



# Vedanta Limited

Credit Suisse: Annual Asian Investment Conference

March 2017

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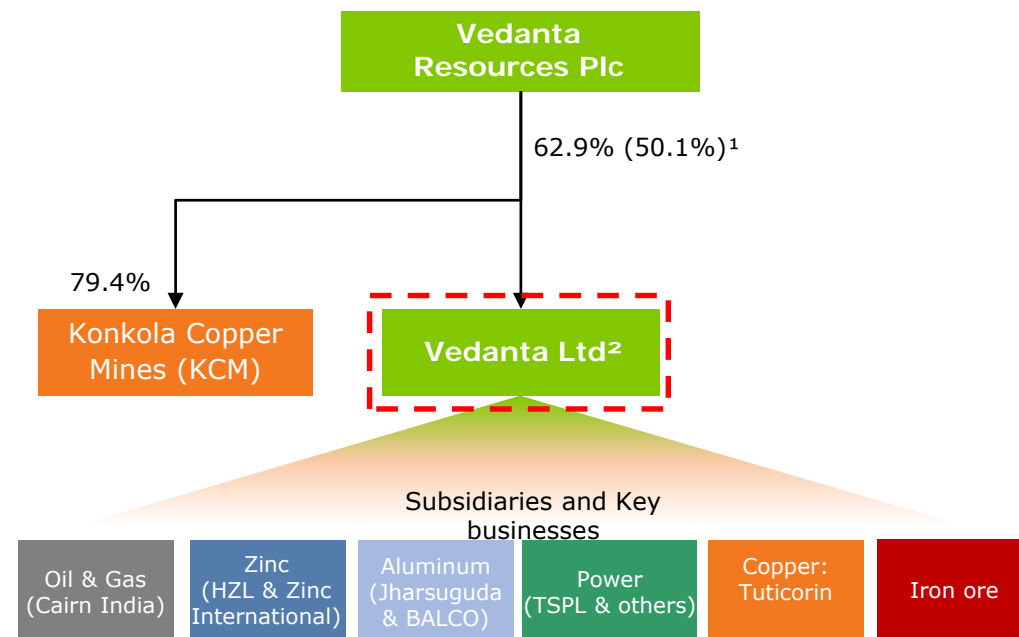
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## Overview

- **Vedanta Resources Plc**
  - Premium listing in London in 2003
  - Owns 63% of Vedanta Ltd; 50.1% post merger of Vedanta Ltd-Cairn India
  - Also owns Konkola Copper Mines - copper producer in Zambia
  - Strong access to global capital markets
    - Corporate Borrower Award, Finance Asia 2016 Fixed Income Poll
  
- **Vedanta Limited**
  - Listed in India, with ADR's on the NYSE
  - Largest diversified resources company in India

## Group structure

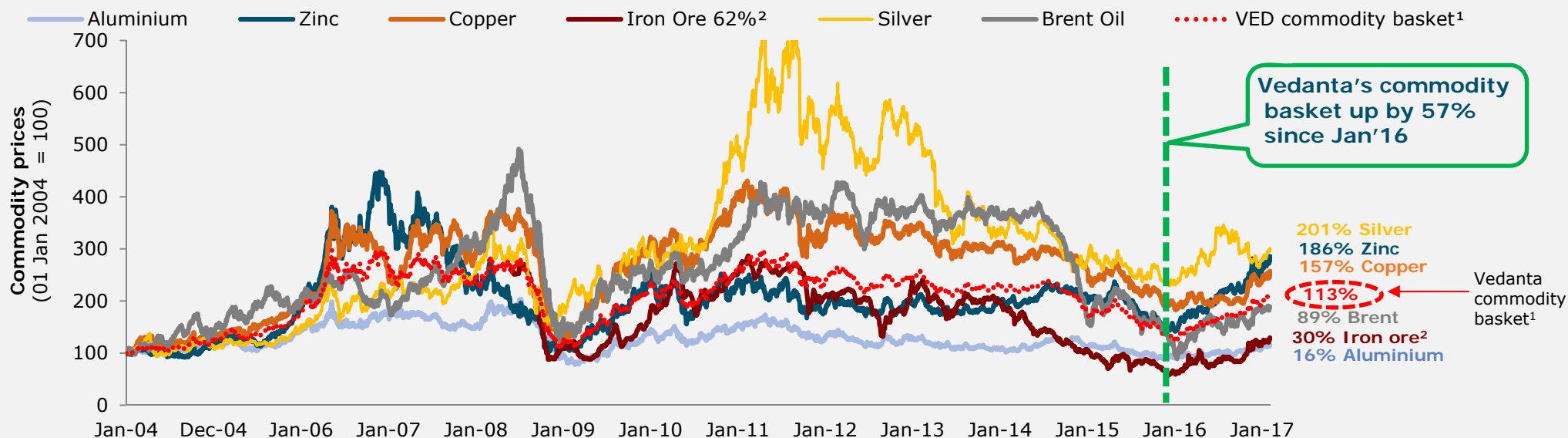


1. Post merger of Vedanta Ltd and Cairn India Ltd

2. Divisions of Vedanta Ltd include: Sesa Iron Ore, Sterlite Copper (Tuticorin), Power (600 MW Jharsuguda), Aluminium (Odisha aluminium and power assets) and MALCO Power (100 MW)

# Diversified Commodity Basket

Our commodity basket has captured commodity price upside, with low volatility

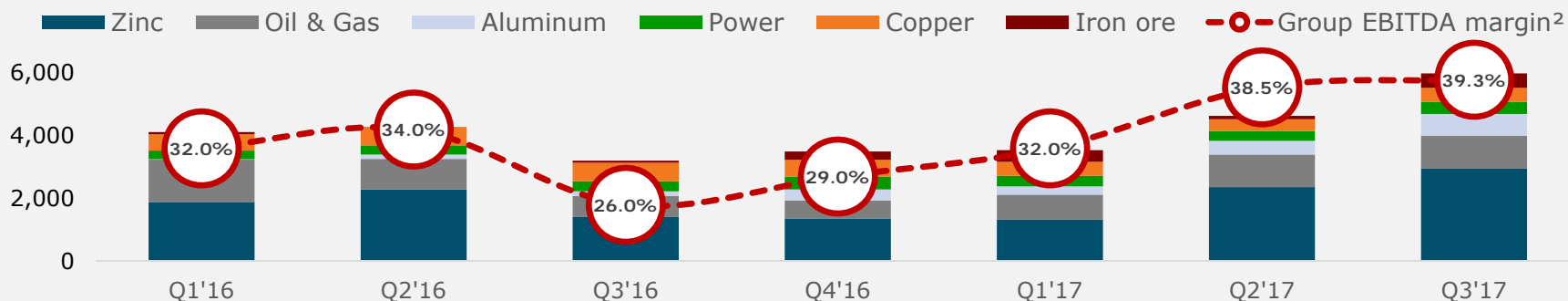


Source: Company filings, Bloomberg

1. Vedanta Limited Commodity Basket is a weighted average of commodity prices, weights are based on actual FY2016 revenue mix. Copper India revenues based on realized Tc/Rc's.
2. Iron ore price is available since May 2008, prior to that iron ore was traded contractually

Attractive commodity mix and quality assets have enabled us to deliver strong margins through market volatility

