IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) "QUALIFIED INSTITUTIONAL BUYERS" ("QIBS") (AS DEFINED IN RULE 144A ("RULE 144A") UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), OR (2) NON-US PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT ("REGULATION S").

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached Offering Circular following this page, whether received by email or other electronic communication, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Company or from us as a result of such access.

None of Barclays Bank PLC, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, The Royal Bank of Scotland plc, Standard Chartered Bank as joint global coordinators and joint lead managers (the "Joint Global Coordinators and Joint Lead Managers"), Barclays Bank PLC, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, The Royal Bank of Scotland plc, Standard Chartered Bank, Goldman Sachs International, J.P. Morgan Securities Ltd. and Morgan Stanley & Co. International plc, as joint bookrunners (the "Joint Bookrunners") and UniCredit Capital Markets LLC (the "Co-Manager") or the Company or any person who controls any of them or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers accepts any liability whatsoever for any loss howsoever arising from any use of this e-mail or the attached Offering Circular or their respective contents or otherwise arising in connection therewith.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY OTHER SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE SECURITIES MAY ONLY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO UNITED STATES PERSONS (AS DEFINED IN REGULATION S) THAT ARE QIBS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A.

IF YOU DO NOT AGREE TO THE TERMS CONTAINED IN THIS NOTICE, YOU SHOULD NOT OPEN THE ATTACHED DOCUMENTS AND SHOULD DELETE THIS E-MAIL. THIS E-MAIL AND ITS ATTACHMENTS ARE PERSONAL TO YOU, ARE CONFIDENTIAL AND MAY ONLY BE READ BY THE ADDRESSEE AND MAY NOT BE REPRODUCED OR REDISTRIBUTED ELECTRONICALLY OR OTHERWISE TO ANY OTHER PERSON.

Confirmation of Your Representation: The attached Offering Circular is being sent at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Company, to the Joint Global Coordinators and Joint Lead Managers, to the Joint Bookrunners and to the Co-Manager (1) that you and any customer you represent are either (a) a QIB or (b) not a US person and that the electronic mail address that you have given and to which this e-mail has been delivered is not located in the United States of America, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so in offshore transactions in reliance on Regulation S; and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the attached Offering Circular has been delivered to you on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. If this is not the case, you must delete this e-mail in which the Offering Circular is attached and destroy any printed copies of the Offering Circular. You may not, nor are you authorised to, deliver or forward the Offering Circular, electronically or otherwise, or disclose the contents of the Offering Circular, to any other person.

Each investor, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that (i) it has read and understood the paragraphs under the caption "Special Note

Regarding the Cairn India Group Information", (ii) Vedanta, its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager had limited access to the Cairn India Group's management and legal, business, financial and other due diligence documentation in connection with this offering, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager had no access to the Cairn India Group's independent auditors, while Vedanta had limited access to the Cairn India Group's independent auditors in connection with this offering, (iii) it has made its own independent investigation of the Cairn India Group's financial condition and affairs and its own appraisal of the Cairn India Group's creditworthiness, and (iv) it has not relied on any investigation of the Cairn India Group conducted by the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. No action has been or will be taken in any jurisdiction by the Company, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager that would, or is intended to, permit a public offering of the securities, or possession or distribution of the Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners or the Co-Manager or any affiliate of any of the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners or the Co-Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Global Coordinators and Joint Lead Managers, Joint Bookrunners or the Co-Manager or such affiliate on behalf of the Company in such jurisdiction.

This communication is directed only at persons who (a) are outside the United Kingdom or (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order") or (c) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners, the Co-Manager or any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY DOWNLOADING, FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS ELECTRONIC TRANSMISSION AND THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

VEDANTA RESOURCES PLC

(incorporated with limited liability in England and Wales)

$750,000,000 6.75% Bonds due 2016
$900,000,000 8.25% Bonds due 2021

This is an offering of $750,000,000 6.75% Bonds due 2016 (the "2016 Bonds") and $900,000,000 8.25% Bonds due 2021 (the "2021 Bonds", and, together with the 2016 Bonds, the "Bonds") by Vedanta Resources plc ("Vedanta" or the "Company").

The 2016 Bonds will bear interest at the rate of 6.75% per annum, and the 2021 Bonds will bear interest at the rate of 8.25% per annum. The 2016 Bonds will bear interest from the Closing Date (as defined herein), payable semi-annually in arrears on 7 June and 7 December of each year, commencing 7 December 2011. The 2021 Bonds will bear interest from the Closing Date, payable semi-annually in arrears on 7 June and 7 December of each year, commencing 7 December 2011. Payments on the Bonds will be made without deduction for or on account of taxes of the United Kingdom to the extent described under "Terms and Conditions of the Bonds — Taxation".

The 2016 Bonds will mature on 7 June 2016 and the 2021 Bonds will mature on 7 June 2021. The Bonds of any series may be redeemed at the option of the Company, in whole, but not in part, at a redemption price equal to the principal amount of the Bonds of that series plus the Applicable Premium (as defined herein) applicable to the Bonds of that series, plus accrued and unpaid interest, if any, to, the redemption date. The Bonds of any series may be redeemed at the option of the Company in whole, but not in part, at a redemption price equal to the principal amount of the Bonds of that series, together with accrued and unpaid interest, if any, to the redemption date, in the event of certain changes affecting taxes of the United Kingdom. Upon the occurrence of a Change of Control (as defined herein), the Company must make an offer to purchase all of the Bonds outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the purchase date. See "Terms and Conditions of the Bonds — Redemption and Purchase".

2016 Bonds Issue Price: 100%(1)
2021 Bonds Issue Price: 100%(1)

(1) Plus accrued interest, if any, from the Closing Date

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and are being offered in the United States only to qualified institutional buyers ("QIBs") in reliance on Rule 144A ("Rule 144A") under the Securities Act and to non-US persons outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). The 2016 Bonds and the 2021 Bonds which are being offered and sold outside the United States to non-US persons (as defined in Regulation S) in reliance on Regulation S (the "Regulation S Bonds") will each be initially represented by an unrestricted global certificate in registered form (the "Unrestricted Global Certificate"). The 2016 Bonds and the 2021 Bonds which are offered and sold in the United States to QIBs in reliance on Rule 144A (the "Rule 144A Bonds") will bear the Securities Act Legend (as defined in the trust deed to be dated on or about 7 June 2011 (the "Trust Deed")) and will each be initially represented by a restricted global certificate in registered form (the "Restricted Global Certificate" and, together with the Unrestricted Global Certificate, the "Global Certificates"). The Unrestricted Global Certificate will be deposited with a custodian for, and registered in the name of, a nominee of Cede & Co., as nominee of The Depository Trust Company ("DTC") for the accounts of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"), and the Restricted Global Certificate will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of DTC, on the Closing Date. Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its account holders. Prospective purchasers are hereby notified that sellers of the Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Bonds and distribution of this Offering Circular, see "Plan of Distribution" and "Transfer Restrictions". It is expected that delivery of the Bonds will be made against payment through the facilities of DTC on or about 7 June 2011 (the "Closing Date").

The Company has obtained in-principle approval for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or information contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of the merits of the offering, the Company or the Bonds. Currently, there is no public market for the Bonds.

Investing in the Bonds involves risks. For a discussion of certain factors to be considered in connection with an investment in the Bonds, see "Risk Factors" beginning on page 26.

Vedanta currently has corporate credit ratings of Ba1 from Moody's Investors Service, Inc. ("Moody's") and BB from Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc. ("Standard & Poor's") and "BB+" from Fitch Ratings Limited ("Fitch"). If the Acquisition (as defined herein) is consummated, the Bonds are expected, on the Closing Date, to be rated "Ba3" from Moody's, "BB" from Standard & Poor's and "BB" from Fitch. If the Acquisition is not consummated, the Bonds are expected, on the Closing Date, to be rated "Ba2" from Moody's, "BB" from Standard & Poor's and "BB" from Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Cairn India Group does not have any direct or indirect interest in the Bonds to be issued by Vedanta and does not accept any claims or liabilities suffered by the Vedanta Group or any prospective bondholder or other third party, arising howsoever, directly or indirectly, from reliance made on any representations or statements contained in this Offering Circular or from the issue of the Bonds.

Joint Global Coordinators and Joint Lead Managers (in alphabetical order)

Barclays Capital **Citi** **Credit Suisse** **The Royal Bank of Scotland** **Standard Chartered Bank**

Joint Bookrunners

Barclays Capital **Citi** **Credit Suisse** **The Royal Bank of Scotland** **Standard Chartered Bank**
Goldman Sachs International **J.P. Morgan** **Morgan Stanley**

Co-Manager

UniCredit

Offering Circular dated 26 May 2011

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This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company or Barclays Bank PLC, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, The Royal Bank of Scotland plc and Standard Chartered Bank as joint global coordinators and joint lead managers (collectively, the "Joint Global Coordinators and Joint Lead Managers"), Barclays Bank PLC, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, The Royal Bank of Scotland plc, Standard Chartered Bank, Goldman Sachs International, J.P. Morgan Securities Ltd. and Morgan Stanley & Co. International plc, as joint bookrunners (the "Joint Bookrunners") and UniCredit Capital Markets LLC (the "Co-Manager") to subscribe for or purchase, any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager to inform themselves about and observe any such restrictions. This Offering Circular does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a description of certain further restrictions on offers and sales of the Bonds and distribution of this Offering Circular see "Plan of Distribution" and "Transfer Restrictions".

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Company, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners or the Co-Manager. The delivery of this Offering Circular or the offering sale and delivery of the Bonds at any time does not imply that the information contained in this Offering Circular is correct as of any time subsequent to its date.

None of the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners, the Co-Manager, the Trustee, the Principal Agent and the Registrar (each as defined herein) accept any responsibility for the accuracy and completeness of the contents of this Offering Circular or for any statement, made or purported to be made by the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners, the Co-Manager, the Trustee, the Principal Agent or the Registrar or on its or their behalf in connection with the Company or the issue and offering of the Bonds. The Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners, the Co-Manager, the Trustee, the Principal Agent and the Registrar accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Company, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners or the Co-Manager that any recipient of this Offering Circular should purchase any of the Bonds. Each investor contemplating a purchase of the Bonds should make its own independent investigation of the Company's financial condition and affairs and its own appraisal of the Company's creditworthiness.

Investors may not reproduce or distribute this Offering Circular, in whole or in part, and investors may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering an investment in the Bonds. Investors agree to the foregoing by accepting delivery of this Offering Circular.

Market data and certain industry forecasts (where applicable) used throughout this Offering Circular have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Company, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager make any representation as to the accuracy of that information.

SPECIAL NOTE REGARDING THE CAIRN INDIA GROUP INFORMATION

All information, including the financial data, relating to the Cairn India Group, included in this Offering Circular ("Cairn Information") has been extracted solely from Public Sources (as defined below) and has not been independently verified by Vedanta or its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners or the Co-Manager. All Cairn Information has been extracted solely from publicly available documents and information, including annual reports, information available on corporate websites and documents filed by the Cairn India Group with its respective regulators and the relevant stock exchanges on which its securities are listed (collectively, "Public Sources"). As the Acquisition (as defined below) has not been completed and there is no affiliation between Vedanta and the Cairn India Group, Vedanta, its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager had limited access to the Cairn India Group's management and legal, business, financial and other due diligence documentation in connection with this offering. The Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager had no access to the Cairn India Group's independent auditors, while Vedanta had limited access to the Cairn India Group's independent auditors in connection with this offering. The Cairn Information has not been reviewed or verified by the Cairn India Group's management. None of Vedanta, its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager has independently verified the Cairn Information or makes any representation, express or implied, or accepts any responsibility or liability as to the accuracy, completeness or reliability of such information. Accordingly, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of the Cairn Information. In view of the foregoing, each investor should make its own independent investigation of the Cairn India Group's financial condition and affairs and its own appraisal of the Cairn India Group's creditworthiness. Subject to the preceding sentence, none of Vedanta or its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager makes any representation, express or implied, or accepts any responsibility with respect to the accuracy or completeness of any information made publicly available by the Cairn India Group, whether or not included in this Offering Circular.

The Pro Forma Financial Information for Vedanta has been prepared using publicly available financial data of the Cairn India Group as Vedanta and its independent auditors did not have access to the Cairn India Group's books and records. In addition, Vedanta has relied on publicly available IFRS financial data for the Cairn India Group for preparing the pro forma financial information which fiscal periods are different than the Indian GAAP financial statements for the Cairn India Group included in this Offering Circular. Furthermore, the pro forma financial information included in this Offering Circular has not been updated to reflect the most recent financial information of Vedanta as Vedanta, its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager did not have access to the IFRS financial data of the Cairn India Group for the comparable period. Accordingly, there could be material differences between the Pro Forma Financial Information presented and Vedanta's actual consolidated financial information going forward if the Acquisition closes successfully. See "Unaudited Pro Forma Condensed Combined Financial Information" for additional details.

Each investor, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that (i) it has read and understood the above paragraph relating to the Cairn Information, (ii) Vedanta, its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager had limited access to the Cairn India Group's management and legal, business, financial and other due diligence documentation in connection with this offering. The Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager had no access to the Cairn India Group's independent auditors, while Vedanta had limited access to the Cairn India Group's independent auditors in connection with this offering, (iii) it has made its own independent investigation of the Cairn India Group's financial condition and affairs and its own appraisal of the Cairn India Group's creditworthiness and (iv) it has not relied on any investigation of the Cairn India Group conducted by the Joint Global Coordinators and Joint Lead Managers and the Joint Bookrunners.

On 25 May 2011, the Cairn India Group announced its audited financial results for the year ended 31 March 2011. These financial results are included under "Summary — Recent Developments".

The Cairn India Group does not have any direct or indirect interest in the Bonds to be issued by Vedanta and does not accept any claims or liabilities suffered by the Vedanta Group or any prospective bondholder or other third party, arising howsoever, directly or indirectly, from reliance made on any representations or statements contained in this Offering Circular or from the issue of the Bonds.

STABILISATION

In connection with this offering, Barclays Bank PLC, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, The Royal Bank of Scotland plc, Standard Chartered Bank acting as stabilising managers (the "Stabilising Managers") or any of their affiliates (or persons acting on behalf of any Stabilising Manager), may, to the extent permitted by applicable laws and regulations, over-allot or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail for a limited time after the issue date of the Bonds. However, there is no assurance that the Stabilising Managers or any of their affiliates (or persons acting on behalf of any Stabilising Manager) will undertake any stabilising action. Any stabilising action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action must be conducted by the relevant Stabilising Manager or any of their affiliates (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

NOTICE TO UK INVESTORS

This Offering Circular is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Bonds have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws.

In connection with the Bonds being offered in the United States to QIBs in reliance on the exemption from registration provided by Rule 144A, this Offering Circular is being furnished in the United States on a confidential basis solely for the purpose of enabling prospective investors to consider the purchase of the Bonds. Its use for any other purpose in the United States is not authorised.

The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission (the "Commission"), any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED 1955, AS AMENDED ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE INVESTOR, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

For so long as any of the Bonds remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which the Company is neither subject to Section 13 or Section 15(d) of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee (as defined herein) for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF JUDGMENTS

The Company is incorporated with limited liability under the laws of England and Wales. A substantial number of the Directors (as defined herein) or executive officers of the Company and all or a significant portion of the assets of such persons may be, and a substantial portion of the assets of the Company are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce against any of them in the United States judgments obtained in US courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular contains "forward-looking statements" that are based on the Company's current expectations, assumptions, estimates and projections about the Company and its industry. These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate", "believe", "estimate", "expect", "intend", "will", "project", "seek", "should" and similar expressions. These statements include, among other things, the discussions of the Company's business strategy and expectations concerning its market position, future operations, margins, profitability, liquidity and capital resources. Such forward-looking statements involve risks and uncertainties, and that, although the Company believes that the assumptions on which such forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could be materially incorrect. Factors which could cause these assumptions to be incorrect include, but are not limited to:

- Vedanta's and the Combined Group's ability to expand its business, effectively manage its growth and implement its strategies;
- Regulatory, legislative and judicial developments and future regulatory actions and conditions in Vedanta's and the Combined Group's operating areas;
- Vedanta's and the Combined Group's ability to retain its senior management team and hire and retain sufficiently skilled labour to support its operations;
- Vedanta's and the Combined Group's dependence on obtaining and maintaining mining leases to mining sites;
- Inherent uncertainties exist in Vedanta's commercial power business which differ to those in other metal mining businesses;
- The outcome of any pending or threatened litigation in which Vedanta or the Combined Group is involved;
- The continuation of tax holidays, exemptions and deferred tax schemes currently enjoyed by Vedanta or the Combined Group;
- Changes in tariffs, royalties, custom duties and government assistance;
- Risks relating to the Acquisition including obtaining the necessary approvals;
- Fluctuations in the price of hydrocarbons;
- Interruptions in the availability of exploration, production or supply equipment or infrastructure and/or increased costs;
- Construction of pipelines and terminals may take longer than planned, may not work as intended and the cost of construction may be greater than forecast;
- A decline or volatility in the prices or demand for copper, zinc, aluminium or iron ore or an increase in the supply of copper, zinc, aluminium or iron ore;
- Unavailability or increased costs of raw materials for Vedanta's or the Combined Group's products;
- Vedanta's economically recoverable copper ore, lead-zinc ore, bauxite or iron ore reserves being lower than estimated;
- Political or economic instability in the regions which Vedanta or the Combined Group operates;
- Worldwide economic and business conditions;
- Reliance on third party contractors and providers of equipment which may not be readily available and whose costs may increase;
- Compliance with extensive environmental and health and safety regulations;
- Ability to successfully consummate and integrate strategic acquisitions;
- Currency fluctuations;
- Ability to maintain good relations with trade unions and avoid strikes and lock-outs;

- Terrorist attacks and other acts of violence, natural disasters and other environmental conditions and outbreaks of infectious diseases and other public health concerns in the regions in which Vedanta operates.

These and other factors are more fully discussed in "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations for Vedanta", "Management's Discussion and Analysis of Financial Condition and Results of Operations for Cairn India" and elsewhere in this Offering Circular. In light of these and other uncertainties, you should not conclude that the Company will necessarily achieve any plans, objectives or projected financial results referred to in any of the forward-looking statements. Except as required by law, the Company does not undertake to release revisions of any of these forward-looking statements to reflect future events or circumstances.

PRESENTATION OF INFORMATION

Certain Conventions

The Company conducts its businesses through a consolidated group of companies that it has ownership interests in. See "Business of Vedanta — History and Development of the Vedanta Group" for more information on these companies and their relationships to the Company. Unless otherwise stated in this Offering Circular or unless the context otherwise requires, references in this Offering Circular to "consolidated group of companies", "Company", "Vedanta", or "the Vedanta Group", prior to the Acquisition (as defined below), mean Vedanta Resources plc, its consolidated subsidiaries and its predecessors, collectively, including Konkola Copper Mines plc ("KCM"), Sterlite Industries (India) Limited ("Sterlite"), Madras Aluminium Company Limited ("MALCO"), Bharat Aluminium Company Limited ("BALCO"), Monte Cello BV ("Monte Cello"), Copper Mines of Tasmania Pty Ltd ("CMT"), Thalanga Copper Mines Pty Ltd ("TCM"), Sterlite Energy Limited ("Sterlite Energy"), Sterlite Opportunities and Ventures Limited ("SOVL"), Vedanta Aluminium Limited ("Vedanta Aluminium"), Hindustan Zinc Limited ("HZL"), Sesa Goa Limited ("SGL") and Sesa Resources Limited ("SRL") (previously known as V.S. Dempo & Co. Private Limited). Unless otherwise stated in this Offering Circular or unless the context otherwise requires, references in this Offering Circular to "consolidated group of companies" or "the Combined Group", following the Acquisition, mean Vedanta Resources plc, its consolidated subsidiaries and its predecessors as listed above, including Cairn India.

All references to "Executive Directors" in this Offering Circular are to Messrs. Anil Agarwal, Navin Agarwal and Mahendra Singh Mehta. All references to "Non-executive Directors" in this Offering Circular are to Messrs. Naresh Chandra, Euan R. Macdonald and Aman Mehta. All references to "Directors" in this Offering Circular are to the Executive Directors and Non-executive directors of the Company.

All references to "management" are to the Company's Directors, executive officers and other significant employees of the Company, unless the context otherwise requires, as of the date of this Offering Circular, and statements in this Offering Circular as to beliefs, expectations, estimates and opinions of the Company or management are those of the Company's management.

In this Offering Circular, references to "copper business" are to the business of the Vedanta Group comprising the copper operations as further described in "Business of Vedanta — Description of the Businesses — Copper Business"; references to "zinc business" are to the business of the Vedanta Group comprising the zinc operations as further described in "Business of Vedanta — Description of the Businesses — Zinc Business"; references to "Zinc International" are to the assets acquired by Vedanta on 10 May 2010 from Anglo American Plc as further described in "Business of Vedanta — Description of the Businesses — Zinc Business — Recent developments — Acquisition of various zinc assets"; references to "aluminium business" are to the business of the Vedanta Group comprising the aluminium operations as further described in "Business of Vedanta — Description of the Businesses — Aluminium Business"; references to "iron ore business" are to the business of the Vedanta Group comprising the iron ore operations as further described in "Business of Vedanta — Description of the Businesses — Iron Ore Business"; and references to "commercial power generation business" are to the business of the Vedanta Group comprising the energy segment as further described in "Business of Vedanta — Description of the Businesses — Commercial Power Generation Business".

In this Offering Circular, references to the "Acquisition" are to the acquisition by Vedanta and/or members of the Vedanta Group of 58.5% of the fully diluted share capital of Cairn India.

In this Offering Circular, references to The London Metal Exchange Limited ("LME") price of copper, zinc or aluminium are to the cash seller and settlement price on the LME for copper, zinc or aluminium for the period indicated. References to "primary market share" in this Offering Circular are to the market that includes sales by producers of metal from copper and zinc, as applicable, and do not include sales by producers of recycled metal or imports.

IsaSmelt(TM) and IsaProcess(TM) are trademarks of Xstrata Plc. Ausmelt(TM) is a trademark of Ausmelt Limited. ISP(TM) is a trademark of Imperial Smelting Process Ltd.

Presentation of Financial Information

Vedanta

The consolidated financial information for Vedanta as of and for the fiscal years ended 31 March 2009, 2010 and 2011 (the "Annual Financial Statements"), included elsewhere in this Offering Circular has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The consolidated financial information for Vedanta as of and for the fiscal years ended 31 March 2009, 2010 and 2011, included elsewhere in this Offering Circular has been derived from the Annual Financial Statements.

The unaudited interim condensed consolidated financial information for Vedanta as of and for the nine months ended 31 December 2009 and 2010 ("Interim Financial Statements") included elsewhere in this Offering Circular, has been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. Interim results may not be indicative of full-year results and historical results may not necessarily be indicative of results that may be expected for any future period.

Rounding adjustments have been made in calculating some of the financial information included in this Offering Circular. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

References to a particular "fiscal" year are to a financial year ended or ending 31 March of that year in the case of Vedanta. References to a year other than a "fiscal" year are to the calendar year ended 31 December.

Cairn India Group

The Cairn India Group is not required to have financial statements prepared in accordance with IFRS as adopted by the European Union and therefore the most recent financial information prepared on that basis is for the nine months ended 30 September 2010. We incorporate by reference into this Offering Circular the financial statements of the Cairn India Group as of and for the year ended 31 December 2009 and as of and for the nine months ended 30 September 2010 prepared under IFRS as adopted by the European Union included in the circular to shareholders of Vedanta dated 25 November 2010 submitted to the National Storage Mechanism ("NSM") and available for inspection at http://www.Hemscott.com/nsm. The NSM has been appointed by the UK Financial Services Authority to act as the official mechanism for the storage of regulated information in the UK. None of the other information on or contents of that website is incorporated herein by reference. In order to provide more recent financial information, this Offering Circular also includes information prepared in accordance with the generally accepted accounting principles in India ("Indian GAAP").

The consolidated financial statements for the Cairn India Group as at and for the twelve months ended 31 December 2007, as at and for the fifteen months ended 31 March 2009 and as at and for the twelve months ended 31 March 2010 included elsewhere in this Offering Circular, have been prepared in accordance with Indian GAAP, and have been audited in accordance with auditing standards in India. The financial year of Cairn India beginning 1 January 2008 was changed as it was extended by a period of three months, so the financial year ended 31 March 2009 was a 15 month period. Accordingly, the numbers for the year ended 31 December 2007 are not comparable with the numbers of the 15 month period ended 31 March 2009. The change in the year end was made in order for the Cairn India Group to be in compliance with the IFRS provisions which were anticipated to take effect from 1 April 2011.

The unaudited and unreviewed consolidated financial data comprising the financial results for the Cairn India Group for the nine months ended 31 December 2009 and 2010, included elsewhere in this Offering Circular, has been prepared in accordance with the recognition and measurement principles under Indian GAAP.

The financial data for the Cairn India Group included in this Offering Circular:

1. has been extracted from its financial statements which were prepared in accordance with Indian GAAP, which is significantly different from IFRS under which Vedanta's financials are prepared. Vedanta

has not attempted to provide any reconciliation or quantitative impact of IFRS on the Cairn India Group's financials;

2. in respect of the profit and loss account, prepared in accordance with Indian GAAP, for the nine months ended 31 December 2010 and 2009, has not been subject to an audit or subject to a review by the independent auditors of the Cairn India Group; and

3. is presented as of the date indicated and no steps have been taken to ascertain whether there have been any updates, including any trends or events, subsequent to the dates indicated.

There are significant differences between Indian GAAP and IFRS as adopted by the EU. Although we have presented a summary of significant differences between Indian GAAP and IFRS, no attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the Cairn India Group's historical financial statements and the notes thereto. We have not attempted to explain those differences or quantify their impact on the Cairn India Group's financial statements and we urge you to consult your own advisors regarding such differences and their impact on the Cairn India Group's financial statements. Accordingly, the degree to which the Indian GAAP financial statements of the Cairn India Group will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the Cairn India Group's financial statements should accordingly be limited. See "Risk Factors — Risks of the Cairn India Business and the Acquisition — All information, including the financial data, relating to the Cairn India Group, included in this Offering Circular ("Cairn Information") has been extracted solely from Public Sources (as defined below) and has not been independently verified by Vedanta or its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners or the Co-Manager" and "Risk Factors — Risks of the Cairn India Business and the Acquisition — Significant differences exist between Indian GAAP and other accounting principles, such as IFRS, with which investors may be more familiar".

Pro Forma Financial Information

This Offering Circular includes (A) the unaudited pro forma condensed combined financial information (the "Pro Forma Financial Information") comprising (i) a balance sheet as at 31 December 2010 (the "pro forma balance sheet") and (ii) income statements for the nine months ended 31 December 2010 and the year ended 31 March 2010 (the "pro forma income statements") and the related notes based on the audited and unaudited financial statements of Vedanta for the corresponding periods and (B) the unaudited financial statements of the Cairn India Group as at and for the nine months ended 30 September 2010 and as at and for the year ended 31 December 2009, which are incorporated by reference into this Offering Circular that has been prepared in accordance with IFRS as issued by the EU and included in the circular to shareholders of Vedanta dated 25 November 2010 submitted to the NSM and available for inspection at http://www.Hemscott.com/nsm. The NSM has been appointed by the UK Financial Services Authority to act as the official mechanism for the storage of regulated information in the UK. None of the other information on or contents of that website is incorporated herein by reference.

The Pro Forma Financial Information for Vedanta has been prepared using publicly available financial data of the Cairn India Group as Vedanta and its independent auditors did not have access to the Cairn India Group's books and records. Vedanta, its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager had limited access to the Cairn India Group's management and legal, business, financial and other due diligence documentation in connection with this offering. Vedanta's independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager had no access to the Cairn India Group's independent auditors, while Vedanta had limited access to the Cairn India Group's independent auditors in connection with this offering. In addition, Vedanta has relied on publicly available IFRS financial data for the Cairn India Group for preparing the Pro Forma Financial Information which fiscal periods are different than the Indian GAAP financial statements for the Cairn India Group included in this Offering Circular. Furthermore, the Pro Forma Financial Information has not been updated to reflect the most recent financial information of Vedanta as Vedanta, its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager did not have access to the IFRS financial data of the Cairn India Group for the comparable period. Accordingly, there could be material differences between the Pro Forma Financial Information and Vedanta's actual consolidated financial information going forward if the Acquisition closes successfully.

The Pro Forma Financial Information was not updated to reflect the balance sheet date at 31 March 2011 and the results for the year ended 31 March 2011 because the financial statements prepared in accordance with

IFRS for the Cairn India Group are not available. In addition, the Pro Forma Financial Information was not prepared in accordance with the requirements of Regulation S-X or the Securities Act, or Singapore Securities and Futures Act Chapter 289 or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting Pro Forma Financial Information have been audited or reviewed in accordance with any generally accepted auditing standards.

Currencies and Conversions

In this Offering Circular, references to "US" or the "United States" are to the United States of America, its territories and its possessions. References to "UK" are to the United Kingdom. References to "India" are to the Republic of India. References to "Australia" are to the Commonwealth of Australia. References to "Zambia" or "GRZ" are to the Republic of Zambia. References to "EU" are to the European Union as established by the Treaty on European Union. References to "$", "dollars" or "US dollars" are to the legal currency of the United States; references to "GBP" or "£" are to the legal currency of the United Kingdom; references to "Rs.", "Rupees", "INR" or "Indian Rupees" are to the legal currency of India; references to "AUD", "Australian dollars" or "A$" are to the legal currency of Australia; references to "Zambian Kwacha" or "ZMK" are to the legal currency of Zambia; and references to "€" are to the legal currency of certain nations within the EU. References to "¢" are to US cents and references to "lb" are to the imperial pounds (mass) equivalent to 0.4536 kilogrammes. References to "tonnes" are to metric tonnes, a unit of mass equivalent to 1,000 kilograms or 2,204.6 lb. In respect of SGL, references to "tonnes" are to dry metric tonnes.

Unless otherwise indicated, the financial information contained in this Offering Circular has been expressed in US dollars. Unless otherwise stated, the US dollar equivalent information presented in this Offering Circular has been calculated on the basis of the noon buying rate in New York City for cable transfer of Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") as of 31 March 2011, which was AUD 1 = $1.0358. The exchange rate between Zambian Kwachas and US dollars based on the spot rate provided by Bloomberg as of 31 March 2011 was ZMK 4,710 = $1.00. The US dollar equivalent information presented in this Offering Circular for Indian Rupees has been calculated based on the exchange rates certified by the Reserve Bank of India ("RBI Reference Rate") as of 31 March 2011, which was INR 44.6500 = $1.00.

The exchange rates presented in this Offering Circular for each period may have differed from the exchange rates used in the preparation of financial statements included elsewhere in this Offering Circular. See "Exchange Rates".

Non-IFRS Measures

This Offering Circular includes the presentation of certain measures that are not defined by IFRS, including EBITDA, segment result after special items, cash costs per units, and special items (each as defined below). These measures have been included for the reasons described below. However, these measures are not measures of financial performance or cash flows under IFRS and may not be comparable to similarly titled measures of other companies because they are not uniformly defined. These measures should not be considered in isolation or as a substitute by investors as an alternative to Vedanta's operating results, operating profit or profit on ordinary activities before taxation, or as an alternative to cash flow from operating, investing or financing activities. Vedanta's management believes this information, along with comparable IFRS measures, is useful to investors because it provides a basis for measuring Vedanta's operating performance. Vedanta's management uses these financial measures, along with the most directly comparable IFRS financial measures, in evaluating Vedanta's operating performance and value creation. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Non-IFRS financial measures as reported by Vedanta may not be comparable to similarly titled amounts reported by other companies.

Because of these limitations, the non-IFRS measures should not be considered as measures of discretionary cash available to Vedanta to invest in the growth of its business or as measures of cash that will be available to Vedanta to meet its obligations. Potential investors should compensate for theses limitations by relying primarily on Vedanta's IFRS results and using these non-IFRS measures only supplementally to evaluate Vedanta's performance. Please see "Summary Historical Financial Data", "Selected Historical Financial Data", and the Annual Financial Statements and the related notes included elsewhere in this Offering Circular.

Furthermore, non-IFRS measures and the pro forma capitalisation table included in this Offering Circular would also be considered a non-GAAP financial measure in the United States of America. Please see "Unaudited Pro Forma Condensed Combined Financial Information".

EBITDA

Vedanta defines EBITDA as operating profit before special items and depreciation. Vedanta's EBITDA may not be comparable to similarly titled measures reported by other companies due to potential inconsistencies in the method of calculation. Vedanta has included its EBITDA because it believes it is an indicative measure of its operating performance and is used by investors and analysts to evaluate companies in the same industry. Vedanta's EBITDA should be considered in addition to, and not as a substitute for, other measures of financial performance and liquidity reported in accordance with IFRS. Vedanta believes that the inclusion of supplementary adjustments applied in its presentation of EBITDA are appropriate because Vedanta believes it is a more indicative measure of the its baseline performance as it excludes certain charges that Vedanta's management considers to be outside of its core operating results. In addition, Vedanta's EBITDA is among the primary indicators that Vedanta's management uses as a basis for planning and forecasting of future periods.

Segment result after special items

Vedanta defines segment result after special items as EBITDA less special items (as defined below).

Cash Costs per Unit

Cost of production as reported for the Vedanta Group's metal products includes an off-set for any amounts the Vedanta Group receives upon the sale of the by-products from the refining or smelting processes. The cost of production is divided by the daily average exchange rate for the year to calculate the US dollar cost of production per lb or tonne of metal as reported.

Special Items

Special items are those that management considers, by virtue of their size or incidence, should be disclosed separately to ensure that the financial information also allows an understanding of the underlying performance of the business. The determination as to which items should be disclosed separately requires a degree of judgment. Items included in special items include, but are not limited to, transaction costs relating to the proposed acquisition of Asarco, voluntary retirement schemes, acquisition related costs, impairment of mining reserves and losses in respect of obligations to an associate.

Net Debt/Capitalisation (%)

Net Debt/Capitalisation (%) is calculated as the Vedanta Group's Debt minus Cash and Cash Equivalents minus Liquid Investments, as a percentage of the total capitalisation of the Vedanta Group. Total capitalisation of the Vedanta Group is calculated as shareholder's equity including non controlling interests and net debt.

Interest Coverage Ratio

Interest coverage ratio is calculated as the number of times Vedanta Group's EBITDA covers the total interest expense of the Vedanta Group.

Net Debt over EBITDA

Net Debt over EBITDA is calculated as the Vedanta Group's Debt minus Cash and Cash Equivalents minus Liquid Investments, divided by Vedanta Group's EBITDA.

Debt/EBITDA

Debt/EBITDA is calculated as the Vedanta Group's total borrowings divided by the Vedanta Group's EBITDA.

Revenue Excluding Custom

Revenue excluding custom is total copper revenues excluding revenue generated from custom smelting operations.

EBITDA Excluding Custom

EBITDA excluding custom is total copper EBITDA excluding EBITDA generated from custom smelting operations.

Basis of Presentation of Reserves

Vedanta Group

The reported reserves are defined as being either ore reserves if reported in accordance with the JORC Code or mineral reserves if reported in accordance with the SAMREC Code. The meanings and definitions are the same. For convenience, the Company has standardised the term ore reserves.

The reported ore reserves of each project are derived following a systematic evaluation of geological data and a series of technical and economic studies by the Vedanta Group's geologists and engineers. The results and procedures used in the majority of these studies have been periodically reviewed by independent consultants.

- The ore reserves of HZL's lead-zinc mines were audited by SRK Consulting (UK) Limited as of 31 March 2011.
- The ore reserves of BALCO's bauxite mines are derived from management estimates as of 31 March 2011.
- The ore reserves of CMT's mines are derived from management estimates as of 31 March 2011.
- The mineral reserves of KCM copper mines were reviewed as of 31 March 2011, by SRK Consulting (South Africa) (Pty) Ltd (and together with SRK Consulting (UK) Limited, "SRK Consulting").
- The reported ore reserves of SGL and SRL are derived following an audit of the results and the reserve methodologies as of 31 March 2011 by Roscoe Postle Associates Inc. ("RPA"), an independent consulting firm.
- The ore reserves of MALCO's bauxite mines are derived from management estimates as of 31 March 2011.
- The ore reserves of Skorpion, Black Mountain and Lisheen were derived from management estimates as of 31 March 2011.

The estimation of the quantity and quality of the mineral occurrence is defined in two stages. In the first stage, the location, quantity, grade, geological characteristics and continuity of mineral resources are interpreted and estimated from specific geological evidence and knowledge. The geological evidence is gathered from exploration, sampling and testing information through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories.

In the second stage, the "ore reserve" is defined. An "ore reserve" is the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate that at the time of reporting that extraction could reasonably be justified. Ore reserves are sub-divided in order of increasing confidence into probable ore reserves and proved ore reserves.

The Company retained SRK Consulting to conduct independent reviews of its ore reserve estimates (excluding CMT) as of 31 March 2011 at the Rampura Agucha, Rajpura Dariba, Sindesar Khurd and Zawar lead-zinc mines. The Company appointed SRK Consulting to conduct independent reviews of its ore reserve estimates as of 31 March 2011 at the Konkola copper mine, the Nchanga open-pit ("NOP") and Nchanga underground copper mines and the Nampundwe underground pyrite mine.

The Company retained RPA to conduct independent reviews of its ore reserve estimates as of 31 March 2011 for iron ore at the Goa open-pit iron ore mines, the A. Narrain open-pit iron ore mine and the iron ore mines of SRL. The ore reserve estimates as of 31 March 2011 at the Mainpat and Bodai-Daldali bauxite mines and Sheravoy and Koli Hills bauxite mines have been estimated by management based on the last available independent reviews as depleted by internal production data in the intervening years.

The last independent review of the ore reserve estimate at Mainpat and Bodai-Daldali bauxite mines as of 31 March 2009 was conducted by SRK Consulting (Australasia) Pty Ltd and for the avoidance of doubt, SRK Consulting (Australasia) (Pty) Ltd has not reviewed any aspects associated with the derivation of the ore reserves as reported by management as of 31 March 2011.

The ore reserve estimates as of 31 March 2011 at the Skorpion mine, the Black Mountain mine and the Lisheen mine have been estimated by management based on the last available independent reviews as depleted by internal production data in the intervening years.

SRK Consulting noted that the geological information at Rampura Agucha is modelled using commercial geological modelling software, the information at Rajpura Dariba is modelled on a proprietary modelling system, and the information at Zawar and the bauxite mines is modelled on paper based sections. SRK Consulting noted that the geological information at the Konkola copper mine is modelled using the GEMS Software, the NOP copper mine is modelled on Datamine resource models, the Nchanga underground copper mines are modelled on block and computerised analysis (Dynamic Ore Reserves System II) and the Nampundwe underground pyrite mine is modelled manually on paper based sections. RPA noted that the geological information at the Goa open-pit iron ore mines and the A. Narrain open-pit iron ore mine is modelled on Surpac Modelling Software. SRK Consulting or RPA, as applicable, conducted a series of checks at each mine to verify that the resulting estimate of the quantity and quality of ore reserves present was appropriate at the time of the review.

As part of the independent reviews, SRK Consulting, or RPA, as applicable, also verified that the future projections on the modifying factors were consistent with historic performance and that the cut-off grades used were consistent with operating costs current at the time of the review.

In addition to the ore reserves, the Company has identified further mineral deposits as either extensions of or additions to its existing operations that are subject to ongoing exploration and evaluation.

Cairn India Group

Estimates of proved, probable, and possible reserves and contingent and prospective resources of Cairn India have been prepared according to the Petroleum Resources Management System ("PRMS") approved in March 2007 by the Society of Petroleum Engineers ("SPE"), the World Petroleum Council ("WPC"), the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. The PRMS standard is a referenced standard in published guidance notes of the London Stock Exchange. The proved, probable, and possible oil, condensate, and sales-gas reserves and the contingent and prospective resources owned by the Cairn India Group were independently estimated by DeGolyer and MacNaughton as of 30 June 2010.

The contingent resources estimated herein are those volumes of oil or gas that are potentially recoverable from known accumulations but which are not currently considered to be commercially recoverable because of either the lack of a market or proper delineation necessary to establish the size of the accumulation for commercial purposes. The prospective resources estimated herein are those volumes of oil or gas that are potentially recoverable from accumulations yet to be discovered. Because of the uncertainty of commerciality and the lack of sufficient exploration drilling, the resources estimated herein cannot be classified as reserves. The resources estimates herein are provided as a means of comparison to other resources and do not provide a means of direct comparison to reserves.

Cairn Energy PLC ("Cairn Energy") and Vedanta retained DeGolyer and MacNaughton to conduct independent reviews of the proved, probable, and possible oil, condensate, and sales-gas reserves and the contingent and prospective resources owned by the Cairn Energy Group in India as of 30 June 2010.

Reserves and Production

In this Offering Circular, unless expressly stated otherwise, references to reserves and production are to total reserves and total production, respectively. Total reserves and total production mean that part of the reserves from a mine and that part of the production at mines and operations, respectively, that subsidiaries of the Company have an interest in or rights to. The Company does not wholly own certain of its subsidiaries and therefore total reserves and total production include reserves and production, respectively, attributable to third-party interests in controlled subsidiaries. Rounding adjustments have been made in calculating some of the reserves and production information included in this Offering Circular. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources

There are principal differences between the reporting regimes under the PRMS approved in March 2007 by the SPE, the WPC, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation and in the United States under the requirements as adopted by the SEC in its Industry Guide 4 — Prospectus Relating to Interests in Oil and Gas Programs and Subpart 1200 of Regulation S-K (together "Industry Guide 4").

Evaluations of oil and gas reserves involve various uncertainties and require exploration and production companies to make extensive judgments as to future events based upon the information available. The crude oil and natural gas reserves data are estimates based primarily on internal technical analyses using standard industry practices. Such estimates reflect the Cairn India Group's best judgment at the time of their preparation, based on geological and geophysical analyses and appraisal work (which are dynamic processes), and may differ from previous estimates. Reserves estimates are subject to various uncertainties, including those relating to the physical characteristics of crude oil and natural gas fields. These physical characteristics are difficult to estimate and, as a result, actual production may be materially different from current estimates of reserves. Factors affecting the Cairn India Group's reserve estimates include: the outcome of new production or drilling activities; assumptions regarding future performance of wells and surface facilities; the results of field reviews; an ability to acquire new reserves from discoveries or extensions of existing fields; an ability to apply improved recovery techniques; and changed economic conditions.

UNITED STATES INVESTORS ARE ADVISED THAT THE REPORTING REGIMES USED IN THIS OFFERING CIRCULAR ARE ACCORDINGLY NOT COMPLIANT WITH INDUSTRY GUIDE 4.

SUMMARY

This summary highlights information contained elsewhere in this Offering Circular and does not contain all of the information that you should consider before investing in the Bonds. You should read this entire document, including "Risk Factors" and the consolidated financial statements and related notes included elsewhere in this Offering Circular, before making an investment decision. This Offering Circular includes forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements".

The Cairn India Group does not have any direct or indirect interest in the Bonds to be issued by Vedanta and does not accept any claims or liabilities suffered by the Vedanta Group or any prospective bondholder or other third party, arising howsoever, directly or indirectly, from reliance made on any representations or statements contained in this Offering Circular or from the issue of the Bonds.

Business Overview

Vedanta is a LSE-listed diversified FTSE 100 metals and mining company and is India's largest non-ferrous metals and mining company based on revenue. Its business is principally located in India, one of the fastest growing large economies in the world with a 7.4% increase in real gross domestic product ("GDP") from fiscal 2009 to fiscal 2010, according to the Central Statistical Organisation of the GoI's Ministry of Statistics and Programme Implementation. In addition, Vedanta has assets and operations in Zambia, Australia, South Africa, Ireland and Namibia. The Vedanta Group is primarily engaged in copper, zinc, aluminium, iron ore and commercial power generation businesses and is also developing and acquiring port operation business and infrastructure assets. Vedanta has experienced significant growth in recent years through various expansion projects for its copper, zinc, aluminium and iron ore businesses. Vedanta reported revenue of $11,427.2 million and EBITDA of $3,566.8 million in fiscal 2011. Vedanta believes its experience in operating and expanding its businesses in India will allow it to capitalise on attractive growth opportunities arising from India's large mineral reserves, relatively low cost of operations and large and inexpensive labour and talent pools. Vedanta believes it is also well-positioned to take advantage of the significant growth in industrial production and investments in infrastructure in India, China, southeast Asia and the Middle East, which it expects will continue to generate strong demand for metals.

The Vedanta Group is headquartered in London and had approximately 31,952 employees worldwide as of 31 March 2011.

Competitive Strengths

Vedanta believes that the Combined Group has the following competitive strengths:

- A leading diversified natural resources company
- Ideally positioned to capitalise on India's growth and resource potential
- High quality portfolio of assets with low-cost structure
- Exceptional growth profile — both organic and acquisition-led
- Proven management team with established track record
- Strong financial position driven by growing EBITDA and cash flow

Strategy

Vedanta's strategic goal is to create a world-class metals and mining company, and its strategy is based on the following four key pillars:

- Continuing focus on optimisation of existing assets and reducing the cost of production
- Pursuing organic growth opportunities
- Consolidating the group structure
- Seeking additional investment opportunities where Vedanta can leverage its established transactional, project execution and operational skills and experience

Acquisition of Cairn India

On 16 August 2010, Vedanta announced its proposal to acquire 51% to 60% of the fully diluted share capital of the Cairn India Group for a total consideration of up to $9.6 billion (the "Acquisition"). Cairn India is an indirect subsidiary of Cairn Energy and is the fourth largest overall and second largest private oil and gas company by production in India as of 17 May 2011. As a result of the Acquisition, Vedanta was required by the Indian takeover law to make an open offer to Cairn India shareholders (other than members of the Cairn Energy Group). Accordingly, Vedanta, jointly with SGL and SGL's wholly-owned subsidiary, SRL, announced an open offer on 16 August 2010 for the acquisition of up to 383,985,368 equity shares of Cairn India in the amount of INR 10 per share, representing 20% of the enlarged voting share capital of Cairn India. On 20 May 2011, Vedanta and Cairn Energy agreed to extend the closing date of the Purchase Agreement (as defined herein) in order to secure the necessary consents and approvals from the GoI to complete the Acquisition.

On 6 April 2011, Vedanta announced receipt of SEBI clearance for its subsidiaries, SGL and SRL, to commence the purchase of Cairn India Shares pursuant to an open offer made to Cairn India Shareholders (other than members of the Cairn Energy Group) (the "Open Offer"). SGL and SRL posted a letter of offer to acquire up to 383,985,368 ordinary shares of INR 10 each in the share capital of Cairn India ("Cairn India Shares"), equivalent to 20.01% of Cairn India's fully diluted voting share capital, at a price of INR 355 per Cairn India Share. The Open Offer opened on 11 April 2011 and closed on 30 April 2011. A total of approximately 155 million Cairn India Shares, representing 8.1% of the issued share capital of Cairn India, were tendered in the Open Offer. The total consideration paid by Vedanta for the Cairn India Shares tendered in the Open Offer was $1,223 million. Vedanta will acquire a total of 58.5% of the fully diluted share capital of Cairn India pursuant to the Acquisition and the Open Offer and the acquisition from Petronas International Corporation Ltd. See "Business of Vedanta — Recent Developments" and "Business of Cairn India".

On 19 April 2011, SGL acquired 200 million Cairn India Shares, amounting to a 10.4% stake in Cairn India, from Petronas International Corporation Ltd at a price of INR 331 per Cairn India Share resulting in total cash consideration of $1,478 million. This is in addition to the Acquisition and Open Offer discussed in the preceding paragraph.

Vedanta believes that the Acquisition will further establish Vedanta's position as a leading mining and minerals company in India and give Vedanta a comprehensive footprint across India's resources sector.

In addition, Vedanta believes that the Acquisition will deliver significant value to Vedanta because:

- The Acquisition will establish Vedanta as a leading player in the India oil and gas sector with the potential to help meet the growing energy needs of one of the world's fastest growing economies;
- The Acquisition will allow Vedanta to apply its core skills of project management and development of reserves and resources in conjunction with the technical knowledge and capabilities of Cairn India;
- Cairn India has a large and geologically diverse base of reserves and resources with substantial exploration upside; and
- The Acquisition will enhance and diversify Vedanta's exposure to the natural resources which fuel the Indian growth story.

Overview of Cairn India

Cairn India and its subsidiaries (the "Cairn India Group") are primarily engaged in the business of surveying, prospecting, drilling, exploring, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals, oils, petroleum, gas and related by-products and other activities incidental to the above. As of 17 May 2011, Cairn India had the second largest gross oil and gas reserves and resources in India among private sector oil companies. As part of its business activities, the Cairn India Group also has certain rights to explore and develop oil exploration blocks in the Indian sub-continent.

The Cairn India Group's principal production asset is a 70% participating interest in the Rajasthan Block (as defined below). The first phase of development, including the commissioning of the Mangala Processing Terminal ("MPT"), was completed on 29 August 2009 and a heated pipeline for the transportation of crude oil (the "Pipeline") of approximately 600 km was completed on 15 June 2010 ("Phase I"). As of 31 December 2010, Cairn India was producing approximately 125,000 barrels of oil per day ("bopd") from the Rajasthan Block. The Rajasthan Block represents a significant resource base with estimated aggregate gross proved plus probable ("2P") hydrocarbon initially in place of 4.3 billion barrels of oil equivalent ("bboe") as of 31 March 2010.

Cairn India was incorporated in India on 21 August 2006 and was listed on the Bombay Stock Exchange and the National Stock Exchange of India in January 2007 and as of 31 March 2011, had a market capitalisation of $14,913 million. As of 31 March 2010, the gross assets of the Cairn India Group after adjustment of current liabilities were INR 377,309.87 million. For the year ended 31 March 2010, the profit before tax was INR 10,163.36 million.

Financing for the Acquisition and related transactions

Vedanta intends to fund the Acquisition through debt and cash resources. See "Description of Material Indebtedness" and "Material Contracts — Material Contracts relating to the Acquisition".

Vedanta has arranged new debt financing facilities in an aggregate amount of up to $6 billion (collectively, the "Bridge Acquisition Facilities") to partially finance the Acquisition as follows:

- A syndicated term loan facility arranged by Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, Goldman Sachs International, J.P. Morgan plc, Morgan Stanley Bank International Limited, The Royal Bank of Scotland N.V. and Standard Chartered Bank for a total aggregate amount of up to $3.5 billion.

- A bridge facility (the "Bridge to Equity") arranged by Goldman Sachs International, J.P. Morgan plc and Morgan Stanley Bank International Limited (the "Banks") for a total aggregate amount of up to $1 billion. It is intended that this facility will be repaid from the proceeds of the initial public offering of shares of Konkola Resources plc ("Konkola Resources") (which will become the holding company of KCM following completion of the initial public offering), announced on 16 November 2010.

- A bridge facility (the "Bridge to Bond") arranged by Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, The Royal Bank of Scotland N.V. and Standard Chartered Bank for a total aggregate amount of up to $1.5 billion. It is intended that this facility will, upon completion of this offering, be cancelled. See "Use of Proceeds".

As of 31 March 2011, no amounts have been drawn from the above facilities.

Vedanta has also entered into a standby equity underwriting letter ("Standby Equity Underwriting Letter") with respect to the Bridge to Equity with the Banks. In the event that any amount of the Bridge to Equity with the Banks is outstanding nine months plus 30 days following completion of the Acquisition or at any time on or after the date following six months from the drawdown of the Bridge to Equity and on notice from the Banks, Vedanta has, subject to and in accordance with the terms of the Standby Equity Underwriting Letter, irrevocably undertaken to implement a pre-emptive rights issue of Ordinary Shares to raise an amount equal to up to two times the amount then outstanding under the Bridge to Equity to fund the repayment of any remaining balance of this bridge facility (net of costs, fees and expenses), such amount to be determined by the Banks.

The price at which any Ordinary Shares of Vedanta are to be issued in connection with the rights issue will be determined by Vedanta and the Banks at the time of issue provided that, in the event no agreement is reached, the price at which Ordinary Shares shall be offered pursuant to the rights issue will be equal to the nominal value of the Ordinary Shares (being $0.10 per Ordinary Share). Under the Standby Equity Underwriting Letter, both Vedanta and the Banks have also agreed to enter into an underwriting agreement pursuant to which each of the Banks shall underwrite the offering of Ordinary Shares in proportion to their respective financing commitments under the bridge facility (but less the participation of Volcan Investments Limited in such a share offering). Vedanta and the Banks have further agreed to ensure that certain other customary provisions are included in such underwriting agreement and have each undertaken to co-operate in the negotiation of the remainder of its provisions. The Vedanta Directors expect that any equity issue required in accordance with the Standby Equity Underwriting Letter will be undertaken at a price which is at a significant premium to the nominal value of the Ordinary Shares utilising Vedanta's existing authorities to issue shares granted by shareholders of Vedanta at this year's annual general meeting of Vedanta. Should any additional authorities be required, these will be sought from shareholders of Vedanta prior to the implementation of the rights issue.

The table below sets out the uses and sources of funds in respect of the Acquisition:

	Amount ($ Millions)
Uses	
Acquisition of an additional 40.0% stake in Cairn India	6,648
Total Uses	6,648
Sources	
Senior Secured Syndicated Term Loan Facility	3,500
Senior Secured Loan Facility (to be replaced by bond proceeds)(1)	1,500
Senior Secured Loan Facility	1,000
Existing Cash and Incremental Debt at Subsidiary	648
Total Sources	6,648

Note:

(1) In the event this offering is consummated, the Bridge to Bond will be cancelled. See "Use of Proceeds".

Regulatory and other approvals

Pursuant to the terms of the sale agreement relating to the Acquisition, the completion of the sale is conditional upon: (a) the approval of the transaction by shareholders of Cairn Energy and Vedanta; (b) completion of the Vedanta Group's obligations under the Open Offer; (c) no material adverse event occurring (or notice being served of such an event) in relation to Cairn India's assets in the Rajasthan Block, Block CB/OS-2 or the Ravva Block prior to the satisfaction of the other conditions precedent; and (d) any required Government of India ("GoI") consents having been obtained. See "Material Contracts". The required shareholder resolutions approving the Acquisition have been obtained.

While Vedanta believes that the requisite approvals and clearances for the Acquisition from the GoI will be received, there can be no assurance that a challenge to the Acquisition will not be made or, if a challenge is made, what will be the result of such challenge. Similarly, there can be no assurance that the regulatory approvals necessary to consummate the Acquisition will be obtained or that the granting of these approvals will not involve the imposition of conditions to the consummation of the Acquisition or require changes to the terms of the Acquisition. These conditions or changes could result in the conditions to the Acquisition not being satisfied prior to the prescribed date for the consummation of the Acquisition or at all. In addition, if Vedanta and Cairn India decide to comply with these conditions and consummate the Acquisition, it may have a material impact on their businesses going forward. Accordingly, no assurance can be given that the Acquisition will be consummated. See "Risk Factors — Risks of the Cairn India Business and the Acquisition — In the event that the Acquisition is not consummated, Vedanta intends to use the proceeds of this offering to fund capital expenditure, to repay debt and for other general corporate purposes. See "Use of Proceeds".

About Vedanta

Vedanta was incorporated and registered in England and Wales as a private company limited by shares under the name Angelchange Limited on 22 April 2003 and with registered number 04740415. On 26 June 2003, Vedanta changed its name to Vedanta Resources Limited. On 20 November 2003, Vedanta re-registered as a public limited company under the United Kingdom Companies Act 1985, as amended (the "Companies Act") and changed its name to Vedanta Resources plc. The principal legislation under which Vedanta operates is the Companies Act.

The registered office of Vedanta is 2nd Floor, Vintners Place, 68 Upper Thames Street, London WIJ 8DZ. The head office of Vedanta is at 16 Berkeley Street, Mayfair, London W1J 8DZ, telephone number +44 (020) 7499-5900. Vedanta's website address is www.vedantaresources.com. **Information on Vedanta's website does not constitute a part of this Offering Circular.**

Ratio of Earnings to Fixed Charges

The following table sets forth the Vedanta Group's ratio of earnings(1) to fixed charges(2) for the periods indicated.

Year Ended 31 March		
2009	2010	2011
3.67	3.86	4.48

Notes:

(1) Earnings include pre-tax income from continuing operations and fixed charges less interest capitalised.

(2) Fixed charges include interest expensed and capitalised and amortised premiums, discounts and capitalised expenses related to indebtedness.

Recent Developments

On 25 May 2011, the Cairn India Group announced its consolidated financial results for the twelve months ended 31 March 2011 which were prepared in accordance with Indian GAAP. Set out below is an extract of the results.

For Immediate Release **25 May, 2011**

Cairn India Limited
Consolidated Financial Results
for the twelve month period ended 31 March, 2011

The following commentary is provided in respect of the audited financial results and operational highlights of Cairn India Limited and its subsidiary companies (referred to as "Cairn India") during the financial year 2010-11 (FY 2010-11). Please note that FY 2010-11 refers to the period April 2010 — March 2011.

Financial Review

The average daily gross production for FY 2010-11 was 149,103 boe and average daily working interest production was 83,474 boe. In FY 2009-10, average daily gross production was 69,059 boe and average daily working interest production was 24,957 boe.

The consolidated revenue of the company for FY 2010-11 was INR 102,779 million (US$2,255 million) compared to INR 16,230 million (US$342 million) in FY 2009-10.

"Cash flow from operations", worked out as profit after tax (excluding other income) prior to non-cash expenses (non-cash employee cost, depreciation, depletion, amortisation, and deferred tax) and exploration cost for FY 2010-11 was INR 67,122 million (US$1,473 million) compared to INR 8,084 million (US$171 million) in FY 2009-10.

The consolidated profit after tax (PAT) for FY 2010-11 was INR 63,344 million (US$1,390 million) compared to INR 10,511 million (US$222 million) in FY 2009-10.

The Basic earnings per share (EPS) for FY 2010-11 was at INR 33.3 compared to INR 5.5 for FY 2009-10.

Cash available as at 31 March, 2011 was INR 55,792 million (US$1,249 million) and the loan draw down till 31 March, 2011 was INR 26,722 million (US$598 million).

During the FY 2010-11, the company replaced its Rupee facility of INR 40,000 million (US$850 million) with a lower financing facility of INR 22,500 million (US$500 million). The new financing facility was raised through INR Unsecured Non-convertible Debentures at competitive commercial terms.

N.B.: Amounts shown in US$ are conversions based on average exchange rate for FY 2010-11 at INR 45.570 for revenue items vs. INR 47.390 for FY 2009-10.

Operational Review

Average daily gross operated production in FY 2010-11 was 149,103 boe (average daily working interest 83,474 boe). The average crude oil price realisation in FY 2010-11 was US$79.1/bbl and the average gas price was US$4.55/mscf resulting in an average price realisation of US$76.8/boe.

Rajasthan (Block RJ-ON-90/1) (Cairn India 70%, Operator)

Average daily gross production from the Rajasthan block for FY 2010-11 was 100,993 bbls and average daily working interest production was 70,695 bbls.

Following the commencement of Mangala production in August 2009, the field ramped up to its plateau of 125,000 bopd in less than a year. The field continues to produce at the currently approved rate of 125,000 bopd. Since production start-up, the MPT has had efficient and safe operations and has processed more than 39 mmbbls of crude oil, which has been sold to PSU and private refiners. The plant uptime stood at over 99% during the year.

Upstream

The MPT is designed to process crude from the Rajasthan fields and will have a capacity to handle 205,000 bopd of crude with scope for further expansion. Three processing trains are commissioned whilst construction activities for Train Four have commenced and it is on track for delivery in the second half of CY 2011. Key pressure vessels for Train Four have been received at site, all major contracts have been awarded and construction work is progressing well.

To augment gas production from the Raageshwari Deep Gas field and water production from the Thumbli Water field (saline aquifer), additional drilling and completion activities were carried out during the year.

Development drilling and well completion activities are progressing well.

The use of highly mobile skid mounted rigs with smaller footprint and self deploying designs utilising a pad based concept has helped optimise rig movement times. This has increased the efficiency of the drilling process in terms of a reduced environmental footprint and lower infrastructure and drilling costs.

Cairn India has successfully drilled and completed 11 horizontal wells in the Mangala field and all have been put on production. A total of 143 Mangala development wells have been drilled, of which 85 are complete and 62 are producing. The other wells will be brought on stream in a staged manner. The focused effort on drilling of high capacity horizontal wells in Mangala and the reservoir performance supports higher plateau levels. Surface facilities and midstream infrastructure are ready to support production of 150,000 bopd from the Mangala field, subject to JV and GoI approval.

Work on the development of the Bhagyam field, the second largest discovery in Rajasthan, is ongoing. Construction work is in full swing and crude oil production is expected to commence in the second half of CY 2011 and achieve currently approved plateau rate of 40,000 bopd by end CY 2011. A total of 30 Bhagyam development wells have been drilled to date. The surface facility development work progresses as planned with detailed engineering nearing completion and completion of award of all major contracts. The well results from Bhagyam development drilling have been as per expectations.

Construction work for Bhagyam trunk line to connect Bhagyam field with Mangala Processing Terminal is ongoing with completion targeted in June 2011.

Assessment of higher production potential and design optimisation of Aishwariya field, due to increased reserves and resources, is currently underway. Crude oil production is expected to commence in the second half of CY 2012, subject to JV and GoI approval. The tendering process for award of contracts has commenced.

Cairn India and its JV partner ONGC, continue to develop the hydrocarbon resources in the state of Rajasthan with a continued focus on cost and the application of innovative technologies. The use of high density 3D seismic surveys has enhanced the understanding of the reservoir and helped to precisely identify well locations.

The application of new fracture stimulation and completion technology proven in the Raageshwari Deep Gas wells will provide the opportunity to replicate and thereby exploit the lower permeability Barmer Hill formation.

Midstream (Pipeline)

The MPT to Salaya pipeline section (approximately 590 km) started operations during the year and commenced sales on 15 June, 2010. The pipeline system availability at around 98% underscores Cairn India's execution capability of building and operating the world's longest continuously heated and insulated crude oil pipeline.

Construction work on the approximately 80 km Salaya to Bhogat section of the pipeline including the Bhogat terminal and marine facility is in progress with completion targeted for the second half of CY 2012.

Crude-Sales

Crude sales were ramped up to 125,000 bopd in line with the production ramp up. Since start of crude production from Mangala, cumulative revenue in excess of US$3 billion has been realised.

In accordance with the RJ-ON-90/1 PSC, the pricing is based on Bonny Light, comparable low sulphur crude that is frequently traded in the region, with appropriate adjustments for crude quality. The implied crude price realisation represents an average 10-15% discount to Brent on the basis of the prices prevailing for the twelve months to March 2011.

Sales arrangements are in place for 155,000 bopd with PSU and private refiners and discussions continue with GoI for further nominations.

Resource base including enhanced oil recovery (EOR)

The Mangala, Bhagyam and Aishwariya (MBA) fields have gross recoverable oil reserves and resources of over 1 billion barrels, which includes proven plus probable (2P) gross reserves and resources of 694 mmboe with a further 300 mmboe or more of EOR resource potential. The MBA fields will contribute more than 20% of domestic crude production when they reach the currently approved plateau rate of 175,000 bopd. The total resource base supports a vision to produce 240,000 bopd, (equivalent to a contribution of ~35% of India's current crude production), subject to further investments and regulatory approvals.

The first phase of EOR pilot consisting of four injectors, one producer and three observation wells are drilled, completed and hooked up to the facilities. The water injection and production phase has commenced in December 2010 and preparations are ongoing for the polymer injection phase.

A pilot hydraulic fracturing programme to test the potential of the Barmer Hill Formation is planned, subject to GoI approval. The pilot programme will allow evaluation of the appropriate cost effective technology for a fully optimised development of this low permeability oil resource base. A declaration of commerciality for the Barmer Hill was submitted to the GoI in March, 2010 and a Field Development Plan is under preparation.

Krishna-Godavari Basin — Eastern India
Block PKGM-1 — Ravva field (Cairn India — 22.5%, Operator)

Average daily gross production from the Ravva field for FY 2010-11 was 36,942 boe (comprising an average oil production of 27,950 bopd and average gas production of 54 million standard cubic feet per day (mmscfd)). The Ravva facilities had an uptime of over 97% in FY 2010-11.

Cairn India and its joint venture partners have completed infill drilling of four wells at Ravva including one horizontal well to augment oil production. Drilling of one production and two injector wells is in progress at Ravva. The purpose of the infill campaign is to help slow production decline and add incremental reserves. The infill campaign is also targeted to increase the water injection capacity in the field. The initial production rates are as per expectations.

The first ever horizontal well in Ravva was landed, drilled, completed and tested with a combination of sliding sleeve standalone screens, screens with ICDs and swell packers to successfully complete the entire oil pay with ICDs, and an additional gas zone. For the first time in Ravva, oil production wells were completed as open hole with multi-zone selective stand alone screens and swell packers technology.

Cambay Basin — Western India
Block CB/OS-2 (Cairn India — 40%, Operator)

Average daily gross production from the CB/OS-2 block for FY 2010-11 was 11,169 boe (comprising an average oil / condensate production of 6,869 bopd and average gas production of 26 mmscfd). To date, the asset has produced more than 200 billion cubic feet of gas and 12 mmbbls of commingled oil (crude plus condensate). The CB/OS-2 facilities had an up-time of over 99% in FY 2010-11.

To sustain oil production from the block, an infill drilling campaign is planned in the Lakshmi field. The Term Sheet Agreement executed in December, 2009 to produce Gauri's share of GBA (Gas Balancing Agreement — for sharing gas from the shared reservoir) gas through the Hazira facilities was extended up to March 2012. Gross revenue of more than US$30 million has been realised from the sale of Gauri share of GBA gas.

Exploration

Cairn India has a total of 10 blocks in its portfolio in three strategically focussed areas namely one block in Rajasthan, three on the west coast of India and six on the east coast of India, including one in Sri Lanka. Out of these, eight including the three producing blocks are operated by Cairn India. Exploration activities are ongoing at different stages in the exploration blocks. Over the years, Cairn India has continuously optimised its exploration portfolio by adding new prospective blocks and relinquishing low graded blocks after full evaluation and completion of work programmes, thereby increasing the Company's net unrisked potential resource base.

The exploration blocks are located in the Krishna-Godavari Basin, the Palar-Pennar Basin, the Kerala-Konkan Basin, the Cambay Basin, the Mumbai Offshore Basin and the frontier Mannar Basin. The Company continues to use leading-edge geophysical and geological technologies to enhance its probability of exploration success and monetise hydrocarbon resources.

Block Updates:

KG-ONN-2003/1 (Cairn India — 49%, Operator)

The Company has drilled the five commitment wells and completed the Minimum Work Programme (MWP) for this license. There was a hydrocarbon discovery in the Nagayalanka-1z well and a Discovery Notice was issued to the Directorate General of Hydrocarbons (DGH) and subsequently, an appraisal plan was submitted to the GoI, which is currently under review. Based on the well results, the JV opted to enter Phase-II of the Exploration License. An exploration cum appraisal well Nagayalanka SE-1 is planned to be drilled during FY 2011-12.

KG-OSN-2009/3 (Cairn India — 100%, Operator)

This block, covering 1988 km^2, was awarded under the NELP VIII licensing round and is located on-trend with recent discoveries in the Krishna-Godavari Basin. The PSC was signed on 30 June, 2010 and the Petroleum Exploration License (PEL) was granted in August 2010. A bathymetry survey covering the license area was completed in May 2011. Work to obtain environmental clearance for a 3D survey, which is planned to start by end 2011, is underway.

KG-DWN-98/2 (Cairn India — 10%, Operator ONGC)

Three appraisal wells were drilled in the Northern Discovery Area in 2010. The Declaration of Commerciality (DoC) was submitted in July 2010, by the operator for the Northern Discovery Area. The Southern Area appraisal period was completed in December 2009, with the DoC submitted to the DGH. The Operator is in discussion with the DGH and GoI to secure an extension in the exploration and appraisal period for the block to carry out additional exploration drilling.

MB-DWN-2009/1 (Cairn India — 100%, Operator)

This block, covering 2961 km^2, was awarded under the NELP VIII licensing round and is located in the Mumbai Offshore Basin. The PSC was signed on 30 June, 2010 and the PEL was granted in August 2010. Environmental clearance is being sought to enable acquisition of a 2D survey during Q1 CY 2012. As part of the Company's west coast exploration strategy, a detailed regional technical study is being undertaken.

KK-DWN-2004/1 (Cairn India — 40%, Operator ONGC)

A 3,840 line km 2D seismic programme was completed in 2009 and following mapping and interpretation of the seismic data, 300 km^2 of 3D seismic data has been acquired and processing is in progress. Interpretation of the data is expected to be completed by Q3 CY 2011.

PR-OSN-2004/1 (Cairn India — 35%, Operator)

This block, covering 9,400 km^2, is located between discoveries in the Krishna-Godavari and Cauvery basins. Following interpretation of 2D and 3D seismic data, three prospects were identified for drilling to fulfill the MWP. However, post denial of permission to drill in a restricted area defined by the Department of Space, GoI, Force Majeure has been declared by Cairn India and this has been accepted by the DGH, under the terms of the PSC. Cairn India and the other partners to the PSC are actively pursuing a resolution of this matter with the GoI.

SL 2007-01-001 (Cairn Lanka — 100%, Operator)

Cairn Lanka (Private) Limited, a wholly owned subsidiary of Cairn India, acquired 1,750 km^2 3D seismic data in the frontier Mannar Basin in the December 2009 to January 2010 period. The programme fulfills the minimum work commitment of 1,450 km^2 of 3D seismic data acquisition. The Mannar Basin is an under-explored frontier basin. Based on the 3D seismic interpretation, several prospects and leads have been identified and technical work to understand the petroleum system in this basin is ongoing. A drill ship has been contracted and the final preparations for the exploration drilling, planned to commence in August 2011, are ongoing.

Cairn India Limited

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AUDITED CONSOLIDATED FINANCIAL RESULTS
FOR THE FINANCIAL YEAR ENDED 31st MARCH 2011

(All amounts are in INR lakhs, unless otherwise stated)

		Quarter Ended		Financial Year Ended	
Sr. No.	Particulars	31-Mar-11 Unaudited	31-Mar-10 Unaudited	31-Mar-11 Audited	31-Mar-10 Audited
1	a) Income from operations	365,447	69,283	1,027,793	162,303
	b) Other operating income	—	—	—	—
2	Expenditure				
	a) (Increase)/Decrease in stock-in-trade	888	7,001	(2,636)	(3,660)
	b) Operating expenses	41,492	18,429	151,703	42,483
	c) Employee costs	3,007	2,683	11,046	11,016
	d) Depreciation, depletion & amortization	46,434	3,816	119,296	14,851
	e) Administration costs	6,240	4,386	15,388	14,412
	f) Foreign exchange fluctuation	4,637	—	11,118	—
	g) Exploration costs	7,074	12,191	16,668	20,853
	h) Total	109,772	48,506	322,583	99,955
3	**Profit/(Loss) from Operations before Other Income, Interest & Exceptional Items (1-2)**	**255,675**	**20,777**	**705,210**	**62,348**
4	Other Income	3,836	8,791	12,879	40,766
5	**Profit/(Loss) before Interest & Exceptional Items (3+4)**	**259,511**	**29,568**	**718,089**	**103,114**
6	Interest and finance costs	3,934	188	29,091	1,480
7	**Profit/(Loss) after Interest but before Exceptional Items (5-6)**	**255,577**	**29,380**	**688,998**	**101,634**
8	Exceptional Items	—	—	—	—
9	**Profit/(Loss) from Ordinary Activities before tax (7+8)**	**255,577**	**29,380**	**688,998**	**101,634**
10	Tax expense				
	a) Current tax	49,867	4,782	156,107	22,164
	b) MAT credit entitlement	(48,425)	(2,698)	(112,136)	(13,722)
	c) Deferred tax	8,356	2,777	11,587	(10,866)

Sr. No.	Particulars	Quarter Ended 31-Mar-11 Unaudited	Quarter Ended 31-Mar-10 Unaudited	Financial Year Ended 31-Mar-11 Audited	Financial Year Ended 31-Mar-10 Audited
	d) Fringe benefit tax	—	—	—	(1,052)
	e) Total	9,798	4,861	55,558	(3,476)
11	**Net Profit/(Loss) from Ordinary Activities after tax (9-10)**	**245,779**	**24,519**	**633,440**	**105,110**
12	Extraordinary items (net of tax expense)	—	—	—	—
13	**Net Profit/(Loss) for the period (11-12)**	**245,779**	**24,519**	**633,440**	**105,110**

Sr. No.	Particulars	Quarter Ended 31-Mar-11 Unaudited	Quarter Ended 31-Mar-10 Unaudited	Financial Year Ended 31-Mar-11 Audited	Financial Year Ended 31-Mar-10 Audited
14	Paid-up Equity Share Capital (Face value of INR 10 each)	190,192	189,697	190,192	189,697
15	Reserves excluding Revaluation Reserves			3,833,584	3,192,496
16	Earnings per share in INR (not annualized)				
	a) Basic earnings per share	12.93	1.29	33.36	5.54
	b) Diluted earnings per share	12.87	1.29	33.20	5.52
17	Public Shareholding				
	— Number of shares	718,673,310	713,730,341	718,673,310	713,730,341
	— Percentage of shareholding	37.79%	37.62%	37.79%	37.62%
18	Promoters and Promoter Group Shareholding				
	a) Pledged/Encumbered				
	— Number of shares	—	—	—	—
	—Percentage of shares (as a % of the total share shareholding of promoter and promoter group)	—	—	—	—
	—Percentage of shares (as a % of the share capital of the Company)	—	—	—	—
	b) Non-encumbered				
	—Number of shares	1,183,243,791	1,183,243,791	1,183,243,791	1,183,243,791
	—Percentage of shares (as a % of the total share shareholding of promoter and promoter group)	100%	100%	100%	100%
	—Percentage of shares (as a % of the total share capital of the Company)	62.21%	62.38%	62.21%	62.38%

Notes:-

1. The above audited financial results for the year ended 31st March, 2011 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at its meeting held on 25th May 2011.
2. The individual items in the above financial results are net of amounts cross charged to oil and gas blocks where the Group is the operator. The Group's share of such net expenses in oil and gas blocks is treated as exploration, development or operating costs, as the case may be.
3. Employee costs for the current quarter and year include stock option charge of INR 1,124 lakhs and INR 4,164 lakhs respectively, computed under the Intrinsic Value Method. The said charge for the current quarter and year would have been INR 1,995 lakhs and INR 8,649 lakhs respectively, if computed under the Fair Value (Black Scholes) Method.
4. 1,180,695 additional equity shares were issued during the current quarter on exercise of stock options by the employees of the Cairn India Group.

5. Exploration costs include costs pertaining to geological/geophysical studies, seismic studies, other surveys and unsuccessful wells and have been charged to the profit and loss account as per the provisions of the Successful Efforts Method of accounting.
6. During the year, Cairn India Group has changed the accounting policy for valuation of oil and condensate inventory from "net realizable value" to "cost or net realizable value, whichever is lower". Accordingly, value of inventory as at 31st March 2011 is lower by INR 32,205 lakhs and profit after tax for the year is lower by INR 31,437 lakhs.
7. The shareholders of the Company have approved a Scheme of Arrangement between the Company and some of its wholly owned subsidiaries, to be effective from 1st January 2010. The Scheme of Arrangement has been approved by the Hon'ble High Court of Madras and the Hon'ble High Court of Bombay; however, it is pending for approval from other regulatory authorities. Pending receipt of such approvals, no accounting impact of the scheme has been given in the above results.
8. The holding company of Cairn India Limited, Cairn UK Holdings Limited, along with its holding company, Cairn Energy Plc. (Company's ultimate holding company) has agreed to sell a substantial portion of its investment in the Company to Twin Star Holdings Ltd. and Vedanta Resources Plc. This transaction has been approved by shareholders of both Cairn Energy Plc. and Vedanta Resources Plc. However, pending receipt of certain regulatory approvals, Cairn Energy Plc. continues to be treated as the promoter of the Company.
9. The Group operates in only one segment i.e. "Oil and Gas Operations".
10. Summary of Assets and Liabilities-

Particulars	As at 31st Mar 2011 (Audited)	As at 31st Mar 2010 (Audited)
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	190,192	189,697
Stock options outstanding	5,547	4,640
Reserves and surplus	3,833,584	3,192,496
Loan funds		
Secured loans	132,822	340,071
Unsecured loans	135,000	—
Deferred tax liabilities (net)	57,503	46,194
TOTAL	**4,354,648**	**3,773,098**
APPLICATION OF FUNDS		
Fixed assets	592,356	12,695
Cost of producing properties	208,496	49,948
Exploration, development and capital work in progress	398,188	916,346
Goodwill	2,531,927	2,531,927
Investments	109,445	171,241
Deferred tax assets (net)	1,384	1,662
Current assets, loans and advances		
Inventories	32,770	29,094
Sundry debtors	148,286	30,675
Cash and bank balances	448,474	92,942
Other current assets	3,864	1,446
Loans and advances	162,691	65,657
Less: Current liabilities and provisions		
Current liabilities	126,376	98,686
Provisions	166,283	49,370
Net current assets	503,426	71,758
Miscellaneous Expenditure to the extent not adjusted	9,426	17,521
TOTAL	**4,354,648**	**3,773,098**

11. Previous quarter/year figures have been regrouped/rearranged wherever necessary to confirm to the current year's presentation.

For and on behalf of the Board of Directors

Place: Gurgaon | **Rahul Dhir**
Date: 25 May, 2011 | **Managing Director and Chief Executive Officer**

Glossary

Corporate

Cairn India/CIL	Cairn India Limited and/or its subsidiaries as appropriate
Company	Cairn India Limited
CY	Calendar Year
DoC	Declaration of Commerciality
E&P	Exploration and Production
FY	Financial Year
GBA	Gas Balancing Agreement
GoI	Government of India
Group	the Company and its subsidiaries
JV	Joint Venture
MBA	Mangala, Bhagyam and Aishwariya
MPT	Mangala Processing Terminal
MC	Management Committee
NELP	New Exploration Licensing Policy
ONGC	Oil and Natural Gas Corporation Limited
OC	Operating Committee
QoQ	Quarter on Quarter
YoY	Year on Year

Technical

2P	proven plus probable
3P	proven plus probable and possible
2D/3D	two dimensional/three dimensional
boe	barrel(s) of oil equivalent
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
bscf	billion standard cubic feet of gas
EOR	Enhanced Oil Recovery
FDP	Field Development Plan
mmboe	million barrels of oil equivalent
mmscfd	million standard cubic feet of gas per day
mmt	million metric tonne
PSC	Production Sharing Contract

The Fatehgarh is the name given to the primary reservoir rock of the Northern Rajasthan fields of Mangala, Aishwariya and Bhagyam.

The Barmer Hill Formation is a lower permeability reservoir which overlies the Fatehgarh.

The Dharvi Dungar forms the secondary reservoirs in the Guda field and is the reservoir rock encountered in the recent Kameshwari West discoveries.

The Thumbli forms the youngest reservoirs encountered in the basin. The Thumbli is the primary reservoir for the Raageshwari field.

