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"This announcement contains inside information which is disclosed in accordance with the EU Market Abuse Regulation." Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

23 May 2018

Vedanta Resources plc

Preliminary results for the year ended 31 March 2018

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[◇] of 35% (FY2017: 36%)
- Underlying profit[◇] per share of US cents 58.3 (FY2017: US cents 16.1 per share)
- Basic earnings per share of US cents 84.8 (FY2017: a loss of US cents 8.2), 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[◇] improved by 2.1% to 14.9% (FY2017: 12.8%)
- Free cash flow (FCF)[◇] 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[◇] 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 US cents 41 per share (total dividend of US cents 65 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-CY 2018

Iron Ore

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

Copper India¹

- 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%)

Anil Agarwal, Chairman of Vedanta Resources plc, commented:

"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."

¹ Operations at Tuticorin Smelter halted due to pending renewal of its consent to operate

Consolidated Group results

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

\diamond 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

Webcast:

The webcast can be accessed via the Investor Relations section of our website, www.vedantaresources.com or directly at <https://edge.media-server.com/m6/p/kxum54rw>

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About Vedanta Resources

Vedanta Resources plc ("Vedanta") is a London-listed diversified global natural resources company. The Group produces aluminium, copper, zinc, lead, silver, iron ore, oil and gas, and commercial energy. Vedanta has operations in India, Zambia, Namibia and South Africa. With an empowered talent pool globally, Vedanta places strong emphasis on partnering with all its stakeholders based on the core values of trust, sustainability, growth, entrepreneurship, integrity, respect and care. To access the Vedanta Sustainable Development Report 2017, please visit

http://www.vedantaresources.com/media/214366/vedanta_sd_report_2016-17.pdf.

For more information on Vedanta Resources, please visit www.vedantaresources.com

Disclaimer

This press release contains "forward-looking statements" - that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "should" or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, uncertainties arise from the behaviour of financial and metals markets including the London Metal Exchange, fluctuations in interest and/or exchange rates and metal prices; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

CHAIRMAN'S STATEMENT

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, skill 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 youth; 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 skill 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 licencing around mining. Key regulatory reforms around opening commercial coal mining to the private sector and the launch of Open Acreage Licencing (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

CEO STATEMENT

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 benefitted 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 optimize 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 188% of our water savings target, saving 4.1 million m³ of water.
- We surpassed our energy savings target, achieving a savings of 2.63 million GJ, 189% of the expected target
- Last year, we stated that we had targeted reducing our greenhouse gas (GHG) intensity by 16%² by 2020, from a 2012 baseline. I am pleased to inform you that nearly two years before

² Reduction expectations are calculated on GHG/tonne of product to ensure that non-production related factors such as change in prices do not influence the GHG numbers and as a result they are a reflection of actual efficiency gains in the system

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.

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.

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.

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.

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.

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.

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 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 page 6.

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 (child care 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 year-on-year, 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

Strategic Overview

Over the last few years, our strategic priorities have remained consistent with a focus on delivering growth and long-term value to our stakeholders while upholding operational excellence and sustainable development through our diversified portfolio.

In FY2018, we invested in the next phase of growth and announced expansion projects in Oil & Gas and Copper India. These projects in addition to the ramp-ups already underway in other businesses, will provide Vedanta with significant growth in its production capacities. At the same time, we continually strive to improve our operations to achieve benchmark performance, optimise costs and improve realisations. With this enhanced focus, we have made delivering on various growth opportunities and operational excellence as separate strategic priorities for the current year. We continue to be steadfast on our strategic priorities on responsible mining, capital allocation and exploration focus.

Summary of strategic priorities below:

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.

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.

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.

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.

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.

FINANCE REVIEW

Executive summary: a strong operational performance complemented by firm commodity prices

We recorded a strong operational and financial performance in FY2018.

Favourable price environment coupled with volume growth resulted in EBITDA of \$4.1 billion, up 27% y-o-y with a robust margin of 35%. (FY2017: US\$ 3.2 billion, margin 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.4 years at 31 March 2018, compared to c.3 years at 31 March 2017.

The Balance sheet of Vedanta Limited, an Indian listed subsidiary of Vedanta Resources, continue 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

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

Consolidated operating profit bridge before special items

	<i>(US\$ million)</i>
Operating profit before special items for FY2017	2,161
Market and regulatory: US\$591 million	
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)
Operational: US\$269 million	
f) Volume	297
g) Product and market mix	(14)
h) Cost	(14)
Depreciation and amortisation	(240)
Operating profit before special items for FY2018	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

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

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

(US\$ million, unless stated)

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

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

Consolidated EBITDA

The consolidated EBITDA \diamond by segment is set out below:

(US\$ million, unless stated)

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

1. Includes port business and elimination of inter-segment transactions.

2. Excluding one-offs

EBITDA \diamond AND EBITDA MARGIN \diamond

EBITDA \diamond 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 \diamond 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 statement.

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, but partially offset by higher expenses from net interest and depreciation.

Earnings/(loss) per share

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

Fund flow post-capex

The Group generated free cash flow (FCF)◇ 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◇

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

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

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

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 year-on-year 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. 4 years at 31 March 2018, compared to c. 3 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	As at	Beyond					
	31 March 2017	31 March 2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2023
Debt at Vedanta Resources plc	6.2	5.9	0.4	0.4	0.2	1.4	1.8	1.7
Debt at subsidiaries	7.6	5.4	1.2	1.0	1.4	0.7	0.2	0.9
Total term debt¹	13.8	11.3	1.6	1.4	1.6	2.1	2.0	2.6

1. 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 principle 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 following key reasons:

- Commodity prices which are key to Group's viability are difficult to forecast beyond three years;
- Capital allocation and refinancing plans are prepared for 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;
- Internal financial modelling is performed over three-year period; and

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.

Details of the Group's principle risks and uncertainties are documented in Principle Risk 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 principle 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 cashflows, and on financial policies.