EBITDA Rs. Crore

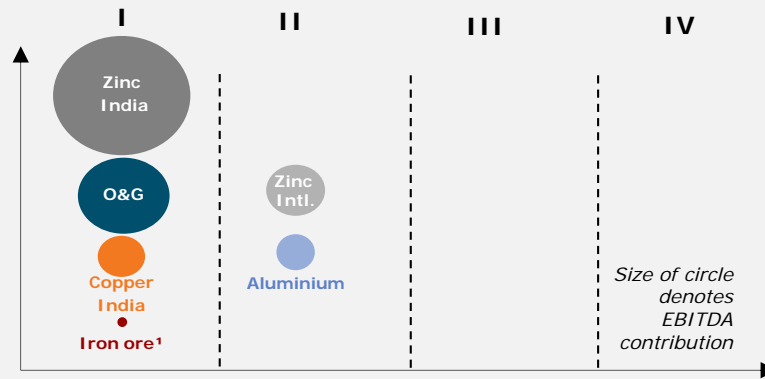


2. Excludes custom smelting at Copper and Zinc India operations

# Attractive cost curve positioning with "Best in class" Balance Sheet

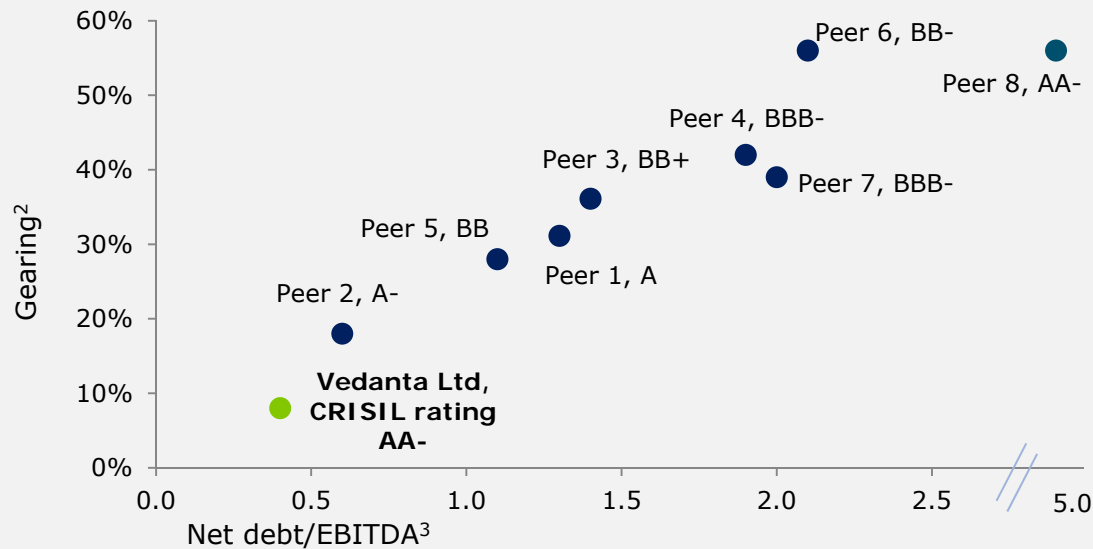


Low cost assets provide sufficient cushion in any cycle



Source: Wood Mackenzie as of Q4 2016, CRU Aluminium business cost curve (2015)  
 1 On a 58% Fe cost basis only

## "Best in class" Balance Sheet

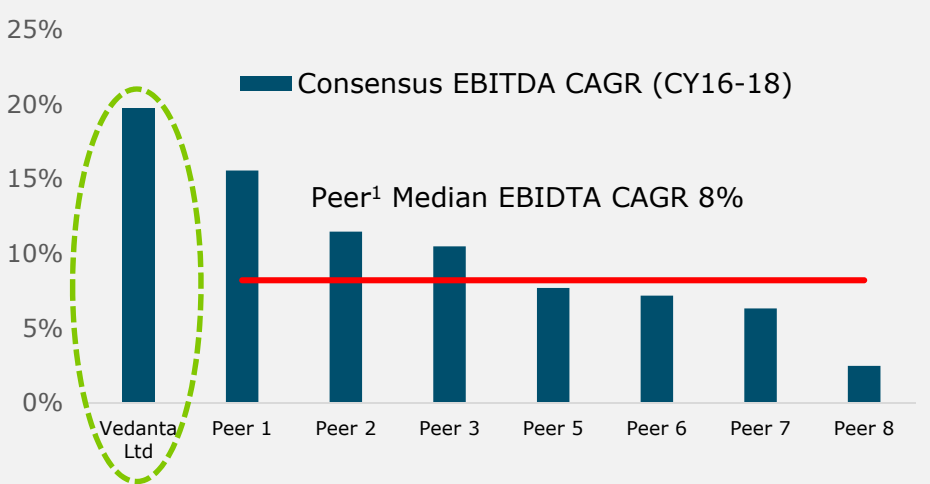


Source: Bloomberg  
 Notes:

- 1. Peer companies include BHP, Rio, Anglo American, Glencore, Teck, Freeport, Vale and Hindalco. Long term corporate family Credit rating as assigned by S&P and CRISIL.
- 2. Gearing is calculated as Net debt divided by the sum of Net debt and Equity. These are based on reported numbers, FY2016-
- 3. Leverage is Net debt as latest reported net debt, while EBITDA is CY 2017 consensus estimate

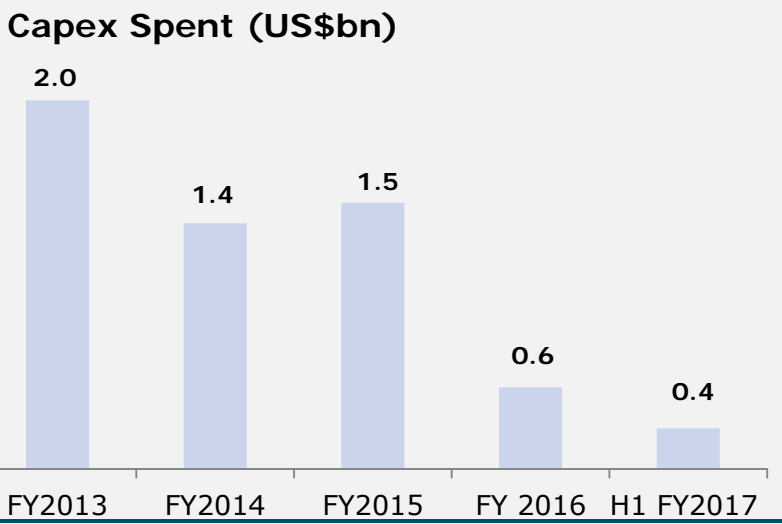
# Strong volume growth with significant capex already spent