These materials contain forward-looking statements regarding Cairn India, our corporate plans, future financial condition, future results of operations, future business plans and strategies. All such forward-looking statements are based on our management's assumptions and beliefs in the light of information available to them at this time. These forward looking statements are by their nature subject to significant risks and uncertainties; and actual results, performance and achievements may be materially different from those expressed in such statements. Factors that may cause actual results, performance or achievements to differ from expectations include, but are not limited to, regulatory changes, future levels of industry product supply, demand and pricing, weather and weather related impacts, wars and acts of terrorism, development and use of technology, acts of competitors and other changes to business conditions. Cairn India undertakes no obligation to revise any such forward-looking statements to reflect any changes in Cairn India's expectations with regard thereto or any change in circumstances or events after the date hereof. Unless otherwise stated the reserves and resource numbers within this document represent the views of Cairn India and do not represent the views of any other party, including the Government of India, the Directorate General of Hydrocarbons or any of Cairn India's joint venture partners.

Summary of the offering

The following is a general summary and should not be relied on as a complete description of the Terms and Conditions of the Bonds (the "Conditions"). This summary is derived from, and should be read in conjunction with, the full text of the Conditions and the Trust Deed constituting the Bonds, which prevail to the extent of any inconsistency with the terms set out in this summary. Capitalised terms used herein and not otherwise defined have the respective meanings given to such terms in the relevant Conditions.

Issuer	Vedanta Resources plc.
Issue	\$750,000,000 6.75% Bonds due 2016; and \$900,000,000 8.25% Bonds due 2021.
Maturity Date	The 2016 Bonds will mature on 7 June 2016; and the 2021 Bonds will mature on 7 June 2021.
Issue Price	The 2016 Bonds will be issued at 100% of their principal amount, plus accrued interest, if any, on the Closing Date and the 2021 Bonds will be issued at 100% of their principal amount, plus accrued interest, if any, on the Closing Date.
Interest and Payment Dates	The 2016 Bonds will bear interest at the rate of 6.75% per annum and the 2021 Bonds will bear interest at the rate of 8.25% per annum. The 2016 Bonds will bear interest on and from the Closing Date, payable semi-annually in arrear on 7 June and 7 December of each year, commencing 7 December 2011. The 2021 Bonds will bear interest on and from the Closing Date, payable semi-annually in arrear on 7 June and 7 December of each year, commencing 7 December 2011.
Status of the Bonds	The Bonds of each series constitute senior, unsubordinated, direct, unconditional and (subject to Condition 3(a)) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3(a), at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. The Bonds will be structurally subordinated to claims of holders of debt securities and other creditors of subsidiaries of the Company. See "Risk Factors — Risks Relating to the Bonds — The Bonds will be structurally subordinated to the debt issued by Vedanta's subsidiaries".
Use of Proceeds	The net proceeds from this offering, after deduction of underwriting fees, discounts and commissions and other estimated expenses associated with this offering, are expected to be approximately \$1,628.1 million. Upon consummation of the Acquisition, Vedanta intends to use the net proceeds from this offering to finance a portion of the purchase price for the Acquisition, fund the interest reserve account under its \$3.5 billion term loan facility, and to pay related fees and expenses, which will result in a cancellation of commitments under the Bridge to Bond. In the event that the Acquisition does not proceed for any reason, Vedanta intends to use the net proceeds from this offering to fund capital expenditure, repay debt and for other general corporate purposes. See "Use of Proceeds."
Optional Redemption	The Bonds of any series may be redeemed at the option of the Company at any time, in whole, but not in part, at a redemption price equal to the principal amount of the Bonds of that series plus

	the Applicable Premium (as defined in the Conditions) applicable to the Bonds of that series, plus accrued and unpaid interest, if any, to, the redemption date.
Repurchase of Bonds upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event (as defined in the Conditions), the Company must make an offer to purchase all of the Bonds outstanding at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the purchase date.
Redemption for Taxation	The Bonds of any series may be redeemed at the option of the Company at any time in whole, but not in part, at a redemption price equal to the principal amount of the Bonds of that series, together with accrued and unpaid interest, if any, to the redemption date in the event of certain changes affecting taxes of the United Kingdom.
Covenants	The Company has agreed to comply with certain covenants limiting its ability and the ability of certain of its subsidiaries to, among other things, create any security interests over assets, create any restrictions on the ability of certain subsidiaries to pay dividends, incur additional borrowings, distribute proceeds from certain asset sales or sell its ownership interest in certain subsidiaries and has agreed to certain other covenants. See "Terms and Conditions of the Bonds — Covenants". These covenants are subject to important exceptions and qualifications. In addition, the Company and certain of its subsidiaries will not be subject to certain covenants which limit their ability to incur additional borrowings and distribute proceeds from certain asset sales, at any time after the Bonds achieve investment grade ratings from any two of Moody's, Standard & Poor's and Fitch. See "Terms and Conditions of the Bonds — Covenant Suspension".
Selling Restrictions	There are restrictions on the offer, sale and/or transfer of the Bonds in certain jurisdictions. For a description of the selling restrictions on offers, sales and transfers of the Bonds, see "Plan of Distribution" and "Transfer Restrictions".
Form and Denomination of the Bonds	The Bonds will be issued in registered form in the denomination of $200,000 each and in integral multiples of $1,000 in excess thereof. Upon issue, the Regulation S Bonds of each series will be represented by the Unrestricted Global Certificate and the Rule 144A Bonds of each series will be represented by the Restricted Global Certificate, each in registered form. On the Closing Date, the Unrestricted Global Certificate will be deposited with a custodian for, and registered in the name of Cede & Co., as nominee of DTC for the accounts of Euroclear and Clearstream and the Restricted Global Certificate will be deposited with a custodian for, and registered in the name of Cede & Co., as nominee of DTC.
Listing	The Company has obtained in-principle approval for the listing of the Bonds on the SGX-ST. The Bonds will trade on the SGX-ST in a minimum lot size of $200,000 so long as any of the Bonds remain listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or information contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of the merits of the offering, the

	Company or the Bonds. Currently, there is no public market for the Bonds.
Further Issues	The Company may from time to time, without the consent of the Bondholders, create and issue further securities either having the same terms and conditions as the Bonds of any series in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the Bonds of that series or upon such terms as the Company may determine at the time of their issue. See "Terms and Conditions of the Bonds — Further Issues".
Governing Law	The Bonds and the Trust Deed, and all non-contractual matters arising from or connected with the Bonds and the Trust Deed, shall be governed by and shall be construed in accordance with English law.
Trustee	Citicorp International Limited.
Principal Agent	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Deutschland AG.
Global Certificates.	For as long as the Bonds are represented by the Global Certificates, payments of principal and interest in respect of the Bonds will be made without presentation or if no further payment is made in respect of the Bonds against presentation and surrender of the Global Certificates to or to the order of the Principal Agent (as defined below) for such purpose. While the Bonds are represented by the Global Certificates, they will be transferable only in accordance with the rules and procedures for the time being of the relevant clearing system. Except as described herein, individual certificates will not be issued in exchange for interests in the Global Certificates.
Rating of the Bonds	Vedanta currently has corporate credit ratings of Ba1 from Moody's and BB from Standard & Poor's and "BB+" from Fitch. If the Acquisition (as defined herein) is consummated, the Bonds are expected, on the Closing Date, to be rated "Ba3" from Moody's, "BB" from Standard & Poor's and "BB" from Fitch. If the Acquisition is not consummated, the Bonds are expected, on the Closing Date, to be rated "Ba2" from Moody's, "BB" from Standard & Poor's and "BB" from Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Trust Deed	The Bonds will be issued under the Trust Deed to be dated on or about the Closing Date between the Company and the Trustee (as defined herein).
Withholding Tax	All payments of principal and interest in respect of the Bonds shall be made free and clear of any withholding or deduction for United Kingdom withholding taxes to the extent set forth herein. See "Terms and Conditions of the Bonds — Taxation".
Events of Default	For a description of certain events that will permit the Bonds of any series to become immediately due and payable at their principal amount, together with accrued interest, see "Terms and Conditions of the Bonds — Events of Default".
Lock-up Agreement	Neither the Company, nor any person acting on its behalf, will, from the date of this Offering Circular until the date 60 days after the date of issuance of the Bonds, without the prior written consent

of the Joint Global Coordinators and Joint Lead Managers, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal) non-equity-linked debt securities issued or guaranteed (other than guarantees in respect of Indian rupee denominated non-equity linked debt securities) by the Company and having a maturity of more than one year from the date of issue, subject to certain exceptions. See "Plan of Distribution".

Identification Numbers for the Bonds . . .	**Regulation S Bonds**	**Rule 144A Bonds**
2016 Bonds	CUSIP: G9328D AF7 ISIN: USG9328DAF71 Common Code: 063199923	CUSIP: 92241T AF9 ISIN: US92241TAF93 Common Code: 063199869
2021 Bonds	CUSIP: G9328D AG5 ISIN: USG9328DAG54 Common Code: 063200760	CUSIP: 92241T AG7 ISIN: US92241TAG76 Common Code: 063199974

Prospective purchasers should refer to the section entitled "Risk Factors" beginning on page 26 for a discussion of certain risks involved in investing in the Bonds.

Summary Consolidated Financial Information

The following tables present the summary historical consolidated financial information for the Company for the periods ended and at the dates indicated below. The summary historical consolidated financial information as of and for the years ended 31 March 2009, 2010 and 2011 has been derived from the Annual Financial Statements included elsewhere in this Offering Circular. The Company's historical results do not necessarily indicate the Company's expected results for any future period. The Company's consolidated financial statements have been prepared and presented in accordance with IFRS.

You should read the following information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations for Vedanta", the Annual Financial Statements and the notes thereto included elsewhere in this Offering Circular.

Certain fiscal 2009 and 2010 comparative amounts have been reclassified to conform with the presentation of fiscal 2011 financial information. Reclassification include items as described in footnote 2a of Vedanta's Annual Financial Statements for the year ended 31 March 2011.

Vedanta Group

Consolidated Income Statement

	Year Ended 31 March		
	2009	**2010**	**2011**
		($ million)	
Continuing operations			
Revenue	$ 6,578.9	$ 7,930.5	$11,427.2
Cost of sales	(5,136.1)	(5,761.1)	(8,107.0)
Gross profit	**$ 1,442.8**	**$ 2,169.4**	**$ 3,320.2**
Other operating income	115.9	87.8	**73.9**
Distribution costs	(163.0)	(229.5)	(319.6)
Administrative expenses	(256.8)	(294.8)	(376.7)
Special items	(31.9)	(67.3)	(163.5)
Operating profit	**$ 1,107.0**	**$ 1,665.6**	**$ 2,534.3**
Investment revenues	456.2	272.8	431.6
Finance costs	(288.1)	(236.6)	(534.7)
Other (losses)/gains	(94.1)	139.8	252.1
Profit before taxation	**$ 1,181.0**	**$ 1,841.6**	**$ 2,683.3**
Tax expense	(280.5)	(330.4)	(649.5)
Profit for the year	**$ 900.5**	**$ 1,511.2**	**$ 2,033.8**
Attributable to:			
Equity holders of the parent	219.4	602.3	770.8
Non controlling interests	681.1	908.9	1.263.0
	$ 900.5	**$ 1,511.2**	**$ 2,033.8**
EBITDA(1)	**$ 1,612.2**	**$ 2,295.9**	**$ 3,566.8**

(1) The Company defines EBITDA as operating profit before special items and depreciation. The Company's EBITDA may not be comparable to similarly titled measures reported by other companies due to potential inconsistencies in the method of calculation. The Company has included its EBITDA because the Company believes it is an indicative measure of the Company's operating performance and is used by investors and analysts to evaluate companies in the same industry. The Company's EBITDA should be considered in addition to, and not as a substitute for, other measures of financial performance and liquidity reported in accordance with IFRS. The Company believes that the inclusion of supplementary adjustments applied in the Company's presentation of EBITDA are appropriate because the Company believes it is a more indicative measure of the Company's baseline performance as it excludes certain charges that the Company's management considers to be outside of its core operating results. In addition, the Company's EBITDA is among the primary indicators that the Company's management uses as a basis for planning

and forecasting of future periods. The following table reconciles net income to EBITDA and segment result after special items. The Company defines segment result after special items as EBITDA less special items related to transaction costs relating to the proposed acquisition of Asarco, voluntary retirement schemes, acquisition related costs impairment of mining reserves and losses in respect of obligations to an associate:

	Year Ended 31 March		
	2009	2010	2011
		($ million)	
Profit for the year	$ 900.5	$1,511.2	$2,033.8
Plus:			
Depreciation and Amortization	473.3	563.0	869.0
Investment Revenues	(456.2)	(272.8)	(431.6)
Finance Costs	288.1	236.6	534.7
Other gains & Losses	94.1	(139.8)	(252.1)
Taxation expense	280.5	330.4	649.5
Special items(1)	31.9	67.3	163.5
EBITDA	**$1,612.2**	**$2,295.9**	**$3,566.8**

(1) Special items include the transaction costs relating to the proposed acquisition of Asarco, voluntary retirement schemes, acquisition related costs, impairment of mining reserves and losses in respect of obligation to an associate.

Consolidated Balance Sheet Data

	As at 31 March		
	2009	2010	2011
		($ million)	
Cash and cash equivalents	$ 380.5	$ 390.0	$ 911.6
Liquid investments	4,532.1	6,849.4	6,865.4
Total assets	16,176.5	24,060.0	28,899.9
Short-term borrowings	(1,298.5)	(1,012.6)	(3,045.1)
Medium and long-term borrowings	(3,212.3)	(4,383.2)	(4,435.9)
Convertible bonds	(604.1)	(2,777.8)	(2,271.5)
Total equity	**$ 7,571.3**	**$11,439.6**	**$13,679.0**

Consolidated Cash Flow Data

	Year Ended 31 March		
	2009	2010	2011
		($ million)	
Net cash from operating activities	$ 1,829.2	$ 1,572.2	$ 2,028.0
Net cash used in investing activities	(3,839.0)	(4,295.9)	(3,435.0)
Net cash provided from financing activities	1,755.0	2,982.5	1,687.4
Purchases of property, plant and equipment	(2,799.6)	(2,362.1)	(2,491.4)

The summary historical consolidated financial information for the Cairn India Group as at and for the twelve months ended 31 March 2010, as at and for the fifteen months ended 31 March 2009 and as at and for the twelve months ended 31 December 2007 has been derived from the audited consolidated financial statements of the Cairn India Group included elsewhere in this Offering Circular. The Cairn India Group's consolidated financial statements have been prepared and presented in accordance with Indian GAAP. The Cairn India Group's historical results do not necessarily indicate its expected results for any future period. The financial year of the Cairn India Group beginning 1 January 2008 was changed as it was extended by a period of three months, so the financial year ended 31 March 2009 was a 15 month period. Accordingly, the numbers for the year ended 31 December 2007 are not comparable with the numbers of the 15 month period ended 31 March 2009. The change in the year end was made in order for the Cairn India Group to be in compliance with the IFRS provisions which were anticipated to take effect from 1 April 2011.

You should read the following information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations for Cairn India" and the consolidated financial statements and the notes thereto included elsewhere in this Offering Circular.

The financial data for the Cairn India Group included in this Offering Circular:

1. *has been extracted from its financial statements which were prepared in accordance with Indian GAAP, which is significantly different from IFRS under which Vedanta's financials are prepared. Vedanta has not attempted to provide any reconciliation or quantitative impact of IFRS on the Cairn India Group's financials;*

2. *in respect of the profit and loss account, prepared in accordance with Indian GAAP, for the nine months ended 31 December 2010 and 2009, has not been subject to an audit or subject to a review by the independent auditors of the Cairn India Group; and*

3. *is presented as of the date indicated and no steps have been taken to ascertain whether there have been any updates, including any trends or events, subsequent to the dates indicated.*

See "Risk Factors — Risks of the Cairn India Business and the Acquisition — All information, including the financial data, relating to the Cairn India Group, included in this Offering Circular ("Cairn Information") has been extracted solely from Public Sources (as defined below) and has not been independently verified by Vedanta or its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners or the Co-Manager" and "Risk Factors — Risks of the Cairn India Business and the Acquisition — Significant differences exist between Indian GAAP and other accounting principles, such as IFRS, with which investors may be more familiar."

The Cairn India Group does not have any direct or indirect interest in the Bonds to be issued by Vedanta and does not accept any claims or liabilities suffered by the Vedanta Group or any prospective bondholder or other third party, arising howsoever, directly or indirectly, from reliance made on any representations or statements contained in this Offering Circular or from the issue of the Bonds.

Cairn India Group

Consolidated Profit and Loss Information

	12 Months Ended 31 December 2007	15 Months Ended 31 March 2009	12 Months Ended 31 March 2010
		(INR thousands)	
Income			
Income from operations	10,122,627	14,326,716	16,230,261
Other income	1,324,089	5,510,324	4,076,616
	11,446,716	**19,837,040**	**20,306,877**
Expenditure			
Operating expenses	1,945,812	2,129,743	4,248,252
Depletion	1,906,379	2,635,431	1,376,477
Unsuccessful exploration costs	2,512,282	1,683,851	2,085,346
Staff Costs	—	1,150,010	1,101,635
Administrative expenses	3,884,855	1,727,069	1,372,497
(Increase)/decrease in inventories	(111,715)	222,342	(366,021)
Prior period items	—	283,045	68,716
Depreciation and amortisation	33,701	62,593	108,588
Finance costs	16,174	64,090	148,031
	10,187,488	**9,958,174**	**10,143,521**
Profit before taxation	**1,259,228**	**9,878,866**	**10,163,356**
Current tax	387,756	1,336,282	2,216,325
MAT credit entitlement	—	(225,490)	(1,372,228)
Deferred tax (credit)/charge	764,194	623,354	(1,086,649)
Fringe Benefit Tax	352,719	110,214	(105,218)
Wealth tax	—	—	67
	1,504,669	**1,844,360**	**(347,703)**
Profit for the year/period	**(245,441)**	**8,034,506**	**10,511,059**
Surplus/(Deficit) brought forward from the previous period	(211,743)	(457,184)	7,577,322
Surplus carried to Balance sheet	**(457,184)**	**7,577,322**	**18,088,381**

The financial data for the Cairn India Group for the nine months ended 2009 and 2010 is presented in Lakhs. One Lakh is INR 100,000.

Profit and Loss information

	Nine Months Ended 31 December 2010	Nine Months Ended 31 December 2009
	(INR Lakhs)	
Income from operations	662,346	93,020
Other operating income	—	—
	662,346	**93,020**
Expenditure		
(Increase)/Decrease in stock-in-trade	(3,524)	(10,662)
Operating expenses	110,211	24,054
Employee costs	8,039	8,334
Depreciation, depletion & amortization	72,862	11,035
Administration costs	9,148	10,026
Foreign exchange fluctuation	6,269	—
Exploration costs	9,594	8,663
Total	**212,599**	**51,450**
Profit/(Loss) from Operations before Other Income, Interest & Exceptional	**449,747**	**41,570**
Other Income	8,831	33,444
Profit/(Loss) before Interest & Exceptional Items	**458,578**	**75,014**
Interest and finance costs	25,157	2,761
Profit/(Loss) after Interest but before Exceptional Items	**433,421**	**72,253**
Exceptional Items	—	—
Profit/(Loss) from Ordinary Activities before tax	**433,421**	**72,253**
Tax expense		
Current tax	106,240	17,382
MAT credit entitlement	(63,711)	(11,024)
Deferred tax	3,231	(13,643)
Fringe benefit tax	—	(1,052)
Total	45,760	(8,337)
Net Profit/(Loss) from Ordinary Activities after tax	**387,661**	**80,590**
Extraordinary items (net of tax expense)	—	—
Net Profit/(Loss) for the period	**387,661**	**80,590**

Consolidated Balance Sheet

	As at 31 December 2007	As at 31 March 2009	As at 31 March 2010
		(INR thousands)	
Sources of Funds			
Shareholders' Funds			
Share capital	17,783,994	18,966,678	18,969,741
Stock options outstanding	947,084	388,978	463,978
Reserves and surplus	276,084,115	308,667,596	319,249,603
	294,815,193	**328,023,252**	**338,683,322**
Loan funds			
Secured loans	169,361	222,402	34,007,131
Unsecured loans	2,955,000	43,341,500	—
	3,124,361	**43,563,902**	**34,007,131**
Deferred tax liabilities (net)	4,916,494	5,623,782	4,619,418
	302,856,048	**377,210,936**	**377,309,871**
Application of Funds			
Fixed assets	—		
Gross cost	1,092,632	1,434,686	2,227,578
Less: Accumulated depreciation/amortisation	606,126	801,843	958,067
Net book value	**486,506**	**632,843**	**1,269,511**
Exploration, Development and Site — restoration costs			
Cost of producing facilities (net)	4,389,517	3,013,742	4,994,770
Exploratory & development work in progress	24,670,264	62,027,323	91,634,579
Net book value	29,059,781	**65,041,065**	**96,629,349**
Goodwill	253,192,675	253,192,675	253,192,675
Investments	7,128,909	1,712,806	17,124,133
Deferred tax assets (net)	—	83,935	166,215
Current assets, loans and advances			
Inventories	1,216,048	1,682,808	2,909,438
Sundry debtors	1,348,578	1,516,418	3,067,474
Cash and bank balances	13,317,907	65,270,674	9,294,240
Other current assets	134,533	704,244	144,586
Loans and advances	4,867,071	3,505,102	8,317,866
	20,884,137	**72,679,246**	**23,733,604**
Less: Current liabilities and provisions			
Current liabilities	4,691,797	11,794,353	9,868,645
Provisions	3,661,347	4,337,281	4,936,971
	8,353,144	**16,131,634**	**14,805,616**
Net Current assets	12,530,993	56,547,612	8,927,988
Profit and Loss Account	457,184	—	
	302,856,048	**377,210,936**	**377,309,871**

Consolidated Statement of Cash Flows(1) (2)

	12 Months Ended 31 December 2007	15 Months Ended 31 March 2009(4)	12 Months Ended 31 March 2010
		(INR thousands)	
Cash flow from operating activities			
Profit before taxation for the year/period	1,259,228	9,878,866	10,163,356
Adjustments for			
— Employee compensation expense (equity settled stock options	780,365	107,292	89,175
— Depreciation and depletion	2,077,055	2,949,665	1,780,276
— Loss/(Profit) on sale/discard of fixed assets (net)	10,055	1,835	(313)
— Unsuccessful exploration costs	2,512,281	1,683,851	2,085,346
— Share issue expenses	—	208,410	—
— Unrealised exchange loss/(gain) on restatement of assets and liabilities (net)	1,844,459	(1,710,402)	(2,604,018)
— Interest expense	8,256	79,436	59,518
— Profit on sale of non trade current investments (net)	(595,663)	(1,245,686)	(2,385)
— Interest income	(727,431)	1,858,924	(1,375,578)
— Dividend from investments	—	(221,876)	(224,461)
— Loan facility and management fees	—	—	103,834
— Unrealised loss on option contracts	63,010	112,973	—
— Balances written back (net)	—	(143,285)	(143,360)
Operating profit before working capital changes	7,231,615	9,842,155	9,931,390
Movements in working capital:			
(Increase)/decrease in inventories	35,062	(466,761)	(1,226,630)
(Increase)/decrease in debtors	406,420	(108,344)	(1,598,096)
(Increase)/decrease in loans and advances and other current assets	(1,998,426)	186,699	(3,050,580)
Increase/(decrease) in current liabilities and provisions	649,255	1,684,424	(1,206,652)
Cash generated from operations	**6,323,926**	**11,138,173**	**2,849,432**
Current tax/FBT paid (net of refunds)	(819,797)	(1,457,679)	(1,752,558)
Net cash from operating activities(A)	**5,504,129**	**9,680,494**	**1,096,874**
Cash flow from investing activities			
Payments made for acquisition of subsidiaries	(32,763,069)	—	
Payments made for exploration, development activities and purchase of fixed assets	(11,566,913)	(30,133,147)	(33,662,150)
Short term investments in mutual funds (net)	—	6,661,791	(15,416,641)
Fixed deposits made	(14,076,538)	(43,410,755)	(16,716,524)
Proceeds from matured fixed deposits	—	11,686,817	57,327,022
Proceeds from sale of fixed assets	4,270	202	313
Interest received	710,969	1,240,524	2,138,135
Dividend from short term investments received	—	—	222,195
Dividend from long term investments received	—	216,589	—
Net cash used in investing activities(B)	**(64,303,511)**	**(53,737,979)**	**(6,107,650)**

	12 Months Ended 31 December 2007	15 Months Ended 31 March 2009(4)	12 Months Ended 31 March 2010
		(INR thousands)	
Cash flow from financing activities			
Proceeds from issue of equity shares (including securities premium)	2,093,607	25,523,445	20,363
Payments made for share issue expenses	(1,422,257)	(208,410)	—
Finance lease taken	(204,708)	175,645	9,406
Repayment of finance lease	—	(124,838)	(91,483)
Proceeds from long term borrowings	31,217	37,620,170	34,604,616
Repayment of long term borrowings	(1,517,999)	—	(41,409,564)
Loan facility and management fees paid		—	(1,908,255)
Interest paid	(24,503)	(1,464,603)	(1,678,228)
Net cash from/(used in) financing activities(C)	**(1,044,643)**	**61,521,409**	**(10,453,145)**
Net increase/decrease in cash and cash equivalents (A+B+C)	**(59,844,025)**	**17,463,924**	**(15,463,921)**
Cash and cash equivalents at the beginning of the year/period	61,347,832	1,503,807	21,732,635
Cash and cash equivalents at the end of the year/period	1,503,807	18,967,731	6,268,714
Unrealised exchange differences on closing cash and cash equivalents	—	2,764,904	97,984
Cash and cash equivalents as per cash flow statement	**1,503,807**	**21,732,635**	**6,366,698**
Components of cash and cash equivalents as			
Cash in hand	108	626	452
Balances with banks(3)			
on current accounts	609,096	228,024	390,057
on site restoration fund	—	—	143,703
on deposit accounts	12,708,703	65,042,024	8,760,028
Less: Deposits having maturity of over 90 days	(11,814,100)	(43,538,039)	(2,927,542)
	1,503,807	**21,732,635**	**6,366,698**

Notes:

(1) The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements".

(2) Amounts in bracket indicate a cash outflow or reduction.

(3) Bank balance in deposit accounts includes INR 1,955,866 thousand, previous period INR 3,312,342 thousand, pledged with the banks.

(4) Regrouped and rearranged to make it comparable to information for the 12 months ended 31 March 2010.

RISK FACTORS

This Offering Circular contains forward-looking statements that involve risks and uncertainties. The Vedanta Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those described in the following risk factors and elsewhere in this Offering Circular. You should consider the following risk factors carefully in evaluating the Combined Group and its business before investing in the Bonds. If any of the following risks actually occur, the Vedanta Group's business, financial condition and results of operations could suffer, the trading price of the Bonds could decline and you may lose all or part of your investment.

Risks relating to the Vedanta Business

If Vedanta's planned expansions and new projects are delayed, Vedanta's results of operation and financial condition may be materially and adversely affected.

Vedanta has a number of significant expansion plans for its existing operations and planned greenfield projects, which involve significant capital expenditure. The timing, implementation and cost of such expansions are subject to a number of risks, including the failure to obtain necessary leases, licences, permits, consents and approvals, or funding for the expansions. Vedanta does not currently have all of the leases, licences, permits, consents and approvals that are or will be required for its planned expansions and new projects. There can be no assurance that Vedanta will be able to obtain or renew all necessary leases, licenses, permits, consents and approvals in a timely manner.

Any failure to obtain the requisite regulatory approvals may delay or prevent Vedanta from commencing commercial operations at certain of these projects. For instance, the Vedanta Group presently does not have all of the required environmental approvals for the proposed expansion and continuance of its business operations at the alumina refinery at Lanjigarh in the State of Orissa, which are subject to the determination of certain legal proceedings pending before the Supreme Court of India and the High Court of Orissa. See "— Risks of the Combined Group — The Combined Group's operations are subject to extensive governmental, health and safety and environmental regulations, which require it to obtain and comply with the terms of various approvals, licenses and permits. Any failure to obtain, renew or comply with the terms of such approvals, licenses and permits in a timely manner may have a material adverse effect on its results of operations and financial condition." and "— Litigation — Petitions have been filed in the Supreme Court of India and the High Court of Orissa to seek the cessation of construction of Vedanta Aluminium's refinery in Lanjigarh and related mining operations in Niyamgiri Hills".

Any delay in completing planned expansions, revocation of existing clearances, failure to obtain or renew regulatory approvals, non-compliance with applicable regulations or conditions stipulated in the approvals obtained, suspension of current projects, or cost overruns or operational difficulties once the projects are commissioned may have a material adverse effect on Vedanta's business, results of operations or financial condition. Any delay in completing planned expansions could have a material adverse effect on Vedanta's credit rating, which may increase its borrowing costs.

Furthermore, the GoI is currently discussing a proposal to demarcate certain forest areas in India, based on the permissibility of using such land for mining purposes. The identification of designated areas where mining activities will, or will not, be permitted will be based on mapping forest and coal reserves as well as field-level studies. While this proposal remains in discussion, the Ministry of Environment and Forest ("MoEF") has denied the grant of environmental and forest diversion clearances applied for in certain areas identified as restricted areas. In the event the proposal is implemented, Vedanta's current and any future mining activities and related expansion plans and new projects may be affected, which would adversely affect Vedanta's business prospects and results of operations or otherwise hinder its borrowing capabilities.

Vedanta's growth strategy to pursue business acquisitions entails significant risks.

Vedanta intends to continue to pursue acquisitions to expand its business. There can be no assurance that Vedanta will be able to identify suitable acquisition, strategic investment or joint venture opportunities, obtain the financing necessary to complete and support such acquisitions or investments, integrate such businesses or investments or that any business acquired will be profitable. If Vedanta's Indian subsidiaries attempt to acquire non-Indian companies, they may not be able to satisfy certain Indian regulatory requirements for such acquisitions and may need to obtain prior approval of the RBI, which they may not be able to obtain. The funding of such acquisitions by Vedanta may require certain approvals from regulatory authorities in India.

In addition, acquisitions and investments involve a number of risks, including possible adverse effects on the Combined Group's operating results, diversion of management's attention, loss of goodwill on account of change in ownership, failure to retain key personnel, risks associated with unanticipated events or liabilities, including environmental liabilities, and difficulties in the assimilation of the operations, technologies, systems, services and products of the acquired businesses or investments. Any failure to achieve successful integration of such acquisitions or investments could have a material adverse effect on the Combined Group's business, results of operations or financial condition.

Material changes in the regulations that govern Vedanta, or the interpretation of recent legislation, could have a material adverse effect on its business, financial condition and result of operations.

It is currently unclear what effect the Indian Direct Tax Code Bill, 2010, and the Indian Companies Bill, 2009, would have on Vedanta's operations. Further, the Indian Mines (Amendment) Bill, 2011 ("Mining Bill") proposes several amendments to the Mines Act, 1952, including significant enhancement to the monetary penalties and terms of imprisonment for violations under the Mines Act, 1952. The Indian Ministry of Mines has also proposed a draft act which provides that with respect to which minerals vest, the holder of a mining lease or prospecting licence shall be liable to pay reasonable compensation to the stakeholders holding occupation, usufruct or traditional rights of the surface of the land over which the licence and lease has been granted, as mutually agreed (failing which the relevant State government will determine compensation payable). If Vedanta is affected, directly or indirectly, by the application or interpretation of any such statute, as and when finalised and notified, including any enforcement proceedings initiated under it and any adverse publicity that may be generated due to scrutiny or prosecution, it may have a material adverse effect on its business, financial condition and result of operations.

Further, under the Indian Competition Act, 2002 ("Competition Act"), certain provisions of which were recently notified to come into force on 1 June 2011, in particular, with respect to notice being required to be given to the Indian Competition Commission ("Competition Commission") for seeking its approval for any proposed combination, and the regulations thereunder, any arrangement, understanding or action in concert between enterprises, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and attracts substantial monetary penalties. In the event the Competition Commission requires further information or determines, on the basis of the notice and the information provided to it, that the proposed combination is likely to cause an appreciable adverse effect on competition in India, the proposed combination may be delayed or may not take effect. The effect of the Competition Act and the regulations issued thereunder (including regulations with respect to the form and procedure of notice for seeking approval of the Competition Commission for any proposed combination, which will come into effect on 1 June 2011), on the business environment in India is presently unclear. If Vedanta is affected, directly or indirectly, by its application or interpretation, including any enforcement proceedings initiated under the Competition Act and any adverse publicity that may be generated due to scrutiny or prosecution under the Competition Act, it may have a material adverse effect on its business, financial condition and results of operations.

Vedanta is subject to restrictive covenants under its credit facilities including term loans and working capital facilities that limit its flexibility in managing its business.

There are restrictive covenants in the agreements Vedanta has entered into with certain banks and financial institutions for its existing borrowings and in relation to the financing secured for the Acquisition. These restrictive covenants require Vedanta to maintain certain financial ratios and seek the prior permission of these banks and financial institutions for various activities, including, among others, any change in its capital structure, issue of equity, preferential capital or debentures, raising any loans and deposits from the public, undertaking any new project, effecting any scheme of acquisition, merger, amalgamation or reconstitution, implementing a new scheme of expansion or creation of a subsidiary. Such restrictive covenants may restrict the Combined Group's operations or ability to expand and may adversely affect its business.

Operating Risks

Vedanta's copper and aluminium businesses currently depend upon third party suppliers for a substantial portion of its copper concentrate and alumina requirements, and its segment results and segment margins depend upon the market prices for such raw materials.

Vedanta sources a majority of its copper concentrate and a substantial proportion of its alumina requirements for its copper and aluminium businesses, respectively, from third parties. For example, in fiscal

2011, Sterlite sourced 92.9% of its copper concentrate requirements from third-party suppliers. In addition, in fiscal 2011, BALCO sourced 29% of its alumina requirements from external international and domestic suppliers. As a result, segment results and segment margins of Vedanta's copper and aluminium businesses depend upon its ability to obtain the required copper concentrate and alumina at prices that are low relative to the market prices of the copper and aluminium products that it sells. The market prices of the copper concentrate and alumina that Vedanta purchases from third parties and the market prices of the copper and aluminium metals that it sells have experienced volatility in the past, and any increases in the market price of the raw material relative to the market prices of the metal that Vedanta sells would adversely affect the segment results and segment margins of Vedanta's copper and aluminium businesses, which could have a material and adverse effect on its results of operations and financial condition.

Vedanta's zinc and iron ore businesses are substantially dependent upon its Rampura Agucha lead-zinc mine and its Codli mines, respectively, and any interruption in the operations at those mines could have a material adverse effect on its results of operations and financial condition.

The Rampura Agucha lead-zinc mine produced 88.8% of HZL's total mined metal in zinc and lead concentrate that Vedanta produced in fiscal 2011 and its zinc and lead metal content constituted 74.9% of Vedanta's proved and probable zinc reserves as of 31 March 2011. Vedanta's zinc business provided 55.1% of its operating profit in fiscal 2011. Vedanta's results of operations have been and are expected to continue to be substantially dependent on the reserves and low cost of production of the Rampura Agucha mine, and any interruption in the operations at that mine for any reason could have a material adverse effect on its results of operations and financial condition.

Furthermore, the Codli mine in Goa produced 32% of Vedanta's total iron ore production in fiscal 2011 and constituted 14% of its proved and probable iron ore reserves as of 31 March 2011. The operations at the Codli mine are conducted pursuant to four contiguous mining leases, three of which are owned by SGL, and all four of which are in the process of renewal. SGL's results of operations have been and are expected to continue to be substantially dependent on the reserves of the Codli mines, and any interruption in the operations at these mines for any reason could have a material adverse effect on Vedanta's results of operations and financial condition.

SGL operates certain mines through contracts with third parties, which may not be renewed on the same or otherwise favourable terms or at all.

Currently, SGL conducts mining operations at mines leased by the GoI to third parties, namely the Sonshi mine, through a long-term ore raising contract. Under the contract, SGL, as contractor, is responsible for extracting the ore which it then purchases back from the relevant third party owners. During fiscal 2011, approximately 3.8 million tonnes of SGL's crude iron ore production (or approximately 20% of its iron ore production) was derived from its operation of third party mines. As part of SGL's contract arrangements, SGL generally pays such third party owners royalty on a per tonne of iron ore basis, which is linked to the market price of iron ore.

The contract in respect of the Sonshi mine is scheduled to expire on 31 March 2013 and the contract in respect of the Thakurani mine expired on 30 November 2010 as the renewal terms were not commercially favourable.

There is no assurance that the third party mine owners will renew SGL's contract on the same or otherwise favourable terms, or at all. There is also no assurance that, where such mine is owned by a third party under a lease, the third party will apply for a renewal of such lease in a timely fashion prior to its expiry, or be successful in obtaining such renewals. Any failure to renew material contracts or significant increases in royalty payments may materially and adversely affect Vedanta's business, financial condition, results of operations and prospects.

Vedanta's iron ore business is largely dependent on export sales of iron ore to China. As a result, any downturn in the rate of economic growth in China or negative changes in international relations between India and China or negative changes in Chinese regulatory or trade policies relating to the import of iron ore, could have a material adverse effect on its results of operations and financial condition.

Vedanta's iron ore business is largely dependent on export sales of iron ore to China. For instance, in fiscal 2011, 89.6% of SGL's iron ore sales, in terms of volume, were in the export market, of which 85.6% of the sales in the export market were derived from sales of iron ore to customers in China. As a result, the performance and growth of Vedanta's iron ore business is necessarily dependent on the health of the Chinese economy, which may be materially and adversely affected by political instability or regional conflicts, economic slowdown elsewhere in the world or otherwise. In addition, any worsening of international relations between India and China, any negative changes in Chinese regulatory or trade policies relating to the import of iron ore or other limitations, restrictions or negative changes in SGL's ability to export iron ore to China, could have a material adverse effect on its results of operations and financial condition.

Commodity prices and the copper treatment charge and refining charge ("TcRc") may be volatile, which may have a material adverse effect on Vedanta's revenue, results of operations and financial condition.

Historically, the international commodity prices for copper, zinc, aluminium and iron ore and the prevailing market TcRc rate for copper have been volatile and subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, such commodities, market uncertainties, the overall performance of world or regional economies, the related cyclicality in industries Vedanta directly serves and a variety of other factors. Commodity prices and the market TcRc rate for copper may continue to be volatile and subject to wide fluctuations in the future. In 2009, the decline in commodity prices was based on a global decline in supply of such commodities. A decline in the prices Vedanta receives for its copper, zinc, aluminium or iron metals or in the market TcRc rate for copper would adversely affect Vedanta's revenue and results of operations, and a sustained drop would have a material adverse effect on its revenue, results of operations and financial condition.

There are uncertainties relating to the operation of Vedanta's commercial power generation business.

Vedanta's indirectly owned subsidiary, Sterlite Energy, is investing approximately INR 87,300 million ($1,955.2 million) to build a 2,400 MW coal-based thermal power facility comprising four units in Jharsuguda in the State of Orissa in India. The first two units are operational with the remaining two units to be progressively commissioned by the fourth quarter of fiscal 2012. Talwandi Sabo Power Limited, a wholly owned subsidiary of Sterlite Energy, has been awarded another power plant project to construct a 1,980 MW coal-based thermal power plant at Talwandi Sabo in the State of Punjab in India at an estimated cost of INR 93,200 million ($2,087.3 million), where the first unit is expected to be commissioned by the fourth quarter of fiscal 2013 and remaining two units by the second quarter of fiscal 2014. In addition, Talwandi Sabo Power Limited has signed a memorandum of understanding ("MoU") with the Government of Punjab in October 2010 to expand the current capacity of the Talwandi Sabo coal-based thermal power plant by 660 MW. The estimated cost for the additional unit is INR 25,000 million ($559.9 million) and it is expected to be completed in the fourth quarter of fiscal 2014.

Operating power plants involves many operational risks which are unique to the power generation business as compared to other metal mining businesses, including the following:

- Dependence on third parties for the construction, delivery and commissioning of the power facilities, the supply and testing of equipment and transmission and the distribution of any electricity Vedanta generates, which will be beyond its control. For instance, contractors hired may not be able to complete construction and installation on time, within budget, or to the specifications in the contracts with them, or such contractors may otherwise cause delays in meeting project milestones or achieving commercial operation by the scheduled completion date, which could in turn cause forecast budgets to be exceeded or result in delayed payment by customers, invoke liquidated damages or penalty clauses or performance guarantees or result in termination of contracts;

- Vedanta may not receive the coal block allocations that it expects or, may not be allowed to use such allocations for its commercial power generation business. Any coal block allocations that Vedanta receives may not be sufficient for its planned operations and Vedanta may not be successful in procuring sufficient supply of coal at economically attractive prices, or at all. Additionally, the coal block allocation letters contain certain restrictive covenants which Vedanta is subject to, including specified end use and submission of mining plans within a certain specified period;

- Price volatility and changes in tariff policy, as Vedanta will sell the power it generates on the open market (rather than to captive schemes) and therefore it will be exposed to spot prices, which are subject to factors beyond Vedanta's control. Vedanta currently has only two long-term contracts in place and intends by 2014 to have a total of four-long-term contracts; and

- Other factors including the breakdown or failure of generation equipment or other equipment or processes, labour disputes, fuel interruption and operating performance below expected levels.

Furthermore, the power purchase agreements ("PPAs") and other agreements that Vedanta has entered into, or may enter into, may require it to guarantee certain minimum performance standards, such as plant availability and generation capacity, to the power purchasers. If Vedanta's facilities do not meet the required performance standards, the power purchasers may not reimburse Vedanta for any increased costs arising as a result of its plants' failure to operate within the agreed norms, which may in turn have a material adverse effect on Vedanta's results of operations and financial condition. In addition, national and State regulatory bodies and other statutory and government mandated authorities may from time to time impose minimum performance standards upon Indian power generation facilities (including Vedanta's facilities). Failure to meet these requirements could expose facility operators to the risk of financial penalties, the quantum of which will depend on the severity of non-compliance and, in severe cases of non-compliance, involve plant shut downs.

In addition, as a result of increased industrial development in India in recent years, the demand for contractors with specialist design, engineering and project management skills and services has increased, resulting in a shortage of and increasing costs of services of such contractors. There can be no assurance that such skilled and experienced contractors will continue to be available at reasonable rates, and Vedanta may be exposed to risks relating to the cost and quality of their services, equipment and supplies.

Any of the above results could have a material and adverse effect on Vedanta's business, financial condition and results of operations. Accordingly, there can be no assurance that Vedanta will be successful, realise a profit from or recover its investment in this new business.

Litigation

Vedanta is involved in certain litigation seeking cancellation of permits and environmental approval for the alleged violation of certain air, water and hazardous waste management regulations at its Tuticorin plant.

Various writ petitions were filed before the High Court of Madras alleging, inter alia, that sulphur dioxide emissions from the Vedanta Group's copper smelting operations at Tuticorin are causing air, water and hazardous waste pollution resulting in damage to the marine ecosystem and the lives of people living in and around Tuticorin. See "Business of Vedanta — Litigation — Vedanta is involved in certain litigation seeking cancellation of permits and environmental approval for the alleged violation of certain air, water and hazardous waste management regulations at its Tuticorin plant" for further details.

On 28 September 2010, the High Court of Madras ordered the closure of the Vedanta Group's copper smelting plant at Tuticorin. The Vedanta Group has applied for a special leave petition before the Supreme Court against the order of the High Court of Madras for a stay on the order passed by the High Court of Madras on 28 September 2010. The Supreme Court has stayed the order passed by the High Court of Madras dated 28 September 2010 until 18 July 2011. The financial impact, if any, of the writ petitions is not precisely quantifiable.

In the event the Vedanta Group is not successful in challenging the order dated 28 September 2010, the copper smelting plant at Tuticorin may be ordered to shut down and consequently, its business and operations may be materially and adversely affected.

Petitions have been filed in the Supreme Court of India and the High Court of Orissa to seek the cessation of construction of Vedanta Aluminium's refinery in Lanjigarh and related mining operations in Niyamgiri Hills.

In 2004, a writ petition was filed against, *inter alia*, Sterlite and Vedanta Aluminium alleging that the proposed grant of the mining lease by Orissa Mining Corporation Ltd. ("OMC") to Vedanta Aluminium and Sterlite to mine bauxite in the Niyamgiri Hills at Lanjigarh in the State of Orissa would violate the provisions of the Forest (Conservation) Act, 1980 of India. See "Business of Vedanta — Litigation — Petitions have been filed in the Supreme Court of India and the High Court of Orissa to seek the cessation of construction of Vedanta Aluminium's refinery in Lanjigarh and related mining operations in Niyamgiri Hills" for further details.

Vedanta Aluminium was issued two notices by the MoEF dated 31 August 2010 to show cause as to (i) why the environmental clearance of its existing 1 million tonnes per annum ("mtpa") alumina refinery should not be revoked and directions should not be issued for closure of its existing refinery and (ii) why the terms of reference issued on 12 March 2008 for the expansion of its alumina refinery from 1 mtpa to 6 mtpa should not be withdrawn.

Vedanta Aluminium submitted its response to the show cause notices. On 20 October 2010, in respect of the first show cause notice, the MoEF permitted Vedanta Aluminium to carry on its business operations subject to compliance with certain conditions. On 20 October 2010, in respect of the second show cause notice, the MoEF withdrew the terms of reference issued on 12 March 2009 and directed Vedanta Aluminium to cease further construction of the expansion of its alumina refinery from 1 mtpa to 6 mtpa. Vedanta Aluminium filed a writ petition in the High Court of Orissa challenging the order dated 20 October 2010 and requesting a reconsideration of the expansion plans under the relevant circular of the MoEF. The High Court of Orissa has heard the matter and judgment has been reserved.

The claim amount relating to the litigation regarding Vedanta Aluminium's refinery in Lanjigarh and related mining operations in Niyamgiri Hills is not presently quantifiable.

In the event Vedanta Aluminium is not successful in disputing the second show cause notice, Vedanta Aluminium may be restricted in its ability to expand or be forced to close its alumina refinery and consequently, Vedanta's business and results of operations and financial condition may be materially and adversely affected.

The GoI has disputed Sterlite's exercise of the call option to purchase its remaining 49.0% ownership interest in BALCO.

Arbitration proceedings have recently been concluded in relation to a dispute between the GoI and Sterlite, with respect to Sterlite's exercise of its second call option to acquire the remaining shares in BALCO held by the GoI, pursuant to the shareholders' agreement between the parties. On 25 January 2011, the arbitration tribunal rejected Sterlite's claims on the grounds that the clauses relating to the call option, the right of first refusal, the "tag-along" rights and the restriction on the transfer of shares violate the provisions of the Indian Companies Act, 1956. On 23 April 2011, Sterlite filed an application in the High Court of Delhi to set aside the award to the extent that it holds these clauses ineffective and inoperative. See "Business of Vedanta — Litigation — Sterlite has commenced proceedings against the GoI which has disputed Sterlite's exercise of the call option to purchase its remaining 49.0% ownership interest in BALCO" for further details.

There is no assurance that the outcome of Sterlite's challenge of the award will be favourable to Sterlite. In such an event, Sterlite may be unable to purchase the GoI's remaining 49.0% interest in BALCO or may be required to pay a higher purchase price, should it decide to consummate such purchase, which may have a material adverse effect on Vedanta's operational flexibility, results of operations and financial condition.

The GoI has disputed SOVL's exercise of the call option to purchase its remaining 29.5% ownership interest in HZL.

Mediation is on-going in relation to a dispute between the GoI and SOVL, with respect to SOVL's exercise of its second call option to acquire the remaining shares in HZL held by the GoI, pursuant to the shareholders' agreement between the parties. The GoI has refused to act upon the second call option, stating that SOVL's second call option violates the provisions of the Indian Companies Act, 1956, by restricting the right of the GoI to transfer its shares. See "Business of Vedanta — Litigation — SOVL has commenced proceedings against the GoI, which has disputed SOVL's exercise of the call option to purchase its remaining 29.5% ownership interest in HZL" for further details.

There can be no assurance that the arbitral proceedings will result in a favourable outcome for SOVL. In such an event, SOVL may be delayed in its purchase of, or may be unable to purchase, the GoI's remaining 29.5% interest in HZL or may be required to pay a purchase price in excess of the market value or fair value of those shares, which may have a material adverse effect on Vedanta's operational flexibility, results of operations and financial condition.

The Securities and Exchange Board of India ("SEBI") has brought proceedings alleging that Sterlite has violated regulations prohibiting fraudulent and unfair trading practices.

In April 2001, SEBI brought certain proceedings relating to alleged violations by Sterlite of regulations prohibiting fraudulent and unfair trading practices. See "Business of Vedanta — Litigation — Appeal proceedings in the High Court of Bombay brought by SEBI to overrule a decision by the Securities Appellate Tribunal of India ("SAT") that Sterlite has not violated regulations prohibiting fraudulent and unfair trading practices" for further details.

In addition to the civil proceedings, SEBI also initiated criminal proceedings in 2001 before the Court of the Metropolitan Magistrate, Mumbai, against Sterlite, Vedanta's Executive Chairman, Mr. Anil Agarwal, Sterlite's Director of Finance, Mr. Tarun Jain, and the chief financial officer of MALCO at the time of the alleged price manipulation. When SEBI's order was overturned in October 2001, Sterlite filed a petition before the High Court of Bombay to defend those criminal proceedings on the grounds that the SAT had overruled SEBI's order on price manipulation. An order has been passed by the High Court of Bombay in Sterlite's favour, granting an interim stay of the criminal proceedings.

The then directors and various officers were last summoned by the Court of the Metropolitan Magistrate on 19 February 2011 and the matter has since been adjourned to 25 July 2011. A memorandum is expected to be filed with the Court of the Metropolitan Magistrate for a continuation of a stay on criminal proceedings.

The claim amount in respect of both civil and criminal proceedings is not presently quantifiable.

In the event any of the above matters are held against Sterlite, it may be prohibited from accessing the Indian capital market for a period of two years and/or may become liable to pay penalties. If Sterlite and the individuals named in the criminal proceedings do not prevail, Vedanta's business and operations may be materially and adversely affected.

The GoI may allege a breach of a covenant by Vedanta's subsidiary, SOVL, which may result in litigation and have a material adverse effect on Vedanta's business, results of operations, financial condition and prospects.

Under the terms of the shareholders' agreement between the GoI and SOVL, SOVL agreed that it would ensure that HZL would implement a 1 mtpa greenfield zinc smelter plant at Kapasan, State of Rajasthan (the "Kapasan Project"), within five years from 11 April 2002. The shareholders' agreement further provided that if SOVL, within one year from 11 April 2002, reviewed the feasibility of the Kapasan Project and determined that it was not in the best economic interests of HZL, which determination required the report of an independent expert, and the board of directors of HZL confirmed this determination, then SOVL would not be obliged to ensure that HZL implement the Kapasan Project.

By a letter dated 4 April 2003, HZL notified the GoI that the board of directors of HZL had approved a brownfield expansion of its smelting capacity at Chanderiya, in the State of Rajasthan, by setting up a new 1.7 mtpa zinc smelter. Further, this letter stated that the Kapasan Project would not be undertaken and that the report of an independent expert may not be required. HZL did not obtain a report of an independent expert in relation to the Kapasan Project, and accordingly did not provide such a report to the GoI. Vedanta has not received any notice asserting that SOVL has breached the covenant under the provisions of the shareholders' agreement between the GoI and SOVL with respect to HZL.

If the GoI claims that SOVL has breached the covenant relating to the Kapasan Project under the shareholders' agreement resulting in litigation, and it was determined that SOVL had breached such covenant triggering an event of default, the GoI may be entitled to either sell any or all of the shares of HZL held by the GoI to SOVL at a price equivalent to 150% of the market value of such shares, or purchase any or all of the shares of HZL held by SOVL at a price equivalent to 50% of the market value of such shares. If the GoI were to assert such put or call right, Vedanta may face litigation and, if it is unsuccessful in such litigation, there may be a material adverse effect on its business, results of operations and financial condition.

Vedanta and its subsidiaries are involved in a number of litigation matters, both civil and criminal in nature, which could together have a material adverse effect on the business, results of operations, financial condition and prospects of Vedanta and/or its subsidiaries.

Vedanta and its subsidiaries are involved in a variety of legal and regulatory proceedings, including criminal matters, property disputes, labour disputes, alleged violations of environmental and tax laws, alleged violation of the provisions of the Indian Takeover Code, and alleged price manipulation of Sterlite's equity shares on the Indian stock exchanges. The total claims on account of the disputes with sales tax, excise and related tax authorities amounted to $296.5 million, of which $6.4 million was recorded as current liabilities, as of 31 March 2011. The claims by third party claimants amounted to $287.0 million as of 31 March 2011, of which $nil was recorded as non current liabilities.

The Ministry of Corporate Affairs of the GoI has ordered an investigation by the Serious Fraud Investigation Office (the "SFIO") into SGL's affairs in respect of alleged mismanagement, malpractices, financial and other irregularities which primarily occurred in the period prior to its acquisition by the Vedanta Group.

The Ministry of Corporate Affairs of the GoI has ordered an investigation by the SFIO into SGL's affairs and that of SGL's subsidiary, SIL (which has since been amalgamated with SGL), in respect of alleged mismanagement, malpractices, financial and other irregularities, including the alleged siphoning and diversion of funds, which allegedly occurred primarily in the period prior to acquisition by the Vedanta Group.

See "Business of Vedanta — Litigation — Investigation by the SFIO" for further details.

On 26 May 2011, SGL received a copy of the report by the SFIO on its investigation into SGL's affairs. SGL is in the process of reviewing the report and is unable at this time to comment on the contents of the SFIO report. In the event allegations of wrongdoing are made, or punitive proceedings are initiated, by the SFIO or any other regulatory authority or court or tribunal against SGL or any of its past or present directors or executive officers, or an adverse order or judgment is passed against SGL or such directors or executive officers, SGL may be subject to reputational and penal consequences or other sanctions, including significant fines and criminal prosecution, which may, based on the severity of the consequences, have a material adverse effect on Vedanta's business, results of operations, financial condition and prospects.

Tax Risks

Vedanta may be liable for additional taxes if the tax holidays, exemptions and tax deferral schemes which it currently benefits from expire without renewal, or if tax laws change.

Vedanta currently benefits from significant tax holidays, exemptions and tax deferral schemes, which apply for limited periods. There can be no assurance that these and other tax holidays or exemptions will be renewed when they expire or that any application Vedanta makes for new tax holidays or exemptions will be successful. The expiry or loss of existing tax holidays, exemptions and tax deferral schemes or the failure to obtain new tax holidays, exemptions or tax deferral schemes will likely increase Vedanta's tax obligations, which could have a material adverse effect on its results of operation or financial condition.

Changes in tax laws could also result in additional taxes payable by Vedanta. For example, the GoI raised the export duty on iron ore fines several times in the last few years and as announced on 28 February 2011, export duty on fines and lumps was 20% (from a previous rate of 5% and 15% respectively) with effect from 1 March 2011.

Industry Risks

Changes in tariffs, royalties, customs duties and government assistance may reduce the domestic premium that Vedanta receives, which would adversely affect its profitability and results of operations.

Copper, zinc and aluminium are sold in the Indian market at a premium to the international market prices of these metals due to tariffs payable on the import of such metals. Between March 2003 and June 2009, basic customs duties on imported copper, zinc, lead, alumina and aluminium decreased cumulatively from 25% to 5% and have remained at 5% since June 2009. The GoI may reduce customs duties further in the future, although the timing and extent of such reductions cannot be predicted. As Vedanta sells the majority of the commodities it produces in India, any further reduction in Indian tariffs on imports will decrease the premiums it receives in respect of those sales. Vedanta's profitability depends in part on the continuation of import duties, any reduction of which would have a material adverse effect on its results of operations and financial condition.

Vedanta pays royalties to the Indian State Governments of Rajasthan, Chhattisgarh, Goa and Karnataka and Tamil Nadu and also to the GRZ and to the State Government of Tasmania in Australia for its mining activities. Any upward revision to the royalty rates being charged currently or payment of any additional royalty for mining of associated minerals may have a material adverse effect on its profitability.

Indian exports of copper, alumina, aluminium and zinc receive assistance premiums from the GoI, which have been reduced since fiscal 2002 and may be further reduced in the future. Any reduction in these premiums will decrease the revenue Vedanta receives from export sales and may have a material adverse effect on its results of operations or financial condition.

Risks of the Cairn India Business and the Acquisition

All information, including the financial data, relating to the Cairn India Group, included in this Offering Circular ("Cairn Information") has been extracted solely from Public Sources (as defined below) and has not been independently verified by Vedanta or its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners or the Co-Manager.

All Cairn Information has been extracted solely from publicly available documents and information, including annual reports, information available on corporate websites and documents filed by the Cairn India Group with its respective regulators and the relevant stock exchanges on which its securities are listed (collectively, "Public Sources"). As the Acquisition has not been completed and there is no affiliation between Vedanta and the Cairn India Group, Vedanta, its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager had limited access to the Cairn India Group's management and legal, business, financial and other due diligence documentation in connection with this offering. In addition, Vedanta's independent auditors, the Joint Global Coordinators and Joint Lead Managers, Joint Bookrunners and the Co-Manager had no access to the Cairn India Group's independent auditors, while Vedanta had limited access to the Cairn India Group's independent auditors in connection with this offering. The Cairn Information has not been reviewed or verified by the Cairn India Group's management. None of Vedanta, its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners or the Co-Managers has independently verified the Cairn Information or makes any representation, express or implied, or accepts any responsibility or liability as to the accuracy, completeness or reliability of such information.

The financial data for the Cairn India Group included in this Offering Circular:

1. has been extracted from its financial statements which were prepared in accordance with Indian GAAP, which is significantly different from IFRS under which Vedanta's financials are prepared. Vedanta has not attempted to provide any reconciliation or quantitative impact of IFRS on the Cairn India Group's financials;

2. in respect of the profit and loss account, prepared in accordance with Indian GAAP, for the nine months ended 31 December 2010 and 2009, has not been subject to an audit or subject to a review by the independent auditors of the Cairn India Group; and

3. is presented as of the date indicated and no steps have been taken to ascertain whether there have been any updates, including any trends or events, subsequent to the dates indicated.

The Pro Forma Financial Information for Vedanta has been prepared using publicly available financial data of the Cairn India Group as Vedanta, its independent auditors did not have access to the Cairn India Group's books and records. In addition, Vedanta has relied on publicly available IFRS financial data for the Cairn India Group for preparing the Pro Forma Financial Information which fiscal periods are different than the Indian GAAP financial statements for the Cairn India Group included in this Offering Circular. Furthermore, the Pro Forma Financial Information has not been updated to reflect the most recent financial information of Vedanta as Vedanta, its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager did not have access to the IFRS financial data of the Cairn India Group for the comparable period. Accordingly, there could be material differences between the Pro Forma Financial Information presented and Vedanta's actual consolidated financial information going forward if the Acquisition closes successfully.

In view of the foregoing, each investor should make its own independent investigation of the Cairn India Group's financial condition and affairs and its own appraisal of the Cairn India Group's creditworthiness.

There are risks associated with the Cairn India Group obtaining necessary approvals from the GoI for the Acquisition.

The GoI has, in a letter dated 4 November 2010 to Cairn Energy, requested that the Cairn Energy Group apply for approval from the GoI for the Acquisition in respect of the following blocks: (i) RJ-ON-901, the Rajasthan Block; (ii) PKGM-1, the Ravva Block; and (iii) CB/OS-2, the Cambay Block. In addition, the Cairn India Group continues to engage in a consensual manner with the GoI to identify and obtain any approvals that may be required for the Acquisition. There is no certainty that any such approval that is identified and applied for will be granted by the GoI. If any such approval that is identified as necessary is not obtained, the parties would need to assess the effect of such approval not being forthcoming on the Acquisition and the steps that would then require to be taken. Failure to obtain such a required approval may have an adverse effect on the business, operations and prospects of the Cairn India Group and/or the Combined Group.

There are risks associated with the Cairn India Group obtaining approval from the GoI under the terms of certain PSCs for the Acquisition.

Under the terms of the PSCs for the following blocks in which the Cairn India Group has a participating interest, the Cairn India Group will require the prior approval of the GoI for the Acquisition: (i) KK-DWN-2004/1 (Kerala Konkan Basin); (ii) GS-OSN-2003/1 (Gujarat Saurashtra Offshore); (iii) KG-DWN-98/2 (Krishna Godavari Basin); (iv) PR-OSN-2004/1 (Pallar Pennar Basin); (v) MB-DWN-2009/1 (Mannar Basin); (vi) KG-OSN-2009/3 (Krishna Godavari Basin) and (vii) KG-ONN 2003/1 (Krishna Godavari Basin — Onshore) (collectively, the "NELP PSCs"). To this end, the Cairn India Group sought the prior approval of the GoI under the NELP PSCs for the Acquisition on 9 September 2010. While the GoI has stated that the aforesaid applications of the Cairn India Group are presently being reviewed by the GoI (letters dated 16 September, 2010), there is no certainty of the GoI granting its approval for the Acquisition under the NELP PSCs. If such approval is obtained, the Acquisition will proceed as contemplated and no adjustment will be made to the price payable by the Vedanta Group to members of the Cairn Energy Group under the Purchase Agreement (as defined below). However, failure to obtain approval may lead to the Cairn India Group/the Combined Group losing such participating interests which may have a material adverse effect on the business, results of operations and prospects of the Cairn India Group and/or the Combined Group. The potential effect of such loss is currently unquantifiable as such participating interests relate to exploration licences, where the value of such licences is yet to be determined.

Vedanta's current understanding of the Cairn India Group's business and financial position is primarily based on publicly-available information, customary due diligence (including, without limitation, business, financial, accounting and legal due diligence) that Vedanta has conducted in connection with the Acquisition and discussions with its shareholders and senior management. There can be no assurance, however, that such diligence or discussions were or are adequate to uncover all material negative issues in connection with the Cairn India Group and therefore Vedanta may discover problems post-closing with the Carin India Group's operations that may adversely impact the benefits and synergies it expects from the Acquisition.

Significant differences exist between Indian GAAP and other accounting principles, such as IFRS, with which investors may be more familiar.

The financial statements of Cairn India's and certain of Vedanta's subsidiaries are prepared in accordance with Indian GAAP, which differs in certain significant respects from IFRS and other accounting principles and standards. See "Summary of Significant Differences between Indian GAAP and IFRS." If Cairn India and certain of Vedanta's subsidiaries were to prepare its financial statements in accordance with such other accounting principles, their results of operations, cash flows and financial position may be substantially different. We have not, however, quantified or identified the effects of these differences in this document. Potential investors should consult their own professional advisors if they want to understand the differences between Indian GAAP and those with which they may be more familiar and how they might affect the information contained herein.

The Cairn India Group's consolidated financial statements, which are included elsewhere in this Offering Circular, are prepared in accordance with Indian GAAP, which differs from IFRS in certain respects. The adjustments that are ultimately required to convert Cairn India Group's consolidated financial statements from Indian GAAP to IFRS could be significant.

In the event that the Acquisition is not consummated, Vedanta intends to use the proceeds of this offering to fund capital expenditure, repay debt and for other general corporate purposes.

Pursuant to the terms of the sale agreement relating to the Acquisition, the completion of the sale is conditional upon, among other things, the receipt of the requisite approvals and clearances from the GoI, which may take a significant amount of time. In addition, the GoI may choose to prevent the consummation of the Acquisition or impose adverse conditions on the parties or require changes to the terms of the Acquisition. These conditions or changes could result in the conditions to the Acquisition not being satisfied prior to the prescribed date for the consummation of the Acquisition or at all. In addition, if Vedanta and Cairn India decide to comply with these conditions and consummate the Acquisition, it may have a material impact on their businesses going forward. Therefore, there is no assurance that the Acquisition will consummate. As this offering will be consummated prior to the closing of the Acquisition, if the Acquisition is not consummated, for any reason, Vedanta intends to use the proceeds of this offering to fund capital expenditure, repay debt and for other general corporate purposes. See "Use of Proceeds" and "Capitalisation and Indebtedness" for further information.

Even if the Acquisition is consummated, there is no certainty that Vedanta will be successful in integrating the Cairn India Group's business with its existing operations.

ONGC is claiming that a pre-emptive right is triggered by the entry into the Purchase Agreement, which permits it to acquire participating interests held by Cairn India in various blocks.

Oil and Natural Gas Corporation Limited, a government controlled entity ("ONGC") has, pursuant to a letter dated 30 August 2010 to the Cairn Energy Group, claimed that (a) the entry into the Purchase Agreement triggers a pre-emptive right of ONGC to acquire from Cairn India participating interests held by Cairn India and its affiliates in the various blocks in which ONGC also has participating interests being the following blocks: (i) RJ-ON-90/1 (Rajasthan Block); (ii) CB/OS-2 (Cambay Block); (iii) PKGM — 1 (Ravva Block); (iv) KK-DWN-2004/1 (Kerala Konkan Basin); (v) KG-DWN-98/2 (Krishna Godavari Basin); (vi) KG-ONN-2003/1 (Krishna Godavari Basin — Onshore); (vii) PR-OSN-2004/1 (Pallar Pennar Basin); and (viii) GS-OSN-2003/1 (Gujarat Saurashtra Offshore); and (b) completion of the Purchase Agreement requires the prior consent of ONGC. Should the claim of the ONGC be found to be valid, ONGC could then be in a position to exercise its pre-emptive rights in relation to the participating interests held by the Cairn India Group in blocks where ONGC also has participating interests. The exercise of such pre- emptive rights may have a material adverse effect on the business, results of operations and prospects of the Cairn India Group and/or the Combined Group.

Exploration and production operations by the Cairn India Group or operators of assets in which it has an interest will involve risks normally incidental to such activities, such as natural disasters and geological uncertainties, over which the Cairn India Group has no control.

Exploration and production operations by the Cairn India Group or operators of assets in which it has an interest will involve risks normally incidental to such activities, including blowouts, oil spills, gas leaks, explosions, fires, equipment damage or failure, natural disasters, unexploded ordinance, geological uncertainties, unusual or unexpected rock formations and abnormal pressures. Offshore operations are also subject to natural disasters as well as to hazards inherent in marine operations and damage to pipelines, platforms, facilities and sub-sea facilities from trawlers, anchors and vessels. The Cairn India Group's producing fields are located in areas that can be subject to extreme weather conditions, flooding, earthquake and other natural disasters.

The occurrence of any of these events could result in environmental damage, injury to persons and loss of life, production delays, failure to produce oil or gas in commercial quantities or an inability to exploit fully discovered reserves.

Consequent delays to seismic, drilling or production activities and declines from normal field operating conditions can be expected to lead to increased costs or adversely affect revenue and cash flow levels to varying degrees. The majority of the production of the Cairn India Group is sourced from its interests in a limited number of PSCs or concessions. Problems in any one PSC or concession could have a material adverse impact upon the Cairn India Group's businesses and financial condition.

The Cairn India Group may encounter interruptions in the availability of exploration, production or supply equipment or infrastructure and/or increased costs.

The Cairn India Group or the operators of assets in which it has an interest may face interruptions or delays in the availability of equipment or infrastructure, including seismic survey vessels, rigs, pipelines and storage tanks, on which exploration and production activities are dependent. Such interruptions or delays could result in disruptions to exploration activities, production, oil and gas off-take arrangements, increased costs, and may have a material adverse effect on the Cairn India Group's businesses, prospects, financial condition or results of operations.

The Cairn India Group may incur liabilities as the operators of its assets and other joint venture partners may restrict its activities.

The Cairn India Group operates the majority of its assets. Accordingly, any mismanagement of an asset by the Cairn India Group may give rise to liabilities to its joint venture partners in respect of such asset. There is also a risk that other parties with interests in its assets may elect not to participate in certain activities relating to those assets which require that party's consent. In such circumstances, it may not be possible for such activities to be undertaken by the Cairn India Group alone or in conjunction with other participants at the desired time or at all. In addition, other joint venture partners may default in their obligations to fund capital or other funding obligations in relation to the assets. In certain circumstances, the Cairn India Group may be required under the terms of the relevant operating agreement to contribute all or part of any such funding shortfall.

The Cairn India Group is exposed to risks incidental to licensing, other regulatory requirements and decommissioning.

The Cairn India Group's activities in the countries in which it operates or intends to operate are subject to receipt of licences, regulations and approvals of governmental authorities including those relating to the exploration, development, operation, production, marketing, pricing, transportation and storage of oil and gas, taxation and environmental and health and safety matters.

The Cairn India Group has limited control over whether or not necessary approvals or licences (or renewals thereof) are granted or maintained, the timing of obtaining (or renewing) such licences or approvals, the terms on which they are granted or the tax regime to which the Cairn India Group or its assets will be subject. For example, the proposed increase in production in the Rajasthan fields is subject to regulatory approval and certain financing facilities material to the Cairn India Group are subject to lenders' consent as a result of the Acquisition. As a result, the Cairn India Group may in certain circumstances have limited control over the nature and timing of development and exploration of oil and gas fields in which it has or seeks interests.

Changes in regulatory requirements in countries in which the Cairn India Group has existing activities or new countries targeted for future investment could preclude or detrimentally affect the schedule or costs associated with its planned activities.

Upon the expiry of licences, contractors are generally required, under the terms of relevant licences or local law, to dismantle and remove equipment, cap or seal wells and generally make good production sites. There can, however, be no assurance that the Cairn India Group will not in the future incur decommissioning charges in excess of those currently provided for, since local or national governments may require decommissioning to be carried out in circumstances where there is no express obligation to do so, particularly in case of future licence renewals. This could have a material adverse effect on the Cairn India Group's businesses, results of operations, financial condition or prospects.

Plateau production rates from the Rajasthan fields may be less than forecast.

The estimates of production rates and field life contained in the field development plans ("FDPs") for the Mangala, Bhagyam, Aishwariya, Raageshwari and Saraswati fields which were submitted to, and approved by, the Rajasthan Block PSC management committee are based on the Cairn India Group's estimates of future field performance. Where any estimates of future production rates are in excess of the existing approved field plateau production rates, the consent of the joint venture partner, the appropriate regulatory authorities and the GoI will be required before any of the fields can be produced at these enhanced estimates of future production rates. In the event consent of the joint venture partner is delayed or not obtained, production would be limited to the rate set out in the FDP, which would have a detrimental impact on the Cairn India Group's operating results. Future field performance is subject to a number of risks that are beyond the control of the Cairn India Group. See "— Risks of the Combined Group — There are uncertainties inherent in estimating the Combined Group's reserves and resources, and if the actual amounts of such reserves are less than estimated, its results of operations and financial condition may be materially and adversely affected".

The waxy nature of the crude oil at the Northern Fields presents flow assurance concerns.

The waxy nature of the crude oil at the Northern fields of the Rajasthan Block ("Northern Fields") requires Cairn India to use hot water injection as the recovery technique at these fields. Injection of hot water requires that the temperature of the water is maintained at a certain level to ensure that the temperature of the crude oil is not reduced by the water used in the injection process to the point where solidification may occur. If the temperature of the injection water is not maintained at the required level, the required injection rate may not be able to be maintained, therefore the overall field production rate and ultimate recovery may be adversely impacted. Any reduction in its crude oil production and/or estimates of ultimate recovery may have a material adverse effect on the Cairn India Group's business, results of operations and financial condition.

The waxy nature of the crude oil requires that the temperature of the crude oil transported through the main 24 inch insulated oil pipeline and connecting spur lines should be kept at a temperature greater than the wax appearance temperature of the crude oil. Maintaining the temperature of the crude oil above this wax appearance temperature has required the installation of a specialised heating system and heating stations at various points along the pipeline. If the specialised heating system does not perform as expected and/or there are problems associated with the performance of the heating stations and/or there are problems supplying fuel to the power generation systems at these heating stations, the temperature of the crude oil may not be maintained at the required temperature, which would have an adverse impact on the rates at which oil can be transported through the pipeline network. This would have a detrimental impact on the Cairn India Group's operating results and revenues.

The development and production plans for the Northern Fields are dependent upon the Cairn India Group obtaining a reliable fuel supply for power generation and heating of the Northern Fields facilities.

The reliability of fuel supply for power generation and heating for the Northern Fields processing facilities is essential to ensure the quality of the Cairn India Group's crude oil production (see "— Risks of the Cairn India Business and the Acquisition — The waxy nature of the crude oil at the Northern Fields presents flow assurance concerns"). Currently, the power generation and heating requirements are being supplied by a power plant that has been installed and commissioned at the MPT. The power plant has been designed to use associated natural gas from the Mangala field supplemented as required by natural gas from the Raageshwari Deep gas field which is located in the Rajasthan Block approximately 80 km from the site designated for the power plant.

While the current gas supply is adequate to ensure a sufficient fuel supply for the operation of the power generating plant, there is no guarantee that the current estimates of the future fuel requirements can be supplied from the gas associated with existing and future oil production supplemented by gas supply from the Raageshwari Deep gas field. An alternative energy source would need to be obtained, which could increase the Cairn India Group's operating costs and have a detrimental impact on its revenues.

The development and production plans for the Northern Fields are dependent upon the Cairn India Group's ability to provide its own supply of water to its production and servicing facilities.

The Cairn India Group is using hot water injection to maintain reservoir pressure and to optimise crude oil recovery at the Mangala field. The approved FDPs of the Bhagyam and Aishwariya fields also assume that water injection will be used to maintain reservoir pressure and optimise future oil recovery from these fields. The source water for these fields is being, and will continue to be, provided from water production wells drilled in the Thumbli saline aquifer in the Barmer Basin and connected to the MPT. Extraction of saline water also requires the approval of the relevant authority.

There can be no assurance that the Cairn India Group's modelling of the impact of its expected water extraction from the Thumbli groundwater flow is accurate. A failure to extract the required amount of water during the production life of the existing and currently planned developments, or an inaccurate prediction of the impact on the groundwater flow of its activities, or removal of the authorities' approval to extract saline water, may require the Cairn India Group to access alternative water sources resulting in increased capital expenditure.

In addition, there can be no assurance that the local community will not seek to hold the Cairn India Group responsible for any invasion of the fresh water supply by saline groundwater from the aquifer. Although the appropriate authority has given its consent for the extraction of saline groundwater from Thumbli, it is possible that the Cairn India Group will be perceived by the local Barmer community to be directly or indirectly responsible for any shortage of fresh water or a deterioration in water quality. In such an event, local authorities, who have permitted the Cairn India Group to use the saline groundwater, may require the Cairn India Group to access alternative water sources, which would have a material adverse effect on the Cairn India Group's business, operating results and financial condition.

The Cairn India Group may not be able to use enhanced oil recovery techniques successfully.

The FDPs for the Northern Fields assume, or are expected to assume, the use of enhanced oil recovery ("EOR") techniques to extract an additional incremental percentage of the estimated oil in place in the reservoirs. EOR screening studies of the Northern Fields have concluded that polymer flooding or alkaline surfactant polymer ("ASP") flooding, two common EOR techniques, are the preferred EOR options. A pilot scheme is under way at the Mangala field.

If the Mangala EOR pilot scheme is successful, Cairn India intends to seek the required approvals from the GoI, relevant regulators and joint venture partner ONGC to proceed with a revision of the Mangala FDP to expand the EOR scheme across the Mangala field. However, this strategy presents a number of logistical and other challenges. The Cairn India Group will be required to source large quantities of the types of polymer that would be required for the EOR techniques and ensure their efficient transportation to the fields. To date, members of the Cairn India Group have neither entered into any agreements regarding such supplies nor determined a method of transportation of such material to the fields. There can be no assurance that the Cairn India Group will successfully conclude an agreement to purchase such material or successfully and efficiently transport the quantities that it will require. Further, if the Cairn India Group fails to maintain the polymer at the correct temperature in the reservoir, then it may degrade and not function correctly, thereby reducing the incremental amount of crude oil that the Cairn India Group expects to recover. There is also a risk that polymer fouling of the surface facilities might occur, leading to a deterioration of the operating efficiency of the processing plant.

In addition, the use of such a recovery technique may significantly increase the operational expenditure necessary to extract crude oil. The economic viability of such recovery techniques will be determined by the incremental cost of such techniques compared to the then prevailing price of crude oil in the international markets. There can be no assurance that, at the time the Cairn India Group intends to effect these enhanced recovery techniques, the price of crude oil will allow such techniques to be an economically viable proposition. All of these factors could have a material adverse effect on the Cairn India Group's business, results of operations, financial condition or prospects.

Associated gas production may be greater than forecast.

The associated gas production from the Northern Fields may be greater than forecast and any such associated gas remaining after satisfying the MPT fuel gas requirements may exceed any environmental limits for the disposal of such associated gas. This could require crude oil production to be reduced to allow such limits to be met, or require the construction of facilities to inject any such excess gas into a suitable reservoir, which would require the construction of additional facilities with the associated additional costs, which could have a material adverse effect on the Cairn India Group's business, operating results and financial condition.

MPT facilities may become unable to separate associated gas and water from the crude oil.

The MPT facilities, which are designed to separate gas and water produced from the produced oil, may not function as designed over the producing life of the fields whose production is processed at the MPT facilities. This may result in the crude oil not meeting pipeline export specifications, which may mean that any such crude oil either cannot be sold or will be sold at a significant discount to the agreed crude oil sales price, which could have a material adverse effect on the Cairn India Group's, business, operating results and financial condition.

The construction, installation and commissioning of MPT Train 4 may incur delays, be more capital intensive than initially forecast, and once completed, may not function as designed.

An additional MPT Train ("MPT Train 4") is required for the processing of the Bhagyam field crude oil and any incremental Mangala field crude oil above the existing approved Mangala field plateau production rate of 125,000 bopd. Delays in the construction, installation and commissioning of MPT Train 4 will adversely affect the timing of the start of production from the Bhagyam field and the increase of production from the Mangala field in excess of the currently approved Mangala field plateau production rate.

The costs of MPT Train 4 were approved as part of the revised Mangala FDP by ONGC, the joint venture partner in the Rajasthan Block, the relevant regulatory authorities and the GoI. The estimated costs were included within this revised FDP and although these costs allowed for some increase in costs between the time at which the revised Mangala FDP was approved and the actual awards of the contracts, there is a risk that the estimates of these costs were too low and the costs of constructing, installing and commissioning MPT Train 4 are greater than the approved costs.

In addition, any part of MPT Train 4 may not function as designed. This could have an adverse effect on the ability to separate associated gas and water from the produced oil, which in turn could either mean that such oil is of a quality such that it cannot be sold or such oil is sold at a significant discount to the agreed sales price for the produced crude oil.

The occurrence of any of the events described above could have a material adverse effect on the Cairn India Group's business, operating results and financial condition.

Additional wells may be required to develop the Bhagyam field.

The results of the Bhagyam development drilling programme may indicate that additional development wells (whether producers or water injectors) may be required in order that the Bhagyam field can produce at the approved Bhagyam field plateau production rate. If additional wells are required, this will mean an increase in the field development costs, which may require the approval of the joint venture partner, the relevant regulatory authorities and the GoI, which could have a material adverse effect on the Cairn India Group's, business, operating results and financial condition.

The pipeline connecting the Bhagyam field to the MPT facilities may not work as designed.

The main export pipeline connecting the Bhagyam field to the MPT facilities is based on the same design as has been used for the main 24 inch oil export pipeline from the MPT to Salaya on the Gujarat coast. This design relies on being able to heat the export pipeline with an externally applied electric current. If this design does not work as expected, there is a risk that the temperature of the crude oil drops below the wax appearance temperature and that the crude oil becomes extremely viscous and difficult to pump, which can ultimately lead to plugging of the pipeline with waxy deposits. Such an occurrence would adversely affect the ability of the Bhagyam field to produce at the currently approved Bhagyam field plateau production rate of 40,000 bopd, which could have a material adverse effect on the Cairn India Group's business, operating results and financial condition.

The costs of the Bhagyam field development may be greater than forecast.