Balance sheet

	<i>(US\$ million, unless stated)</i>	
	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
Total assets	29,238	31,503
Gross debt	(15,194)	(18,229)
Other current and non-current liabilities	(7,523)	(7,260)
Net assets	6,521	6,015
Shareholders' equity	(339)	(409)
Non-controlling interests	6,860	6,423
Total equity	6,521	6,015

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 payout 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 ⁵	Cumulative spend up to March 2017 ⁶	Spent in FY2018	Unspent as at 31 March 2018
Oil & Gas (a)					
Mangala infill and ASP, Aishwariy; & Bhagyam EOR, tight oil & gas etc		1,863	56	127	1,680
Aluminium					
BALCO – Korba-II 325ktpa smelter and 1200MW power plant (4x300MW) ¹	Smelter: fully operational	1,872	1,965	(1) ³	(92)
Jharsuguda 1.25mtpa smelter	Line 3 and 4: fully capitalised Line 5: two sections capitalised	2,920	2,746	100	74
Zinc India					
1.2mtpa mine expansion ²	Phase-wise by FY2020	1,600	967	299	335
Others		150	12	60	77
Zinc International					
Gamsberg mining Project ⁴	First production by mid-CY2018	400	68	173	159
Copper India					
Tuticorin smelter 400ktpa	To complete by Q3 FY 2020	717	139	50	528
Capex flexibility					
Lanjigarh Refinery (Phase II) – 5mtpa	Under evaluation, subject to bauxite availability	1,570	822	14	734
Skorpion refinery conversion	Currently deferred till pit 112 extension	156	14	-	142
Zinc India (1.2mtpa to 1.35mtpa mine expansion)	In principle Board approved	698	-	-	698

1. Cost over-run due to changes in exchange rate. The total over-run 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 March 31, 2018.

OPERATIONAL REVIEW

OIL & GAS

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 Five Star Rating in the OHSMS Audit by 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 4,592 MT 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.

Production performance

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

Operations

Average gross production for FY2018 was 185,587 barrels of oil equivalent per day (boepd), 2% lower year-on-year 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 till date.

Prices

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

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

(US\$ million, unless stated)

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

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 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 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 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 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 1 of the project, to ramp up production to 45mmscfd, was completed in December 2017. Phase 2 is being executed through an integrated development approach to ramp up overall Rajasthan gas production to ~150mmscfd, and condensate production of 5kboepd. We have awarded contracts, both for the 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 mmbob 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 – 320 kboepd 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.

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.

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.

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 2 of 25 MLD STP is under construction and Phase-3 is in the pipeline. On completion, it will reduce our fresh water intake at the Rajpura Dariba complex to negligible levels.

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 Foot-printing 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.

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 ¹	168	139	21%
Production - silver (million ounces) ²	17.9	14.5	23%

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

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

*Including custom production of 2 kt.

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% year-on-year 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

	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)%

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

	FY2018	FY2017	% change
Unit costs (US\$ per tonne)			
Zinc (including royalty)	1,365	1,154	18%
Zinc (excluding royalty)	976	830	18%

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

(US\$ million, unless stated)

	FY2018	FY2017	% change
Revenue	3,369	2,525	33%
EBITDA \diamond	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%

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 \diamond 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 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

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. 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:

- progressive ramp-up of underground mines to achieve target run-rate of 1.2mtpa;
- commence work towards expansion to 1.35 mtpa;
- 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.

ZINC INTERNATIONAL

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 1 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 1 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.

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.

Production performance

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

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

	FY2018	FY2017	% Change
Zinc (US\$ per tonne) unit cost	1,603	1,417	13%

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

	<i>(US\$ million, unless stated)</i>		
	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	-

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, till March 2018 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 \$1000-1150 per tonne of MIC. Indeed, Phase 1 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 2 and Phase 3 projects. Gamsberg Phase 2 can start immediately after completion of Phase 1 and will have some synergies with Phase 1. The mine plans have been developed and an expanded mega pit design has been completed to enable a faster and efficient Phase 2 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 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\$1,850-1950 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 2 and Gamsberg Phase 2 to extend the life of the Black Mountain complex; and
- complete the feasibility study for an integrated smelter-refinery with 250ktpa metal production.

IRON ORE

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 Mar 2018. We continue to engage with Government for the potential restart of mining operations at Goa. .

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.

Production performance

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

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.

Financial performance

	<i>(US\$ million, unless stated)</i>		
	FY2018	FY2017	% Change
Revenue	487	615	(21%)
EBITDA	57	194	(71%)
EBITDA margin	12%	32%	
Depreciation	69	70	(2%)
Operating (loss) before special items	(11)	124	-
Share in group EBITDA %	1%	6%	
Capital expenditure	11	4	-
Sustaining	11	4	-

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 4.5 mt.

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.

COPPER - INDIA / AUSTRALIA

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.

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% year-on-year. 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.

Production performance

	FY2018	FY2017	% Change
Production (Kt)			
India - cathode	403	402	0%

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

	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%)

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 year-on-year, 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

	FY2018	FY2017	% Change
Unit conversion costs (CoP) - (US cents per lb)	5.7	5.0	15%

At the Tuticorin smelter, the cost of production increased from US cents 5.0 per lb to US cents 5.7 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 year-on-year.

Financial performance

(US\$ million, unless stated)

	FY2018	FY2017	% change
Revenue	3,833	3,134	22%
EBITDA [∅]	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	-

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.

COPPER ZAMBIA

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.

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 m³/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.

Production performance

Particulars	FY2018	FY2017	% Change
Production (kt)			
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%

Operations

Mined metal production of 91,000 tonnes was 3% lower year-on-year, 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)

	FY2018	FY2017	% Change
Unit costs (US cents per lb) excluding royalty	239.1	208.6	15%
Unit costs (US cents per lb) including royalty(1)	314.8	278.9	13%

(1) Including sustaining capex and interest cost

In FY2018, the unit cost of production (excluding royalties) increased by 15% to US cents 239.1 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

	<i>(US\$ million, unless stated)</i>		
	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	-	-	

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 US cents 220-240 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 under way as part of the “dry mine” project.

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 updation 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 vendor partnering model;
- increase production of 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.

ALUMINIUM

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 2 to 4 million and then up to 6 million tonnes per annum, subject to bauxite availability and regulatory approvals.

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 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 was issued on 20 September 2017, followed by an order to restart the remaining two units on 13 November 2017.