## Capacity expansion should drive growth

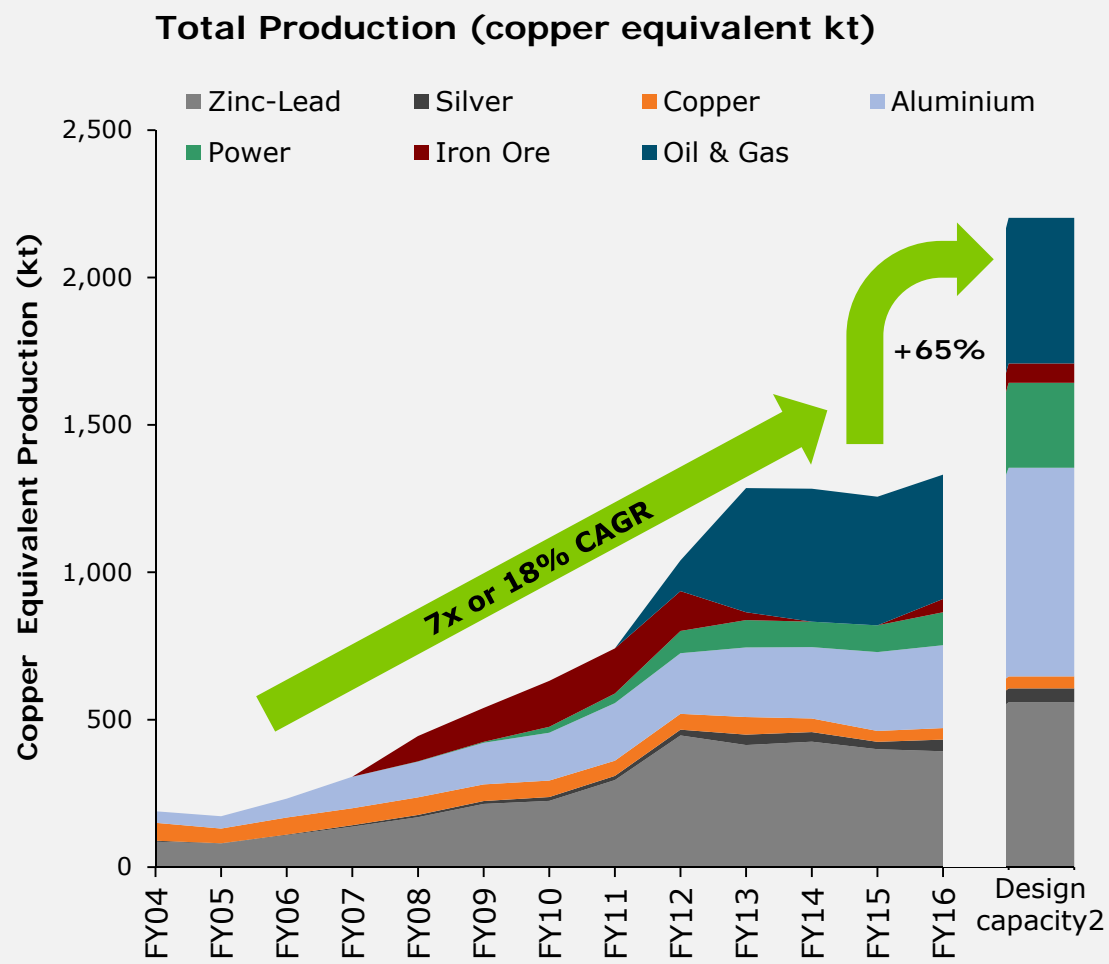


Source: Bloomberg  
Notes: 1. Peer companies include BHP, Rio, Anglo American, Glencore, Teck, Freeport, Vale and Hindalco.

## With significant capex already spent..



## ..positioned to reap benefits from incremental production



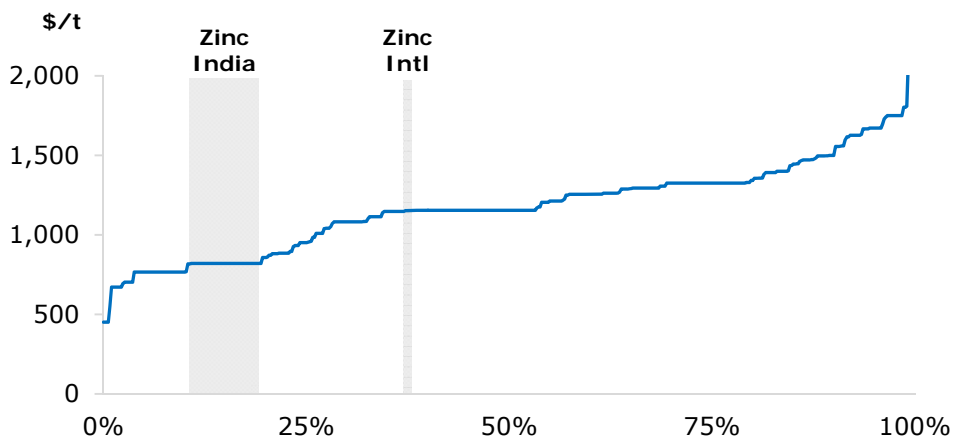
All commodity and power capacities rebased to copper equivalent capacity (defined as production x commodity price / copper price) using average commodity prices for FY16. Power rebased using FY16 realisations, copper custom smelting production rebased at TC/RC for FY16, iron ore volumes refers to sales with prices rebased at average 58% FOB prices for FY16.  
2. Iron ore assumed at current EC capacity of 7.8mt



# Zinc: Fundamentals supporting price

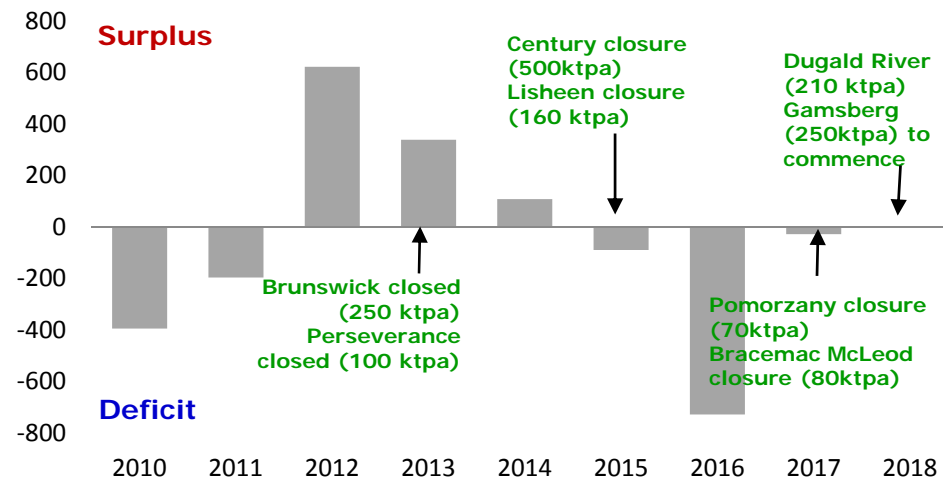
## Global Zinc Cost curve

CY 2016E Zinc C1 composite cost curve



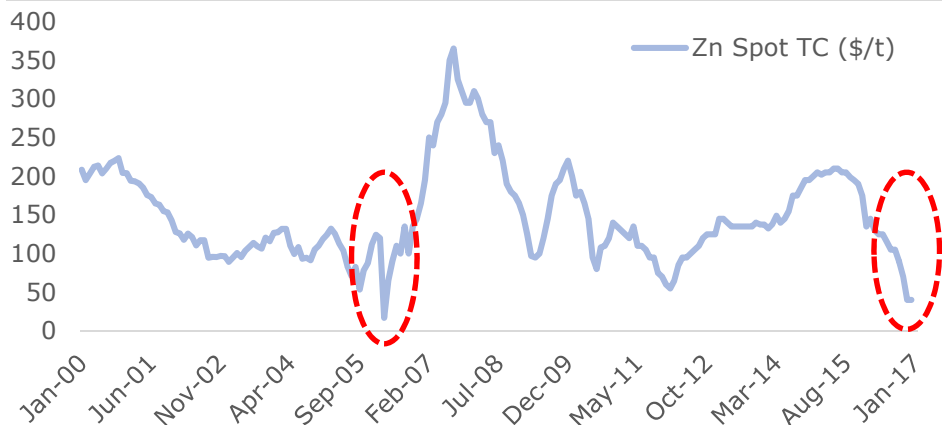
Source: Wood Mackenzie as of Q4 2016 (cost curve by Company)