The Bhagyam FDP has been approved by ONGC, the relevant regulatory authorities and the GoI. The estimated costs were included within the Bhagyam FDP and although these costs allowed for some increase in costs between the time at which the Bhagyam FDP was approved and the actual awards of the contracts, there is a risk that the estimates of these costs were too low and the costs of developing the Bhagyam field are greater than the approved Bhagyam field development costs. If this occurs there is a risk that either the development of the Bhagyam field is delayed while approval is sought from the joint venture partner, the relevant regulatory authorities and the GoI for any increase in costs or that the Bhagyam FDP will have to be modified to allow the development of the Bhagyam field within the approved budgetary costs. Either of these occurrences could result in a delay in the onset of production from the Bhagyam field as well as increasing the risk that some of the Bhagyam field development costs are not allowed for cost recovery purposes, which could have a material adverse effect on Cairn India's business, operating results and financial condition.

The construction of the Salaya to Bhogat section of the main pipeline may take longer than planned, may not work as intended and the costs of construction may be greater than forecast.

While work has commenced on the construction and installation of the Salaya to Bhogat section of the main pipeline using the same pipeline contractor that was used for the installation of the MPT to Salaya section of the main oil pipeline, there is a risk that the construction, installation and commissioning of the Salaya to Bhogat section, which is approximately 90 km long, could take longer than planned. Factors that could adversely affect the construction schedule are: (i) inclement weather conditions in Gujarat, (ii) difficulties in obtaining all the required access to pipeline rights of use; (iii) difficulties with local landowners obstructing access to the pipeline routes; (iv) shortages and/or delays in obtaining all the required material; (v) shortage of skilled labour; and (vi) non-compliance with the Cairn India Group's health, safety, environmental and quality policies.

The design of the Salaya to Bhogat section of the main oil pipeline is the same as for the MPT to Salaya section. This design relies on the ability to heat the main oil pipeline using an externally applied electric current to ensure that the temperature of the crude oil passing through the pipeline is maintained above the wax appearance temperature. Failure to maintain the crude oil temperature above the wax appearance temperature will result in wax being deposited with the associated increase in the viscosity of the crude oil, which in turn will result in the loss of pressure required to keep the crude oil moving. If uncorrected, the oil will solidify and the pipeline will have to be shut down while the problems are corrected.

The construction of the additional Salaya to Bhogat section of the main pipeline has been approved by ONGC, the relevant regulatory authorities and the GoI. The estimated costs of the Salaya to Bhogat section were included as part of the overall cost estimates for construction of the main pipeline and although these costs allowed for some increase in costs between the time at which the construction of the main pipeline was approved and the actual awards of the contracts for the Salaya to Bhogat section, there is a risk that the estimates of these costs were too low and the costs of developing the Salaya to Bhogat section exceeds the currently approved costs. If this occurs, there is a risk that the joint venture partner, the relevant regulatory authorities and the GoI do not approve the increase in costs. This could increase the risk that some of the costs for constructing, installing and commissioning this section of the main pipeline are not allowed for cost recovery purposes.

The occurrence of any of the above events could have a material adverse effect on the Cairn India Group's business, operating results and financial condition.

The construction of the Bhogat marine terminal and loading facilities may take longer than planned, may not work as planned and the costs of construction may be greater than forecast.

While work has commenced on the construction and installation of the marine terminal and loading facilities using the same oil terminal contractor that was used for the construction of the Radhanpur oil terminal, there is a risk that the construction, installation and commissioning of the marine terminal and loading facilities could take longer than planned. Factors that could adversely affect the construction, installation and commissioning schedule are: (i) inclement weather conditions in Bhogat; (ii) difficulties with local landowners; (iii) shortages and/or delays in obtaining all the required materials; (iv) unforeseen 'sea-bottom' conditions which may adversely affect dredging operations; (v) shortage of skilled labour; and (vi) non-compliance with the Cairn India Group's health, safety, environmental and quality policies. If the completion of the Bhogat terminal and/or marine loading facilities are delayed, this will adversely impact the ability to despatch crude oil to customers who require the marine transportation of the crude oil to their receiving terminals.

The construction of the Bhogat marine terminal and loading facilities has been approved by ONGC, the relevant regulatory authorities and the GoI. The estimated costs of the Bhogat marine terminal and loading facilities were included and although these costs allowed for some increase in costs between the time at which the construction of the main pipeline was approved and the actual awards of the contracts, the information relating to the costs of constructing the marine terminal and the allied marine loading facilities was at a very early stage, so there is a risk that the estimates of these costs were too low and the costs of developing these facilities exceeds the currently approved costs. If this occurs, there is a risk that the joint venture partner, the relevant regulatory authorities and the GoI do not approve any increase in these costs. This could increase the risk that some of the costs for developing, installing and commissioning the Bhogat marine terminal and loading facilities are not allowed for cost recovery purposes.

The design of the Bhogat marine loading facilities requires that the crude oil stored in the Bhogat marine storage facilities be sent offshore to a marine loading facility. The distance to the marine loading facility is approximately 14 km and there is a risk that the temperature of the crude oil could drop below the wax appearance temperature which, if uncorrected, could lead to plugging of the line and the consequent impact on the export of the crude oil.

The occurrence of any of the above events could have a material adverse effect on the Cairn India Group's business, operating results and financial condition.

The impact of adverse weather on the Bhogat Marine Loading Facilities may be greater than anticipated.

The storage capacity of the Bhogat storage facilities has been based on analysis of historical environmental data (wind and sea states) relevant to the location of the Bhogat marine loading facilities. If the predictions of future wind and sea-states have underestimated the periods for which the marine oil tankers will be unable to load their cargoes, then this could mean that the overall Bhogat marine storage facilities are insufficient to store the required quantities of crude oil for a prolonged period of down-time associated with adverse environmental conditions. This could have an adverse impact on the plateau production rates of the Rajasthan fields, which could have a material adverse effect on the Cairn India Group's business, operating results and financial condition.

Cairn India is, and may become, involved in proceedings in relation to payment of royalty and other statutory levies for the production of crude oil from the Mangala oil field in Rajasthan.

The Cairn India Group has a participating interest of 70% in, and is the operator of, the Mangala oil field in Rajasthan in block RJON-901/1, in which ONGC holds the remaining 30% participating interest. Under the production sharing contract ("PSC") executed for this block, all royalty, taxes and other statutory levies are payable by ONGC. ONGC and the GoI have, however, contended that the royalty payable under this PSC should be a cost recoverable item under the PSC and therefore, borne by the Cairn India Group to the extent of its participating interest. However, as at the date of this Offering Circular, the Cairn India Group has no formal intimation of any dispute, demand or allegation of its liability to pay royalty in relation to the Mangala oil field. Further, in relation to the product sharing contract, the Cairn India Group has initiated arbitration proceedings against ONGC, pursuant to a notice of claim seeking declaration of non-liability of Cairn India to pay cess on oil produced from this block to the extent of Cairn India's participating interest in such block. In the event that the Cairn India Group is held liable to pay such royalty, cess or other statutory levies, there may be a material adverse effect on it's business, financial condition and results of operations.

ONGC has disputed several cash calls raised by Cairn India relating to operations conducted during exploration, development and production.

There are various ongoing disagreements between Cairn India and ONGC relating to the allocation of costs incurred by exploration, development and laying of pipelines in the Rajasthan Block. Specifically ONGC has withheld payment towards exploration cash calls on the grounds that it is not liable for contribution of costs towards exploration. There can be no guarantee ONGC will fulfil its payment commitments or that Cairn India will be successful in pursuing these disputed payments in any subsequent litigation proceedings. The Ministry of Petroleum and Natural Gas has been consulted to elicit whether exploration activities can be continued in the context of these ongoing payment disputes.

Demand for the oil produced from the Rajasthan Block may not exceed supply, and unforeseen disruptions at a major buyer's facilities could adversely impact the Cairn India Group's business.

The Cairn India Group has in place infrastructure and oil sales agreements with several public sector utilities and private sector refineries for expected levels of crude production from the Mangala Field during the period to March 2011. Stoppage of off-take or supply could result if the buyers fail to take delivery of volumes anticipated by these sales agreements. As production increases there is a risk that buyers will not be able to take all of the available production capacity. Additionally, the majority of production is going to a single buyer and any unforeseen disruption at this buyer's facilities would affect sales volume and therefore revenue generation of the Cairn India Group. Any of these could have a material adverse impact on oil sales and cash flow of the Cairn India Group. Completion of the pipeline from Salaya to Bhogat will provide a longer term solution allowing access to additional coastal refineries.

Exploration activities are capital intensive and inherently uncertain in their outcome.

Exploration activities are capital intensive and inherently uncertain in their outcome. There is a risk that the Cairn India Group or the operators of assets in which it has an interest will undertake exploration activities and incur significant costs in so doing with no assurance that such expenditure will result in the discovery of hydrocarbons, whether or not in commercially viable quantities.

Inadequate plant operating and maintenance procedures may have a material adverse effect on the financial condition or operating results of the Cairn India Group.

The Cairn India Group has in place operating and maintenance procedures to maintain the integrity of its production facilities but there is a risk that unplanned events, inadequate application of these procedures or higher levels of corrosion than expected could cause disruption to production, which would have an adverse impact on oil sales and cash flow of the Cairn India Group, which ultimately could materially adversely affect the financial condition and/or operating results of the Cairn India Group.

Risk of counterparty default may result in delayed off takes or payout for delivered production volumes

Cairn India has entered into agreements with a number of contractual counterparties in relation to the sale and supply of their respective hydrocarbon production volumes and is, therefore, subject to the risk of delayed off takes or payment for delivered production volumes or counterparty default.

In certain cases, the relevant counterparty, either legally or as a result of geographic, infrastructure or other constraints or factors, is in practice the sole potential purchaser of the relevant production output. This is particularly the case for sales of gas which rely upon the availability or construction of transmission and other infrastructure facilities, enabling the supply of gas produced to be supplied to end users. The absence of competitors for the transmission or purchase of gas produced by the Cairn India Group may expose it to offtake and production delays, adverse pricing or other contractual terms or may restrict the availability of transmission or other necessary infrastructure.

Such delays or defaults or adverse pricing or other contractual terms or restricted infrastructure availability could have a material adverse effect on the Cairn India Group's respective businesses, prospects, financial condition or results of operations.

Risks of the Combined Group

The Combined Group's future expansions and acquisitions are dependent upon its ability to obtain funding.

The Combined Group will require capital for, among other purposes, expanding its operations, making acquisitions, managing acquired assets, acquiring new equipment, maintaining the condition of its existing equipment and maintaining compliance with environmental laws and regulations. To the extent that cash generated internally and cash available under Vedanta's existing credit facilities are not sufficient to fund the Combined Group's capital requirements, Vedanta will require additional debt or equity financing, which may not be available on favourable terms, or at all. Future debt financing, if available, may result in increased finance charges, increased financial leverage, decreased income available to fund further acquisitions and expansions and the imposition of restrictive covenants on the Combined Group's businesses and operations. In addition, future debt financing may limit the Combined Group's ability to withstand competitive pressures and render its businesses more vulnerable to economic downturns. If the Combined Group fails to generate or obtain sufficient additional capital in the future, it could be forced to reduce or delay capital expenditures, sell assets or restructure or refinance its indebtedness.

Accordingly, the Combined Group's future expansions and projects may be materially and adversely affected if it is unable to obtain funding for such capital expenditures on satisfactory terms, on a timely basis or at all, including as a result of any of its existing facilities becoming repayable before their due dates. In addition, there can be no assurance that Vedanta's planned or any proposed future expansions and projects will be completed on time or within budget, which may have a material adverse effect affect the cash flow of the Combined Group.

Third party interests in the Combined Group's subsidiary companies and restrictions due to stock exchange listings of the Combined Group's subsidiary companies will restrict Vedanta's ability to deal freely with its subsidiaries which may have a material adverse effect on its results of operations and financial condition.

Vedanta does not wholly own any of its operating subsidiaries, although it holds majority stakes in all of its subsidiary businesses. Although Vedanta has direct or indirect management control of Sterlite, BALCO, HZL, Vedanta Aluminium, MALCO, SGL, KCM and CMT and intends to increase its stake in certain of these subsidiaries in addition to its interest in Cairn India post-acquisition, each of these companies has other shareholders who, in some cases, hold substantial interests. As a result of the minority interests in Vedanta's subsidiaries and affiliates and the Indian stock exchanges and/or NYSE listings of Sterlite, HZL, SGL, Cairn India post acquisition and the proposed listings of Sterlite Energy and Konkola Resources, these subsidiaries may be subject to additional legal or regulatory requirements, or Vedanta may be prevented from taking certain courses of action without the prior approval of a particular or a specified percentage of shareholders and/or regulatory bodies (under shareholders' agreements, relationship agreements or by operation of law). The existence of minority or other interests in, and stock exchange listings of, the Combined Group's subsidiaries may limit its ability to increase its equity interests in these subsidiaries, combine similar operations, utilise synergies that may exist between the operations of different subsidiaries, move funds among the different parts of its businesses or reorganise the structure of the Combined Group's business in a tax efficient manner, which may have a material adverse effect on its results of operations and financial condition.

Further, pursuant to the requirements for the continued listing of the shares of HZL on the NSE and the BSE, in the event Sterlite, through SOVL, successfully exercises its second call option to acquire the GoI's remaining ownership interest in HZL, Sterlite would have to either divest a portion of its shareholding in HZL within a period of one year from the acquisition such that the minimum public shareholding requirement of 10% is complied with or delist HZL's shares from the NSE and the BSE by making an offer to purchase the equity shares held by the remaining HZL shareholders at a price determined by way of a reverse book-build process, which could have a material adverse effect on the Combined Group's financial condition and results of operations.

There are uncertainties inherent in estimating the Combined Group's reserves and resources, and if the actual amounts of such reserves are less than estimated, its results of operations and financial condition may be materially and adversely affected.

There are uncertainties inherent in estimating the quantity of reserves and resources and in projecting future rates of production, including factors beyond the control of the Combined Group. Estimating the amount of reserves and resources is a subjective process, and the accuracy of any estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Estimates of different engineers may vary, and results of mining and production subsequent to the date of an estimate may lead to revision of estimates. For example, fluctuations in the market price of ore, reduced recovery rates or increased production costs due to inflation or other factors may render proven and probable reserves containing relatively lower grades of mineralisation uneconomic to exploit and may ultimately result in a restatement of reserves. If the assumptions upon which estimates of hydrocarbon reserves or resources have been based prove to be incorrect, or if reserve estimates differ materially from mineral quantities or grades that the Combined Group may actually recover, estimates of mine life may prove inaccurate and market price fluctuations and changes in operating and capital costs may render certain ore reserves or mineral deposits uneconomical to mine.

As a result, the reserves and resources data contained in this Offering Circular are subject to material assumptions and uncertainties. In the event that any of these assumptions and estimates turns out to be incorrect, the Combined Group may need to revise its estimates downwards and this may adversely affect its business plans and the total value of its asset base, which could increase its costs and decrease profitability. If this occurs, the Combined Group's results of operations and financial condition may be materially and adversely affected.

The results of appraising discoveries and estimating reserves are uncertain.

The results of appraising discoveries are uncertain, which may result in reductions in projected reserves and production declines and may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but uneconomic to develop. Furthermore, as Vedanta's mineral reserves decline as it mines the ore, the Combined Group's future segment results and segment margins depend upon its ability to access mineral reserves with geological characteristics that allow mining at competitive costs and replacement reserves may not be available when required. Appraisal and development activities may be subject to delays in obtaining governmental approvals or consents, shut-ins of connected wells, insufficient storage or transportation capacity or exhaustion and depletion of reserves or other geological and mechanical conditions all of which may result in a material increase of the Combined Group's costs of operations or delay anticipated revenues.

If the Combined Group cannot secure additional reserves of copper, zinc, bauxite and iron ore that can be mined at competitive costs or cannot mine existing reserves at competitive costs, its profitability and operating margins could decline.

If Vedanta's existing copper, zinc and bauxite reserves cannot be mined at competitive costs or if Vedanta cannot secure additional reserves that can be mined at competitive costs, the Combined Group may become more dependent upon third parties for copper concentrate, zinc concentrate and alumina. If Vedanta's existing iron ore reserves cannot be mined at competitive costs, the Combined Group's iron ore business may become unprofitable. Because Vedanta's mineral reserves decline as it mines the ore, the Combined Group's future segment results and segment margins depend upon its ability to access mineral reserves with geological characteristics that allow mining at competitive costs. Replacement reserves may not be available when required or, if available, may not be of a quality capable of being mined at costs comparable to the existing or exhausted mines.

The Combined Group may not be able to accurately assess the geological characteristics of any reserves that it acquires, which may adversely affect its results of operations and financial condition. Because the value of reserves depends on that part of its mineral deposits that are economically and legally exploitable at the time of the reserve calculation, a decrease in metal prices may result in a reduction in the value of mineral reserves that the Combined Group obtains as less of the mineral deposits contained therein would be economically exploitable at the lower prices. Exhaustion of reserves at particular mines may also have an adverse effect on the Combined Group's operating results that is disproportionate to the percentage of overall production represented by such mines. Further, with the depletion of reserves, the Combined Group may face higher unit extraction costs per mine.

The Combined Group's ability to obtain additional reserves in the future could be limited by restrictions under the Vedanta Group's or the Cairn India Group's existing or the Combined Group's future debt agreements, competition from its competitors, lack of suitable acquisition candidates, government regulatory and licencing restrictions, difficulties in obtaining mining leases and surface rights or the inability to acquire such properties on commercially reasonable terms, or at all. In addition, the Vedanta Group and the Cairn India Group are and the Combined Group will be subject to various government limitations on their ability to mine. To increase production from the Vedanta Group's existing copper, bauxite, lead-zinc and iron ore mines, the Combined Group must apply for governmental approvals which it may not be able to obtain in a timely manner, or at all.

Hydrocarbon prices are subject to fluctuations in response to a variety of factors beyond the control of the Combined Group.

Historically, hydrocarbon prices have been subject to large fluctuations in response to a variety of factors beyond the control of the Combined Group. No assurance can be given that hydrocarbon prices will increase, or that existing price levels will be maintained, in the future. Lower hydrocarbon prices may result in a reduction in revenues or net income and could materially adversely affect the Combined Group's businesses, prospects and financial condition.

The Combined Group is exposed to competitive pressures in the various businesses in which it operates.

The mines and minerals, commercial power generation, and oil and gas industries are highly competitive. The Combined Group will continue to compete with other industry participants in the search for and acquisition of mineral and oil and gas assets and licences. Competitors include companies with, in many cases, greater financial resources, local contacts, staff and facilities than those of the Combined Group.

Competition for exploration and production licences as well as for other investment or acquisition opportunities may increase in the future. This may lead to increased costs in the carrying out of the Combined Group's activities, reduced available growth opportunities and may have a material adverse effect on its businesses, financial condition, results of operations and prospects.

The Combined Group is exposed to the political, legal, regulatory and social risks of the countries in which it operates.

The Combined Group is exposed to the political, economic, legal, regulatory and social risks of the countries in which it operates or intends to operate. These risks potentially include expropriation (including "creeping" expropriation) and nationalisation of property, instability in political, economic or financial systems, uncertainty arising from underdeveloped legal and regulatory systems, corruption, civil strife or labour unrest, acts of war, armed conflict, terrorism, outbreaks of infectious diseases, prohibitions, limitations or price controls on hydrocarbon exports and limitations or the imposition of tariffs or duties on imports of certain goods.

Countries in which the Combined Group has operations or intends to have operations have transportation, telecommunications and financial services infrastructures that may present logistical challenges not associated with doing business in more developed locales. Furthermore, the Combined Group may have difficulty ascertaining its legal obligations and enforcing any rights it may have.

Once the Combined Group has established operations in a particular country, it may be expensive and logistically burdensome to discontinue such operations should economic, political, physical or other conditions subsequently deteriorate. All of these factors could have a material adverse effect on the Combined Group's businesses, results of operations, financial condition or prospects.

The Combined Group's operations are subject to operating risks that could result in decreased production, increased cost of production and increased cost of or disruptions in transportation, which could adversely affect its business, results of operations and financial condition.

The success of each of the Combined Group's businesses is subject to operating conditions and events beyond its control that could, among other things, increase its mining, transportation or production costs, disrupt or halt operations at its mines and production facilities permanently or for varying lengths of time, or interrupt the transportation of the Combined Group's products to its customers. These conditions and events include:

- Disruptions in mining, drilling and production due to equipment failures, unexpected maintenance problems and other interruptions. All of the Combined Group's operations are vulnerable to disruptions. Metal processing plants are especially vulnerable to interruptions, particularly where an event causes a stoppage which necessitates a shut down in operations. Stoppages in certain types of the Combined Group's smelters, even if lasting only a few hours, can cause the contents of furnaces or cells to solidify, resulting in a plant closure for a significant period and necessitating expensive repairs, any of which could materially and adversely affect its results of operations or financial condition. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

- Availability of raw materials for energy requirements. Any shortage of or increase in the prices of the raw materials needed to satisfy the Combined Group's energy requirements may interrupt its operations or increase its cost of production. The Vedanta Group is particularly dependent on coal which is used in many of its captive power plants. The Vedanta Group's aluminium business, which has high energy consumption due to the energy intensive nature of aluminium smelting, is significantly dependent on receiving allocations from Coal India, the government owned coal monopoly in India.

- Availability of water. The mining operations of the Vedanta Group's zinc and aluminium businesses and its captive power plants depend upon the supply of a significant amount of water. There is no assurance that the water required for these operations will continue to be available for the Combined Group in sufficient quantities or that the cost of water will not increase.

- Disruptions to or increased costs of transport services. The Vedanta Group depends upon seaborne freight, inland water transport, rail, trucking, overland conveyor and other systems to transport bauxite, alumina, zinc concentrate, copper concentrate, iron ore, oil, natural gas, metallurgical coke, pig iron, coking coal and other supplies to its operations and to deliver its products to customers. Any disruption to or increase in the cost of these transport services, including as a result of fuel cost increases, interruptions that decrease the availability of these transport services or increases in demand for transport services from the Combined Group's competitors or from other businesses, or any failure of these transport services to be expanded in a timely manner to support an expansion of the Combined Group's operations, could have a material adverse effect on its business, results of operations and financial condition.

- Crude oil, natural gas, hydrocarbons and petrochemicals processed and the resulting products are, by their nature hazardous materials that are, in many cases, highly combustible, the nature of production operations exposes the Combined Group to the heightened risk from accidents involving explosions and fire. The Combined Group's oil and gas operations are also subject to common operational risk such as interruptions to power supplies, technical facilities, flooding, or other accidents. Such risks and hazards may result in damage or harm to, or destruction of, properties, production, facilities, people and the environment. In addition, if a spill or other contamination results from production, storage, export, shipment or sale of oil or other hydrocarbon products occurs, this could result in significant environmental liabilities.

- Accidents at mines, smelters, refineries, cargo terminals and related facilities, including as a result of the occurrence of natural disasters. Any accidents or explosions, including as a result of the occurrence of natural disasters, causing personal injury, property damage or environmental damage at or to the Combined Group's mines, smelters, refineries, cargo terminals and related facilities may result in significant losses, expensive litigation, imposition of penalties and sanctions or suspension or revocation of permits and licences. Injuries to and deaths of workers at Vedanta's mines and facilities have occurred in the past and may occur in the future. Most recently, construction at Vedanta's 1,200 MW power plant at Korba was disrupted following the collapse of a chimney under construction in September 2009 during heavy rains and lightning. There were 40 fatalities in the accident and Shandong Electric Power Construction Corporation ("SEPCO"), Vedanta's engineering, procurement and construction contractor, and Gammon Dunkerley and Company Ltd, the sub-contractor, are the subjects of an investigation by the Chhattisgarh government. Consequently, in August 2010, the International Safety Awards for 2009 conferred on BALCO's Alumina Smelter Plant II and Vedanta Aluminium were withdrawn pending further investigation by the British Safety Council.

- Strikes and industrial actions or disputes. The majority of Vedanta's workforce is unionised. Strikes and industrial actions or disputes have occurred in the past and may occur in the future, which may lead to business interruptions and halts in production for the Combined Group.

The occurrence of any one or more of these conditions or events could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

The Combined Group relies upon third party contractors and providers of equipment, who may not be readily available and whose costs may increase.

In common with many exploration and production companies, the Combined Group and the operators of assets often contract or lease services and equipment from third party providers. Such services and equipment can be scarce and may not be readily available at the times and places required.

In addition, the costs of third party services and equipment have increased significantly over recent years and may continue to rise. Scarcity of services and equipment and increased prices may in particular result from any significant increase in regional exploration and development activities, which in turn may be the consequence of increased or continued high hydrocarbon or mineral prices. The scarcity of such services and equipment, as well as their potentially high costs, could delay, restrict or lower the profitability and viability of projects which may have a material adverse effect on the Combined Group's businesses, prospects, financial condition or results of operations.

The Combined Group's insurance coverage may prove inadequate to satisfy future claims against it.

The Combined Group maintains insurance which it believes is typical in the respective industries in which it operates and in amounts which it believes to be commercially appropriate. Nevertheless, the Combined Group may become subject to liabilities, including liabilities for pollution or other hazards, against which it has not insured adequately or at all, or cannot insure. The Combined Group's insurance policies contain certain customary exclusions and limitations on coverage which may result in its claims not being honoured to the full extent of the losses or damages it has suffered. In addition, the Combined Group's operating entities in India can only seek insurance from domestic insurance companies or foreign insurance companies operating in joint ventures with Indian companies and these insurance policies may not continue to be available at economically acceptable premiums. The occurrence of a significant adverse event, the risks of which are not fully covered or honoured by such insurers, could have a material adverse effect on the Combined Group's results of operations or financial condition.

The Combined Group's operations are subject to extensive governmental, health and safety and environmental regulations, which require it to obtain and comply with the terms of various approvals, licenses and permits. Any failure to obtain, renew or comply with the terms of such approvals, licenses and permits in a timely manner may have a material adverse effect on its results of operations and financial condition.

Numerous governmental permits, approvals and leases are required for the Combined Group's operations as the industries in which it operates and seeks to operate are subject to numerous laws and extensive regulation by national, state and local authorities in jurisdictions including India, Sri Lanka, Zambia, Australia, Namibia, South Africa, Ireland and any other jurisdictions where the Combined Group may operate in the future. The Combined Group's operations are also subject to laws and regulations relating to employment, the protection of health and safety as well as the environment. For instance, the Combined Group is required to obtain various environmental and labour-related approvals in connection with its operations in India, including clearances from the MoEF, GoI and from the relevant Pollution Control Boards in the various states in India in which the Combined Group operates, and registration under the Factories Act, 1948, as amended, in order to establish and operate its facilities. Certain of such approvals are valid for stipulated periods of time and require periodic renewals, such as the consents to operate under the Air (Prevention and Control of Pollution) Act, 1981, as amended and the Water (Prevention and Control of Pollution) Act, 1981 from the relevant Pollution Control Boards, which are generally granted for a period of one year. See "Business of Vedanta — Environment Laws", "Business of Vedanta — Employment and Labour Laws", "Business of Vedanta — Land Acquisition Laws" and "Business of Vedanta — Oil and Natural Gas Laws" for more information on the regulatory regime and requirement of approvals, permits and consents for the Combined Group's operations. Further, the Combined Group's exploration and mining activities depend on the grant, renewal or continuance in force of various exploration and production licenses and contracts and other regulatory approvals that are valid for a specific period of time. In addition, such licenses and contracts contain various obligations and restrictions, including restrictions on assignment or any other form of transfer of a mining lease or on the employment of a person who is not an Indian national. For instance, in connection with Vedanta's mining operations in India, mining leases are typically granted for a period of 20 to 30 years and stipulate conditions including approved limits on extraction.

Furthermore, the Combined Group's ability to mine new areas of land in respect of which it is seeking mining rights is dependent on its separate acquisition of surface rights. While Vedanta expects to be able to continue to obtain additional surface rights in its ordinary course of business, any delay or substantial compensation costs in obtaining, or inability to obtain, additional surface rights could have a material adverse effect on its financial condition and results of operations.

The costs, liabilities and requirements associated with complying with existing and future laws and regulations may also be substantial and time-consuming and may delay the commencement or continuation of exploration, mining or production activities.

Failure by the Combined Group to comply with applicable laws, regulations or recognised international standards, or to obtain or renew the necessary permits, approvals and leases may result in the loss of the right to operate its facilities or continue its operations, the imposition of significant administrative liabilities, or costly compliance procedures, or other enforcement measures that could have the effect of closing or limiting production from its operations. If the Combined Group were to fail to meet environmental requirements or to have a major accident or disaster, it may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines, penalties and damages against it as well as orders that could limit or halt or even cause closure of its operations, any of which could have a material adverse effect on its business, results of operations and financial condition.

New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Combined Group or its customers to change operations significantly or incur increased costs, which could have a material adverse effect on its results of operations or financial condition. For example, due to a recent change in the mining law in Zambia, KCM was required to apply for the renewal of the mining licences for its mines and will be required to obtain an operating permit on an annual basis.

Additionally, Vedanta's listed subsidiaries, Sterlite, HZL and SGL, are required to comply with various conditions mandated by SEBI and the relevant stock exchanges, which are amended from time to time. Any inability to comply with the applicable conditions may subject such subsidiaries to regulatory action including imposition of penalties and adversely affect their reputation. See "— Litigation — Vedanta is involved in certain litigation seeking cancellation of permits and environmental approval for the alleged violation of certain air, water and hazardous waste management regulations at its Tuticorin plant." and "— Litigation — Petitions have been filed in the Supreme Court of India and the High Court of Orissa to seek the cessation of construction of Vedanta Aluminium's refinery in Lanjigarh and related mining operations in Niyamgiri Hills".

Defects in title or loss of any leasehold interests in the Combined Group's properties could limit its ability to conduct operations on such properties or result in significant unanticipated costs.

The Combined Group's ability to mine the land on which it has been granted mining lease rights and to make use of its other industrial and office premises is dependent on its acquisition of surface rights. Surface rights and title to land are required to be negotiated separately with landowners, although there is no guarantee that these rights will be granted. Any delay outside of the ordinary course of business in obtaining or inability to obtain or any challenge to its title or leasehold rights to surface rights could negatively affect its financial condition and results of operations.

In addition, there may be certain irregularities in title in relation to some of the Combined Group's owned and leased properties. For example, some of the agreements for such arrangements may not have been duly executed and/or adequately stamped or registered in the land records of the local authorities or the lease deeds may have expired and not yet been renewed. Since registration of land title in India is not centralised and has not been fully computerised, the title to land may be defective as a result of a failure on Vedanta's part, or on the part of a prior transferee, to obtain the consent of all such persons or duly complete stamping and registration requirements. The uncertainty of title to land may impede the processes of acquisition, independent verification and transfer of title, and any disputes in respect of land title that Vedanta may become party to may take several years and considerable expense to resolve if they become the subject of court proceedings. Further, certain of these properties may not have been constructed or developed in accordance with local planning and building laws and other statutory requirements, or it may be alleged that such irregularities exist in the construction and development of our built up properties. Any such dispute, proceedings or irregularities may have an impact on the operations of the Combined Group.

The Combined Group depends on the experience and management skill of certain of its key employees.

The Combined Group's efforts to continue its growth will place significant demands on its management and other resources, and the Combined Group will be required to continue to improve operational, financial and other internal controls, both in and outside India across all locations. The Combined Group's ability to maintain and grow its existing business and integrate new businesses will depend on its ability to maintain the necessary management resources and on its ability to attract, train and retain personnel with skills that enable it to keep pace with growing demands and evolving industry standards. The Combined Group is in particular dependent to a large degree on the continued service and performance of the senior management team of Vedanta and other key team members in its business units. These key personnel possess technical and business capabilities that are difficult to replace. The loss or diminution in the services of Vedanta's senior management or other key team members, or its failure otherwise to maintain the necessary management and other resources to maintain and grow its business, could have a material adverse effect on its business, results of operations, financial condition and prospects. In addition, as the Combined Group's business develops and expands, the Combined Group believes that its future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed.

Currency fluctuations among the Indian Rupee, the Australian dollar, the Zambian Kwacha, the Sri Lankan rupee and the US dollar could have a material adverse effect on the Combined Group's results of operations.

Although substantially all of Vedanta's revenue is tied to commodity prices that are typically priced by reference to the US dollar, most of its expenses are incurred and paid in Indian Rupees and, to a lesser extent, the Australian dollar, the Sri Lankan rupee and Zambian Kwacha. In addition, in fiscal 2011, 56.9% of Vedanta's revenue was derived from commodities that it sold to customers outside India. The exchange rates between the Indian Rupee and the US dollar, between the Sri Lankan rupee and the US dollar, between the Australian dollar and the US dollar and between the Zambian Kwacha and the US dollar have changed substantially in recent years and may fluctuate substantially in the future. See "Management's Discussion and Analysis of Financial Condition and Result of Operations for Vedanta — Exchange Rate Risk". The Combined Group's results of operations or financial condition could be adversely affected if the US dollar depreciates against the Indian Rupee, Australian dollar, the Sri Lankan rupee or Zambian Kwacha. Vedanta seeks to mitigate the impact of short-term movements in currency on its businesses by hedging its short-term exposures progressively based on their maturity. However, large or prolonged movements in exchange rates may have a material adverse effect on the Combined Group's results of operations and financial condition.

A downgrade in Vedanta's credit ratings may adversely affect its ability to access capital.

Vedanta's current long-term debt is rated "BB" on negative outlook and "BB" on stable outlook as reported by Standard & Poor's and Fitch. Currently, the long term debt rating by Moody's is "Ba2" on review for possible downgrade upon consummation of the Acquisition. The expected long term debt rating by Moody's if the Acquisition is consummated is "Ba3" and the review for possible downgrade will be removed. In the event the Acquisition does not proceed, the long term debt rating from Moody's is expected be "Ba2" and the review for possible downgrade will be removed. The debt ratings are based on, among others, the assumption that Vedanta's expansion projects will progress as planned and may be adversely affected if those projects are subject to significant delays or otherwise affected by regulatory or other constraints. A downgrade may adversely affect the Combined Group's ability to access capital and would likely result in more stringent covenants and higher interest rates under the terms of any new indebtedness.

Vedanta's tax treatment depends on the tax residence of the companies forming part of its Group. Proposed changes to the UK-controlled foreign company taxation rules could result in certain profits of the Company's non-UK subsidiaries being taxable in the UK.

The UK government has been considering and implementing reforms to the UK controlled foreign company ("CFC") regime. On 26 January 2010, HM Treasury and HM Revenue & Customs ("HMRC") published a discussion document outlining proposals for reform of the CFC rules. The UK government has announced its intention to introduce a full reform of the CFC rules in the UK Finance Bill 2012, with interim measures being introduced in the UK Finance Bill 2011, which will have effect for accounting periods beginning on or after 1 January 2011. HM Treasury and HMRC are still consulting on the scope and design of the full reform, and more detailed proposals are due to be published in May 2011. At present, there is insufficient detail in respect of the proposals in order to determine whether the effective tax rate of the Combined Group would be affected by these changes. Should any new regime apply to CFCs within the Combined Group, then depending on the nature of that regime, it could have a material impact on the Combined Group's effective tax rate on an ongoing basis as profits of subsidiaries in low-tax jurisdictions may become subject to an effective tax rate of 26% (the UK main rate of corporation tax with effect from 1 April 2011 as announced in the UK Budget on 23 March 2011 and subject to approval in the UK Finance Bill 2011 and the UK government has previously announced its intention to further reduce the main rate by 1% in each of 2012, 2013 and 2014) by application of that regime to such subsidiaries' profits, or a higher effective rate if credit is not available for locally paid tax.

Adverse changes in general economic, political and market conditions in the Middle East and North Africa region may affect global conditions.

Wars, acts of terrorism and uncertain political or economic prospects or instability in the Middle East and North Africa ("MENA") may adversely impact global financial markets and an increase in the price of crude oil. Recent protests in North Africa and the Middle East may continue and broaden across the MENA region and lead to significant political uncertainties in a number of countries.

Risks Relating to Investments in India

A substantial portion of the Combined Group's assets and operations are located in India and the Combined Group is subject to regulatory, economic, social and political uncertainties in India.

A substantial portion of the Combined Group's assets and employees are located in India, and the Company intends to continue to develop and expand its facilities in India. Consequently, the Company's financial performance will be affected by changes in exchange rates and controls, interest rates, commodity prices, subsidies and controls, changes in government policies, including taxation policies, social and civil unrest and other political, social and economic developments in or affecting India.

The GoI has exercised and continues to exercise significant influence over many aspects of the Indian economy. Since 1991, successive Indian governments have pursued policies of economic liberalisation, including by significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian Central and State governments in the Indian economy as producers, consumers and regulators has remained significant and there can be no assurance that such liberalisation policies will continue. The present government has announced policies and taken initiatives that support the continued economic liberalisation policies that have been pursued by previous governments for more than a decade. However, the present government is a multiparty coalition and therefore there is no assurance that it will be able to generate sufficient cross-party support to implement such policies. The rate of economic liberalisation could change, and specific laws and policies affecting metals and mining companies, foreign investments, currency exchange rates and other matters affecting investment in India could change as well. Further, government corruption scandals and protests against privatisation, which had occurred in the past, could slow the pace of liberalisation and deregulation. A significant change in India's policy of economic liberalisation and deregulation could adversely affect business and economic conditions in India generally and the Combined Group's businesses in particular if new restrictions on the private sector are introduced or if existing restrictions are increased.

As the domestic Indian market constitutes a significant source of the Company's revenue, a downturn in the rate of economic growth in India will be detrimental to the Company's results of operations.

In fiscal 2011, 43.1% of the Company's revenue was derived from commodities that were sold in India. The performance and growth of Vedanta's businesses are necessarily dependent on the health of the Indian economy which may be materially and adversely affected by political instability or regional conflicts, economic slowdown elsewhere in the world. The Indian economy also remains largely driven by the performance of the agriculture sector which depends on the quality of the monsoon which is difficult to predict. The Indian economy has grown significantly over the past few years. In the past, economic slowdowns in the Indian economy have harmed manufacturing industries, including companies engaged in the copper, zinc, aluminium and iron ore sectors, as well as the customers of manufacturing industries due to a reduction in the demand for industrial production. Any future slowdown in the Indian economy could have a material adverse effect on the demand for the commodities that the Company produces and, as a result, on its financial condition and results of operations.

Terrorist attacks and other acts of violence involving India or other neighbouring countries could adversely affect the Company's operations directly, or may result in a more general loss of customer confidence and reduced investment in these countries that reduces the demand for the Company's products, which would have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Terrorist attacks and other acts of violence or war involving India or other neighbouring countries may adversely affect the Indian markets and the worldwide financial markets. The occurrence of any of these events may result in a loss of business confidence, which could potentially lead to economic recession and generally have a material adverse effect on Vedanta's businesses, results of operations, financial condition and cash flows. In addition, any deterioration in international relations may result in investor concern regarding regional stability which could adversely affect the price of the Bonds.

South Asia has also experienced instances of civil unrest and hostilities among neighbouring countries from time to time, especially between India and Pakistan. In recent years, military confrontations between India and Pakistan have occurred in the region of Kashmir and along the India/Pakistan border. There have also been incidents in and near India such as terrorist attacks in Mumbai, Jaipur, Delhi and on the Indian Parliament, troop mobilisations along the India/Pakistan border and an aggravated geopolitical situation in the region. Such military activity or terrorist attacks in the future could adversely affect the Indian economy by disrupting communications and making travel more difficult. Resulting political tensions could create a greater perception that investments in Indian companies involve a high degree of risk. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, the Company might not be able to continue its operations.

If natural disasters or environmental conditions in India, including floods and earthquakes, affect the Combined Group's mining and production facilities, its revenues could decline.

The Company's mines and production facilities, as well as the Company's sales force, are spread throughout India. Natural calamities such as floods, rains, cyclones and earthquakes could disrupt the Company's mining and production activities and distribution chains and damage the Company's storage facilities. In December 2004 and October 1999, Southeast Asia, including the eastern coast of India, experienced tsunamis, in October 2005, the State of Jammu and Kashmir experienced an earthquake, and in 2005 and 2006, Mumbai and other parts of the western coast of India experienced heavy rains and flooding, all of which caused significant property damage and loss of life. Substantially all of the Combined Group's facilities and employees are located in India and there can be no assurance that the Combined Group will not be affected by natural disasters in the future. In addition, if there were a drought or general water shortage in India or any part of India where the Company's operations are located, for example, in the State of Rajasthan, where substantially all of the assets of HZL are located, the GoI or local, State or other authorities may restrict water supplies to HZL and other industrial operations in order to maintain water supplies for drinking and other public necessities, which would cause Vedanta to scale down or cease operations.

If India's inflation worsens or the prices of coal, oil or other raw materials continue to rise, the Company may not be able to pass the resulting increased costs to its customers and this may have a material adverse effect on the Company's profitability or cause the Company to suffer operating losses.

India has experienced wholesale price inflation in recent years that reflects an increasing inflation trend compared to historical levels. In addition, international prices of crude oil and natural gas have recently risen to historical highs, increasing transportation costs. Inflation, increased transportation costs and an increase in energy prices generally, which may be caused by a rise in the price of oil or natural gas, or an increase in the price of thermal coal in particular, could cause the Company's costs for raw material inputs required for production of the Company's products to increase, which may have a material adverse effect on its results of operations and financial condition if the Company cannot pass these added costs on to customers.

Stringent labour laws in India may adversely affect the Company's profitability.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for industrial dispute resolution and employee compensation for injury or death sustained in the course of employment, and imposes financial obligations on employers upon employee layoffs. This may make it difficult for the Company to maintain flexible human resource policies, discharge employees or downsize, which may have a material adverse effect on the Company's business and profitability.

Restrictions on foreign investment in India may prevent Vedanta from making future acquisitions or investments in India, which may have a material adverse effect on Vedanta's results of operations, financial condition and cash flows.

India regulates ownership of Indian companies by foreigners, as well as external commercial borrowing by Indian companies, although restrictions on foreign investment and external commercial borrowing have been relaxed significantly in recent years. These regulations and restrictions may apply to acquisitions by Vedanta, or other members of the Combined Group who are not resident in India, of shares in Indian companies or the provision of funding by Vedanta or any other non-Indian resident entity to Indian companies within the Combined Group. There can be no assurance that the Company will be able to obtain any required approvals for future acquisitions or investments in India, or that the Company will be able to obtain such approvals on satisfactory terms.

Risks Relating to Investments in Zambia

Political, economic and social risks associated with investments in Zambia could have an adverse effect on KCM's business.

As with any emerging market, Zambia is subject to certain political, economic and social developments that may, individually or in combination, create risks for investors that may be more difficult to predict or measure than would be the case in certain developed economies. Any political instability could have an adverse impact on the economy as a whole. Political disruptions and civil unrest that may occur in any neighbouring countries could potentially have an adverse effect on Zambian exports and, consequently, on KCM's business.

Risks Relating to the Bonds

As a holding company, Vedanta's financial condition is entirely dependent on the financial condition and operating results of its subsidiaries.

Vedanta's results of operations and financial condition are entirely dependent on the financial condition and operating results of its subsidiaries. Vedanta's ability to pay interest and principal on the Bonds will depend upon the level of distributions, interest payments and loan repayments, if any, received from its operating subsidiaries and associated undertakings, any amounts received on asset disposals and the level of cash balances. Certain of the Vedanta Group's operating subsidiaries and associated undertakings are and may, from time to time, be subject to restrictions on their ability to make distributions and loans including as a result of restrictive covenants in loan agreements, foreign exchange and other regulatory restrictions and agreements with the other shareholders of such subsidiaries or associated undertakings. See "Management's Discussion and Analysis of Financial Condition and Result of Operations for Vedanta — Liquidity and Capital Resources".

In addition, all dividends paid by Indian companies are currently subject to dividend distribution tax at a rate of 17.0% (including a surcharge of 10.0% and education cess at the rate of 3%) which is payable by the company paying the dividend. The credit of dividend distribution tax paid by the Indian company may not be available for the credit under the Indo-UK Double Taxation Avoidance Agreement. There can be no assurance that the GoI will not further increase the surcharges or dividend taxes it imposes or reintroduce withholding tax on dividends declared, distributed or paid.

There can be no assurance that such restrictions and taxes will not have a material adverse effect on Vedanta's results of operations or financial condition or on Vedanta's ability to make payments of interest and principal on the Bonds.

The Bonds will be structurally subordinated to the debt held by Vedanta's subsidiaries.

The Company's operations are principally conducted through its subsidiaries. Accordingly, the Company is, and after this offering will continue to be, dependent on its subsidiaries' operations and cash flows to service its indebtedness, including the Bonds. The Bonds will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of its subsidiaries, and to all of its secured creditors. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding-up of the business of any subsidiary of Vedanta, creditors of such subsidiary will generally have the right to be paid in full before any distribution is made to Vedanta.

In this regard, it should be noted that the subsidiaries of Vedanta, including Sterlite, BALCO, Sterlite Energy, Vedanta Aluminium and KCM have raised debt in the past, which is currently outstanding and repayable over the term of the Bonds. Moreover, some of this debt is secured by a first charge on assets and properties of the respective companies and/or a first charge on current assets including stocks and book debts, which may affect the Vedanta's ability to pay the holders of the Bonds. As of 31 March 2011, the Vedanta Group had total debt of $9,752.5 million of which $5,341.4 million existed at the Company's subsidiaries and will be structurally senior to the Bonds.

The Company may not be able to repurchase the Bonds upon a change of control.

The Company will agree in the Conditions that it will timely repay all borrowings, or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a change of control offer required to be made pursuant to the Trust Deed. Notwithstanding this agreement, if the Company is unable to repay (or cause to be repaid) all of the borrowings, if any, that would prohibit the repurchase of the Bonds or if the Company is unable to obtain the requisite consents of the holders of such borrowings, or terminate any agreements or instruments that would otherwise prohibit a change of control offer, the Company would continue to be prohibited from purchasing the Bonds. In that case, Vedanta's failure to purchase the tendered Bonds would constitute an event of default under the Conditions.

Certain of the events constituting a change of control under the Bonds will also constitute an event of default under certain other debt instruments. Future debt of the Company may also: (i) prohibit it from purchasing the Bonds in the event of the occurrence of a change of control; (ii) provide that the occurrence of a change of control is a default; or (iii) require repurchase of such debt upon the occurrence of a change of control. Moreover, the exercise by the bondholders of their right to require Vedanta to purchase the Bonds could cause a default under other borrowings, even if the change of control itself does not, due to the financial effect of the purchase on Vedanta. The Company's ability to pay cash to the bondholders following the occurrence of a change of control may be limited by its then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Bonds.

There is no existing market for the Bonds.

There can be no assurance regarding the future development of a market for the Bonds, or the ability of holders of the Bonds to sell their Bonds, or the price at which such holders may be able to sell their Bonds. If a market for the Bonds were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Combined Group's operating results, the market for similar securities, and the rating of the Bonds or Vedanta given by rating agencies. Therefore, there can be no assurance as to the liquidity of any trading market for the Bonds or that an active market for the Bonds will develop.

The market price of the Bonds may be volatile.

The market price of the Bonds could be subject to wide fluctuations in response to numerous factors, many of which are beyond the control of Vedanta. These factors include, among other things, actual or anticipated variations in operating results, earnings releases by the Combined Group and its competitors, changes in financial estimates by securities analysts, market conditions in the industry and the general state of the securities markets, governmental legislation or regulation, currency and exchange rate fluctuations, interest rates, the rating of the Bonds or the Combined Group given by the rating agencies, as well as general economic and market conditions, such as recessions.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risk of an investment in the Bonds;

(iv) understand thoroughly the terms of the Bonds; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Bonds, which are complex financial instruments, unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Early redemption may adversely affect the Bondholders' return on the Bonds.

The Bonds may be redeemed at the option of the Company at any time. This feature of the Bonds may limit their market value. During the period when the Company may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. The Company may be expected to exercise its option to redeem the Bonds when its cost of borrowing is lower than the interest rate on the Bonds.

Further, in the event that the Company would be obliged to pay additional amounts in respect of any Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any authority therein or thereof having power to tax, the Company may redeem in whole, but not in part, the Bonds of any series in accordance with the Conditions.

In either of these circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security with an effective rate equal to that of the Bonds.

Risks relating to change of law.

The Conditions of the Bonds will be based on English law as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or any administrative practice thereof after the date of this Offering Circular.

No voting rights.

Holders of the Bonds do not have any right to vote at any shareholders' meetings of the Company. Consequently, Bondholders cannot influence any decisions by the Board of Directors of the Company or any decisions by shareholders concerning the Company's capital structure, including the declaration of dividends in respect of the Company's ordinary shares.

Interest rate risks.

The Bonds are fixed interest rate securities. Subsequent changes in market interest rates may adversely affect the value of the Bonds.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Bonds or the Company's senior unsecured indebtedness. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold Bonds and may be revised or withdrawn by the rating agency at any time.

The Trustee may not take action on behalf of the Bondholders

The Conditions and the terms of the Trust Deed provide that, in certain circumstances, the Trustee may take action on behalf of the Bondholders, but only if the Trustee is indemnified and/or secured (including by way of payment in advance) to its satisfaction. It may not, depending on the particular circumstances at the relevant time, be possible for the Trustee to take certain actions in relation to the Bonds and accordingly, in such circumstances, the Trustee will be unable to take such actions, notwithstanding the provision for an indemnity and/or security to it and, as a result and if possible, it will be up to the Bondholders to take such action directly.

Investors must rely on clearing systems in order to trade their beneficial interests in, and to receive any applicable payments relating to, the Bonds.

The Bonds will not be represented by individual certificates and will instead be represented by global certificates. As a result, investors must rely on applicable clearing systems in order to trade their beneficial interests in, and to receive any applicable payments relating to, the Bonds.

USE OF PROCEEDS

The net proceeds from this offering, after deduction of underwriting fees, discounts and commissions and other estimated expenses associated with this offering, are expected to be approximately $1,628.1 million.

Upon consummation of the Acquisition, the Company intends to use the net proceeds from this offering to finance a portion of the purchase price for the Acquisition, fund the interest reserve account under its $3.5 billion term loan facility, and to pay related fees and expenses, which will result in a cancellation of commitments under the Bridge to Bond. See "Description of Material Indebtedness — Vedanta Group Material Indebtedness — $3.5 billion Term Loan Facility Agreement dated 17 November 2010, between TSMHL as borrower and Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, Goldman Sachs International, J.P. Morgan plc, Morgan Stanley Bank International Limited, Standard Chartered Bank and The Royal Bank of Scotland N.V. as arrangers".

In the event that the Acquisition does not proceed for any reason, Vedanta intends to use the net proceeds from this offering to fund capital expenditure, repay debt and for other general corporate purposes.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the Vedanta Group's ratio of earnings(1) to fixed charges(2) for the periods indicated.

Year Ended 31 March		
2009	2010	2011
3.67	3.86	4.48

Notes:

(1) Earnings include pre-tax income from continuing operations and fixed charges less interest capitalised.

(2) Fixed charges include interest expensed and capitalised and amortised premiums, discounts and capitalised expenses related to indebtedness.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the called-up share capital of Vedanta and the borrowing and indebtedness of the Vedanta Group as of 31 March 2011:

- on a historical basis;
- as adjusted to give effect to this offering and the application of proceeds from this offering, assuming that the Acquisition is not consummated.

This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations for Vedanta", "Use of Proceeds" and Vedanta's Annual Financial Statement's prepared in accordance with IFRS, the related notes and other financial information contained elsewhere in this Offering Circular.

	As of 31 March 2011		
	Actual	Adjustment	As adjusted assuming the Acquisition is not consummated
		($ million)	
Share Capital(1)	29.7	—	29.7
Share Premium and Reserve	5,619.2	—	5,619.2
Share premium account	196.8	—	196.8
Share based payment reserve	20.5	—	20.5
Convertible bond reserve	453.3	—	453.3
Hedging reserve	38.2	—	38.2
Other reserves	1,452.4	—	1,452.4
Treasury shares	(556.9)		(556.9)
Retained Earnings	4,014.9	—	4,014.9
Non-Controlling Interest	8,030.1		8,030.1
Total Equity	**13,679.0**		**13,679.0**
Term loans — secured (repayable > 1 year)	151.6		151.6
Term loans — unsecured (repayable > 1 year)	1,409.5		1,409.5
Term loans — secured (repayable < 1 year)	1,478.2		1,478.2
Term loans — unsecured (repayable < 1 year)	373.0		373.0
Other borrowings and indebtedness — secured (repayable < 1 year)	652.4		652.4
Other borrowings and indebtedness — unsecured (repayable < 1 year)	541.5		541.5
Other borrowings and indebtedness — secured (repayable > 1 year)	1,336.6		1,336.6
Other borrowings and indebtedness — unsecured (repayable > 1 year)	1,538.2		1,538.2
Convertible bonds	2,271.5	—	2,271.5
Bonds offered hereby(2)	—	1,650	1,650
Total Indebtedness(3)	**9,752.5**	**1,650**	**11,402.5**
Total Capitalisation	**23,431.5**	**1,650**	**25,081.5**

(1) Vedanta's authorised share capital as of 31 March 2011 was $40,000,000 and £50,000, comprising 400,000,000 ordinary shares and 50,000 deferred shares, respectively. Vedanta's issued share capital as of that date was 29.7 million. Of the 50,000 deferred shares, one deferred share was issued at par and has been fully paid, and 49,999 deferred shares were each paid up as to one-quarter of their nominal value.

(2) This assumes that $1,650 million will be raised with the issuance of these bonds. The Bridge to Equity financing arrangement will be cancelled if the Acquisition is not consummated. In the event that the Acquisition does not proceed for any reason, Vedanta intends to use the net proceeds from this offering to fund capital expenditure, repay debt and for other general corporate purposes.

(3) The Company had outstanding indemnities and guarantees in the amount of $2,148.8 million as of 31 March 2011 which has not been included in the table above.

The following table sets out the called-up share capital of Vedanta and the borrowing and indebtedness of the Vedanta Group as of 31 December 2010:

- on a pro forma basis to give effect to the issue of the Bonds and assuming that the Acquisition is consummated.

The following table was not updated to reflect results for the year ended 31 March 2011 because financial statements prepared in accordance with IFRS for the year ended 31 March 2011 for the Cairn India Group is not available. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations for Vedanta", "Use of Proceeds", "Pro Forma Financial Information" and Vedanta's Annual Financial Statement's prepared in accordance with IFRS, the related notes and other financial information contained elsewhere in this Offering Circular.

	31 December 2010
	Pro forma(3)(4) as adjusted assuming the Acquisition is consummated
Share Capital(1)	29.6
Share Premium and Reserve	5,477.0
Share premium account	196.8
Share based payment reserve	38.9
Convertible bond reserve	470.0
Hedging reserve	44.5
Other reserves	1,506.0
Treasury Shares	(556.9)
Retained Earnings	3,777.7
Non-Controlling Interest	8,671.4
Total Equity	**14,178.0**
Term loans — secured (repayable > 1 year)	3,606.7
Term loans — unsecured (repayable > 1 year)	1,405.6
Term loans — secured (repayable < 1 year)	249.7
Term loans — unsecured (repayable < 1 year)	1,493.6
Other borrowings and indebtedness — secured (repayable < 1 year)	1,013.6
Other borrowings and indebtedness — unsecured (repayable < 1 year)	243.1
Other borrowings and indebtedness — secured (repayable > 1 year)	3,937.0
Other borrowings and indebtedness — unsecured (repayable > 1 year)	1,390.2
Convertible bonds	2,291.8
Bonds offered hereby	1,650
Total Indebtedness(2)	**17,281.3**
Total Capitalisation	**31,459.3**

(1) Vedanta's authorised share capital as of 31 December 2010 was $40,000,000 and £50,000, comprising 400,000,000 ordinary shares and 50,000 deferred shares, respectively. Vedanta's issued share capital as of that date was 29.6 million. Of the 50,000 deferred shares, one deferred share was issued at par and has been fully paid, and 49,999 deferred shares were each paid up as to one-quarter of their nominal value.

(2) The Company had outstanding indemnities and guarantees in the amount of $2,472.1 million as of 31 December 2010.

(3) The pro forma numbers do not give effect to changes since 31 December 2010 for Vedanta and to changes since 30 September 2010 for the Cairn India Group. The pro forma numbers have been derived from the Pro Forma Financial Information section of this Offering Circular.

(4) The pro forma figures have been prepared to give effect to (a) the Acquisition; (b) borrowings of $4.5 billion related to the Bridge to Equity and term loan facilities, (c) $1,650 million borrowing to be raised with the issuance of the Bonds or drawdown on the Bridge to Bond and other borrowings including ICICI Bank loans and Axis Bank loans of $800 million and Sesa Goa borrowings of $659.4 million.

EXCHANGE RATES

Substantially all of the Company's revenue is denominated or paid with reference to US dollars and most of the Company's expenses are incurred and paid in Indian Rupees, Australian dollars and Zambian Kwacha. The Company reports its financial results in US dollars. The exchange rates among the Indian Rupee and the US dollar have changed substantially in recent years and may fluctuate substantially in the future. The results of the Company's operations are affected as the Indian Rupee appreciates or depreciates against the US dollar and, as a result, any such appreciation or depreciation may affect the market price of the Bonds.

The following table sets forth, for the periods indicated, information concerning the exchange rates between Indian Rupees and US dollars based on the RBI Reference Rate for the periods indicated:

	Period End	Average(1)	High	Low
Fiscal Year:				
2006	INR44.61	INR44.30	INR46.33	INR43.30
2007	43.59	45.22	46.95	43.14
2008	39.97	40.13	43.15	39.27
2009	50.95	46.32	52.06	39.89
2010	45.14	47.36	50.53	44.94
2011	44.65	45.59	47.57	44.03
2012 (through 13 May 2011)	44.91	44.65	44.91	44.04
Month:				
November 2010	INR46.04	INR45.02	INR46.04	INR44.25
December 2010	44.81	45.16	45.70	44.81
January 2011	45.95	45.39	45.95	44.67
February 2011	45.18	45.44	45.81	45.11
March 2011	44.65	44.99	45.27	44.65
April 2011	44.38	44.37	44.68	44.04
May 2011 (through 13 May 2011)	44.91	44.64	44.91	44.03

Note:

(1) Represents the average of the RBI Reference Rate on the last day of each month during the period for all fiscal years presented and the average of the RBI Reference Rates for all days during the period for all months presented.

Although the Company has translated selected Indian Rupee amounts in this Offering Circular into US dollars for convenience, this does not mean that the Indian Rupee amounts referred to represent US dollar amounts or have been, could have been or could be converted to US dollars at any particular rate, the rates stated above, or at all. Unless otherwise stated herein, all translations in this Offering Circular from Indian Rupees to US dollars are based on the RBI Reference Rate on 31 March 2011, which was INR 44.65 per $1.00.

The following table sets forth, for the periods indicated, information concerning the exchange rates between Australian dollars and US dollars based on the noon buying rate in New York City for cable transfers in Australian dollars as certified by the Federal Reserve Bank of New York:

	Period End(1)	Average(1)(2)	High	Low
Fiscal Year:				
2006	AUD1.40	AUD1.33	AUD1.42	AUD1.28
2007	1.23	1.30	1.39	1.23
2008	1.10	1.14	1.27	1.06
2009	1.44	1.31	1.65	1.02
2010	1.09	1.17	1.44	1.07
2011	0.97	1.06	1.22	0.97
2012 (through 13 May 2011)	0.95	0.93	0.97	0.91
Month:				
November 2010	AUD1.04	AUD1.01	AUD1.04	AUD0.99
December 2010	0.99	1.01	1.03	0.98
January 2011	1.00	1.00	1.01	0.98
February 2011	0.98	0.99	1.00	0.98
March 2011	0.97	0.99	1.02	0.97
April 2011	0.91	0.94	0.97	0.91
May 2011 (through 13 May 2011)	0.95	0.93	0.95	0.91

(1) The Noon Buying Rate at each period end and the average Noon Buying Rate for each period may have differed from the exchange rates used in the preparation of financial statements included elsewhere in this Offering Circular.

(2) Represents the average of the Noon Buying Rates on the last day of each month during the period for all fiscal years presented and the average of the Noon Buying Rates for all days during the period for all months presented.

Although the Company has translated selected Australian dollar amounts in this Offering Circular into US dollars for convenience, this does not mean that the Australian dollar amounts referred to represent US dollar amounts or have been, could have been or could be converted to US dollars at any particular rate, the rates stated above, or at all. Unless otherwise stated herein, all translations in this Offering Circular from Australian dollars to US dollars are based on the Noon Buying Rate on 31 March 2011 which was AUD 1 = $1.0358

The following table sets forth, for the periods indicated, information concerning the exchange rates between Zambian Kwachas and US dollars based on the spot rates provided by Bloomberg:

	Period End(1)	Average(1)(2)	High	Low
Fiscal Year:				
2006	ZMK3,250	ZMK4,044	ZMK4,712	ZMK3,175
2007	4,230	3,903	4,440	3,020
2008	3,660	3,861	4,245	3,590
2009	5,595	4,242	5,775	3,160
2010	4,680	4,850	5,738	4,395
2011	4,710	4,853	5,260	4,590
2012 (through 13 May 2011)	4,750	4,728	4,775	4,695
Month:				
November 2010	ZMK4,945	ZMK4,697	ZMK4,945	ZMK4,615
December 2010	4,800	4,732	4,895	4,620
January 2011	4,830	4,764	4,830	4,720
February 2011	4,760	4,775	4,830	4,740
March 2011	4,710	4,753	4,840	4,680
April 2011	4,705	4,709	4,725	4,695
May 2011 (through 13 May 2011)	4,750	4,742	4,775	4,705

(1) The last price at each period end and the average last price for each period may have differed from the exchange rates used in the preparation of financial statements included elsewhere in this Offering Circular.

(2) Represents the average of the last price on the last day of each month during the period for all fiscal years presented and the average of the last price for all days during the period for all months presented.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present the selected historical consolidated financial information for the Company for the periods ended and at the dates indicated below. The summary historical consolidated financial information as of and for the years ended 31 March 2009, 2010 and 2011 has been derived from the Annual Financial Statements included elsewhere in this Offering Circular. The Company's historical results do not necessarily indicate the Company's expected results for any future period. The Company's consolidated financial statements have been prepared and presented in accordance with IFRS.

You should read the following information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations for Vedanta", the Annual Financial Statements and the notes thereto included elsewhere in this Offering Circular.

Certain fiscal 2009 and 2010 comparative amounts have been reclassified to conform with the presentation of fiscal 2011 financial information. Reclassification include items as described in footnote 2a of Vedanta's Annual Financial Statements for the year ended 31 March 2011.

Vedanta Group

Consolidated Income Statement

	Year Ended 31 March		
	2009	**2010**	**2011**
		($ million)	
Continuing operations			
Revenue	$ 6,578.9	$ 7,930.5	$ 11,427.2
Cost of sales	(5,136.1)	(5,761.1)	(8,107.0)
Gross profit	**$ 1,442.8**	**$ 2,169.4**	**$ 3,320.2**
Other operating income	115.9	87.8	**73.9**
Distribution costs	(163.0)	(229.5)	(319.6)
Administrative expenses	(256.8)	(294.8)	(376.7)
Special items	(31.9)	(67.3)	(163.5)
Operating profit	**$ 1,107.0**	**$ 1,665.6**	$ **2,534.3**
Investment revenues	456.2	272.8	431.6
Finance costs	(288.1)	(236.6)	(534.7)
Other (losses)/gains	(94.1)	139.8	252.1
Profit before taxation	**$ 1,181.0**	**$ 1,841.6**	$ **2,683.3**
Tax expense	(280.5)	(330.4)	(649.5)
Profit for the year	**$ 900.5**	**$ 1,511.2**	$ **2,033.8**
Attributable to:			
Equity holders of the parent	219.4	602.3	770.8
Non controlling interests	681.1	908.9	1,263.0
	$ 900.5	**$ 1,511.2**	$ **2,033.8**
Basic earnings per ordinary share (US cents)	76.4	219.6	283.2
Diluted earnings per ordinary share (US cents)	75.8	203.2	270.2

Consolidated Balance Sheet

	As at 31 March		
	2009	2010	2011
		($ million)	
ASSETS			
Non-current assets			
Goodwill	$ 12.2	$ 12.2	$ 12.2
Intangible assets	—	—	162.1
Property, plant and equipment	9,348.4	14,326.7	17,189.5
Financial asset investments	91.6	201.2	304.2
Other non-current assets	21.4	18.3	24.6
Other financial assets (derivatives)	52.8	43.7	99.4
Deferred tax assets	11.2	8.9	18.2
	$ 9,537.6	**$ 14,611.0**	**$ 17,810.2**
Current assets			
Inventories	909.3	1,260.6	1,924.6
Trade and other receivables	735.0	923.6	1,328.6
Other current financial assets (derivatives)	82.0	10.4	40.9
Liquid investments	4,532.1	6,849.4	6,865.4
Cash and cash equivalents	380.5	390.0	911.6
Current tax assets	—	15.0	18.6
	$ 6,638.9	**$ 9,449.0**	**$ 11,089.7**
TOTAL ASSETS	**$16,176.5**	**$ 24,060.0**	**$ 28,899.9**
LIABILITIES			
Current liabilities			
Short term borrowings	(1,298.5)	(1,012.6)	(3,045.1)
Trade and other payables	(1,967.7)	(2,559.2)	(3,407.5)
Other current financial liabilities (derivatives)	(114.7)	(38.5)	(9.3)
Provisions	(6.9)	(0.9)	(22.8)
Current tax liabilities	(47.6)	(71.7)	(68.2)
	$ (3,435.4)	**$ (3,682.9)**	**$ (6,552.9)**
Net current assets	**$ 3,203.5**	**$ 5,766.1**	**$ 4,536.8**
Non-current liabilities			
Medium and long term borrowings	(3,212.3)	(4,383.2)	(4,435.9)
Convertible bonds	(604.1)	(2,777.8)	(2,271.5)
Trade and other payables	(76.4)	(306.4)	(148.1)
Other financial liabilities (derivatives)	(59.7)	(44.7)	(94.2)
Deferred tax liabilities	(1,010.6)	(1,209.3)	(1,348.1)
Retirement benefits	(29.3)	(36.6)	(56.8)
Provisions	(165.5)	(167.6)	(301.5)
Non equity non-controlling interests	(11.9)	(11.9)	(11.9)
	$ (5,169.8)	**$ (8,937.5)**	**$ (8,668.0)**
TOTAL LIABILITIES	**$ (8,605.2)**	**$(12,620.4)**	**$(15,220.9)**
NET ASSETS	**$ 7,571.3**	**$ 11,439.6**	**$ 13,679.0**

	As at 31 March		
	2009	2010	2011
		($ million)	
EQUITY			
Share capital	28.9	29.6	29.7
Share premium account	21.1	196.8	196.8
Share based payment reserves	14.0	25.5	20.5
Convertible bond reserve	111.5	305.9	453.3
Hedging reserves	(39.6)	27.8	38.2
Other reserves	1,168.9	2,463.8	1,452.4
Treasury shares	(80.3)	(428.9)	(556.9)
Retained earnings	1,888.1	2,090.0	4,014.9
Equity attributable to equity holders of the parent	**3,112.6**	**4,710.5**	**5,648.9**
Non-controlling interests	4,458.7	6,729.1	8,030.1
TOTAL EQUITY	**7,571.3**	**11,439.6**	**13,679.0**

Consolidated Cash Flow Statement

	Year Ended 31 March		
	2009	2010	2011
		($ million)	
Operating activities			
Profit before taxation	$ 1,181.0	$ 1,841.6	$ 2,683.3
Adjustments for:			
Depreciation	473.2	563.0	869.0
Investment revenues	(456.2)	(272.8)	(431.6)
Finance costs including foreign exchange	382.2	96.8	282.6
Share based payment charge	13.1	15.6	18.4
Inventory net realisable value write down	79.0	—	—
Impairment of asset	—	2.7	118.3
Other non-cash items	12.6	41.3	(7.7)
Operating cash flows before movements in working capital	**$ 1,684.9**	**$ 2,288.2**	**$ 3,532.3**
Decrease/(increase) in inventories	69.9	(249.4)	(534.5)
Increase/(decrease) in receivables	167.9	16.4	(398.5)
Increase in payables	383.9	205.2	585.7
Cash generated from operations	**$ 2,306.6**	**$ 2,260.4**	**$ 3,185.0**
Dividends received	241.9	142.7	160.4
Interest income received	130.2	150.1	194.7
Interest paid	(399.9)	(455.3)	(625.7)
Income taxes paid	(330.8)	(407.8)	(756.5)
Dividends paid	(118.8)	(117.9)	(129.9)
Net cash from operating activities	**$ 1,829.2**	**$ 1,572.2**	**$ 2,028.0**
Cash flows from investing activities			
Net cash on acquisition of subsidiary	—	(300.4)	(1,124.4)
Purchases of property, plant and equipment	(2,799.6)	(2,362.1)	(2,491.4)
Proceeds on disposal of property, plant and equipment	7.9	12.1	28.3
Sale/(Purchase) of liquid investments	(961.9)	(1,663.4)	178.4
Sale/(Purchase) of financial asset investments	(85.4)	17.9	(25.9)
Net cash used in investing activities	**$(3,839.0)**	**$(4,295.9)**	**$(3,435.0)**

	Year Ended 31 March		
	2009	2010	2011
		($ million)	
Cash flows from financing activities			
Issue of ordinary shares	0.1	0.7	0.1
Issue of depository receipts by subsidiary	—	1,090.1	—
Dividends paid to non controlling interests of subsidiaries	(56.1)	(68.4)	(87.4)
Buyback of Shares	(80.3)	(348.6)	(128.0)
Buyout of non-controlling interest	(316.8)	(189.7)	(122.1)
(Decrease)/Increase in short-term borrowings	209.0	(360.6)	1,863.2
Increase in long-term borrowings	1,999.1	2,859.0	161.6
Net cash from financing activities	**$ 1,755.0**	**$ 2,982.5**	**$ 1,687.4**
Net (decrease)/increase in cash and cash equivalents	(254.8)	258.8	280.4
Effect of foreign exchange rate changes	177.1	(249.3)	241.2
Cash and cash equivalents at beginning of year	458.2	380.5	390.0
Cash and cash equivalents at end of year	**$ 380.5**	**$ 390.0**	**$ 911.6**

Consolidated Business Segments Data

On 10 May 2010, Vedanta agreed to acquire various zinc assets for a total consideration of $1,513.1 million. The net cash available at these entities as of 10 May 2010 was $359.2 million. These zinc assets comprise Skorpion, which owns the Skorpion mine and refinery in Namibia, a 74% stake in Black Mountain Mining, which assets include the Black Mountain mine and the Gamsberg project, in South Africa and Lisheen, which owns the Lisheen mine in Ireland. These assets are monitored together in one segment and therefore have been categorised as a separate reportable segment "Zinc- International".

The energy segment includes the sale of and related costs of generating surplus power from Vedanta's captive power plants for which the related asset carrying values are located within the other business segments. These sales and costs are allocated on a proportionate basis from the segment that owns the captive power plants.

	Year Ended 31 March		
	2009	2010	2011
		($ million)	
Revenues:			
Copper			
India/Australia	$2,537.9	$2,741.4	$ 3,428.2
Zambia	773.1	1,070.8	1,741.3
Zinc India	1,209.1	1,651.7	2,152.8
Zinc International	—	—	218.9
Aluminium	937.1	914.2	1,570.1
Iron ore	1,070.4	1,221.7	1,977.9
Energy	51.3	330.7	338.0
Total	**$6,578.9**	**$7,930.5**	**$11,427.2**
Segment results after special:			
Copper			
India/Australia	$ 242.9	$ 65.9	$ 196.5
Zambia	(165.9)	32.5	309.1
Zinc India	548.3	918.4	1,117.8
Zinc International	—	—	47.2
Aluminium	117.2	50.4	31.2
Iron ore	348.0	453.0	757.6

	Year Ended 31 March		
	2009	2010	2011
		($ million)	
Energy	17.6	147.5	112.0
Eliminations/Other	(1.1)	(2.1)	(37.1)
Total	**$1,107.0**	**$1,665.6**	**$ 2,534.3**
EBITDA(1)			
Copper			
India/Australia	$ 293.7	$ 165.9	$ 241.5
Zambia	(70.8)	151.8	439.9
Zinc India	603.3	982.8	1,220.2
Zinc International	—	—	101.3
Aluminium	177.4	154.9	258.2
Iron ore	557.1	673.0	1,174.1
Energy	53.3	170.7	137.8
Others	(1.8)	(3.2)	(6.2)
Total	**$1,612.2**	**$2,295.9**	**$ 3,566.8**
Other Data and Ratios			
Net Debt(2)/Capitalisation(%)	2.6%	7.6%	12.6%
Interest Coverage Ratio (Times)	5.6	9.7	6.7
Net Debt(2)/EBITDA (Times)	0.1	0.4	0.6
Debt/EBITDA(1) (Times)	3.2	3.6	2.7

Notes:

(1) The Company defines EBITDA as operating profit before special items and depreciation. The Company's EBITDA may not be comparable to similarly titled measures reported by other companies due to potential inconsistencies in the method of calculation. The Company has included its EBITDA because the Company believes it is an indicative measure of its operating performance and is used by investors and analysts to evaluate companies in the same industry. The Company's EBITDA should be considered in addition to, and not as a substitute for, other measures of financial performance and liquidity reported in accordance with IFRS. The Company believes that the inclusion of supplementary adjustments applied in its presentation of EBITDA are appropriate because the Company believes it is a more indicative measure of its baseline performance as it excludes certain charges that the Company's management considers to be outside of its core operating results. In addition, the Company's EBITDA is among the primary indicators that its management uses as a basis for planning and forecasting of future periods. The following table reconciles net income to EBITDA and segment result after special items: The Company defines segment result after special items as EBITDA less special items related to transaction costs relating to the proposed acquisition of Asarco, voluntary retirement schemes, acquisition related costs impairment of mining reserves and losses in respect of obligations to an associate.

(2) For the purposes of the Net Debt/Capitalisation and the Net Debt/EBITDA ratio only, the Company defines Net Debt as Debt minus Cash and Cash Equivalents and Liquid Investments.

	Year Ended 31 March		
	2009	2010	2011
		($ million)	
Profit for the year	$ 900.5	$1,511.2	$2,033.8
Plus:			
Depreciation and Amortization	473.3	563.0	869.0
Investment Revenues	(456.2)	(272.8)	(431.6)
Finance Costs	288.1	236.6	534.7
Other gains & Losses	94.1	(139.8)	(252.1)
Taxation expense	280.5	330.4	649.5
Special items(1)	31.9	67.3	163.5
EBITDA	**$1,612.2**	**$2,295.9**	**$3,566.8**

(1) Special items include the transaction costs relating to the proposed acquisition of Asarco, voluntary retirement schemes, acquisition related costs, impairment of mining reserves and losses in respect of obligation to an associate.

The summary historical consolidated financial information for the Cairn India Group as at and for the twelve months ended 31 March 2010, as at and for the fifteen months ended 31 March 2009 and as at and for the twelve months ended 31 December 2007 has been derived from the audited consolidated financial statements of the Cairn India Group included elsewhere in this Offering Circular. The Cairn India Group's consolidated financial statements set forth below have been prepared and presented in accordance with Indian GAAP. The Cairn India Group's historical results do not necessarily indicate its expected results for any future period. The financial year of the Cairn India Group beginning 1 January 2008 was changed as it was extended by a period of three months, so the financial year ended 31 March 2009 was a 15 month period. Accordingly, the numbers for the year ended 31 December 2007 are not comparable with the numbers of the 15 month period ended 31 March 2009. The change in the year end was made in order for Cairn India Group to be in compliance with the IFRS provisions which were anticipated to take effect from 1 April 2011.

You should read the following information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations for Cairn India" and the consolidated financial statements and the notes thereto included elsewhere in this Offering Circular.

The financial data for the Cairn India Group included in this Offering Circular:

1. has been extracted from its financial statements which were prepared in accordance with Indian GAAP, which is significantly different from IFRS under which Vedanta's financials are prepared. Vedanta has not attempted to provide any reconciliation or quantitative impact of IFRS on the Cairn India Group's financials;

2. in respect of the profit and loss account, prepared in accordance with Indian GAAP, for the nine months ended 31 December 2010 and 2009, has not been subject to an audit or subject to a review by the independent auditors of the Cairn India Group; and

3. is presented as of the date indicated and no steps have been taken to ascertain whether there have been any updates, including any trends or events, subsequent to the dates indicated.

See "Risk Factors — Risks of the Cairn India Business and the Acquisition — All information, including the financial data, relating to the Cairn India Group, included in this Offering Circular ("Cairn Information") has been extracted solely from Public Sources (as defined below) and has not been independently verified by Vedanta or its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners or the Co-Manager" and "Risk Factors — Risks of the Cairn India Business and the Acquisition — Significant differences exist between Indian GAAP and other accounting principles, such as IFRS, with which investors may be more familiar."

The Cairn India Group does not have any direct or indirect interest in the Bonds to be issued by Vedanta and does not accept any claims or liabilities suffered by the Vedanta Group or any prospective bondholder or other third party, arising howsoever, directly or indirectly, from reliance made on any representations or statements contained in this Offering Circular or from the issue of the Bonds.

Cairn India Group

Consolidated Profit and Loss information

	12 Months Ended 31 December 2007	15 Months Ended 31 March 2009	12 Months Ended 31 March 2010
		(INR thousands)	
Income			
Income from operations	10,122,627	14,326,716	16,230,261
Other income	1,324,089	5,071,600	4,076,616
	11,446,716	**19,837,040**	**20,306,877**
Expenditure			
Operating expenses	1,945,812	2,129,743	4,248,252
Depletion	1,906,379	2,635,431	1,376,477
Unsuccessful exploration costs	2,512,282	1,683,851	2,085,346
Staff Costs	—	1,150,010	1,101,635
Administrative expenses	3,884,855	1,727,069	1,372,497
(Increase)/decrease in inventories	(111,715)	222,342	(366,021)
Prior period items	—	283,045	68,716
Depreciation and amortisation	33,701	62,593	108,588
Finance costs	16,174	64,090	148,031
	10,187,488	**9,958,174**	**10,143,521**
Profit before taxation	**1,259,228**	**9,878,866**	**10,163,356**
Current tax	387,756	1,336,282	2,216,325
MAT credit entitlement	—	(225,490)	(1,372,228)
Deferred tax (credit)/charge	764,194	623,354	(1,086,649)
Fringe Benefit Tax	352,719	110,214	(105,218)
Wealth tax	—	—	67
	1,504,669	**1,844,360**	**(347,703)**
Profit for the year/period	**(245,441)**	**8,034,506**	**10,511,059**
Surplus/(Deficit) brought forward from the previous period	(211,743)	(457,184)	7,577,322
Surplus carried to Balance sheet	**(457,184)**	**7,577,322**	**18,088,381**

The financial data for the Cairn India Group for the nine months ended 2009 and 2010 is presented in Lakhs. One Lakh is INR 100,000.

Profit and Loss information

	Nine Months Ended 31 December	
	2010	2009
	(INR Lakhs)	
Income from operations	662,346	93,020
Other operating income	—	—
	662,346	**93,020**
Expenditure		
(Increase)/Decrease in stock-in-trade	(3,524)	(10,662)
Operating expenses	110,211	24,054
Employee costs	8,039	8,334
Depreciation, depletion & amortization	72,862	11,035
Administration costs	9,148	10,026
Foreign exchange fluctuation	6,269	—
Exploration costs	9,594	8,663
Total	**212,599**	**51,450**
Profit/(Loss) from Operations before Other Income, Interest & Exceptional	**449,747**	**41,570**
Other Income	8,831	33,444
Profit/(Loss) before Interest & Exceptional Items	**458,578**	**75,014**
Interest and finance costs	25,157	2,761
Profit/(Loss) after Interest but before Exceptional Items	**433,421**	**72,253**
Exceptional Items	—	—
Profit/(Loss) from Ordinary Activities before tax	**433,421**	**72,253**
Tax expense		
Current tax	106,240	17,382
MAT credit entitlement	(63,711)	(11,024)
Deferred tax	3,231	(13,643)
Fringe benefit tax	—	(1,052)
Total	45,760	(8,337)
Net Profit/(Loss) from Ordinary Activities after tax	**387,661**	**80,590**
Extraordinary items (net of tax expense)	—	—
Net Profit/(Loss) for the period	**387,661**	**80,590**

Notes:

(1) The individual items in the above financial results are net of amounts cross charged to oil and gas blocks where the Cairn India Group (the "Group" as used in these notes only) is the operator. The Group's share of such net expenses in oil and gas blocks is treated as exploration, development or operating costs, as the case may be.