Production performance

	FY2018	FY2017	% change
Production (kt)			
Alumina - Lanjigarh	1,209	1,208	
Total aluminium production	1,675	1,213	38%
Jharsuguda I	440	525	(16)%
Jharsuguda II ¹	666	261	-
BALCO I	259	256	1%
BALCO II ²	310	171	81%
Jharsuguda 1800MW (surplus power sales in million units) ³	-	511	-

(1) Including trial run production of 61.8kt in FY2018 vs. 95kt in FY2017

(2) Including trial run production of 16.1kt in FY2018 vs. 47kt in FY2017

(3) Jharsuguda 1,800MW and BALCO 270MW have been moved from the Power to the Aluminium segment since 1 April 2016.

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

	FY2018	FY2017	% Change
Average LME cash settlement prices (US\$ per tonne)	2,046	1,688	21%

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

	FY2018	FY2017	(US\$ per tonne) % 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%

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

	FY2018	FY2017	(US\$ million, unless stated) % 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%)

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.

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).

POWER

The year in summary:

FY2018 was an important year for the Talwandi Saboo 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.

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.

Production performance

	FY2018	FY2017	% Change
Total power sales (MU)	11,041	12,916	(15%)
Jharsuguda 600 MW* 6	1,172	3,328	(65%)
BALCO 600 MW	1,536	2,609	(41%)
MALCO	4	190	(98%)
HZL wind power	414	448	(8%)
TSPL	7,915	6,339	25%
TSPL - availability	74%	79%	

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.

Unit sales and costs

	FY2018	FY2017	% Change
Sales realisation (US cent/kWh) ¹	4.5	4.2	6%
Cost of production (US cent/kWh) ¹	3.6	3.1	16%
TSPL sales realisation (US cent/kWh) ²	5.4	4.9	10%
TSPL cost of production (US cent/kWh) ²	3.9	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

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 US cents 3.6 per kWh (FY2017: 3.1 per kWh) due to temporary disruptions in the coal supply.

TSPL's average sales price was higher at US cents 5.4 per kWh compared with US cents 4.9 per kWh in FY2017, and power generation cost was higher at US cents 3.9 per kWh compared with US cents 3.4 per kWh in the previous year, driven mainly by increased coal prices.

Financial performance

	FY2018	FY2017	% change
Revenue	877	836	5%
EBITDA	259	245	6%
EBITDA margin	25%*	29%	-
Depreciation and amortisation	75	88	(15%)
Operating profit before special items	184	157	17%
Share in group EBITDA%	6%	8%	-
Capital expenditure	2	60	(96%)
Sustaining	2	-	-
Project	-	60	

(US\$ million, unless stated)

* Excluding one-offs

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.

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.

PRINCIPLE RISKS AND UNCERTAINTIES

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 of 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, principle 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 prioritization 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 team in the businesses is 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 principle 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 principle 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.

Principle Risks and Uncertainties

Vedanta's principle 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.

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

Financial risks	
Access to capital	
Impact	Mitigation
Impact criteria: FP, S, L, R	Risk 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>Risk has been reduced compared to last year, due to good liquidity and an improved credit profile.</p>	<ul style="list-style-type: none"> ■ A focused team continues to work on refinancing initiatives, reducing cost of borrowing, extending maturity profile and deleveraging the balance sheet. ■ Track record of good relations with banks, and of raising borrowings in last few years. ■ Regular discussions with rating agencies. Ratings have been upgraded. ■ 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. ■ 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.
Fluctuation in commodity prices (including oil) and currency exchange rates	
Impact criteria: BM, FP, S, L	Risk 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"> ■ The Group has a well-diversified portfolio which acts as a hedge against fluctuations in commodities and delivers cash flows through the cycle. ■ Pursue low-cost production, allowing profitable supply throughout the commodity price cycle. ■ 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 & due approval from ExCo. ■ Our Forex policy prohibits forex speculation. ■ Robust controls in forex management to hedge currency risk liabilities on a back-to-back basis. ■ Finance Committee reviews all forex and commodity-related risks and suggests necessary courses of action as needed by business divisions. ■ 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.

	<ul style="list-style-type: none"> ■ Notes to the financial statements in the Annual Report give details of the accounting policy followed in calculating the impact of currency translation.
Major project delivery	
Impact criteria: FP, L	Risk direction: ◀▶
<p>Shortfall in achievement of expansion projects stated objectives leading to challenges in achieving stated business milestones - existing & new growth projects.</p>	<ul style="list-style-type: none"> ■ Enlisting internationally renowned engineering and technology partners on all projects. ■ Strong focus on safety aspects in the project. ■ Geo-technical audits are being carried out by independent agencies. ■ Reputable contractors are engaged to ensure completion of the project on indicated time lines. ■ Strong separate empowered organisation working towards ensuring a smooth transition from open pit to underground mining. ■ Mines being developed using best in class technology and equipment and ensuring the highest level of productivity and safety. ■ Stage gate process to review risks and remedy at multiple stages on the way. ■ 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).
Sustainability risks	
Health, safety and environment (HSE)	
Impact criteria: BM, FP, HSEC, R	Risk 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"> ■ 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. ■ Vedanta has a Board-level Sustainability Committee, chaired by a non-executive director and attended the Group CEO, which meets periodically to discuss HSE performance. ■ 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. ■ 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. ■ HSE experts have been inducted from reputed Indian and global organisations to bring in best-in-class practices.

- All businesses have appropriate policies in place for occupational health-related matters, supported by structured processes, controls and technology.
- Strong focus on safety during project planning/execution, and contract workmen safety.
- Building safety targets into performance management to incentivise safe behaviour and effective risk management.
- 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.
- Leadership remains focused on a zero-harm culture across the organisation and consistent application of 'Life-Saving' performance standards.
- Carbon forum with business representation monitors developments and sets out defensive policies, strategy and actions.
- 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.
- Engaging with government on carbon policies and innovation technologies.
- Institutionalise systems to manage carbon risks and opportunities across the business over the life cycle of its products.
- Engage with stakeholders in creating awareness and developing climate change solutions.

Managing relationship with stakeholders

Impact criteria: BM, FP, HSEC, R

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.