## Global Zinc concentrate deficit supporting zinc prices (kt)



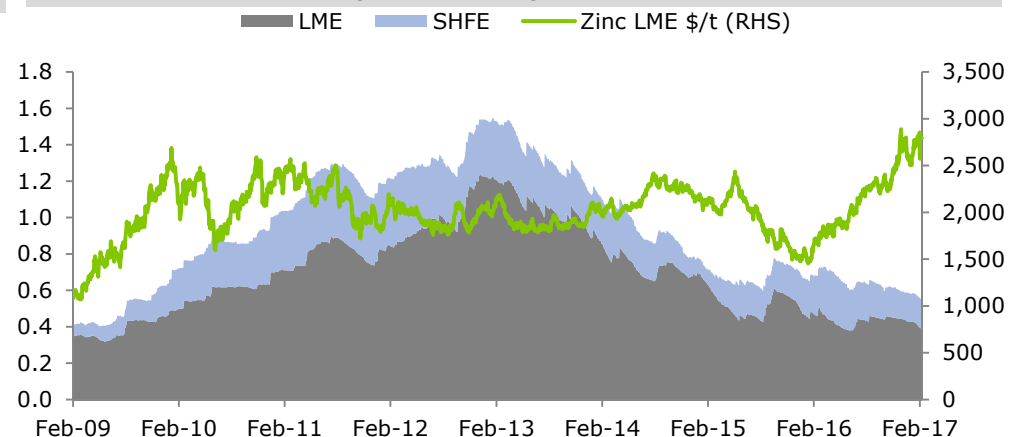
Source: Wood Mackenzie LTO Q4 2016

## Decade low TCs reflect the tightness in the concentrate market



Source: Wood Mackenzie

## Refined Zinc inventory (mt) at 6 year low

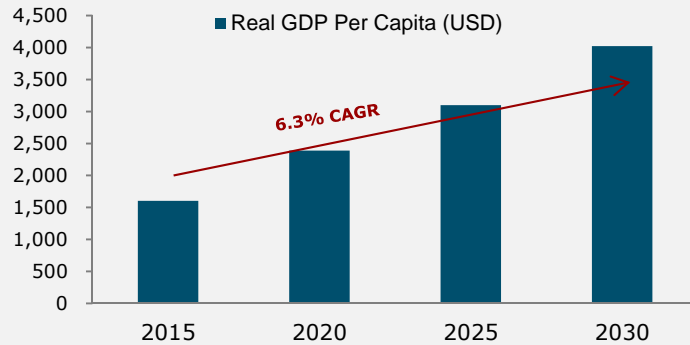


Source: Bloomberg

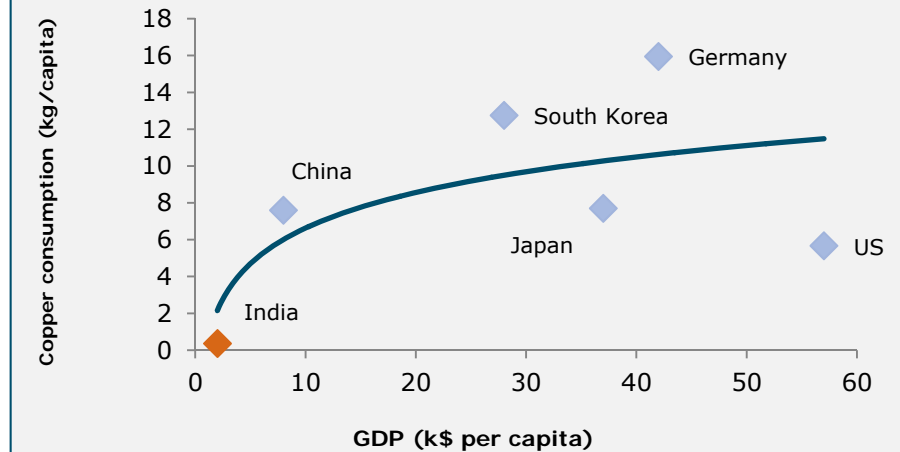
## Delivering growth through the Zinc deficit

# Well positioned to benefit from the India story

## India's demand is growing



Source: International Monetary Fund (October 2016)



Source: International Monetary Fund (October 2016), Wood Mackenzie LTO Q4 2016

## India has favourable geology and mineral potential



**India: Shared geology and mineral potential with Africa & Australia**

### India mineral reserves ranking

Global Ranking based on reserves

**5<sup>th</sup> Coal**  
Reserves: 61bn tonnes

**6<sup>th</sup> Zinc**  
Reserves: 10mn tonnes

**6<sup>th</sup> Iron Ore**  
Reserves: 8bn tonnes

**9<sup>th</sup> Bauxite**  
Reserves: 590mn tonnes

Source: BP Statistical Review of World Energy 2016 (Coal), U.S. Geological Survey, Mineral Commodity Summaries, January 2016 (Zinc, Iron Ore and Bauxite)



## Financial Priorities focused on a strong Balance Sheet

### Disciplined Capital Allocation: Optimising capex, focus on FCF

- Ramp-ups at Aluminium, Power and Iron Ore are generating significant cash flows
- Continued optimization of Opex and Capex

### Deleveraging; Strong Liquidity Focus

- Continued reduction in debt
- Strong Liquidity Focus: Cash and Liquid Investments of c.\$7.9bn and undrawn committed facilities of \$0.5bn
- Debt being refinanced at longer maturities and lower interest cost

### Cost Savings

- Delivering on savings program
- Cost in 1<sup>st</sup>/2<sup>nd</sup> quartile of cost curve across all businesses

### Long Term Shareholder Value

- Group Simplification: Vedanta Ltd – Cairn India merger to be completed
- Dividend policy expected to be announced following completion of merger with Cairn India

## Strategic priorities remain unchanged



### Production growth and asset optimisation

- Disciplined approach towards ramp up



### De-levering the balance sheet

- Reduce gross debt
- Continued optimisation of opex and capex
- Continued discipline around working capital



### Simplifying the Group structure

- Complete Vedanta Limited - Cairn India merger



### Creating sustainable value for all stakeholders

- Achieve zero harm
- Obtain local consent prior to accessing resources



### Identify next generation resources

- Disciplined approach to exploration
- Continue to enhance exploration capabilities



## Appendix

# Zinc India

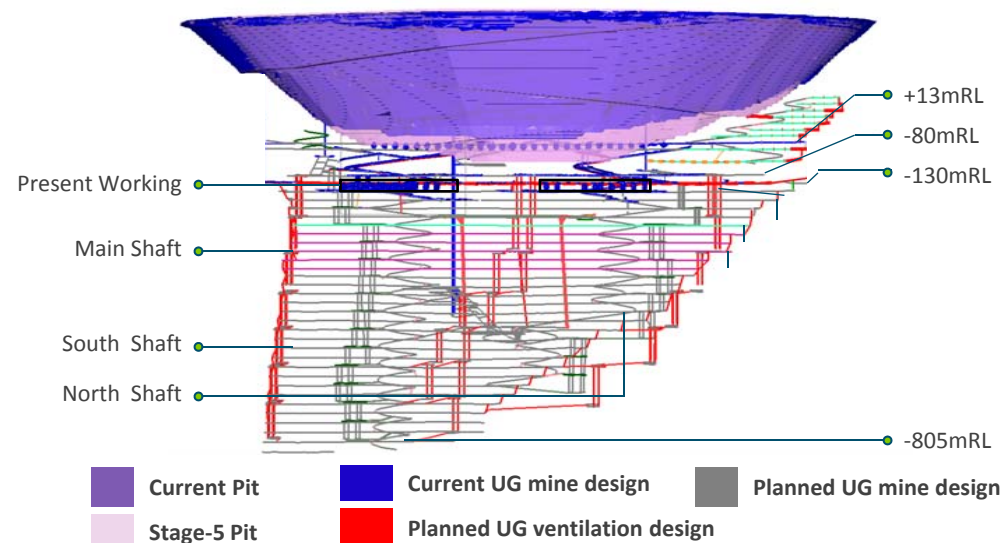
## World class fully integrated zinc producer

- Annual zinc/lead production of 904kt as of 31 March 2016
- Rampura Agucha:
  - Largest zinc mine in the world<sup>1</sup>
  - 22.1 year life of mine (reserves and resources)
  - 7.2mt contained Zn, 0.9mt contained Pb in (proven and probable reserves<sup>2</sup>)
- Significant silver by-product (13.65 moz in fiscal year 2016)
- Largest zinc producer in India with 79.1% market share<sup>3</sup>

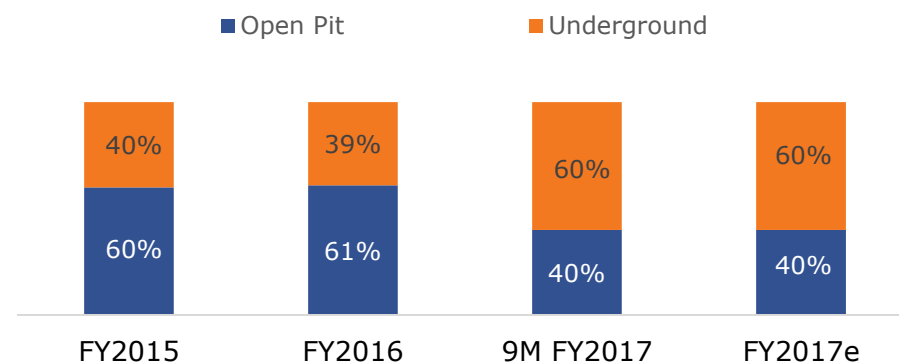
## Strong outlook

- Ongoing brownfield expansion of mines to achieve 1.2 million tonnes per annum of mined zinc-lead
- On track for delivery of transition from open-pit to underground mining at Rampura Agucha
  - U/G main shaft crossed 860mtrs against final depth of 950mtrs
- Continued focus on reserves and resources expansion through exploration