(2) Employee costs for the current quarter and nine month period include stock option charge of 994 lakhs and 3,040 lakhs respectively, computed under the Intrinsic Value Method. The said charge for the current quarter and nine month period would have been 2,128 lakhs and 6,655 lakhs respectively, if computed under the Fair Value (Black Scholes) Method.

(3) 3,281,463 additional equity shares were issued during the current quarter on exercise of stock options by the employees of the Cairn India Group.

(4) Exploration costs include costs pertaining to geological/geophysical studies, seismic studies, other surveys and unsuccessful wells and have been charged to the profit and loss account as per the provisions of the Successful Efforts Method of accounting.

(5) During the nine month period, Cairn India Group has changed the accounting policy for valuation of oil and condensate inventory from "net realizable value" to "cost or net realizable value, whichever is lower". Accordingly, value of inventory as at 31 December 2010 is lower by 30,079 lakhs and profit after tax for the nine month period is lower by 29,266 lakhs.

(6) The shareholders of the Company have approved a Scheme of Arrangement between the Company and some of its wholly owned subsidiaries, to be effective from 1 January 2010. The Scheme of Arrangement has been approved by the Hon'ble High Court of Madras and the Honourable High Court of Bombay; however, it is pending for approval from other regulatory authorities. Pending receipt of such approvals, no accounting impact of the scheme has been given in the above results.

(7) The holding company of Cairn India Ltd., Cairn UK Holdings Limited, along with its holding company, Cairn Energy Plc. (Company's ultimate holding company) has agreed to sell a substantial part of its investment in the Company to Twin Star Holdings Ltd. and Vedanta Resources Plc. This transaction has been approved by shareholders of both Cairn Energy Plc. and Vedanta Resources Plc. However, pending receipt of certain regulatory approvals, Cairn Energy Plc. has been treated as the promoter of the Company and disclosures have been made accordingly.

(8) The Group operates in only one segment i.e. "Oil and Gas Operations".

(9) Previous quarter / nine month / year figures have been regrouped / rearranged wherever necessary to confirm to the current quarter's presentation.

Consolidated Balance Sheet

	As at 31 December 2007	As at 31 March 2009	As at 31 March 2010
		(INR thousands)	
Sources of Funds			
Shareholders' Funds			
Share capital	17,783,994	18,966,678	18,969,741
Stock options outstanding	947,084	388,978	463,978
Reserves and surplus	276,084,115	308,667,596	319,249,603
	294,815,193	**328,023,252**	**338,683,322**
Loan funds			
Secured loans	169,361	222,402	34,007,131
Unsecured loans	2,955,000	43,341,500	—
	3,124,361	**43,563,902**	**34,007,131**
Deferred tax liabilities (net)	4,916,494	5,623,782	4,619,418
	302,856,048	**377,210,936**	**377,309,871**
Application of Funds			
Fixed assets			
Gross cost	1,092,632	1,434,686	2,227,578
Less: Accumulated depreciation/amortisation	606,126	801,843	958,067
Net book value	**486,506**	**632,843**	**1,269,511**
Exploration, Development and Site-restoration costs			
Cost of producing facilities (net)	4,389,517	3,013,742	4,994,770
Exploratory & development work in progress	24,670,264	62,027,323	91,634,579
Net book value	**29,059,781**	**65,041,065**	**96,629,349**
Goodwill	253,192,675	253,192,675	253,192,675
Investments	7,128,909	1,712,806	17,124,133
Deferred tax assets (net)	—	83,935	166,215
Current assets, loans and advances			
Inventories	1,216,048	1,682,808	2,909,438
Sundry debtors	1,348,578	1,516,418	3,067,474
Cash and bank balances	13,317,907	65,270,674	9,294,240
Other current assets	134,533	704,244	144,586
Loans and advances	4,867,071	3,505,102	8,317,866
	20,884,137	**72,679,246**	**23,733,604**

	As at 31 December 2007	As at 31 March 2009	As at 31 March 2010
		(INR thousands)	
Less: Current liabilities and provisions			
Current liabilities	4,691,797	11,794,353	9,868,645
Provisions	3,661,347	4,337,281	4,936,971
	8,353,144	**16,131,634**	**14,805,616**
Net Current assets	12,530,993	56,547,612	8,927,988
Profit and Loss Account	457,184		
	302,856,048	**377,210,936**	**377,309,871**

Consolidated Statement of Cash Flows(1)(2)

	12 Months Ended 31 December 2007	15 Months Ended 31 March 2009(4)	12 Months Ended 31 March 2010
		(INR thousands)	
Cash flow from operating activities			
Profit before taxation for the year/period	1,259,228	9,878,866	10,163,356
Adjustments for			
— Employee compensation expense (equity settled stock options	780,365	107,292	89,175
— Depreciation and depletion	2,077,055	2,949,665	1,780,276
— Loss/(Profit) on sale/discard of fixed assets (net)	10,055	1,835	(313)
— Unsuccessful exploration costs	2,512,281	1,683,851	2,085,346
— Share issue expenses	—	208,410	—
— Unrealised exchange loss/(gain) on restatement of assets and liabilities (net)	1,844,459	(1,710,402)	(2,604,018)
— Interest expense	8,256	79,436	59,518
— Profit on sale of non trade current investments (net)	(595,663)	(1,245,686)	(2,385)
— Interest income	(727,431)	1,858,924	(1,375,578)
— Dividend from investments	—	(221,876)	(224,461)
— Loan facility and management fees	—	—	103,834
— Unrealised loss on option contracts	63,010	112,973	—
— Balances written back (net)	—	(143,285)	(143,360)
Operating profit before working capital changes	7,231,615	9,842,155	9,931,390
Movements in working capital:			
(Increase)/decrease in inventories	35,062	(466,761)	(1,226,630)
(Increase)/decrease in debtors	406,420	(108,344)	(1,598,096)
(Increase)/decrease in loans and advances and other current assets	(1,998,426)	186,699	(3,050,580)
Increase/(decrease) in current liabilities and provisions	649,255	1,684,424	(1,206,652)
Cash generated from operations	**6,323,926**	**11,138,173**	**2,849,432**
Current tax/FBT paid (net of refunds)	(819,797)	(1,457,679)	(1,752,558)
Net cash from operating activities (A)	**5,504,129**	**9,680,494**	**1,096,874**
Cash flow from investing activities			
Payments made for acquisition of subsidiaries	(32,763,069)	—	—
Payments made for exploration, development activities and purchase of fixed assets	(11,566,913)	(30,133,147)	(33,662,150)
Short term investments in mutual funds (net)	—	6,661,791	(15,416,641)

	12 Months Ended 31 December 2007	15 Months Ended 31 March 2009(4)	12 Months Ended 31 March 2010
		(INR thousands)	
Fixed deposits made	(14,076,538)	(43,410,755)	(16,716,524)
Proceeds from matured fixed deposits	—	11,686,817	57,327,022
Proceeds from sale of fixed assets	4,270	202	313
Interest received	710,969	1,240,524	2,138,135
Dividend from short term investments received	—	—	222,195
Dividend from long term investments received	—	216,589	—
Net cash used in investing activities (B)	**(64,303,511)**	**(53,737,979)**	**(6,107,650)**
Cash flow from financing activities			
Proceeds from issue of equity shares (including securities premium)	2,093,607	25,523,445	20,363
Payments made for share issue expenses	(1,422,257)	(208,410)	—
Finance lease taken	(204,708)	175,645	9,406
Repayment of finance lease	—	(124,838)	(91,483)
Proceeds from long term borrowings	31,217	37,620,170	34,604,616
Repayment of long term borrowings	(1,517,999)	—	(41,409,564)
Loan facility and management fees paid	—	—	(1,908,255)
Interest paid	(24,503)	(1,464,603)	(1,678,228)
Net cash from/(used in) financing activities (C)	**(1,044,643)**	**61,521,409**	**(10,453,145)**
Net increase/decrease in cash and cash equivalents (A + B + C)	**(59,844,025)**	**17,463,924**	**(15,463,921)**
Cash and cash equivalents at the beginning of the year/period	61,347,832	1,503,807	21,732,635
Cash and cash equivalents at the end of the year/period	1,503,807	18,967,731	6,268,714
Unrealised exchange differences on closing cash and cash equivalents	—	2,764,904	97,984
Cash and cash equivalents as per cash flow statement	**1,503,807**	**21,732,635**	**6,366,698**
Components of cash and cash equivalents as			
Cash in hand	108	626	452
Balances with banks(3)			
on current accounts	609,096	228,024	390,057
on site restoration fund	—	—	143,703
on deposit accounts	12,708,703	65,042,024	8,760,028
Less: Deposits having maturity of over 90 days	(11,814,100)	(43,538,039)	(2,927,542)
	1,503,807	**21,732,635**	**6,366,698**

Notes:

(1) The Cash Flow Statement has been prepared under the "Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements".

(2) Amounts in bracket indicate a cash outflow or reduction.

(3) Bank balance in deposit accounts includes INR 1,955,866 thousand, previous period INR 3,312,342 thousand, pledged with the banks.

(4) Regrouped and rearranged to make it comparable to information for the 12 months ended 31 March 2010.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The unaudited pro forma condensed combined financial information (the "Pro Forma Financial Information") comprising a balance sheet as at 31 December 2010 (the "pro forma balance sheet") and income statements for the nine months ended 31 December 2010 and the year ended 31 March 2010 (the "pro forma income statements") and the related notes has been prepared to give effect to (a) the proposed acquisition of Cairn India (the "Acquisition"), (b) borrowings of $6 billion related to Bridge Acquisition Facilities and other borrowings from ICICI Bank, loans from Axis Bank of $800 million and borrowings by SGL of $659.4 million. The pro forma balance sheet as of 31 December 2010 has been prepared as though the Acquisition occurred as of that date. The pro forma income statements have been prepared as though the Acquisition occurred as of the beginning of the period, namely 1 April 2009. The assumptions underlying the pro forma adjustments are described in the accompanying notes. Cairn India (for IFRS purposes) and Vedanta have 31 December and 31 March year ends respectively and therefore there is a difference of 90 days in the information used to prepare the Pro Forma Financial Information.

The unaudited pro forma financial information has been prepared based upon the following:

- the unaudited condensed consolidated balance sheet of Vedanta as of 31 December 2010 which is included in this Offering Circular that has been prepared in accordance with IAS 34, Interim Financial Reporting;
- the group balance sheet of Cairn India as of 30 September 2010 which is incorporated by reference into this Offering Circular that has been prepared in accordance with IFRS as issued by the EU and included in the circular to shareholders of Vedanta dated 25 November 2010 submitted to the NSM and available for inspection at http://www.Hemscott.com/nsm. The NSM has been appointed by the UK Financial Services Authority to act as the official mechanism for the storage of regulated information in the UK. None of the other information on or contents of that website is incorporated herein by reference;
- the income statement of Vedanta for the twelve months ended 31 March 2010 which is included in this Offering Circular that has been prepared in accordance with IFRS as issued by the EU;
- the group income statement of Cairn India for the twelve months ended 31 December 2009 which is incorporated by reference into this Offering Circular that has been prepared in accordance with IFRS as issued by the EU and included in the circular to shareholders of Vedanta dated 25 November 2010 submitted to the NSM and available for inspection at http://www.Hemscott.com/nsm. The NSM has been appointed by the UK Financial Services Authority to act as the official mechanism for the storage of regulated information in the UK. None of the other information on or contents of that website is incorporated herein by reference;
- the unaudited condensed consolidated income statement of Vedanta for the nine months ended 31 December 2010 which is included in this Offering Circular that has been prepared in accordance with IAS 34, Interim Financial Reporting; and
- the group income statement of Cairn India for the nine months ended 30 September 2010 which is incorporated by reference into this Offering Circular that has been prepared in accordance with IFRS as issued by the EU and included in the circular to shareholders of Vedanta dated 25 November 2010 submitted to the NSM and available for inspection at http://www.Hemscott.com/nsm. The NSM has been appointed by the UK Financial Services Authority to act as the official mechanism for the storage of regulated information in the UK. None of the other information on or contents of that website is incorporated herein by reference.

The Pro Forma Financial Information reflects appropriate adjustments based solely on publicly available information for Cairn India prepared in accordance with IFRS and certain assumptions that the management of Vedanta believes are reasonable and therefore the Pro Forma Financial Information may not include all adjustments required to align Cairn India's accounting policies to those used by Vedanta. The final alignment of accounting policies and determination of the estimates related to the business combination may result in material differences from the Pro Forma Financial Information included herein.

The Pro Forma Financial Information is presented for information purposes only and does not represent what the results of operations would actually have been, had the acquisition occurred on the dates indicated nor does it project the results of operations for any future period. The Pro Forma Financial Information should be read in conjunction with "Capitalisation and Indebtedness", "Use of Proceeds", "Management's Discussion and Analysis of Financial Condition and Results of Operations for Vedanta", "Management's Discussion and

Analysis of Financial Condition and Results of Operations for Cairn India" and the consolidated financial statements and the notes thereto included elsewhere in this Offering Circular.

The Pro Forma Financial Information has been prepared using publicly available financial data of the Cairn India Group as Vedanta and its independent auditors did not have access to the Cairn India Group's books and records. In addition, Vedanta has relied on publicly available IFRS financial data for the Cairn India Group for preparing the Pro Forma Financial Information which fiscal periods are different than the Indian GAAP financial statements for Cairn India Group included in this Offering Circular. Furthermore, the Pro Forma Financial Information has not been updated to reflect the most recent financial information of Vedanta as Vedanta, its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners and the Co-Manager did not have access to the IFRS financial data of the Cairn India for the comparable period. Accordingly, there could be material differences between the Pro Forma Financial Information and Vedanta's actual consolidated financial information going forward if the Acquisition closes successfully. The purchase consideration has been calculated based on the payments made by Vedanta and its subsidiaries on 30 April 2011 of $1,223 million and on 19 April 2011 of $1,478 million for 8.1% and 10.4% of the Cairn India Shares, respectively, together with the expected total consideration payable of $6,648 million for the proposed acquisition of 40.0% of Cairn India to a proposed total shareholding of 58.5%. Potential synergy benefits have been excluded. The presentation currency of Vedanta is US dollars. Any changes in the foreign exchange rate prior to the date at which the proposed Acquisition is consummated may also result in material differences.

The Pro Forma Financial Information was not updated to reflect the balance sheet date at 31 March 2011 and the results for the year ended 31 March 2011 because financial information in accordance with IFRS for the Cairn India Group is not available. In addition, the Pro Forma Financial Information was not prepared in accordance with the requirements of Regulation S-X or the Securities Act or Singapore Securities and Futures Act Chapter 289 or any generally accepted accounting standards.

The Acquisition will be accounted for by Vedanta using the acquisition method pursuant to IFRS 3 (2008), Business Combinations. Under the acquisition method, assets and liabilities are recorded at their fair values on the date of purchase and the total purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed. As of the date of this Offering Circular, the valuation studies necessary to finalise the fair values of the assets acquired and liabilities assumed and the related allocation of the purchase price have not been completed. Accordingly, Vedanta has allocated the total estimated purchase price, calculated as described under "Notes to Unaudited Pro Forma Condensed Consolidated Financial Information," to the assets acquired and liabilities assumed, based on preliminary estimates of their fair values. A final determination of these fair values will reflect, among other things, Vedanta's consideration of a final valuation of the actual net tangible and intangible assets that exist as at the closing of the acquisition as well as any corresponding income tax effects. Any final adjustments during the one year measurement period from the acquisition date will change the allocation of the purchase price which will affect the fair value assigned to the assets and liabilities and could result in a material change to the unaudited pro forma condensed consolidated financial information.

Unaudited Pro Forma Condensed Balance Sheet

Description	Vedanta(1) 31 December 2010	Cairn India(2) 30 September 2010	Adjustments	Notes	Pro forma combined
		($ million)			
Goodwill	12.2	—	—		12.2
Intangibles	—	380.5	—		380.5
Property Plant and Equipment	16,234.8	2,099.1	12,090.6	(1b)	30,424.5
Financial Asset Investments	320.2	—	—		320.2
Other Non-Current Assets	24.6	—	—		24.6
Other Financial Asset (Derivatives)	100.2	—	—		100.2
Deferred Tax Asset	69.7	—	—		69.7
Total Non-Current Asset	**16,761.7**	**2,479.6**	**12,090.6**		**31,331.9**
Inventories	1,960.2	29.6	—		1,989.8
Trade and Other Receivables	1,313.7	558.0	—		1,871.7
Other Current Financial Asset (Derivatives)	18.0	1.6	—		19.6

Description	Vedanta(1) 31 December 2010	Cairn India(2) 30 September 2010	Adjustments	Notes	Pro forma combined
			($ million)		
Cash and Cash Equivalents	273.4	407.6	—		681.0
Liquid Investments	6,722.3	181.1	(1,890.0)	(2)	5,013.4
Current Tax Assets	—	6.7	—		6.7
Total Current Asset	**10,287.6**	**1,184.6**	**(1,890.0)**		**9,582.2**
Total Assets	**27,049.3**	**3,664.2**	**10,200.6**		**40,914.1**
Short Term Borrowings	(2,340.6)	—	(659.4)	(2)	(3,000.0)
Trade and Other Payables Current	(3,177.7)	(454.1)	—		(3,631.8)
Obligations under finance lease	—	(1.6)	—		(1.6)
Other Current Financial Liabilities (Derivatives)	(42.8)	—	—		(42.8)
Provisions Current	(16.2)	(35.5)	—		(51.7)
Current Tax Liabilities	(1.3)	(32.5)	—		(33.8)
Current Liabilities	**(5,578.6)**	**(523.7)**	**(659.4)**		**(6,761.7)**
Net Current Assets	**4,709.0**	**660.9**	**(2,549.4)**		**2,820.5**
Medium and Long Term Borrowing	(4,455.6)	(733.9)	(6,800.0)	(2)	(11,989.5)
Convertible Loan Notes	(2,291.8)	—	—		(2,291.8)
Trade and Other Payables Non-Current	(178.3)	—	—		(178.3)
Obligations under finance lease	—	(0.8)	—		(0.8)
Other Financial Liabilities (Derivatives)	(80.8)	—	—		(80.8)
Deferred Tax Liabilities	(1,203.7)	—	(3,922.8)	(1b)	(5,126.5)
Provisions	(192.6)	(51.9)	—		(244.5)
Retirement Benefits	(50.3)	—	—		(50.3)
Non equity non-controlling Interests	(11.9)	—	—		(11.9)
Non-Current Liabilities	**(8,465.0)**	**(786.6)**	**(10,722.8)**		**(19,974.4)**
Total Liabilities	**(14,043.6)**	**(1,310.3)**	**(11,382.2)**		**(26,736.1)**
Net Assets	**13,005.7**	**2,353.9**	**(1,181.6)**		**14,178.0**
Share Capital	29.6	426.7	(426.7)	(3)	29.6
Share Premium Account	196.8	6,772.0	(6,772.0)	(3)	196.8
Share Based Payment Reserve	38.9	—	—		38.9
Convertible Bond Reserve	470.0	—	—		470.0
Hedging Reserves	44.5	—	—		44.5
Other Reserves	1,506.0	(99.5)	99.5	(3)	1,506.0
Treasury Shares	(556.9)	—	—		(556.9)
Retained Earnings	3,777.7	(4,745.3)	4,745.3	(3)	3,777.7
Attributable to Equity Shareholders	**5,506.6**	**2,353.9**	**(2,353.9)**		**5,506.6**
Non controlling Interest	7,499.1	—	1,172.3	(1b)	8,671.4
Total Equity	**13,005.7**	**2,353.9**	**(1,181.6)**		**14,178.0**

Notes:

(1) Extracted from the unaudited condensed consolidated balance sheet of Vedanta as of 31 December 2010 which is included in this Offering Circular that has been prepared in accordance with IAS 34, Interim Financial Reporting.

(2) Extracted from group balance sheet of Cairn India as of 30 September 2010 which is incorporated by reference into this offering circular that has been prepared in accordance with IFRS as issued by the EU

and included in the circular to shareholders of Vedanta dated 25 November 2010 submitted to the NSM and available for inspection at http://www.Hemscott.com/nsm, and adjusted for certain reclassifications to conform with Vedanta presentation and translated at a closing exchange rate of INR 44.570 = $1.00 as of 30 September 2010. The NSM has been appointed by the UK Financial Services Authority to act as the official mechanism for the storage of regulated information in the UK. None of the other information on or contents of that website is incorporated herein by reference.

Unaudited Pro Forma Condensed Income Statement

	Vedanta's fiscal year ended 31 March 2010(3)	Cairn India's fiscal year ended 31 December 2009(4)	Adjustments	Notes	Pro Forma combined
		($ million)			
Continuing operations					
Revenue	7,930.5	156.7	—		8,087.2
Cost of sales	(5,761.1)	(159.6)	(92.1)	(4)	(6,012.8)
Gross profit	**2,169.4**	**(2.9)**	**(92.1)**		2,074.4
Other operating income	87.8	11.7	—		99.5
Distribution costs	(229.5)	—	—		(229.5)
Administrative expenses	(294.8)	(52.0)	—		(346.8)
Special items	(67.3)	—	—		(67.3)
Operating profit/(loss)	**1,665.6**	**(43.2)**	**(92.1)**		**1,530.3**
Investment revenues	272.8	42.6	—		315.4
Finance costs	(236.6)	(41.9)	(351.0)	(5)	(629.5)
Other gains/(losses)	139.8	—	—		139.8
Profit/(loss) before taxation	**1,841.6**	**(42.5)**	**(443.1)**		**1,356.0**
Tax (expense)/ credit on profit	(330.4)	70.1	44.5	(6)	(215.8)
Exceptional taxation credit	—	40.4	—		40.4
Profit for the period	**1,511.2**	**68.0**	**(398.6)**		**1,180.6**
Attributable to:					
Equity holders of the parent	602.3	68.0	(387.8)		282.6
Non controlling interests	908.9	—	(10.8)	(7)	898.1
	1,511.2	**68.0**	**(398.6)**		**1,180.6**

Notes:

(3) Extracted from the audited income statement of Vedanta for the twelve months ended 31 March 2010 which is included in this Offering Circular and has been prepared in accordance with IFRS as issued by the EU.

(4) Extracted from the group income statement of Cairn India for the twelve months ended 31 December 2009 which is incorporated by reference into this offering circular that has been prepared in accordance with IFRS as issued by the EU and included in the circular to shareholders of Vedanta dated 25 November 2010 submitted to the NSM and available for inspection at http://www.Hemscott.com/nsm, and adjusted for certain reclassifications to conform with Vedanta presentation and translated at an average exchange rate of INR 48.265 = $1.00 for 2009. The NSM has been appointed by the UK Financial Services Authority to act as the official mechanism for the storage of regulated information in the UK. None of the other information on or contents of that website is incorporated herein by reference.

Unaudited Pro Forma Condensed Income Statement

	Vedanta's nine months ended 31 December 2010(5)	Cairn India's nine months ended 30 September 2010(6)	Adjustments	Notes	Pro forma Combined
			($ million)		
Continuing operations					
Revenue	7,649.5	904.5	—		8,554.0
Cost of sales	(5,569.2)	(369.5)	(198.7)	(4)	(6,137.4)
Gross profit	**2,080.3**	**535.0**	**(198.7)**		**2,416.6**
Other operating income	40.2	8.5	—		48.7
Distribution costs	(180.2)	—	—		(180.2)
Administrative expenses	(272.4)	(46.3)	8.2	(1)	(310.5)
Special items	(123.6)	—	—		(123.6)
Operating profit	**1,544.3**	**497.2**	**(190.5)**		**1,851.0**
Investment revenues	299.1	17.0	—		316.1
Finance costs	(371.2)	(51.6)	(263.2)	(5)	(686.1)
Other gains/(losses)	171.5	—	—		171.5
Profit before taxation	**1,643.7**	**462.6**	**(453.8)**		**1,652.5**
Tax expense	(359.4)	(58.7)	75.5	(6)	(342.6)
Profit for the period	**1,284.3**	**403.9**	**(378.3)**		**1,309.9**
Attributable to:					
Equity holders of the parent	488.4	403.9	(502.3)		390.0
Non controlling interests	795.9	—	124.0	(7)	919.9
	1,284.3	**403.9**	**(378.3)**		**1,309.9**

Notes:

(5) Extracted from the unaudited condensed consolidated income statement of Vedanta for the nine months ended 31 December 2010 which is included in this Offering Circular that has been prepared in accordance with IAS 34, Interim Financial Reporting.

(6) Extracted from the group income statement of Cairn India for the nine months ended 30 September 2010 which is incorporated by reference into this offering circular that has been prepared in accordance with IFRS as issued by the EU and included in the circular to shareholders of Vedanta dated 25 November 2010 submitted to the NSM and available for inspection at http://www.Hemscott.com/nsm, and adjusted for certain reclassifications to conform with Vedanta presentation and translated at a average exchange rate of INR 45.958 = $1.00 for the nine month ended 30 September 2010. The NSM has been appointed by the UK Financial Services Authority to act as the official mechanism for the storage of regulated information in the UK. None of the other information on or contents of that website is incorporated herein by reference.

Notes to unaudited Pro Forma Condensed Consolidated Financial Information:

1. a) The components of the estimated purchase price are as follows:

	$ Million
Consideration for 200 million shares purchased through open market(i)	1,478.0
Consideration for shares tendered in open offer by SGL(ii)	1,223.0
Consideration for purchase of shares from Cairn Energy plc(iii)	6,648.4
	9,349.4

(i) On 19 April 2011, SGL, a subsidiary of Vedanta, acquired 200 million Cairn India Shares, representing 10.4% of the issued share capital in Cairn India, from Petronas International Corporation Ltd at a price of INR 331 per Cairn India Share (translated at a rate of INR 44.7900 = $1.00) (the "Petronas Acquisition").

(ii) On 30 April 2011, SGL and SRL, each a subsidiary of Vedanta, closed on various open offers for 155 million Cairn India Shares, representing 8.1% of the issued share capital of Cairn India at an average price of INR 355 per Cairn India Share (translated at a rate of INR 45.0000 = $1.00) (the "Open Offer").

(iii) Proposed acquisition of 767.7 million Cairn India Shares, representing 40.0% of the issued share capital of Cairn India from Cairn Energy at a price of INR 405 per Cairn India Share (translated at rate of INR 46.765 = $1.00) as determined per the draft purchase agreement with Cairn Energy.

The Pro Forma Financial Information is prepared as if the Acquisition occurred on 31 December 2010. Therefore, the accounting impacts of the different transactions to acquire the entire 58.5% are not reflected in the Pro Forma Financial Information (according to IFRS, there will be a gain or loss when Vedanta obtains control of Cairn India which will be primarily driven by the difference in value paid through the Petronas Acquisition and the Open Offer, compared to the price paid to Cairn Energy).

b) The preliminary purchase price allocation to assets and liabilities assumed is as follows:

	Book Value of Net Assets Acquired(i)	Adjustments(ii)		Fair Value
		($ million)		
Non-current assets	2,479.6	12,090.6	(a)	14,570.2
Current assets	1,184.6	—		1,184.6
Current liabilities	523.7	—		523.7
Non-current liabilities	786.6	3,922.8	(b)	4,709.4
				10,521.7
Non-controlling interest			(c)	(1,172.3)
Estimated Purchase Price				9,349.4

(i) Represents the carrying value of net assets under IFRS and is derived from the Cairn India 30 September 2010 group balance sheet (as defined herein). The $12.1 billion adjustment has been allocated to property, plant and equipment ("PPE") rather than goodwill as typically, on an acquisition of upstream oil and gas operations, the acquiror is paying for the attributable oil and gas reserves of the target. As such, if there is a difference between the purchase price and the attributable net assets of the target this would normally be allocated to the exploration assets of the business, hence the allocation of the $12.1 billion to PPE and not goodwill.

(ii) Represents the amount required to adjust the book value of the net assets of Cairn India to their estimated fair values. For additional information regarding these adjustments refer to (a)-(c) below.

(a) Difference between purchase price and attributable net assets are allocated to PPE as oil and gas reserve and would be amortised with oil and gas produced.

b) Potential tax effects of temporary differences has been recognised as deferred tax liability and grossed up with PPE.

(c) Calculated by taking 41.5% of the book value of the net assets acquired. The presumption that 58.5% of Cairn India will be acquired and is based on the take up of a 8.1% holding through the Open Offer, 10.4% through the Petronas Acquisition and a further 40% being acquired from Cairn Energy, which is the maximum stake Vedanta can take up through the process.

Costs incurred in connection with the Acquisition are expected to be approximately $20 million, of which nil has been expensed for the year ended 31 March 2010, and $8.2 million has been expensed for the nine months ended 31 December 2010. The $8.2 million has been adjusted for as it is a non-recurring charge and is directly related to the Acquisition.

2. The preliminary purchase price of $9,349.4 million will be funded by borrowings of $7,459.4 million, consisting of $6 billion related to the Bridge Acquisition Facilities and other borrowings from ICICI Bank, loans from Axis Bank of $800 million and borrowings by SGL of $659.4 million. Management has assumed that no drawn down amount will be repaid during the year and that the Bridge Acquisition Facilities will be refinanced into medium and long term borrowings.

3. Adjustments to equity consist of the book value elimination of Cairn India share capital, share premium account, other reserves and retained earnings.

4. Represents the differential in amortisation of oil and gas reserves (capitalised as excess purchase consideration) recorded in purchase accounting, and the corresponding income tax benefit. The differential in amortisation expense is calculated as follows:

Fiscal Year Ended 31 March 2010

Fair value of mining reserve subject to amortisation ($ million)(i)	12,090.6
Reserves in million boe (2P + 2C)(ii)	874
Production for fiscal year ended 31 March 2010(iii)	6.7
Amortisation ($ million)	92.1
Deferred Tax Credit ($ million)(iv)	29.9

(i) Fair value applied to oil and gas reserves on acquisition, representing EPC and relating to 2P and 2C reserves.

(ii) Based on Cairn India's net participating interest proved and probable reserves. See "Business of Cairn India".

(iii) Production based on boepd total entitlement interest as per the 2009 Annual Report of Cairn Energy and then adjusted for number of days. Reserves is based on Cairn India's net participating interest proved and probable reserves referred in the Business Section of Cairn India in this Offering Circular.

(iv) Calculated based on statutory tax rate of 32.445% of amortisation charge for the period.

Nine Months Ended 31 December 2010

Fair value of mining reserve subject to amortisation ($ million(i)	12,090.6
Reserves million boed (2P + 2C)(ii)	874
Production for nine months ended 30 Sep 2010(iii)	14.4
Amortisation ($ million)	198.7
Deferred Tax Credit ($ million)(iv)	64.5

(i) Fair value applied to oil and gas reserves on acquisition, representing EPC and relating to 2P and 2C reserves.

(ii) Based on Cairn India's net participating interest proved and probable reserves. See "Business of Cairn India".

(iii) Production based on boepd total entitlement interest as per Cairn Energy's Half Yearly Report of June 2010 and Cairn India's September 2010 release and then adjusted for number of days. Reserves is based on Cairn India's net participating interest proved and probable reserves referred in the Business Section of Cairn India in this Offering Circular.

(iv) Calculated based on statutory tax rate of 32.445% of amortisation charge for the period.

5. Net Finance cost for acquisition facility

Borrowings (Drawn on April 1, 2009)	Borrowings	Fiscal 2010 Finance Cost	Nine Months Finance Cost
		($ million)	
Bridge Acquisition Facility	6,800	305.8(i)	229.4(i)
SGL borrowings	659.4	45.1(ii)	33.9(ii)
	7,459.4	**351.0**	**267.6**
Tax credit for SGL Borrowings		14.6	11.0

(i) Finance cost has been calculated using the committed interest rate as per acquisition facility agreement and actual interest rate for ICICI bank and Axis bank loan facility. Where interest rate is LIBOR plus basis points, LIBOR has been assumed at 0.6%. Bridge to Equity Facility of $1,000 million has been assumed to be repaid immediately.

(ii) Finance cost has been calculated using actual interest rates for commercial papers and for PCFC borrowings which is LIBOR plus basis points, LIBOR has been assumed at 0.6%.

6. Tax effect is the statutory rate of 32.445% related to SGL's borrowings in 5(ii) above and deferred tax credit relating to amortisation of oil & gas reserve in 4 above.

7. Calculation of the non-controlling interest in Cairn India's on the pro forma income statement adjustments, relating to the non-controlling interests in Cairn India's profit, on the pro forma net finance cost adjustment and the pro forma amortization adjustment as calculated below:

For the fiscal year ended 31 March 2010

On Cairn profit	
Average economic holding (40% + 18.5% × 55.13)%	50.2%
Non-controlling interest	49.8%
Non-controlling interest on Cairn India Profit	33.9
On pro forma adjustments for finance cost	
Impact of finance cost in SGL	(30.5)
Non-controlling interest in SGL	44.9%
Non-controlling interest on finance cost	(13.7)
On pro forma adjustments for amortisation of mining reserve	
Impact of mining reserve net of deferred tax credit	(62.2)
Effective non-controlling interest	49.8%
Non-controlling interest on mining reserve amortisation	(31.0)
Total non-controlling interest on pro forma adjustments	**(10.8)**

For the nine months ended 31 December 2010

On Cairn Profit	
Average economic holding (40% + 18.5% × 55.12%)%	50.2%
Non-controlling interest	49.8%
Non-controlling interest on Cairn India Profit	201.1%
On pro forma adjustments for finance cost	
Impact of finance cost in SGL	(22.9)
Non-controlling interest in SGL	44.9%
Non-controlling interest on finance cost	(10.3)
On pro forma adjustments for amortisation of mining reserve	
Impact of mining reserve net of deferred tax credit	(134.2)
Effective Non-controlling interest	49.8%
Non-controlling interest on mining reserve amortisation	(66.9)
Total non-controlling interest on pro forma adjustments	**124.0**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR VEDANTA

The following discussion of the financial condition and results of operations of the Vedanta Group should be read in conjunction with the Annual Financial Statements herein and with the information relating to the business of the Vedanta Group included elsewhere in this Offering Circular. This discussion involves forward-looking statements that reflect the current view of management and involve risks and uncertainties. The actual results of the Vedanta Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Offering Circular, particularly in "Risk Factors." Investors should read the whole of this Offering Circular and not rely just on summarised information.

The Annual Financial Statements for the Vedanta Group have been prepared in accordance with IFRS.

Introduction

Overview

Vedanta is a LSE-listed diversified FTSE 100 metals and mining company and is India's largest non-ferrous metals and mining company based on revenue. Its business is principally located in India, one of the fastest growing large economies in the world with a 7.4% increase in real gross domestic product ("GDP") from fiscal 2009 to fiscal 2010, according to the Central Statistical Organisation of the GoI's Ministry of Statistics and Programme Implementation. In addition, Vedanta has assets and operations in Zambia, Australia, South Africa, Ireland and Namibia. The Vedanta Group is primarily engaged in copper, zinc, aluminium, iron ore and commercial power generation businesses and is also developing and acquiring port operation business and infrastructure assets. Vedanta has experienced significant growth in recent years through various expansion projects for its copper, zinc, aluminium and iron ore businesses. Vedanta reported revenue of $11,427.2 million and EBITDA of $3,566.8 million in fiscal 2011. Vedanta believes its experience in operating and expanding its businesses in India will allow it to capitalise on attractive growth opportunities arising from India's large mineral reserves, relatively low cost of operations and large and relatively inexpensive labour and talent pools. Vedanta believes it is also well-positioned to take advantage of the significant growth in industrial production and investments in infrastructure in India, China, southeast Asia and the Middle East, which it expects will continue to generate strong demand for metals.

The Vedanta Group's revenue and operating profit increased from $6,578.9 million and $1,107 million, respectively, in fiscal 2009, to $7,930.5 million and $1,665.6 million, respectively, in fiscal 2010, as a result of higher production volumes across all business segments, implementation of cost reduction measures and improved commodity prices. The Vedanta Group's revenue and operating profit increased year-on-year, from $7,930.5 million and $1,665.6 million, respectively, in fiscal 2010 to $11,472.2 million and $2,534.3 million, respectively, in fiscal 2011, as a result of strengthening prices, increased volumes and a continued focus on operational efficiency.

The following table sets out the:

- revenue for each of Vedanta's business segments as a percentage of Vedanta's revenue on a consolidated basis;
- operating profit for each of Vedanta's business segments as a percentage of Vedanta's operating profit on a consolidated basis; and
- EBITDA for each of Vedanta's business segments as a percentage of Vedanta's EBITDA on a consolidated basis.

	Year Ended 31 March		
	2009	2010	2011
Revenue:			
Copper business			
— India/Australia	38.5%	34.6%	30.1%
— Zambia	11.8	13.5	15.2
Zinc business			
— India	18.4	20.8	18.8
— International	—	—	1.9
Aluminium business	14.2	11.5	13.7
Iron ore business	16.3	15.4	17.3
Commercial power generation business	0.8	4.2	3.0
Total	**100%**	**100%**	**100%**

	Year Ended 31 March		
	2009	2010	2011
Segment results after special items:			
Copper business	6.9%	6.0%	20.0%
— India/Australia	21.9	4.0	7.8
— Zambia	(15.0)	2.0	12.2
Zinc business			46.0
— India	49.6	55.0	44.1
— International	—	—	1.9
Aluminium business	10.6	3.0	1.2
Iron ore business	31.4	27.2	29.9
Commercial power generation business	1.6	8.9	4.4
Elimination/Other	(0.1)	(0.1)	(1.5)
Total	**100%**	**100%**	**100%**

	Year Ended 31 March		
	2009	2010	2011
EBITDA(1):			
Copper			
— India/Australia	18.2%	7.2%	6.8%
— Zambia	(4.4)	6.6	12.3
Zinc			
— India	37.4	42.8	34.3
— International	—	—	2.8
Aluminium	11.0	6.8	7.2
Iron ore	34.6	29.3	32.9
Energy	3.3	7.4	3.9
Elimination/Other	(0.1)	(0.1)	(0.2)
Total	**100%**	**100%**	**100%**

Note:

(1) EBITDA is defined as operating profit before special items and depreciation. Vedanta's EBITDA may not be comparable to similarly titled measures reported by other companies due to potential inconsistencies in the method of calculation. EBITDA has been included because Vedanta believes it is an indicative measure of its operating performance and is used by investors and analysts to evaluate companies in the industry. Vedanta's EBITDA should be considered in addition to, and not as a substitute for, other measures of financial performance and liquidity reported in accordance with IFRS. Vedanta believes that the inclusion of supplementary adjustments applied in its presentation of EBITDA are appropriate because it believes it is a more indicative measure of its baseline performance as it excludes certain charges that its management considers to be outside of its core operating results. In addition, Vedanta's EBITDA is among the primary indicators that its management uses as a basis for planning and forecasting of future periods. The following table reconciles Vedanta's operating profit to EBITDA:

	Year Ended 31 March		
	2009	2010	2011
		($ million)	
Profit for the year	$ 900.5	$1,511.2	$2,033.8
Plus:			
Depreciation and Amortization	473.3	563.0	869.0
Investment Revenues	(456.2)	(272.8)	(431.6)
Finance Costs	288.1	236.6	534.7
Other gains & Losses (net)	94.1	(139.8)	(252.1)
Taxation expense	280.5	330.4	649.5
Special items(1)	31.9	67.3	163.5
EBITDA	**$1,612.2**	**$2,295.9**	**$3,566.8**

Note:

(1) Special items include the transaction costs relating to the proposed acquisition of Asarco, voluntary retirement schemes, acquisition related costs, impairment of mining reserves and losses in respect of obligation to an associate.

Copper

Overview

Vedanta's copper business comprises three major operations, namely, Sterlite's custom smelting operations in India, CMT's mining operations in Australia and KCM's mining and smelting operations in Zambia. The Vedanta Group's primary products in this business segment are copper cathodes and copper rods.

India and Australia Copper Business

In India, Sterlite is one of only two custom copper smelters with a primary market share of 43% by sales volume in fiscal 2011, according to the International Copper Promotion Council, India ("ICPCI"). Sterlite's copper operations include a smelter, refinery, phosphoric acid plant, sulphuric acid plant, copper rod plant and two captive power plants at Tuticorin in the State of Tamil Nadu in southern India, and a refinery and two copper rod plants at Silvassa in western India and a precious metal refinery at Fujairah in the UAE that produces by-products such as gold and silver. As of 31 March 2011, Vedanta, through Twin Star Holdings Limited ("Twin Star") and MALCO, owned 57.7% of Sterlite and currently has management control of Sterlite. The remainder of Sterlite's share capital is held by Life Insurance Corporation of India (2.5%) and other institutional and public shareholders (39.8%).

CMT owns a copper mine in Tasmania, Australia, which provides a small percentage of Sterlite's copper concentrate requirements. Sterlite owns 100% of CMT.

The following table sets out select performance data of Vedanta's copper business in India and Australia for fiscal 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	2010	2011
Production volumes (tonnes)			
— Mined metal content	27,421	23,777	22,929
— Cathode	312,833	334,202	303,991
— Rod	219,879	196,882	187,892
Average LME cash settlement prices ($ per tonne)	5,885	6,112	8,138
Cost of production(1)			
(US cents per lb)(2)	3.1	10.5	4.0
(INR per tonne)	3,138	10,873	4,019
Realised TcRc (US cents per lb)	11.7	13.6	11.9
Revenue ($ million)	**2,537.9**	**2,741.4**	**3,428.2**
Segment results after special items ($ million)	**242.9**	**65.9**	**196.5**

Notes:

(1) Cash costs per unit for smelting and refining operations (net of by-products).

(2) Exchange rates used in calculating the cost of production were based on the average of the daily RBI reference rates for each of fiscal 2009, 2010 and 2011 of INR 45.91 per $1.00, INR 47.42 per $1.00 and INR 45.58 per $1.00, respectively.

Zambia Copper Business

KCM is largely an integrated copper producer with various facilities at Konkola, Nchanga, Nkana and Nampundwe, Zambia including mines, concentrators, smelters, acid plants, a tailings leach plant ("TLP") and a refinery. As of 31 March 2011, Vedanta owned 79.4% of the share capital of KCM. The remaining 20.6% was owned by ZCCM Investments Holdings Plc, a Lusaka and Euronext listed company which is 87.6% owned by the Zambian Government and 12.4% publicly held.

The following table sets out select performance data of Vedanta's copper business in Zambia for fiscal 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	2010	2011
Production volumes (tonnes)			
— Mined metal content	81,435	78,905	89,751
— Copper	132,930	172,828	216,499
— Integrated	111,716	125,763	132,955
— Custom	21,214	47,065	83,544
Average LME cash settlement prices ($ per tonne)	5,885	6,112	8,138
Cost of production (US cents per lb)(1)	285.3	184.4	197.5
Revenue ($ million)	**773.1**	**1,070.8**	**1,741.3**
Segment results after special items ($ million)	**(165.9)**	**32.5**	**309.1**

Note:

(1) Cash cost per unit for mining, smelting and refining operations (net of by-products).

Total Copper Business

The Vedanta Group's total copper cathode production has increased from 445,763 tonnes in fiscal 2009 to 520,490 tonnes in fiscal 2011, representing a CAGR of 8.1%. Revenue of the Vedanta Group's copper business increased from $3,311.0 million in fiscal 2009 to $5,169.5 million in fiscal 2011 due to buoyant demand and rising prices.

Zinc

Vedanta's fully integrated zinc business is owned and operated by HZL, India's leading primary zinc producer with an 82% market share by sales volume in India in fiscal 2011, according to the India Lead Zinc Development Association ("ILZDA"). Vedanta controls HZL through its 57.7% ownership interest in Sterlite. Sterlite indirectly owns 64.9% of the share capital in HZL. The remainder of HZL is owned by the GoI (29.5%) and institutional and public shareholders (5.6%). HZL's operations include four lead-zinc mines, four hydrometallurgical zinc smelters, one lead smelter, one lead-zinc smelter, four sulphuric acid plants, one silver refinery, and five captive power plants at Vedanta's Chanderiya, Debari and Zawar facilities in northwest India, one hydrometallurgical zinc smelter and a sulphuric acid plant at Vedanta's Vizag facility in southeast India and one zinc ingot melting and casting plant at Haridwar in north India. The Vedanta Group's primary products in this business segment are zinc ingots, lead ingots, silver and sulphuric acid.

On 10 May 2010, Vedanta agreed to acquire various zinc assets of Anglo American Plc for a total consideration of $1,513.1 million. The net cash available at these entities as of the date of acquisition was $359.2 million. These zinc assets comprise Skorpion Mining Company (Pty) Ltd and its subsidiaries ("Skorpion"), which owns the Skorpion mine and refinery in Namibia, a 74% stake in Black Mountain Mining (Pty) Ltd ("Black Mountain Mining"), which assets include the Black Mountain mine and the Gamsberg project, in South Africa and Lisheen Mine Partnership and its subsidiaries ("Lisheen"), which owns the Lisheen mine in Ireland. On 3 December 2010, Vedanta announced the completion of the acquisition of Skorpion by Sterlite Infra Limited, a wholly-owned subsidiary of Sterlite. On 4 February 2011, Vedanta announced the completion of the acquisition of the 74% stake in Black Mountain Mining. The acquisition of Lisheen was completed on 15 February 2011. These assets are monitored together in one segment and therefore has been categorised as a separate reportable segment "Zinc-International".

The following table sets out select performance data of Vedanta's zinc business in India for fiscal 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	**2010**	**2011**
Production volumes — Zinc (tonnes)			
— Mined metal content	651,493	682,772	752,125
— Refined metal	551,724	578,411	712,471
Average zinc LME cash settlement prices ($ per tonne)	1,563	1,936	2,185
Cost of production(1)			
— Zinc			
($ per tonne)(2)	710	850	990
(INR per tonne)	32,621	40,319	45,119
— Zinc (excluding royalties)			
($ per tonne)(2)	609	698	808
(INR per tonne)	27,973	33,073	36,831
Production volumes — Lead (tonnes)			
— Mined metal content	83,802	85,848	87,928
— Refined metal	65,332	71,627	63,192
— Saleable metal	60,322	64,319	57,294
Average lead LME cash settlement prices ($ per tonne)	1,660	1,990	2,244
Revenue ($ million)(3)	**1,209.1**	**1,651.7**	**2,371.7**
Segment results after special items ($ million)(3)	**548.3**	**918.4**	**1,165.0**

Notes:

(1) Net of by-products.

(2) Exchange rates used in calculating the cost of production were based on the average of the daily RBI reference rates for each of fiscal 2009, 2010 and 2011 of INR 45.91 per $1.00, INR 47.42 per $1.00 and INR 45.58 per $1.00, respectively.

(3) In respect of Zinc India and Zinc International

The Vedanta Group's zinc production increased from 551,724 tonnes in fiscal 2009 to 712,471 tonnes in fiscal 2011, representing a CAGR of 13.6%. Revenue of the Vedanta Group's zinc business increased from

$1,209.1 million in fiscal 2009 to $2,371.7 million in fiscal 2011 due to increased production volumes, higher prices and by-product credit.

Aluminium

Vedanta's aluminium business comprises two companies, BALCO and Vedanta Aluminium. The Vedanta Group's primary products in this business segment are aluminium ingots, wire rods and rolled products.

The aluminium business is primarily owned and operated by BALCO and Vedanta Aluminium. Vedanta controls BALCO through its 57.7% ownership interest in Sterlite. Sterlite owns a 51% ownership interest in BALCO. The remainder of BALCO is owned by the GoI. Sterlite has exercised its option to acquire the GoI's remaining 49% ownership interest, although the exercise of this option has been contested by the GoI. The GoI retains the right and has expressed an intention to sell 5% of BALCO to BALCO employees. BALCO's partially integrated operations include two bauxite mines and its Korba facility, which includes an alumina refinery, one aluminium smelter, two captive power plants and a fabrication facility all of which are located in the State of Chhattisgarh in central India. BALCO received a coal block allocation of 211 million tonnes for use in its captive power plants in November 2007. BALCO is constructing a coal-based thermal 1,200 MW power facility in the State of Chhattisgarh. In the future, subject to receipt of all necessary regulatory approval, the majority of BALCO's alumina requirements are expected to come from Vedanta Aluminium and its own bauxite mines. See "Business of Vedanta — Litigation — Petitions have been filed in the Supreme Court of India and the High Court of Orissa to seek the cessation of construction of Vedanta Aluminium's refinery in Lanjigarh and related mining operations in Niyamgiri Hills" for further details.

Vedanta Aluminium, in which Vedanta has a 70.5% ownership interest through its wholly-owned subsidiaries and a 29.5% indirect ownership interest through its 57.7% ownership interest in Sterlite, is an alumina and aluminium producer with a 1 mtpa of installed capacity alumina refinery at Lanjigarh in the State of Orissa in eastern India and a 500,000 tonnes per annum ("tpa") of installed capacity aluminium smelter at Jharsuguda in the State of Orissa, each with an associated captive power plant. The Lanjigarh alumina refinery started production from a single stream operation and produced 585,597 tonnes of alumina in fiscal 2009, 762,195 tonnes of alumina in fiscal 2010 and 706,640 tonnes of alumina in fiscal 2011.

In November 2008, MALCO ceased production of aluminium as it was using older technology which was more costly to operate. Further work on the refinery expansion project at Lanjigarh has been put on hold in light of the adverse decision regarding Niyamgiri. See "Business of Vedanta — Litigation — Petitions have been filed in the Supreme Court of India and the High Court of Orissa to seek the cessation of construction of Vedanta Aluminium's refinery in Lanjigarh and related mining operations in Niyamgiri Hills" for further details. The surplus power from the associated power plants will be sold in the commercial market at the prevailing market rate.

The following table sets out select performance data of Vedanta's aluminium business for fiscal 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	**2010**	**2011**
Production volumes (tonnes)			
— Alumina — Lanjigarh	585,597	762,195	706,640
— Alumina — Korba I and Mettur(1)	241,324	42,893	—
— Aluminium(2)	462,066	532,741	640,661
Average LME cash settlement prices ($ per tonne)	2,234	1,868	2,257
Cost of production(3)			
— Aluminium			
($ per tonne)(4)	1,702	1,621	1,806
(INR per tonne)	78,139	76,868	82,311
Revenue ($ million)	**937.1**	**914.2**	**1,570.1**
Segment results after special items ($ million)	**117.2**	**50.4**	**31.2**

Notes:

(1) Plants no longer operational.

(2) Includes aluminium production of 174,000 tonnes under a trial run at the Jharsuguda aluminium smelter in fiscal 2010.

(3) Represents the weighted average between BALCO, MALCO and Vedanta Aluminium.

(4) Exchange rates used in calculating the cost of production were based on the average daily RBI reference rates for each of the years ended 31 March 2009, 2010 and 2011 of INR 45.91 per $1.00, INR 47.42 per $1.00 and INR 45.58 per $1.00, respectively.

The Vedanta Group's total aluminium production increased from 462,066 tonnes of aluminium in fiscal 2009 to 640,661 tonnes of aluminium in fiscal 2011, representing a CAGR of 17.8%. Revenues from the Vedanta Group's aluminium business increased from $937.1 million in fiscal 2009 to $1,570.1 million in fiscal 2011 due to growing aluminium consumption in India and increased prices.

Iron Ore

Vedanta's iron ore business is owned and operated by SGL, India's largest exporter of iron ore in the private sector by volume since 2003, according to the Federation of Indian Mineral Industries. Vedanta acquired SGL on 23 April 2007. SGL is engaged in the exploration for, and the mining and processing of iron ore. As of 31 March 2011, Vedanta has a 55.1% ownership interest in SGL through its wholly-owned subsidiaries.

SGL's mining operations are carried out in the Indian states of Goa and Karnataka. SGL operates a 250,000 tpa pig iron plant in the State of Goa in Western India to be expanded to 625,000 tpa and a 280,000 tpa metallurgical coke plant, which is being expanded to 560,000 tpa and supplies most of the output from this plant to SGL's pig iron plant. On 11 June 2009, SGL completed an acquisition of the entire issued share capital of SRL. As of 31 March 2011, SGL owns or has the rights to reserves consisting of 175.6 million tonnes at an average grade of 56.6% and resources consisting of 130.6 million tonnes at an average grade of 51.9%.

The following table sets out select performance data of Vedanta's iron ore business for fiscal 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	**2010**	**2011**
Production volumes (million tonnes)			
— Saleable ore	14.2	19.2	18.8
— Pig iron	0.22	0.28	0.28
Revenue ($ million)	**1,070.4**	**1,221.7**	**1,977.9**
Segment results after special items ($ million)	**348.0**	**453.0**	**757.6**

The Vedanta Group's total iron ore production increased from 14.2 million tonnes in fiscal 2009 to 18.8 million tonnes in fiscal 2011, representing a CAGR of 15.1%. Revenue increased from $1,070.4 million in fiscal 2009 to $1,977.9 million in fiscal 2011 due to higher sales. SGL sold 89.6% of its iron ore by volume in the export market in fiscal 2011, its domestic sales being 10.4%. The geographical distribution of the exports of SGL by volume in fiscal 2011 was China (85.6%), followed by Japan (7.7%), South Korea (3.3%), the Netherlands (2.7%), Pakistan (0.5%) and Thailand (0.4%).

Commercial Power Generation

Vedanta is developing its commercial power generation business in India, which leverages its experience in building and managing captive power plants used to support its primary businesses. As of 31 March 2011, the total power generating capacity of the Vedanta Group's thermal power plants at Korba and Mettur was 270 MW and 100 MW respectively, in addition to wind power plants at Gujarat, Rajasthan and Karnataka with a combined capacity of 171.2 MW.

This is in addition to surplus power sales from captive power plants used for the Vedanta Group's mining and metals operations. The Vedanta Group's current power projects include the coal-based commercial power plant at Jharsuguda in the State of Orissa, which will have a capacity of 2,400 MW, of which the first two units of 600 MW have been commissioned and the remaining two units are to be progressively commissioned during the fourth quarter of fiscal 2012. The Vedanta Group's second power project is for a supercritical independent power plant at Talwandi Sabo in the State of Punjab in India. A MoU was signed with the Punjab State Government for the fourth unit of 660 MW, thus increasing the power generation capacity to 2,640 MW. The first unit is expected to be commissioned by the fourth quarter of fiscal 2013 and the next two units by the second quarter of fiscal 2014. The fourth unit is expected to be completed by the fourth quarter of fiscal 2014.

Vedanta is also expanding its existing wind power generation capacity from the existing 123.2 MW to 273.2 MW. The first phase of 48 MW has been completed and the second phase of 102 MW is scheduled to be completed by the second quarter of fiscal 2012.

Sales of units of power increased from 882 million units in fiscal 2009 to 4,782 million units of power in fiscal 2011. The increase in sales drove revenue from the Vedanta Group's commercial power generation business from $51.3 million in fiscal 2009 to $338.0 million in fiscal 2011.

The following table sets out select performance data of Vedanta's commercial power business for fiscal 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	2010	2011
	($ million except power sales)		
Power Sales (million units)	882	3,279	4,782
Revenue	51.3	330.7	338.0
Segment result after special items	**17.6**	**147.5**	**112.0**

Factors Affecting the Vedanta Group's Results of Operations

The Vedanta Group's results of operations are primarily affected by commodity prices, costs of production and efficiency, production output and mix, government policy in India and Zambia and exchange rates. Each of these key factors is discussed below.

Commodity Prices

Metal and iron ore prices

The Vedanta Group's results of operations are significantly affected by the TcRc of the Vedanta Group's copper business and the commodity prices of the metals that the Vedanta Group produces, which are based on LME prices and the benchmark price of the iron ore that the Vedanta Group produces. The TcRc of copper, the commodity prices of the metals produced and the benchmark price of iron ore can fluctuate significantly, including as a result of changes in the supply of and demand for copper, zinc, aluminium and iron ore. While metal and iron ore producers are unable to influence the commodity or benchmark prices directly, events such as changes in copper smelting or commodity production capacities, temporary price reductions or other attempts to capture market share by individual metal producers or iron ore miners, including by the Vedanta Group may have an effect on market prices.

Moreover, the prices realised by the Vedanta Group can, to some extent, be affected by the particular terms the Vedanta Group is able to negotiate for the contractual arrangements it enters into with buyers. Price variations and market cycles, including recent volatility of LME prices, the copper TcRc and the benchmark price for iron ore, have historically influenced, and are expected to continue to influence, the Vedanta Group's financial performance. During the second half of 2009, the sharp fall in commodity prices had adversely impacted the revenue and operating profit of the Vedanta Group.

Copper

The revenue of the copper business fluctuates based on the volume of sales and the LME price of copper. Sterlite's copper business is primarily one of custom smelting and refining, with only a small percentage of its copper concentrate requirements sourced from the mine of its wholly-owned subsidiary, CMT. As a result, Sterlite's profitability is significantly dependent upon the market rate of the TcRc. Sterlite purchases copper concentrate at an LME-linked copper price for the relevant quotational period less a TcRc that it negotiates with its suppliers but which is influenced by the prevailing market rate for the TcRc. The market rate for the TcRc is significantly dependent upon the availability of copper concentrate, worldwide copper smelting capacity and transportation costs. The TcRc that Sterlite is able to negotiate is also substantially influenced by the TcRc terms established by certain large Japanese custom smelters. The profitability of Sterlite's copper business as to the portion of the business where it sources copper concentrate from third parties, which accounted for 92.92% of its copper concentrate requirements in fiscal 2011, is thus dependent upon the amount by which the TcRc Sterlite is able to negotiate exceeds its smelting and refining costs. The profitability of Sterlite's copper operations is also affected by the prices it receives upon the sale of by-products, such as sulphuric acid and precious metals, which are generated during the copper smelting and refining process. The prices Sterlite receives for by-products can vary significantly, including as a result of changes in supply and demand and local market factors in the location the by-product is produced.

The following table sets out the average TcRc that Sterlite realised for each of fiscal 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	2010	2011
	(US cents per lb)		
Copper TcRc	11.7	13.6	11.9

The LME price of copper significantly affects the revenues and profitability of KCM's copper business as it is fully integrated. The LME price of copper also significantly affects the portion of Sterlite's copper business where it sources copper concentrate from CMT's mine, which accounted for 7.08% of Sterlite's copper concentrate requirements in fiscal 2011 and which is expected to decrease as a percentage in the future as the reserves of Sterlite's sole remaining copper mine, Mt. Lyell in Tasmania, Australia, are expected to be exhausted by fiscal 2014 and to the extent Sterlite seeks to increase its copper smelting and refining capacity. For these integrated portions of the copper business, Sterlite's profitability is dependent upon the difference between the LME price of copper and its cost of production, which includes the costs of mining and smelting.

The following table sets out the daily average copper LME price for each of fiscal 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	2010	2011
	($ per tonne)		
Copper LME	5,885	6,112	8,138

Zinc and aluminium

The revenue of Vedanta's zinc and aluminium businesses fluctuates based on the volume of sales and the respective LME prices of zinc and aluminium. The Vedanta Group's zinc business is fully integrated, so its profitability is dependent upon the difference between the LME price of zinc and the cost of production, which includes the costs of mining and smelting. In fiscal 2011, BALCO sourced from Vedanta Aluminium and the balance in excess of its alumina requirements from third-party suppliers, including 29% from international and domestic suppliers and 71% from Vedanta Aluminium. In the future, BALCO is expected to source a majority of its alumina requirements from Vedanta Aluminium and its own bauxite mines. For the portion of the aluminium business where the alumina is sourced from BALCO's own bauxite mines, profitability is dependent upon the LME price of aluminium less the cost of production, which includes the costs of bauxite mining, the refining of bauxite into alumina and the smelting of alumina into aluminium. For the portion of the aluminium business where alumina is sourced from third parties, including from Vedanta Aluminium, profitability is dependent upon the LME price of aluminium less the cost of the sourced alumina and the cost of smelting.

The following table sets out the daily average zinc and aluminium LME prices for each of fiscal 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	2010	2011
	($ per tonne)		
Zinc LME	1,563	1,936	2,185
Aluminium LME	2,234	1,868	2,257

Iron ore

The revenue of the iron ore business fluctuates based on the volume of sales and the market price of iron ore. The Vedanta Group sells iron ore under long-term price contracts as well as at ruling spot prices. The prices for iron ore are significantly dependent upon the global and regional imbalances between the demand for and supply of iron ore, worldwide steel making capacity and transportation costs. Long-term contract prices fluctuate based on the expected supply of and demand for iron ore and the expected steel making capacity for a period exceeding one year or more, whereas spot prices fluctuate based on short term imbalances between demand and supply. Every quarter, Vale Limited, Rio Tinto plc and BHP Billiton Limited negotiate with major steel manufacturers and set a benchmark price upon which the rest of the world bases its pricing.

India market premium

Generally, the metals the Vedanta Group sells in India are sold at a premium to the LME market price due to a number of factors including the customs duties levied on imports by the GoI, the costs to transport metals to India and regional market conditions. See "— Indian Government Policy". As a result, the Vedanta Group endeavours to sell as large a quantity of its products as possible in India.

Hedging

The Vedanta Group has historically engaged in hedging strategies to a limited extent to partially mitigate its exposure to fluctuations in commodity prices, as further described in "Market Risk Disclosure — Commodity Price Risk".

Production Costs and Efficiency

The results of operations of the Vedanta Group are, to a significant degree, dependent upon its ability to efficiently run its operations and maintain low costs of production. Efficiencies relating to recovery of metal from ore, process improvements, by-product management and increasing productivity help drive costs down. Costs associated with mining and metal production include energy costs, ore extraction and processing costs at the captive mines, labour costs and other manufacturing expenses.

The cost of production also includes the cost of alumina for the Vedanta Group's aluminium business. It does not include the cost of copper concentrate for the Vedanta Group's copper business, though such cost is included in its cost of sales.

Energy cost is the most significant component of the cost of production of the Vedanta Group's metal production businesses. Most of the Vedanta Group's power requirements are met by captive power plants which are primarily coal-fueled. Thermal coal, diesel fuel and fuel oil, which are used to operate the Vedanta Group's power plants, and metallurgical coke, which is used in the zinc smelting process, are currently sourced from a combination of long-term and spot contracts. The aluminium business has a high energy consumption due to the power-intensive nature of aluminium smelting. Coal is sourced from linkage coal, import and domestic purchase. In addition, in November 2007, BALCO was allotted a 211 million tonne share of a coal block by the Indian Ministry of Coal for use in BALCO's captive power plants. In October 2008, the Indian Ministry of Coal approved BALCO's mining plan. Although certain other approvals including environmental approval and forest clearance from the regulatory authorities are still pending, Vedanta expects mine development activities to commence upon the receipt of all regulatory approvals. Any change in coal prices or the mix of coal that is utilised, primarily whether the coal is sourced locally or imported, can affect the cost of generating power.

For the zinc businesses and the portions of the copper and aluminium businesses where ore is sourced from the Vedanta Group's own mines, ore extraction and processing costs affect the cost of production. In the zinc and copper businesses, the ore extraction and processing costs to produce concentrates are generally a small percentage of the overall cost of production of the finished metals.

In the aluminium business, the bauxite ore extraction cost is not significant, but the refining cost to produce alumina from bauxite ore represents approximately one-third of the cost of production of aluminium. In addition, a significant cost of production in the zinc business is the royalty that HZL pays on the lead-zinc ore that is mined. The royalty is a function of the LME prices of zinc and lead. See "— Indian Government Policy — Taxes and royalties". In the iron ore business, the principal activities are ore extraction, processing and sales. The cost of transporting ore from the mines to the port and the ore extraction cost account for a majority of the total cost of production for SGL.

Labour costs are principally a function of the number of employees and increases in compensation from time to time. Improvements in labour productivity in recent years have resulted in a decrease in the per-unit labour costs. The majority of BALCO's and CMT's mining operations, a substantial portion of HZL's and SGL's mining operations and a limited number of functions at the Vedanta Group's copper, zinc and aluminium smelting operations are outsourced to third-party contractors.

Other manufacturing expenses include, among other things, additional materials and consumables that are used in the production processes and routine maintenance to sustain ongoing operations. None of these represents a significant portion of the Vedanta Group's costs of production.

Cost of production as reported for the Vedanta Group's metal products includes an off-set for any amounts the Vedanta Group receives upon the sale of the by-products from the refining or smelting processes.

The cost of production is divided by the daily average exchange rate for the year to calculate the US dollar cost of production per lb or tonne of metal as reported.

Production costs and costs per unit are also significantly affected by changes in production volumes and variable costs. Therefore, the Vedanta Group's production levels and variable costs are key factors in determining its overall cost competitiveness.

Costs of production for each of fiscal 2009, 2010 and 2011 are reflected in the following table:

	Year Ended 31 March		
	2009	2010	2011
Copper business (India) (US cents per lb)(1)	3.1	10.5	4.0
Copper business (Zambia) (US cents per lb)(2)	285.3	184.4	197.5
Zinc business ($ per tonne)(3)(4)	710	850	990
Aluminium business (US $ per tonne)(3)	1,702	1,621	1,806

Notes:

(1) Cash costs per unit for smelting and refining operations (net of by-products).

(2) Cash costs per unit for mining, smelting and refining operations (net of by-products).

(3) Net of by-products.

(4) Includes royalties of $101 per tonne, $152 per tonne and $182 per tonne in fiscal 2009, 2010 and 2011, respectively.

Production Volume and Mix

Production volume has a substantial effect on the Vedanta Group's results of operations. The Vedanta Group is generally able to sell all of the products it produces, so its revenue generally fluctuates as a result of changes in production volume. Production volume is dependent on production capacity, which has increased in recent years across all of the Vedanta Group's businesses. For the Vedanta Group's mining operations, production volume is also dependent upon the quality and consistency of the ore. Per unit production costs are also significantly affected by changes in production volume in that higher volumes of production generally reduce the per unit production costs. Therefore, production levels are a key factor in determining the Vedanta Group's overall cost competitiveness. The Vedanta Group has benefited from significant economies of scale as it has increased production volumes in recent years.

The following table summarises the production volumes for the Vedanta Group's primary products in each of fiscal 2009, 2010 and 2011:

		Year Ended 31 March		
	Product	2009	2010 (Tonnes)	2011
Segment				
Copper business				
— Sterlite	Copper(1)	312,833	334,202	303,991
— KCM	Copper	132,930	172,828	216,499
	Total copper	**445,763**	**507,030**	**520,490**
— Sterlite	Copper rods	219,879	196,882	187,892
Zinc business				
HZL	Zinc	551,724	578,411	712,471
	Lead	60,322	64,319	57,294
Aluminium business				
— BALCO	Ingots, Billets and Bus Bar	172,340	54,173	27,927
	Rods	127,042	148,279	160,665
	Rolled Products	57,399	65,973	66,706
	Subtotal	**356,781**	**268,425**	**255,298**

	Product	Year Ended 31 March 2009	2010	2011
			(Tonnes)	
— MALCO	Ingots	684	—	—
	Rods	22,540	—	—
	Subtotal	**23,224**	**—**	**—**
— Vedanta Aluminium	Ingots	82,061	250,356	288,150
	Billets	—	9,200	37,525
	Rods	—	4,142	58,971
	Bus Bar and Slabs	—	617	717
	Subtotal	**82,061**	**264,315**	**385,363**
	Total aluminium	**462,066**	**532,740**	**640,661**
Iron ore business	Saleable ore (million tonnes)	14.2	19.2	18.8
Commercial power generation business	Power sold (million units)	882	3,279	4,782

Note:

(1) Copper cathode is used as a starting material for copper rods. Approximately one tonne of copper cathode is required for the production of one tonne of copper rods.

In addition, the mix of products the Vedanta Group produces can have a substantial impact on its results of operations as it has different segment margins in each of its businesses, and within each business its segment margins vary between the lower margins of primary metals and the higher margins of value-added products such as copper rods and aluminium rolled products. For example, copper cathodes are converted in the copper rod plant into copper rods, a value-added product which has a higher margin than copper cathodes. As copper rods have higher margins, the Vedanta Group endeavours to sell as large a percentage of copper rods as possible. As the production volume of its various products fluctuates primarily based on market demand and production capacity for such products, the percentage of revenue from those products will also fluctuate between higher and lower margin products, which will in turn cause the Vedanta Group's operating profit and operating margins to fluctuate.

Periodically, the Vedanta Group's facilities are shut down for planned and unplanned repairs and maintenance which temporarily reduces production volume.

Indian Government Policy

India customs duties

The Vedanta Group sells its products in India at a premium to the LME price, due in part to the customs duties payable on imported products. Profitability is affected by the levels of customs duties as the Vedanta Group prices its products sold in India generally on an import-parity basis. The Vedanta Group also pays a premium on certain raw materials that it imports or which are sourced locally but which are priced on an import-parity basis as a result of customs duties, with copper concentrate, coal, petroleum products, alumina, carbon and caustic soda being the primary examples.

In addition, the Finance Act (2 of 2004) of India, which has been in effect since 8 July 2004, levies an additional surcharge at the rate of 2% of the total customs duty payable, which has been further increased to 3% of the total customs duty payable effective 1 March 2007. The Vedanta Group is also liable to pay an additional customs duty ("CVD") of 10% (prior to 27 February 2010, the CVD was 8%) of the assessable value and basic custom duty, which is levied on imports in India.

Effective 9 January 2004, the special additional duty of 4% which had until that time been levied on imports was abolished, reducing the effective customs duties levied on all import products which the Vedanta Group sells. As the Vedanta Group sells the majority of the commodities it produces in India, any further reduction in Indian tariffs on imports will decrease the premiums it receives in respect of those sales. The Vedanta Group's profitability is dependent to a certain extent on the continuation of import duties and any reduction may have a material adverse effect on its results of operations and financial condition.

On 28 February 2011, the Indian government announced the following changes which took effect from 1 March 2011:

- The import duty on certain raw materials, such as gypsum, used in the production of aluminium has been reduced from 5% to 2.5%.
- There will also be a 1% excise duty on fly ash.
- The import duty on copper concentrate and rock phosphate will be increased from 2% to 2.5%.

India export duties

The GoI has levied an export duty on the export from India of certain products mentioned under the second schedule of the Customs Tariff Act 1975, including iron ore and concentrates. Exports of iron ore fines with a ferrous content of less than 62% were taxed at a rate of INR 50 ($1.12) per tonne and iron ore fines with a ferrous content of more than 62% and lumps were taxed at a rate of INR 300 ($6.72) per tonne. On 13 June 2008, the GoI changed the export duty on iron ore to 15% ad valorem on the Free on Board ("**FOB**") value of exports. The export duty on fines was amended several times as follows:

- On 31 October 2008, export duty on fines was taxed on a per tonne basis of INR 200 per tonne.
- On 7 November 2008, the export duty on fines of a 8% ad-valorem on the FOB value of exports was reinstated.
- On 7 December 2008, export duty on fines and lumps was taxed at a rate of 0% and 5%, respectively.
- On 24 December 2009, export duty on fines and lumps was taxed at a rate of 5% and 10%, respectively.
- From 29 April 2010 to 28 February 2011, export duty on fines and lumps was taxed at a rate of 5% and 15%, respectively.
- As announced on 28 February 2011, export duty on fines and lumps was taxed at a rate of 20% with effect from 1 March 2011.

Indian export incentives

The GoI provides a variety of export incentives to Indian companies. Indian exports of copper, zinc and aluminium receive assistance premiums from the GoI, which have been progressively reduced since 2002 and which is consistent with a similar reduction in custom duties. Export incentives do not outweigh the Indian market price premiums. Accordingly, notwithstanding the export incentives, the Vedanta Group endeavours to sell as large a quantity of its products as possible domestically.

In fiscal 2009, 2010 and 2011, exports accounted for 39.5%, 45.9% and 43.9%, respectively, of Sterlite's copper business revenue. The following table sets out the export assistance premiums, either as Indian Rupees per tonne of exports or as a percentage of the FOB value of exports, on copper cathode and copper rods for the periods indicated:

	15 July 2006 to 31 August 2008	1 September 2008 to 19 September 2010	20 September 2010 to present
	(Percentage of FOB value of exports)		
Copper cathode	2.2%(1)	2.2%(3)	2.0%(5)
Copper rods with Cenvat	2.2%(2)	2.2%(4)	2.0%(6)
Copper rods without Cenvat	2.2%(2)	2.2%(4)	2.2%(6)

Notes:

(1) Subject to a cap of INR 7,500 per tonne.

(2) Subject to a cap of INR 7,760 per tonne.

(3) Subject to a cap of INR 7,000 per tonne.

(4) Subject to a cap of INR 9,800 per tonne.

(5) Subject to a cap of INR 7,500 per tonne.

(6) Subject to a cap of INR 9,800 per tonne.

In fiscal 2009, 2010 and 2011, exports accounted for 34.7%, 35.5% and 38.2%, respectively, of the Vedanta Group's zinc business revenue. The following table sets out the export assistance premiums, as a percentage of the FOB value of exports, on zinc concentrate, zinc ingots and lead concentrate for the periods indicated:

	9 October 2007 to 13 November 2008	4 November 2008	Present Rate
	(Percentage of FOB value of exports)		
Zinc concentrate	3%	2%	3%
Zinc ingots	5%	4%	5%
Lead concentrate	3%	3%	3%

In fiscal 2009, 2010 and 2011, exports accounted for 16.0%, 12.9% and 17.5%, respectively, of the Vedanta Group's aluminium business revenue. The following table sets out the export assistance premiums, as a percentage of the FOB value of exports, on aluminium ingots, aluminium rods and aluminium rolled products for the periods indicated:

	9 October 2007 to Present
	(Percentage of FOB value of exports)
Aluminium ingots	3%
Aluminium rods	5%
Aluminium rolled products	4%

The GoI may further reduce export incentives in the future, which may have a material adverse effect on the Vedanta Group's results of operations and financial condition.

In fiscal 2009, sales to Iran amounted to approximately $2.7 million or 0.04% of Vedanta's total sales.

Taxes and royalties

Income tax on Indian companies is presently charged at a statutory rate of 30%, plus an applicable surcharge of 5% on the tax and has an additional tax by way of higher and secondary education cess of 3%, on the tax including surcharge, which results in an effective statutory tax rate of 32.5%. As announced on 28 February 2011, there was a reduction in corporate tax surcharge from 7.5% to 5%, resulting in a decrease of the effective statutory tax rate from 33.2% to 32.5% with effect from the date of enactment of the Indian Finance Bill 2011. The Vedanta Group has in the past had an effective tax rate lower than the statutory rate, benefiting from tax incentives on infrastructure projects in specific locations.

Profits of companies in India are subject to either regular income tax or a minimum alternate tax ("MAT"), whichever is greater. The MAT rate is currently 20%, and during fiscal 2010 was 19.9%, of the book profits as prepared under Indian GAAP. As announced on 28 February 2011, the MAT was raised from 18.0% to 18.5%, resulting in the effective tax rate to be increased from 19.9% to 20% with effect from 1 April 2012. In addition, the applicability of MAT is proposed to be extended to special economic zones, with effect from 1 April 2012. Despite the increase in rate of MAT, the carried forward time limit for MAT credit remains unchanged at ten years.

A tax on dividends declared and distributed by Indian companies is currently charged at an effective tax rate of 17%. This tax is payable by the company distributing the dividends. Dividends from Vedanta's subsidiaries to Vedanta are also subject to this tax, although Vedanta does not pay income tax in India upon the receipt of any such dividends.

The Vedanta Group currently pays an excise duty of 10% (prior to 6 December 2008, the excise duty was 14%, from 6 December 2008 to 23 February 2009 the excise duty was 10%, from 24 February 2009 to 26 February 2010 the excise duty was 8%) and an additional charge of 3% on the excise duty based on all of the Vedanta Group's domestic production intended for domestic sale. The Vedanta Group charges the excise duty and additional charge to its domestic customers. SGL pays excise duty on metallurgical coke at the rate 5% and an additional charge of 3% on the excise duty.

The Vedanta Group is also subject to government royalties. It pays royalties to the State Governments of Chhattisgarh, Rajasthan, Goa and Karnataka in India based on its extraction of bauxite, lead-zinc ore and iron ore. Most significant of these is the royalty that HZL is currently required to pay to the State of Rajasthan, where all of HZL's mines are located, at a rate of 8.4% with effect from 13 August 2009 of the zinc LME price payable on the zinc metal contained in the concentrate produced (compared to 6.6% prior to 13 August 2009) and 12.7% of the lead LME price payable on the lead metal contained in the concentrate produced (which was 5% prior to 13 August 2009). The royalties paid by BALCO and SGL on the extraction of bauxite and iron ore, respectively, are not material to the Vedanta Group's results of operations. SGL pays royalties at

10% ad valorem, the rate declared by IBM on monthly basis. The Vedanta Group also pays royalties to the State Government of Tasmania in Australia based on the operations of CMT at a rate equal to the sum of 1.6% of the revenue plus 0.4 times the profit multiplied by the profit margin over revenue, subject to a cap of 5% of revenue.

There are several tax incentives available to companies operating in India, including the following:

- Profits from newly established units in special economic zones are entitled to a tax holiday for a specified period;
- Profits from newly constructed power plants (including for captive use) benefit from a tax holiday for a specified period;
- Investments in projects where alternative energy such as wind energy is generated can claim large tax depreciation in the first year of operations; and
- Income from investment in mutual funds is exempt from a tax subject to certain deductions.

The Vedanta Group has benefited from these tax incentives. Such benefits have resulted in lower effective tax rates in some of its operating subsidiaries such as BALCO, HZL and Sterlite. Sterlite and one of HZL's smelters have benefited from its 100% export unit status, where profits on export sales are exempt from tax for a specified period. The board of directors of SGL on 19 July 2010 resolved to debond the following existing 100% export oriented units, namely, the Codli plant 1, the Cudnem unit, the Gadia Sodo unit and the Orissa plant of which Codli plant 1 and Orissa plant have already been debonded. BALCO and HZL have considerable investments in captive power plants enjoying tax exemptions, and HZL has also benefited from establishing wind energy generating projects. HZL also benefits from a tax holiday exemption with respect to its newly commissioned zinc ingot melting and casting plant at Haridwar in the State of Uttarakhand in northern India. In addition, a large part of Sterlite's and HZL's investments of their surplus cash is in tax exempt instruments.

Zambian Government Policy

KCM's results of operations are significantly impacted by a number of Zambian and foreign governmental policies, including fiscal and economic policy, industrial policy, infrastructure spending policy, mining policy, direct and indirect taxes and export-import policy. Such governments may at any time effect a change in any of these policies, which may adversely affect KCM's results of operations.

KCM signed a Development Agreement with the Zambian Government in 2000 (the "Development Agreement"). The Development Agreement was subsequently amended in 2004. The Development Agreement provided for legislative and taxation certainty for an agreed period. The existence of the Development Agreement was provided for by the Mines and Minerals Act 1995 which was repealed on 1 April 2008. The Zambian Government enacted the Income Tax (Amendment) Act 2008, effective 1 April 2008, which made changes to the tax regime in Zambia. Under this Act, *inter alia*, the tax rates applicable to mining companies were increased from 25% to 30% (though the tax rates were effective 1 April 2008, the tax legislation was substantially enacted before the end of fiscal 2008 and accordingly KCM's deferred tax assets and liabilities were revalued as of 31 March 2007 assuming the higher tax rate). In addition, the mineral royalty rate was increased from 0.6% to 3%. For fiscal 2009, the capital allowance in the form of depreciation was changed to 25% from the 100% level that prevailed in earlier years. This policy was reversed by the Zambian Government and the rate was restored to 100% beginning 1 April 2009.