Risk direction: ◀▶

- 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; UN Millennium Development Goals (UNMDG); CSR National Voluntary Guidelines of the Ministry of Corporate Affairs, Government of India; and the UN's sustainable development goals.
 - CSR Committees at business-level decide focus areas of CSR, budget and their respective programmes.
 - Sustainable development programmes are driven by stakeholder engagement and consultation along with baseline studies and need-based assessments.
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- 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.
- 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.
- 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.
- 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.
- Integration of sustainability objectives into long-term plans.

Tailings dam stability

Impact criteria: BM, FP, HSEC, R

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.
The appreciation of risk has improved further in the group.

Risk direction: ▲

- The Risk Management Committee included tailings dams on the Group Risk Register with a requirement for annual internal review and three-yearly external review.
- Operation of tailings dams is executed by suitably experienced personnel within the businesses.
- 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.
- Management standard developed with business involvement.
- 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.
- Individuals responsible for dam management have received training from a reputed agency.
- System of monitoring of tailings dams instituted.

Operational risks

Challenges to operationalise investments in Aluminium and Power business

Impact criteria: BM, FP, S, L, R

Risk 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. Risk reduced compared to last year, due to ramp-up at Jharsuguda progressing satisfactorily.</p>	<ul style="list-style-type: none"> ■ Global technical experts have been inducted to strengthen operational excellence. ■ Operationalisation of Jharsuguda facilities progressing satisfactorily. ■ Building of new intermediate facilities/infrastructure progressing well. ■ Continuous focus on plant operating efficiency improvement programme to achieve design parameters, manpower rationalisation, logistics infrastructure and cost reduction initiatives. ■ Continue to pursue developing sources of bauxite. ■ Continuous augmentation of power security and infrastructure. ■ Coal security is being strengthened by pursuing additional coal linkages. ■ Key raw material linkages for alumina/aluminium business: infrastructure-related challenges are being addressed. ■ Strong management team continues to work towards sustainable low-cost of production, operational excellence and securing key raw material linkages. ■ Talwandi Saboo (TSPL) power plant matters are being addressed in a structured manner by a competent team.
<hr/> <p>Operational turnaround at KCM</p>	
<p>Impact criteria: BM, FP, S, L, R</p>	<p>Risk direction: ◀▶</p>
<p>Lower production and higher cost at KCM may impact our profitability.</p>	<ul style="list-style-type: none"> ■ Management team reviewing operations and engaging with all stakeholders in light of operating challenges. ■ Focus at Konkola is to improve efficiency, equipment availability, dewatering and enhance volumes. Committed to improving KCM operating performance. ■ Several cost-saving initiatives and restructuring reviews under way at KCM to preserve cash. ■ Process improvement actions put in place through focused operating teams to improve production performance. ■ Working on the engineering design for accelerated dewatering and development to increase production from the Konkola Mine ■ 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. ■ KCM has entered into strategic partnerships with expert mining contractors for accelerating development of ore production.

	<ul style="list-style-type: none"> ■ Concentrate sourcing tie-ups with high grade mines being pursued. ■ VAT refunds are being pursued.
Discovery risk	
Impact criteria: BM, FP	Risk direction: ◀▶
<p>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.</p>	<ul style="list-style-type: none"> ■ Dedicated exploration cell with continuous focus on enhancing exploration capabilities. ■ Appropriate organisation and adequate financial allocation in place for exploration. ■ 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. ■ Continue to work towards long-term supply contracts with mines to secure sufficient supply where required. ■ Exploration-related systems being strengthened, and new technologies being utilised wherever appropriate. ■ International technical experts and agencies are working closely with our exploration team to build on this target.
Breaches in IT/cybersecurity	
Impact criteria: FP, R	Risk direction: ◀▶
<p>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 cyber security breach could have an impact on business operations.</p>	<ul style="list-style-type: none"> ■ Group-level standards and policies to ensure uniformity in security stance and assessments. ■ 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. ■ Various initiatives taken up to strengthen IT/cyber security controls in last few years. ■ Cyber security risk being addressed through increased standards, ongoing monitoring of threats and awareness initiatives throughout the organisation. ■ IT system is in place to monitor logical access controls. ■ Continue to carry out periodic IT security reviews by experts and improve IT security standards.
Loss of assets or profit due to natural calamities	
Impact criteria: FP, R	Risk direction: ◀▶
<p>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.</p>	<ul style="list-style-type: none"> ■ Vedanta has taken appropriate Group insurance cover to mitigate this risk. ■ An external agency reviews the risk portfolio and adequacy of this cover and assists us in our insurance portfolio.

- Our underwriters are reputed institutions and have capacity to underwrite our risk.
- 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.
- Continue to focus on capability building within the Group.

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

Impact criteria: BM, FP, L, S

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. Government of India notified PSC extension policy which applies to Rajasthan Barmer block.

Risk direction: ▼

- Ongoing dialogue with the Government and relevant stakeholders.
- Cairn Steering Committee is regularly reviewing the updates/progress, including plans to meet the timelines, and is continuously engaging with the stakeholders concerned.
- Carrying value factors additional 10% profit petroleum share, hence mitigating financial / balance sheet risk.

Compliance risks

Regulatory and legal risk

Impact criteria: BM, FP, R

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.

Risk direction: ◀▶

- The Group and its business divisions monitor regulatory developments on an ongoing basis.
 - Business-level teams identify and meet regulatory obligations and respond to emerging requirements.
 - Focus has been to communicate our responsible mining credentials through representations to government and industry associations.
 - Continue to demonstrate the Group's commitment to sustainability by proactive environmental, safety and CSR practices. Ongoing engagement with local community/media/NGOs.
 - SOX compliant subsidiaries.
 - Common compliance monitoring system being implemented in Group companies. Legal requirements and a responsible person for compliance have been mapped in the system.
 - Legal counsel continues to work on strengthening the framework in the Group and resolution of matters.
 - Group wide online portal is being rolled out for compliance reporting. Appropriate escalation and review mechanisms are in place.
 - 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.
 - Standard operating procedures (SOPs) have been implemented across our businesses for compliance monitoring.
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- 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.
 - Framework for monitoring performance against anti-bribery and corruption guidelines is also in place.
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Tax related matters

Impact criteria: S, L, R

Our businesses are in a tax regime and changes in any tax structure or any tax-related litigation may impact our profitability.