## Rampura Agucha Mine – Longitude Vertical Section



## Proportion of Underground Production increasing (% of MIC)



<sup>1</sup> According to Wood Mackenzie, on a CY 2016E production basis

<sup>2</sup> Proved and probable reserves of 51.1mt @ 14.0% Zn / 1.8% Pb

<sup>3</sup> According to ILZDA, based on Indian zinc market sales volume in fiscal year 2016

## Overview

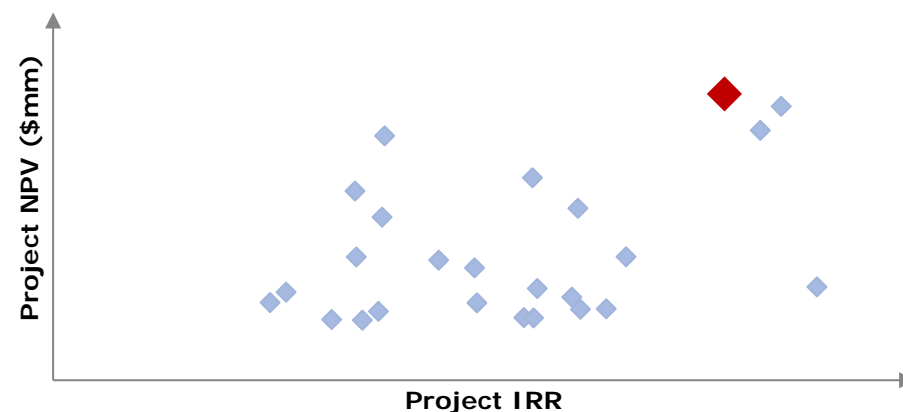
- Vedanta's international zinc business comprises:
  - Skorpion (Namibia, 100% owned)
  - Black Mountain (South Africa, 74% owned)
  - Gamsberg project (South Africa, 74% owned)
- Skorpion mine:
  - Strongly positioned in the second quartile of the cost curve<sup>1</sup>
  - Exploration of nearby orebodies underway at Skorpion to extend life of mine beyond 2021

## Gamsberg project offers attractive opportunities

- Large, low cost growth project with mine life of over 25 years
  - Estimated production capacity of 250ktpa
  - Mining and milling capex reduced by \$200mn to c.\$400mn, mainly on engineering improvements and renegotiations
- Coming online in favourable zinc market
  - First ore production targeted by mid- to end-2018 with 9-12 month ramp-up to full production
- Recent updates
  - Orders for mining and concentrator plant placed in Q3; c.75% of project capex already committed

<sup>1</sup> According to Wood Mackenzie, CY 2016E

## Gamsberg is a large, high return project



Source: Wood Mackenzie; Zinc/lead projects with an NPV > \$400m (10% WACC)

## Pre-stripping at Gamsberg





## India's leading O&G producer

- Cairn India is the largest private sector producer of crude oil in India
- Operating c.27% of India's domestic crude oil production<sup>1</sup>
- Currently present in eight blocks: one in Rajasthan, two on the west coast of India, four on the east coast of India, and one in South Africa
  - Of which three blocks are currently operational, Rajasthan, Ravva and Cambay
- Structurally low cost operations with resilient cash flow generation
  - Rajasthan offshore operations have accounted for over 90% of Cairn India's working interest production over the last three years
  - Water-flood cost at \$4.2/boe in 9M FY17; cost improvement with continued efforts on cost optimization
- Strong track record and growth pipeline in exploration and development
  - Significant growth opportunities (Raageshwari Deep Gas Project, Barmer Hill, Bhagyam, Aishwariya)

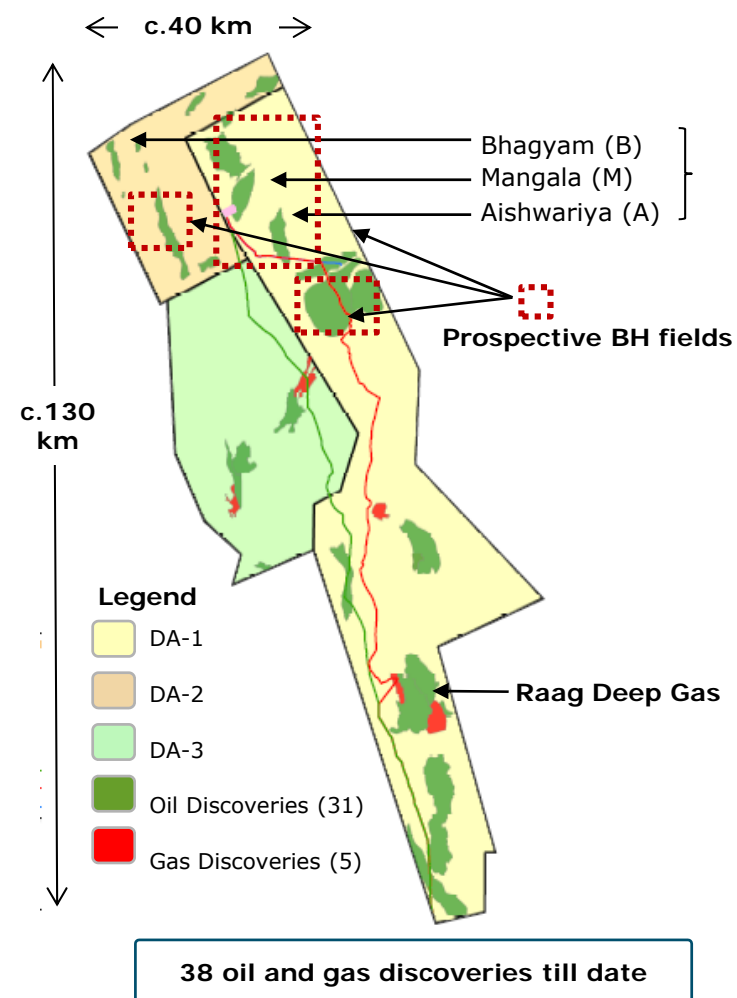
<sup>1</sup> Ministry of Petroleum and Natural Gas statistics, March 2016