The Zambian Government also introduced a number of new taxes effective 1 April 2008, including a windfall tax and variable profit tax (these taxes do not constitute income taxes for financial reporting purposes, and therefore, any tax accrued has been classified under cost of sales). In fiscal 2009, the windfall tax became payable when copper was sold at prices above $5,512 per tonne. The applicable windfall tax rates varied from 25% to 75% of the difference between the average LME price and specific price thresholds ranging upward from $5,512 per tonne. In fiscal 2009, the windfall tax was not a deductible expense in the computation of income tax. The variable profit tax became payable where income from mining activities exceeded 8% of gross sales at a rate determined according to a prescribed formula and was payable only if the windfall tax was not payable.

On the basis of a July 2008 letter from the Zambian Revenue Authority, provision of $29.8 million was recorded on the balance sheet in fiscal 2009 representing the liability that would arise if the windfall tax were to be paid at the flat rate of 25% on copper sales above the threshold price. In November 2010, KCM received another letter from the Zambian Revenue Authority requesting payment of the windfall tax at a flat rate of

25% and further stating that, if such outstanding windfall tax is paid in full prior to 30 June 2011, the Government will waive any penalties and interest accrued on the arrears. The KR Group has agreed to pay the windfall tax at a flat rate of 25% and to pay the resulting tax liability of $27.0 million in instalments without any interest or penalties. As of 31 March 2011, $4.0 million of the windfall tax liability has been paid, with the remaining $23.0 million due in three equal instalments until June 2011. With effect from 1 April 2009, the Zambian Government annulled the windfall tax on a prospective basis and, as a result, no windfall tax is applicable to KCM after fiscal 2009. The variable profit tax remains in effect.

KCM has been, and expects to continue to be, positively impacted by a 15% duty imposed by the Zambian Government on the export of copper concentrate from Zambia. This duty has increased the domestic supply of copper concentrate and has reduced the price of copper concentrate purchased by KCM in the domestic market. There can be no assurance that the Zambian Government will not reduce or eliminate this duty in the future.

Exchange Rates

Vedanta's financial statements are presented in US dollars. However, its operating costs are influenced by the currencies of those countries where the Vedanta Group's mines and plants are located. A majority of its mines and plants are located in India and, hence, the Indian Rupee is the currency in which most of its costs are incurred and whose fluctuation against the US dollar may have a significant impact on its financial results. The Vedanta Group also has capital expenditure and services denominated in currencies other than the Indian Rupee. KCM's functional currency is the US dollar with its cost base having a mix of the Zambian Kwacha and the US dollar.

The Vedanta Group's borrowings are predominantly denominated in US dollars while a large portion of its cash and liquid investments are held in other currencies, mainly in Indian Rupees. Some financial assets and liabilities of its subsidiaries are not held in the functional currency of such subsidiaries. As a result, the Vedanta Group is exposed to movements in the functional currency of those entities.

The Vedanta Group's exposure to various currencies means that currency fluctuations may have a large impact on the Vedanta Group financial results. It is subject to currency risks affecting the underlying cost bases in its operating subsidiaries, and also the translation of the cost of production, income statement and balance sheet (including non-US dollar denominated borrowings) in the consolidated financial statements, where the functional currency is not the US dollar.

Commercial Power Generation Business

The Vedanta Group expects its future results of operations to be affected by its entry into the commercial power generation business. The effect of this new business will depend on the timing of and the Vedanta Group's success in executing this plan.

Results of Operations

Overview

The following table sets out the Vedanta Group's historical operating results as a percentage of revenue for each of fiscal 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	2010	2011
Revenue	**100%**	**100%**	**100%**
Cost of sales	(78.1)	(72.6)	(70.9)
Gross profit	21.9	27.0	29.1
Other operating income	1.8	1.1	0.6
Distribution costs	(2.5)	(2.9)	(2.8)
Administrative expenses	(3.9)	(3.7)	(3.3)
Special items	0.5	0.8	(1.4)
Operating profit	16.8	21.0	22.2
Investment revenue	6.9	3.4	3.8
Finance costs	(4.4)	(3.0)	(4.7)
Other gains/(losses)	(1.4)	1.8	2.2
Profit before taxation	**18.0**	**23.2**	**23.5**
Tax expense	(4.3)	(4.2)	(5.7)
Profit for the year	**13.7%**	**19.1%**	**17.8%**

Revenue by Geographic Location

The Vedanta Group's operations are located in India, Zambia and Australia. The primary markets for its products are India, the Far East and the Middle East. The Vedanta Group endeavours to sell as large a quantity of its products as possible in India due to the Indian market premium that it receives on sales in India. The following table sets out the Vedanta Group's revenue from each of its primary markets in each of fiscal 2009, 2010 and 2011:

	Year Ended 31 March					
	2009	%	2010	%	2011	%
India	$3,348.8	50.9	$3,900.5	49.1	$ 4,924.4	43.1
China	1,131.4	17.2	1,838.0	23.2	2,157.0	18.9
Far East others(1)	836.5	12.7	633.5	8.0	1,354.6	11.9
United Kingdom	6.2	0.09	119.5	1.5	23.8	0.2
Africa	138.9	2.1	108.7	1.4	172.3	1.5
Europe	110.6	1.7	378.9	4.8	1,047.3	9.2
Middle East	763.1	11.6	834.6	10.5	1,068.9	9.4
Asia others(2)	192.9	2.9	113.8	1.4	648.7	5.7
Others(3)	50.5	0.8	3.0	0.1	30.2	0.3
Total	**6,578.9**	**100%**	**7,930.5**	**100%**	**11,427.2**	**100%**

Notes:

(1) Far East others includes a number of countries, primarily Korea, Thailand, Singapore and Mauritius.

(2) Asia others includes Sri Lanka, Bangladesh, Nepal and Pakistan.

(3) Others include the United States, Australia, New Zealand and a number of countries in Asia excluding India, the Far East and the Middle East.

Discussion of Results of Operations: Fiscal 2011 compared to Fiscal 2010

Revenue

Vedanta Group

The Vedanta Group's revenue was $11,427.2 million in fiscal 2011, an increase of $3,496.7 million, or 44.1%, from $7,930.5 million in fiscal 2010. This was primarily due to strengthening prices, increased volumes and a continued focus on operational efficiency. Vedanta's copper, zinc, iron ore, aluminium and energy businesses contributed 45.3%, 20.7%, 17.3%, 13.7% and 3.0%, respectively, to its revenue in fiscal 2011.

Copper (India/Australia)

Revenue from the copper business in India and Australia was $3,428.2 million in fiscal 2011, an increase of $686.8 million, or 25.1%, from $2,741.4 million in fiscal 2010. The increase was primarily due to higher daily average copper LME prices. Specifically:

- Total copper cathode production decreased from 334,202 tonnes in fiscal 2010 to 303,991 tonnes in fiscal 2011, a decrease of 9.0%. Copper cathode sales decreased from 136,362 tonnes in fiscal 2010 to 116,590 tonnes in fiscal 2011, a decrease of 14.5%, due to the bi-annual maintenance shutdown of the Tuticorin smelter during fiscal 2011.
- Production of copper rods decreased from 196,882 tonnes in fiscal 2010 to 187,892 tonnes in fiscal 2011, a decrease of 4.6%. Copper rod sales decreased from 196,883 tonnes in fiscal 2010 to 186,737 tonnes in fiscal 2011, a decrease of 5.1%. The decrease in sales was due to lower production following the bi-annual maintenance shutdown of the Tuticorin smelter during fiscal 2011.
- Sales of copper in the Indian market increased from 206,149 tonnes in fiscal 2010 to 206,653 tonnes in fiscal 2011, an increase of 0.2%, and Vedanta's exports decreased from 127,095 tonnes in fiscal 2010 to 96,674 tonnes in fiscal 2011, a decrease of 23.9%. Domestic sales as a percentage of total sales increased from 61.9% in fiscal 2010 to 68.1% in fiscal 2011 due to increased demand in infrastructure including housing as well as the power sector in India.
- The daily average copper cash settlement price on the LME increased from $6,112 per tonne in fiscal 2010 to $8,138 per tonne in fiscal 2011, an increase of 33.1%.

Copper (Zambia)

Revenue from KCM in Zambia was $1,741.3 million in fiscal 2011, an increase of $670.5 million, or 62.6%, from $1,070.8 million in fiscal 2010. This increase was primarily due to increased production and higher daily average copper LME prices during fiscal 2011. Specifically, copper production increased from 172,828 tonnes in fiscal 2010 to 216,499 tonnes in fiscal 2011, an increase of 25.3%. Copper sales increased from 175,143 tonnes in fiscal 2010 to 214,488 tonnes in fiscal 2011, an increase of 22.5%. The daily average copper LME price increased from $6,101 per tonne in fiscal 2010 to $8,140 per tonne in fiscal 2011, an increase of approximately 33.4%. In addition, sales of other copper-related products, primarily copper in copper-cobalt alloy produced as a by-product from the Nchanga smelter, totalled $101.1 million in fiscal 2011, compared to $64.1 million in fiscal 2010, as a result of the ramp up in production from the Nchanga Smelter.

Zinc

Revenue from the zinc business was $2,371.7 million in fiscal 2011, an increase of $720.0 million, or 43.6%, from $1,651.7 million in fiscal 2010. This increase was primarily due to a 12.8% increase in the daily average zinc LME price in fiscal 2011 as compared to fiscal 2010, an increase in sales volume enabled by increased production and partially off-set by an appreciation of the Indian Rupee against the US dollar by 3.9% between fiscal 2010 and 2011. Specifically:

- Zinc ingot production increased from 578,411 tonnes in fiscal 2010 to 712,471 tonnes in fiscal 2011, an increase of 23.2%, due to a ramp-up of production from HZL's hydrometallurgical zinc smelter at Dariba and improved operational efficiencies. Zinc ingot sales increased from 577,685 tonnes in fiscal 2010 to 712,603 tonnes in fiscal 2011, an increase of 23.4%, enabled by higher production and strong market demand in India as well as in the rest of Asia.
- Zinc ingot sales in the domestic market increased from 385,880 tonnes in fiscal 2010 to 411,617 tonnes in fiscal 2011, an increase of 6.7%. HZL's domestic sales as a percentage of total sales decreased from

66.8% in fiscal 2010 to 57.8% in fiscal 2011. Export sales increased from 191,805 tonnes of zinc in fiscal 2010 to 300,986 tonnes of zinc in fiscal 2011, an increase of 56.9%.

- The daily average zinc cash settlement price on the LME increased from $1,936 per tonne in fiscal 2010 to $2,185 per tonne in fiscal 2011, an increase of 12.8%.
- Zinc concentrate sales decreased from 223,489 dmt in fiscal 2010 to 65,957 dmt in fiscal 2011. This decrease was primarily due to increased production from smelters. HZL sold surplus lead concentrate of 30,929 dmt in fiscal 2010 and 38,457 dmt in fiscal 2011 to third parties. This increase was primarily due to the availability of surplus lead concentrate.
- Lead ingot production decreased from 64,319 tonnes in fiscal 2010 to 57,294 tonnes in fiscal 2011, a decrease of 10.9%, due to an unplanned shutdown of the lead smelter at Chanderiya. Lead ingot sales decreased from 64,391 tonnes in fiscal 2010 to 57,229 tonnes in fiscal 2011, a decrease of 11.1% due to the decrease in production.
- Silver ingot production increased from 138.6 tonnes in fiscal 2010 to 148.1 tonnes in fiscal 2011, an increase of 6.9%, primarily due to higher silver content in the mined ore. The daily average silver LBMA price increased by 51.8% in fiscal 2011 as compared to fiscal 2010. Sales of silver ingots increased from 139.1 tonnes in fiscal 2010 to 146.6 tonnes in fiscal 2011, an increase of 5.3% enabled by the increase in production.
- The daily average lead cash settlement price on the LME increased from $1,990 per tonne in fiscal 2010 to $2,244 per tonne in fiscal 2011, an increase of 12.8%.

Aluminium

Revenue from the aluminium business was $1,570.1 million in fiscal 2011, an increase of $655.9 million, or 71.7%, from $914.2 million in fiscal 2010. This increase was primarily due to an increase in production from the smelter at Jharsuguda, growing aluminium consumption in the Indian market and a 20.8% increase in daily average aluminium LME prices in fiscal 2011 compared to fiscal 2010. Specifically:

- Aluminium production from Vedanta Aluminium increased from 264,315 tonnes in fiscal 2010 to 385,363 tonnes in fiscal 2011, an increase of 121,048 tonnes. Aluminium production from BALCO decreased from 268,425 tonnes in fiscal 2010 to 255,298 tonnes in fiscal 2011, a decrease of 13,127 tonnes, primarily due to a decrease in production from the plant at BALCO, which ceased operations in 2010.
- Aluminium sales increased from 531,943 tonnes in fiscal 2010 to 633,045 tonnes in fiscal 2011, an increase of 19.0%, due to an increase in production at the smelter at Jharsuguda. Sales of aluminium ingots increased from 314,152 tonnes in fiscal 2010 to 314,954 tonnes in fiscal 2011, an increase of 0.2%, primarily due to the increase in production of aluminium being allocated towards the production of value added products such as wire rods. Wire rod sales increased from 152,372 tonnes in fiscal 2010 to 219,686 tonnes in fiscal 2011, an increase of 44.2%, as a result of an increase in production at the smelter at Jharsuguda. Rolled product sales decreased from 65,419 tonnes in fiscal 2010 to 60,149 tonnes in fiscal 2011, a decrease of 7.6%, primarily due to a decrease in production from BALCO.
- Aluminium sales in the domestic Indian market increased from 410,259 tonnes in fiscal 2010 to 500,527 tonnes in fiscal 2011, an increase of 22%, benefiting from a 16% growth in aluminium consumption in India. BALCO's aluminium exports decreased from 16,832 tonnes in fiscal 2010 to 5,518 tonnes in fiscal 2011, due to higher sales in the domestic market on higher realisation. Vedanta's aluminium domestic sales as a percentage of total sales increased due to rising demand from the power distribution industry, transmission infrastructure and infrastructural growth in India.
- The daily average aluminium cash settlement price on the LME increased from $1,868 per tonne in fiscal 2010 to $2,257 per tonne in fiscal 2011, an increase of 20.8%.

Iron ore

Revenue from the iron ore business was $1,977.9 million in fiscal 2011, an increase of $756.2 million, or 61.9% from $1,221.7 million in fiscal 2010. The saleable iron ore production in fiscal 2011 was 18.8 million tonnes, a decrease of 0.4 million tonnes, or 2.1% from 19.2 million tonnes in fiscal 2010, primarily as a result of a state-wide ban on exports in Karnataka imposed by the Karnataka State Government in July 2010 and the termination of a third party mining agreement in Orissa in November 2010.

Commercial Power Generation

Revenue from the energy business was $338.0 million in fiscal 2011, an increase of $7.3 million, or 2.2% from $330.7 million in fiscal 2010 primarily due to an increase in the volume of power sold. The growth in volume was mainly on account of the commencement of operations of the 600 MW unit at Jharsuguda.

Operating profit

Vedanta Group

The Vedanta Group's operating profit was $2,534.3 million in fiscal 2011, an increase of $868.7 million, or 52.2%, from $1,665.6 million in fiscal 2010. This increase was attributable to volume growth, with record levels of production, strengthening commodity prices and continuing focus on operational efficiencies. Operating margin increased to 22.2% in fiscal 2011 from 21.0% in fiscal 2010 due to higher volumes across all businesses, improved efficiencies in operations and effective cost management.

Contributing factors to the Vedanta Group's consolidated operating profit were as follows:

- Costs of sales increased to $8,107.0 million in fiscal 2011 from $5,761.1 million in fiscal 2010, an increase of $2,345.9 million, or 40.7%, primarily due to increased volumes, rising energy costs, higher royalties and export duty rates and a new green tax on coal. Costs of sales as a percentage of revenue decreased from 72.6% in fiscal 2010 to 70.9% in fiscal 2011, primarily due to operational efficiencies at the plants.
- Distribution costs increased from $229.5 million in fiscal 2010 to $319.6 million in fiscal 2011, an increase of $90.1 million, or 39.3% mainly attributable to higher volumes across all of the Vedanta Group's businesses in fiscal 2011 compared to fiscal 2010.
- Administrative expenses increased from $294.8 million in fiscal 2010 to $376.7 million in fiscal 2011, an increase of $81.9 million, or 27.8% mainly on account of administrative expenses relating to the acquisition of the Zinc International entities, contribution to a cancer hospital in Raipur and higher fixed expenses.
- The losses arising from special items increased from $67.3 million in fiscal 2010 to $163.5 million in fiscal 2011, an increase of $96.2 million, or 142.9%, which is primarily attributable to a $118.3 million impairment against mining reserves relating to mines at SGL that were operated on a lease basis and which lease has now expired and will not be renewed. Other special costs include $32.7 million of acquisition costs relating to the acquisition of Anglo American's zinc assets and the Acquisition, and $12.5 million in relation to voluntary retirement schemes.

Copper (India/ Australia)

The segment result after special items for the copper business in India and Australia was $196.5 million in fiscal 2011, an increase of $130.6 million, or 198.2%, from $65.9 million in fiscal 2010. The increase in segment result was primarily attributable to higher daily average LME prices and lower unit costs in India. In particular:

- TcRc rates decreased from an average of 13.6¢/lb realised in fiscal 2010 to an average of 11.9¢/lb realised in fiscal 2011 as a result of world market trend.
- Cost of production, which consists of the cost of smelting and refining costs, decreased from 10.4¢/lb in fiscal 2010 to 4.0¢/lb in fiscal 2011, primarily due to improved by-product sales and improved operational performance.

Copper (Zambia)

KCM's segment result was $309.1 million in fiscal 2011, compared to $32.5 million in fiscal 2010. The 851.1% improvement in segment result was primarily attributable to increased production and a higher average LME copper price.

Zinc India

The segment result for the zinc business in India was $1,117.8 million in fiscal 2011, an increase of $199.4 million, or 21.7%, from $918.4 million in fiscal 2010. The increase in segment result was primarily attributable to an increase in the daily average zinc and lead LME prices of 12.9% and 12.8%, respectively, between fiscal 2010 and fiscal 2011, and increase in sales volume, partially off-set by an appreciation of the Indian Rupee against the US dollar and higher operating costs.

Zinc International

The segment result for Zinc International's business was $47.2 million in fiscal 2011.

Aluminium

The segment result for the aluminium business was $31.2 million in fiscal 2011, a decrease of $19.2 million, or 38.1%, from $50.4 million in fiscal 2010. This was primarily as a result of higher depreciation of the new Jharsuguda smelter.

Iron ore

The segment result for the iron ore business was $757.6 million in fiscal 2011, an increase of $304.6 million, or 67.2%, from $453.0 million in fiscal 2010. The increase in segment result was primarily attributable to higher volumes, which were partially off-set by higher rail logistic costs and increased export duties, as the Government of India increased the export duties on fines from 5% to 20% and lumps from 15% to 20% on 28 February 2011.

Commercial Power Generation

The segment result for the energy business was $112.0 million in fiscal 2011, a decrease of $35.5 million, or 24.1%, from $147.5 million in fiscal 2010. The decrease in segment result was primarily attributable to higher operating costs, particularly due to the increased price of coal, and lower sales prices.

Investment revenue and finance costs

The Vedanta Group's investment revenue was $431.6 million in fiscal 2011, an increase of $158.8 million, or 58.2%, from $272.8 million in fiscal 2010, which is primarily the result of higher interest income and yield on investments and reduced foreign exchange losses.

The Vedanta Group's finance costs were $534.7 million in fiscal 2011, an increase of $298.1 million, or 126.0%, from $236.6 million in fiscal 2010. This was mainly due to lower capitalisation of interest cost as a result of the start of commercial production at the smelter at Jharsuguda, higher average debt and effective interest rate charge on the $883.0 million convertible bonds.

Other gains / (losses) in fiscal 2011 include a gain of $252.1 million, compared to a gain of $139.8 million in fiscal 2010, which is mainly due to a $188.4 million change in the fair value of embedded derivatives on foreign currency convertible bonds.

Income tax expense and non controlling interests

Income tax expense was $649.5 million in fiscal 2011, an increase of $319.1 million, or 96.6%, from $330.4 million in fiscal 2010, primarily due to increased profitability and a higher MAT rate. The effective tax rate for fiscal 2011 was 24.2%,compared to 17.9% in fiscal 2010, reflecting the rise in the MAT rate from 17.0% to 19.9% and losses in Vedanta Aluminium where no deferred tax assets were recognised due to uncertainty as to their future utilisation.

The profits attributable to non controlling interests in fiscal 2011 increased to $1,263.0 million from $908.9 million in fiscal 2010. The profits attributable to non controlling interests as a percentage of total profits increased to 62.1% in fiscal 2011 from 60.1% in fiscal 2010 primarily due to losses in Vedanta Aluminium which Vedanta had a significant economic interest in and changes in profit mix.

Discussion of Results of Operations: Fiscal 2010 compared to Fiscal 2009

With effect from 1 April 2010, the Vedanta Group had a segment change that changed the structure of its internal organisation in a manner that causes the composition of its reporting segments to change whereby Commercial Power Generation revenue and EBITDA and operating profit were moved into the Energy reporting segment. The segment assets and liabilities still remain the same for fiscal 2009 and 2010. The impact of this segment change would be segment revenue of $51.3 million and $330.7 million, EBITDA of $53.3 million and $170.7 million and operating profit of $17.6 million and $147.5 million for fiscal 2009 and 2010, respectively.

Revenue

Vedanta Group

The Vedanta Group's revenue was $7,930.5 million in fiscal 2010, an increase of $1,351.6 million, or 20.5%, from $6,578.9 million in fiscal 2009. This was primarily due to higher volumes across all businesses and an increase in market prices for zinc, lead and copper. Vedanta's copper, zinc, iron ore, aluminium and energy businesses contributed 48.1%, 20.8%, 15.4%, 11.5% and 4.2%, respectively, to its revenue in fiscal 2010.

Copper (India/Australia)

Revenue from the copper business in India and Australia was $2,741.4 million in fiscal 2010, an increase of $203.5 million, or 8%, from $2,537.9 million in fiscal 2009. The increase was primarily due to a higher sales volume of copper cathodes and higher daily average copper LME prices, which was partially off-set by appreciation of the Indian Rupee against the US dollar by 3.3% between fiscal 2009 and 2010. Specifically:

- Copper cathode production increased from 312,833 tonnes in fiscal 2009 to 334,202 tonnes in fiscal 2010, an increase of 6.8%. The production in fiscal 2009 was lower as compared to fiscal 2010, primarily due to the planned bi-annual plant maintenance shut-down for a period of 26 days in May and June 2008 and stabilisation issues faced during post shut-down ramp-up. Copper cathode sales increased from 92,163 tonnes in fiscal 2009 to 136,362 tonnes in fiscal 2010, an increase of 47.9%, due to increased production.

- Production of copper rods decreased from 219,879 tonnes in fiscal 2009 to 196,882 tonnes in fiscal 2010, a decrease of 10.5%. Copper rod sales decreased from 220,409 tonnes in fiscal 2009 to 196,883 tonnes in fiscal 2010, a decrease of 10.7%. The decrease in sales was due to the decrease in production.

- Sales of copper in the Indian market increased from 198,455 tonnes in fiscal 2009 to 206,149 tonnes in fiscal 2010, an increase of 3.9%, and Vedanta's exports increased from 114,114 tonnes in fiscal 2009 to 127,095 tonnes in fiscal 2010, an increase of 11.4%. Domestic sales as a percentage of total sales decreased from 63.5% in fiscal 2009 to 61.9% in fiscal 2010 due to weaker domestic demand.

- The daily average copper cash settlement price on the LME increased from $5,885 per tonne in fiscal 2009 to $6,112 per tonne in fiscal 2010, an increase of 3.9%.

Copper (Zambia)

Revenue from KCM in Zambia was $1,070.8 million in fiscal 2010, an increase of $297.7 million, or 38.5%, from $773.1 million in fiscal 2009. This increase was primarily due to an increase in the daily average copper LME price during fiscal 2010 as a result of improved global market and economic conditions compared to fiscal 2009 and an increase in sales volume and copper production due to increased production capacity from the new Nchanga smelter fed partly by increased production due to copper concentrate purchases from third-party suppliers. Specifically, copper production increased from 132,930 tonnes in fiscal 2009 to 172,828 tonnes in fiscal 2010, an increase of 30.0%. Copper sales increased from 134,490 tonnes in fiscal 2009 to 175,143 tonnes in fiscal 2010, an increase of 30.2%. The daily average copper LME price increased from $5,864 per tonne in fiscal 2009 to $6,101 per tonne in fiscal 2010, an increase of approximately 4.0%. In addition, sales of other copper-related products, primarily copper in copper-cobalt alloy produced as a by-product from the Nchanga smelter, totalled $64.1 million in fiscal 2010, compared to zero in fiscal 2009, as a result of the ramp-up in production from the Nchanga smelter.

Zinc

Revenue from the zinc business was $1,651.7 million in fiscal 2010, an increase of $442.6 million, or 36.6%, from $1,209.1 million in fiscal 2009. This increase was primarily due to a 23.9% increase in the daily average zinc LME price in fiscal 2010 as compared to fiscal 2009, an increase in sales volume enabled by increased production and partially off-set by an appreciation of the Indian Rupee against the US dollar by 3.3% between fiscal 2009 and 2010. Specifically:

- Zinc ingot production increased from 551,724 tonnes in fiscal 2009 to 578,411 tonnes in fiscal 2010, an increase of 4.8%, due to a ramp-up of production from HZL's first hydrometallurgical zinc smelter at Chanderiya, the commissioning of the 210,000 tpa hydrometallurgical zinc smelter at Rajpura Dariba and improved operational efficiencies. Zinc ingot sales increased from 552,328 tonnes in fiscal 2009 to

577,685 tonnes in fiscal 2010, an increase of 4.6%, enabled by higher production and strong market demand in India as well as in the rest of Asia.

- Zinc ingot sales in the domestic market increased from 331,705 tonnes in fiscal 2009 to 385,880 tonnes in fiscal 2010, an increase of 16.3%. HZL's domestic sales as a percentage of total sales increased from 60.1% in fiscal 2009 to 66.8% in fiscal 2010 due to higher production and strong market demand in India. Export sales decreased from 220,625 tonnes of zinc in fiscal 2009 to 191,805 tonnes of zinc in fiscal 2010, a decrease of 13.1% due to better realisation and demand in the domestic Indian market.

- The daily average zinc cash settlement price on the LME increased from $1,563 per tonne in fiscal 2009 to $1,936 per tonne in fiscal 2010, an increase of 23.9%.

- Zinc concentrate sales increased from 76,261 dmt in fiscal 2009 to 223,489 dmt in fiscal 2010. This increase was primarily due to increased mined zinc metal production which was not captively consumed. HZL sold surplus lead concentrate of 56,487 dmt in fiscal 2009 and 30,929 dmt in fiscal 2010 to third parties. This decrease was primarily due to the non-availability of surplus lead concentrate as a result of higher consumption of lead concentrate to produce metal with a higher concentration of lead at the ISP(TM) pyrometallurgical smelter.

- Lead ingot production increased from 60,322 tonnes in fiscal 2009 to 64,319 tonnes in fiscal 2010, an increase of 6.6%, as a result of improved production of lead from the pyrometallurgical process. Lead ingot sales increased from 60,564 tonnes in fiscal 2009 to 64,391 tonnes in fiscal 2010, an increase of 6.3%, enabled by the increase in production.

- Silver ingot production increased from 105.6 tonnes in fiscal 2009 to 138.6 tonnes in fiscal 2010, an increase of 31.3%, primarily due to higher silver content in the mined ore. The daily average silver LBMA price increased by 14.4% in fiscal 2010 as compared to fiscal 2009. Sales of silver ingots increased from 103.1 tonnes in fiscal 2009 to 139.1 tonnes in fiscal 2010, an increase of 34.9% enabled by the increase in production.

- The daily average lead cash settlement price on the LME increased from $1,660 per tonne in fiscal 2009 to $1,990 per tonne in fiscal 2010, an increase of 19.9%.

Aluminium

Revenue from the aluminium business was $914.2 million in fiscal 2010, a decrease of $22.9 million, or 2.4%, from $937.1 million in fiscal 2009. This decrease was partially due to the complete ramp-down of the old 100,000 tpa smelter at Korba on 5 June 2009, a 16.4% decrease in daily average aluminium LME prices in fiscal 2010 compared to fiscal 2009 and the appreciation of the Indian Rupee against the US dollar by 3.3% between fiscal 2009 and 2010. Specifically:

- Aluminium production from Vedanta Aluminium increased from 82,061 tonnes in fiscal 2009 to 264,315 tonnes in fiscal 2010, an increase of 182,254 tonnes. Aluminium production from BALCO decreased from 356,781 tonnes in fiscal 2009 to 268,425 tonnes in fiscal 2010, a decrease of 88,356 tonnes, primarily due to the complete ramp-down of the old 100,000 tpa smelter at Korba. Production from the new smelter at Korba slightly decreased by 0.4% from 250,499 tonnes in fiscal 2009 to 249,556 tonnes in fiscal 2010.

- Aluminium sales increased from 438,178 tonnes in fiscal 2009 to 531,943 tonnes in fiscal 2010, an increase of 21.4%, due to higher production from Vedanta Aluminium which was partially offset by lower production due to the phased shut-down of the old 100,000 tpa Korba smelter which commenced in February 2009 and ceased completely on 5 June 2009 due to higher operational costs. Sales of aluminium ingots increased from 254,234 tonnes in fiscal 2009 to 314,152 tonnes in fiscal 2010, an increase of 23.6%, as a result of higher production from Vedanta Aluminium which was partially offset by the phased shut-down of the old Korba smelter. Wire rod sales increased from 127,019 tonnes in fiscal 2009 to 152,372 tonnes in fiscal 2010, an increase of 20%, as a result of increased production and increased demand for this product, particularly in the power sector, and reflects Vedanta Aluminium's continued focus on the sale of value-added products. Rolled product sales increased from 57,324 tonnes in fiscal 2009 to 65,419 tonnes in fiscal 2010, an increase of 14.1%, primarily due to increased demand in the construction and the transport sector.

- Aluminium sales in the domestic Indian market increased from 330,402 tonnes in fiscal 2009 to 410,259 tonnes in fiscal 2010, an increase of 24.1%, due to higher production from Vedanta Aluminium which was partially offset by lower production as a result of the phased shut-down of the old 100,000 tpa Korba smelter which commenced in February 2009 and ceased operations on 5 June 2009. BALCO's aluminium exports decreased from 66,523 tonnes in fiscal 2009 to 16,832 tonnes in fiscal 2010, due to higher premiums in the domestic market. Vedanta's aluminium domestic sales as a percentage of total sales increased due to the increased demand of the value-added product in the domestic market, particularly in the power market.

- The daily average aluminium cash settlement price on the LME declined from $2,234 per tonne in fiscal 2009 to $1,868 per tonne in fiscal 2010, a decrease of 16.4%.

Iron ore

Revenue from the iron ore business was $1,221.7 million in fiscal 2010, an increase of $151.3 million, or 14.1% from $1,070.4 million in fiscal 2009. The saleable iron ore production in fiscal 2010 was 19.2 million tonnes, an increase of 5.0 million tonnes, or 35.2% from 14.2 million tonnes in fiscal 2009, primarily as a result of the 3.6 million tonnes contributed by the iron ore operations from SRL, which Vedanta acquired in June 2009 and increased throughput from SGL's existing operations and an increase in average selling prices.

Commercial Power Generation

Revenue from the energy business was $330.7 million in fiscal 2010, an increase of $279.4 million, or 544.6% from $51.3 million in fiscal 2009 primarily due to an increase in the volume of power sold. The growth in volume was mainly on account of surplus power sales due a reduction in captive use as a result of the shut-down of the high-cost aluminium operations at MALCO and one of the smelters of BALCO and surplus power from Vedanta Aluminium's commercial power plant at Jharsuguda.

Operating profit

Vedanta Group

The Vedanta Group's operating profit was $1,665.6 million in fiscal 2010, an increase of $558.6 million, or 50.5%, from $1,107 million in fiscal 2009. This increase was attributable to volume growth, with record iron ore, aluminium and mined metal production of zinc and lead, improved commodity prices and effective operational efficiencies. Operating margin increased to 21% in fiscal 2010 from 16.8% in fiscal 2009 due to higher volumes across all businesses, improved efficiencies in operations and effective cost management.

Contributing factors to the Vedanta Group's consolidated operating profit were as follows:

- Costs of sales increased to $5,761.1 million in fiscal 2010 from $5,136.1 million in fiscal 2009, an increase of $625.0 million, or 12.2%, primarily due to increased volumes and some inflationary pressures on certain key inputs. Costs of sales as a percentage of revenue decreased from 78.1% in fiscal 2009 to 72.6% in fiscal 2010, primarily due to operational efficiencies at the plants.

- Distribution costs increased from $163 million in fiscal 2009 to $229.5 million in fiscal 2010, an increase of $66.5 million, or 40.8% mainly attributable to higher volumes across all of the Vedanta Group's businesses in fiscal 2010 compared to fiscal 2009.

- Administrative expenses increased from $256.8 million in fiscal 2009 to $294.8 million in fiscal 2010, an increase of $38.0 million, or 14.8% mainly on account of the commencement of operations at Vedanta Aluminium and an increase in inflation.

- The losses arising from special items increased from $31.9 million in fiscal 2009 to $67.3 million in fiscal 2010, an increase of $35.4 million, or 111%. In December 2009, the $50 million letter of credit provided to acquire Asarco was exchanged for cash. See "Business of Vedanta — Litigation — Certain proceedings are on-going among Asarco, Sterlite and Sterlite USA." This amount and other expenses incurred pursuant to the unsuccessful acquisition amounting to $7.7 million was recorded as an expense as a special item. In fiscal 2010, $6.9 million was spent restructuring the Vedanta Group's operations, principally to cover voluntary redundancy and this was also recorded as a special item expense.

Copper (India/Australia)

The segment result for the copper business in India and Australia was $65.9 million in fiscal 2010, a decrease of $177 million, or 72.9%, from $242.9 million in fiscal 2009. The decrease in segment result was primarily attributable to higher operating costs, a decline in phosphoric acid prices and lower by-products realisations, which was partially off-set by improved TcRc and higher realisation from Australian mining operations. In particular:

- TcRc rates increased from an average of 11.7¢/lb realised in fiscal 2009 as compared to an average of 13.6¢/lb realised in fiscal 2010 as a result of a global improvement of the TcRc market resulting in a significant increase in the market TcRc rate.
- Cost of production, which consists of the cost of smelting and refining costs, increased significantly from 3.1¢/lb in fiscal 2009 to 10.5¢/lb in fiscal 2010, primarily due to lower realisation on the sale of sulphuric acid by-product.
- Encashment of $50 million letter of credit by Asarco after the rejection of the plan proposed by the Vedanta Group for the acquisition of Asarco.

Copper (Zambia)

KCM's segment result was $32.5 million in fiscal 2010, compared to a loss of $165.9 million in fiscal 2009. The 119.5% improvement in segment result was primarily attributable to increased production and a higher average copper LME price.

Zinc

The segment result for the zinc business was $918.4 million in fiscal 2010, an increase of $370.1 million, or 67.5%, from $548.3 million in fiscal 2009. The increase in segment result was primarily attributable to an increase in the daily average zinc and lead LME prices of 23.9% and 19.9%, respectively, between fiscal 2009 and fiscal 2010, and increase in sales volume, partially off-set by an appreciation of the Indian Rupee against the US dollar and higher operating costs.

Aluminium

The segment result for the aluminium business was $50.4 million in fiscal 2010, a decrease of $66.8 million, or 57.0%, from $117.2 million in fiscal 2009. This was primarily as a result of higher depreciation of the Jharsuguda smelter following commencement of commercial production during the year.

Iron ore

The segment result for the iron ore business was $453.0 million in fiscal 2010, an increase of $105 million, or 30.2%, from $348.0 million in fiscal 2009. The increase in segment result was primarily attributable to higher volumes and lower operating costs which were partially off-set by lower average prices and increased royalties.

Commercial Power Generation

The segment result for the energy business was $147.5 million in fiscal 2010, an increase of $129.9 million, or 738.1%, from $17.6 million in fiscal 2009. The increase in segment result was primarily attributable to higher volumes and realisation rate, partially off-set by higher operating costs.

Investment revenue and finance costs

The Vedanta Group's investment revenue was $272.8 million in fiscal 2010, a decrease of $183.4 million, or 40.2%, from $456.2 million in fiscal 2009 as a result of lower yield on investments and conversion losses on dollar deposits kept at TCM.

The Vedanta Group's finance costs were $236.6 million in fiscal 2010, a decrease of $51.5 million, or 17.9%, from $288.1 million in fiscal 2009. This was mainly due to interest costs of $301.3 million being capitalised on the total interest cost as compared to capitalisation of $112 million in fiscal 2009, reflecting increased expenditure on the capital expansion programme.

Other gains/(losses) in fiscal 2010 include a gain of $139.8 million compared to a loss of $94.1 million in fiscal 2009, mainly due to exchange gains/losses on borrowings and capital creditors. There was a loss of $35.7 million in fiscal 2010 due to a change in the fair value of embedded derivatives on foreign currency convertible bonds.

Income tax expense and non controlling interests

Income tax expense was $330.4 million in fiscal 2010, an increase of $49.9 million, or 17.8%, from $280.5 million in fiscal 2009, primarily due to increased profitability. The effective tax rate for fiscal 2010 was 17.9% compared to 23.8% in fiscal 2009 because the Vedanta Group was able to benefit from lower effective tax rates in HZL and SGL, triggered by the efficient use of various tax holidays.

The profits attributable to non controlling interests in fiscal 2010 increased to $908.9 million from $681.1 million in fiscal 2009. The profits attributable to non controlling interests as a percentage of total profits decreased to 60.1% in fiscal 2010 from 75.6% in fiscal 2009 primarily due to higher profit from KCM and Vedanta Aluminium which have lower non controlling interests.

Liquidity and Capital Resources

Capital Resources

Overview

As of 31 March 2011, the Vedanta Group's cash and cash equivalents and liquid investments were $7.8 billion, the majority of which were denominated in Indian Rupees. Of this, $911.6 million was cash and cash equivalents and $6,865.4 million was liquid investments. Liquid investments consist of investments in mutual funds and bank deposits with maturities of more than 90 days. The Vedanta Group's investment policy is to invest in funds and banks with a low credit risk and high credit ratings. A portion of Vedanta's cash and cash equivalents and liquid investments will be used to finance the Acquisition. See "Summary — Financing for the Acquisition and Related Transactions."

The Vedanta Group funds its operations primarily with its current cash and liquid investments, together with cash flows from operations and borrowings under working capital and term loan facilities from banks and/or other financial institutions, and the Vedanta Group expects that these sources will continue to be its principal sources of cash in the next few years. During fiscal 2010, Sterlite also raised equity of $1.1 billion and the Vedanta Group issued $3.1 billion in convertible bonds, of which $2.1 billion was raised by Vedanta and the remainder was raised by its subsidiaries. The Company believes that its current working capital is sufficient for its present capital requirements.

The Vedanta Group's principal financing requirements primarily include:

- capital expenditures towards the maintenance, upgrading and expansion of capacity in existing businesses;
- the establishment of the new commercial power generation business;
- consolidation of ownership in various subsidiaries;
- acquisitions of complementary businesses that the Vedanta Group determines to be attractive opportunities; and
- working capital.

The Vedanta Group evaluates its funding requirements regularly in light of its cash flow from its operating activities, the progress of its capital expenditure projects, acquisition initiatives and market conditions. To the extent it does not generate sufficient cash flow from operating activities, the Vedanta Group may rely on other debt or equity financing activities, subject to market conditions.

The following table sets out select cash flow data and the cash and cash equivalents for each of fiscal 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	2010	2011
Net cash from operating activities	$ 1,829.2	$ 1,572.2	$ 2,028.0
Net cash used in investing activities	(3,839.0)	(4,295.9)	(3,435.0)
Net cash from financing activities	1,755.0	2,982.5	1,687.4
Net increase/(decrease) in cash and cash equivalents	(254.8)	258.8	280.4
Effect of foreign exchange rate changes	177.1	(249.3)	241.2
Cash and cash equivalents at beginning of year	458.2	380.5	390.0
Cash and cash equivalents at end of year	**380.5**	**390.0**	**911.6**

Net Cash From Operating Activities

Net cash from operating activities was $2,028.0 million in fiscal 2011. Cash used for working capital purposes was $347.3 million. The cash used for working capital purposes was as a result of an increase in inventories by $534.5 million, an increase in receivables by $398.5 million and an increase in payables by $585.7 million. During fiscal 2011, net interest paid was $431.0 million and income taxes paid was $756.5 million.

Net cash from operating activities was $1,572.2 million in fiscal 2010, primarily on account of profit before tax of $1,841.6 million and depreciation of $563.0 million being added back. Cash used for working capital purposes was $27.8 million. The cash used for working capital purposes was as a result of an increase in inventories by $249.4 million, a decrease in receivables by $16.4 million and an increase in payables by $205.2 million. During fiscal 2010, net interest paid was $305.2 million and income taxes paid was $407.8 million.

Net cash from operating activities was $1,829.2 million in fiscal 2009, primarily on account of profit before tax of $1,181.0 million and depreciation of $473.2 million being added back. Cash generated from working capital was $621.7 million. The cash generated from working capital was as a result of a decrease in inventories by $69.9 million, a decrease in receivables by $167.9 million and an increase in payables by $383.9 million. During fiscal 2009, net interest paid was $269.7 million and income taxes paid was $330.8 million.

Net Cash Used in Investing Activities

Net cash used in investing activities was $3,435.0 million in fiscal 2011, primarily on account of purchase of property, plant and equipment amounting to $2,491.4 million and the acquisition of the zinc assets of Anglo American for a total consideration of $1,513.1 million.

Net cash used in investing activities was $4,295.9 million in fiscal 2010, primarily on account of purchase of property, plant and equipment amounting to $2,362.1 million, purchase of liquid investments amounting to $1,663.4 million and the acquisition of SRL in June 2009 amounting to $335 million.

Net cash used in investing activities was $3,839.0 million in fiscal 2009, primarily on account of purchase of property, plant and equipment amounting to $2,799.6 million, purchase of liquid investments amounting to $961.9 million.

Net Cash From or Used in Financing Activities

Net cash provided by financing activities was $1,687.4 million in fiscal 2011, primarily as a result of an increase of $1,863.2 million in short-term borrowings mainly relating to Vedanta Aluminium.

Net cash provided by financing activities was $2,982.5 million in fiscal 2010, primarily as a result of the issue of American Depositary Shares ("ADSs") by Sterlite amounting to $1,090.1 million and increase in borrowings amounting to $2,498.4 million, buyback of treasury shares and the acquisition of minority stakes amounting to $538.3 million

Net cash provided by financing activities was $1,755.0 million in fiscal 2009, primarily as a result of increase in borrowings amounting to $2,208.1 million, buyback of treasury shares and the acquisition of minority stakes amounting to $397.1 million.

Borrowings

The Vedanta Group had undrawn committed borrowing facilities of $9,407.6 million (including $6,000 million of the Bridge Acquisition Facilities) available to it as of 31 March 2011.

The Vedanta Group taps both the Indian and offshore markets for its long-term funding needs. In addition, it has sizeable imports and exports and can therefore access both import and export credits, based on cost effectiveness, both in Indian Rupees and in foreign currencies, to finance its short-term working capital requirements. The Vedanta Group has in place both secured and unsecured borrowings, with its secured borrowings being generally Indian Rupee denominated bonds.

The Vedanta Group has tapped different segments of borrowing resources, including banks and capital markets, both in India and overseas. Vedanta has corporate credit ratings of Ba1 from Moody's and BB from Standard & Poor's and BB+ from Fitch. The Vedanta Group has not had, and does not currently expect to have, material difficulty in gaining access to short-term and long-term financing sufficient to meet its current requirements.

The following table shows total borrowings of the Vedanta Group as of 31 March 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	2010	2011
		($ million)	
Bank loans	2,483.3	3,597.4	5,654.9
Bonds	1,812.4	1,243.7	1,244.7
Other loans	215.1	554.7	581.4
Total	**4,510.8**	**5,395.8**	**7,481.0**
Borrowings are repayable:			
Within one year (shown as current liabilities)	1,298.5	1,012.6	3,045.1
In the second year	173.9	759.7	1,914.2
In two to five years	1,626.2	2.669.9	1,324.4
After five years	1,412.2	953.6	1,197.3
Total borrowings	**4,510.8**	**5,395.8**	**7,481.0**
Less: payable within one year	(1,298.5)	(1,012.6)	(3,045.1)
Medium and long-term borrowings	**3,212.3**	**4,383.2**	**4,435.9**

As of 31 March 2011, the Vedanta Group had access to fully funding facilities of $19,160.1 million (including $6,000 million of the Bridge Acquisition Facilities), of which $9,407.6 million has not been drawn.

Funding Facilities	Total Facility	Drawn	Undrawn
		($ million)	
Less than one year	10,946.8	3,045.1	7,901.7
One to two years	3,336.3	1,914.2	1,422.1
Two to five years and above	4,877.0	4,793.2	83.8
Total	**19,160.1**	**9,752.5**	**9,407.6**

A summary of the principal loans held by Vedanta and its group companies as of 31 March 2011 is contained in Note 24 to the Company's consolidated financial statements for fiscal 2011, which is incorporated in this Offering Circular.

Vedanta and its subsidiaries have various finance facilities that contain various financial covenants. As of 31 March 2011, Vedanta and its subsidiaries were in material compliance with such covenants. These covenants require Vedanta to maintain certain financial ratios and seek the prior permission of the relevant banks and financial institutions for various activities including, amongst others any changes in its capital structure, issue of equity, preferential capital or debentures, raising any loans and deposits from the public, undertaking any new project, effecting any scheme of acquisition, merger, amalgamation or reconstruction, implementing a new scheme of expansion or creation of a subsidiary.

Capital Expenditures and Commitments

The following table shows the capital expenditures for the Vedanta Group in fiscal 2009, 2010 and 2011:

	Year Ended 31 March		
	2009	2010	2011
		($ million)	
Capital expenditures	$3,327.6	3,864.5	2,710.8

In fiscal 2009, significant capital expenditure was incurred on Vedanta Aluminium's 0.5 mtpa smelter and 1.25 mtpa smelter at Jharsuguda, Sterlite Energy's 2,400 MW coal-based thermal power plant in Jharsuguda, the Lanjigarh alumina refinery, the Rampura Agucha mines, BALCO's 1,200 MW power plant and KCM's KDMP. In fiscal 2010, significant capital expenditure was incurred in Vedanta Aluminium's 0.5 mtpa smelter and 1.25 mtpa smelter at Jharsuguda and its expansion project at Lanjigarh and Sterlite Energy's 2,400 MW coal-based thermal power plant in Jharsuguda. In fiscal 2011, significant capital expenditure was incurred in HZL's Rajpura Dariba mine, Sterlite Energy's 2,400 MW coal-based thermal power plant in Jharsuguda, Vedanta Aluminium's 1.25 mtpa smelter at Jharsuguda, the 2,640 MW coal-based thermal power plant at Talwandi Sabo and BALCO's 1,200 MW coal-based thermal power plant in the State of Chhattisgarh.

The following table sets out details regarding the Vedanta Group's expansion projects, which have a total estimated cost of $19.1 billion:

Sector	Project	Capacity	Estimated Cost	Amount Spent as of 31 March 2011	Amount Unused as at 31 March 2011	Status as at 31 March 2011
			($ million)			
Alumina	Lanjigarh I Alumina refinery	1.0 mtpa	1,015.3	982.0	33.3	Completed
	Debottlenecking Lanjigarh I(1)	1.0 mtpa	150	72.3	77.7	On hold
	Lanjigarh II Alumina refinery(1)	3.0 mtpa	1,570	804.6	765.4	On hold
Aluminium . . .	Korba III smelter	325,000 tpa 1,200 MW CPP	1,820	1,027.9	792.1	In progress
	Jharsuguda I smelter	0.5 mtpa 1,215 MW CPP	2,400	2,324.4	75.6	Completed
	Jharsuguda II smelter	1.25 mtpa	2,920	1,975.4	994.6	In progress
Zinc	Smelting and Mining	210,000 tpa(5)				Completed
		100,000 tpa(6)				In progress
		160 MW CPP(7)	900	753.1	146.9	Completed
		6 mtpa(8)				Completed
		1.5 mtpa(9)				In progress
		1 mtpa(10)				In progress
	Wind Power Project	150 MW	190	76.1	113.9	In progress
Copper	KCM KDMP project(2)	7.5 mtpa	973	796.8	176.2	In progress
	KCM Nchanga smelter	311,000 tpa	470	460.5	9.5	Completed
	CRO Project	50,000 tpa	320	—	320	In progress
	Sterlite expansion project	400,000 tpa	500	155.9	344.1	In progress
Power.	Talwandi Sabo power project(3)	2,640 MW	3,030	361.6	2,668.4	In progress
	Sterlite Energy IPP(3)	2,400 MW	1,900	1,515.6	384.4	In progress
Iron Ore	Pig iron expansion	375,000 tpa	150	84.4	65.6	In progress
	SGL iron ore mine expansion(4)	40 mtpa	500	77.0	423.0	In progress
Infrastructure . .	Paradeep port	—	150	—	150	In progress
	Vizag coal berth	—	150	19.6	130.4	In progress
		—	**19,108.3**	**11,487.3**	**7,621.0**	

Notes:

(1) The refinery expansion project at Lanjigarh has been put on hold in view of the adverse decision regarding Niyamgiri.

(2) KCM KDMP 7.5 mtpa project is under construction and is expected to be completed by the third quarter of fiscal 2012.

(3) Construction of all four units of Sterlite Energy's IPP 2,400 MW project is expected to be completed by the fourth quarter of fiscal 2012. The Talwandi Sabo power project with a capacity of 2,640 MW is expected to be completed by the fourth quarter of fiscal 2014.

(4) SGL iron ore expansion project of 40 mtpa is progressing and targeted for completion by fiscal 2013.

(5) Zinc smelter at Dariba.

(6) Lead smelter at Dariba.

(7) Captive power plant at Dariba.

(8) The expansion of ore production capacity at the Rampura Agucha mine from 5 mtpa.

(9) The expansion of ore production capacity at the Sindesar Khurd mine from 0.3 mtpa.

(10) Kayar mine.

The Vedanta Group plans to meet these planned capital expenditure requirements primarily from its future cash flows from operations, carried capital expenditure loans, project financing and public offers. The Vedanta Group may undertake additional capital expenditures as opportunities or needs arise. In addition, the Vedanta Group may increase, reduce or suspend its planned capital expenditures or change the timing and use of its capital expenditures from what is currently planned in response to market conditions or for other reasons.

The Vedanta Group's ability to maintain and grow its revenues, net income and cash flows depends upon continued capital spending. The Vedanta Group's current and future projects may be significantly delayed by the failure to receive regulatory approvals or renewal of approvals in a timely manner, failure to obtain sufficient funding, technical difficulties, human resources constraints, technological or other resource constraints or for other unforeseen reasons, events or circumstances. See "Risk Factors — Risks relating to the Vedanta Business". The Vedanta Group adjusts its capital expenditure plans and investment budget periodically, based on factors deemed relevant by it. Therefore the Vedanta Group's actual capital expenditures and investments are likely to be different from its current planned amounts, and such differences may be significant.

Contractual Obligations

The following table sets out the Vedanta Group's total future commitments to settle contractual obligations as of 31 March 2011:

	Payment Due by Period				
	Total	Less Than 1 Year	1-2 Years	2-5 Years	More Than 5 Years
			($ million)		
Bank loans and other borrowings	7,481.0	3,045.1	1,914.2	1,324.4	1,197.3
Convertible bonds	2,271.5		—	651.5	1,620.0
Trade and other payable and derivative liabilities	3,659.1	3,416.8	148.1	94.2	—
Total	**13,411.6**	**6,461.9**	**2,062.3**	**2,070.1**	**2,817.3**

The Vedanta Group's total future commitments to settle contractual obligations, as of 31 March 2011, were $13,411.6 million.

The Vedanta Group also has commitments to purchase copper concentrate for its copper custom smelting operations. These commitments are based on future LME copper prices which are not ascertainable as of the date of this Offering Circular.

Off-Balance Sheet Arrangements

The Vedanta Group has no off-balance sheet entities. In the normal course of business, it enters into certain commitments for capital and other expenditures and certain performance guarantees. The aggregate amount of indemnities and other guarantees was $2,148.8 million as of 31 March 2011.

Details of the Vedanta Group's indemnities and other guarantees are set out in "— Guarantees". Details of the Vedanta Group's capital commitments and contingencies are set out below.

Capital Commitments Contracted But Not Provided

The Vedanta Group has a number of continuing operational and financial commitments in the normal course of business. Capital commitments contracted but not provided as of 31 March 2011 amounted to $3.7 billion, related primarily to capacity expansion projects, including the construction of new facilities, expansion of existing facilities and entry into the commercial power business.

Contingencies

The Vedanta Group is from time to time subject to litigation and other legal proceedings. Certain of its operating subsidiaries have been named as parties to legal actions by third-party claimants and by the Indian sales tax, excise and related tax authorities for additional sales tax, excise and indirect duties. These claims primarily relate either to the assessable values of sales and purchases or to incomplete documentation supporting its tax returns. The Vedanta Group has ongoing disputes with income tax authorities relating to the tax treatment of certain items.

These mainly include disallowed expenses, tax treatment of certain expenses claimed by the Vedanta Group as deductions, and the computation or eligibility of certain tax incentives or allowances. Some of the disputes relate to the year in which the tax consequences of financial transactions were recognised, and in the event these disputes are not resolved in the Vedanta Group's favour, the tax consequences may be reflected in the tax year as required by the income tax authorities and there are therefore timing differences. Most of these disputes and disallowances, being repetitive in nature, have been raised by the tax authorities consistently in most of the years. The Vedanta Group has a right of appeal to the High Court or the Supreme Court of India against adverse initial assessments by the appellate authorities for matters involving questions of law. The tax authorities have similar rights of appeal. The total claims related to these tax liabilities are $296.5 million as of 31 March 2011. The Vedanta Group has evaluated these contingencies and estimate that it is probable that some of these claims may result in loss contingencies and hence have recorded $6.4 million as current liabilities as of 31 March 2011.

The claims by third-party claimants amounted to $287.0 million as of 31 March 2011, of which $nil were recorded as current liabilities based on the Vedanta Group's estimate that none of these claims would become liabilities. The Vedanta Group intends to vigorously defend these claims as necessary. Although the results of legal actions cannot be predicted with certainty, it is the opinion of the management, after taking appropriate legal advice, that the resolution of these actions will not have a material adverse effect, if any, on the Vedanta Group's business, financial condition or results of operations. Therefore, the Vedanta Group has not recorded any additional liability in relation to litigation matters in the accompanying consolidated financial statements.

Inflation

According to Euromonitor International, India's annual overall inflation rate was approximately 10.83%, 11.73% and 7.0% for fiscal 2009, 2010 and 2011. Inflation in India has not significantly impacted the Company's results of operations in recent years.

Guarantees

Companies within the Vedanta Group provide guarantees within the normal course of business. Guarantees have also been provided in respect of certain short-term and long-term borrowings.

As of 31 March 2011, $240.0 million of guarantees were advanced to banks in the normal course of business. The Vedanta Group has also entered into guarantees advanced to the customs authorities in India of $1,077.2 million relating to the export of iron ore and payment of import duties on purchases of raw materials.

Export obligations

The Indian entities of the Vedanta Group have export obligations of $5,691.7 million as of 31 March 2011 on account of concessional rates received on import duties paid on capital goods under the Export Promotion Capital Goods Scheme and on raw materials under the Advance Licence Scheme enacted by the GoI.

In the event the Vedanta Group fails to meet its obligations, the Vedanta Group's liability would be $711.6 million, reduced in proportion to actual exports. This liability is backed by a bond executed in favour of the Indian customs department amounting to $1,710.5 million.

Guarantees to suppliers

The Vedanta Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was $120.0 million as of 31 March 2011.

Environmental and terminal benefits ("ETB") cash reserve account — KCM

Pursuant to the terms of the shareholders' agreement between Vedanta Resources Holdings Limited ("VRHL") and Zambia Copper Investments Limited ("ZCI") dated 5 November 2004, KCM is expected to contribute a minimum of $10 million (and not more than a maximum of $18 million) in any financial year to ensure that the amount of ETB liabilities is covered by a cash reserve when the life of the Konkola Ore Body comes to an end. The ETB liabilities refer to KCM's obligations in relation to environmental and any terminal benefits payable to its employees. As of 31 March 2011, ETB liabilities provided for were $86.0 million, although these liabilities are likely to fluctuate at each future reporting date.

Shortfall Funding Commitment — KCM

Pursuant to the KCM acquisition agreement, Vedanta has agreed to fund capital expenditure in the period from the date of acquisition to the earlier of 5 November 2013, the exercise of the primary or secondary call options held by ZCI and Vedanta's divestment of its interest in KCM (the earliest date of which was 1 January 2008), up to a limit of $220 million in the event that internally generated cash flows are insufficient to fund the capital expenditure programme set out in the acquisition agreement.

Market Risk Disclosure

The Vedanta Group is exposed to market risk from changes in foreign exchange rates, interest rates, counterparty and concentration of credit, and commodity prices.

Exchange Rate Risk

The results of the Vedanta Group's operations may be affected by fluctuations in the exchange rates between the Indian Rupee, Australian dollar and Zambian Kwacha against the US dollar. These foreign currency exposures are managed through a hedging policy. Natural hedges available in the business are identified at each entity level and hedges are placed only for the net exposure. Short term net exposures are hedged progressively based on their maturity. A more conservative approach has been adopted for project expenditures to avoid budget overruns. Longer term exposures are not hedged. Stop-loss and take-profit triggers are implemented to protect the Vedanta Group from adverse market movements, while at the same time enabling the Vedanta Group to take advantage of favourable market opportunities. The Vedanta Group uses hedging instruments to manage the exchange rate risk associated with the fluctuations in the Indian Rupee, Australian dollar and Zambian Kwacha against the US dollar in line with its risk management policy. Typically all exposures for maturity of less than two years are managed using simple instruments such as forward contracts. As long-term exposures draw nearer, the Vedanta Group hedges them progressively to insulate these from the fluctuations in the currency markets. These exposures are reviewed by appropriate levels of management on a monthly basis. After the recent acquisition of the Skorpion mine in Namibia, the Lisheen mine in Ireland and the mine at Black Mountain and the Gamsberg project, in South Africa, Vedanta's operations would also be affected by fluctuations in the exchange rate of the Namibian Dollar, the South African Rand and the Euro against the US dollar.

Hedging activities in India are governed by the RBI with whose policies the Vedanta Group must comply. The policies under which the RBI regulates these hedging activities can change from time to time and these policies may affect the effectiveness with which the Vedanta Group manages exchange rate risk.

The Vedanta Group has in the past held or issued instruments such as options, swaps and other derivative instruments for purposes of mitigating exposure to exchange rate risk. The Vedanta Group does not enter into hedging instruments for speculative purposes.

The following table illustrates the effect on the Vedanta Group's EBITDA in fiscal 2011 of a 10% movement in exchange rates of the currencies listed below against the US dollar.

Currency	Closing US Dollar Exchange Rate as at 31 March 2011	Average US Dollar Exchange Rate in Fiscal 2011	Impact of a 10% Movement in Currency on EBITDA
			($ million)
Indian Rupee	44.65	45.58	449
Australian dollar	0.968	1.0694	10
Zambian Kwacha	4,770	4,906	22.8

The sensitivity data in the above table is based on production volumes, costs and prices for fiscal 2011 and gives the estimated impact on EBITDA of changes in exchange rates assuming that all other variables remain constant.

Interest Rate Risk

The Vedanta Group is exposed to the interest rate risk on short-term and long-term floating rate instruments and also on the refinancing of fixed rate debt. The policy is to maintain a balance of fixed and floating interest rate borrowings. The proportion of fixed and floating rate debt is determined by current market interest rates. As of 31 March 2011, $6.4 billion of its total debt was at a fixed rate and the balance was at a floating rate.

The Vedanta Group's floating rate debt is largely linked to the US dollar London Interbank Offering Rate ("LIBOR"). The costs of floating rate borrowings may be affected by the fluctuations in the interest rates. The Vedanta Group has selectively used interest rate swaps, options and other derivative instruments to manage its exposure to interest rate movements. These exposures are reviewed by appropriate levels of management on a monthly basis. Based on the gross debt as of 31 March 2011, with all other variables remaining constant, a one percentage point increase in the US dollar LIBOR would impact the Vedanta Group's profit by $36 million.

Borrowing and interest rate hedging activities in India are governed by the RBI and as a result, the Vedanta Group has to comply with the RBI's regulations. The policies under which the RBI regulates these borrowing and interest rate hedging activities can change from time to time and can impact the effectiveness with which the Vedanta Group manages its interest rate risk.

The following table illustrates the effect on interest payable on loans in fiscal 2011 of a 0.5%, 1% and 2% movement in interest rates:

Movement in Interest Rates	Effect on Net Earnings US Dollar Interest Rates
	($ million)
0.5%	12.7
1.0%	25.3
2.0%	50.7

Counterparty and Concentration of Credit Risk

The Vedanta Group is exposed to counterparty credit risks on its investments and receivables. Cash and liquid investments are held primarily in mutual funds and banks with high credit ratings. In respect of current asset investments, counterparty limits are in place to limit the amount of credit exposure to any one counterparty. Most of the surplus cash is invested in banks and mutual funds in India where there is a well-developed financial market.

A large majority of receivables due from third parties are secured either as advance receipt of money or by use of financial instruments such as letters of credit. There is no concentration of credit risk among the receivables of the Vedanta Group given the large number of customers and the business diversity. The history of collection of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, the Vedanta Group does not expect any material risk on account of non-performance by any of the counterparties.

Commodity Price Risk

The Vedanta Group's principal commodities are copper, zinc, aluminium, iron ore and lead. All of these, except iron ore, are priced with reference to LME prices. Iron ore prices are not linked to any metal exchange prices but are generally influenced by the same factors that influence the LME prices for the other metals and are reflected in the benchmark price agreed between major iron ore suppliers and steel makers.

As a general policy, the Vedanta Group aims to sell its products at prevailing market prices. Hedging activity in commodities is undertaken on a strategic basis to a limited degree and is subject to strict limits laid down by the board and strictly defined internal controls and monitoring mechanisms.

The Vedanta Group uses commodity hedging instruments such as forwards, swaps, options and other derivative instruments to manage its commodity price risk in its copper and zinc businesses. Currently the Vedanta Group uses commodity forward contracts to partially hedge against changes in the LME prices of copper, zinc and lead, and market prices of iron ore. The Vedanta Group enters into these hedging instruments for the purpose of reducing the variability of its cash flows attributable to volatility in commodity prices. These hedging instruments are typically of a maturity of less than one year and almost always less than two years.

Hedging activities in India are governed by the RBI and as a result, the Vedanta Group has to comply with its regulations. The policies under which the RBI regulates these hedging activities can change from time to time and can have an impact on the effectiveness with which the Vedanta Group manages commodity price risk.

The Vedanta Group has in the past held or issued derivative instruments such as forwards, options and other derivative instruments for purposes of mitigating its exposure to commodity price risk. The Vedanta Group does not enter into hedging instruments for speculative purposes.

The Vedanta Group recognised losses of $76.9 million on hedging positions in fiscal 2010 arising from strategic hedging of certain quantities of copper and zinc compared with a loss of $23 million in fiscal 2009. As of 31 March 2011, net outstanding positions on these strategic hedges amounted to nil.

The following table illustrates the impact on EBITDA for the Vedanta Group's copper, zinc and aluminium businesses of a $100 movement in LME prices based on fiscal 2011 sales volumes, costs and exchange rates:

	Average LME Price in Fiscal 2011	Effect on EBITDA of $100/Tonne Change in LME Prices
	($ per tonne)	(US million)
Copper	8,138	16
Aluminium	2,257	66
Zinc	2,185	72
Lead	2,244	7

The sensitivity data in the above table is based on the production volumes, costs and prices for fiscal 2011 and gives the estimated impact on EBITDA of changes in prices assuming that all other variables remain constant.

Management's Judgment and Estimation

The discussion and analysis of the Vedanta Group's financial condition and results of operations are based upon the Vedanta Group's consolidated financial statements, which have been prepared in accordance with IFRS. In the course of preparing these financial statements, the management has made estimates based on and assumptions that impact the amounts recognised in the consolidated financial statements. For a discussion of the significant accounting policies, see note 2(a) to the consolidated financial statements of Vedanta for fiscal 2011 incorporated in this Offering Circular. The Vedanta Group believes the critical accounting estimates described below are those that are both important to reflect its financial condition and results and require difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Mining Properties and Leases

The carrying value of mining properties and leases is determined by depreciating the assets over the life of the mine using the unit of production method based on proved and probable reserves. The estimation of proved and probable reserves is subject to assumptions relating to the life of the mine and may change when new information becomes available. Changes in reserves as a result of factors such as the production cost, recovery rates, grade of reserves or commodity prices could impact depreciation rates, asset carrying values and environmental and restoration provisions. See footnote 2(b) of the financial statements of Vedanta for fiscal 2011 for a discussion on some of the assumptions and judgments.

Useful Economic Lives of Assets and Impairment

Property, plant and equipment other than mining properties and leases are depreciated over their useful economic lives. Management reviews the useful economic lives at least once a year and any changes could affect the depreciation rates prospectively and hence the asset carrying values. The Vedanta Group also reviews its property, plant and equipment, including mining properties and leases, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. In assessing the property, plant and equipment for impairment, factors leading to significant reduction in profits such as changes in commodity prices, the Vedanta Group's business plans and significant downward revision in the estimated mining reserves are taken into consideration. The carrying value of the assets of a cash generating unit and associated mining reserves is compared with the fair value of those assets, that is, the higher of net realisable value and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on commodity prices, market demand and supply, economic and regulatory climates, long-term mine plan and other factors. Any subsequent changes to cash flow due to changes in the above mentioned factors could impact on the carrying value of the assets. See footnote 2(b) of the financial statements of Vedanta for fiscal 2011 for a discussion on some of the assumptions and judgments.

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 industry and they are normally incurred at the end of the life of the mine. The costs are estimated 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 when incurred reflecting the Vedanta Group's obligations at that time. A corresponding provision is created on the liability side. The capitalised asset is charged to the income statement over the life of the asset through depreciation over the life of the operation and the provision is increased each period through unwinding the discount on the provision. Management estimates are based on local legislation and/or other agreements such as the KCM acquisition agreement. 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.

As per local legislation, the Vedanta Group's Indian operations provide for restoration costs in accordance with statutory requirements. In Australia, appropriate provision has been made in accordance with the local legal requirement and in the case of KCM, provision has been made with reference to a plan agreed with the Government of Zambia at the time of KCM's privatisation in April 2000 and pursuant to the acquisition agreement. See footnote 2(b) of the financial statements of Vedanta for fiscal 2011 for a discussion on some of the assumptions and judgments.

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 judgment to existing facts and circumstances which may be subject to change. The actual cash outflows takes 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.

Contingencies and Commitments

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Vedanta Group. Where the potential liabilities have a low probability of occurring or are very difficult to quantify reliably, the Vedanta Group treats them as contingent liabilities. Such liabilities are disclosed in the notes to the Vedanta Group's consolidated financial statements but are not provided for in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, the Vedanta Group does not expect them to have a material adverse impact on its financial position or results from operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE CAIRN INDIA GROUP

The following discussion of the financial condition and results of operations of the Cairn India Group should be read in conjunction with the Cairn India Group's consolidated financial statements included elsewhere in this Offering Circular and with the information relating to the business of the Cairn India Group included elsewhere in this Offering Circular. This discussion involves forward-looking statements that reflect the current view of management and involve risks and uncertainties. The actual results of the Cairn India Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Offering Circular, particularly in "Risk Factors." Investors should read the whole of this Offering Circular and not rely just on summarised information.

The Cairn India Group's financial year ends on 31 March and its financial information included in this Offering Circular for the twelve months ended 31 March 2010, fifteen months ended 31 March 2009 and twelve months ended 31 December 2007 are based on its consolidated financial statements included in its annual reports to its shareholders at and for the year ended 31 March 2010, the fifteen months ended 31 March 2009 and the twelve months ended 31 December 2007, presented in Indian Rupees and prepared in accordance with Indian GAAP. The financial information included in this Offering Circular for the nine months ended 31 December 2009 and 2010 are based on the unaudited and unreviewed consolidated financial results published by Cairn India. Amounts shown in US Dollars are converted from the Indian Rupee based on the average exchange rate for the year ending 31 March 2010 of INR 47.30, 31 March 2009 of INR 44.61, 31 December 2007 of INR 41.34, 31 December 2010 of INR 45.68 and 31 December 2009 of INR 47.89, for revenue items and at the closing exchange rate as on 31 March 2010 of INR 45.13, 31 March 2009 of INR 50.99, 31 December 2007 of INR 39.40, 31 December 2010 of INR 44.83 and 31 December 2009 of INR 46.67 in respect of assets and liabilities.

The financial data for the Cairn India Group included in this Offering Circular:

1. has been extracted from its financial statements which were prepared in accordance with Indian GAAP, which is significantly different from IFRS under which Vedanta's financials are prepared. Vedanta has not attempted to provide any reconciliation or quantitative impact of IFRS on the Cairn India Group's financials;

2. in respect of the profit and loss account, prepared in accordance with Indian GAAP, for the nine months ended 31 December 2010 and 2009, has not been subject to an audit or subject to a review by the independent auditors of the Cairn India Group; and

3. is presented as of the date indicated and no steps have been taken to ascertain whether there have been any updates, including any trends or events, subsequent to the dates indicated.

See "Risk Factors — Risks of the Cairn India Business and the Acquisition — All information, including the financial data, relating to the Cairn India Group, included in this Offering Circular ("Cairn Information") has been extracted solely from Public Sources (as defined below) and has not been independently verified by Vedanta or its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners or the Co-Manager" and "Risk Factors — Risks of the Cairn India Business and the Acquisition — Significant differences exist between Indian GAAP and other accounting principles, such as IFRS, with which investors may be more familiar."

The Cairn India Group does not have any direct or indirect interest in the Bonds to be issued by Vedanta and does not accept any claims or liabilities suffered by the Vedanta Group or any prospective bondholder or other third party, arising howsoever, directly or indirectly, from reliance made on any representations or statements contained in this Offering Circular or from the issue of the Bonds.

Overview

The Cairn India Group is primarily engaged in the business of surveying, prospecting, drilling, exploring, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals, oils, petroleum, gas and related by-products and other activities incidental to the above. As of 17 May 2011, the Cairn India Group had the second largest gross oil and gas reserves and resources in India among private sector oil companies. As part of its business activities, the Cairn India Group also has rights to explore and develop oil exploration blocks in the Indian sub-continent.

The Cairn India Group's principal production asset is the Rajasthan Block pursuant to a PSC signed in May 1995 between the GoI and a consortium consisting of ONGC and SIPD that runs until 2020. The first phase of development, including the commissioning of the MPT, was completed on 29 August 2009 and the Pipeline of approximately 600 km was completed in May 2010. As of 31 December 2010, Cairn India was producing approximately 125,000 bopd from the Rajasthan Block. The Rajasthan Block represents a significant resource base with estimated aggregate gross proved and probable hydrocarbon initially in place of 4.3 bboe as of 31 March 2010.

Cairn India was incorporated in India on 21 August 2006 and was listed on the Bombay Stock Exchange and the National Stock Exchange of India in January 2007 and as of 31 March 2011, had a market capitalisation of $14,913 million. The following table sets forth information relating to the assets in which the Cairn India Group has an interest and includes its percentage interest, its partner(s), each partner's percentage interest and the operator of the relevant asset:

Block	Interest of the Cairn India Group(1)	Partner(s) and Interest(s) of Partner(s)(1)	Operator
Production			
Block PKGM-1 (the Ravva Block)	22.5%	ONGC (40%); Videocon Industries Limited (25%)(2); Ravva Oil (Singapore) Pte Ltd. (12.5%)(3)	The Cairn India Group
Block CB/OS-2 (the Cambay Basin block)	40%(4)	ONGC (50%); Tata Petrodyne Limited (10%)(4)	The Cairn India Group
Production and Development			
Block RJ-ON-90/1 (the Rajasthan Block)	70%	ONGC (30)%	The Cairn India Group
Exploration (operated Block)			
PR-OSN-2004/1	35%	ONGC (35%), Tata Petrodyne Limited (30)%	The Cairn India Group
SL 2007-01-001	100%	—	The Cairn India Group
KG-ONN-2003/1	49%	ONGC (51)%	The Cairn India Group(5)
Exploration (Non-operated Block)			
KG-DWN-98/2	10%	ONGC (65%), Petrobras International Braspetro NV (15%), Statoil (10%)	ONGC
GSN-OSN-2003/1	49%	ONGC (51%)	ONGC
KK-DWN-2004/1	40%	ONGC (45%), Tata Petrodyne Limited (15)%	ONGC

(1) Interest is shown on a net participating interest basis pursuant to the relevant PSC.

(2) Videocon was formerly a separate corporate entity called Petrocon India Limited, previously named Videocon Petroleum Limited.

(3) Ravva Oil is a wholly owned subsidiary of Marubeni Corporation.

(4) The Cairn India Group has a 40% participating interest in the Lakshmi, Gauri and CB-X development areas. The rights of Cairn India elsewhere in Block CB/OS-2 have otherwise been relinquished as required by Block CB/OS-2 PSC.

Outside of the Rajasthan Block, Cairn India estimates that as of 31 March 2010, the aggregate proved and probable reserves and resources attributable to the fields in production in which it has interests to be 116 million barrels of oil equivalent ("mmboe"). On a net participating interest basis, Cairn India estimates as of 31 March 2010, these same reserves and resources to be 30 mmboe. In addition, as of 31 March 2010, Cairn India estimates that the deep water block KG-DWN-98/2, where Cairn India has a 10% participating interest, contains one of India's gross proved and probable reserves and resources of 353 mmboe.

For the nine months ended 31 December 2010 the profit before tax was INR 43,342 million ($949 million) and profit after tax was INR 38,766 million ($849 million).

For the twelve months ended 31 March 2010, fifteen months ended 31 March 2009 and twelve months ended 31 December 2007, the Cairn India Group's revenue (including other income) was INR 20,306.9 million ($429.3 million), INR 19,837.0 million ($444.7 million) and INR 11,446.7 million ($276.9 million), respectively, and profit/(loss) was INR 10,511.1 million ($222.2 million), INR 8,034.5 million ($180.1 million) and INR (245.4) million ($(5.9) million), respectively.

Factors Affecting the Cairn India Group's Results of Operations

General

For the periods under review, the results of operations of the Cairn India Group have been primarily influenced by revenues from crude oil and natural gas production and costs associated with the Cairn India Group's production, exploration, appraisal and development activities. Factors that currently affect the Cairn India Group include oil and gas prices, production volumes, cost recovery and profit allocation under the Cairn India Group's PSCs, gas sales contract terms, exchange rates and special Indian taxation regimes applicable to oil and gas activities. In addition to those factors, as the Cairn India Group continues to develop the Rajasthan Block, its results of operations, cash flows and financial position will be affected primarily by the cost components of that development, including the construction, installation and commissioning of the fourth train of the MPT, the construction of the pipeline connecting the Bhagyam field to the MPT facilities and the construction of the Bhogat marine terminal, cost inflation and interest rates. In addition, in respect of the Ravva field and the Cambay Basin field, the Cairn India Group may also need to invest capital to enhance recoverability and increase exploration efforts to increase the recoverable reserves.

International Prices for Crude Oil and Contract Prices for Natural Gas

Movements in the price of crude oil significantly affect the Cairn India Group's results of operations and declines in crude oil prices may adversely affect the revenues and profits, and substantial or extended declines may have a material adverse effect on the financial condition, including the liquidity and ability to finance planned capital expenditure, and the results of operations. Historically, international prices for oil have been volatile and have fluctuated widely in response to changes in many factors. Lower oil prices may also reduce the economic viability of projects planned or in development. In addition, lower oil prices may result in the impairment of higher cost reserves and other assets which may result in decreased earnings or losses. Historically, prices for crude oil have fluctuated widely. According to Platts, the price of Dated Brent, an international benchmark oil blend, as of 31 December 2007, 2008 and 2009 was $96.00, $37.00 and $78.00 per barrel, respectively. As of 31 December 2010, the price of Dated Brent was $81.00 per barrel.

Changing Gas/Oil Mix of Production with the Commencement of Mangala Production

Most of the natural gas the Cairn India Group produces is sold at prices agreed under long-term gas sales contracts which limits its exposure to market prices for hydrocarbons. Since the commencement of production of crude oil from the Mangala field in August 2009, the Cairn India Group has become predominantly a crude oil producer and its revenues are subject to the volatility of world oil prices.

More generally, while higher international trading prices of crude oil will increase the Cairn India Group's revenues, lower prices of crude oil may reduce the amount of crude oil that the Cairn India Group can produce economically or reduce the economic viability of projects planned or in development. In addition, lower oil prices may result in the impairment of higher cost reserves and other assets, which may result in decreased earnings or losses.

Changes in Estimates of Proved and Proved plus Probable Reserves

The Cairn India Group's estimates of reserves affect its depletion charge and more critically, affect the availability of borrowing under its $750 million revolving credit facility ("USD Facility"). Indian GAAP measures depletion of intangible fixed producing assets on a unit of production basis such that downwards revisions of proved estimates will result in an increase in the Cairn India Group's depletion charge. More importantly, the calculation of the net present value of Mangala and certain other fields in the Rajasthan Block is likely to determine the Cairn India Group's ability to borrow under the USD Facility. If the proved plus probable reserves for those fields were downgraded materially, it would be likely to have a material adverse impact on the amount available for borrowing under the Cairn India Group's bank facilities. As a result, the Cairn India Group's ability to continue production and operations in the Rajasthan Block and its other assets may be adversely affected.

Production Cost

Production costs consist of expenditure incurred towards the production of crude oil and natural gas including statutory levies, such as cess, royalties and production payments payable pursuant to the PSCs as well as operational expenditures such as costs relating to repairs on, and maintenance of, facilities, power generation and fuel for such facilities, water injection, insurance, and storage, transportation and freight of crude oil and natural gas, among others.

Cost Inflation

The capital expenditure estimates for the development of the Rajasthan Block involve certain assumptions concerning cost inflation for the life of the development project. While the Cairn India Group believes these cost assumptions to be reasonable, costs for oil and gas development projects have been escalating rapidly in recent years and, if it experiences adverse cost escalation, it will adversely affect its capitalised asset base, eventual return on capital employed and depending on its severity, it may affect the Cairn India Group's ability to fund such cost escalations.

Interest Rate Fluctuations

The Cairn India Group intends to continue funding the development of the Rajasthan Block using the USD Facility and other facilities of similar nature. See the section entitled "— Liquidity and Capital Resources — Borrowings". As a result, changes in prevailing interest rates could impact the Cairn India Group's financial position.

To the extent that market interest rates rise significantly over the period in which the Cairn India Group is developing the Rajasthan Block, this will increase the capitalised interest component of its tangible asset base, affect returns on capital employed and increase the Cairn India Group's ultimate debt service costs.