Risk direction: ◀▶

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- Tax Council reviews all key tax litigations and provides advice to the Group.
 - Robust organisation in place at business- and Group-level to handle tax-related matters.
 - Engage, consult and take opinion from reputable tax consulting firms.
 - Reliance is placed on appropriate legal opinion and precedence.
 - Continue to take appropriate legal opinions and actions on tax matters to mitigate the impact of any actions on the Group and its subsidiaries.
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Financial Statements for the Year Ended 31 March 2018

CONSOLIDATED INCOME STATEMENT

(US\$ million except as stated)

	Year ended 31 March 2018				Year ended 31 March 2017			
	Note	Before Special items	Special items	Total	Before Special items	Special items	Total	
Revenue	5	15,358.7	-	15,358.7	11,520.1	-	11,520.1	
Cost of sales	6	(11,973.6)	33.1	(11,940.5)	(8,789.2)	-	(8,789.2)	
Gross profit		3,385.1	33.1	3,418.2	2,730.9	-	2,730.9	
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	6	-	649.9	649.9	-	(17.3)	(17.3)	
Operating profit/ (loss)		2,780.5	683.0	3,463.5	2,160.6	(17.3)	2,143.3	
Investment revenue	7	465.1	-	465.1	642.6	-	642.6	
Finance costs	8	(1,342.6)	(108.2)	(1,450.8)	(1,340.6)	(41.6)	(1,382.2)	
Other gains and (losses) [net]	9	(1.0)	5.3	4.3	(23.8)	-	(23.8)	
Profit/ (loss) before taxation (a)		1,902.0	580.1	2,482.1	1,438.8	(58.9)	1,379.9	
Net tax expense (b)	10	(674.7)	(338.5)	(1,013.2)	(495.4)	(4.9)	(500.3)	
Profit/ (loss) for the year from continuing operations (a+b)		1,227.3	241.6	1,468.9	943.4	(63.8)	879.6	
Attributable to:								
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	
Profit/ (loss) for the year from continuing operations		1,227.3	241.6	1,468.9	943.4	(63.8)	879.6	
Earnings/ (loss) per share (US cents)								
Basic earnings/ (loss) per ordinary share	11	58.5	26.3	84.8	12.6	(20.8)	(8.2)	
Diluted earnings/ (loss) per ordinary share	11	56.9	25.9	82.8	12.3	(20.8)	(8.2)	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>(US\$ million)</i>	
	Year ended 31 March 2018	Year ended 31 March 2017
Profit for the year from continuing operations	1,468.9	879.6
Items that will not be reclassified subsequently to income statement:		
Remeasurement of net defined benefit plans	1.1	(0.8)
Tax effects on net defined benefit plans	0.5	0.6
Total (a)	1.6	(0.2)
Items that may be reclassified subsequently to income statement:		
Exchange differences arising on translation of foreign operations	56.9	216.3
Gain in fair value of available-for-sale financial assets	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
Total (b)	68.6	216.2
Other comprehensive income for the year (a+b)	70.2	216.0
Total comprehensive income for the year	1,539.1	1,095.6
Attributable to:		
Equity holders of the parent	267.1	64.5
Non-controlling interests	1,272.0	1,031.1
Total comprehensive income for the year	1,539.1	1,095.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(US\$ million)

	Note	As at 31 March 2018	As at 31 March 2017
Assets			
Non-current assets			
Goodwill		12.2	16.6
Intangible assets		123.1	95.6
Property, plant and equipment		17,727.3	16,750.8
Leasehold land		57.0	55.3
Financial asset investments		24.5	10.7
Non-current tax assets		521.1	434.6
Other non-current assets		659.2	544.4
Financial instruments (derivatives)		-	0.6
Deferred tax assets		916.7	1,111.0
		20,041.1	19,019.6
Current assets			
Inventories		2,037.7	1,670.1
Trade and other receivables		1,526.9	1,084.8
Financial instruments (derivatives)		24.0	1.6
Current tax assets		2.2	2.1
Liquid investments	13	4,807.8	8,043.0
Cash and cash equivalents	14	798.7	1,682.2
		9,197.3	12,483.8
Total assets		29,238.4	31,503.4
Liabilities			
Current liabilities			
Short term borrowings	15	(5,460.3)	(7,658.5)
Trade and other payables		(6,077.5)	(6,223.4)
Financial instruments (derivatives)		(22.1)	(126.9)
Retirement benefits		(18.0)	(7.5)
Provisions		(22.1)	(17.5)
Current tax liabilities		(53.9)	(37.8)
		(11,653.9)	(14,071.6)
Net current liabilities		(2,456.6)	(1,587.8)
Non-current liabilities			
Medium and long-term borrowings	15	(9,733.5)	(10,570.2)
Trade and other payables		(142.8)	(68.5)
Financial instruments (derivatives)		(18.1)	(8.6)
Deferred tax liabilities		(743.0)	(371.1)
Retirement benefits		(62.4)	(59.6)
Provisions		(351.8)	(327.3)
Non equity non-controlling interests		(11.9)	(11.9)
		(11,063.5)	(11,417.2)
Total liabilities		(22,717.4)	(25,488.8)
Net assets		6,521.0	6,014.6
Equity			
Share capital		30.4	30.1
Share premium		201.5	201.5
Treasury shares		(558.3)	(557.9)
Share-based payment reserve		13.3	28.2
Hedging reserve		(92.5)	(90.9)
Other reserves		154.3	140.5
Retained earnings		(87.5)	(160.0)
Equity attributable to equity holders of the parent		(338.8)	(408.5)
Non-controlling interests		6,859.8	6,423.1
Total equity		6,521.0	6,014.6