Rajasthan: Barmer Hill Drilling Activity

## Rajasthan Block

c.3,111 km<sup>2</sup> block with rich set of options



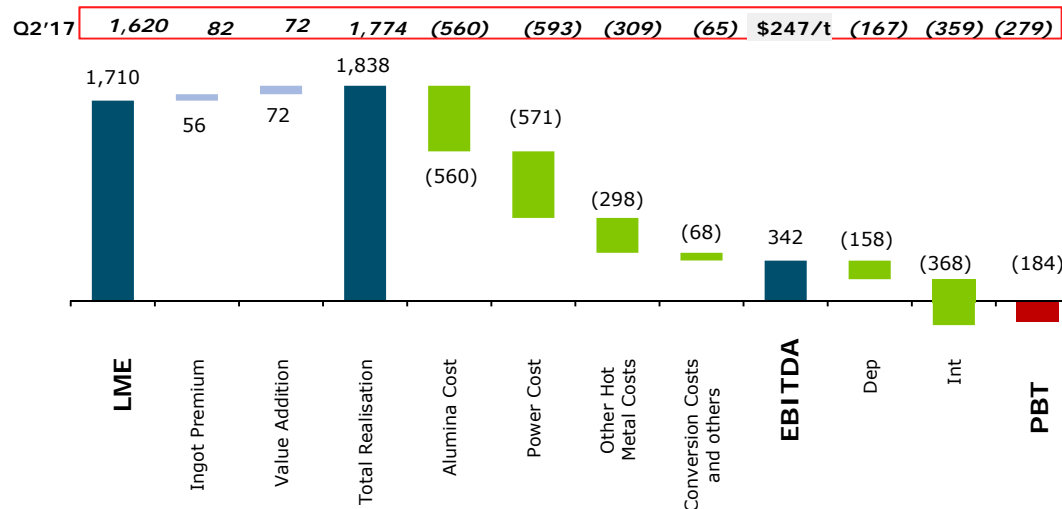
# Aluminium

## Major Indian producer with established infrastructure

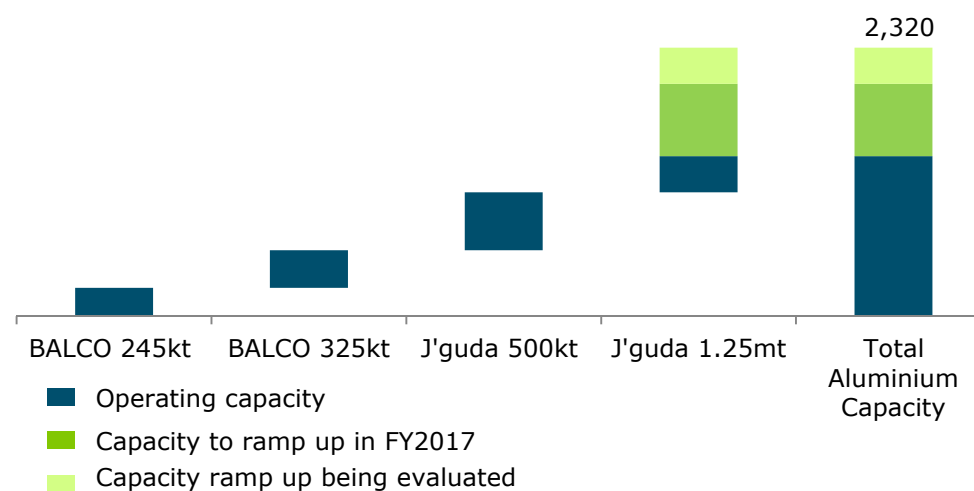
- #1 aluminium producer in India by installed capacity with 44% of total<sup>1</sup>
  - Primary products are aluminium ingots, wire rods, billet and rolled products
  - Strategically located to service high growth markets such as India, China and the Middle East
  - Plants located close to states with rich bauxite ores
- Established infrastructure and economies of scale
  - Captive bauxite resources and alumina refining
    - Proved and probable bauxite reserves of 6.15mt as of 31 March 2016
    - 895kt alumina produced in 9M FY2017
  - Sufficient captive power supply to support aluminium operations

## Aluminium Costs and Margins

(in \$/t, for Q3 FY2017)



## Roadmap to 2.3mtpa Aluminium Capacity



## Delivering significant production growth

- Capacity expansion to 2.3mtpa underway
- Record half yearly aluminium production of 860kt in 9M FY 2017

<sup>1</sup> Indian Minerals Yearbook 2014



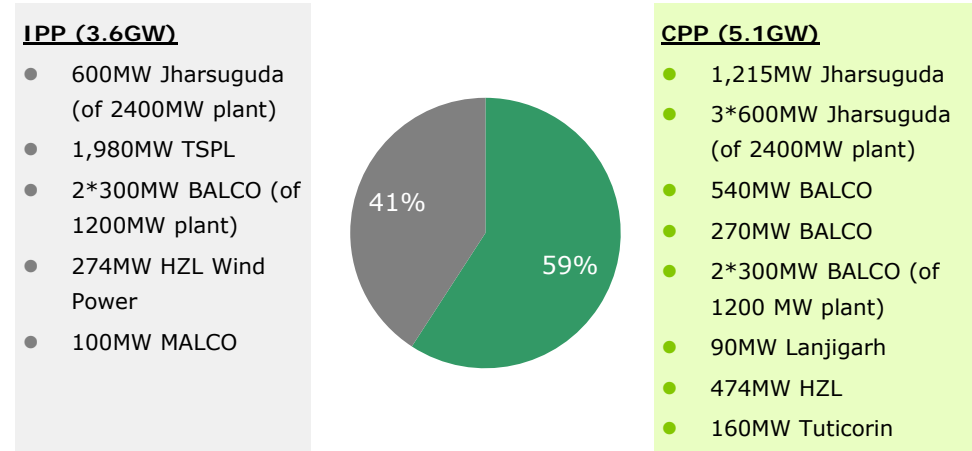
## Overview

- Vedanta is well positioned to capitalise on India's economic growth, power deficit and large coal reserves
  - Building and managing captive power plants in India since 1997
  - Capacity: 9GW (as of 31 December 2016)
  - Long-term power off-take arrangements with state electricity boards and state-owned utilities reduce production and pricing risks
  - Benefits from increasing domestic coal production from Coal India
- Strategically located projects under development
  - Easy access to fuel and water
  - Well connected by railways and road
  - In close proximity to power deficit areas (e.g. state of Punjab)

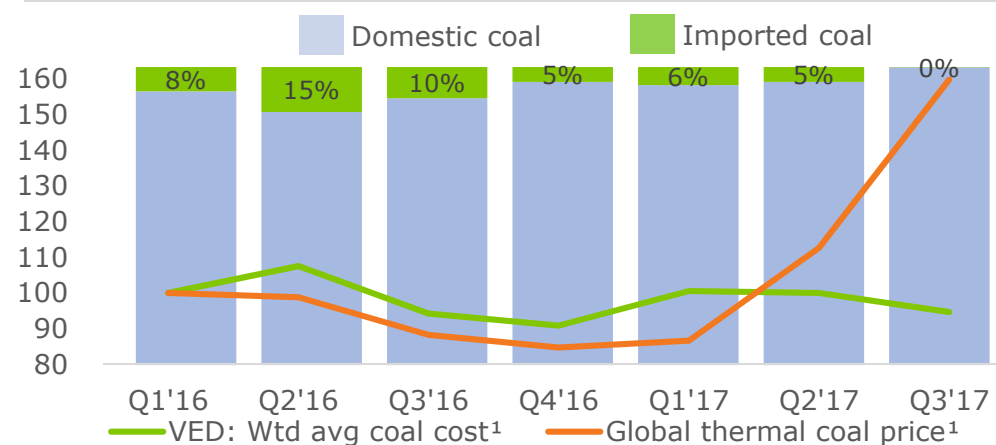
## Key Update

- Entire portfolio of 9,000MW is operational
- TSPL
  - Unit-III achieved COD in August and capitalized on 1st September
- Jharsuguda 2400MW:
  - Supply from 1 unit to Gridco – Other 3 units to continue sale of surplus power, until fully utilized by Jharsuguda-II smelter

## Power Generation Capacity – c. 9GW



## Increased availability of domestic coal has enabled lower coal costs

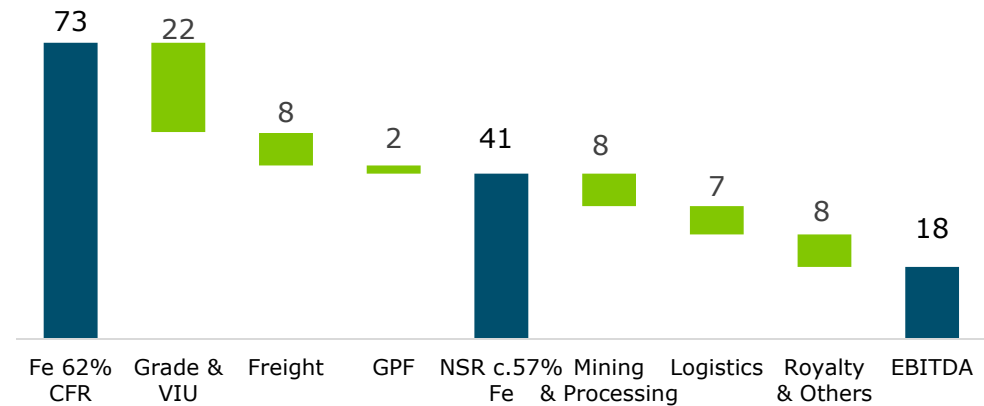


Note: Above data is for CPP's and IPP's at Jharsuguda and BALCO  
 1. Indexed to 100, Mix is at normalized GCV

## Overview

- Vedanta's iron ore business is in the states of Goa and Karnataka
  - First company to restart iron ore mining in Goa (August 2015) after 3 year state-wide mining bans
- Leading company in iron ore mining, processing and shipping in both export and domestic markets
  - India's largest private sector exporter of iron ore since 2003, according to the Federation of Indian Mineral Industries
  - Diversified customer base, with 60% of products exported to China (FY2016)
  - Geographically well-positioned to benefit from the continued growth of Asian economies
  - Competitive cost position: first quartile (58% Fe cost basis)
- Engaging with respective state governments for higher volume allocation
  - 20.5 mt pre-ban production capacity

