

New Prospects on the Horizon



Good morning, ladies and gentlemen. On behalf of the Board of Directors of Vedanta, I welcome you to the Annual General Meeting of your company.

Many developed and developing nations such as Australia, USA, Chile, Canada, Brazil and South Africa have successfully leveraged their mining and oil & gas industries to transform the economic landscape of regions, communities and the nation at large. This led to a positive and cascading impact on government revenues, employment, rising income levels of the local communities and other socio-economic indicators.

As you know, India has significant untapped mineral potential due to its diverse geographical expanse and geology. The Government has reiterated its commitment to support the industry by unleashing a series of investor-friendly initiatives.

Vedanta, being the largest diversified natural resources player in India, is well-positioned to capitalize on India's abundant natural resource opportunities that will create employment and contribute to economic and sustainable growth. This was demonstrated yet again, in fiscal 2016.

The year was challenging for the sector with falling commodity prices. However, I am pleased to share that your company continued to build upon its core strengths of low cost,

scalable operations, development projects and superior growth options. Vedanta has produced robust results in a volatile market, with relentless focus on cost discipline and improved productivity, leading to strong earnings and record cash flow.

During FY2016, driven by opex and capex optimization, your company generated free cash flow of over Rs. 11,000 crore which is around three times higher than last year. This helped us reduce our net debt, by over Rs. 6,000 crore. The liquidity for the group remains strong with over Rs. 52,000 crore of cash and cash equivalents.

Vedanta has consistently been one of the largest contributors to the exchequer. We have contributed Rs. 20,600 crore in FY2016.

I am happy to share that our subsidiary Hindustan Zinc, announced a historic dividend of over Rs. 12,000 crore, of which around Rs. 6,500 crore flowed to Vedanta Ltd and approx. Rs. 5000 crore flowed to the Government of India. This is one of the highest dividends ever paid by any private sector company in India.

During the year, Vedanta strengthened its ability to withstand volatility with record production and capacity ramp-up. Zinc, Lead, Aluminium, Power and Copper achieved record production.

In line with our policy of encouraging innovation, we have launched an in-house innovation fund with a first tranche of Rs. 200 crore to boost technological innovation in the company. Your company continues to tread along the path of exploration, process innovation and technological solutions on water and energy conservation and waste management.

In line with our focus on simplifying our corporate structure, the completion of the Vedanta Limited and Cairn India merger remains a strategic priority.

During the year, we commenced ramp-up of our well-invested Aluminium smelting capacity at Jharsuguda and BALCO. We also continue to work towards a phased ramp up of the alumina refining capacity at the Lanjigarh alumina refinery.

The entire power portfolio of 9,000 MW became operational during the year, making us one of the largest power producers in India.

At Hindustan Zinc, we are making good progress towards the transition of Rampura Agucha mine from open pit to underground which as you know is the world's largest zinc mine. Hindustan Zinc outperformed its previous operational records and delivered record production during the year. It continues to work on its next phase of growth, enhancing capacity of Zinc-Lead to 1.2 million tonnes per annum and silver capacity to 500 tonnes.

We are excited about our Gamsberg Zinc project in South Africa, one of the world's largest undeveloped zinc deposit. Given the strong fundamentals for Zinc and our ramp-up plan, we expect the first ore production in 2018, at an optimized capex of \$400 million.

For Cairn India, the Enhanced Oil Recovery project at Mangala oil-field has been very successful. We continued to maintain our standing as one of the lowest cost oil producers in the world. We see significant potential to increase gas production from the upcoming Raageshwari Deep Gas Project where the recent hydro frac campaign was quite successful.

Vedanta was the first company to resume iron ore mining here in Goa last year, after the mining ban was lifted. We thank the people of Goa, local panchayats and the State government for their support. Going forward, we expect a much stronger contribution from our iron ore business. It highlights our commitment towards economic growth in India and in particular for the state and people of Goa.

We believe that our focus on generating strong free cash flows driven by disciplined capex spend, increased output, optimising cost and deleveraging are the fundamental pillars around which we will continue to strengthen our balance sheet and give returns to shareholders.

The health and safety of our employees continues to be at the top of our agenda. I would like to highlight that there has been a substantial reduction in Lost-Time Injury Frequency Rate over the last 10 years.

Vedanta, along with other global leaders and leading multi-nationals became a signatory to the Paris Pledge of Action to fight climate change. We were listed on the Indian Climate Disclosure Leadership Index in recognition of our disclosure of information on climate change. Your company also set the Guinness Book World Record for planting 200,000 saplings in one hour, at our Talwandi Sabo Power Project in Punjab.

The Confederation of Indian Industry (CII) ranked Vedanta among the top ten Sustainable companies in India, which validates our focus on creating a Zero Harm culture within the organisation.

Among many more significant recognitions received during the year, the company was awarded with the Institute of Directors Golden Peacock Excellence in Corporate Governance Award and was ranked No. 1 in Business World's heavy weight category of India's Fastest Growing Companies.

Further, I am glad to share that Vedanta has received the highest ranking in the "India Disclosure Index" by FTI Consulting. The criteria is on how India's leading listed companies fare on both mandatory and voluntary disclosure.

During the year, we invested Rs. 160 crore in our extensive CSR programs across our global business locations. We partnered with over 200 NGOs, local governments, hospitals and academic institutions on socio-economic development projects that benefited around 1.75 million people.

Last year, Project Nandghar was successfully launched in Rajasthan, Uttar Pradesh and Madhya Pradesh. This project focuses on a holistic approach towards child care and woman empowerment. We will construct 4,000 'state of the art' Anganwadis over next three years. These Anganwadis are being built with innovative technology, solar panels, toilets, and will provide safe drinking water, e-learning and healthcare. 25 Lakh community members will benefit from this project.

Today, our country is the world's fastest growing major economy at an average growth rate of 7.5 %. Our Government has initiated many reforms and positive measures in the last few

months for the economy to further accelerate growth. These will augur well for the broader resources sector. The govt. has also encouraged increased mining activity, by commencing auctioning of coal, iron ore and other mineral blocks.

Your company is producing resources critical for meeting mineral and energy requirements of the country that are fundamental to nation-building.

We remain committed to delivering value for our shareholders, employees, communities and other stakeholders through our diversified portfolio of large, long life and low-cost assets.

I commend the entire Vedanta team as each one of them contributed to the Company's growth. Their commitment, dedication and sheer hard work is indeed an inspiration

I further wish to thank the shareholders, business partners, financial institutions, Government of India, governments of other countries where we operate, all state governments, local communities and the greater stakeholder community for helping us in our journey forward.

Let us together amplify our company's rich heritage and celebrate our diverse roots and be the leader, to create value for all our stakeholders.

Mr. Navin Agarwal,
Chairman – Vedanta Limited