Exchange Rate Fluctuations

The Cairn India Group's cash resources are subject to exchange rate risk as whilst its revenue and a significant percentage of its expenditure is denominated in US dollars, a portion of its expenditure is denominated in INR. The Cairn India Group typically enters into hedging arrangements (in the form of US dollar put/INR call options) to mitigate against fluctuations between the US dollar and the INR. To the extent that the exchange rate between the US dollar and the INR fluctuates significantly over the period in which the Cairn India Group is developing the Rajasthan Block, this will increase the cost of its tangible asset base and may materially impact the returns on capital employed.

Terms of Production Sharing Contracts

When Cairn India acquires an interest in a PSC it has what is called a participating interest in the field which, in simple terms, is an interest in a certain percentage of the resources in the field. PSCs provide for the sharing of field production volumes among the contracting parties in cash and/or kind. PSCs typically provide for costs recovery incurred from the revenues, subject to a recovery limit (of 100% for each of the Rajasthan Block, Cambay Basin Block and the Ravva Block pursuant to their respective PSCs).

The remaining cash flows, post off-set of costs, is shared between the contracting parties and the GoI based on the profit sharing mechanism as set out in the governing PSC. Generally the movement from lowest to highest profit sharing tranches with the GoI is governed by the cumulative returns on investment for the operator.

Unsuccessful Exploration Efforts

Although Cairn India is primarily focused on the timely development of the Northern Fields, it also has various attractive appraisal opportunities in Rajasthan and in its more mature areas that it wishes to pursue and it also has exploration expenditure obligations under previous NELP licensing rounds. To the extent these appraisal and exploration efforts do not yield discoveries that the Cairn India Group judges to be capable of commercial exploitation, the Cairn India Group is required to expense the related appraisal and exploration costs which may have a material adverse impact upon its results of operations and financial position.

Statutory Levies (Taxes, Royalties and Cess)

In common with most jurisdictions, India imposes certain special taxes and levies on the production of hydrocarbons while also granting certain tax advantages to encourage exploration and development. Such indirect taxes or statutory levies such as cess, royalty, excise duty, sales tax and national calamity contingent duty that are levied on the products are an important component of the total expenditure. The Cairn India Group expects that its results of operations will be positively affected by the seven-year income tax holiday that will apply to its production in the Rajasthan Block.

Critical Accounting Estimates

The preparation of financial statements and financial information in accordance with Indian GAAP as amended from time to time, require management to exercise their judgment in applying the Cairn India Group's accounting policies by making estimates and assumptions. Those areas involving a higher degree of judgment or complexity are discussed below.

Oil and Gas Accounting

The Cairn India Group follows the successful efforts method of accounting for oil and gas assets as set out by the Guidance Note issued by the Institute of Chartered Accountants of India on "Accounting for Oil and Gas Producing Activities".

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held, undepleted, within exploratory and development work in progress until the exploration phase relating to the licence area is complete or commercial oil and gas reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets which cannot be directly related to individual exploration wells is expensed in the period in which it is incurred. Exploration/appraisal drilling costs are initially capitalised within exploratory and development work in progress on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that oil and gas reserves exist and there is a reasonable prospect that these reserves are commercial.

Where results of exploration drilling indicate the presence of oil and gas reserves which are ultimately not considered commercially viable, all related costs are written off to the profit and loss account. Following appraisal of successful exploration wells, when a well is ready for commencement of commercial production, the related exploratory and development work in progress are transferred into a single field cost centre within producing properties, after testing for impairment.

Where costs are incurred after technical feasibility and commercial viability of producing oil and gas is demonstrated and it has been determined that the wells are ready for commencement of commercial production, they are capitalised within producing properties for each cost centre. Subsequent expenditure is capitalised when it enhances the economic benefits of the producing properties or replaces part of the existing producing properties. Any costs remaining associated with such part replaced are expensed in the financial statements.

Net proceeds from any disposal of an exploration asset within exploratory and development work in progress are initially credited against the previously capitalised costs and any surplus proceeds are credited to the profit and loss account. Net proceeds from any disposal of producing properties are credited against the previously capitalised cost and any gain or loss on disposal of producing properties is recognised in the profit and loss account, to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

Depletion

The expenditure on producing properties is depleted within each cost centre. Depletion on intangible assets is charged on a unit of production basis, based on proved reserves for acquisition costs and proved and developed reserves for other costs.

Oil and Gas Reserves

Gross reserve estimates are based on forecast production profiles over the remaining life of the field, determined on an asset-by-asset basis, using appropriate petroleum engineering techniques.

Site restoration costs

At the end of the producing life of a field, costs are incurred in restoring the site of production facilities. The Cairn India Group recognises the full cost of site restoration as a liability when the obligation to rectify environmental damage arises. The site restoration expenses form part of the exploration and development work in progress or cost of producing properties, as the case may be, of the related asset. The amortisation of the asset, calculated on a unit of production basis based on proved and developed reserves, is included in the depletion cost in the profit and loss account.

Depreciation on tangible fixed assets

Depreciation on tangible assets are provided using the straight line method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Indian Companies Act 1956, whichever is higher. The expected useful economic lives are as follows:

Vehicles:	2 to 5 years
Freehold buildings:	10 years
Computers:	2 to 5 years
Furniture and fixtures:	2 to 5 years
Office equipments:	2 to 5 years
Plant and Equipment:	2 to 10 years
Leasehold land:	Lease period

Borrowing costs

Borrowing costs include interest and commitment charges on borrowings, amortisation of costs incurred in connection with the arrangement of borrowings, exchange differences to the extent they are considered a substitute to the interest cost and finance charges under leases. Costs incurred on borrowings directly attributable to development projects, which take a substantial period of time to complete, are capitalised within the development/producing asset for each cost-centre.

Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal or external factors. An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation or depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Cairn India Group and the revenue can be reliably measured.

From sale of oil, gas and condensate. Revenue represents the Cairn India Group's share of oil, gas and condensate production, recognised on a direct entitlement basis, when significant risks and rewards of ownership are transferred to the buyers.

As operator from the joint venture. The Cairn India Group recognises parent company overhead as revenue from joint ventures based on the provisions of respective PSCs.

Tolling income. Tolling income represents the Cairn India Group's share of revenues from pilotage and oil transfer services from the respective joint ventures, which is recognised based on the rates agreed with the customers, as and when the services are rendered.

Interest income. Interest income is recognised on a time proportion basis.

Dividend income. Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same are declared after the balance sheet date but pertains to the period on or before the date of balance sheet as per the requirement of schedule VI of the Indian Companies Act, 1956.

Foreign Currencies

The Cairn India Group translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting the Cairn India Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise except those arising from investments in non-integral operations.

All transactions of integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the group itself. In translating the financial statements of a non-integral foreign operation for incorporating in the consolidated financial statements, the Cairn India Group translates the assets and liabilities at the rate of exchange prevailing at the balance sheet date. Income and expenses of non-integral operations are translated using rates at the date of transactions. Resulting exchange differences are disclosed under the foreign currency translation reserve until the disposal of the net investment in non-integral operations.

Presentation of Results of Operations

To facilitate an understanding of the key drivers of the Cairn India Group's historic results of operations, a table to indicating its percentage of net participating interests held in its principal exploration, development and production assets is presented below.

	Participating Interests As at		
Operated Block	**31 December 2007**	**31 March 2009**	**31 March 2010**
Block PKGM-1 (Ravva)	22.5%	22.5%	22.5%
Block CB/OS-2-Development & production	40%	40%	40%
Block RJ-ON-90/1-Exploration	100%	100%	100%
Block RJ-ON-90/1-Development & production	70%	70%	70%
PR-OSN-2004/1	35%	35%	35%
SL 2007-01-001	100%	100%	100%
KG-ONN-2003/1	49%	49%	49%
GV-ONN-2003/1	24%	24%	Relinquished
VN-ONN-2003/1	49%	49%	Relinquished
GV-ONN-2002/1	50%	50%	Relinquished
Non Operated Block			
KG-DWN-98/2	10%	10%	10%
GS-OSN-2003/1	49%	49%	Relinquished(1)
KK-DWN-2004/1	40%	40%	40%
RJ-ONN-2003/1	30%	30%	Relinquished(2)
GV-ONN-97/1	15%	Relinquished	Relinquished
CB-ONN-2001/1	30%	Relinquished	Relinquished
CB-ONN-2002/1	30%	30%	Relinquished

Notes:

(1) Relinquished on 4 December 2010.

(2) Relinquished in February 2011.

In addition, two exploration blocks, KG-OSN-2009/3 and MB-DWN-2009/1 were awarded to the Cairn India Group in 2010. The Cairn India Group has 100% participating interest in both blocks.

Key Statistics by Asset for Results of Operations

Rajasthan Block

Set out in the table below are certain key statistics with regard to activities from the producing blocks for the twelve months ended 31 December 2007, fifteen months ended 31 March 2009, twelve months ended 31 March 2010 and the nine months ended 31 December 2009 and 2010:

	12 Months Ended 31 December	15 Months Ended 31 March	12 Months Ended 31 March	Nine Months Ended 31 December	
	2007	2009	2010	2009(1)	2010
Production (Gross)					
Oil & condensate (bopd)	—	—	14,861	12,938	95,377
Production (participating interest)					
Oil & condensate (bopd)	—	—	10,403	9,057	66,764

Note:

(1) Production only commenced during 2009-10 and the figures are for the part of the year only.

Block PKGM-1— Krishna-Godavari Basin — Ravva Field

Set out in the table below are certain key statistics with regard to activities from Block CB/OS-2 for the twelve months ended 31 December 2007, fifteen months ended 31 March 2009, twelve months ended 31 March 2010 and the nine months ended 31 December 2009 and 2010:

	12 Months Ended 31 December	15 Months Ended 31 March	12 Months Ended 31 March	Nine Months Ended 31 December	
	2007	2009	2010	2009	2010
		(Audited)		(Unaudited)	
			INR millions		
Production (Gross)					
Oil & condensate (bopd)	48,078	41,227	32,786	33,839	29,319
Natural gas (mmscfd)	74.18	67.87	47.59	48.16	53.26
Total (boepd)	**60,442**	**52,539**	**40,718**	**41,866**	**38,196**
Production (participating interest)					
Oil & condensate (bopd)	10,818	9,276	7,377	7,614	6,597
Natural gas (mmscfd)	16.69	15.27	10.71	10.84	11.98
Total (boepd)	**13,599**	**11,821**	**9,161**	**9,420**	**8,594**

Block CB/OS-2 — Cambay Basin

	12 Months Ended 31 December	15 Months Ended 31 March	12 Months Ended 31 March	Nine Months Ended 31 December	
	2007	2009	2010	2009	2010
Production (Gross)					
Oil & condensate (bopd)	4,407	7,376	32,786	9,309	7,032
Natural gas (mmscfd)	50.03	37.39	47.59	23.58	27.25
Total (boepd)	**12,746**	**13,607**	**13,480**	**13,239**	**11,573**
Production (participating interest)					
Oil & condensate (bopd)	1,763	2,950	3,624	3,724	2,813
Natural gas (mmscfd)	20.01	14.95	10.61	9.43	10.90
Total (boepd)	**5,098**	**5,443**	**5,392**	**5,296**	**4,629**

All assets (Rajasthan plus Ravva plus Cambay)

	12 Months Ended 31 December	15 Months Ended 31 March	12 Months Ended 31 March	Nine Months Ended 31 December	
	2007	2009	2010	2009	2010
Production (Gross)					
Oil & condensate (bopd)	52,485	48,602	56,707	56,086	131,728
Natural gas (mmscfd)	124.21	105.26	74.11	71.74	80.51
Total (boepd)	**73,188**	**66,146**	**69,059**	**68,043**	**145,146**
Production (participating interest)					
Oil & condensate (bopd)	12,580	12,226	21,404	20,394	76,174
Natural gas (mmscfd)	37	30	21	20	22.88
Total (boepd)	**18,698**	**17,264**	**24,957**	**23,772**	**79,987**

Results of Operations

Set out in the table below are the Cairn India Group's results of operations as a percentage of income for the twelve months ended 31 December 2007, fifteen months ended 31 March 2009, twelve months ended 31 March 2010 and the nine months ended 31 December 2009 and 2010:

	12 Months Ended 31 December	15 Months Ended 31 March	12 Months Ended 31 March	Nine Months Ended 31 December	
	2007	2009	2010	2009	2010
			%		
Income					
Income from operations	88.4	72.2	79.9	87.5	98.7
Other income	11.6	27.8	20.1	31.5	1.3
	100	100	100	100	100
Expenditure					
Operating expenses	17.0	10.8	20.9	22.6	16.4
Depletion and site restoration costs	16.7	13.3	6.8	10.4	10.9
Unsuccessful exploration costs	22.0	8.5	10.3	8.2	1.4
Staff costs	—	4.8	5.5	7.8	1.2
Administrative expenses	33.9	8.7	6.8	9.4	1.4
(increase)/decrease in inventories	(1)	1.1	(1.8)	(10)	(0.5)
Prior period exchange difference	—	1.4	0.3	—	—
Depreciation and amortisation	0.3	0.3	0.5	—	—
Foreign exchange fluctuation	—	—	—		0.9
Finance costs	0.1	0.3	0.7	2.6	3.7
	89.0	50.2	50.0	51	35.4
Profit before taxation	**11.0**	**49.8**	**50.0**	**49**	**64.6**
Current tax (net of INR 225.5 million, previous year nil of MAT credit availed during the period)	3.4	6.7	10.9	16.4	15.8
MAT credit entitlement	—	(1.1)	(6.8)	(10.4)	(9.5)
Deferred tax	6.7	3.1	(5.4)	(12.8)	0.5
Fringe benefit tax	3.1	0.6	(0.5)	(1)	—
Wealth tax	—	—	—*	—	—
	13.2	9.3	(1.8)	(7.8)	6.8
Profit/(loss) for the period/year	**(2.2)**	**40.5**	**51.8**	**56.8**	**57.8**

* *Negligible*

Nine months ended 31 December 2010 Compared with Nine months ended 31 December 2009

Profit after tax for the nine months ended 31 December 2010 was INR 38,766 million ($1,450 million) as compared to INR 8,059 million ($168 million) for the nine months ended 31 December 2009. The increase was mainly attributable to ramp-up of production and sales from the Rajasthan Block.

Sales revenue had increased in excess of five times during the nine months ended 31 December 2010 to INR 66,235 million ($1,450 million) as compared to INR 9,302 million ($194 million) for the nine months ended 31 December 2009. This was mainly on account of the increase in crude oil production from the Rajasthan Block from 9,057 bopd during during the nine months ended 31 December 2009 to 66,764 bopd in during the nine months ended 31 December 2010.

There was an increase in operating expenses from INR 2,405 million ($50 million) in the nine months ended 31 December 2009 to INR 11,021 million ($241 million) in the nine months ended 31 December 2010. Depletion and depreciation charges also increased from INR 1,103 m ($23 million) in the nine months ended 31 December 2009 to INR 7,286 million ($159 million) nine months ended 31 December 2010, primarily due an increase in production at the Rajasthan Block.

There was an increase in crude oil inventory during the nine months ended 31 December 2010 due to the commissioning of storage facilities at the MPT and the pipeline at Barmer/Salaya. The resultant increase in inventory value was compensated by a change in the accounting policy on inventory valuation during nine months ended 31 December 2010 from "Realisable value" to "Cost or realisable value, whichever is lower". Accordingly, there was a significant variation in (Increase)/Decrease in Inventory in both periods.

There was a forex revaluation loss of INR 627 million ($14 million) in the nine months ended 31 December 2010 as compared to a gain of INR 2,017 million ($42 million) in the nine months ended 31 December 2009. This was on account of movement in exchange rates of the INR and USD and the changes in monetary assets and liabilities.

Finance cost for the nine months ended 31 December 2010 was higher at INR 2,516 million ($55 million) as compared to INR 276 million ($6 million) in the nine months ended 31 December 2009. This was mainly on account of the interest on loan facilities being charged to the profit and loss account in the nine months ended 31 December 2010 upon completion of the Rajasthan project as compared to capitalisation of interest during the nine months ended 31 December 2009 when the development of Rajasthan project was in progress.

Increase in current tax and MAT credit were in line with the increase in profit before tax.

Year ended 31 March 2010 Compared with Fifteen months ended 31 March 2009

The financial year of Cairn India beginning 1 January 2008 was changed as it was extended by a period of three months, so the financial year ended 31 March 2009 was a 15 month period. Accordingly, the numbers for the year ended 31 December 2007 are not comparable with the numbers of the 15 month period ended 31 March 2009. The change in the year end was made in order for Cairn India to be in compliance with the IFRS provisions which were anticipated to take effect from 1 April 2011.

Sales revenue increased by 13% in the year ended 31 March 2010 to INR 16,230 million ($343 million) from INR 14,327 million ($321 million) in the fifteen months ended 31 March 2009. The increase was mainly on account of an increase in sales volume following commencement of production and sales from the Rajasthan Block. The gross production for the year ended 31 March 2010 was 69,059 boepd of which Cairn India's participating interest production was 24,957 boepd. In the fifteen months ended 31 March 2009, gross production was 66,146 boepd of which Cairn India's participating interest production was 17,264 boepd.

Profit after tax increased by 30% in the year ended 31 March 2010 to INR 10,511 million ($222 million) from INR 8,034 million ($180 million) in the fifteen months ended 31 March 2009. The increase was mainly on account of higher revenues (INR 1,904 million), a higher inventory due to the Rajasthan Block which commenced production in the year ended 31 March 2010 (INR 588 million), lower depreciation and/or depletion charge on account of the accounting of additional reserves in the Ravva and Cambay Basin fields (INR 1,213 million), higher exchange fluctuation gain due to appreciation of INR against the US dollar from INR 50.99 per dollar to INR 45.12 per dollar (INR 724 million), deferred tax credit/reversal (INR 1,710 million), compensated by an increase in operating expenses due to commissioning of production at the Rajasthan Block (INR 2,110 million) and reduction in investment income due to a decrease in investments (INR 1,719 million). Reversal/credit in deferred tax liability arose due to changes in the Indian tax legislation and changes in assumptions pertaining to calculation of deferred tax liability reversal during the tax holiday.

Fifteen months ended 31 March 2009 Compared with twelve months ended 31 December 2007

The financial year of Cairn India beginning 1 January 2008 was changed as it was extended by a period of three months, so the financial year ended 31 March 2009 was a 15 month period. Accordingly, the numbers for the year ended 31 December 2007 are not comparable with the numbers of the 15 month period ended 31 March 2009. The change in the year end was made in order for Cairn India to be in compliance with the IFRS provisions which were anticipated to take effect from 1 April 2011.

In the fifteen months ended 31 March 2009, revenue went up by 42%. This was mainly on account of higher oil price realization and depreciation of INR against USD. The average oil price realization for the current period was $87.5/bbl and for the year 2007 it was $74.5/bbl. INR has depreciated from INR 39.42 per dollar to INR 50.99 per dollar. The gross production of the operating units for current period ended 31st March 2009 was 66,146 boepd and participating interest production was 17,264 boepd.

In the fifteen months ended 31 March 2009, the profit after tax was INR 8,034 million as compared to a loss of INR 245 million in the twelve months ended 31 December 2007. The increase was on account of higher revenues (INR 4,204 million), higher other/investment income on higher investments (INR 2,148 million), exchange fluctuation gain (INR 3,720 million), lower exploration cost (INR 828 million), compensated by higher expenditure (INR 1,163 million) and higher depletion/depreciation charge (INR 621 million).

Liquidity and Capital Resources

General

The Cairn India Group commenced commercial production of crude oil from the Mangala field in Rajasthan Block in August 2009. Although the current revenues from crude oil sales at the Mangala field and other fields in the other blocks are sufficient to meet the expenditures in the exploration, development and production of the Rajasthan Block, there may be situations when these expenditures exceed the revenues generated. Therefore any shortfall in the cash flow to meet this expenditure would be met through credit facilities.

In addition, Cairn India also anticipates an increase in the existing revenues from crude oil sales at the Rajasthan Block developments once production ramps up to its gross plateau production rate of approximately 175,000 bopd.

Cairn India intends to apply cash generated from its existing production operations to operational, exploration and development capital expenditure. While net cash from operations is a modest component of its cash sources, a shortfall compared with its projections may have a material adverse impact on Cairn India's ability to meet its cash requirements if such shortfall coincides with other adverse developments in its assumptions regarding sources and use of cash.

For example, any of the following developments may, in isolation or in combination with others, materially impair Cairn India's ability to fund its exploration and development plans and obligations:

- a material decline in world crude oil prices;
- a material overrun in production schedule;
- a significant escalation in costs producing a material overrun in its development budget;
- any material and adverse change to development project specifications to address technical challenges that Cairn India does not or cannot foresee;
- any material decrease in the Cairn India Group's reserves estimates for the Mangala, Aishwariya and Bhagyam fields; and
- any material and adverse change in the taxation regime applicable to the Cairn India Group's activities.

The following table sets forth select cash flow data and the cash and cash equivalents for the twelve months ended 31 December 2007, fifteen months ended 31 March 2009 and twelve months ended 31 March 2010:

	12 Months Ended 31 December 2007	15 Months Ended 31 March 2009(1)	12 Months Ended 31 March 2010
		INR million	
Net cash generated from operating activities	5,504.1	9,680.5	1,096.8
Net cash used in investing activities	(64,303.5)	(53,738.0)	(6,107.7)
Net cash from/(used) in financing activities	(1,044.6)	61,521.4	(10,453.1)
Net increase/(decrease) in cash and cash equivalents	(59,844.0)	17,463.9	(15,463.9)
Exchange gains/(losses) on closing cash and cash equivalents	—	2,764.9	98.0
Cash and cash equivalents at beginning of year	61,347.8	1,503.8	21,732.6
Closing cash and cash equivalents at end of year	1,503.8	21,732.6	6,366.7

Note:

(1) Regrouped and rearranged to make it comparable to information for the 12 months ended 31 March 2010.

Cash flows from operating activities

Net cash generated from operating activities was INR 5,504.1 million ($139.7 million), INR 9,680.5 million ($189.9 million) and INR 1,096.8 million ($24.3 million) in the twelve months ended 31 December 2007, fifteen months ended 31 March 2009, twelve months ended 31 March 2010, respectively. The INR 8,583.7 million ($190.2 million) decrease in cash flow from operating activities in 2010 compared to 2009 was primarily as a result of payment from sales of crude oil and gas being withheld by customers. The INR 4,176.4 million ($81.9 million) increase in cash flow from operating activities in 2009 compared to 2007 was primarily due to the extended financial year of fifteen months for the year ended 31 March 2009 as compared to twelve months for the year ended 31 March 2007.

Cash flows from investing activities

Net cash used in investing activities was INR 64,603.5 million ($1,639.7 million), INR 53,738.0 million ($1,053.9 million) and INR 6,107.7 million ($135.4 million) in the twelve months ended 31 December 2007, fifteen months ended 31 March 2009, twelve months ended 31 March 2010, respectively. The INR 47,630.3 million ($1,055.5 million) decrease in cash used in investing activities in 2010 compared to 2009 was primarily due to the maturity of fixed deposits in 2010 (which were made in 2009). The INR 10,855.5 million ($213.1 million) decrease in cash used in investing activities in 2009 compared to 2007 was primarily due to profits made from the sale of mutual funds.

Cash flows from financing activities

Net cash flows used in financing activities was INR 1,044.6 million ($26.6 million), INR (61,521.4) million ($1,206.5 million) and INR 10,453.1 million ($231.6 million) in the twelve months ended 31 December 2007, fifteen months ended 31 March 2009, twelve months ended 31 March 2010, respectively. The INR 71,974.5 million ($1,595.0 million) increase in cash used in financing activities in 2010 compared to 2009 was primarily due to the repayment of long term borrowings. The INR 60,476.8 million ($1,186.1 million) decrease in cash used in financing activities in 2009 compared to 2007 was primarily due to the issuance of equity shares.

Borrowings

As of 31 March 2010, the Cairn India Group's total borrowings of INR 33,867 million ($750.5 million) consisting of $452.5 million outstanding under the USD Facility and INR facility of INR 13, 450 million ($298.1 million). The Cairn India Group has undrawn committed borrowing facilities of INR 26,550 million ($588 million) and the USD facility of $298 million available to it as of 31 March 2010.

In addition, as of 31 March 2010, the Cairn India Group has INR 6,551.1 million ($145.2 million) of trade finance facilities in place to cover the issue of bank guarantees and letters of credit. Fixed rates of bank commission and charges apply to these. INR 2,802,0 million ($62.1 million) was not utilised as of 31 March 2010.

Capital Expenditures and Commitments

The following table shows the capital expenditures for the Cairn India Group for the twelve months ended 31 December 2007, fifteen months ended 31 March 2009, twelve months ended 31 March 2010:

	12 Months Ended 31 December 2007	15 Months Ended 31 March 2009	12 Months Ended 31 March 2010
		(Audited) INR million	
Capital expenditures	11,742	30,133	33,662

The capital expenditure incurred during the twelve months ended 31 December 2007, fifteen months ended 31 March 2009 and the twelve months ended 31 March 2010 was mainly due to the development of the upstream and mid-stream project of the Mangala field in Rajasthan.

The major capital expenditure incurred during this period was towards the development of the Rajasthan Block, primarily the development of Mangala field and the construction of the Pipeline. In particular, the expenditure incurred at the Mangala field was for the drilling of development wells, the construction of the MPT, the other surface facilities, such as the well pads, the Raageshwari Gas Terminal and other infrastructure necessary to make the Mangala field operational. The expenditure on the Pipeline included the construction of the terminal at Viramgam for storage and pumping and the spur lines to deliver crude oil to buyers. Capital expenditure on Phase II of the development of the Rajasthan Block has commenced and infill drilling campaigns were also undertaken in both the Ravva field and the Cambay Basin field to maintain the plateau production rates and enhance the recoverability from these fields.

Capital Commitments

The following table sets out capital commitments representing Cairn India's share of obligations in relation to its interests in joint ventures:

	12 Months Ended 31 December 2007	15 Months Ended 31 March 2009	12 Months Ended 31 March 2010
		(Audited) (INR million)	
Oil and gas expenditure:			
Intangible exploration/appraisal assets	23,442	11,324	11,689
Property plant & equipment — development/producing assets	3,351	34,536	28,096

Off-Balance Sheet Arrangements

- The Cairn India Group has no off-balance sheet entities. In the normal course of business, it enters into certain commitments for capital and other expenditures and certain performance guarantees. See "— Guarantees".

Capital Commitments Contracted But Not Provided

The Cairn India Group has a number of continuing operational and financial commitments in the normal course of business. Capital commitments contracted but not provided as of 31 March 2010 amounted to the following:

- In respect of the Cairn India Group's share of joint ventures' exploration activities, INR 11,688.8 million; and

- In respect of the Cairn India Group's share of joint ventures' development activities, INR 28,096.9 million.

Contingent Liabilities as of 31 March 2010

Ravva Joint Venture Arbitration proceedings: ONGC Carry. Ravva is an unincorporated joint venture in which the Cairn India Group has an interest. The calculation of the GoI's share of petroleum produced from the Ravva oil field has been a matter of disagreement for some years. An arbitration panel opined in October 2004 and Cairn India has been willing to be bound by the award, although it was not as favourable as had been hoped. The GoI, however, had lodged an appeal in the Malaysian courts in respect of one element of the award which was in Cairn's favour, namely the "ONGC Carry" issue. The "ONGC Carry" issue relates to whether contractor parties under the Ravva PSC are entitled to include in their accounts for the purposes of calculating the PTRR certain costs paid by contractor parties in consideration for ONGC having paid 100% of costs prior to the signing of the Ravva PSC in 1994.

The Cairn India Group challenged both the GoI's right to appeal and the grounds of that appeal.

A judgment was delivered by the Malaysian High Court on 12 January 2009, ruling in favour of the GoI and setting the arbitration award aside. This had the effect of negating the original award in favour of Cairn India Group.

Cairn India Group appealed against above judgment to the Malaysian Court of Appeal. A judgment was delivered by the Malaysian Court of Appeal on 15 September 2009, which reversed the ruling of the High Court in Malaysia of 12 January 2009 and had the effect of reinstating the original award in favour of Cairn India Group. The Government of India has applied for leave to appeal this judgment to the Federal Court of Malaysia.

In addition, consistent with GoI's view that the set-aside meant they have a binding judgment in their favour, GoI has demanded and commenced recovery from Cairn India's buyers, of revenues from sale proceeds to set-off against the sums they claim are due as a result of the Malaysian judgment being in their favour. This recovery action was contested by Cairn India in the Indian courts, pursuant to which, the GoI has given an undertaking to stop recoveries post January 2010. The amounts recovered by the Government aggregate to approximately INR 7,230,000 thousand ($160 million). The net effective deduction as of 31 March 2010, after adjusting the current year's profit petroleum, amounts to approximately INR 2,291,000 thousand ($51 million).

In the event that the GoI's appeal is successful, then Cairn India Group would be required to pay approximately INR 2,888,000 thousand ($64 million) and potential interest of INR 1,398,000 thousand ($31 million).

Ravva Joint Venture Arbitration proceedings: Base Development Cost. In a dispute separate and unrelated to the profit petroleum calculations under the Ravva PSC, the Ravva JV received a claim from the Directorate General of Hydrocarbons ("DGH") for the period from 2000-2005 for $166.4 million for an alleged underpayment of profit petroleum to the GoI, out of which the Cairn India Group's share would be $37.4 million (INR 1,688 million) plus potential interest at the applicable rate (LIBOR plus 2% as per the Ravva PSC). Cairn India has received a notice of appeal by the GoI before the High Court of Malaysia to set aside the award of dated 18 January 2011. See "Business of Cairn — Litigation — Ravva Block Arbitration".

Indian Service Tax. One of the subsidiary company of the Cairn India Group has received five show cause notices from the tax authorities in India for non-payment of service tax as a recipient of services from foreign suppliers. See "Business of Cairn — Litigation — Service Tax: Cairn Energy India Pty Limited".

Should future adjudication go against the Cairn India Group, it will be liable to pay the service tax of approximately INR 1,281.8 million ($28.7 million) and potential interest of approximately INR 424.7 million ($9.5 million), although this could be recovered in part where it relates to services provided to joint venture of which Cairn India is operator.

Indian Tax Holiday on Gas Production. Section 80-IB(9) of the Income Tax Act, 1961 allows the deduction of 100% of profits from the commercial production or refining of mineral oil. The term 'mineral oil' is not defined but has always been understood to refer to both oil and gas, either separately or collectively.

The 2008 Indian Finance Bill appeared to remove this deduction by stating without amending section 80-IB(9) that "for the purpose of section 80-IB(9), the term 'mineral oil' does not include petroleum and natural gas, unlike in other sections of the Act". Subsequent announcements by the Finance Minister and the Ministry of Petroleum and Natural Gas have confirmed that tax holiday would be available on production of crude oil but have continued to exclude gas.

Cairn India filed a writ petition to the Gujarat High Court in December 2008 challenging the restriction of section 80-IB to the production of oil. Gujarat High Court did not admit the writ petition on the ground that the matter needs to be first decided by lower tax authorities. A special leave petition been filed before Supreme Court against the decision of Gujarat High court.

In the event this challenge is unsuccessful, the potential liability for tax and related interest on tax holiday claimed on gas production for all periods to 31 December 2010 is approximately U$42.38 million.

Guarantees

It is normal practice for the Cairn India Group to issue guarantees in respect of obligations during the normal course of business.

The Cairn India Group had provided the following guarantees at 31 December 2010:

- Various guarantees under the Cairn India Group's bank facilities for the Cairn India Group's share of minimum work programme commitments pursuant to the terms of the PSCs to which the Cairn India Group is a party, for the current year of $18.6 million; and
- Parent company guarantees for the Cairn India Group's obligations under PSC, sales and other contracts.

Pursuant to the Cairn India Group's covenant under the Purchase Agreement to procure and release members of the Cairn Energy Group from the guarantees provided by them in relation to the obligations of the Cairn India Group (except any obligations arising out of the PSCs and joint operatorship agreements in Blocks GV-ONN-97/1, GV-ONN-2002/1 and GV-ONN-2003/1), any such release of the Cairn Energy Group will require consent of the GoI. Pending GoI consent, the Cairn India Group is liable to indemnify the Cairn Energy Group from all losses, claims and liabilities that the Cairn Energy Group may suffer on account of such guarantees and indemnities being invoked.

Risk Management

General

The upstream oil and gas industry, by its nature, exposes Cairn India to operational, market, counterparty and contractual risks, as well as to other risks including environmental, health and safety risks, information technology and security risks and general political and regulatory risks. The main risks that are expected to affect the Cairn India Group's financial position and profitability are: commodity price risk, liquidity risk, project development risk, interest rate risk, exchange rate risk, operational risk and credit risk.

Cairn India has in place a risk management policy which establishes the principles by which risks is managed across the Cairn India Group. This is supported by the business risk management guidelines ("BRMG") which define the necessary procedural controls and provide guidance on what procedures need to be applied in order to meet the requirements of the policy. The Cairn India risk management process detailed in the BRMG comprises the steps of risk identification, assessment, prioritisation, identification of mitigating controls and the allocation of risk action plans. The outcome from this process is included in a Cairn India risk register and risk matrix which are updated and reviewed on a regular basis. The BRMG also includes instructions on the assessed risks escalation procedure to asset and country management.

Cairn India has established a risk management organisational structure, which is overseen by a Cairn India risk management committee ("RMC") that reports to Cairn India's audit committee. The chair of the RMC rotates between the Chief Operating Officer and the Chief Financial Officer of Cairn India. Risks are also reviewed at asset/project and site levels and the outcome is considered during the preparation of the consolidated Cairn India risk register. The RMC meets regularly to review the Cairn India risk register for its completeness and to ensure a robust and effective risk management process is being implemented throughout the business. Cairn India's treasury function is responsible for managing investment and funding requirements including banking and cash flow monitoring. The RMC must also recognise and manage interest and foreign exchange exposure whilst ensuring that Cairn India has adequate liquidity at all times to meet its immediate cash requirements. Cairn India's insurance for operational risk is managed by its legal function in conjunction with its insurance brokers, Agnew Higgins Pickering and Company Limited.

The risk management reporting is managed through the RMC, which reports the consolidated risk exposure of Cairn India, through Cairn India's audit committee, to the Board of Directors. Cairn India's audit committee reviews and agrees policies for managing each of the risks discussed below.

Cairn India may, from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in interest rates, foreign exchange rates and movements in crude oil prices. It is Cairn India's policy not to trade in derivative financial instruments.

Commodity Price Risk

Cairn India encounters numerous risks associated with volatility in the international prices for crude oil and natural gas. Pricing for crude oil and natural gas has been volatile and unpredictable for several years and Cairn India expects this volatility to continue. Continuous changes in prices create uncertainty and can have a significant impact on the profitability of Cairn India's assets. Historically, prices for crude oil have fluctuated widely for many reasons, including:

- Global and regional supply and demand, and expectations regarding future supply and demand, for crude oil and petroleum products;
- Geopolitical uncertainty, in particular, due to political, economic and military developments in oil producing regions, such as the Middle East;
- Weather conditions and natural disasters;
- Access to pipelines, railways and other means of transporting crude oil, gas and petroleum products;
- Prices and availability of alternative fuels;
- The ability of the members of the Organisation of Petroleum Exporting Countries, and other crude oil producing nations, to set and maintain specified levels of production and prices and
- Indian governmental regulations and actions, including export restrictions, pricing requirements and taxes.

Pursuant to the Rajasthan Block PSC, sales of crude oil produced from the Rajasthan Block are to be valued at a weighted average FOB selling price per barrel of a basket of international crude oils quoted on Platts. Although parties are obliged to select a mixture and weighting of crude oils which would produce a quality similar to the crude oil and condensate produced in the Rajasthan Block, the average selling prices of such crude oils can differ from quoted market prices due to the effects of uneven volume distributions during the period, different delivery terms compared to quoted benchmarks, different conditions in local markets and other factors. In addition, market prices for sales of crude oil may be affected by volatile trading patterns in the commodity futures market.

There are implicit product price hedges in place through the pricing mechanisms applicable to the CB-OS/2 and Ravva gas sales contracts. The requirement for hedging instruments to unwind these pricing mechanisms is reviewed on an ongoing basis. Ravva, CB-OS/2 and Rajasthan oil sales are made to approved government nominated buyers or approved third parties at floating prices.

No commodity price hedging contracts have been entered into for the twelve months ended 31 December 2007, fifteen months ended 31 March 2009, twelve months ended 31 March 2010. The Cairn India Group would not normally hedge commodity price risk but the respective boards of Cairn India and its subsidiaries do monitor the position.

Liquidity Risk

Cairn India is critically dependent upon its ability to borrow under the USD Facility in order to develop the other Northern Fields and, construct, install and commission the fourth train of the MPT, the pipeline connecting the Bhagyam field to the MPT facilities and the Bhogat marine terminal. Cairn India's ability to borrow under the USD Facility is subject to a variety of conditions and factors, many of which are outside Cairn India's control.

The Cairn India Group currently has surplus cash which it has placed in a combination of money market liquidity funds (mutual funds) and fixed term deposits with a number of international and Indian banks and financial institutions, ensuring sufficient liquidity to enable the Cairn India Group to meet its short/medium-term expenditure requirements.

The Cairn India Group is conscious of the current economic environment and constantly monitors counterparty risk. Policies are in place to limit counterparty exposure. The Cairn India Group monitors counterparties using published ratings and other measures where appropriate.

Project Development Risk

Development of the Northern Fields is a large and complex project, and Cairn India manages the associated risks through a gated system of project control which monitors and verifies the project progress through each of the pre-development, development and post-development phases.

Interest Rate Risk

The total interest rate position of Cairn India, including all financial investments and debt, is managed by its chief financial officer. Cairn India's interest rate exposure is mainly related to interest bearing net cash balances and interest bearing net debt balances. The objective of Cairn India's interest rate risk management is to reduce the volatility of interest expense in the income statement, provide cash flow certainty and control the market value of its net debt position in line with defined risk limits.

Foreign Exchange Risk

The pricing currency of the crude oil markets, including raw materials and services for upstream developments, is the US dollar. As Cairn India reports in the INR, this factor, among others, will expose Cairn India to accounting translation risks, primarily to revenues, costs, monetary asset and liability balances, compared with companies with the same asset base and business risk, but for whom the US dollar is their reporting currency. See "— Factors Affecting the Cairn India Group's Financial Condition and Results of Operations — Exchange Rate Fluctuations" of this Offering Circular above.

The Cairn India Group manages exposures that arise from non-functional currency receipts and payments by matching receipts and payments in the same currency and actively managing the residual net position. Generally the exposure has been limited given that receipts and payments have mostly been in US dollars and the functional currency of most companies in the Cairn India Group is US dollars.

As a result of developments in the Rajasthan Block, there has been an increased exposure between the INR and the US dollar in the current period. This has now been mitigated with the USD Facility and the INR Facility which allow matching of drawings and payments.

In order to minimise the Cairn India Group's exposure to foreign currency fluctuations, currency assets are matched with currency liabilities by borrowing or entering into foreign exchange contracts in the applicable currency if deemed appropriate. The Cairn India Group also aims where possible to hold surplus cash, debt and working capital balances in functional currency which in most cases is the US dollar, thereby matching the reporting currency and functional currency of most companies in the Cairn India Group. This minimises the impact of foreign exchange movements on the Cairn India Group's balance sheet.

Where residual net exposures do exist and they are considered significant, Cairn India and the Cairn India Group may from time to time, opt to use derivative financial instruments to mitigate its exposure to fluctuations in foreign exchange and interest rates.

Operational Risk

Operational risk is the risk of loss or adverse consequences resulting from inadequate or failed internal processes, people or systems, or from external events. Cairn India is exposed to operating risks, including reservoir risk, risk of loss of crude oil and natural gas and natural calamities risk in respect of all its installations and facilities. Although Cairn India carries insurance against such events and would expect that the majority of any replacement costs would be covered by such insurance, Cairn India is not insured against loss of profits.

Credit risk

The Cairn India Group has obtained payment guarantees or letters of credit from buyers as payment security on both the CB-OS/2 gas sales contracts. With respect to Ravva and Rajasthan there are no payment securities (except a standby letter of credit from Essar Oil Limited for sales made from the Rajasthan Block), however the buyers are either nominated by the GoI or are reputed private companies with good credit and payment record.

Credit risk from investments with banks and other financial institutions is managed by the treasury functions in accordance with the Cairn India Group's board approved policies. Investments of surplus funds are only made with approved counterparties who meet the appropriate rating and/or other criteria, and are only made within approved limits. The Cairn India's board continually re-assesses the Cairn India Group's policy and updates it as required. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty failure.

Investments by the Cairn India Group in money market liquidity funds are only made with AAA rated funds. For investment in USD money market funds, the Cairn India Group requires AAA rating by any one of the three credit rating agencies namely. S&P, Moody's or Fitch. For investment in liquid funds, treasury funds (also known as Liquid Plus fund) and short term floater fund of INR mutual funds, the Cairn India Group requires AAA rating by any one of the three credit rating agencies, namely CRISIL, ICRA Limited or CARE Ratings and where the investment policy is primarily limited to money market instruments.

OVERVIEW OF INDUSTRIES

Unless otherwise indicated, all data relating to the copper, zinc, aluminium and iron ore industries contained in this Offering Circular is primarily derived from Brook Hunt & Associates ("Brook Hunt"), Metalytics and other industry sources.

Unless otherwise indicated, all data relating to the power industry in this Offering Circular is primarily derived from the GoI and its various ministries and from various multilateral institutions.

Unless otherwise indicated, all data relating to the oil and gas industry contained in this Offering Circular is primarily derived from US Energy Information Administration ("US EIA") and other industry sources.

Copper

Global Copper Market

Background

Copper is a non-magnetic, reddish-coloured metal with a high electrical and thermal conductivity (among pure metals at room temperature, only silver has a higher electrical conductivity), high tensile strength and resistance to corrosion.

The copper market is geographically diverse in terms of both production and consumption. The different geographical locations of the copper mines and the smelting and refining facilities have led to the development of "custom smelters/refineries", which tend to be heavily reliant on imported concentrates.

Copper consumption can be divided into three main product groups: copper wire rods, copper products and copper alloy products. The predominant use of copper has been the production of copper wire rods, which accounted for an estimated 55% of total global consumption (i.e. including scrap) and approximately 70% of primary consumption in 2010. Wire rod is consumed in five main wire and cable markets which include general and industrial cable, utility power cable, telecommunication cable, other insulated wire and winding wire.

In the global copper consumer market in 2010, the construction segment accounted for 33% of copper consumption, followed by the electric and electronic products segment (33%), the industrial machinery and equipment segment (13%), the transportation equipment segment (13%) and the consumer and general products segment (8%).

The copper industry has three broad categories of producers:

- Miners, which mine the copper ore and produce copper concentrate;
- Custom smelters, which smelt and refine copper concentrate to produce copper metal; and
- Integrated producers, which mine copper ore from captive mines and produce copper metal either through smelting and refining or through leaching.

Global Copper Reserves

Global copper reserves were estimated to be, as of 31 December 2010, 630 million tonnes, according to preliminary estimates by U.S. Geological Survey ("USGS"). Chile, Peru, Australia, Mexico and the United States have the majority of copper reserves and collectively account for 62% of world reserves.

Refined copper consumption

Global refined copper demand decreased from 18.0 million tonnes in 2008 to 17.4 million tonnes in 2009, a decrease of 3.5%. However, demand rose to 19.2 million tonnes in 2010 (10.5% growth over 2009), largely driven by the extent of the refined metal and semis stock draw downs during 2009, which led to the increase in demand for all metals, including copper.

China led in 2010 with an increase of 13% as continued strong economic growth underpinned expansion. In particular, infrastructure spending continues to form the major part of end use demand. Other major economies also contributed to overall demand growth, led by Japan (21%), Latin America (17.8%), Western Europe (10.1%), North America (6.7%), and Asia (excluding China and Japan) (4.4%). The only exception was Africa and Oceania, which experienced a 0.9% decline.

China was the largest end user of copper in 2010 with a 37% market share globally, providing Asia with a combined market share of 62%, followed by Europe (21%), North America (10%), Latin America (5%) and others (2%). Previously Europe and North America accounted for over 60% of copper consumption during the 1980s, but strong growth in Asia, led by China and Japan, has since significantly changed global consumption patterns. This trend of Asia's growing dominance in copper consumption is expected to continue.

The following table sets forth the regional consumption pattern of refined copper from 2007 to 2010 (estimated):

	Year Ended 31 December							
	2007		2008		2009		2010	
Region	Volume	%	Volume	%	Volume	%	Volume	%
	(Thousands of tonnes, except percentages)							
Latin America	864	4.8%	889	4.9%	768	4.4%	905	4.7%
Rest of Asia(1)	4,387	24.4%	4,369	24.2%	3,895	22.4%	4,127	22.0%
China	4,670	26.0%	5,100	28.3%	6,375	36.6%	7,204	37.4%
CEE(2)	1,133	6.3%	1,061	5.9%	732	4.2%	898	4.4%
North America	2,304	12.8%	2,185	12.1%	1,773	10.2%	1,892	9.8%
Western Europe	3,667	20.4%	3,433	19.0%	2,839	16.3%	3,125	16.2%
Africa	274	1.5%	323	1.8%	343	2.0%	343	1.8%
Oceania	148	0.8%	152	0.8%	130	0.7%	125	0.6%
India	516	2.9%	529	2.9%	552	3.2%	580	3.0%
Total	**17,962**	**100.0%**	**18,041**	**100.0%**	**17,406**	**100.0%**	**19,241**	**100.0%**

Notes:

(1) Rest of Asia is Asia excluding China and India, but including the Middle East.

(2) Central and Eastern Europe.

Source: Brook Hunt Metals Market Service Report, March 2011

Copper supply

Global mine production is the principal source of copper, with scrap recycling accounting for only a minor part of the aggregate supplies. The five largest copper mining countries were Chile (33.6%), China (7.7%), Peru (7.4%), the United States (7.0%) and Indonesia (5.4%), which together accounted for approximately 61.1% of the total copper mined worldwide as of 31 March 2011. The five largest copper mining companies as of March 2011 were Corporación Nacional del Cobre, Chile ("Codelco") (10.7%), Freeport-McMoran Copper and Gold Corporation ("Freeport-McMoran") (8.6%), BHP Billiton (6.7%), Xstrata AG ("Xstrata") (5.3%), and Anglo American plc (4.3%).

The major smelting locations include China (24.0%), Chile (11.0%), Japan (10.5%), Russia (5.1%) and India (4.4%), which together accounted for 55.0% of global production in 2010. The five largest copper smelting companies were Codelco (7.3%), Jiangxi Copper Corporation ("Jiangxi Copper") (5.8%), Xstrata (4.7%), The Aurubis Group ("Aurubis") (4.4%) and Nippon Mining and Metals Co. Ltd (3.8%).

The five largest copper producing countries were China (23.9%), Chile (17.0%), Japan (8.1%), the United States (5.8%) and Russia (4.7%), which together accounted for about 59.5% of the total copper produced worldwide in 2010. The five largest copper refining companies were Codelco (9.1%), Aurubis (5.6%), Freeport-McMoran (5.2%), Jiangxi Copper (4.5%) and Xstrata (3.3%).

Global copper production increased from 18.3 million tonnes in 2008 to 18.4 million tonnes in 2009, an increase of 0.2%, and then further increased to 19.1 million tonnes in 2010, a year-on-year increase of 4.2%. 2008 and 2009 represented years with production surplus over consumption, however 2010 represented demand outweighing supply.

The following table sets forth the regional production pattern of refined copper from 2007 to 2010 (estimated):

	Year Ended 31 December							
	2007		2008		2009		2010	
Region	Volume	%	Volume	%	Volume	%	Volume	%
	(Thousands of tonnes, except percentages)							
Latin America	3,956	21.9%	4,064	22.2%	4,197	22.9%	4,146	21.7%
Rest of Asia(1)	3,531	19.6%	3,421	18.7%	3,220	17.5%	3,374	17.7%
China	3,519	19.5%	3,795	20.7%	4,109	22.4%	4,573	23.9%
CEE(2)	1,592	8.8%	1,564	8.5%	1,574	8.6%	1,694	8.9%
North America	1,792	9.9%	1,710	9.3%	1,499	8.2%	1,425	7.5%
Western Europe	1,837	10.2%	1,929	10.5%	1,810	9.9%	1,890	9.9%
Africa	648	3.6%	669	3.6%	788	4.3%	931	4.9%
Oceania	444	2.5%	501	2.7%	449	2.4%	425	2.2%
India	722	4.0%	683	3.7%	720	3.9%	647	3.4%
Total	**18,040**	**100.0%**	**18,336**	**100.0%**	**18,366**	**100.0%**	**19,106**	**100.0%**

(1) Rest of Asia is Asia excluding China and India, but including the Middle East.

(2) Central and Eastern Europe.

Source: Brook Hunt Metals Market Service Report, March 2011

Pricing

Copper is traded on the LME. Although prices are determined by LME price movements, producers normally charge a regional premium that is market driven. The significant price increase in 2010 resulted from healthy demand growth and supply. Due to China's shortage in supply of 2.6 million tonnes, global production recorded a slight deficit for the first time in four years. In 2010 China's metal deficit was not significant when compared to the overall size of the market. The LME spot price, reached its record average price at $7,536 per tonne as a result of strong copper demand from China after the decrease in 2008 and 2009 mainly due to the global recession. The following table sets forth the movement in copper prices from 2001 to 2010:

	Year Ended 31 December									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	($ per tonne, except percentages)									
LME Cash Price($)	1,577	1,557	1,779	2,868	3,683	6,729	7,124	6,951	5,163	7,536
% Change	—	(1.3)	14.3	61.2	28.4	82.7	5.9	(2.4)	(25.7)	46.0

Source: Brook Hunt Metals Market Service Report, March 2011

The LME copper cash price was $9,399.5 per tonne as of 31 March 2011.

For custom smelters, TcRc rates have a significant impact on profitability as prices for copper concentrate are equal to the LME price net of TcRc and prices of finished copper products are equal to the LME price plus a premium. A significant proportion of concentrates are sold under frame contracts and TcRc are negotiated annually. The main conditions of the contract which are subject to negotiation are the TcRcs that are expressed in US dollars per dry metric tonne of concentrate ("Tc") and in cents per pound of payable copper ("Rc") and, until recently (under long-term contracts) price participation. The TcRc rates are influenced by the demand-supply situation in the concentrate market, prevailing and forecasted LME prices and mining and freight costs.

With another year of high prices combined with a marked deficit in copper concentrate in 2010, substantial portion of profits was distributed to the miners. Since 2006, treatment and refining charges have fallen significantly, reflecting a continuing tightening in the physical concentrate demand/supply balance. Traditionally, the benchmark copper concentrate TcRc charges (excluding price participation, if any) is based on the annual negotiations between the Japanese smelters and BHP Billiton. However, in 2010, the benchmark was set by negotiations between Freeport-McMoran and Sumitomo Metal Mining, which settled at $46.5 per tonne and $0.0465 per pound, an increase from the $45.0 per tonne and $0.045 per pound terms agreed for 2008, but a decrease from the $75.0 per tonne and $0.075 per pound terms agreed for 2009.

The following table sets forth the movement in copper spot annual average TcRc(1) from 2001 to 2010 in nominal $:

	Year Ended 31 December									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	(US cents per lb, except percentages)									
TcRc	16.0	8.0	3.9	14.6	37.7	16.3	7.2	7.3	7.4	7.1
% Change		(50.0)	(51.3)	274.4	158.2	(56.8)	(55.8)	1.4	1.4	(4.1)

Source: Brook Hunt Global Copper Concentrate and Blister/Anode Markets to 2022

Indian Copper Market

Background

The Indian industry can be classified into two broad categories — manufacturers of refined copper (copper cathodes) and manufacturers of copper products. Of the three manufacturers of refined copper, Hindustan Copper Limited ("HCL") is the only primary producer, which mines and refines copper. Hindalco Industries Limited ("Hindalco") and Vedanta process primarily imported copper concentrate to produce end products such as copper bars, rods and wires.

The Indian copper industry opened to private sector investment in 1992. Prior to 1992, the industry was dominated by HCL, a public sector undertaking ("PSU") owned by the GoI. HCL was incorporated in November 1967 with the objectives of carrying out mining operations and producing copper and related products.

Production and Consumption

India's per capita consumption of copper (0.5kg per person) is significantly less than that of China (4.6kg per person) and the world average (2.4kg per person). India's consumption of copper is led by electrical products (36.0%), engineering, construction and transport (26.0%), telecom (20.0%) and others (18.0%). There is a large imbalance between India's smelting/refining capacity and its limited production capacity in copper mining. From 2007 to 2010, Indian refined copper consumption increased at a CAGR of 4.0% while over the same period of time, copper refining output in India has decreased slightly.

Pricing and tariff

Indian copper prices track global prices as the metal is priced on the basis of landed costs of imported metal. The following table sets out the customs duties that were applicable on copper for the period indicated:

	22 January 2007 to 28 April 2008	29 April 2008 to 2 January 2009	3 January 2009 to present
Copper	5%	5%	5%
Copper concentrate	2%	2%	2%

In addition, the Finance Act (2 of 2004) of India, which has been in effect since 8 July 2004, levies an additional surcharge at the rate of 2% of the total customs duty payable, which has been further increased to 3% of the total customs duty payable effective as of 1 March 2007.

On 28 February 2011, the GoI announced the increase of import duty on copper concentrate from 2% to 2.5%.

Market Outlook

Global copper outlook

The developing Asian market is expected to drive copper consumption growth. The countries from Asia that are contributing to this growth are primarily China and India. Global refined consumption of copper is expected to increase from 19.2 million tonnes in 2010 to 20.2 million tonnes in 2011, an increase of 5.0%. Asia is expected to contribute 60.8% of this incremental growth. This would translate into a CAGR for consumption from 2008 to 2011 of 8.1% for Asia, compared to 3.9% for the world and -1.9% for the world excluding Asia.

At the same time, primary supply growth in 2010, while reasonable at 4% to 19.1 million tonnes, was insufficient in light of stronger end-products demand growth. As a consequence, at the end of 2010, the global copper market had a deficit of 136 thousand tonnes, overturning the prior year's surplus of almost 940 thousand tonnes, and this kept an upward pressure on prices in 2011.

Indian copper outlook

India's copper market is expected to remain positive with strong growth in key user segments such as power, construction and engineering. Indian refined copper consumption is expected to continue to grow strongly inline with the overall growth of the economy. Continued growth in the industrial, housing, infrastructure and power sectors is expected to drive the demand for copper over the medium term.

The GoI's 11th Plan expects domestic demand for refined copper to grow at about 6% per annum while production of refined copper is expected to increase by 15% per annum. The five major industries that consume 82% of the copper in India are electrical, telecom, engineering, construction and transport. Copper consuming sectors have been recognised by the GoI as key infrastructure sectors to sustain the growth of the Indian economy. For example, under the projections of investment in infrastructure during the 11th Plan, the power, telecom and railway industries are expected to attract 30.4%, 13.2% and 12.7%, respectively, of the total projected investment in infrastructure of $581.68 billion during the 11th Plan. The power industry has seen a CAGR of 5.1% from fiscal 2003 to fiscal 2007 and has a target growth rate of 9% for fiscal 2008 to fiscal 2012 according to the Indian Ministry of Power. This is in conjunction with the program of providing electricity to 80,000 Indian villages by 2012, with India's power capacity targeted to double to 200,000 megawatts by 2012. According to the Ministry of Railways, the railway industry has seen average annual growth of over 7% in both freight and passenger traffic from fiscal 2002 to fiscal 2007. The Ministry of Heavy Industries & Public Enterprises calculated that production in the automotive industry has grown 16% with exports having grown at a CAGR of 30% per year for fiscal 2002 to fiscal 2006 and identified investment of Rs.110-120 billion per annum as required for the automotive industry to reach its growth potential during the 11th Plan period.

India's per capita copper consumption was much less than 0.5 kg in 2009 as compared to China and the world average. If India's per capita copper consumption moves towards the per capita copper consumption levels in the rest of the world, India's copper market has the potential for significant growth.

Zinc

Global Zinc Market

Background

Zinc is a moderately reactive bluish-white metal that tarnishes in moist air, producing a layer of carbonate. It reacts with acids and alkalis and other non-metals. Zinc is the fourth most common metal in worldwide annual production, trailing only iron, aluminium and copper in worldwide annual production.

The principal use for zinc in the western world is galvanising, which involves coating steel with zinc to guard against corrosion. Galvanising, including sheet, tube, wire and general galvanising, accounted for approximately 54% of world consumption of zinc in 2009. The main end-use industries for galvanised steel products are the automobile manufacturing, domestic appliance manufacturing and construction industries, and it is these industries on which zinc consumption ultimately depends. Other major uses for zinc include brass (12%), die-casting (12%) and oxides and chemicals (9%). Alloys are principally used in toys, vehicles and hardware.

The end-user market is dominated by the construction industry with 51% of global end-use zinc consumption in 2009, followed by the sectors of transport (20%), infrastructure (16%), industrial machinery (7%) and consumer products (6%).

The zinc industry has three broad categories of producers:

- Miners, which mine the lead-zinc ore and produce zinc concentrate for sale to smelters, and usually receive payment for 85% of the zinc contained in the concentrate less a Tc;

- Smelters, which purchase concentrate and sell refined metal, with some smelters also having some integrated production downstream; and

- Integrated producers, which are involved in both the mining and smelting of zinc.

Global Zinc Reserves

Global zinc reserves were estimated to be, as of 31 December 2010, 250 million tonnes, according to preliminary estimates by USGS. Australia, China, Peru, Kazakhstan and Mexico collectively account for 60% of world reserves.

The following table sets for the world zinc reserves:

	Reserves (In million tonnes)
Australia	53
China	42
Peru	23
Kazakhstan	16
Mexico	15
United States	12
India	11
Bolivia	6
Canada	6
Ireland	2
Other countries	62
World Total (rounded)	**250**

Zinc consumption

Global zinc consumption decreased from 11.2 million tonnes in 2008 to 10.1 million tonnes in 2009, a decrease of 9.4%. However, global zinc consumption rebounded strongly in 2010 growing by 14.8% to 11.6 million tonnes. The process of urbanisation and industrialisation insulated developing world zinc consumption from the worst effects of the 2009 recession and helped support robust zinc consumption growth.

Galvanising is the biggest first-use market for zinc. Galvanising is the predominant first use for zinc, accounting for 54% of global zinc usage in all forms in 2009. The next largest use of zinc is in brass, accounting for 12% of total demand, followed by die-casting at 12%. Zinc is also converted into rolled and extruded semi-manufactured products, 9%, and used in making oxides and chemicals, 9%. In both absolute and percentage terms, galvanising is forecast to be the fastest growing end use with the principal applications being found in the construction and automotive industries.

Asia, Europe and North America together accounted for approximately 91.4% of global zinc consumption in 2010. With a CAGR of 8.0% between 2008 and 2010, Asia has been the fastest growing zinc market in the world. Driven by continuing strong growth in China and other regional markets, strong growth in Asia is expected to continue over the next few years.

The following table sets forth the regional consumption pattern of refined zinc from 2007 to 2010:

	Year Ended 31 December							
	2007		2008		2009		2010	
Region	Volume	%	Volume	%	Volume	%	Volume	%
	(Thousands of tonnes, except percentages)							
Europe	2,831	24.8%	2,581	23.1%	1,924	19.0%	2,279	19.6%
China	3,531	30.9%	3,795	33.9%	4,100	40.4%	4,705	40.4%
Rest of Asia(1)	2,173	19.0%	2,075	18.5%	1,694	16.7%	2,015	17.3%
North America	1,276	11.2%	1,131	10.1%	1,021	10.1%	1,075	9.2%
Latin America	674	5.9%	671	6.0%	535	5.3%	614	5.3%
India	469	4.1%	479	4.3%	495	4.9%	561	4.8%
Oceania	285	2.5%	284	2.5%	217	2.1%	223	1.9%
Africa	198	1.7%	180	1.6%	153	1.5%	165	1.4%
Total	**11,436**	**100.0%**	**11,198**	**100.0%**	**10,140**	**100.0%**	**11,638**	**100.0%**

(1) Rest of Asia is Asia excluding China and India, but including the Middle East.

Source: Brook Hunt Metals Market Service Report, March 2011

Zinc supply

The five largest zinc mining countries are China (30.3%), Australia (12.2%), Peru (11.5%), India (6.1%), and the United States (5.8%), which together accounted for 66.0% of total zinc mined worldwide in 2010. Mine production has fallen in North America in the last few years as a result of mine closures, which has resulted principally from reserve exhaustion and also from economic pressures. The five largest zinc mining companies are Xstrata (8.0%), HZL (6.5%), China Minmetals Corporation ("Minmetals") (5.0%), Teck Cominco Limited (4.7%), and Glencore International AG (3.8%).

Zinc smelting is less geographically concentrated than zinc mining. Zinc smelter production rose to 12.7 million tonnes in 2010 from 11.2 million tonnes in 2009, a growth of 13.3%. China is the largest single zinc-producing country in the world with production of 5.1 million tonnes in 2010, representing a 40.1% global market share. The other major zinc producing countries include South Korea (5.9%), India (5.7%), Canada (5.5%), and Japan (4.7%). The top five countries account for approximately 62.0% of total global zinc production. The five largest zinc producing companies are Nyrstar NV ("Nyrstar") (8.2%), Korea Zinc Company Limited (7.0%), HZL (6.3%), Xstrata (4.7%), and Votorantim Group (3.9%), which together accounted for about 31.0% of the total zinc produced worldwide in 2010.

The following table sets forth the regional production pattern of zinc from 2007 to 2010:

	Year Ended 31 December							
	2007		2008		2009		2010	
Region	Volume	%	Volume	%	Volume	%	Volume	%
	(Thousands of tonnes, except percentages)							
Europe	1,040	9.51%	1,039	9.06%	981	8.73%	1,035	8.49%
China	3,153	28.84%	3,089	26.92%	3,176	28.28%	3,700	30.35%
Rest of Asia(1)	807	7.38%	831	7.24%	814	7.25%	910	7.47%
North America	1,386	12.68%	1,493	13.01%	1,394	12.41%	1,369	11.23%
Latin America	2297	21.01%	2600	22.66%	2584	23.01%	2638	21.64%
Australia	1410	12.90%	1508	13.14%	1316	11.72%	1483	12.16%
India	539	4.93%	626	5.46%	671	5.97%	749	6.15%
Africa	301	2.75%	289	2.52%	295	2.63%	308	2.52%
Total	**10,932**	**100.00%**	**11,475**	**100.00%**	**11,232**	**100.00%**	**12,193**	**100.00%**

The following table sets forth the regional production pattern of refined zinc from 2007 to 2010:

	Year Ended 31 December							
	2007		2008		2009		2010	
Region	Volume	%	Volume	%	Volume	%	Volume	%
	(Thousands of tonnes, except percentages)							
Europe	2,474	22.2%	2,447	21.3%	2,023	18.1%	2,355	18.6%
China	3,728	33.4%	3,905	34.0%	4,246	38.0%	5,086	40.1%
Rest of Asia(1)	1,893	17.0%	1,973	17.2%	1,814	16.2%	1,913	15.1%
North America	1,057	9.5%	1,020	8.9%	888	7.9%	936	7.4%
Latin America	778	7.0%	784	6.8%	759	6.8%	876	6.9%
Australia	501	4.5%	498	4.3%	525	4.7%	502	4.0%
India	444	4.0%	595	5.2%	646	5.8%	727	5.7%
Africa	287	2.6%	268	2.3%	279	2.5%	275	2.2%
Total	**11,162**	**100.0%**	**11,489**	**100.0%**	**11,181**	**100.0%**	**12,669**	**100.0%**

(1) Rest of Asia is Asia excluding China and India, but including the Middle East.

Source: Brook Hunt Metals Market Service Report, March 2011

Pricing

Zinc is traded on the LME. Although prices are determined by LME price movements, producers normally charge a regional premium that is market driven. 2008 saw the start of the recession and a collapse in prices. The second half of 2008 saw a sharp contraction in demand as the credit crisis and global recession began to unfold and in 2009 consumption collapsed by an unprecedented 9.4%. The zinc price dropped from $3,248 in 2007 to $1,870 in 2008, and further to $1,659 in 2009 in 2010, representing decreases of 42.4% and

11.3% respectively. Price pressure over the period October 2008 to February 2009 resulted in a significant number and volume of mine production cuts and closures, which, along with the economic rebound in 2010, pushed the zinc price to $2,157, an increase of 30.0% over 2009.

The following table sets forth the movement in zinc prices from 2001 to 2010:

	Year Ended 31 December									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	($ per tonne, except percentages)									
Zinc Prices										
LME Cash Price	886	778	828	1,048	1,381	3,272	3,248	1,870	1,659	2,157
% Change		(12.2)	6.4	26.5	31.8	136.9	(0.7)	(42.4)	(11.3)	30.1

Source: Brook Hunt Metals Market Service Report, March 2011

The LME zinc cash price was $2,318.5 per tonne as of 31 March 2011.

Indian Zinc Market

Background

The domestic Indian zinc industry is now within the private sector and is in the midst of an expansion programme. India was one of the first countries to develop the know how of extracting zinc from zinc ores and start the production of zinc metal. Given its significant domestic consumption demand compared to its production, India is currently a net importer of zinc.

The Indian zinc industry consists primarily of two major players in the market, namely HZL and Binani Zinc. HZL is a producer which is integrated having its own mines and has a market share of more than 60%. Binani Zinc is a custom smelting producer. All the major zinc ore mines in India viz. Rampura Agucha, Rajpura Dariba and Zawar mines are located in the state of Rajasthan and all of these are under the control of HZL.

Production and Consumption

Zinc mine production increased by 12% in 2010 as compared with production in 2009. Production is expected to continue to increase as the mine at Sindesar Khurd will commence operations in 2011 and the Rampura Agucha mine will complete its expansion, including ore from the Kayar mine, by 2012. India is expected to maintain production of over 925 ktpa of zinc beyond 2025.

Refined zinc production increased 13% in 2010 as compared with production in 2009 and is expected to continue to increase in the future with the new Rajpura Dariba smelter and the completion of the expansion of Chanderiya smelter.

Pricing and tariff

Indian zinc prices track global prices as the metal is priced on the basis of the landed costs of imported metal.

The following table sets out the customs duties that were applicable on zinc for the periods indicated:

	22 January 2007 to 28 April 2008	29 April 2008 to 2 January 2009	3 January 2009 to present
Zinc	5%	0%	5%

In addition, the Finance Act (2 of 2004) of India levies an additional surcharge at the rate of 3% of the total customs duty payable, which is an increase from 2% prior to 1 March 2007.

Market Outlook

Global zinc outlook

China's zinc consumption will continue to drive the global zinc demand growth. The total consumption of slab zinc is expected to grow from 4.7 million tonnes in 2010 to 6.1 million tonnes in 2013, with China contributing 60.7% of that growth in consumption. That would translate to China's consumption growth at a CAGR of 9.1% between 2010 and 2013, which compares to global consumption growth at a CAGR of 6.2%

for the same period and to world excluding China consumption growth at an expected CAGR of 4.2% for the same period.

Between 2010 and 2025, eighteen new mines will enter production that are expected to add 0.8 million tonnes per annum zinc at peak output. Expansion or production increases at forty mines will add 1.5 million tonnes per annum. One hundred and eight existing producers are forecast to close on reserve depletion by 2025 for the loss of 4.5 million tonnes per annum by 2025. And nineteen mines which produced 2.6 million tonnes per annum in 2010 will produce only 1.6 million tonnes per annum by 2025 for a loss of 1 million tonnes per annum output by attrition.

Indian zinc outlook

The demand for zinc in India is expected to remain strong in the coming years on account of growth in the key zinc consuming industries like infrastructure, construction and manufacturing. Moreover due to the growth in automobile and consumer durables industry would also further aid the increase in consumption of zinc.

Aluminium

Global Aluminium Market

Background

Aluminium is lightweight in relation to its strength, durability and resistance to corrosion. It can be extruded, rolled, formed and painted for a wide variety of uses.

The importance of different sectors in aluminium demand varies significantly between developed and developing nations. In mature economies, transport plays a more important role in aluminium demand than construction. In 2010, the four largest sectors of end-uses for aluminium in mature economies were transport (42%), packaging (25%), construction (13%) and electrical (8%). In comparison, in 2010, construction is the largest end-use sector for aluminium in developing economies with 37% of total aluminium consumption, followed by transport (19%), consumer goods (15%) and electrical (15%).

The raw material from which aluminium is produced is bauxite, which is a very common mineral found mainly in tropical regions. It normally occurs close to the surface and can be mined by open-pit methods. The bauxite is refined into alumina. Typically, bauxite ranges from 35% to 60% contained alumina. There are several different types of bauxite, and alumina refineries are usually designed to treat a specific type. The majority of alumina refineries are therefore integrated with mines.

Aluminium consumption

World primary aluminium consumption decreased from 37.7 million tonnes in 2008 to 35.6 million tonnes in 2009, a decrease of 5.5%, but then increased to 41.5 million tonnes in 2010, an increase of 16.7% over 2009. The growth was primarily due to increased demand in China, which between 2007 and 2010 saw demand increasing at a CAGR of 11.1%, compared to a decrease of 1.4% for world demand excluding China. The CAGR in demand in each of Western Europe and North America between 2007 and 2010 was -4.6% and -7.7%, respectively, which reflects the impact of a slowing economy in these regions.

The following table sets forth the regional consumption of primary aluminium from 2007 to 2010:

Region	2007 Volume	2007 %	2008 Volume	2008 %	2009 Volume	2009 %	2010 Volume	2010 %
	Year Ended 31 December (Thousands of tonnes, except percentages)							
North America	6,721	17.7%	6,073	16.1%	4,724	13.3%	5,285	12.7%
Western Europe	7,159	18.8%	6,882	18.3%	5,578	15.7%	6,216	15.0%
China	12,347	32.5%	12,560	33.3%	13,879	39.0%	16,932	40.8%
Rest of Asia(1)	6,241	16.4%	6,200	16.5%	5,585	15.7%	6,498	15.6%
East/Central Europe	1,947	5.1%	1,966	5.2%	1,621	4.6%	1,797	4.3%
Latin America	1,443	3.8%	1,609	4.3%	1,576	4.4%	1,853	4.5%
India	1,207	3.2%	1,284	3.4%	1,478	4.2%	1,715	4.1%
Oceania	444	1.2%	462	1.2%	442	1.2%	474	1.1%
Africa	492	1.3%	648	1.7%	714	2.0%	760	1.8%
Total	**38,000**	**100.0%**	**37,685**	**100.0%**	**35,596**	**100.0%**	**41,530**	**100.0%**

(1) Rest of Asia is Asia excluding China and India, but including the Middle East.

Source: Brook Hunt Metals Market Service Report, March 2011

Aluminium supply

Aluminium production has become increasingly more concentrated in recent years, with the leading ten producers accounting for 49% of world primary aluminium production as reported by the Brook Hunt Aluminium Metal Services LTO Quarter 1 2011 Report. The five largest alumina producing companies are Aluminium Corporation of China Limited ("CHALCO") (12.7%), Alcoa Inc. ("Alcoa") (10.7%), Rio Tinto (9.7%), United Company RUSAL Ltd. ("UC RUSAL") (8.5%) and Xinfa Aluminium Electrical ("Xinfa") (6.9%), which together accounted for approximately 48.5% of the total refined aluminium produced worldwide in 2010.

Global production of primary aluminium decreased from 40.0 million tonnes in 2008 to 37.5 million tonnes in 2009, a decrease of 6.3%, but then increased to 42.3 million tonnes in 2010, an increase of 12.8% over 2009. In 2010, North America, Western Europe and China together accounted for approximately 57.8%, with China alone accounting for 40.9%, of global primary aluminium production. Asia has shown the largest annual increases in consumption of primary aluminium, driven largely by increased industrial consumption in China, which has emerged as the largest aluminium consuming nation, accounting for 40.8% of global primary aluminium consumption in 2010.

The following table sets forth the actual and estimated regional production of primary aluminium from 2007 to 2010:

Region	2007 Volume	2007 %	2008 Volume	2008 %	2009 Volume	2009 %	2010 Volume	2010 %
	Year Ended 31 December (Thousands of tonnes, except percentages)							
China	12,588	33.0%	13,600	34.0%	13,500	36.0%	17,300	40.9%
North America	5,643	14.8%	5,785	14.4%	4,759	21.7%	4,689	11.1%
East/Central Europe	4,899	12.8%	5,124	12.8%	4,432	11.8%	4,610	10.9%
Western Europe	4,321	11.3%	4,625	11.6%	3,722	9.9%	3,801	9.0%
Latin America	2,559	6.7%	2,660	6.6%	2,507	6.7%	2,305	5.4%
Oceania	2,316	6.1%	2,296	5.7%	2,212	5.9%	2,278	5.4%
Rest of Asia(1)	2,763	7.2%	2,936	7.3%	3,220	8.6%	3,985	9.4%
Africa	1,816	4.8%	1,715	4.3%	1,682	4.5%	1,746	4.1%
India	1,222	3.2%	1,296	3.2%	1,480	3.9%	1,603	3.8%
Total	**38,127**	**100.0%**	**40,039**	**100.0%**	**37,514**	**100.0%**	**42,317**	**100.0%**

(1) Rest of Asia is Asia excluding China and India, but including the Middle East.

Source: Brook Hunt Metals Market Service Report, March 2011

Notwithstanding the rise in aluminium production and capacities in the region, aluminium supplies in Asia have lagged behind demand, resulting in a supply deficit of 2.3 million tonnes during 2010. During this period, China had a surplus of 0.4 million tonnes while the rest of Asia had a deficit of 2.7 million tonnes. Despite increased production capacities in Asia, the demand-supply gap is likely to remain at similar levels given the strong demand growth expected in these markets.

Alumina

Alumina is a key raw material for aluminium production. Generally it takes two tonnes of alumina to produce one tonne of primary aluminium. According to data compiled by Brook Hunt, the five largest alumina producing companies in 2009 were Alcoa (11.6%), Rio Tinto (11.4%), CHALCO (11.3%), UC RUSAL (9.4%) and Alumina (7.1%), which together accounted for approximately 50.7% of the total alumina produced worldwide in 2009.

The following table sets forth the regional production of alumina from 2007 to 2010:

	Year Ended 31 December							
	2007		2008		2009		2010	
Region	Volume	%	Volume	%	Volume	%	Volume	%
	(Thousands of tonnes, except percentages)							
Oceania	19,249	23.8%	19,728	22.7%	20,263	26.0%	20,124	22.8%
Latin America	15,110	18.7%	15,768	18.1%	13,276	17.0%	13,808	15.6%
China	20,900	25.9%	25,370	29.2%	23,850	30.6%	31,000	35.1%
North America	6,076	7.5%	6,160	7.1%	4,279	5.5%	5,343	6.0%
Western Europe	6,809	8.4%	6,951	8.0%	4,664	6.0%	5,637	6.4%
East/Central Europe	5,828	7.2%	5,630	6.5%	4,729	6.1%	5,421	6.1%
India	3,181	3.9%	3,625	4.2%	3,687	4.7%	3,643	4.1%
Rest of Asia(1)	3,053	3.8%	3,053	3.5%	2,737	3.5%	2,829	3.2%
Africa	526	0.7%	594	0.7%	530	0.7%	596	0.7%
Total	**80,732**	**100.0%**	**86,878**	**100.0%**	**78,014**	**100.0%**	**88,403**	**100.0%**

Note:

(1) Rest of Asia is Asia excluding China and India.

Source: Brook Hunt Metals Market Service Report, March 2011

The sharp increase in alumina demand from aluminium production in 2010 turned the global alumina market from a surplus in 2009 to a deficit in 2010. The following table sets forth the demand-supply balance for alumina from 2007 to 2010 (estimated):

	Year Ended 31 December			
	2007	2008	2009	2010
	(Thousands of tonnes)			
Global Alumina Surplus/(Deficit)	146	2,814	331	(761)

Source: Brook Hunt Metals Market Service Report, March 2011

Bauxite

Bauxite, the principal raw material used in the production of alumina, is typically open-pit mined in very large-scale operations. Between 2.0-3.6 dry tonnes of bauxite are usually required to make one tonne of alumina (depending on ore type, alumina content and variables such as proportion of reactive silica and organic matter). Based on data from USGS as reported in January 2011, Guinea has the largest bauxite reserves in the world (26%), followed by Australia (19%), Brazil (12%), Vietnam (8%), Jamaica (7%) and India (3%).

The table below sets forth the world reserves:

	Reserves (Million tones):
Guinea	7,400
Australia	5,400
Brazil	3,400
Vietnam	2,100
Jamaica	2,000
India	900
Guyana	850
China	750
Greece	600
Suriname	580
Kazakhstan	360
Venezuela	320
Russia	200
United States	20
Other countries	3,300
World total (rounded)	**28,000**

Source: U.S. Geological Survey (USGS), Mineral Commodity Summaries, January 2011

Global production of bauxite is expected to reach 211 million tones in 2010, representing a 5.7% increase year on year. Australia, China, Brazil, India and Guinea are the largest bauxite producing countries, representing 84% of world's total production in 2010.

Pricing

Aluminium is an LME traded metal. It is either sold directly to consumers or on a terminal market. The price is based on LME price but producers are also able to charge a regional price premium, which generally reflects the cost of obtaining the metal from an alternative source.

Alumina prices are negotiated on an individual basis between buyers and sellers but are usually determined by reference to the LME price for aluminium. The negotiated agreements generally take the form of long-term contracts, but fixed prices can be negotiated for shorter periods and a relatively small spot market also exists.

The following table sets forth the movement in aluminium and alumina prices from 2001 to 2010:

	Year Ended 31 December									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	($ per tonne, except percentages)									
Aluminium(1)										
LME Cash Price	$1,444	$1,349	$1,432	$1,716	$1,897	$2,566	$2,639	$2,571	$1,667	$2,172
% Change	(6.8)	(6.6)	6.1	19.9	10.5	35.3	2.8	(2.6)	(35.2)	30.3
Alumina										
Spot Price(2)	$ 149	$ 148	$ 283	$ 420	$ 468	$ 420	$ 353	$ 362	$ 245	$ 333
% Change	(47.6)	(0.8)	92.0	48.3	11.3	(10.1)	(16.0)	2.5	(32.2)	35.6
Alumina/ Aluminium(%)	10.3%	10.9%	19.8%	24.5%	24.6%	16.4%	13.4%	14.1%	14.7%	15.3%

(1) *Source: LME (www.lme.co.uk)*

(2) *Source: Bloomberg, Metal Bulletin; alumina metallurgical grade spot FOB, average for the year.*

The LME aluminium cash price was $2,600.0 per tonne as of 31 March 2011.

While aluminium prices have risen by 50.4% from 2001 to 2010, alumina prices have risen by more than 123.4% during the same period. Rampant demand in China and the increasing exposure of commodities to fund activity in 2010 resulted in cash LME aluminium prices recording an increase of 30.3%. Alumina prices also recorded an increase of 35.9%.

Indian Aluminium Market

Background

India has been producing primary aluminium since 1938, and over the years, the model that prevailed was of fully integrated operations with access to bauxite, alumina and power. As this model consolidated, the corporate structure of the aluminium industry also changed, with smaller regional producers being absorbed or merged to form larger integrated players with international presence and, in the case of Vedanta, an international listing.