## Goa iron ore costs and margin (Q3 FY2017, US\$/t)

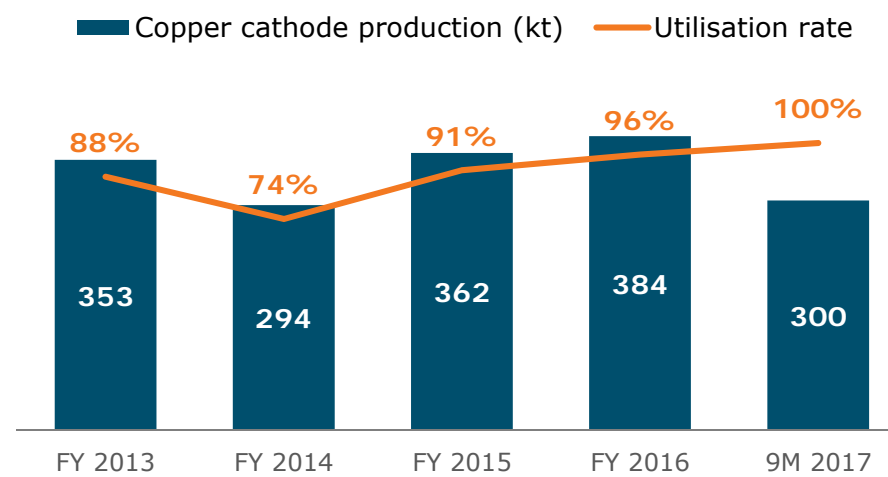


Transhipper at Goa

## Overview

- Large custom smelting and refining business with capacity of 400ktpa (40% of total Indian capacity according to the Indian Minerals Yearbook 2014)
  - High utilisation: record copper cathode production in FY16 (384 ktpa, 96% utilisation)
  - Efficient by-product management (sulphuric acid and precious metals)
  - Strong demand fundamentals: Wood Mackenzie expects refined copper demand in India to almost double by 2025
- Operations comprise of:
  - Tuticorin (southern India): includes 400 ktpa copper smelter and captive power plants of 160 MW
- Strategic priorities:
  - Efficient and low cost smelter with high utilisation rates
  - Sustain operating efficiencies, reducing cost profile further
  - Maximising TcRc
  - Additional 400ktpa capacity expansion (pending environmental clearances)

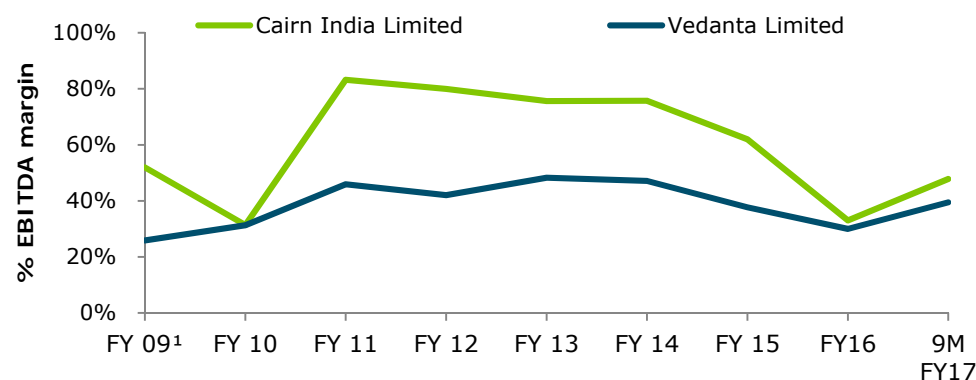
## Sustained, high utilisation rate



Tuticorin Facility

## Efficient capital allocation, more stable cash flows

- Diversified portfolio de-risks earnings volatility and drives more stable cash flows through the cycle
- Vedanta Limited will announce its dividend policy following completion of merger with Cairn India
- Improved ability to allocate capital to highest return projects
- Cost savings and greater capital efficiency, with potential re-rating to benefit all shareholders
- Stronger balance sheet lowers overall cost of capital
- Consistent with corporate strategy to simplify the Group structure



Source: Company filings, Bloomberg  
 Note1: Excludes custom smelting. For Vedanta Limited: reported numbers considered for FY13 to current; Vedanta plc ex KCM used as proxy for FY12 and before

## Timeline

### Key completed events

BSE, NSE and SEBI approvals sought ✓

BSE, NSE and SEBI approvals ✓

Application to National Company Law Tribunal in India ✓

Vedanta plc posting of UK Circular ✓

Vedanta plc EGM ✓

Vedanta Limited shareholder meeting ✓

Cairn India Limited shareholder meeting ✓

National Company Law Tribunal Approval ✓

### Pending approvals

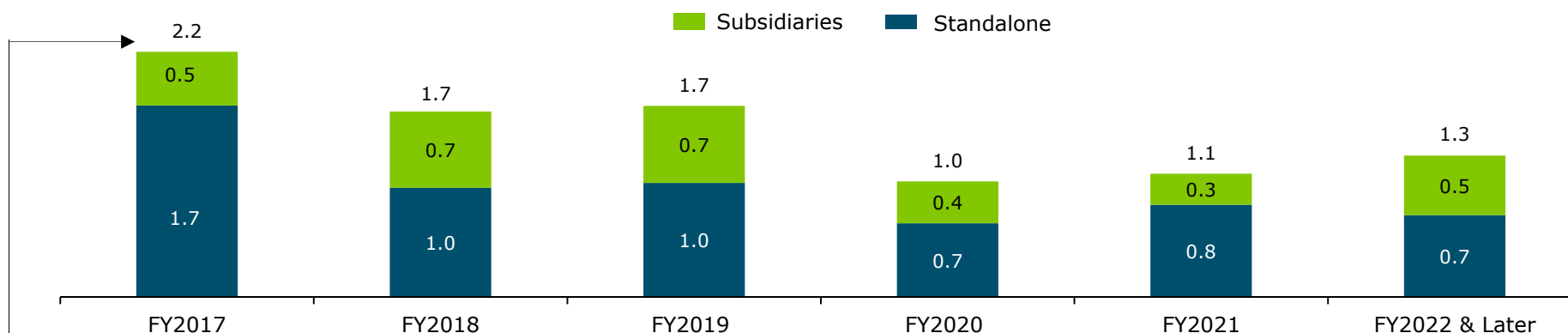
Reserve Bank of India approval

MoPNG approval



## Maturity Profile of Term Debt (\$9.0bn)

(as of 31<sup>st</sup> December 2016)



External term debt of \$9.0bn (\$6bn at Standalone and \$3bn at Subsidiaries)

Maturity profile shows external term debt at face value (excludes working capital of \$0.4bn, inter-company debt from Vedanta plc of \$0.1bn)

FY2017 maturities of \$2.2bn are a combination of short-term debt, and term debt:

- Focus on deleveraging the balance sheet during the year through internal accruals and working capital release
- Access to diversified sources of funds: c.\$0.23bn debt refinanced at reduced cost and for longer tenor through INR NCD's in Sept and Oct.

- Strong credit profile: CRISIL (subsidiary of S&P) credit rating at AA- with Stable outlook
- Repaid \$0.3bn of intercompany loan to Vedanta plc in Q3
- Strong liquidity: Cash and liquid investments of \$7.9bn and undrawn committed lines of \$0.5bn

Debt breakdown as of 31 Dec 2016	(in \$bn)
External term debt	9.0
Working capital	0.4
Inter company loan from Vedanta Plc <sup>1</sup>	0.1
<b>Total consolidated debt</b>	<b>9.6</b>

<b>Cash and Liquid Investments</b>	<b>7.9</b>
<b>Net Debt</b>	<b>1.7</b>

<sup>1</sup> Further repaid \$0.1bn inter-company loan in Jan2017 and there is no outstanding inter-company loan as on date.