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

		<i>(US\$ million)</i>	
	Note	Year ended 31 March 2018	Year ended 31 March 2017
Operating activities			
Profit before taxation		2,482.1	1,379.9
Adjustments for:			
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
Operating cash flows before movements in working capital		4,113.3	3,219.7
Increase in inventories		(354.5)	(266.7)
(Increase)/ decrease in receivables		(606.5)	18.8
Increase in payables		261.7	522.3
Cash generated from operations		3,414.0	3,494.1
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)
Net cash inflow from operating activities		1,494.3	1,457.6
Cash flows from investing activities			
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	16	16,863.0	15,284.8
Purchases of liquid investments	16	(13,421.5)	(14,363.3)
Acquisition through business combination		(134.4)	-
Net cash from investing activities		2,213.2	72.8
Cash flows from financing activities			
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)	16	(612.2)	1,709.1
Proceeds from other short-term borrowings	16	1,115.4	3,193.8
Repayment of other short-term borrowings	16	(4,362.4)	(4,324.0)
Buyback of non-convertible bond	16	(1,128.5)	(858.5)
Proceeds from medium and long-term borrowings	16	3,640.2	2,146.4
Repayment of medium and long-term borrowings	16	(1,816.9)	(205.9)
Buyback of convertible bond	16	-	(590.3)
Net cash used in financing activities		(4,607.1)	(343.2)
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
Cash and cash equivalents at end of the year	14 & 16	798.7	1,682.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(US\$ million)

	Attributable to equity holders of the Company							Total	Non-controlling Interests	Total equity
	Share capital	Share premium	Treasury Shares	Share-based payment reserves	Hedging reserve	Other reserves	Retained earnings			
At 1 April 2017	30.1	201.5	(557.9)	28.2	(90.9)	140.5	(160.0)	(408.5)	6,423.1	6,014.6
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
Total comprehensive income/(loss) for the year	-	-	-	-	(1.6)	33.1	235.6	267.1	1,272.0	1,539.1
Acquisition of shares under DSBP scheme	-	-	(0.9)	-	-	-	(1.5)	(2.4)	-	(2.4)
Transfers ⁽¹⁾	-	-	-	-	-	(19.3)	19.3	-	-	-
Dividends paid/ payable (note 12)	-	-	-	-	-	-	(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	-	-	-	12.1	-	-	-	12.1	-	12.1
Non-controlling interest on business combination	-	-	-	-	-	-	-	-	11.5	11.5
Recognition of put option liability/derecognition of non controlling interest	-	-	-	-	-	-	(20.7)	(20.7)	(22.0)	(42.7)
Other changes in non-controlling interests*	-	-	-	-	-	-	(22.3)	(22.3)	3.5	(18.8)
At 31 March 2018	30.4	201.5	(558.3)	13.3	(92.5)	154.3	(87.5)	(338.8)	6,859.8	6,521.0

* Includes purchase of shares by Vedanta Limited through ESOP trust for its stock options and share based payment charge by subsidiaries.

	Attributable to equity holders of the Company									Non-controlling Interests	Total equity
	Share capital	Share premium	Treasury Shares	Share-based payment reserves	Convertible bond reserve	Hedging reserve	Other reserves	Retained earnings	Total		
At 1 April 2016	30.1	201.5	(557.2)	29.9	6.0	(87.7)	(1.4)	(334.0)	(712.8)	7,565.2	6,852.4
Profit for the year	-	-	-	-	-	-	-	(22.7)	(22.7)	902.3	879.6
Other comprehensive income for the year	-	-	-	-	-	(3.2)	90.4	-	87.2	128.8	216.0
Total comprehensive income/(loss) for the year	-	-	-	-	-	(3.2)	90.4	(22.7)	64.5	1,031.1	1,095.6
Acquisition of shares under DSBP scheme	-	-	(0.8)	-	-	-	-	(1.2)	(2.0)	-	(2.0)
Convertible bond transfer	-	-	-	-	(6.0)	-	-	6.0	-	-	-
Transfers ⁽¹⁾	-	-	-	-	-	-	51.5	(51.5)	-	-	-
Dividends paid/ payable (note 12)	-	-	-	-	-	-	-	(137.5)	(137.5)	(1,340.1)	(1,477.6)
Exercise of stock options	0.0	-	0.1	(15.1)	-	-	-	15.0	-	-	0.0
Recognition of share-based payment	-	-	-	13.4	-	-	-	-	13.4	-	13.4
Change in non-controlling interest-merger	-	-	-	-	-	-	-	368.4	368.4	(817.1)	(448.7)
Other changes in non-controlling interests*	-	-	-	-	-	-	-	(2.5)	(2.5)	(16.0)	(18.5)
At 31 March 2017	30.1	201.5	(557.9)	28.2	-	(90.9)	140.5	(160.0)	(408.5)	6,423.1	6,014.6

* 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.

OTHER RESERVES COMPRISE

(US\$ million)

	Currency translation reserve	Merger reserve(2)	Investment revaluation reserve	Other reserves(3)	Total
At 1 April 2016	(2,255.2)	4.4	4.1	2,245.3	(1.4)
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 ⁽¹⁾	-	-	-	51.5	51.5
At 1 April 2017	(2,167.3)	4.4	6.6	2,296.8	140.5
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 ⁽¹⁾	-	-	-	(19.3)	(19.3)
At 31 March 2018	(2,141.8)	4.4	13.5	2,278.2	154.3

- (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 PRELIMINARY ANNOUNCEMENT

General information and accounting policies

This preliminary results announcement is for the year ended 31 March 2018. While the financial information contained in this preliminary results announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS. For these purposes, IFRS comprise the Standards issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the IFRS Interpretations Committee ("IFRIC") that have been endorsed by the European Union. The financial information contained in the preliminary announcement has been prepared on the same basis of accounting policies as set out in the previous financial statements. The amendments applicable with effect from 01 April 2017 did not have any significant impact on the amounts reported in the financial statements. The Company expects to publish full financial statements that comply with IFRSs in July, 2018.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operational and Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 14 to 24.

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 financial asset 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\$ 0.6billion, and cash and liquid investments of US\$ 5.6 billion 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 strives to maintain a healthy liquidity and retains flexibility in the financing structure. During the year, 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 (from approx. three years).