The domestic Indian aluminium industry consists of four primary producers: Hindalco, National Aluminium Company Limited ("NALCO"), a GoI enterprise, BALCO, controlled by Sterlite, and Vedanta Aluminium. According to data compiled by Brook Hunt for the year ended 2010, Hindalco leads the market with a 33.5% market share of primary production, NALCO (27.3%), Vedanta Aluminium (23.0%), and BALCO (16.2%).

India possesses considerable reserves of bauxite, estimated at 2.3 billion tonnes. In Orissa, according to Indian industry sources, bauxite reserves are estimated to be 1.3 billion tonnes, with large reserves in Panchpatmali, Pottangi and Baphalimali. In Andhra Pradesh, there are 0.6 billion tonnes, with large bauxite concentrations in Saparla and Jarella. At current extraction rates, these two states alone have the equivalent of over 200 years' of Indian requirements. Even using the more conservative US Geological Survey reserve estimate, India has reserves equivalent to almost 70 years at current output.

Supply and demand

There are currently five refineries and five smelters operating in India, owned by four producing companies: 87% state-owned Nalco, privately held Hindalco, Vedanta Aluminium and BALCO, which is owned 49% by the Indian government and 51% by Sterlite.

The aluminium industry in India remains largely self-sufficient. Primary production has kept pace with demand, such that output in 2010 of 1.7 million tonnes left the country a small net exporter. The majority of aluminium produced in India is consumed in the building and construction, transport, electrical appliance and equipment and packaging industries, with limited exports to countries including Singapore, Taiwan and the United Arab Emirates. Primary production has been supplied by a commensurate growth in domestic alumina output; production in 2010 of 3.6 million tonnes made the country a modest exporter, albeit high profile, supplying alumina into the third party market.

Aluminium consumption in India increased by 16% year on year in 2010 backed by strong growth in the electricity, transportation, industrial and infrastructure sectors. A series of government assisted policies and a relatively low base in 2009 helped to achieve these high double digit growth rates in 2010.

Pricing and tariff

Domestic aluminium prices track global price trends as producers usually price the metal at a marginal discount to the landed cost of imported metal. Though value-added product prices also track metal price movement, they usually have relatively less volatility and command a premium reflecting the degree of value addition and quality, as indicated by the brand.

The following table sets out the customs duties that were applicable for the periods indicated:

	22 January 2007 to 28 April 2008	29 April 2008 to 2 January 2009	3 January 2009 to Present
Aluminium	5%	5%	5%

In addition, the Finance Act (2 of 2004) of India, which has been in effect since 8 July 2004, levies an additional surcharge at the rate of 2% of the total customs duty payable, which has been further increased to 3% of the total customs duty payable effective 1 March 2007.

Market Outlook

Global aluminium outlook

Primary aluminium production is expected to increase by CAGR of 7.0% between 2010 and 2013, led primarily by increases in production in China (CAGR of 9.3%) and India (15.5%).

Global aluminium consumption is expected to increase by CAGR of 7.6% between 2010 and 2013, led primarily by a China (CAGR of 11.4%), India (9.1%). Due to the relatively faster growth in aluminium consumption as compared to production, the aluminium market is expected to narrow the surplus supply of aluminium from 2010 through to 2013, after which it falls short of supply.

In comparison to the 7.0% increase in aluminium production, alumina production is expected to increase by 9.9% from 2010 to 2013. With alumina becoming more available and a potential relative slowdown in alumina consumption in China, the alumina market is expected to experience some excess supply in the near future.

Indian aluminium outlook

India is a growing player in the global aluminium industry (forecast to produce 8 million tonnes per annum of aluminium to 2016), given its modest labour cost, proximity to fast growing end markets and its significant bauxite and coal resources, which have been estimated at 2.3 bn tonnes and 250 bn tonnes respectively. India's alumina capacity could reach 11-12 million tonnes per annum by 2016, which would place the country among the top tier of global producers behind China, Australia and Brazil.

In terms of cash costs, India is reasonably well placed globally in primary smelting, lying at the lower end of the second quartile, compared to China, which occupies most of the fourth quartile. Indian smelters form part of integrated chains, stretching back to bauxite, alumina and forward into semi-fabricating operations. Indian smelters are also endowed with their own captive power plants and favourable labour costs.

Over the medium term, there will be less incentive policies such as those encouraging purchases of new vehicles, but a number of multiannual government expenditure plans will underpin demand in the coming years. The power sector, for instance, will continue to support aluminium demand as village electrification plans carry on. Infrastructure investment as well as the execution of the final stage of the 11th Five Year Plan (2007-2012) will fuel housing investment over the coming three years. While primary aluminium consumption is projected to grow at 8% year on year in 2011, the construction sector is estimated to grow at a higher pace. Growing urbanisation, an increasing number of households together with higher employment levels will drive demand for housing. Electricity expenditure is projected to slowdown in 2011 but given the high proportion of aluminium demand that comes from this sector it will still represent nearly a quarter of a million tonnes in 2011. Total primary aluminium consumption in India is projected to reach 1.85 million tonnes in 2011.

Iron Ore

Global Iron Ore Market

Background

Iron ore is the key raw material used to make pig iron and steel. According to the Mineral Information Institute, 98% of the mined iron ore is used to make steel.

The iron ore itself is usually found in the form of magnetite (Fe_3O_4), hematite (Fe_2O_3), goethite, limonite or siderite. Hematite is also known as "natural ore". The name refers to the early years of mining, when certain hematite ores contained 66% iron and could be fed directly into iron making blast furnaces.

The iron ore industry has two broad categories of producers:

- Mining companies with a focus on extracting different metals and minerals including iron ore; and
- Steel companies, who mine and produce iron ore to benefit from security of supply of its key raw materials.

In recent years, there has been an increasing trend for steel producers to secure the supply of iron ore through long-term contracts, strategic investments directly in iron ore projects and acquisition of iron ore producers.

World Iron Ore Reserves

Global crude iron ore reserves were estimated to be, as of 31 December 2010, 180 billion tonnes, according to the preliminary estimates by the USGS as published in January 2011. Ukraine, Russia, China, Australia, and Brazil collectively account for approximately 73% of world reserves.

The following table sets for the World Iron Ore Reserves

	Crude Ore	Iron Content
	(Million tonnes)	
Brazil	29,000	16,000
Australia	24,000	15,000
Russia	25,000	14,000
Ukraine	30,000	9,000
China	23,000	7,200
India	7,000	4,500
Kazakhstan	8,300	3,300
Venezuela	4,000	2,400
Canada	6,300	2,300
Sweden	3,500	2,200
United States	6,900	2,100
Iran	2,500	1,400
Mauritania	1,100	700
South Africa	1,000	650
Mexico	700	400
Other countries	11,000	6,200
World total (rounded)	**180,000**	**87,000**

Source: U.S. Geological Survey ("USGS") Mineral Commodity Summaries January 2011

Iron ore consumption

Global iron ore consumption has grown strongly in recent years driven by the increasing demand for steel particularly in developing economies. World crude steel production has increased from 1,220 million tonnes in 2009 to 1,415 million tonnes in 2010, representing an increase of 16.0% though it decreased from 1,351 million tonnes in 2007 to 1,327 million tonnes in 2008 and further to 1,220 million tonnes in 2009, decreases of 1.8% and 8.0% respectively. During the period 2007 to 2010, China has registered growth in production of 8.1% per annum, increasing from 495 million tonnes in 2007 to 626 million tonnes in 2010.

China has thus been a key driver of iron ore demand, with strong industrialisation and infrastructure growth driving significant demand for steel products. According to Metalytics Iron Ore Briefing Service Fourth Quarter 2010, China accounted for 53.7% of total global iron ore consumption in 2010. In addition, China has experienced very high growth in consumption in recent years, and exhibited a CAGR in iron ore consumption of 10.9% between 2007 and 2010, compared to consumption CAGR in the rest of the world of -2.7% over the same period. China does not produce sufficient iron ore to meet its consumption and has been the largest importer of iron ore globally.

The following table sets forth the regional consumption pattern of iron ore from 2007 to 2010:

	Year Ended 31 December							
	2007		2008		2009		2010	
Region	Volume	%	Volume	%	Volume	%	Volume	%
	(Million wet tonnes, except percentages)							
China	722	43.9%	798	46.6%	966	58.5%	983	53.7%
Europe & CIS	349	21.3%	331	19.3%	246	14.9%	301	16.5%
North America	75	4.6%	80	4.7%	44	2.7%	65	3.6%
Central & South America	113	6.9%	97	5.7%	59	3.6%	79	4.3%
Africa	21	1.3%	28	1.6%	20	1.2%	23	1.2%
India	113	6.9%	114	6.6%	106	6.4%	120	6.5%
Rest of Asia(1)	232	14.1%	249	14.6%	202	12.2%	248	13.6%
Oceania	17	1.0%	14	0.8%	8	0.5%	11	0.6%
Total	**1,643**	**100.0%**	**1,710**	**100.0%**	**1,651**	**100.0%**	**1,831**	**100.0%**

Source: Metalytics Iron Ore Statistical Compendium 4Q10

Iron ore supply

The key regions producing iron ore are Brazil, Australia, China and India. According to Metalytics, world iron ore production grew by 12.3% to 1,870 million wet tonnes in 2010, from 1,665 million wet tonnes in 2009. The output increased mainly in the iron ore rich regions, with Australia, China and Brazil being the largest producers, in descending order of magnitude.

Due to the disparity in regional supply and demand, particularly in China, there has been a significant increase in world exports of iron ore. In 2010, Metalytics estimated world exports/availability had reached 1,057 million wet tonnes, an increase of 7.2% over the previous year, with the world seaborne iron ore trade market reaching 973 million wet tonnes, which represented growth of 7.4% from the previous year.

During 2010, Australian producers exported 410 million wet tonnes, while Brazil exported approximately 324 million wet tonnes of iron ore. These two countries together represented 69% of all world exports/availability of iron ore in 2010. This trend is expected to continue as iron ore quality in China is inferior and needs to be blended with higher quality iron ore for its steel production requirements and thus China will increasingly require import of higher quality iron ore from other regions. In addition to Australia and Brazil, India, CIS and the African Continent are also significant exporters of iron ore.

The following table sets forth the regional production pattern of iron ore from 2007 to 2010:

	Year Ended 31 December							
	2007		2008		2009		2010	
Region	Volume	%	Volume	%	Volume	%	Volume	%
	(millions of tonnes, except percentages)							
China	343	20.7%	363	20.9%	343	20.5%	387	20.7%
Latin America	403	24.2%	396	22.9%	342	20.5%	435	23.3%
Oceania	303	18.2%	347	20.0%	396	23.8%	422	22.6%
Europe	33	2.0%	33	1.9%	25	1.5%	32	1.7%
India	206	12.4%	215	12.4%	221	13.3%	216	11.5%
North America	84	5.0%	87	5.0%	56	3.4%	77	4.1%
Africa	57	3.4%	65	3.7%	68	4.1%	74	3.9%
Rest of Asia(1)	31	1.9%	38	2.2%	38	2.3%	44	2.3%
C.I.S.	204	12.2%	190	11.0%	176	10.6%	185	9.9%
Total	**1,664**	**100.0%**	**1,734**	**100.0%**	**1,665**	**100.0%**	**1,872**	**100.0%**

(1) Rest of Asia is Asia excluding China but including the Middle East

Source: Metalytics Iron Ore Statistical Compendium 4Q10

The iron ore market is highly consolidated with a few producers accounting for the majority of supply. According to Metalytics, the five largest iron ore mining companies are Vale Limited ("Vale") (16.2% of global production in 2010), Rio Tinto (12.4%), BHP Billiton (7.8%), Kumba Iron Ore (2.3%), and Cliffs Natural Resources (2.1%). The top three companies accounted for 36.4% of global iron ore production and approximately 65% of the supply of seaborne iron ore trade in 2010. The strong pricing environment in recent years has driven consolidation and development and expansion of production among the major players in the industry.

World Seaborne Iron Ore Trade

According to Metalytics, international iron ore trade reached a record level of 973 million tonnes in 2010 and is expected to increase in the future. China continues to be the main destination for world iron ore shipments, importing 604 million tonnes in 2010, representing a 58.6% share of the total world imports. Australia is the largest exporter of iron ore followed by Brazil and India.

The below table sets forth historical and projected world seaborne iron ore trade for the last five years with major exporting and importing countries (million tonnes):

	2006	2007	2008	2009	2010	2011(E)	2012(E)	2013(E)	2014(E)	2015(E)
World Seaborne Trade	705	770	842	907	973	1,066	1,192	1,353	1,526	1,668
Top 3 Seaborne Export Countries										
Australia	268	287	333	389	410	441	497	568	661	762
Brazil	243	269	282	266	324	358	408	458	511	544
India	89	93	102	115	97	98	111	114	126	108
Top 3 Seaborne Import Countries										
China	318	376	437	617	594	651	744	883	1,051	1,167
Japan	134	139	140	106	134	135	134	135	132	131
Korea	44	46	50	42	53	58	61	62	63	65

Source: Metalytics Iron Ore Statistical Compendium 4Q10

Pricing

Iron ore pricing is established by the price agreements made in the spring/early summer between large iron ore producers (Vale, Rio Tinto, BHP Billiton) and major steel manufacturers. Traditionally, the first deal reached between these two groups sets a benchmark to be followed by the rest of the industry. Iron ore has seen significant price increases in recent years due to tight supply in the market. The only exceptional price drop from 2003 to 2010 happened in 2009 due to the global recession. In February 2010, contracts were negotiated between BHP Billiton and customers with price increases of 99.7% over last year's contract prices.

Indian Iron Ore Market

Background

India is self-sufficient in iron ore. India has been a traditional exporter of iron ore, with most of the exports going to China, Japan, South Korea and other Far Eastern countries. Overseas iron ore mining companies are looking to acquire rights to explore, mine and export iron ore from India. Key players include National Mineral Development Corporation ("NMDC"), SGL, Kudremukh Iron Ore Co., Rungta Mines Ltd ("Rungta"), Mineral Sales Private Limited ("MSPL") and Essel Mining & Industries Ltd ("Essel"). Apart from these, some of the integrated steel companies like Steel Authority of India and Tata Iron and Steel Companies have their own captive mines. Global steel companies such as South Korea-based Pohang Iron and Steel Company and Arcelor Mittal SA are in the process of constructing greenfield steel production plants integrated into iron ore mines.

Supply and Demand

In India, National Steel Policy (NSP) has a steel production target of 110 million tonnes by 2019-20 from 38 million tonnes in 2004-05, reflecting an expected CAGR of 7.3%. This would require an availability of 190 million tonnes of iron ore for domestic consumption. As of 2010, India was producing approximately 220 million tonnes of iron ore, of which approximately 100 million tonnes is being exported. In order to meet the iron ore demand of domestic steel producers of 190 million tonnes by 2019-20, the iron ore industry will need to increase its production to approximately 300 million tonnes (assuming exports continue at the present level of 100 million tonnes per annum), reflecting an expected CAGR of 3.3%.

India's iron ore industry is fragmented with more than 200 iron ore mines, of which most are within the private sector. Over the last five years, India's iron ore production has grown at a CAGR of 4.7%.

The table below sets forth India's historical and forecasts iron ore production, consumption and export:

	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E	2015E
Production	180	206	215	221	216	225	251	267	293	293
Consumption	92	113	114	106	120	127	141	154	168	186
Export	89	94	102	116	97	99	112	115	126	109

Source: Metalytics Iron Ore Statistical Compendium 4Q10

Pricing and tariff

In spite of being self-sufficient in iron ore, the domestic prices tend to follow the international prices. The contract prices are determined by the government-owned agency, NMDC, which usually reacts to firm rise in international prices, though with a lag, by increasing the domestic prices to align with the international prices.

The Indian Government had set an export duty on iron ore fines with less than 62% iron content of INR50 per tonne while the export duty on iron ore fines with an iron content of more than 62% and all grades of lumps is INR 300 per tonne. On 13 June 2008, the GoI changed the export duty on iron ore to 15% ad valorem on the FOB value of exports. On 28 February 2011, India raised the duty to 20% from 5% on fines and to 20% from 15% on lumps with effect from 1 March 2011.

Market Outlook

Global Iron Ore Outlook

Absent another global liquidity crunch, the iron ore market is expected to remain reasonably tight in 2011. However, major risks in Europe, uncertainty persisting about the US recovery, inflation and a real estate bubble and present challenges in China, may potentially result in different scenarios on the iron ore market.

Steel supply and demand factors will directly impact the global iron ore market. According to Metalytics, relatively modest growth in Chinese steel demand and production is expected in 2011, assuming that policy measures to control inflation are effective without causing an economic slowdown and assuming no significant shocks to the macroeconomic environment. China's steel production picked up during November and December as mills restarted operations after enforced shutdowns to meet annual energy consumption targets. However, the cold winter and resulting coal and power shortages, not to mention rising concerns about pollution and emissions levels, are likely to mean the reintroduction of energy supply restrictions, which may curtail steel production in the short term.

With regard to supply, certain projects are scheduled for completion in 2013, for example, Rio Tinto's port and mine expansions adding 53 million tonnes per annum, BHP Billiton's RGP6 adding 35 million tonnes per annum, and FMG's Chichester Hub and Solomon developments adding 65 million tonnes per annum that year. As such, the iron ore industry's utilisation levels should begin to ease, leading to consistently flat prices in 2013.

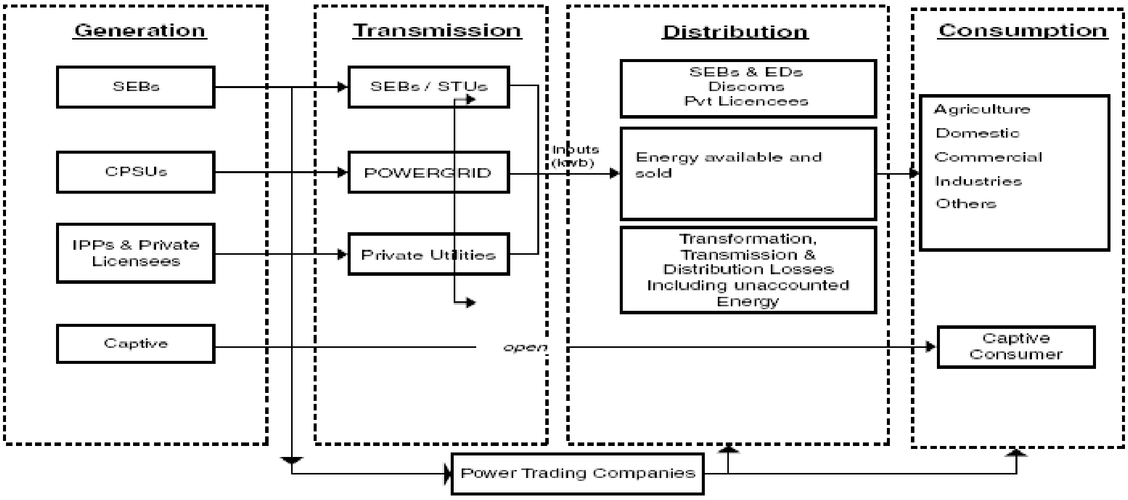
Indian Iron Ore Outlook

Indian iron ore exports are expected to remain stable at 99 million tonnes in 2011 compared with 97 million tonnes in 2010, and will increase to 112 million tonnes in 2012. The incremental increase is expected to be provided by China as China's iron ore import is expected to increase from 664 million tonnes in 2011 to 766 million tonnes in 2012, an increase of 102 million tones. The import increase from the rest of world over the same period is expected to be 35 million tonnes. Metalytics forecasts that iron ore production will grow steadily between 2010 and 2012, from 216 million tonnes to 251 million tonnes, representing a CAGR of 7.9%.

According to Metalytics, demand for iron ore in India, China and globally is expected to grow from 120 million wet tonnes, 983 million tonnes and 1,831 million tonnes, respectively, in 2010, to 141 million tonnes, 1,168 million tonnes and 2,168 million tonnes in 2012. This represents a CAGR of 8.5%, 9.0% and 8.8%, respectively.

Commercial Power Generation Business

Organisation of the Power Industry



Key to the diagram:

CPSUs	Central Public Sector Undertakings
Discoms	Distribution Companies
ED	Independent Power Producer
IPP	State Electricity Board
STU	State Transmission Units

Overview of the Indian Power Sector

India has experienced shortages in energy and peak power requirements. The current revised capacity target for the 11th Plan is 78,700 MW. As of 28 February 2011, capacity addition achieved over the 11th Plan has been 48.8% of the target addition or 38,454.40 MW. The total installed power generation capacity in India was 171,926.40 MW as of 28 February 28 2011. According to the CEA Monthly Review published in February 2011, the total energy deficit and peak power deficit for February 2011 was approximately 7.8% and 10.2%, respectively.

Industry Demand-Supply Overview

The Indian power sector has historically been characterised by energy shortages which have been increasing over the years. The following table sets forth the peak and normative shortages of power in India from 2002-03 to December 2010:

Period	Peak				Normative			
	Demand	Supply	Shortage		Demand	Supply	Shortage	
	(MW)	(MW)	(MW)	(%)	(MU)	(MU)	(MU)	(%)
2002-03.	81,492	71,547	9,945	12.2	545,983	497,890	48,093	8.8
2003-04.	84,574	75,066	9,508	11.2	559,264	519,398	39,866	7.1
2004-05.	87,906	77,652	10,254	11.7	591,373	548,115	43,258	7.3
2005-06.	93,255	81,792	11,463	12.3	631,554	578,819	52,735	8.4
2006-07.	100,715	86,818	13,897	13.8	690,587	624,495	66,092	9.6
2007-08.	108,866	90,793	18,073	16.6	739,343	666,007	73,336	9.9
2008-09.	109,809	96,785	13,024	11.9	777,039	691,038	86,001	11.1
2009-10.	119,166	104,009	15,157	12.7	830,594	746,644	83,950	10.1
Apr-Dec 2010	119,437	107,286	12,151	10.2	638,181	582,225	55,956	8.8
Dec 2010.	117,409	105,060	12,349	10.5	71,363	65,529	5,834	8.2

Source: CEA "Power Scenario at a Glance", January 2011

Regional Demand-Supply Overview

The following table displays the peak and normative power shortages in India for the period April 2010 to February 2011 across different regions in India:

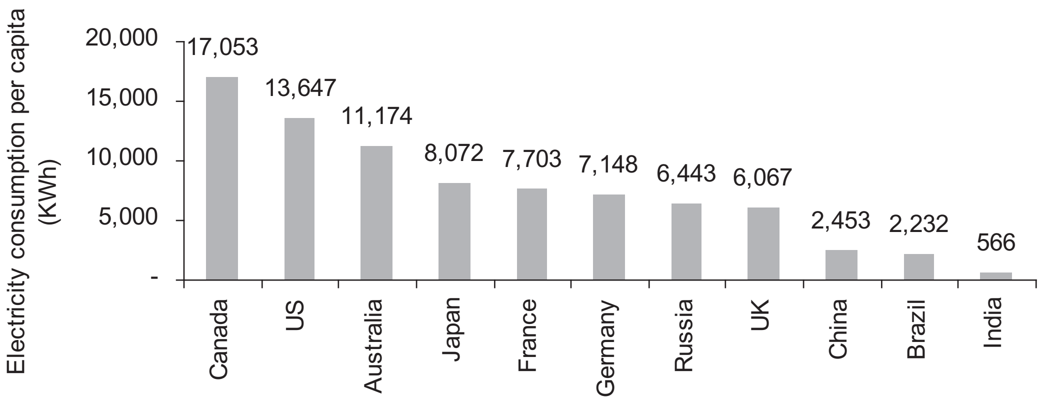
Region	Energy Requirement (MU)	Deficit (%)	Peak Demand (MW)	Deficit (%)
Northern	19,181	(6.3)	33,717	(9.7)
Western	22,979	(13.3)	40,502	(16.8)
Southern	19,521	(4.0)	31,680	(4.3)
Eastern	7,054	(4.5)	12,972	(5.9)
North Eastern	766	(5.5)	1,665	(6.8)
All India	69,501	(7.8)	120,536	(10.2)

Source: CEA Monthly Review, February 2011

Energy deficit varies widely across India, with the western region having the highest peak energy shortages followed by the northern region.

Large Energy Deficit Results in Low Per Capita Consumption of Electricity

Due to inadequate supply and distribution infrastructure, the per capita consumption of energy in India is extremely low in comparison to most other parts of the world. The following chart shows per capita consumption of energy in 2008 in various developed and developing countries.



Source: IEA 2010 Key World Energy Statistics

Historical Capacity Additions

Each successive Five-Year Plan of the GoI has had increased targets for the addition of power generation capacity. The energy deficit in India is a result of insufficient progress in the development of additional energy capacity. In each of the last three Five-Year Plans (the 8th, 9th, and 10th Five-Year Plans, covering fiscal 1992 to fiscal 2007), less than 55.0% of the targeted additional energy capacity level was added. According to the White Paper on Strategy for the 11th Plan prepared by the CEA and the Confederation of Indian Industry, August 2007, India added an average of approximately 20,000 MW to its energy capacity in each of the 9th Plan and 10th Plan periods.

The total capacity addition during the past 25 years between the 6th Five Year Plan and the 10th Plan was approximately 92,000 MW. The latest revised target capacity addition for the 11th Plan is 78,700 MW (48.8% of which had been achieved as of February 28, 2011) (Source: CEA Monthly Review (February 2011)), and this is expected to result in significant investments in the power generation sector.

Installed Capacities

As of 28 February 2011, India's power system had an installed generation capacity of approximately 171,926 MW, with the Central Power Sector Utilities of India, accounting for approximately 30.7% of total power generation capacity, while the various state entities and private sector companies accounted for approximately 48.0% and 21.4%, respectively.

MW	Central	State	Private (MW)	Total	Share of Total
Thermal	39,247	52,187	19,891	111,324	64.8%
Hydro	8,685	27,257	1,425	37,367	21.7%
Nuclear	4,780	—	—	4,780	2.8%
Renewable Energy Source	—	3,009	15,446	18,455	10.7%
Total	52,713	82,453	36,761	171,926	100.0%

Source: CEA

Future Capacity Additions

To sustain the strong recent economic growth in India, the Ministry of Power of the GoI has set an ambitious target of providing "Power for All," with a target of achieving an installed capacity of 212,000 MW by 2012 by adding over 100,000 MW of generation capacity.

A key risk to the continued growth of the Indian economy is inadequate infrastructure. Infrastructure investment in India is on the rise, but growth may be constrained without further improvements. The GoI has identified the power sector as a key sector of focus to promote sustained industrial growth by embarking on an aggressive mission — "Power for All" by 2012.

According to the Integrated Energy Policy ("IEP") report dated August 2006 issued by the Planning Commission, India would require additional capacity of about 71-84 gigawatt ("GW") by 2012, 157-188 GW by 2017 and 276-339 GW by 2022, respectively, based on normative parameters in order to sustain a 8-9% GDP growth rate (Source: IEP, Expert Committee on Power). The following table sets forth the additional capacity required by 2012, 2017 and 2022 under different GDP growth rate scenarios:

	Assumed GDP Growth (%)	Electricity Generation Required (BU)	Peak Demand (GW)	Installed Capacity (GW)	Capacity Additional Required(1) (GW)
By fiscal 2012	8.0	1,097	158	220	48
	9.0	1,167	168	233	61
By fiscal 2017	8.0	1,524	226	306	134
	9.0	1,687	250	337	165
By fiscal 2022	8.0	2,118	323	425	253
	9.0	2,438	372	488	316

(1) Based on the existing installed capacity of 172GW in India.

Source: IEP Report, Expert Committee on Power

Transmission and Distribution

In India, the transmission and distribution system is a three-tier structure comprising regional grids, state grids and distribution networks. The five regional grids, structured on a geographical contiguity basis, facilitate transfer of power from a power surplus state to a power deficit state. The regional grids also facilitate the optimal scheduling of maintenance outages and better co-ordination between the power plants. The regional grids shall be gradually integrated to form a national grid, whereby surplus power from a region could be transferred to another region facing power deficits, thereby facilitating a more optimal utilisation of the national generating capacity. Most inter-regional and interstate transmission links are owned and operated by the Power Grid Corporation India Limited ("PGCIL") though some are jointly owned by the SEBs. PGCIL is the central transmission utility of India and possesses one of the largest transmission networks in the world. PGCIL has a pan India network presence with around 81,456 circuit kms of transmission network, 132 extra high voltage alternation current and high voltage direct current substations, and a total transformation capacity of 90,900 mega volt ampere. Approximately 50% of the total generating capacity in India is transmitted through PGCIL's system. (Source: http://powermin.nic.in and http://powergridindia.com).

PGCIL is working towards establishment of an integrated national power grid, in a phased manner, in order to strengthen the regional grids and to support the generation capacity addition program of 78,700 MW during the Eleventh Five-Year Plan period. The existing inter-regional power transfer capacity of 22,400 MW is expected to be enhanced to 28,000 MW by 2012 through creation of "Transmission Super Highways". Based on expected generation capacity addition in the 11th Five-Year Plan, an investment of approximately Rs.750.00 billion is envisaged in central sector and approximately Rs.650.00 billion is envisaged in the state sector. (Source: http://powermin.nic.in).

State grids and distribution networks are primarily owned and operated by the respective SEBs or state governments (through state electricity departments). State distribution networks are managed at the state level and continue to be affected by high AT&C losses estimated to be approximately 28% in 2008-09, which implies that 28% of power entering the system is lost during distribution. (Source: http://powermin.nic.in). A direct consequence of the high AT&C losses is the poor financial condition of SEBs, thereby constraining the SEBs from making any meaningful investments in generation and in upgrading the T&D network.

Government Policy and Initiatives in the Indian Power Industry

In recent years, in light of persistent power shortages and given the estimated rate of increase in demand for electricity in India, the GoI has taken significant action to restructure the power sector, increase capacity, improve transmission, sub-transmission and distribution, and attract investment to the sector. Some of the various strategies and reforms adopted by the GoI and other initiatives in the power sector in India are summarised below.

Electricity Act, 2003 ("Electricity Act")

See "Business of Vedanta — Indian Regulatory Matters".

National Electricity Policy, 2005

See "Business of Vedanta — Indian Regulatory Matters".

National Tariff Policy, 2006

See "Business of Vedanta — Indian Regulatory Matters".

Rural Electrification Initiatives

The Ministry of Power of the Government of India ("MoP") introduced the Rajiv Gandhi Grameen Vidhyutikaran Yojana ("RGGVY") in April 2005, for achieving the aim of providing access to electricity to all rural households over a period of four years (Source: website for the MoP). Rural Electrification Corporation Limited has been appointed the nodal agency for the RGGVY, and the scheme is 90% funded by Central subsidy and 10% by the States, through their own resources or by seeking financial assistance from financial institutions. The States were responsible for finalising their own rural electrification plans, which were to be a roadmap for generation, transmission, sub-transmission and distribution of electricity within that State to ensure achievement of the scheme objectives. (Source: MoP Office Memorandum No 44/19/2004 D(RE), dated March 18, 2005) As of January 31, 2011, 77.4% of un/de-electrified villages across the participating States had so far been electrified under the RGGVY. (Source: website for the RGGVY)

Ultra Mega Power Projects ("UMPPs")

For meeting the growing needs of the economy, generation capacity in India must rise significantly and sustainably over the coming decades. There is therefore a need to develop large capacity projects at the national level to meet the requirements of different States. Development of UMPPs is one step the MoP is taking to meet this objective. Each project is a minimum of 4,000 MW and involves an estimated investment of approximately U.S.$4.00 billion. The projects are expected to substantially reduce power shortages in India. The UMPPs will be awarded to developers on a build-own-operate basis and are expected to be built at 16 different locations. (Source: website of the MoP).

Independent Transmission Projects The MoP has initiated a tariff based competitive bidding process for independent transmission projects ("ITPs"), which is a process similar to that followed for UMPPs, for the development of transmission systems through private sector participation. The ITPs aim to evacuate power from generating stations and transmit the power from pooling stations to other grid stations, resulting in system strengthening across India. (Source: website of the MoP).

Other Initiatives

Merchant Power Plants

Merchant Power Plants ("MPPs") generate electricity for sale at market-driven rates in the open wholesale market. Typically, the MPPs do not have long-term PPAs and are constructed and owned by private developers. Merchant sales, however, include the sale of power under short-term PPAs and on-spot basis. Many private sector newcomers are starting to adopt the MPP model for their projects to generate higher returns as opposed to selling power through a long term PPA, as the off-take risk is seen to be low in light of significant power shortages in the country. The MPPs can sell power to the power trading companies (such as PTC India Limited and Tata Power Trading Company Limited), the SEBs, distribution companies and industrial and bulk customers.

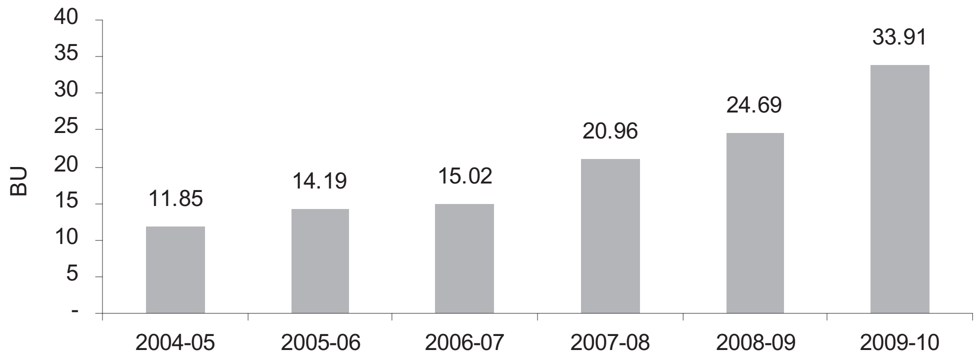
Captive Power Generation

Another segment of power generation in India is the captive power segment. Captive power refers to power generation from a project established for industrial consumption. Captive power capacity, at 19,509.49 MW, accounted for 11.35% of the 171,926.40 MW of total installed capacity in India. (Source: CEA Monthly Review (February 2011)). The dependence on captive power has been rising, due to the continuing shortage of power and India's sustained economic growth.

The Electricity Act provided further incentives to captive power generation companies to grow by making them exempt from licensing requirements. This has resulted in an increase in captive power capacity. Reliability of power supply and better economics are other variables pushing industries to develop captive generation plants

Power Trading

Historically the main suppliers and consumers of bulk power in India have been the various government controlled generation and distribution companies who typically contracted power on a long term basis by way of PPAs with regulated tariffs. However, in order to encourage the entry of merchant power plants and private sector investment in the power sector, the Electricity Act recognised power trading as a distinct activity from generation, T&D and has facilitated the development of a trading market for electricity in India by providing for open access to transmission networks for normative charges. Power trading involves the exchange of power from suppliers with surpluses to suppliers with deficits. Seasonal diversity in generation and demand, as well as the concentration of power generation facilities in the resources-rich eastern region of India, has created ample opportunities for the trading of power. Recent regulatory developments include the announcement of rules and provisions for open access and licensing related to interstate trading in electricity. Several entities have started trading operations or have applied for trading licenses. With the aid of the reforms, the volume of power traded as well as its traded price has grown rapidly over the last few years. The following graph and table shows the increasing volume of power traded in India for the periods indicated:



Source: Central Electricity Regulatory Commission Annual Report 2009-2010

Indian Energy Exchange

Indian Energy Exchange ("IEX") is India's first nation-wide automated and online electricity trading platform. IEX seeks to catalyze the modernisation of electricity trade in India by allowing trading through a technology enabled platform. On June 9, 2008, IEX received CERC approval to begin operations. IEX is a demutualised exchange set up to enable efficient price discovery and price risk management in the power trading market, offering a broader choice to generators and distribution licensees for sale and purchase of power facilitating trade in smaller quantities, and enabling participants to adjust their portfolio as a function of consumption or generation. The total volume of power traded on IEX amounted to 1,163.61 million units in February 2011 (Source: Central Electricity Regulatory Commission: Monthly Report ("CERC Monthly Report") (February 2011)).

Power Exchange India Limited

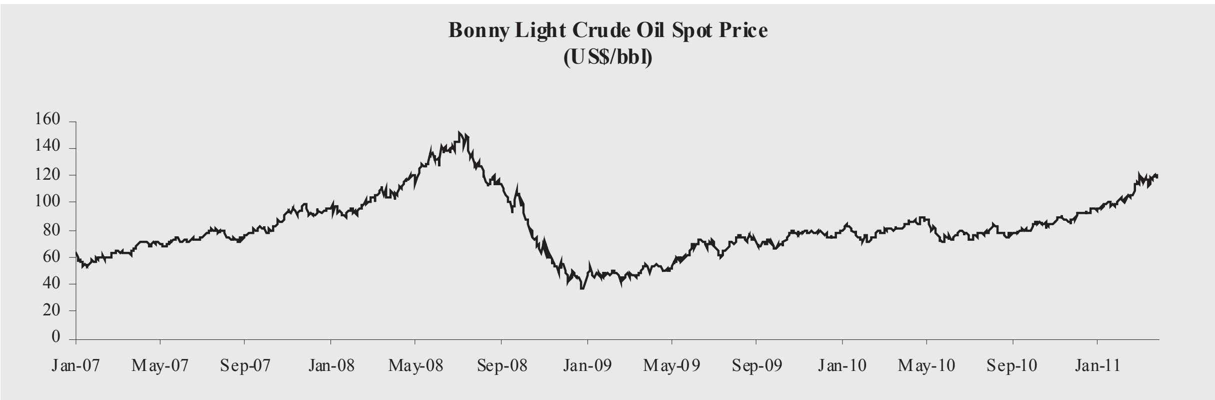
Power Exchange India Limited ("PXIL") is a fully electronic nation-wide exchange for trading of electricity. It has been promoted by two of India's leading exchanges, National Stock Exchange of India Limited ("NSE") and the National Commodities & Derivatives Exchange Limited. PXIL received regulatory approval to begin operations from the CEA on September 30, 2008, and began its operations on October 22, 2008. The total volume of power traded on PXIL amounted to 227.9 million units in February 2011 (Source: CERC Monthly Report (February 2011)).

Oil and Gas

Global Oil and Gas Industry

Growing energy demand and robust oil prices are driving growth in the global oil and gas industry. Crude oil remains the core source of global energy demand, with oil consumption representing 34.8% of total global fuel consumption in 2009, according to the BP Statistical Review (June 2010) and expected to represent 33.0% of total global energy consumption in 2015, according to the US EIA's International Energy Outlook (July 2010). Global oil production has historically grown at a steady pace, representing a CAGR, of 1.1% from 2000 to 2010. Production during 2010 was 86.3 million barrels per day up from 84.3 million barrels per day in 2009 as per data from the US EIA. During the same period, reserves have grown at a CAGR of 2.9% with global proved oil reserves at 1,354 billion barrels at the beginning of 2010 up from 1,340 billion barrels in 2009 according to US EIA data.

Oil prices have fluctuated in recent years in response to global economic conditions. On the back of improved macroeconomic conditions, African Bonny Light spot oil prices have recovered from the lows of $36.94 per barrel in December 2008 to $118.17 per barrel on March 28, 2011. This compares with a peak of $150.49 per barrel reached on July 3, 2008 (daily closing price). The chart below illustrates the African Bonny Light crude oil spot price from January 1, 2007 to March 28, 2011.



Source: Bloomberg as of March 28, 2011

However, natural gas prices have continued to remain depressed largely due to the supply demand mismatch, particularly in North America, owing to various factors including discovery of extensive shale gas and other gas resources in the recent past, with cheaper production costs on account of better technology.

Supply and Demand

Global demand for oil and gas has been particularly volatile in recent years. Total world consumption of oil has increased from 77.0 million barrels per day in 2000 to 84.4 million barrels in 2009 i.e. at a CAGR of c. 1%, although 2008/2009 saw a decline from the highs of 2006 and 2007 of 85.4 and 86.3 million barrels per day respectively, reflecting the sharp decline in global output due to the global recession and unprecedented macroeconomic uncertainty. However, declines were only recorded in North America and

Europe, which in turn shows the strong consumption growth from other regions, especially India and China (Source: US EIA).

The table below shows the consumption of oil and gas from 2006 to 2009.

	Oil Consumption							
	2006		2007		2008		2009	
Region	Volume	%	Volume	%	Volume	%	Volume	%
	(Thousand Barrels per Day)							
North America	23,066	27.0%	23,135	26.8%	21,815	25.5%	20,970	24.8%
Latin America	7,847	9.2%	8,089	9.4%	8,239	9.6%	8,217	9.7%
Europe	19,765	23.1%	19,573	22.7%	19,559	22.8%	18,625	22.1%
Africa	3,039	3.6%	3,121	3.6%	3,188	3.7%	3,227	3.8%
Japan	5,342	6.3%	5,201	6.0%	4,991	5.8%	4,443	5.3%
China	7,263	8.5%	7,534	8.7%	7,817	9.1%	8,324	9.9%
India	2,691	3.1%	2,801	3.2%	2,950	3.4%	3,110	3.7%
Rest of Asia & Oceania	16,415	19.2%	16,796	19.5%	17,103	20.0%	17,484	20.7%
Total World	**85,429**	**100.0%**	**86,250**	**100.0%**	**85,662**	**100.0%**	**84,400**	**100.0%**

Source: US EIA website as of 28 March 2011

According to the US EIA's International Energy Outlook (July 2010), oil consumption is expected to reach 88.7 million barrels per day in 2015.

Gas consumption is expected to reach 124.7 trillion cubic feet in 2015, according to the US EIA's International Energy Outlook (July 2010).

Indian Oil and Gas Industry

History

The oil and gas industry in India has traditionally been, and continues to be, dominated by public sector companies. The origins of the Indian oil industry can be traced back to the nineteenth century when the first crude oil discoveries were made in Assam, in the north east of India. After independence in 1947, the development of the Indian oil and gas industry was viewed by successive Indian governments as critical to India's progress, particularly in light of the industry's strategic importance in terms of industrial growth and defence. In 1955, the GoI entered the oil and gas sector with the establishment of the Oil and Gas Directorate (the predecessor to ONGC), and formed joint venture agreements with domestic and foreign operators.

Throughout the 1960s, as the industry increased in size, it became increasingly dominated by state-owned entities. In 1974, ONGC discovered the large Mumbai High offshore oil field prompting large-scale expansion in the Indian oil and gas sector. In the 1970s, the Indian government implemented policies of nationalisation which led to the government taking over the operations of, for example, Esso, Caltex and Burmah-Shell. The period also witnessed increased regulation in all aspects of the industry from production to pricing.

However, in the early 1990s, and as India's reliance on oil imports increased, the Indian government embarked on a series of reforms aimed at reducing India's dependence on imports, deregulating the industry, improving efficiency, and encouraging private and foreign investment.

In 1997, the New Exploration Licensing Policy ("NELP") was implemented in order to encourage growth of the domestic exploration and production sector. Successful bidders are required to enter into PSCs with the Indian government. Historically, and in an effort to promote licensing rounds and encourage potential bidders, PSCs have contained comparatively favourable terms, including, for example, 100% costs recovery, and a seven-year income tax holiday beginning from the tax year during which commercial production first begins. Prior to the introduction of the NELP, crude oil and natural gas produced by private sector companies were required to be marketed and transported through public sector entities. Under the NELP, private sector companies have marketing rights of crude oil and natural gas in the domestic market subject to overall government policy guidelines.

While deregulation and other government initiatives have increased the level of private sector participation in the domestic production sector, the oil and gas industry in India is still dominated by two government-controlled entities, ONGC and Oil India Limited. However, significant private-sector participants in the industry (other than Cairn India) include Reliance Industries, BG Group and Videocon Industries Limited (formerly Petrocon India Limited).

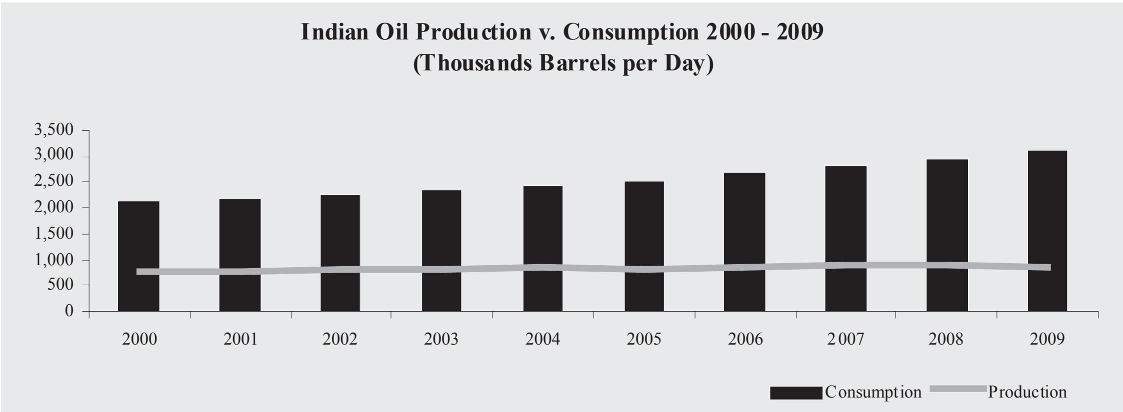
In 2008, the GoI adopted a gas utilisation policy which requires contractors to sell gas produced from the NELP blocks to consumers engaged in industry sectors prioritised by the Government for the supply of gas. The NELP PSCs also provide for a market-determined price for gas produced, subject to approval from the Government. In its decision in May 2010, the Supreme Court of India upheld the policies formulated by the Government under which it has the authority to regulate the price, production and distribution of natural gas.

Supply and Demand

India is the second most populous country in the world with a population of approximately 1.2 billion. Rapid economic growth in India has led to a significant increase in demand for crude oil and natural gas. In 2009, India's world share of oil and gas consumption was 3.7% and 1.7% respectively (Source: US EIA International Energy Outlook (July 2010)).

India is a net importer of crude oil and natural gas. In 2009, India consumed 3.1 million barrels of oil per day, yet it produced only 0.9 million barrels per day. Similarly, in 2009, India consumed 1.9 trillion cubic feet of gas, but produced only 1.4 trillion cubic feet (Source: US EIA International Energy Outlook (July 2010)).

The following table sets out the deficit between oil consumption and production in India between 2000 and 2009:



(1) (2)

Source: US EIA International Energy Outlook (July 2010)

The discrepancy between Indian oil production and consumption has been consistently increasing from shortage of production at 1.4 million barrels per day in 2000 to 2.2 million barrels per day in 2009, representing a CAGR of 5.7%. According to the US EIA's International Energy Outlook (July 2010), Indian oil consumption is expected to reach 3.2 million barrels per day in 2015, and the shortfall is only likely to grow.

Indian gas consumption is expected to reach 3.1 trillion cubic feet in 2015, according to the US EIA's International Energy Outlook (July 2010).

BUSINESS OF VEDANTA

Overview

Vedanta is a LSE-listed diversified FTSE 100 metals and mining company and is India's largest non-ferrous metals and mining company based on revenue. Its business is principally located in India, one of the fastest growing large economies in the world with a 7.4% increase in real gross domestic product ("GDP") from fiscal 2009 to fiscal 2010, according to the Central Statistical Organisation of the GoI's Ministry of Statistics and Programme Implementation. In addition, Vedanta has assets and operations in Zambia, Australia, South Africa, Ireland and Namibia. The Vedanta Group is primarily engaged in copper, zinc, aluminium, iron ore and commercial power generation businesses and is also developing and acquiring port operation business and infrastructure assets. Vedanta has experienced significant growth in recent years through various expansion projects for its copper, zinc, aluminium and iron ore businesses. Vedanta reported revenue of $11,427.2 million and EBITDA of $3,566.8 million in fiscal 2011. Vedanta believes its experience in operating and expanding its businesses in India will allow it to capitalise on attractive growth opportunities arising from India's large mineral reserves, relatively low cost of operations and large and inexpensive labour and talent pools. Vedanta believes it is also well-positioned to take advantage of the significant growth in industrial production and investments in infrastructure in India, China, southeast Asia and the Middle East, which it expects will continue to generate strong demand for metals.

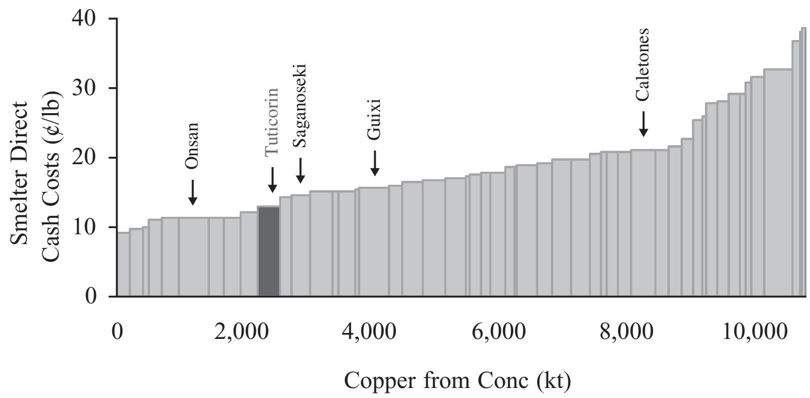
The following tables set out the revenue for each of Vedanta's business segments as a percentage of Vedanta's revenue on a consolidated basis and the operating profit for each of Vedanta's business segments as a percentage of Vedanta's operating profit on a consolidated basis.

	Year Ended 31 March		
	2009	2010	2011
Revenue:			
Copper			
— India/Australia	38.5%	34.6%	30.1%
— Zambia	11.8	13.5	15.2
Zinc			
— India	18.4	20.8	18.8
— International	—	—	1.9
Aluminium	14.2	11.5	13.7
Iron ore	16.3	15.4	17.3
Commercial power generation	0.8	4.2	3.0
Total	**100%**	**100%**	**100%**

	Year Ended 31 March		
	2009	2010	2011
Segment Result after special items:			
Copper	6.9%	6.0%	20.0%
— India/Australia	21.9	4.0	7.8
— Zambia	(15.0)	2.0	12.2
Zinc			46.0
— India	49.6	55.0	44.1
— International	—	—	1.9
Aluminium	10.6	3.0	1.2
Iron ore	31.4	27.2	29.9
Energy	1.6	8.9	4.4
Elimination/Other	(0.1)	(0.1)	(1.5)
Total	**100%**	**100%**	**100%**

Copper. Vedanta's copper business comprises operations in India, Zambia and Australia. Vedanta's Indian copper business is principally one of custom smelting and is operated by Sterlite, while its Zambian copper business is owned and operated by KCM. Sterlite is one of India's largest non-ferrous metals and mining companies. It is one of only two custom copper smelters, with a 43% primary market share by sales volume in India in fiscal 2011, according to ICPCI. According to Brook Hunt, Sterlite's Tuticorin smelter was one of the world's largest, in terms of production volumes, in 2010. Sterlite's Tuticorin smelter was also among the lower quartile of cash costs, as indicated in the graph below. As of 31 March 2011, Vedanta owned 57.7% of the share capital of Sterlite through Twin Star and MALCO, and 79.4% of the share capital of KCM.

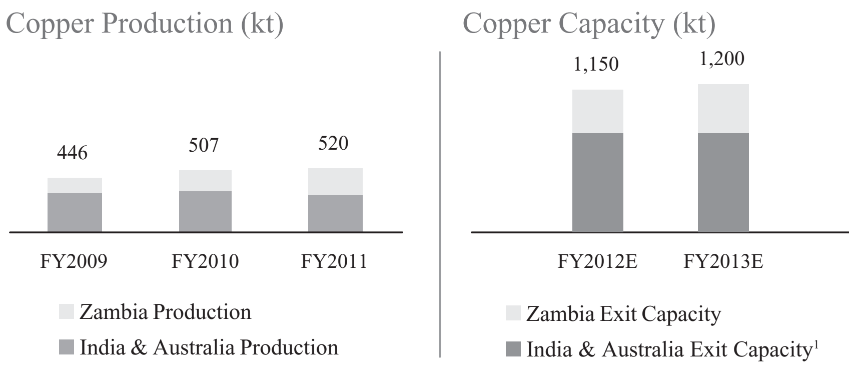
2011Q1 Copper Smelter Cash Costs



Source: Wood Mackenzie Ltd. Dataset: 2011 Q1

In addition, Sterlite owns the Mt. Lyell copper mine in Tasmania, Australia, which provides a small percentage of Sterlite's copper concentrate requirements. KCM's Zambian operations comprise various facilities at Konkola, Nchanga, Nkana and Nampundwe including mines, concentrators, smelters, acid plants, a tailings leach plant ("TLP") and a refinery.

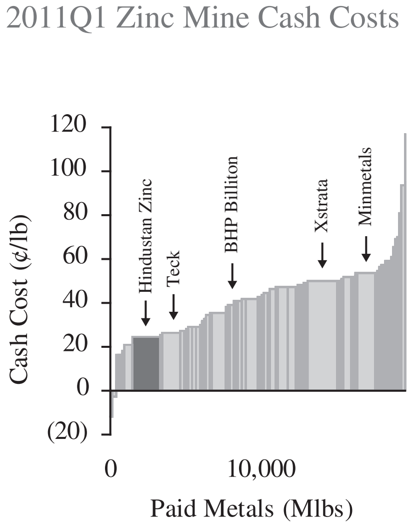
Vedanta is constructing a plant to extract copper from the estimated 147.2 million tonnes ("mt") of probable reserves, as of 31 March 2011, from refractory ore stockpiled at its Nchanga licence area, which Vedanta believes will produce approximately 50,000 tonnes per annum ("tpa") of additional finished copper from approximately 11.2 mtpa of refractory ore and the plant is expected to be completed by March 2013 (the "CRO Project") and production to commence in fiscal 2014. Revenue from Vedanta's copper business in fiscal 2011 was $5,169.5 million. Vedanta's copper capacity is expected to increase at a 33% CAGR to 2012 and has a planned capacity expansion to 1.2 mtpa by 2013.

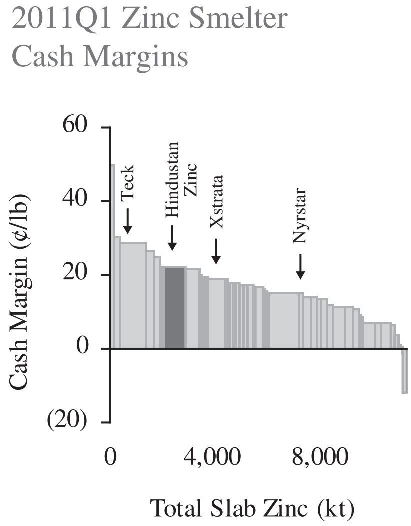


Note: Capacity refers to exit rates.
1. 400ktpa expansion pending government clearance.

Zinc. Vedanta's fully integrated zinc business is owned and operated by HZL, India's leading primary zinc producer with a 82% market share by sales volume in India in fiscal 2011, according to ILZDA. In 2010, HZL was the world's largest integrated producer of zinc and one of the top five lead mining companies based on production volumes and in the lowest cost quartile in terms of all zinc mining operations worldwide, according to Brook Hunt. In addition, HZL's Rampura Agucha mine was the largest zinc mine in the world on a production basis and its Chanderiya hydrometallurgical zinc smelter was the fourth largest smelter on a production basis worldwide, in 2010, according to Brook Hunt. As of 31 March 2011, Sterlite indirectly owned 64.9% of the share capital of HZL, with the remainder owned by the GoI (29.5%) and institutional and public shareholders (5.6%). Sterlite has exercised its second call option to acquire the GoI's remaining ownership interest in HZL, although the exercise of this call option is currently being disputed. See

"— Litigation — SOVL has commenced proceedings against the GoI, which has disputed SOVL's exercise of the call option to purchase its remaining 29.5% ownership interest in HZL" for further details.



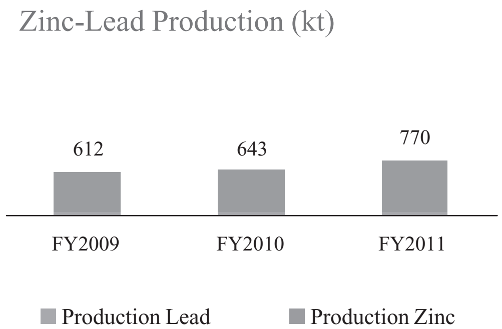


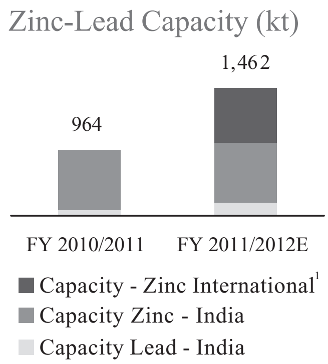
Source: Wood Mackenzie Ltd. Dataset: 2011 Q1

HZL's operations include four lead-zinc mines, four hydrometallurgical zinc smelters, one lead smelter, one lead-zinc smelter, four sulphuric acid plants, one silver refinery, five captive power plants in northwest India, one hydrometallurgical zinc smelter and a sulphuric acid plant at its Vizag facility in southeast India and one zinc ingot melting and casting plant in northern India. HZL's annual production of zinc and lead for the year ended 31 March 2011 was 712,471 tonnes and 57,294 tonnes, respectively.

In addition, on 10 May 2010, Vedanta agreed to acquire various zinc assets of Anglo American Plc for a total consideration of $1,513.1 million. The net cash available at these entities as of the date of acquisition was $359.2 million. These zinc assets comprise Skorpion, which owns the Skorpion mine and refinery in Namibia, a 74% stake in Black Mountain Mining, which assets include the Black Mountain mine and the Gamsberg project, in South Africa and Lisheen, which owns the Lisheen mine in Ireland.

Revenue from Vedanta's zinc business in fiscal 2011 was $2,371.7 million.



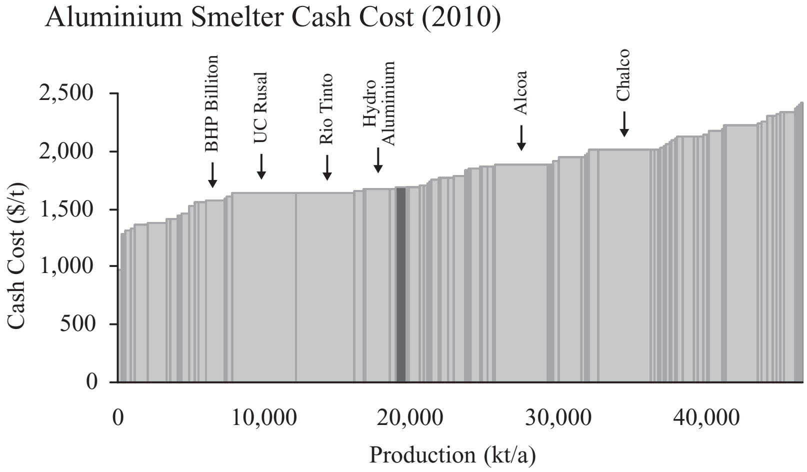


Note:

(1) Capacity refers to exit rate.
100% basis.

Aluminium. Vedanta's aluminium business is primarily owned and operated by BALCO and Vedanta Aluminium. BALCO and Vedanta Aluminium are two of the four primary producers of aluminium in India and together had a 36% market share by sales volume in India in fiscal 2010, according to the Aluminium Association of India (the "AAI"). As of 31 March 2011, Sterlite owned 51.0% of the share capital of BALCO and has exercised its option to acquire the GoI's remaining 49.0% ownership interest, although the exercise of this call option is currently being disputed. See "— Litigation — Sterlite has commenced proceedings against the GoI which has disputed Sterlite's exercise of the call option to purchase its remaining 49.0% ownership interest in BALCO" for further details. As of 31 March 2011, Vedanta owned 94.6% of the share capital of MALCO and 70.5% of the share capital of Vedanta Aluminium, with Sterlite owning the remaining 29.5% of

Vedanta Aluminium. As set out in the chart below, Vedanta's aluminium business has relatively low costs compared to its industry peers with its aluminium smelter cash cost in the lower half of the cost curve.

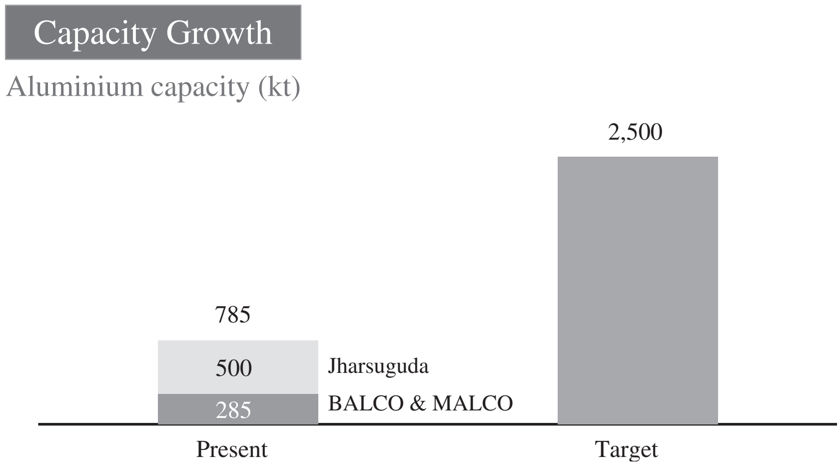


Source: Wood Mackenzie Ltd. Dataset: 2011 Q1

BALCO's operations include two bauxite mines, two captive power plants and refining, smelting and fabrication facilities in central India. BALCO's operations benefit from relatively cost effective access to power, the most significant cost component in aluminium smelting due to the power intensive nature of the process. This is, to a considerable extent, as a result of BALCO being an energy-integrated aluminium producer. BALCO received a coal block allocation of 211 million tonnes for use in its captive power plants in November 2007. BALCO is constructing a 1,200 MW coal-based thermal power facility in the State of Chhattisgarh. The first two units of 300 MW are expected to be synchronised by the second and third quarter of fiscal 2012 respectively and the remaining two units, progressively by the second quarter of fiscal 2013. BALCO's annual production as of 31 March 2011 is 255,298 tonnes.

Vedanta is also expanding its aluminium business through Vedanta Aluminium. Vedanta Aluminium's 1 mtpa of installed capacity alumina refinery at Lanjigarh was commissioned in March 2010 and it produced 706,640 tonnes of alumina in fiscal 2011. In addition, Vedanta Aluminium has completed construction of a greenfield 500,000 tpa aluminium smelter, together with an associated 1,215 MW coal-based captive power plant, in Jharsuguda in the State of Orissa. The project has been implemented in two phases of 250,000 tpa each. Phase 1 was completed on 30 November 2009 and Phase 2 was completed on 1 March 2010. All nine units of 135 MW have been commissioned. The cast metal production for fiscal 2011 was 385,363 tonnes including trial run production and the net power generation of the captive power plant was 7,147 million units. Vedanta Aluminium is also setting up another 1,250,000 tpa aluminium smelter in Jharsuguda at an estimated cost of $2,920 million See "— Litigation — Petitions have been filed in the Supreme Court of India and the High Court of Orissa to seek the cessation of construction of Vedanta Aluminium's refinery in Lanjigarh and related mining operations in Niyamgiri Hills" for further details. As of 31 March 2011, Vedanta Aluminium has spent $6,158.6 million on all projects at Lanjigarh and Jharsuguda.

Revenue from Vedanta's aluminium business in fiscal 2011 was $1,570.1 million.



Iron Ore. Vedanta's iron ore business is owned and operated by SGL, India's largest exporter of iron ore in the private sector by volume since 2003, according to the Federation of Indian Mineral Industries. As of 31 March 2011, Vedanta's ownership interest in SGL was 55.1%. The remaining 44.9% was owned by institutional and public shareholders.

SGL is engaged in the exploration, mining and processing of iron ore. On 11 June 2009, SGL completed an acquisition of the entire issued share capital of Sesa Resources Limited ("SRL") (previously known as V.S. Dempo & Co. Private Limited). As of 31 March 2011, SGL owned or had the rights to reserves and resources consisting of 306.2 million tonnes of iron ore at an average grade of 54.6%. SGL's annual production as of 31 March 2011 is 18.8 million tonnes.

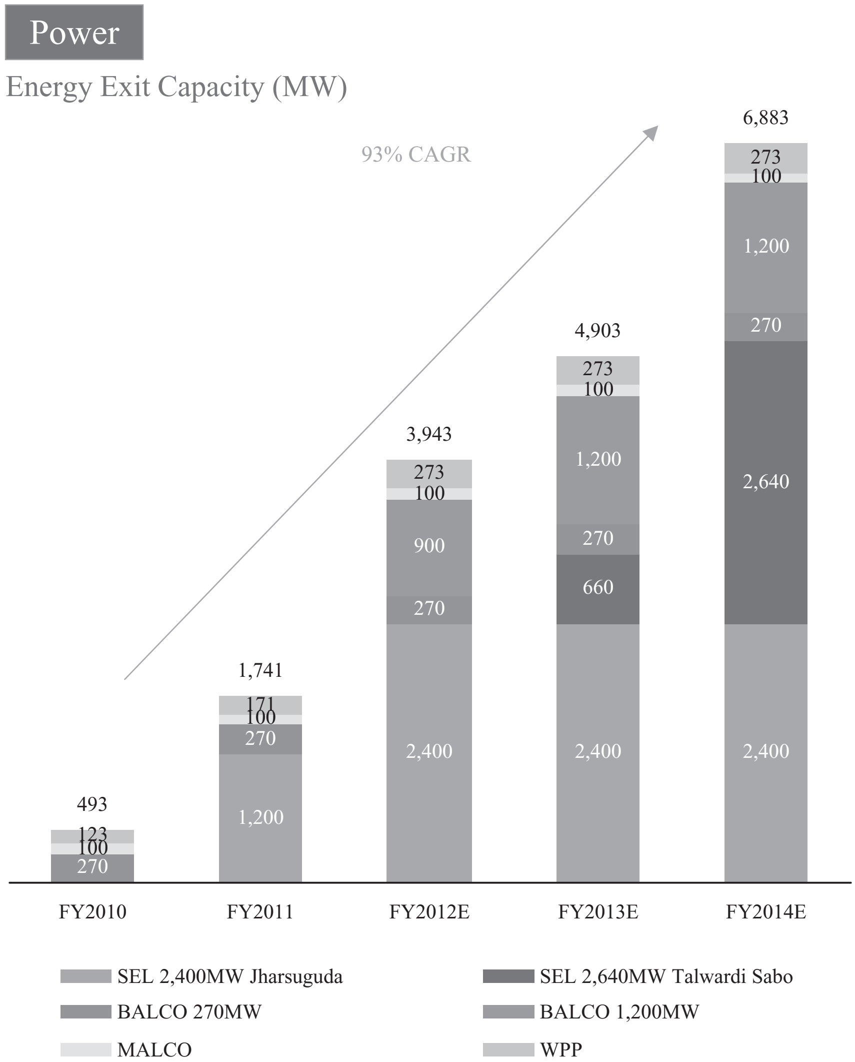
On 22 March 2011, Vedanta announced that it had acquired the assets of the uncompleted steel plant unit of Bellary Steel & Alloys Limited ("BSAL") for a cash consideration of $49.3 million (INR 2,200 million) comprising a 0.5 mtpa steel plant (which was under construction), the freehold land on which the plant is being constructed of approximately 700 acres, existing buildings and structures and plant and machinery. Vedanta had undertaken this acquisition as the assets were located in the iron ore rich belt in the State of Karnataka, in close proximity to transportation networks such as, highways and railways, and water sources. Accordingly, Vedanta believes that the acquisition provides an opportunity to set up a value added facility to complement its existing businesses.

In fiscal 2011, SGL produced approximately 18.8 million tonnes of iron ore fines and lumps. SGL intends to expand its production capacity to 40 mtpa by fiscal 2013, subject to receipt of environmental clearance and plans to expand its pig iron capacity from 250,000 tpa to 625,000 tpa by fiscal 2012. This capacity expansion of pig iron is expected to cost approximately $150 million in total to complete based on SGL's estimates as of 31 March 2011. SGL's mining operations are carried out in the Indian States of Goa and Karnataka. SGL has pursued a number of initiatives to expand the mining capacity at Goa and Karnataka to 30 mtpa and 10 mtpa, respectively and additional investments in mining equipment, processing plants, barges and other infrastructure such as loading facilities at railway sidings at an estimated cost of $500 million. In addition, SGL manufactures pig iron and metallurgical coke in Goa.

Revenue from Vedanta's iron ore business in fiscal 2011 was $1,977.9 million.

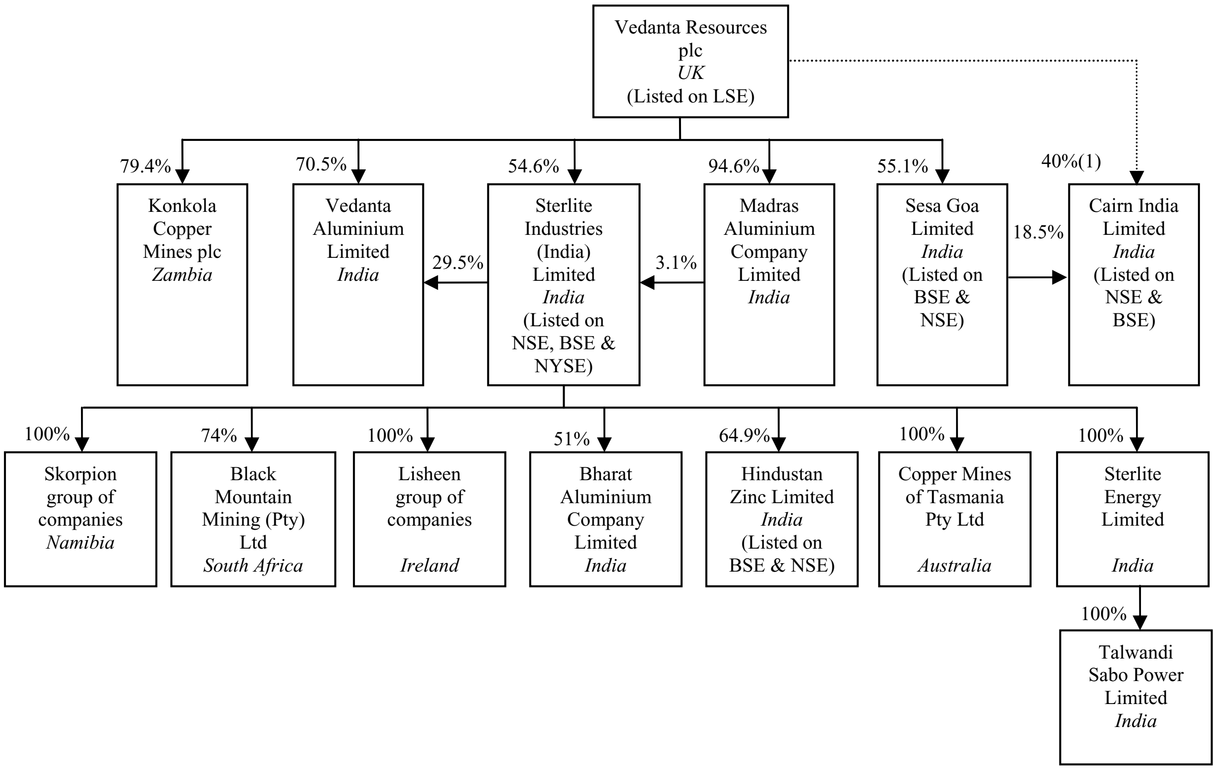
Commercial Power Generation Business. Vedanta has been building and managing captive power plants since 1997. Vedanta is currently developing a commercial power generation business in India that leverages its experience in building and managing captive power plants that support its primary businesses. As of 31 March 2011, the total power generating capacity of Vedanta's thermal power plants and wind power plants was approximately 4,127 MW.

Revenue from Vedanta's commercial power generation business in fiscal 2011 was $338.0 million.



Current Group Structure

The following diagram summarises the Vedanta Group's corporate structure showing Vedanta's operating subsidiaries as of 18 May 2011. Vedanta also owns certain other non-operating subsidiaries that are not material and are not shown in the organisational chart below.



Note:

(1) Structure post Acquisition

Recent Developments

Cairn India Acquisition and Open Offer. On 16 August 2010, Vedanta announced its proposal to acquire 51% to 60% of the fully diluted share capital of Cairn India for a total consideration of up to $9.6 billion (the "Acquisition"). Vedanta arranged new debt financing facilities of an aggregate amount of $6 billion to finance the acquisition of Cairn India. As a result of entering into the Purchase Agreement to acquire Cairn India, Vedanta was required by Indian takeover law to make an open offer ("Open Offer") to Cairn India shareholders (other than members of the Cairn Energy Group). On 6 April 2011, Vedanta announced receipt of SEBI clearance for its subsidiaries, SGL and SRL, to commence the Open Offer. SGL and SRL posted a letter of offer to acquire up to 383,985,368 Cairn India Shares, equivalent to 20.01% of Cairn India's fully diluted voting share capital, at a price of INR 355 per Cairn India Share. The Open Offer opened on 11 April 2011 and closed on 30 April 2011. A total of approximately 155 million Cairn India Shares, representing approximately 8.1% of the issued share capital of Cairn India, were tendered in the Open Offer. The total consideration paid by Vedanta for the Cairn India Shares tendered in the Open Offer was $1,223 million. Vedanta will acquire a total of 58.5% of the fully diluted share capital of Cairn India pursuant to the Acquisition, the Open Offer and the acquisition from Petronas International Corporation Ltd as described below. Shareholders of Vedanta approved the Acquisition at an extraordinary general meeting held on 13 December 2010. See "Business of Cairn India".

Acquisition of Cairn India Shares from Petronas International Corporation Ltd. On 19 April 2011, SGL acquired 200 million Cairn India Shares, amounting to a 10.4% stake in Cairn India, from Petronas International Corporation Ltd at a price of INR 331 per Cairn India Share, resulting in total cash consideration of $1,478 million. This is in addition to the Acquisition and Open Offer discussed in the preceding paragraph.

Initial public offering of Konkola Resources plc ("Konkola Resources"). On 16 November 2010, Konkola Resources announced its intention to proceed with an initial public offering of its ordinary shares and seek admission of the ordinary shares to the Official List and to trading on the London Stock Exchange's main market for listed securities. Konkola Resources will, on completion of this initial public offering, be the holding company of KCM. Vedanta intends to pursue the proposed initial public offering of Konkola Resources at an appropriate time and subject to market conditions.

Acquisition of zinc assets. On 10 May 2010, Vedanta agreed to acquire various zinc assets of Anglo American Plc for a total consideration of $1,513.1 million. The net cash available at these entities as of the date of acquisition was $359.2 million. The various assets of Anglo American Plc comprise Skorpion, which owns the Skorpion mine and refinery in Namibia, a 74% stake in Black Mountain Mining, which assets include the Black Mountain mine and the Gamsberg project, in South Africa and Lisheen, which owns the Lisheen mine in Ireland. On 3 December 2010, Vedanta announced the completion of the acquisition of Skorpion by Sterlite Infra Limited, a wholly-owned subsidiary of Sterlite. On 4 February 2011, Vedanta announced the completion of the acquisition of the 74% stake in Black Mountain Mining. The acquisition of Lisheen was completed on 15 February 2011.

Acquisition of steel assets. On 22 March 2011, Vedanta announced that it had acquired the assets of the uncompleted steel plant unit of BSAL for a cash consideration of $49.3 million (INR 2,200 million) comprising a 0.5 mtpa steel plant (which was under construction), the freehold land on which the plant is being constructed of approximately 700 acres, existing buildings and structures and plant and machinery. Vedanta had undertaken this acquisition as the assets were located in the iron ore rich belt in the State of Karnataka, in close proximity to transportation networks such as, highways and railways, and water sources. Accordingly, Vedanta believes that the acquisition provides an opportunity to set up a value added facility to complement its existing businesses.

Competitive Strengths

Vedanta believes that the Combined Group has the following competitive strengths:

A leading diversified natural resources company.

Vedanta is a leading diversified and the largest non-ferrous metals and mining company in India based on revenue. It has substantial market shares across the copper, zinc, aluminium, iron ore, energy and oil and gas markets in India. Specifically:

- *Copper segment:* Sterlite is one of only two custom copper smelters in India with a 43% primary market share by sales volume in India in fiscal 2011, according to ICPCI;

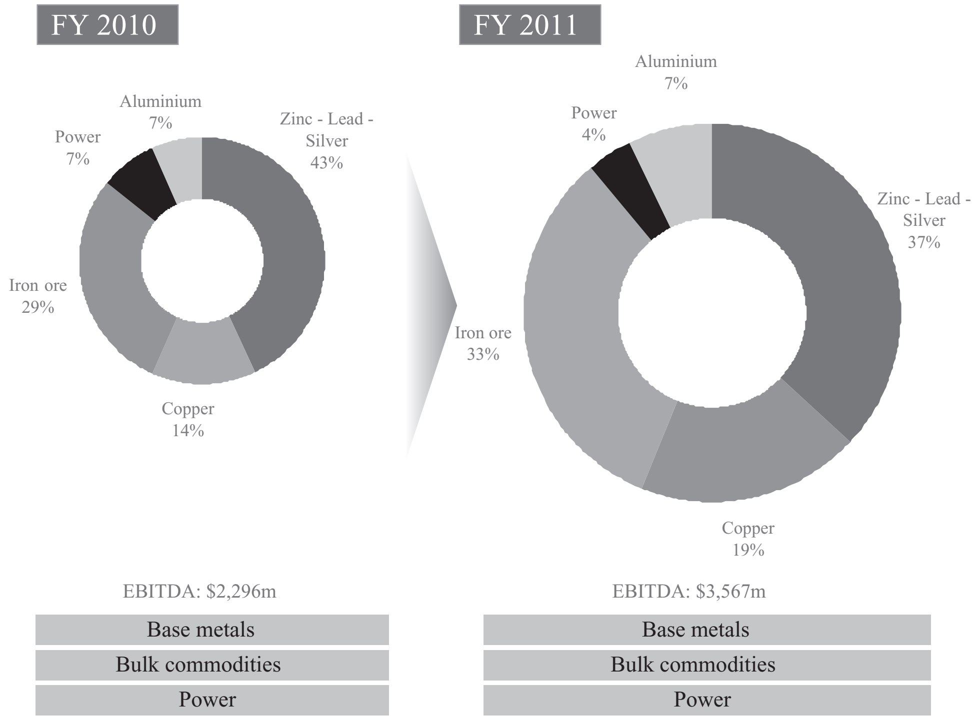
- *Zinc segment:* HZL is India's only integrated zinc producer and had an 82% market share by sales volume of the Indian zinc market in fiscal 2011, according to ILZDA. For the first quarter of fiscal 2011, HZL was the world's largest integrated producer of zinc and one of the top five lead mining companies based on production volumes and in the lowest cost quartile in terms of all zinc mining operations worldwide, according to Brook Hunt;

- *Aluminium segment:* Vedanta, through its subsidiaries BALCO and Vedanta Aluminium, is the second largest primary producer of aluminium in India with a 36% primary market share by sales volume in India in fiscal 2010, according to the AAI. BALCO's 245,000 tpa smelter in Korba was ranked ninth in terms of cost competitiveness among all aluminium smelter operations worldwide in 2010, according to Brook Hunt;

- *Iron ore segment:* SGL has been India's largest exporter of iron ore in the Indian private sector by volume since 2003, according to the Federation of Indian Mineral Industries. In fiscal 2011, SGL exported approximately 16.3 million tonnes of iron ore. It has operations in the States of Goa and Karnataka and is geographically well-positioned to benefit from the continued growth of Asian economies, particularly China; and

- *Oil and gas segment (upon completion of the Acquisition):* Cairn India is the fourth largest overall and second largest private oil and gas company by production in India as of 17 May 2011, accounting for 20% of domestic oil and gas production. Cairn India estimates that its net participating interest in 2P crude oil and natural gas reserves as of 31 March 2010 to be 340.4 mmboe, of which 280.9 mmboe and 59.5 mmboe are proved and probable reserves respectively.

