

Chairman's Statement



Sound foundations for the future

Navin Agarwal
Chairman

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I am delighted to report that your Company delivered another excellent year in FY2018. 99

Strong operational achievements were complemented by a robust financial performance that returned significant cash to shareholders. This was made possible by the skill and commitment of our management and employees, who delivered the planned ramp-ups across our portfolio of well-invested Tier-I assets.

A disciplined capital allocation approach, underpinned by strong commodity prices, provided further strength to our performance.

But we are equally proud of the increasingly significant role we are playing in Indian society. As one of the country's largest corporates, we continued to create jobs, support our host communities, generate value along our entire supply chain and contribute to the national exchequer.

As you will see, this is our first Integrated Report, another step that underlines our commitment to providing transparent and meaningful disclosures to all our stakeholders. Vedanta aspires to work to the highest standards of governance and transparency, and this report, based on the 'six capitals' approach, reflects that commitment.

A strong performance

The improving commodity market we saw in the previous year gathered further momentum in FY2018 and we rapidly boosted productivity across our various segments to maximise the favourable conditions. This blend of positive market sentiment and production ramp-up led to a remarkable, and indeed record-breaking, performance. We delivered unprecedented annual production of refined zinc-lead and silver at Zinc India as we made the successful transition to underground mining. Our aluminium business also saw an all-time-high exit rate at c. 2.0 mt.

These record volumes translated into robust financials. We registered 22% revenue growth at ₹ 92,923 crore. Our strong cash flow and productivity focus helped to drive 19% y-o-y growth in EBITDA at ₹ 25,470 crore, and sustained our EBITDA margin at a healthy 36%. In keeping with our philosophy of continually rewarding our shareholders, we paid our highest-ever interim dividend of ₹ 21.2 per share, aggregating to a total payout of ₹ 7,881 crore during the year.

Committed to sustainability

We continued to make significant efforts to strengthen our Health, Safety and Environmental (HSE) practices, leading to the lowest Lost-time Injury Frequency Rate (LTIFR) since 2012. However, with deep regret, we reported seven fatalities during the year in our operations. We are determined to create an environment where everyone goes home safe every

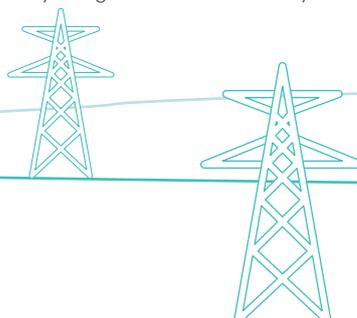
day and to this end, we have bolstered our HSE organisation by recruiting ten experts with global experience and methods. The safety of our colleagues is a top priority for me personally as well as for the Board, and our CEO Kuldip Kaura addresses this further in his statement.

In the wider community, we have always believed that a company's performance should be measured not just by what it creates but also by what it gives back.

Over the course of FY2018, Vedanta invested over ₹ 244 crore in social programmes, directly touching the lives of 3.36 million people across 1,400+ villages. This includes our participation in the 'Nand Ghar' programme in rural India, which involves setting up and transforming 4,000 state-of-the-art child welfare centres across the country.

Our social initiatives straddle important intervention areas such as skill-building; education for girls; providing safe, clean drinking water; nutrition and healthcare and encouraging the health and social benefits that come through sport. 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 R&D initiatives from the foundation going forward.

During the year, our continuing investments also helped us to make measurable progress in reducing our environmental, energy and carbon footprint. Indeed,





Mangala Processing Terminal, Barmer, Cairn Oil & Gas

we delivered significantly higher levels of water and energy savings than our original targets. Similarly, the decrease we've achieved in our Greenhouse Gas (GHG) emission intensity is right on track to achieve our stated goal of a 16% reduction against the 2012 baseline.

These initiatives have been recognised with a commendable 15th place ranking on the Dow Jones Sustainability Index (metal and mining sector).

Strengthened leadership

Last summer, we bade farewell to our CEO Tom Albanese, who made an important contribution to the business during his tenure of over three years.

In September 2017, we appointed Kuldip Kaura as the Interim CEO of Vedanta; he had previously held the role and has over 15 years of experience with the Group.

In 2017, we welcomed Aman Mehta, UK Sinha and Priya Agarwal to the Board. You will read more about their expertise and experience in this Report, and I am looking forward to the Board and our Company benefiting from the enhanced strategic focus, governance and leadership they will bring.

Lastly, I cannot close FY2018 without expressing my sincere appreciation to each of the 65,000+ employees who make Vedanta what it is. It was their energy, talent and commitment that ensured that the plans laid out by our senior leaders came to such fine fruition this year, and I thank them all.

The Indian opportunity

As India's only diversified natural resources group, we are uniquely placed to make a 'home-grown' contribution to the nation's growth and to assist in its process of modernisation.

In a little over a decade, India is expected to be home to 1.5 billion people and boast an economy worth US\$6 trillion. This presents an exceptional opportunity for the core sector players, whose products will be essential to meet the country's growing requirements for development, infrastructure development, asset-creation, mobility, housing, consumer goods and general consumption.

The country currently relies on imports to meet around 80% of its oil and mineral needs, and the consumption per capita of metals remains around 70% below the global average. This backdrop provides immense demand potential for metals such as aluminium, zinc and steel. The focus on renewable, electric and non-fossil fuel energy notwithstanding, the oil and gas sector is also expected to witness robust growth.

I am therefore encouraged to see the Indian government take the initiative with business-friendly reforms to catalyse global investment and spur growth. Indeed, we see many steps in the right direction, with the impetus behind domestic manufacturing, long-overdue tax reforms such as the Goods and Services Tax (GST), a transparent mine-auctioning process, privatisation of commercial coal mining, Open Acreage Licensing Policy (OALP) for oil and gas blocks and the new insolvency code for the efficient

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resolution of distressed companies. We have experienced the latter in our recent bid for Electrosteel; we see favourable market dynamics for steel in India, and together with integration efficiencies with our iron ore business in Jharkhand, this acquisition is value-accretive for Vedanta.

Looking ahead with confidence

We enter FY2019 with a confident spring in our step.

From the firm base of owning a resilient portfolio of commodities that performs throughout the cycle, our near-to-mid-term view of the market is one of continuing strong demand and firm prices.

Therefore, our immediate focus is to continue to increase our output and leverage the favourable market conditions, while continuing with expansions and putting our strong pipeline of growth projects into action.

After several years of considered and strategic efforts, Vedanta is now a stronger, simpler and more productive organisation. I look forward to working with our world-class management team and supporting them as we pursue continued growth, the highest standards of corporate governance, and creating meaningful long-term value for our shareholders and society as a whole.

In this endeavour, we will strive to earn your continued support.

With my best regards,

Navin Agarwal
Chairman
May 3, 2018