The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance on cash flows and forecast covenant compliance, the transferability of cash within the Group, the flexibility the Group has over the timings of its capital expenditure and other uncertainties, show that the Group will be able to operate within the level of its current facilities for the foreseeable future. For these reasons the Group continues to adopt the going concern basis in preparing its financial statements.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Compliance with applicable law and IFRS

The financial information contained in this preliminary results announcement has been prepared on the going concern basis. This preliminary results announcement does not constitute the Group's statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act") but is derived from those accounts. The statutory accounts for the year ended 31 March 2018 have been

approved by the Board and will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 13 August 2018. The auditors have reported on those accounts and their report was unqualified, with no matters by way of emphasis, and did not contain statements under section 498(2) of the Act (regarding adequacy of accounting records and returns) or under section 498(3) (regarding provision of necessary information and explanations). The information contained in this announcement for the year ended 31 March 2017 also does not constitute statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, with no matters by way of emphasis, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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 judgments 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 recognized 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 and gas prices could impact the depreciation rates, carrying value of assets and environmental and restoration provisions.

(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 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 6.

(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 analyst 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 6.

(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 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 analyst 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 6.

(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 Hon'ble Supreme Court of India on 07 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. Consequentially 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 6.

(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.

(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.

(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. 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.

(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 utilized. 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 decision.

(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 09 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 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 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.

(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, 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 a 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 decision.

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.

(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 judgment management considered favorable external legal opinions the Group has obtained in relation to the claims and favorable court judgements in the related matter. In addition the fact that the contracts are with government owned companies implies the credit risk is low.

(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 6.

4. Segment information

The Group is 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 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. Intersegment 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.

(a) Reportable segments

Year ended 31 March 2018

(US\$ million)

	Zinc- India	Zinc- International	Oil and gas	Iron Ore	Copper- India*/ Australia	Copper- Zambia	Aluminium	Power	Others	Elimination	Total operations
REVENUE											
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 ⁽¹⁾	-	-	-	4.1	0.4	101.7	3.9	23.4	1.9	(135.4)	-
Segment revenue	3,368.7	534.7	1,479.6	487.5	3,832.7	1,283.0	3,587.6	877.0	43.3	(135.4)	15,358.7
Segment Result											
EBITDA ⁽²⁾	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 ⁽³⁾	(232.9)	(28.3)	(461.3)	(68.6)	(24.9)	(111.8)	(256.9)	(75.1)	(10.9)	-	(1,270.7)
Operating profit/ (loss) before special items	1,669.9	191.2	387.8	(11.3)	175.7	(38.6)	195.5	183.8	26.5	-	2,780.5
Investment revenue											465.1
Finance costs											(1,342.6)
Other gains and (losses) [net]											(1.0)
Special items											580.1
PROFIT BEFORE TAXATION											2,482.1
Segments 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
TOTAL ASSETS											29,238.4
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)
TOTAL LIABILITIES											(22,717.4)
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) ⁽⁴⁾	-	-	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 09 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

Year ended 31 March 2017

(US\$ million)

	Zinc- India	Zinc- International	Oil and gas	Iron Ore	Copper-India/ Australia	Copper- Zambia	Aluminium	Power	Others	Elimination	Total operations
REVENUE											
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 ⁽¹⁾	3.1	-	-	6.1	2.3	44.2	2.9	13.3	1.0	(72.9)	-
Segment revenue	2,525.0	332.4	1,222.7	615.4	3,133.7	874.3	2,040.0	835.9	13.6	(72.9)	11,520.1
Segment Result											
EBITDA ⁽²⁾	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 ⁽³⁾	(149.2)	(27.5)	(411.0)	(69.9)	(28.9)	(113.3)	(141.0)	(88.2)	(1.5)	-	(1,030.5)
Operating profit/ (loss) before special items	1,274.0	110.8	186.2	124.3	223.3	(107.4)	203.2	156.6	(10.4)	-	2,160.6
Investment revenue											642.6
Finance costs											(1,340.6)
Other gains and (losses) [net]											(23.8)
Special items	-	-	-	-	-	-	-	-	-	-	(58.9)
PROFIT BEFORE TAXATION											1,379.9
Segments 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
TOTAL ASSETS											31,503.4
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)
TOTAL LIABILITIES											(25,488.8)
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) ⁽⁴⁾	-	-	12.6	-	-	-	(29.9)	-	-	-	(17.3)

(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 6).

Segment information (continued)

(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%
Total	15,358.7	100%	11,520.1	100%

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⁽¹⁾		
	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
Total	18,728.4	17,598.1

(1) Non-current assets do not include deferred tax assets, derivative assets, financial asset investments and other non-current financial assets.

Information about major customer

No customer contributed 10% or more to the Group's revenue during the year ended 31 March 2018 and 31 March 2017.

5. 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)
Sale of products (net of excise duty)	15,262.8	11,410.5
Sale of services	31.2	71.4
Export incentives	64.7	38.2
Total Revenue	15,358.7	11,520.1

6. Special items

(US\$ million)

	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 ¹	45.8	(15.9)	29.9	-	-	-
Gratuity- change in limits ²	(12.7)	2.9	(9.8)	-	-	-
Gross profit special items	33.1	(13.0)	20.1	-	-	-
Impairment reversal of oil and gas assets ³	1,447.4	(569.9)	877.5	12.6	(4.9)	7.7
Impairment of iron ore assets ⁴	(758.5)	224.6	(533.9)	-	-	-
Impairment of assets under construction- Aluminium ⁵	-	-	-	(29.9)	-	(29.9)
Total impairment charge	688.9	(345.3)	343.6	(17.3)	(4.9)	(22.2)
Loss on unusable assets under construction- Aluminium ⁵	(39.0)	13.6	(25.4)	-	-	-
Operating special items	683.0	(344.7)	338.3	(17.3)	(4.9)	(22.2)
Financing special items ⁶	(108.2)	6.2	(102.0)	(41.6)	-	(41.6)
Bargain gain net of acquisition cost ⁷	5.3	-	5.3	-	-	-
Special items	580.1	(338.5)	241.6	(58.9)	(4.9)	(63.8)

- 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 recognized as special items.

3. During the year ended 31 March 2018, the Group has recognized net impairment reversal of US\$ 1,447.4 million on its assets in the oil and gas segment comprising of:

a) 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 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 risked 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 upto the long-term nominal price of US\$ 65 per barrel over the next 3 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.

b) 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 recognized 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 and gas properties and US\$ 75.6 million reversal has been recorded against exploratory and evaluation assets.