## Entity wise cash and debt



(in Rs. Crore)

Company	31 December 2016			30 September 2016			30 June 2016		
	Debt	Cash & LI	Net Debt	Debt	Cash & LI	Net Debt	Debt	Cash & LI	Net Debt
Vedanta Limited Standalone	43,168	1,247	41,921	41,285	2,114	39,171	35,729	1,216	34,513
Zinc India	0	25,373	(25,373)	1,928	27,186	(25,258)	3,911	26,839	(22,928)
Zinc International	0	678	(678)	0	909	(909)	0	600	(600)
Cairn India	0	25,975	(25,975)	0	24,339	(24,339)	0	23,565	(23,565)
BALCO	5,513	12	5,501	5,521	22	5,499	4,897	12	4,885
Talwandi Sabo	7,824	97	7,727	7,643	56	7,587	7,419	23	7,396
Twin Star Mauritius Holdings Limited <sup>1</sup> and Others <sup>2</sup>	8,461	69	8,392	10,417	207	10,210	14,563	44	14,519
<b>Vedanta Limited Consolidated</b>	<b>64,966</b>	<b>53,452</b>	<b>11,514</b>	<b>66,794</b>	<b>54,833</b>	<b>11,961</b>	<b>66,519</b>	<b>52,299</b>	<b>14,220</b>

Notes: Debt numbers at Book Value and excludes inter-company eliminations.

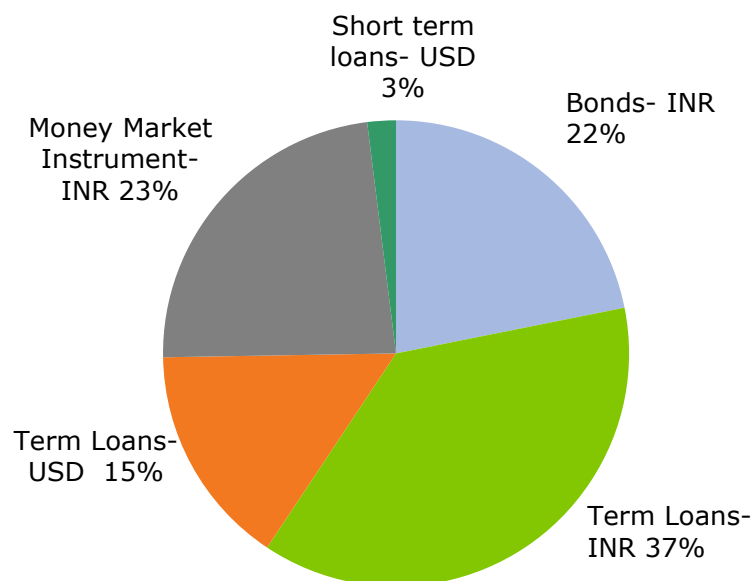
Gross Debt excludes operational buyer's credit (Rs. 11,258 Crore at 31 Dec 2016, Rs. 10,276 Crore at 30 Sep 2016, Rs. 10,434 Crore at 30 Jun 2016), now classified as Trade Payables under Ind AS (inline with IFRS).

1. As on 31 December 2016, debt at TSMHL comprised Rs. 7,135 crore of bank debt and Rs. 623 crore of debt from Vedanta Resources Plc

2. Others includes, Fujairah Gold, and Vedanta Limited's investment companies.

## Debt breakdown & funding sources

### Diversified Funding Sources for Term Debt of \$9.0 bn (as of 31 Dec 2016)



- External term debt of \$ 6 bn at Standalone and \$3 bn at Subsidiaries, total consolidated \$9 bn
- INR debt: 82%, USD debt:18%

Note: USD-INR: Rs. 67.95 at 31 December, 2016

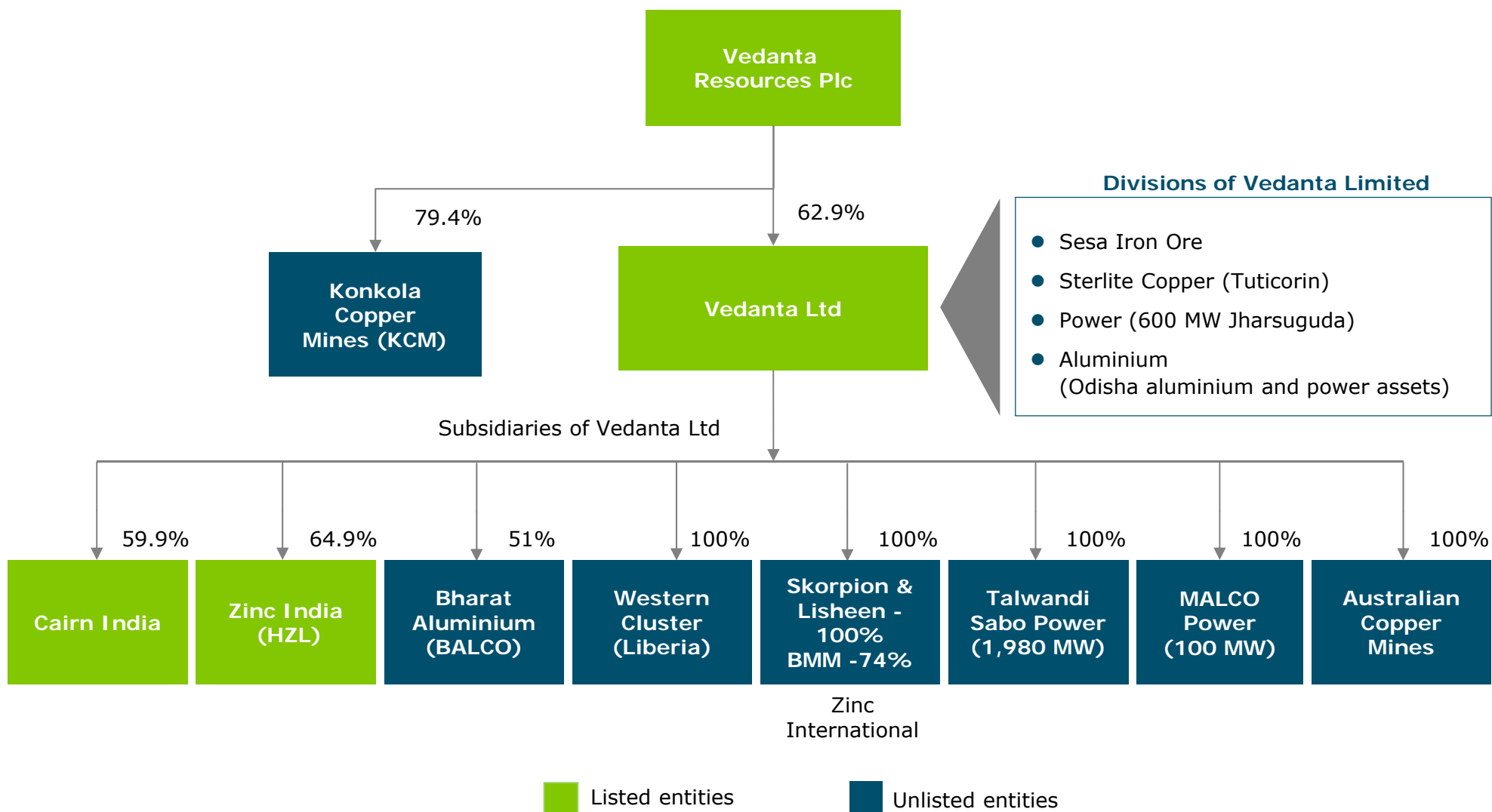
### Debt Breakdown (as of 31 Dec 2016)

Debt breakdown as of 31 Dec 2016	(in \$bn)
External term debt	9.0
Working capital	0.4
Inter company loan from Vedanta Plc	0.1
<b>Total consolidated debt</b>	<b>9.6</b>
<b>Cash and Liquid Investments</b>	<b>7.9</b>
<b>Net Debt</b>	<b>1.7</b>

<sup>1</sup> Further repaid \$0.1bn inter-company loan in Jan2017 and there is no outstanding inter-company loan as on date.



# Group Structure



Notes: Shareholding based on basic shares outstanding as on 31 December 2016