made progress on this front during the

year; mining in Karnataka resumed in February 2015 and we have been granted an interim capacity of 5.5 million tonnes of saleable ore in Goa and mining is expected to recommence after the monsoons post receiving the required Government approvals.

Our world-class aluminium and power assets are ramping up to reach record production levels, following the US\$8 billion investment programme. We are now well positioned for accelerated growth in 2016, with the progressive ramp up of the new smelters at Korba and Jharsuguda. We also made progress in securing raw material for our Alumina refinery after the Government of Odisha granted us Prospecting Licenses for three deposits. The expansion of the Lanjigarh Alumina refinery has also reached the final stages of approval and we expect to receive environmental clearance shortly.

We are encouraged by the steps taken by the Government to revitalize the mining industry. The reduction in export duty on low grade iron ore and the enactment of the Mines and Minerals (Development and Regulation) Amendment Act, 2015, which provides continuity to our mining leases and which will bring transparency to future auction processes for mineral concessions, are all steps in the right direction.

In June 2015 we announced the merger of Cairn India Limited. The boards of Vedanta Limited and Cairn India have unanimously recommended the merger, which we are confident will benefit the shareholders of both companies: Vedanta Limited and Cairn India Limited. Through this merger we are taking a significant step towards achieving our long-term stated vision of simplifying Vedanta's corporate structure and maximizing shareholder returns.

The merger will strengthen our cash flows, reduce earnings volatility due to diversified revenue streams, reduce our procurement and lower funding costs.

Cairn India's shareholders will get access to Vedanta Limited's tier I metals and mining assets, which are well-invested, have low cost and long life. Vedanta's focus on improving returns from core, existing operations in order to unlock value will benefit Cairn India and its shareholders.

The merger will also deliver significant economies of scale, including improved optionality to allocate capital, and will also strengthen our engagement with the government and our sustainability initiatives.

We are committed to sustaining and enhancing the Cairn India brand and maximizing its potential. Furthermore, the merger will provide more liquidity to shareholders of the merged entity with a higher free float.

In line with our focus on the operational excellence of the Company, we have made important progress on our sustainability program. Under the stewardship of our CEO, Tom Albanese, we have adopted sustainable methods in our operations encouraged an environment of safety and made substantial progress in improving safety.

However, I am saddened that we still experienced five fatalities. Our efforts to deliver our core value of Zero Harm remain a key priority. Our commitment to creating a zero harm environment is extended to the communities that host our operations, and to do more than the law mandates to sustain our 'License to operate'.

As a caring organization, we place emphasis on engagement with communities, and are committed to complete transparency and to our principles of community dialogue and mutual respect.

Our community investment reached INR 171 crores this year. We provided support to schools, hospitals, health centers and farmers, benefiting about 2.8 million people globally. Women and youths from rural India are empowered daily through the CSR initiatives of Vedanta's group companies. Recently, Vedanta pledged to construct 4,000 modernized Anganwadis, called 'Nand Ghar', across the country, to empower women and provide nutrition and education for children. This project was launched in partnership with the Ministry of Women and Child Development.

Sadly in 2014, we lost a board member, Mr. Gurudas Kamat. Mr. Kamat was a valued and respected member, who contributed significantly to the company. We will greatly miss his guidance and wisdom.

Ms. Anuraddha Dutt recently joined the Vedanta Board as a Non-Executive Director. With her three decades of experience in the field of law, we have no doubt that Ms. Dutt will bring diversity in thought, knowledge and perspective to the board, and will contribute to meet expectations of our stakeholders.

In 2015 Vedanta contributed Rs 27,900 crore, making us one of the largest corporate contributors to the Indian exchequer. We are one of the largest employers in India. India has been steadily strengthening its position on the global map with a promise of socio-economic development. India's resilience comes from its 1.2 billion-strong population, which is driving unprecedented domestic demand. The Government's focus on boosting GDP growth through infrastructure development, urbanization and industrialization makes India an attractive destination for investors and corporations. We believe that Vedanta is well-positioned to capitalize on India's abundant natural resource opportunities. Over 75% of our business and operations are based in India, followed by Africa; we are in two of the fastest-growing regions in the world.

We will continue to have a relentless focus on costs and on driving value growth. We have recently announced \$1.3 billion in cost-savings initiatives, through a dedicated procurement and commercial savings program.

Looking forward to the next few years, 2.5 billion people worldwide are expected to enter the middle-class, a third being future Indian workers and consumers. We believe that the worst of the sector oversupply will soon be behind us and are optimistic of the future demand for metals and energy. Vedanta will be well-positioned, as a leading natural resource developer, to take advantage of future growth in both India and globally.

I wish to inform you, that as a global natural resources company we are now in the process of shifting the registered office to Mumbai. This is a natural shift of location as the Company has a large shareholders base of more than 3.5 lakhs based out of Mumbai. As an organisation we have strong moorings in Goa and a close community connect with the presence of our Sesa Goa Iron Ore business. This warm relationship will continue as before and this shift will have no impact on our long-standing association and presence in the state of Goa.

I thank and commend the energetic, committed and hard-working Vedanta team. I am amazed at what we have achieved over the past years thanks to their immense contribution. Together, we have created a value-based and empowered organisation that is well-positioned for the next stage of growth. I'd also like to acknowledge all my fellow directors for their sound guidance and contribution.

I further wish to thank all employees, the management team, shareholders, business partners & financial institutions, Government of India, governments of other countries where we operate, state governments and the greater stakeholder community for helping us in our journey forward. On behalf of the Board of Directors and everyone at Vedanta Limited, I thank you once again for your support.