4. During the year ended 31 March 2018, the Group has recognized 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 07 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. Consequentially 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 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 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 (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.

7. 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
Interest Income:		
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
Dividend Income:		
Dividend - available for sale investments	-	0.1
Dividend - financial assets held for trading	4.0	-
Foreign exchange gain/(loss) (net)	1.9	(3.1)
	465.1	642.6

8. 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	1,375.8	1,414.9
Unwinding of discount on provisions	13.0	13.0
Net interest on defined benefit arrangements	7.9	12.4
Special items (note 6)	108.2	41.6
Capitalisation of finance costs/borrowing costs	(54.1)	(99.7)
	1,450.8	1,382.2

All borrowing costs are capitalised using rates based on specific borrowings with the interest rate of 8.1% per annum.

9. 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	-	1.9
Net foreign exchange (losses)	(11.0)	(14.5)
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 6)	5.3	-
	4.3	(23.8)

10. Tax

	(US\$ million)	
	Year ended 31 March 2018	Year ended 31 March 2017
Current tax:		
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)
Total current tax	521.7	588.0
Deferred tax:		
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 6)	338.5	4.9
Total deferred tax	491.5	(87.7)
Net tax expense	1013.2	500.3
Effective tax rate	40.8%	36.2%

Tax expense

	<i>(US\$ million)</i>	
	Year ended 31 March 2018	Year ended 31 March 2017
Tax effect of special items (note 6)	338.5	4.9
Tax expense - others	674.7	495.4
Net tax expense	1,013.2	500.3

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 majority of the Group's operations are located in India, the reconciliation has been carried out from Indian statutory income tax rate.

	<i>(US\$ million)</i>	
	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%
Tax at local statutory income tax rate	859.0	477.6
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
Unrecognized 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)
Total	1,013.2	500.3

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:

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 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), Talwandi Sabo Power Limited, Vedanta Limited and Bharat Aluminium Company Limited (where no benefit has been drawn).

The Group operates a zinc refinery in 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).

11. 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:

	<i>(US\$ million)</i>	
	Year ended 31 March 2018	Year ended 31 March 2017
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

	<i>(US\$ million except as stated)</i>	
	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)
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
Adjusted weighted average number of shares of the Company in issue (million)	282.4	282.3

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)	-
Adjusted profit/(Loss) for the year attributable to equity holders of the parent (US\$ million)	233.8	(22.7)

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
Diluted earnings/(loss) per share on profit/ (loss) for the year (US cents per share)	82.8	(8.2)

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 9) 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	6	(580.1)	58.9
Other gains/(losses) [net]	9	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)
Underlying attributable profit/ (loss) for the year		161.8	44.6
Reduction in attributable profit on account of stock options of subsidiary		(1.8)	-
Adjusted underlying profit for the year		160.0	44.6

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
Earnings/ (Loss) per share on Underlying profit for the year (US cents per share)	58.3	16.1

Diluted earnings per share on Underlying profit for the year (Non-GAAP)

	<i>(US\$ million except as stated)</i>	
	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
Diluted earnings/ (Loss) per share on Underlying profit for the year (US cents per share)	56.7	15.8

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.

12. Dividends

	<i>(US\$ million)</i>	
	Year ended 31 March 2018	Year ended 31 March 2017
Amounts recognised as distributions to equity holders:		
Equity dividends on ordinary shares:		
Final dividend for 2016-17: 35.0 US cents per share (2015-16: 30.0 US cents per share)	96.9	82.4
Interim dividend paid during the year: 24.0 US cents per share (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 2017-18: 41.0 US cents per share (2016-17: 35.0 US cents per share)	114.6	96.9

13. Liquid investments

	<i>(US\$ million)</i>	
	As at 31 March 2018	As at 31 March 2017
Bank deposits ⁽¹⁾	482.5	882.6
Other investments	4,325.3	7,160.4
	4,807.8	8,043.0

(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.

14. 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 ⁽¹⁾	35.6	173.2
Total	798.7	1,682.2

(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 utilized 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 utilized to pay dividends to the non-controlling shareholder 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 utilized 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.

15. 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	462.8	464.2
Other	93.0	14.4
Medium and Long-term borrowings	11,587.1	12,640.8
Less: Current portion of medium and long-term borrowings	(1,853.6)	(2,070.6)
Medium and Long-term borrowings, net of current portion (B)	9,733.5	10,570.2
Total (A+B)	15,193.8	18,228.7

16. Movement in net debt⁽¹⁾

(US\$ million)

	Cash and cash equivalents	Liquid investments	Total cash and liquid investments	Debt due within one year	Debt due after one year	Debt-related derivatives ⁽²⁾	Total Net Debt
				Debt carrying value	Debt carrying value		
At 1 April 2016	428.3	8,508.2	8,936.5	(4,313.8)	(11,949.5)	(2.0)	(7,328.8)
Cash flow	1,187.2	(921.5)	265.7	74.1	(1,144.6)	-	(804.8)
Other non-cash changes ⁽³⁾	-	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)
At 1 April 2017	1,682.2	8,043.0	9,725.2	(7,658.5)	(10,570.2)	-	(8,503.5)
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	23.6	-	23.6	-	(98.7)	-	(75.1)
Other non-cash changes ⁽³⁾	-	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
At 31 March 2018	798.7	4,807.8	5,606.5	(5,460.3)	(9,733.5)	-	(9,587.3)

(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.

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 financials 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 \diamond where applicable.

\diamond 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 avg. no. 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.

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)
Return on Capital Employed (a)	2,283
Opening Capital Employed (b)	14,518
Closing Capital Employed (c)	16,108
Average Capital Employed (d)= (a+b)/2	15,313
ROCE (a)/(d)	14.9%

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 which is scheduled to be held at 3.00 pm, UK time, on 13 August 2018

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

CO₂

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 Auditors' 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

CRRI

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

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 KRA s

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

KPI s

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, Aishwarya 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

SBU

Strategic Business Unit

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 Note 2(A) (III) 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