Vedanta believes that it has a diversified product portfolio with its copper, zinc, iron ore, aluminium and energy businesses contributing EBITDA as set out below, in fiscal 2010 and 2011.



Ideally positioned to capitalise on India's growth and resource potential

Vedanta believes that its experience in operating and expanding its business in India will allow Vedanta to capitalise on attractive growth opportunities arising from factors including:

India's large mineral reserves. According to the Ministry of Mines Annual Report 2010-2011, the total copper ore, lead-zinc ore, bauxite and iron ore resources of India are estimated at 1.4 billion tonnes, 0.5 billion tonnes, 3.3 billion tonnes and 25.2 billion tonnes, respectively. According to the Indian Ministry of Coal, the total coal resources of India were 267.2 billion tonnes as of 1 April 2009. According to the USGS, India's bauxite reserves are the sixth largest in the world with total recoverable reserves estimated at 900 million tonnes and India also has the fourth largest coal reserves in the world as of 2007.

India's undeveloped oil and gas resource potential. India is an attractive country for investment in the oil and gas exploration and production sector with domestic demand for hydrocarbons exceeding supply and expected to continue to do so in the foreseeable future. The GoI has continued to provide further growth opportunities through annual licensing rounds. Cairn India was awarded four blocks in the New Exploration Licensing Policy ("NELP") V round, two blocks in the NELP VI round and an additional two blocks in the NELP VIII round, namely, KG-OSN-2009/3 and MB-DWN-2009/1.

India's economic growth and proximity to other growing economies. India is one of the fastest growing large economies in the world with a 7.4% increase ($1.26 billion) in real GDP from fiscal 2009 to fiscal 2010, according to the Central Statistical Organisation of the GoI's Ministry of Statistics and Programme Implementation. India has a large domestic market and, being a cost effective and labor intensive economy, India has benefited immensely from outsourcing of work from developed countries, and a strong manufacturing and export oriented industrial framework. Vedanta believes that its focus on the metals, power, and upon completion of the Acquisition, oil and gas segments will allow it to directly benefit from this growth.

According to Brook Hunt, the annual demand for copper, zinc and aluminium in India is expected to grow from 914,000 tonnes, 561,000 tonnes and 1.7 million tonnes, in 2010 to 1.4 million tonnes, 827,000 tonnes and 2.5 million tonnes in 2015, representing a compound annual growth rate ("CAGR") of 8.4%, 8.0% and 8.2%, respectively. According to Metalytics, the demand for iron ore in India is expected to grow from 120 million tonnes in 2010 to 186 million tonnes in 2015, representing a CAGR of 9.1%. Demand is expected to grow from 2007 to 2015, for electricity from 13.4 quadrillion BTU to 16.3 quadrillion BTU, for liquid fuel from 2.8 million barrels per day to 3.2 million barrels per day and for gas 1.5 trillion cubic feet to 3.1 trillion cubic feet. In addition, India is strategically located close to other growing economies in China, Southeast Asia and the Middle East.

High quality portfolio of assets with low-cost structure.

Vedanta believes that its business comprises high quality assets of global size and scale. Vedanta's costs of production in its copper, zinc and aluminium businesses are competitive compared with those of leading metals and mining companies in the world, which Vedanta believes is enabled by its high quality assets, operational skills and experience and the integrated nature of its operations.

Copper segment: Sterlite owns the Tuticorin copper smelter, one of only two custom copper smelters in India and one of the largest in the world in terms of production volume in 2010. The Tuticorin smelter is currently amongst the lowest quartile cost custom smelters in the world benefiting from economies of scale, low labor cost, and captive power plant. The board of directors of Sterlite has approved doubling the copper custom smelting capacity at Tuticorin to 800 ktpa with an associated 160 MW power plant, which is expected to reduce costs further and strengthen Vedanta's low cost position.

KCM owns resources in Zambia with proved and probable mineral reserves of approximately 385.6 mt as of 31 March 2011. Based on information obtained from a database on mines and deposits compiled by Metals Economics Group, as of 21 April 2011, the Konkola underground mine contained the world's highest grade large-scale (defined as containing over 1.5 mt of contained copper) copper ore body in active production, based on total mineral reserves and resources. The Konkola mine has an estimated mine life of 24 or more years from 1 April 2011. The mine is also equipped with well invested production facilities and infrastructure. KCM is focused on cost reduction and expects to achieve further cost reduction through operational efficiencies and asset optimisation.

Zinc segment: HZL is the world's largest integrated producer of zinc, owning four zinc mines in India with total proved and probable reserves of 96.7 mt as of 31 March 2011. Its Rampura Agucha Mine is the world's largest zinc mine with proved and probable reserves of 69.7 mt and an annual ore production capacity of 6.15 mtpa, as of 31 March 2011. According to Brook Hunt, HZL is in the lowest cost quartile in terms of all zinc mining operations worldwide. HZL's operations and assets comprises high grade zinc and lead deposits, open cast and integrated operations, world class facilities, and extensive infrastructure and captive power generation capacities. There was also an increase in reserves and resources at HZL's mines to 313.18 mt as of 31 March 2011 (excluding the reserves at the Skorpion mine, the Lisheen mine and the Black Mountain mine) as a result of further exploration efforts.

Vedanta which is among the top six global zinc producers, acquired Zinc International in May 2010. The acquisition has consolidated Vedanta's position as the world's largest integrated zinc and lead producer. The Zinc International portfolio comprises three operating assets in Ireland, Namibia and South Africa, which provides Vedanta with a greater presence in Africa and Europe. Zinc International is also profitable with long term development potential. The Gamsberg project is one of the world's largest zinc projects with resources of 186.4 mt as of 31 March 2011, with significant exploration potential. In addition, established and well-invested operations and transport infrastructure across Zinc International's assets are expected to ensure reliable delivery and cost control.

Aluminium segment: Vedanta is a leading supplier of high quality aluminium products to a wide spectrum of industries and continues to enhance its domestic and global footprints. Vedanta is a partially integrated aluminium producer with four captive bauxite mines. As of 31 March 2011, it has proved and probable bauxite reserves of 5.44 mt. It expects to reach a target aluminium capacity of 2,320,000 tpa, representing an increase of over 200% from the current capacity of 785,000 tpa. Vedanta also has sufficient power supply to support its aluminium operations. It has a 1,200 MW CPP at BALCO (which is currently under construction), a 2,400 MW IPP at Jharsuguda (of which two units out of four have been commissioned), a 540 MW CPP and another 270 MW CPP at BALCO and a 1,215 MW unit at Vedanta Aluminium located at Jharsuguda. Vedanta is equipped with established rail and port infrastructure and in the process of upgrading its logistic infrastructure. In addition, it is strategically located to service high growth markets such as India, China and the Middle East. Given its mines, captive resources and power supply, established infrastructure and economies of scale, Vedanta's costs of operations are relatively low compared to its peers, currently among the lower half of the global cost curve.

Iron ore segment: For the past few decades, SGL has been a leading company in iron ore mining, processing and shipping in both the export and domestic markets. As of 31 March 2011, it had proved and probable reserves of 175.6 mt with an iron grade of 56.6%. It has historically enjoyed high profitability with

EBITDA margins higher than 50% for each of the past three fiscal years, benefiting from the good quality product and low cost operations. SGL has extensive ore processing facilities and had experienced industry leading organic growth as the capacity has doubled to 21.4 mtpa since the acquisition by Vedanta in 2007. SGL expects to further increase its capacity to 27.0 mtpa in 2012 and 40 mtpa in 2013. SGL's mining operations are strategically located in India and are complemented by an efficient transportation network. It maintains a network of rail cars, barges and ships that are primarily used to facilitate the export of its ore to foreign customers. It has a diversified customer base and exports 90% of its products to customers in China, Japan and Europe.

Power segment: Vedanta's commercial power generation business is well positioned to capitalise on India's economic growth, power deficit and large coal reserves to develop a commercial power generation business. It has enjoyed high EBITDA margins with sustainable low unit costs. It also has the opportunity to sell power in the spot market in the near term

As of 31 March 2011, Sterlite Energy had a total capacity of 1,200 MW, which is expected to increase to 5,040 MW by fiscal 2014, representing a CAGR of over 60%. The projects under development are strategically located with easy access to fuel and water, and are well connected by railways and roads. It also has a high proportion of coal linkages tied up. In addition, the power projects are in close proximity to power deficit areas, such as the state of Punjab. Vedanta has reduced production and pricing risks with long-term power off-take arrangements with state electricity boards and state-owned utilities. Vedanta has also established long term, sustainable relationships with equipment suppliers and contractors who provide key services and support for large power plant projects at competitive costs and terms. Most importantly, Vedanta's independent power business will benefit from the expertise of over 20 years in building and operating power plants. The ability to optimise its assets, hone its operating efficiencies and pare costs has been and will be the critical enablers responsible for the Company's growth.

Oil and gas segment (upon completion of the Acquisition): Cairn India is the fourth largest overall and second largest private oil and gas company by production in India as of 17 May 2011. It has significant resources of 6.5 billion boe initial in place with net proved and probable reserves of 340.4m boe as of 31 March 2010. It holds participating interests in licenses covering a significant portfolio of exploration and appraisal acreage in nine blocks in India and one block in Sri Lanka, which provides opportunities to grow the business over the longer term.

Cairn India has proven development and operational expertise with an efficient execution track record. Lakshmi gas field was discovered in May 2000 and commenced natural gas production in less than 30 months. At the Ravva field, crude oil production increased tenfold, from an initial 3,700 bopd to 35,000 bopd, over a short 26 month period. Those achievements were as a result of prudent reservoir management, integrated multidisciplinary studies, development of the field to international standards and application of the latest technology both in subsurface and surface operations. Cairn India also has long and proven exploration expertise in India. It has conducted successful exploration efforts over the past 10 years with a success ratio of approximately 50%. There has been more than 40 hydrocarbon discoveries since 1994, including the largest onshore crude oil discovery in India since 1985 when the Mangala field was discovered in Rajasthan. The Rajasthan block has an additional 1.9 billion boe potential from 20 other fields.

Exceptional Growth Profile — both Organic and Acquisition-led

Vedanta has grown manifold through organic and acquisition driven routes. Organically, it leverages its unique position in India and structural low cost advantages with a focus on exploration. It has one of the largest organic growth capital expenditure programmes in the industry, of which more than half has already been completed. As regards acquisitions, it has consistently selected and acquired attractive targets. Vedanta has been successful in integrating and improving the operations and profitability of acquired businesses.

Vedanta obtained an early foothold in India's metals and mining industry in the 1990s by establishing its copper and aluminium businesses. It then further strengthened and diversified its portfolio by acquiring a controlling stake in HZL in 2003 and SGL in 2007. Further to the rate at which India's economy has been growing in recent years, Vedanta realised the significant opportunities in power and capitalised on these opportunities by developing two large scale power projects through Sterlite Energy in 2009. The Acquisition, which is expected to further strengthen Vedanta's portfolio.

Set out below are selected highlights pertaining to growth (by commodity) over time:

Copper segment:

- Established India's first continuous copper rod plant in 1991 and commissioned first privately developed copper smelter in India at Tuticorin in 1997;
- Acquired CMT and TCM in 1999 in Australia to establish access to raw materials;
- Acquired a 51.0% ownership interest in KCM in November 2004 and further increased ownership interest to 79.4% in April 2008; and
- Increased capacity of Sterlite's Tuticorin copper smelter from 180,000 tpa to 300,000 tpa in 2005 and then to 400,000 tpa in November 2006, with a target capacity of 800,000 tpa.

Aluminium segment:

- Commissioned a plant for the manufacture of aluminium sheets and foils in 1993;
- Acquired an 80% interest in MALCO in 1995;
- Acquired a 51% interest in BALCO from the Government of India in 2001;
- Expansion projects at BALCO comprising 250,000 tpa aluminium smelter with associated 540 MW captive power plant in 2006;
- Expansion to 1 mtpa of installed capacity alumina refinery at Vedanta Aluminium at Lanjigarh in the State of Orissa, with an associated 90 MW captive power plant in March 2010;
- Completed the Jharsuguda aluminium smelter by commissioning the first phase of 250,000 tpa in November 2009 and the second phase of an additional 250,000 tpa in March 2010 along with the commissioning of the associated 1,215 MW coal-based thermal captive power plant; and
- Significant capacity expansion with a target aluminium capacity of 2,320 ktpa.

Zinc segment:

- Acquired a 46% interest in HZL in 2002, including 26% from the GoI; further increased to 64.9% in 2003 by acquiring stakes from the GoI;
- Brownfield expansions of two hydrometallurgical zinc smelters with 170,000 tpa capacity each, together with coal-based captive power plants of 154 MW and 80 MW at Chanderiya in the State of Rajasthan in May 2005 and December 2007, respectively. The capacities of the two hydrometallurgical zinc smelters were increased to 210,000 tpa through de-bottlenecking in April 2008;
- Increased the capacity of the Rampura Agucha lead-zinc mine and processing plant from 2 mtpa to 6.15 mtpa of ore to supply the brownfield zinc smelter expansion at Chanderiya in the State of Rajasthan between 2003 and 2010;
- Acquired various zinc assets located in Ireland, Namibia and South Africa in May 2010, thus consolidating Vedanta's position as the world's largest integrated zinc producer;

Iron Ore segment:

- Initially acquired a 51.2% ownership interest in SGL in April 2007, and then further increased to 57.6% in 2009. As of 31 March 2011, Vedanta had a 55.1% interest in SGL;
- Acquired the entire issued share capital of SRL in June 2009, which comprises Sesa Mining Corporation Limited ("SMCL") and a 50:50 joint venture — Goa Maritime Private Limited; and
- Capacity in 2010 doubled since the acquisition by Vedanta in 2007, with a target capacity to reach 40.0 mtpa, subject to receipt of environmental clearance, by fiscal 2013.

Power segment:

- Vedanta Group has been building and managing captive power plants since 1997;

- Sterlite Industries acquired Sterlite Energy in 2006 to enter into commercial power generation business in India, leveraging on its experience in building and managing captive power plants;
- Completed Vedanta's wind power plants at Gujarat and Karnataka with a total power generation capacity of 123.2 MW between 2007 and 2008;
- First and second unit of Jharsuguda Power Project with 600MW capacity each commissioned in 2010 and March 2011 respectively; full capacity of 2,400MW to be reached in fiscal 2012;
- Talwandi Power project to be carried out in phases with the first unit to be commissioned in FY2013 and full capacity of 2,640 to be reached in fiscal 2014; and
- Target total capacity of 6,883 MW in fiscal 2014, representing a CAGR of 93% from 493 MW in fiscal 2010.

Oil and Gas segment:

- In August 2010, Vedanta announced its proposal to acquire 51% to 60% of the fully diluted share capital of Cairn India for a total consideration of up to $9.6 billion; and
- Significant near-term growth potential with target capacity of 240,000 bopd, almost doubling the current 125,000 bopd capacity.

Proven management team with established track record

Vedanta's senior management has significant experience in all aspects of its business which has contributed in transforming Vedanta into a leading metals and mining company that is listed on the LSE and included in the FTSE 100 Index. Mr. Anil Agarwal, Vedanta's founder, remains involved in overseeing Vedanta's business as its Executive Chairman. Cairn India is led by chief executive officer, Mr. Rahul Dhir, who has considerable experience in oil and gas, beginning his career as an oil and gar reservoir engineer before moving to investment banking and Mr. Rick Bott, chief operating officer of Cairn India, who has global exploration and production experience of over 21 years and has served in several senior positions.

Vedanta's experienced and focused management and dedicated project execution teams have a proven track record of successfully implementing capital-intensive projects to increase its production capacities. Vedanta utilises project monitoring and assurance systems to facilitate timely execution of its projects. In addition, Vedanta has established relationships with leading domestic and international vendors that support its expansion projects. Since the listing of Vedanta's Ordinary Shares on the Official List and admission to trading on the LSE's main market for listed securities on 10 December 2003 (the "Listing"), Vedanta has spent approximately $13,542 million through 31 March 2011 on its expansion projects in its copper, zinc, aluminium, iron and commercial power generation businesses.

Vedanta acquired its zinc business through its acquisition of HZL and its main aluminium business through its acquisition of BALCO. In both instances, Vedanta was successful at increasing production levels from the existing assets by improving operational efficiencies, lowering the costs of production by commissioning captive power plants and growing the businesses through capacity expansions, specifically:

- increasing HZL's production from 203,780 tonnes of zinc and lead ingots and 247,018 tonnes of zinc and lead mined metal content when Vedanta acquired HZL in 2002 to 769,766 tonnes of zinc and lead ingots and 804,053 tonnes of zinc and lead mined metal content in fiscal 2011, representing an increase of 277.7% and 240.1%, respectively; and
- increasing the production of BALCO's original aluminium smelter from 89,164 tpa when Vedanta acquired management control of BALCO in 2001 to 255,298 tpa in fiscal 2011, representing an increase of 186%.

Vedanta also increased SGL's iron ore production from 9.7 mtpa when Vedanta acquired SGL in 2007 to 18.8 mtpa in fiscal 2011, representing an increase of 93.8%.

Cairn India has long and proven exploration expertise in India, having made 40 hydrocarbon discoveries since 1994, including four of the eight significant discoveries in terms of hydrocarbons in place and/or potential for recoverability made in India since 2000. Cairn India has continued to add to its exploration portfolio and, in addition to accessing new opportunities through asset purchases and farm-ins, has been an active and successful participant in the NELP licensing rounds, as demonstrated by Cairn India being awarded two blocks in the NELP VIII round, namely, KG-OSN-2009/3 and MB-DWN-2009/1. Cairn India's executive management team have a proven track record of developing hydrocarbon resources as follows:

- Cairn India commenced operations in India approximately 15 years ago with the operation of the Ravva Block and subsequently progressing to the discovery of additional reserves in Cambay Basin which was double of the amount originally estimated. In 2004, the largest onshore crude oil discovery in India since 1985 was made with the discovery of the Mangala field in Rajasthan;
- 25 discoveries in the Rajasthan Block had been made, including the landmark Mangala field, which has commenced commercial production and as of 31 December 2010, Cairn India had made 24 additional discoveries in the Rajasthan Block and continues to undertake appraisal work which may lead to future discoveries;
- as the operator of the Lakshmi field in the Cambay Basin, Cairn India commenced natural gas production in less than 28 months following discovery and, at the Ravva field, Cairn India increased crude oil production from an initial 3,700 bopd to 35,000 bopd in 26 months; and
- Cairn India continues with efforts to enhance the resources in the Rajasthan Block through technological applications and explore other parts of the Rajasthan Block for additional discoveries.

Strong credit profile

Vedanta generated strong cash flows in recent years due to its volume growth, high commodity prices and its cost reduction measures. Vedanta's cash flow from operating activities was $2,028.0 million in fiscal 2011 compared with $1,572.2 million in fiscal 2010. Vedanta believes it has a strong balance sheet which is expected to enable Vedanta to finance future expansion projects and is driven by growing EBITDA and cash flow.

Vedanta's approach of pre-funding projects and acquisitions is carried out through the issuance of equity to maintain a strong balance sheet, by raising funds through its capital market raisings at company and subsidiary level, its balanced debt maturity and issuance of debt at the Company level on-lend through corporate structure.

Vedanta's EBITDA margin excluding custom smelting operations was 44.6% in fiscal 2011.

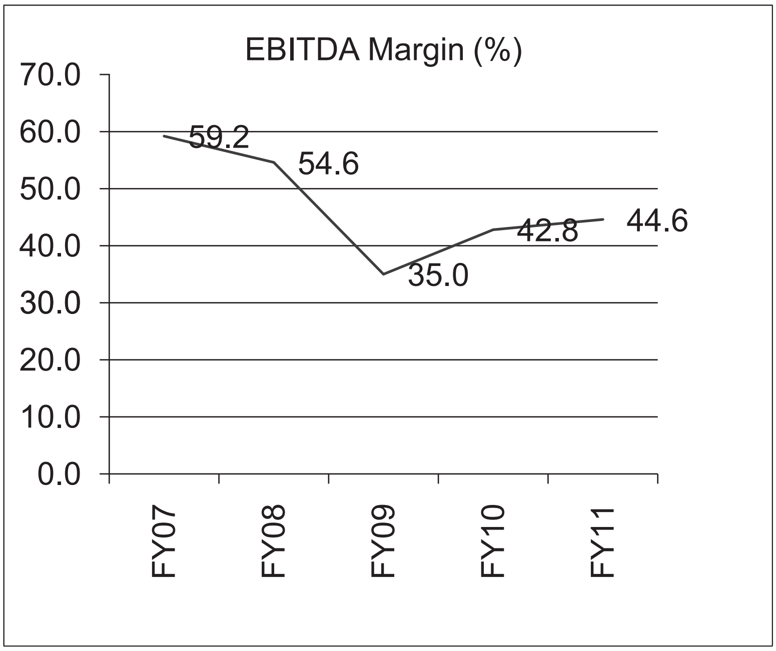
	FY07	FY08	FY09	FY10	FY11
Revenue	6,502.2	8,203.7	6,578.9	7,930.5	11,427.3
Copper India	2,553.4	3,118.8	—	—	3,158.9
Copper Zambia	—	—	—	—	695.0
Total	2,553.4	3,118.8	2,668.1	2,848.1	3,853.9
Revenue Excluding Custom(1)	**3,948.8**	**5,084.9**	**3,910.81**	**5,082.41**	**7,573.4**
EBITDA	2,703	3,101.4	1,612.2	2,295.9	3,566.8
Copper India	365.6	327.2	—	—	166.1
Copper Zambia	—	—	—	—	24.7
Total	365.6	327.2	241.71	119.64	190.8
EBITDA Excluding Custom(1)	**2,337.4**	**2,774.2**	**1,370.49**	**2,176.26**	**3,376.0**
EBITDA Margin (%)	**59.2**	**54.6**	**35.0**	**42.8**	**44.6**

Note:

(1) As defined in non-IFRS measures.

Assumptions:

For fiscal 2007 to fiscal 2008, revenue and EBITDA for custom operations of only Sterlite Industries has been considered. Further, for fiscal 2007 to fiscal 2008, revenue and EBITDA for Copper India and Australia has been considered as Copper India.



Vedanta's Strategy

Vedanta's strategic goal is to create a world-class metals and mining company, and its strategy is based on the following four key pillars:

Continuing focus on optimisation of existing assets and reducing the cost of production

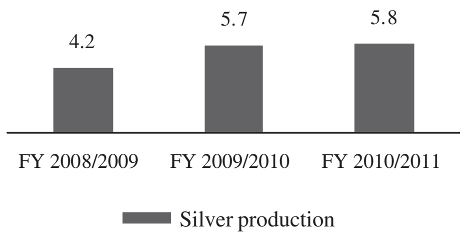
Vedanta views strict cost management and increases in productivity as fundamental aspects of Vedanta's day-to-day operations and continually seeks to improve efficiency.

Vedanta was in the lowest cost quartile in terms of cost of production in its zinc mining operations worldwide in the first quarter of fiscal 2011, according to Brook Hunt, and Vedanta intends to continue to improve its production processes and methods and increase operational efficiencies to further reduce its costs of production in all its businesses. Vedanta's current initiatives include:

- seeking improvements in operations to maximise throughput, mining and plant availability to achieve production increases at its existing facilities with minimum capital expenditures to optimise its asset utilisation;
- reducing logistics costs through various initiatives. For example, Vedanta has focused on continually reducing mining and manufacturing costs and seeking operational efficiency improvements by introducing several initiatives (which are in various stages of progress), such as the appointment of a consultant to carry out a logistics study of Vedanta Aluminium's facility at Jharsuguda. The logistics study was completed and implementation of the recommendations, such as the utilisation of a unique tanker car for the transfer of alumina powder, the development of railways sliding near the coal mines, and introduction of wagon tipplers by December 2011, is underway;
- reducing energy costs and consumption, including through continued investment in advanced technologies to reduce power consumption in the refining and smelting processes and in captive power plants to provide the required power;
- a strong exploration effort seeking to increase reserves, particularly in its zinc and iron ore businesses;
- Vedanta's building and managing of captive power plants to supply a majority of the power requirements of its operations;
- Vedanta's access to relatively large and inexpensive labour and talent pools in India and Zambia;
- continuing to improve recovery ratios such that more finished product is obtained from a given amount of raw material;

- reducing purchase costs, including by entering into long-term contracts for raw materials, making investments in mining operations and optimising the mix of raw material sourcing between long-term contracts, mining operations and the commodities spot markets to address fluctuations in demand and supply;
- securing additional sources of coal through coal block allocations and coal linkages, which are long-term supply contracts for delivery of coal, for use in power plants, such as the coal block allocation of 211 million tonnes Vedanta received for use in BALCO's captive power plants in November 2007, of 112.2 million tonnes from the Rampia coal block Vedanta received for use in Sterlite Energy's independent power plants;
- seeking access to bauxite mines for Vedanta Aluminium. For example, Vedanta Aluminium has applied to the state government of Orissa for access to other bauxtite mines; and
- seeking better utilisation of by-products, including through adding additional processing capabilities to produce end-products from the by-products that can be sold at higher prices and help lower the cost of production of its core metals, such as, for example, the inherent value in the silver business; and lead and silver are by-products of lead while sulphuric acid is a by-product of zinc. Vedanta seeks to become one of the world's top silver producers by fiscal 2012 with an EBITDA potential of over $525 million based on current silver prices. In addition, the Sindesar Khurd mine has a mine life of over 25 years.

Silver Production (million oz)



Note:

Capacity refers to exit rate.

Cairn India's current initiatives include:

- developing the Rajasthan Block, which will also benefit from Cairn India's extensive subsurface knowledge of the development areas, which includes extensive two dimensional ("2D") and three dimensional ("3D") seismic surveys, a comprehensive series of well tests and core and fluid analyses, helping Cairn India optimise reservoir development to maximise reserves and production;
- increasing recovery from the Rajasthan Block, commencing with the Mangala field through pilot testing of the enhanced oil recovery ("EOR") technique; and
- maximising recovery from the Ravva and Cambay Basin fields and maintaining low operating costs through the application of the appropriate cost effective technology. The Ravva and Cambay Basin fields are considered mature fields as production from these fields is currently under decline in line with the depletion of reserves. Cairn India has commenced four dimensional ("4D") seismic surveys and intends to start an infill drilling programme to help maximise recovery.

Pursuing organic growth opportunities

Vedanta is continuing to increase its capacities through the expansion of mines and construction of new facilities. Vedanta believes that increasing its reserves, access to ores and capacities is critical to its ability to continue to capitalise upon the growing demand for metals in India and abroad, particularly in China, southeast Asia and the Middle East. Vedanta seeks to expeditiously and efficiently implement its expansion projects with the minimum necessary capital costs in order to generate a high internal rate of return on the projects. For instance, SGL's exploration and drilling programme in Karnataka and Goa yielded SGL net additions of 43 million tonnes of reserves and resources, post depletion of 21 million tonnes of iron ore produced in fiscal 2010 from all mines.

As of 31 March 2011, Vedanta had total production capacities of 800,000 tpa of copper cathodes, 964,000 tpa of zinc and lead, 745,000 tpa of aluminium, 250,000 tpa of pig iron and 280,000 tpa of metallurgical coke. Of Vedanta's $21.4 billion in expansion projects that it has announced since its Listing, Vedanta has delivered on $6.6 billion of projects which are included in its production capacities as of 31 March 2011 and Vedanta expects the remaining $14.8 billion of projects to increase its total production capacities to 1.2 mtpa of copper cathodes, 1,064,000 tpa of zinc and lead, 2,320,000 tpa of aluminium, 625,000 tpa of pig iron, 560,000 tpa of metallurgical coke and 40 mtpa of iron ore, subject to receipt of environmental clearance.

Vedanta's goal is to become one of the top diversified natural resources company in the world through its existing and future expansion projects, while implementing its expansion projects at industry leading benchmark capital costs, within budget and ahead of schedule. Vedanta believes it has made progress towards achieving this goal, though there can be no assurance that Vedanta will be able to achieve such production capacity for each of its businesses. See "— Competitive Strengths — Exceptional Growth Profile — both Organic and Acquisition-led" for details on Vedanta's ongoing projects to increase its production capacities.

Cairn India is actively exploring for hydrocarbons in basins throughout India, where it has an interest in nine exploration blocks and an interest in one exploration block in Sri Lanka. In addition to the Rajasthan Block, Cairn India has identified a number of leads and prospects in its other blocks. The portfolio of potential prospects being developed and matured by Cairn India is diversified. Cairn India is also developing its portfolio in both mature and frontier areas, as well as in regions and basins where the current data set can be optimised or reinterpreted. Early entry can be a critical factor in long-term exploration success, and as Cairn India is active in its pursuit of leads and play fairways (the geographic area over which a play extends) in relatively unexplored areas, it believes it can benefit from having an early entrant advantage.

According to the 2009-2010 annual report of the Ministry of Petroleum and Natural Gas of the GoI ("MoPNG"), India has significant exploration potential with 26 basins totalling a sedimentary area of 3.1 million square km, most of which is under-explored. In addition to Cairn India's existing exploration portfolio, Cairn India intends to seek out new exploration opportunities in India through organic growth, acquisition opportunities and its participation in future licensing rounds.

Consolidating the group structure

Vedanta has and is continuing to seek to increase the Vedanta Group's direct ownership of its underlying businesses to simplify and derive additional synergies as an integrated group by consolidating its corporate structure and integrating its operations. For example, in April 2008, Vedanta, through its wholly owned subsidiary, VRHL, acquired an additional 28.4% ownership interest in KCM by exercising its call option, increasing the Vedanta Group's ownership interest to 79.4%. In addition, Vedanta has outstanding options to increase its ownership interests in BALCO and HZL. See "— Options to Increase Interests in HZL and BALCO". In fiscal 2009 and 2010, Vedanta also increased its ownership interest in SGL from 51.2% to 57.6% through open market purchases of its shares and through a preferential allotment by SGL to Twin Star. As of 31 March 2011, Vedanta had a 55.1% ownership interest in SGL. In February 2009, Vedanta acquired additional shares in MALCO through the reverse book-building guidelines of SEBI and currently has a 94.6% ownership interest in MALCO, which has been delisted from the stock exchanges as of 19 June 2009. Vedanta believes that enhanced visibility through equity market listings of its business lines will unlock value inherent in its assets. In furtherance of this, on 16 November 2010, Konkola Resources announced its intention to proceed with an initial public offering of its ordinary shares and seek admission of the ordinary shares to the Official List and to trading on the London Stock Exchange's main market for listed securities. Konkola Resources will, on completion of this initial public offering, be the holding company of KCM, which is intended to unlock value for shareholders of Vedanta. In addition, Sterlite Energy filed a draft red herring prospectus with SEBI for a proposed initial public offering of its equity shares for an issue size of INR 51,000 million ($1,142.2 million) on 30 October 2009.

Seeking additional investment opportunities where Vedanta can leverage its established transactional, project execution and operational skills and experience

Vedanta's acquisitions of HZL, BALCO, KCM, SGL and SRL have contributed substantially to its growth. Vedanta continually seeks new growth and acquisition opportunities in the metals and mining and related businesses in India and elsewhere, including through government privatisation programmes, where Vedanta can leverage its skills and experience. Vedanta continues to closely monitor the resource markets in its existing lines of business as well as seek out opportunities in complementary businesses such as coal mining. By selecting the opportunities for growth and acquisition carefully and leveraging its skills and experience, Vedanta seeks to continue to expand its business while maintaining a strong balance sheet and investment grade credit profile. Vedanta's recent actions in pursuing this strategy include the following:

- On 10 May 2010, Vedanta agreed to acquire various zinc assets of Anglo American Plc for a total consideration of $1,513.1 million. The net cash available at these entities as of the date of acquisition was $359.2 million. These zinc assets comprise Skorpion, which owns the Skorpion mine and refinery in Namibia, a 74% stake in Black Mountain Mining, which assets include the Black Mountain mine and the Gamsberg project, in South Africa and Lisheen, which owns the Lisheen mine in Ireland. On 3 December 2010, Vedanta announced the completion of the acquisition of Skorpion by Sterlite Infra Limited, a wholly-owned subsidiary of Sterlite. On 4 February 2011, Vedanta announced the completion of the acquisition of the 74% stake in Black Mountain Mining. The acquisition of Lisheen was completed on 15 February 2011.

- On 11 June 2009, Vedanta completed an acquisition of the entire issued share capital of SRL. SRL has one subsidiary, SMCL and a 50:50 joint venture with Goa Maritime Private Limited.

- On 16 August 2010, Vedanta announced its proposal to acquire 51% to 60% of the fully diluted share capital of Cairn India, the fourth largest overall and second largest private oil and gas company by production in India as of 17 May 2011, for a total consideration of up to $9.6 billion The Board believes that the acquisition of a controlling stake in Cairn India will add to the Vedanta Group an additional high quality asset in an attractive natural resources segment. Upon consummation of the Acquisition, Cairn India will provide Vedanta with a large and geologically diverse base of reserves and resources with substantial exploration upside and Vedanta believes that the Acquisition will deliver significant value to Vedanta as it will establish Vedanta as a leading player in the Indian oil and gas sector with the potential to help meet the growing energy needs of one of the world's fastest growing economies and enhance and diversify Vedanta's exposure to natural resources.

- On 6 April 2011, Vedanta announced receipt of SEBI clearance for its subsidiaries, SGL and SRL, to commence the Open Offer. SGL and SRL posted a letter of offer to acquire up to 383,985,368 Cairn India Shares, equivalent to 20.01% of Cairn India's fully diluted voting share capital, at a price of INR 355 per Cairn India Share. The Open Offer opened on 11 April 2011 and closed on 30 April 2011. A total of approximately 155 million Cairn India Shares, representing approximately 8.1% of the issued share capital of Cairn India, were tendered in the Open Offer. The total consideration paid by Vedanta for the Cairn India Shares tendered in the Open Offer was approximately $1,223 million. Vedanta will acquire a total of 48.1% of the fully diluted share capital of Cairn India pursuant to the Acquisition and the Open Offer.

- On 19 April 2011, SGL acquired 200 million Cairn India Shares, amounting to a 10.4% stake in Cairn India, from Petronas International Corporation Ltd at a price of INR 331 per Cairn India Share, resulting in total cash consideration of approximately $1,478 million. This is in addition to the Acquisition and Open Offer discussed in the preceding paragraph.

History and Development of the Vedanta Group

In 1979, Mr. Anil Agarwal acquired Shamsher Sterling Corporation, which manufactured polyvinyl chloride power and control cables, overhead power transmission conductors and enamelled copper wire. Sterlite Cables Limited, in which the Agarwal family had a substantial interest, subsequently acquired this business and in 1986 changed its name to Sterlite Industries (India) Limited.

In 1988, Sterlite conducted an initial public offering of its shares and convertible debentures in India to finance in part its first polythene insulated jelly filled copper telephone cables plant.

In 1993, Sterlite Communications Limited which was merged with Sterlite in 1996, established a plant for the manufacture of optical fibre at Aurangabad. Sterlite entered the aluminium production business in 1995 by acquiring an 80% interest in MALCO as part of MALCO's financial restructuring.

In 1997, Sterlite commissioned the first privately developed copper smelter in India at Tuticorin.

In March 2000, to increase its interests in aluminium, MALCO acquired a 38.8% interest in India Foils Limited ("IFL").

In July 2000, Sterlite's telecommunications cables and optical fiber business was spun-off into a new company, Sterlite Technologies Limited ("STL"). The Agarwal family has substantial interests in STL although it is not a part of the Vedanta Group.

Sterlite acquired a 51.0% interest in BALCO from the GoI on 2 March 2001. On 19 March 2004, Sterlite gave notice to exercise its call option to purchase the GoI's remaining 49.0% shareholding in BALCO at a price determined in accordance with the shareholders' agreement entered into by Sterlite and the GoI. The exercise of this option has been contested by the GoI. See "— Options to Increase Interests in HZL and BALCO".

In April 2002, Sterlite, through its wholly-owned subsidiary, SOVL, acquired a 26% interest in HZL from the GoI. On 29 August 2003, SOVL exercised the first call option granted by the GoI to acquire a further 18.9% interest in HZL for INR 3,239 million ($67.42 million as of the date of the acquisition), taking its interest in HZL to 64.9%. In addition, SOVL has a call option, which became exercisable from 11 April 2007, to acquire the GoI's remaining ownership interest in HZL subject to the right of the GoI to transfer up to 3.5% of the issued share capital to employees.

On 22 April 2003, Vedanta was incorporated in the name of Angelchange Limited, a name that was subsequently changed to Vedanta Resources Limited on 26 June 2003. On 20 November 2003, Vedanta was re-registered as public company and its name was changed to Vedanta Resources plc.

On 10 December 2003, Vedanta became listed on the LSE pursuant to a global offering of 130,000,000 Ordinary Shares, raising approximately £477 million, or $825.3 million using the then-current exchange rate, net of underwriting commissions and other fees and expenses.

On 5 November 2004, Vedanta, through its wholly-owned subsidiary, VRHL, completed the acquisition of a 51.0% controlling interest in KCM for a total cash consideration of $48.2 million. VRHL subscribed for $25 million of new ordinary shares of KCM, representing 51.0% of the enlarged issued share capital of KCM.

In July 2006, Vedanta's power transmission conductor business was sold to STL as a going concern together with its associated liabilities.

On 3 October 2006, Sterlite acquired 100% of Sterlite Energy from Twin Star Infrastructure Limited.

Vedanta acquired its iron ore business on 23 April 2007 through the acquisitions by its wholly-owned subsidiaries of all of the outstanding shares of Finsider, which held a 51.0% interest in SGL, for $981 million. Under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, an open offer to acquire a further 20% was made in September 2007 at the original acquisition price. After completion of the offer, Vedanta, through its subsidiaries, held a 51.2% ownership interest in SGL.

In June 2007, Sterlite completed an initial public offering of its shares in the form of American Depositary Shares ("ADSs") in the US and its shares were listed on the NYSE. Vedanta's ownership interest, held through its subsidiaries, decreased to 59.9%.

On 9 April 2008, VRHL, through the exercise of Vedanta's call option, purchased an additional 312,244,138 ordinary shares and 48,000,000 deferred shares of KCM for a cash consideration of $213.2 million, increasing its ownership to 79.4%.

In December 2008, Vedanta announced a $250 million share buy-back programme to purchase up to 10% of its ordinary shares in issue. Subsequently, at a meeting on 19 March 2010, Vedanta's Board approved a total share repurchase programme of $825 million. Since the commencement of this programme, the Company has purchased 24,206,816 shares, representing 9.13% of the Ordinary Shares at a total cost of $556.9 million. Out of the 24,206,816 Ordinary Shares, 1,704,333 Ordinary Shares have been purchased to be held as treasury shares. Any purchases of Ordinary Shares pursuant to the programme will be effected within certain pre-set parameters and in accordance with both the Company's general authority to repurchase shares and Chapter 12 of the Listing Rules, which requires that the maximum price paid will not exceed 5% above the average market value of Ordinary Shares for the five dealing days preceding the date of purchase. Vedanta may from time to time announce new share repurchase programmes or increase its existing share repurchase programme.

In February 2009, Vedanta through Twin Star, announced the acquisition of additional shares in MALCO through the reverse book-building guidelines of SEBI and together with Welter Trading Ltd, currently holds 94.6% of the equity shares of MALCO. Approval to delist its shares from the stock exchanges has been received and MALCO was delisted as of 19 June 2009.

In July 2009, Sterlite completed a follow-on offering of its shares in the form of ADSs in the US where the shares are listed on the NYSE. Vedanta's ownership interest, held through its subsidiaries, decreased to 56.9%.

In fiscal 2009, Vedanta completed the disposal of its interest in IFL.

On 11 June 2009, SGL acquired the entire issued share capital of SRL which increased its iron ore reserves and resources by an estimated 101.8 million tonnes including the addition through exploration and drilling in fiscal 2010.

On 30 October 2009, Sterlite Energy filed a draft red herring prospectus with SEBI for a proposed initial public offering of its equity shares for an issue size of INR 51,000 million ($1,142.2 million).

On 10 May 2010, Vedanta agreed to acquire various zinc assets of Anglo American Plc for a total consideration of $1,513.1 million. The net cash available at these entities as of the date of acquisition was $359.2 million. These zinc assets comprise Skorpion, which owns the Skorpion mine and refinery in Namibia, a 74% stake in Black Mountain Mining, which assets include the Black Mountain mine and the Gamsberg project, in South Africa and Lisheen, which owns the Lisheen mine in Ireland. On 3 December 2010, Vedanta announced the completion of the acquisition of Skorpion by Sterlite Infra Limited, a wholly-owned subsidiary of Sterlite. On 4 February 2011, Vedanta announced the completion of the acquisition of the 74% stake in Black Mountain Mining. The acquisition of Lisheen was completed on 15 February 2011.

On 16 November 2010, Vedanta, through Konkola Resources, announced its intention to proceed with an initial public offering and seek admission of the ordinary shares of Konkola Resources to the Official List and to trading on the London Stock Exchange's main market for listed securities. Vedanta intends to pursue the proposed initial public offering of Konkola Resources at an appropriate time and subject to market conditions.

On 15 August 2010, Vedanta, through Twin Star Mauritius Holdings Limited ("TSMHL"), agreed to acquire 40% to 51% of the share capital of Cairn India from Cairn UK Holdings Limited, a wholly-owned subsidiary of Cairn Energy. Vedanta arranged new debt financing facilities of an aggregate amount of $6 billion to finance the acquisition of Cairn India. As a result of entering into the Purchase Agreement to acquire Cairn India, Vedanta was required by the Indian takeover law to make the Open Offer to Cairn India shareholders (other than members of the Cairn Energy Group). On 6 April 2011, Vedanta announced receipt of SEBI clearance for its subsidiaries, SGL and SRL, to commence the Open Offer. SGL and SRL posted a letter of offer to acquire up to 383,985,368 Cairn India Shares, equivalent to 20.01% of Cairn India's fully diluted voting share capital, at a price of INR 355 per Cairn India Share. The Open Offer opened on 11 April 2011 and closed on 30 April 2011. A total of approximately 155 million Cairn India Shares, representing approximately 8.1% of the issued share capital of Cairn India, were tendered in the Open Offer. The total consideration paid by Vedanta for the Cairn India Shares tendered in the Open Offer was approximately $1,223 million. Shareholders of Vedanta approved the Acquisition at an extraordinary general meeting held on 13 December 2010.

On 19 April 2011, Vedanta, through SGL, acquired 10.4% of Cairn India from Petronas International Corporation Ltd.

The principal members of Vedanta's consolidated group of companies as of 31 March 2011 were as follows:

Copper Business

Sterlite Industries (India) Ltd. Sterlite was incorporated in Kolkata, India, and is headquartered in Tuticorin in the State of Tamil Nadu. Sterlite has been a public listed company in India since 1988. Its shares are listed and traded on the NSE and the BSE, and are also listed and traded on the NYSE in the form of ADSs. Vedanta, through Twin Star and MALCO, owns 57.7% of Sterlite and has management control of the company. The remainder of Sterlite's share capital is held by Life Insurance Corporation of India (2.5%) and other institutional and public shareholders (39.8%).

Konkola Copper Mines Plc. KCM was incorporated in Lusaka, Zambia, and has its registered office in Chingola, Zambia. Vedanta owns 79.4% of KCM's share capital through Vedanta's wholly-owned subsidiary, VRHL, and has management control of the company. KCM's other shareholder is ZCCM Investment Holdings Plc. The Government of Zambia has a controlling stake in ZCCM Investment Holdings Plc.

Copper Mines of Tasmania Pty Ltd. CMT was incorporated in Belmont, Australia, and is headquartered in Queenstown, Tasmania. Sterlite, through its wholly-owned subsidiary, Monte Cello, owns 100% of CMT and has management control of the company.

Zinc Business

Hindustan Zinc Limited. HZL was incorporated in Jaipur, India, and is headquartered in Udaipur in the State of Rajasthan. HZL's equity shares are listed and traded on the NSE and the BSE. Sterlite indirectly owns 64.9% of the share capital of HZL and has management control. The remainder of HZL's share capital is owned by the GoI (29.5%) and institutional and public shareholders and employees of HZL (5.6%). Through SOVL, Sterlite has a call option to acquire the GoI's remaining ownership interest, at a fair market value to be determined by an independent appraiser, subject to the right of the GoI to transfer up to 3.5% of the issued share capital to HZL's employees, which it exercised on 21 July 2009.

Aluminium Business

Bharat Aluminium Company Ltd. BALCO was incorporated in New Delhi, India, and is headquartered at Korba in the State of Chhattisgarh. Sterlite owns 51.0% of the share capital of BALCO and has management control of the company. The GoI owns the remaining 49.0%. Sterlite exercised an option to acquire the GoI's remaining ownership interest in BALCO in March 2004. The exercise of this call option has been contested by the GoI. Further, the GoI retains the right and has expressed an intention to sell 5% of BALCO to BALCO's employees. See "— Options to Increase Interests in HZL and BALCO — BALCO Call Option".

Vedanta Aluminium Ltd. Vedanta Aluminium was incorporated in Mumbai, India, and is headquartered in Jharsuguda in the State of Orissa. Vedanta Aluminium's shareholders approved a move of the company's registered office to Tuticorin in October 2007. Vedanta, through Twin Star and Welter Trading Limited, owns 70.5% of the share capital of Vedanta Aluminium and Sterlite owns the remaining 29.5% share capital of Vedanta Aluminium.

Iron Ore Business

Sesa Goa Limited. SGL was incorporated in Panaji, India, where it is also headquartered. Its equity shares are listed and traded on the NSE and the BSE. As of 31 March 2011, Vedanta owns, through various wholly-owned subsidiaries, 55.1% of SGL and has management control of the company. The remaining 44.9% is owned by institutional and public shareholders. The scheme of amalgamation of SIL with SGL was approved by shareholders of both SIL and SGL. On 7 February 2011, the Supreme Court of India upheld the order of the High Court of Bombay in Goa dated 18 December 2008 approving the scheme of amalgamation of SIL with SGL, with effect from 14 February 2011 and with the appointment date being set at 1 April 2005. The amalgamation is intended to optimise the size of the iron ore business which is essential for better utilisation of available resources in order to ensure long term economic and financial benefits. With effect from 14 February 2011 and with the appointment date being set at 1 April 2005, all rights, claims, obligations, assets and liabilities of SIL have be transferred and vested in SGL.

Sesa Resource Limited. SRL was incorporated in Goa, India, and is headquartered in Panaji, Goa. SGL owns 100% of SRL.

Commercial Power Generation Business

Sterlite Energy Limited. Sterlite Energy was incorporated in Mumbai, India, and is headquartered in Mumbai. Sterlite Energy's registered office is in Tuticorin. Sterlite owns 100% of Sterlite Energy and has management control of the company. Sterlite Energy filed a draft red herring prospectus with SEBI for a proposed initial public offering of its equity shares for an issue size of INR 51,000 million ($1,142.2 million) on 30 October 2009. While the permission from SEBI to proceed with the initial public offering lapsed in April 2011, Vedanta continues to explore various financing options for Sterlite Energy including an initial public offering.

Madras Aluminium Company Ltd. MALCO was incorporated in Mettur, India, where it is also headquartered. MALCO's equity shares were listed and traded on the NSE and BSE. Vedanta, through Twin Star and Welter Trading Ltd, owns 94.6% of MALCO's share capital and has management control of the company. The remaining 5.4% ownership interest in MALCO is held by public shareholders. MALCO's NSE and BSE shares were delisted from the NSE and BSE on 19 June 2009.

Description of the Businesses

Copper Business

Introduction

The Vedanta Group's Indian copper business is owned and operated by Sterlite. It is principally a custom smelting business whose assets include a smelter, refinery, phosphoric acid plant, sulphuric acid plant, copper rod plant and two captive power plants at Tuticorin in southern India, a refinery and two copper rod plants at Silvassa in western India and a precious metal refinery at Fujairah in the United Arab Emirates ("UAE") that produces gold and silver. In addition, Sterlite owns the Mt. Lyell copper mine in Tasmania, Australia, which provides a small percentage of its copper concentrate requirements.

As a custom smelter, Sterlite buys copper concentrate at LME-linked copper prices less a TcRc that it negotiates with suppliers. Sterlite sells refined copper at LME-linked prices in domestic and export markets. Sterlite receives a discount from its suppliers in the form of a TcRc, which is influenced by the global copper concentrate demand, supply of copper smelting and refining capacity, LME trends, LME-linked price participation and other factors. Sterlite sources its concentrate from various global suppliers and its Mt. Lyell copper mine.

In recent years, Sterlite has improved its operating performance by improving operational efficiencies and reducing unit costs, including reducing power costs by constructing a captive power plant at Tuticorin.

The copper business in Zambia is owned and operated by KCM which is largely an integrated copper producer. KCM's operations at Nchanga include a number of open-pit mines, a large underground mine, TLP with the associated solvent extraction electrowinning ("SX-EW") facility, a smelter with a cobalt recovery furnace, and a sulphuric acid plant and copper concentrators comprising two main processing units and a refractory ore stockpile. At Konkola, KCM operates a large underground mine and a concentrator on site. There is also a refinery at Nkana and a pyrite mine and concentrator at Nampundwe. In fiscal 2011, the KCM mines provided approximately 52% of KCM's copper concentrate requirements for its smelting operations, with the remainder of KCM's copper concentrate requirements being obtained from third parties. The mine at Nampundwe and associated concentrator, smelter and sulphuric acid plant at Nkana and an older concentrator in Konkola are currently under care and maintenance. As of 31 March 2011, Vedanta had spent approximately $2.0 billion since 1 April 2005 on its asset base.

Vedanta acquired a 51.0% interest in KCM in November 2004 and increased its ownership in KCM to 79.4% in April 2008 through the exercise of its call option. Since the acquisition of KCM in 2004, Vedanta has implemented or is in the process of implementing various projects and expansions to improve KCM's operating performance. These include:

- developing mining infrastructure to access the large copper ore body available at deeper levels at KCM's Konkola mine, which the Company estimates will increase the output of KCM's Konkola underground mine from approximately 1.8 mtpa of ore in fiscal 2010 to approximately 7.5 mtpa by fiscal 2017. This project is called the KDMP;
- de-bottlenecking the TLP at Nchanga to increase its capacity from 15.1 mtpa to up to an estimated 19.8 mtpa;
- setting up the CRO Project
- installing a second cobalt recovery furnace at the Nchanga smelter to double cobalt recovery;
- upgrading and modernizing the east and west mill processing plants at the Nchanga concentrator, including upgrading the west mill Nchanga underground mine concentrator with a new 3.0 mtpa concentrator and the east mill Nchanga open-pit concentrator with a new 7.5 mtpa concentrator.
- commissioning a 311,000 tpa direct-to-blister flash smelter at Nchanga with a cobalt recovery furnace. This smelter is significantly more environmentally friendly and Vedanta believes it has one of the highest sulphur capture rates in the world;
- commissioning a 6 mtpa concentrator at Konkola to enhance mining output, improve recovery and improve the concentrate grade of its copper;
- expanding the Nkana refinery to a production capacity of 300,000 tpa of copper cathode; and
- commissioning a 640,000 tpa sulphuric acid plant at Nchanga to produce acid for use in the TLP.

KCM intends to further improve its operating performance by:

- substantially developing its open-pit mines at Nchanga, including the opening of additional pits and the mining of cobalt ore at the Nchanga open-pit;
- expanding capacity at, and extending the life of, the existing Nchanga underground mine by extracting as yet unmined ore in the upper ore body of the Nchanga ore deposit;
- improving the de-watering facilities, power infrastructure at the Konkola underground mine to manage expected increases in water inflow and power demand at the mine as a result of the KDMP; and
- purchasing and installing three 8 MW emergency diesel generators at the Konkola underground mine.

Principal products

Copper cathode. Vedanta's copper cathodes from the Tuticorin and Nchanga smelters are square shaped with purity levels of 99.99% copper. These cathodes meet international quality standards and are registered as LME "A" Grade. KCM also produces Kabundi copper cathode, which is marketed as "KBC" from SX-EW TLP at Nchanga and is in the process of being registered with the LME. The major uses of copper cathodes are in the manufacture of copper rods for the wire and cable industry and copper tubes for consumer durable goods. Copper cathodes are also used for making alloys like brass, bronze and alloy steel, with applications in transportation, electrical appliances and machinery in defense and construction.

Copper rods. Vedanta's copper continuous cast rods meet all the requirements of international quality standards including the ASTM B 49: 2010 or the BS EN 1977:1998 standards. Vedanta's copper rods are currently used primarily for power and communication cables, transformers and magnet wires.

Sulphuric acid. Sulphuric acid produced at the sulphuric acid plants at the Nchanga smelter is used in the tailings leach plant to extract oxide copper minerals from the current and old tailings and any surplus sulphuric acid is sold in the region.

Phosphoric acid. Sterlite produces phosphoric acid at its phosphoric acid plant by chemical reaction of sulphuric acid and rock phosphate, which Sterlite imports. Phosphoric acid is sold to fertiliser manufacturers and other industries.

Other by-products. Other by-products of Sterlite's copper smelting operations are gypsum, bismuth and anode slimes, which Sterlite sells to third parties. Copper cobalt alloy is a by-product of KCM's copper mining operations, which KCM also sells to third parties. KCM is also pursuing potential opportunities to extract sales from the slag produced at its Nchanga smelter.

Production

Copper anode is an intermediate product produced by copper smelters and is not sold to customers. It is used for the production of copper cathode by copper refineries. Approximately one tonne of copper anode is required for the production of one tonne of copper cathode. Sulphuric acid is used as a starting material for phosphoric acid. Approximately 2.8 tonnes of sulphuric acid is required for the production of one tonne of phosphoric acid. Copper cathode is produced at the TLP at Nchanga using current tailings from the Nchanga west concentrator and reclaimed tailings sourced from the decommissioned tailings storage facilities. The Nchanga smelter produces copper in the form of copper-cobalt alloy, which accounts for approximately 8-10 per cent. of the smelter's total design capacity of 311,000 tpa. Nampundwe, currently under care and maintenance, produces pyrite concentrate which is blended with copper concentrate at the Nchanga smelter when required. Copper cathode is used as a starting material for copper rods. Approximately one tonne of copper cathode is required for the production of one tonne of copper rods. The table below sets out Vedanta's total production(1) from Tuticorin, Silvassa, Nkana, Nchanga and Nampundwe for fiscal 2009, 2010 and 2011:

Facility	Product	Year Ended 31 March 2009	2010	2011
			(Tonnes)	
Tuticorin	Copper anode	313,284	333,924	304,964
	Sulphuric acid	987,511	1,036,353	968,760
	Phosphoric acid	163,607	205,844	154,232
	Copper cathode	139,706	154,177	141,281
	Copper rods	76,292	55,893	54,006
Silvassa	Copper cathode	173,127	180,024	162,710
	Copper rods	143,587	140,989	133,886
Nkana (refinery and smelter)	Copper anode(2)	61,763	0	0
	Copper cathode	83,154	107,969	141,527
	Sulphuric acid(2)	50,775	0	0
Nchanga(3)	Copper anode	32,052	119,016	152,631
	Copper cathode	49,776	46,348	59,119
	Sulphuric acid	185,544	236,452	283,617
Nampundwe	Pyrite concentrate	60,928	2,888	4,943
Total	Copper anode	**407,099**	**452,940**	**457,595**
	Copper cathode	**445,763**	**488,518**	**504,637**
	Copper rods	**219,879**	**196,882**	**187,892**
	Sulphuric acid	**1,223,830**	**1,272,805**	**1,252,377**
	Phosphoric acid	**163,607**	**205,844**	**154,232**
	Pyrite concentrate	**60,928**	**2,888**	**4,943**

Notes:

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) The smelter and acid plant at the Nkana facility are currently under care and maintenance.

(3) The production numbers for copper cathode excludes the copper in copper cobalt alloy. Copper in copper cobalt alloy production in fiscal 2009, 2010 and 2011 was nil, 18,511 tonnes and 15,853 tonnes, respectively.

The table below sets out CMT's, TCM's and KCM's total mine production(1) for fiscal 2009, 2010 and 2011:

Mine (Type of Mine)	Product	Year Ended 31 March 2009	2010	2011
			(Tonnes)	
Mt. Lyell Mine (Underground)	Ore mined	2,558,094	1,875,969	1,976,177
	Copper concentrate	98,761	84,227	83,940
	Copper in concentrate	27,421	23,777	22,929
Nchanga (Open-Pit and Underground)	Ore mined	6,631,991	6,549,943	8,187,398
	Copper concentrate	120,310	104,910	132,222
	Copper in concentrate	33,049	24,954	42,654
Konkola Mine (Underground)	Ore mined	1,928,942	1,815,628	1,788,172
	Copper concentrate	133,500	132,865	136,879
	Copper in concentrate	48,386	47,184	47,096
Nampundwe Mine (Underground)(2)	Pyrite ore mined	240,538	6,858	0
Total	Copper ore mined	**11,119,027**	**10,241,540**	**11,951,747**
	Copper concentrate	**352,571**	**322,002**	**353,041**
	Copper in concentrate	**108,856**	**95,915**	**112,679**
	Pyrite ore mined	**240,538**	**6,858**	**0**

Notes:

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) The Nampundwe mine is currently under care and maintenance.

Reserve base

The figures for the Mt. Lyell Mine show the split between the ore derived from primary ("in-situ") ore and secondary ore, which consists of broken fresh ore from previous levels, remnants of ore from the open-pit side wall and pillars remaining from a former mining method together with sub-economic dilution from the mineralised material surrounding the ore body. The quantity and grade of the secondary ore was determined from the analysis of historical production. The estimate of the quantity and grade of the remnant material has been evaluated from previous studies and only uses a small proportion of this source of ore. Consequently, Vedanta believes that this allowance can be sustained for the forecast life of the reserves.

The table below sets out the proved and probable copper reserves(1) at the Mt. Lyell Mine as of 31 March 2011:

		Proved Reserve		Probable Reserve		Total Proved and Probable Reserves	
	Source	Quantity	Copper Grade	Quantity	Copper Grade	Quantity	Copper Grade
		(Million tonnes)	(%)	(Million tonnes)	(%)	(Million tonnes)	(%)
Mt. Lyell mine	In-situ ore	3.0	1.34	0.7	1.31	3.7	1.33
	Secondary ore	—	—	6	1.13	6	1.13
	Surface stockpile	—	—	—	—	—	—
Total		3.0	1.34	6.7	1.15	9.7	1.21

Note:

(1) See "Presentation of Information — Basis of Presentation of Reserves".

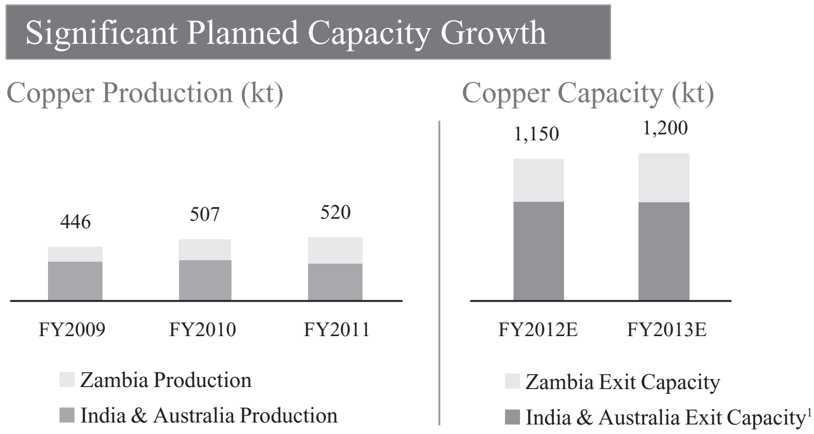
The table below sets out the proved and probable copper reserves, as applicable, at Konkola and Nchanga as of 31 March 2011(1):

	Proved Reserve		Probable Reserve		Total Proved and Probable Reserves	
	Quantity	Copper Grade	Quantity	Copper Grade	Quantity	Copper Grade
	(Million tonnes)	(%)	(Million tonnes)	(%)	(Million tonnes)	(%)
Konkola	1.57	3.04	97.58	3.60	99.14	3.59
Nchanga (Underground)	1.77	1.56	3.06	1.64	4.83	1.64
Nchanga (Open-Pit)	0.43	2.47	67.45	1.26	67.88	1.27
Tailings Dams	66.57	0.68	—	—	66.57	0.68
Refractory Ore	—	—	147.16	0.87	147.16	0.87
Total	**70.34**	**0.77**	**315.25**	**1.81**	**385.58**	**1.62**

Note:

(1) See "Presentation of Information — Basis of Presentation of Reserves".

Capacity



Note:

(1) Capacity refers to exit rates.
400ktpa expansion subject to government clearance.

Description of operations

Smelters and Refineries

The table below sets out Vedanta's total capacities from the Tuticorin, Silvassa, Nkana and Nchanga facilities as of 31 March 2011:

	Capacity					
	Copper Anode(1)	Copper Cathode(2)	Copper Rods(2)	Sulphuric Acid(3)	Phosphoric Acid(3)	Captive Power Plant
			(tpa)			(MW)
Tuticorin	400,000	205,000	90,000	1,300,000	230,000	46.5
Silvassa	—	195,000	150,000	—	—	—
Nkana	150,000(4)	300,000	—	180,000(4)	—	—
Nchanga	311,000	100,000	—	640,000	—	—
Total	861,000	800,000	240,000	2,120,000	230,000	46.5

Notes:

(1) Copper anode is an intermediate product produced by copper smelters and is not sold to customers. It is used for the production of copper cathode by copper refineries. Approximately one tonne of copper anode is required for the production of one tonne of copper cathode.

(2) Copper cathode is used as a starting material for copper rods. Approximately one tonne of copper cathode is required for the production of one tonne of copper rods.

(3) Sulphuric acid is used as a starting material for phosphoric acid. Approximately 2.8 tonnes of sulphuric acid are required for the production of one tonne of phosphoric acid.

(4) The smelter and acid plant at the Nkana facility are currently under care and maintenance.

Tuticorin facility. The Tuticorin facility, commissioned by Sterlite in 1997, is located approximately 17 km inland from the port of Tuticorin in the State of Tamil Nadu in southern India. Tuticorin is one of India's largest copper smelters based on production volume. As of 31 March 2011, the Tuticorin facility consists of a 400,000 tpa copper smelter, a 205,000 tpa copper refinery, a 90,000 tpa copper rod plant, a 1,300,000 tpa sulphuric acid plant, a 230,000 tpa phosphoric acid plant, a 700 tpa doré anode plant and two captive power plants with capacities of 22.5 MW and 24 MW, respectively. A stay over the order by the High Court of Madras for the closure of the Tuticorin existing 400,000 tpa copper smelter was extended to 18 July 2011 at a hearing on 29 April 2011. See "— Litigation — Vedanta is involved in certain litigation seeking cancellation of permits and environmental approval for the alleged violation of certain air, water and hazardous waste management regulations at its Tuticorin plant" for further details.

The captive power plants with a total capacity of 46.5 MW, together with a further 11.2 MW generated from the smelter waste heat boiler meet most of the facility's power requirements. The remaining power requirements of the facility, which amount to approximately 30.9% and 20.6% of its total power requirements in fiscal 2011, are obtained from the state power grid and MALCO, respectively. Vedanta's captive power plants at Tuticorin operate on furnace oil procured through long-term contracts with various oil companies.

The smelter at the Tuticorin facility utilises IsaSmelt(TM) furnace technology. The refinery uses IsaProcess(TM) technology to produce copper cathode and the copper rod plant uses Properzi Continuously Cast and Rolled ("Properzi CCR") copper rod technology from Continuous-Properzi S.p.A., Italy to produce copper rods.

Sterlite's board of directors has approved an increase in the existing capacity of the 400,000 tpa copper smelter at Tuticorin to 800,000 tpa by building a 400,000 tpa copper smelter, a captive power plant of 160 MW and associated facilities. The construction of the 160 MW captive power plant is in progress and the first unit is scheduled for commissioning in the fourth quarter of fiscal 2012. MoEF clearance has been received in respect of the 400,000 tpa copper smelter expansion project at Tuticorin but consent from the Indian State Pollution Control Board is still pending. Accordingly, completion is now targeted for fiscal 2013. Sterlite proposes to set up the project at an initial estimated cost of INR 22,325 million ($500.0 million) in a special economic zone that benefits from certain tax exemptions.

Silvassa refinery. The Silvassa facility, commissioned in 1997, comprises a refinery and two copper rod plants and is located approximately 140 km from Mumbai in the union territory of Dadra and Nagar Haveli in western India. Its refinery uses IsaProcess(TM) technology to produce copper cathode and its copper rod plants use Properzi CCR copper rod technology. The refinery has an installed capacity of approximately 195,000 tpa of copper cathode and the copper rod plants have a total installed capacity of approximately 150,000 tpa of copper rods. Sterlite's Silvassa facility draws on the state power grid to satisfy its power requirements.

Fujairah precious metal refinery. The Fujairah Gold FZE facility is located in Fujairah Free Zone-2. It is strategically located 130 km east of Dubai, on the coast of the Arabian Sea. The precious metals refinery at the Fujairah Gold FZE facility was completed in March 2009 and it began production in April 2009. The precious metals refinery has a capacity of 20 million tonnes ("mt") of gold and 100 mt of silver. The technology for the refinery was supplied by Outotec Oyj, Finland, a pioneer in providing technology for the extraction and refining of precious metals. The Fujairah Gold FZE facility has commissioned a copper rod plant at a cost of $12.5 million with an annual capacity of 100,000 tpa. Production commenced in May 2010. Continuous-Properzi S.p.A., Italy supplied the rod mill equipment for this project, and the copper cathode required for the copper rod plant is expected to be sourced from the smelters of KCM.

Nkana facility. The Nkana facility, commissioned in 1932, comprises a smelter, a refinery and a sulphuric acid plant. The Nkana operations are located in Kitwe approximately 360 km from Lusaka in the Copperbelt Province of Zambia and approximately 55 km from Chingola where the Nchanga facilities are located. The smelter and sulphuric acid plant at this facility are currently under care and maintenance.

The Nkana refinery produces finished copper in the form of cathodes and slime by-products containing varying amounts of metals and precious metals by electrolytic refining. It utilises conventional processes to produce copper cathode, including cathode starter sheets. In addition, the Nkana refinery refines sub-standard cathodes produced by the TLP at Nchanga and produces starter sheets from certain roast-leach-electrowins ("RLE") from the TLP. It utilises conventional processes to produce copper cathode that is LME-registered REC brand which is at a minimum 99.99% pure copper. Capacity at the Nkana refinery has been expanded from approximately 220,000 tpa to 300,000 tpa and this expansion was completed in November 2009.

Nchanga facility. The Nchanga facility, initially commissioned in 1971, comprises a TLP and SX-EW facility and a state-of-the-art smelter commissioned in 2008 with a capacity of 311,000 tpa in the form of copper in copper anode and copper in copper-cobalt alloy and sulphuric acid plant capacity of 1,850 tonnes per day. It processes reclaimed tailings sourced from the Nchanga surfaces sources operations ("SSO") and the current tailings from the Nchanga concentrator for the production of copper cathode with an installed capacity of 100,000 tpa.

The TLP comprised an acid leach SX-EW circuit which treats both reclaimed tailings and mine tailings from the copper flotation circuits at the west mill.

Vedanta is currently constructing the CRO Project to extract copper from the estimated 147.2 mt of probable reserves from refractory ore stockpiled at its Nchanga licence area, which Vedanta believes will produce approximately 50,000 tpa of additional finished copper from approximately 11.2 mtpa of refractory ore by fiscal 2014.

Mines

Mt. Lyell. The Mt. Lyell mine is located in Queenstown on the west coast of Tasmania, Australia, approximately 164 km south of Burnie and approximately 260 km northeast of Hobart. It comprises an underground copper mine and a copper processing facility and is owned and operated by CMT. Mt. Lyell has well-established infrastructure as mining has been conducted in the area since 1883.

The Mt. Lyell mine is owned and operated under the terms and conditions stipulated in the Mining Leases 1M95 and 5M95 granted by the State Government of Tasmania. Mining Lease 1M95 was granted on 1 January 1995 for a period of 15 years and Mining Lease 5M95 was granted on 1 February 1995 for a period of 14 years and 11 months. Both Mining Leases 1M95 and 5M95 are renewable and are subject to the terms and conditions specified in the Mineral Resources Development Act 1995, as amended, of Australia. Renewal applications for a term of 15 years in respect of Mining Lease 1M95 and Mining Lease 5M95 have been submitted, and are expected to be approved in due course. The mine is also covered by the Copper Mines of Tasmania Pty Ltd (Agreement) Act 1999 which, in conjunction with an agreement between the State Government of Tasmania and CMT entered into pursuant to that Act, limits CMT's environmental liabilities to the impact of current operations, thereby insulating CMT from any historical legacy claims.

The Mt. Lyell mining district was first discovered in 1883 and 15 separate ore bodies have been mined over its life. It is estimated that in excess of 100 million tonnes of ore has been extracted from the district. Monte Cello acquired CMT in 1999 from Mt. Lyell Mining Company Limited ("MLMC"), formerly Gold Mines of Australia, when MLMC entered into voluntary administration due to hedging difficulties. Since Monte Cello took over the mine, annual production has increased from 2.2 mtpa in fiscal 2000 to 2.6 mtpa in fiscal 2009, decreased in 2010 to 1.9 mpta and increased to 2.0 mtpa in fiscal 2011. Sterlite acquired Monte Cello, and with it CMT, from a subsidiary of Twin Star in 2000.

The principal deposits in the Mt. Lyell region are all of the volcanic disseminated pyrite-chalcopyrite type which accounts for approximately 86% of the known ore in the region. The geology of the Mt. Lyell mine consists of a series of intercalated felsic to mafic-intermediate volcanics. Lithologies are highly altered quartz-sericite-chlorite volcanics with individual units delineated largely by the relative abundance of phyllosilicates. Volcaniclastic and rhyolitic lithologies occur sporadically throughout the sequence, as does pervasive iron mineralisation in the form of haematite, magnetite and siderite.

Chalcopyrite is the principal ore mineral and occurs chiefly in higher grade lenses enveloped by lower grade halos. The overall structure of Mt. Lyell is that of a steeply dipping overturned limb of a large anticline. The hanging wall (stratigraphic footwall) of the ore body consists of weakly mineralised chloritic schists with disseminated pyrite. The footwall is sharply defined by the Great Lyell Fault — Owen Conglomerate contact which truncates the ore body at its southern end.

All mining operations at CMT are undertaken by contractors while the processing and mill maintenance operations are undertaken by CMT employees. A sub-level caving underground mining method is used at the Prince Lyell ore body. Ore is loaded into trucks by front end loader at draw points and then transported to the underground crusher and skip loading area. Crushed ore is then hauled via the Prince Lyell shaft and unloaded onto a conveyor feeding the ore bin at the Mt. Lyell processing plant. At the processing plant, the ore is crushed and ground prior to processing by flotation to produce copper concentrate, which is then filtered to form a cake and trucked to the Melba Flats railway siding for transport to the port of Burnie. The concentrate is stored at Burnie until it is loaded into ships for transport to the port of Tuticorin in south India from where it is trucked to the Tuticorin smelter.

The tailings dam is a valley-fill type and excess water is discharged via a spillway. The water quality is sampled before the water is released from the site. The tailings are deposited on beaches some 300 metres from the dam spillway. CMT's accepted closure plan is to flood the tailings which will require CMT to raise the tailings dam wall.

CMT has an active exploration and evaluation programme at Mt. Lyell which involves upgrading resources below the Prince Lyell reserves and testing additional exploration targets on the mining lease. The Western Tharsis deposit lies to the west of the Prince Lyell ore body, but CMT has not yet committed to its development. Additional targets include Tasman & Crown, Glen Lyell, Copper Clays and NW Geophysics.

The processing plant is approximately 30 years old and has been partially refurbished following CMT's acquisition with the addition of crushers, a float cell and a regrind mill at the surface. While the condition of the plant is ageing, maintenance is carried out as required to ensure that the process plant remains in safe and efficient condition.

Power at the mine is supplied through an electricity supply agreement with Aurora Energy Pty Ltd to supply approximately 112 GW per hour at a fixed rate. There is ample supply of mine water and storm water captured on the tailings dam.

The gross value of fixed assets, including capital works-in-progress, was approximately AUD 114.95 million ($119.1 million) as of 31 March 2011.

In fiscal 2011, Mt. Lyell mined and processed 2.0 million tonnes of ore at a grade of 1.23% copper to produce 83,940 tonnes of copper concentrate which also contained 12,347 ounces of gold and 114,937 ounces of silver. Although the grade of copper at Mt. Lyell is low, it produces a clean concentrate that is valuable in the smelting process. Based on reserves as of 31 March 2011 and anticipated production, the estimated mine life at Mt. Lyell is approximately 3.59 years.

The economic cut-off grade is defined using the metal prices of $5,743 per tonne of copper and $1,331 per ounce of gold. The cut-off grades are based on copper grades with the gold credit deducted from the operating costs. The reserves are derived from stopes which are designed such that the limits of the stope are defined by a cut-off grade of 0.8% copper and have an average grade that exceeds 0.8% copper. The revenue derivation of the cut-off grade includes the gold credit. The break-even cut-off grade of 0.65% copper is the grade that makes enough margin to cover the fixed and variable costs while the actual or operational cut-off grade used is 0.55% copper. CMT operates on a 0.8% copper operational cut-off grade in practice, preferring to take a higher revenue at the expense of a longer mine life.

The reserves at CMT in the proved reserve category are defined by drill holes spaced at 30 metres intervals while the probable reserves are generally defined by drill holes spaced at 60 metres intervals, though some blocks between 1,415 metres and 1,440 metres have a drill-hole spacing of 30 metres and have been classified as probable reserves as there is less certainty of the modifying factors since the detailed mine design has not yet been completed.

CMT does not use a copper equivalent calculation for the determination of stope limits as the relationship between the copper and gold grades is essentially linear, allowing the gold credits to be deducted from operating costs.

The proportion of sub-economic dilution in the reserves varies with the amount of internal dilution and the amount of over-draw. Due to the caving process mixing ore from previous levels, remnant material and material from mineralised halo, it is difficult to determine the level of external dilution, leading CMT to derive the modifying factors from the reconciliation of historical production against the grade and tonnage of the primary ore mined.

In fiscal 2011, the metallurgical recovery was 93.18% for copper, 68.58% for gold and 63.51% for silver. In fiscal 2011, the contract mining and milling cost was AUD 3,909 ($4,048.9) per tonne, administration (administration and environment) cost was AUD 346 ($358.4) per tonne and transportation cost was AUD 259 ($268.3) per tonne. Correspondingly, the TcRc was AUD 350 ($362.5) per tonne.

KCM mines. KCM's mining operations are located in the Copperbelt Province of Zambia and consist of the Nchanga open pits and Nchanga underground mines, concentrator and TLP, the Konkola underground copper mine and concentrator, the Nchanga smelter with a copper recovery furnace and sulphuric acid plant, and the Nkana smelter and refinery. The Zambian Copperbelt ore deposits lie along a 50 km wide strip of country that extends for 150 km from Chililabombwe in the northwest to Luanshya in the southeast. The Nampundwe pyrite mine and the concentrator are located in the Central Province approximately 50 km from Lusaka.

The geological setting of the Zambian Copperbelt is unusual compared to other worldwide copper deposits in that it occurs in sedimentary host rocks that have high carbonate content. The presence of dolomite in the geological sequence effectively eliminates any risk of acid mine drainage. The dominant structural feature of the Zambian Copperbelt is the Kafue Anticline, a northwest — southeast striking structure, the core of which is comprised of granite, schist and gneiss of the basement complex.

Conversion of the resources to reserves is done by carrying out an economic analysis of the resources. Parameters considered include the dilution factors, metal price, mining costs and rock stability factors. For the

Konkola mine, a tonnage factor of 83% and a grade factor of 83% have been used to estimate reserves. The Nchanga underground mine resources and reserves have been calculated by Dynamic Ore Reserve System II ("DORS II"). This system applies a grade factor to the resource based on the percentage of ore drawn and forecasts of the grade to be mined. Optimisation of open-pit mines is carried out using Whittle 4X multi-element optimisation software.

The focus of KCM's exploration has been the maintenance of resources and reserves following mining depletions.

Konkola. The Konkola mine is situated about 26 km north of Chingola and is the most northerly of KCM's Copperbelt mines. These mining operations currently exploit the Kirila Bombwe ore body by underground methods and have historically been focused on two existing shaft systems, the Kirila Bombwe South ore body (the "No. 1 shaft") and the Kirila Bombwe North ore body (the "No. 3 shaft"). Additionally, in June 2006, KCM commenced sinking of the No. 4 shaft in the Kirila Bombwe South ore body as part of the KDMP. The No. 4 shaft lies approximately 130 metres due north of the No. 1 shaft. The mid-shaft loading station of the No. 4 shaft was commissioned in April 2010. The mid-shaft loading facility is located at 1,010 metres below the surface. Construction of the bottom shaft sinking, which includes the continued development of the No. 4 shaft to a design depth of approximately 1,500 metres, is expected to be complete by the third quarter of fiscal 2013.

The Konkola mine commenced production in 1957. Following early exploration in 1923, a company was incorporated in May 1953 to operate the mine. KCM acquired the mine in April 2000 from Zambia Consolidated Copper Mines Limited ("ZCCM"). At Konkola, KCM holds large scale mining licence ("LML") number 7076-HQ-LML for its operations, which expires on 31 March 2025. The licence permits the mining of copper, cobalt, gold, silver, sulphur, selenium and tellurium within the leasehold area. Due to a recent change in mining law in Zambia, KCM was required to apply for the renewal of the mining licence for the mine and will be required to obtain an operating permit on an annual basis. The current mining licence has been renewed and is valid until 31 March 2025.

As of 31 March 2011, the Konkola mine's operating units employed a total of 3,472 employees and 5,779 contractors. The operating units at the Konkola mine are the underground mine (No. 1 shaft, No. 3 shaft and new No. 4 shaft, along with a number of ventilation shafts as well as the pipe shaft) and the Konkola east and west concentrators.

The dominant features of the mine are the Kirila Bombwe Anticline in the southeast and the Konkola Dome in the northwest. The ore body in the No. 1 shaft area lies on the southern flank of the Kirila Bombwe Anticline and has an average thickness of about nine metres. The No. 1 shaft ore body generally strikes to the northwest-southeast and dips steeply southwest. It has a strike length of approximately 4,000 metres with an average dip of 50 degrees. The ore body at the No. 3 shaft lies across the axis of the Kirila Bombwe Anticline and has an average thickness of 13 metres. The dips at the No. 3 shaft generally range from 15 degrees to 55 degrees. The ore body at the No. 3 area has been traced to a depth of 1,100 metres and is open-ended at that depth.

Historically, the No. 1 and No. 3 shafts have been managed as two separate mines. Underground haulage connections between the two mines were developed mainly for cross tramming and de-watering purposes. The separate treatment of the two mines was due to their ore reserves being physically divided by the presence of a barren gap in the ore body that extended from the surface down to about 720 metres. Below that level the ore body is continuous along a strike length of approximately 10 km and this large ore body forms the basis of the KDMP. The total capacity of the Konkola underground mine is being expanded by the KDMP.

Mine developments consist of primary and secondary developments at both the No. 1 and No. 3 shafts. Primary developments involve mining haulages, drain drives, access ramps, footwall ventilation raises and rock passes on main levels. Secondary development includes the mining of drives, crosscuts and raises in ore and waste on the sublevel to prepare the ore body for stoping. The mining operations are constrained by the necessity to de-water from both hangingwall and footwall aquifers at an overall pumping rate of approximately 300,000 m3 to 320,000 m3 per day.

The ore body limits are defined by mining as well as diamond drilling on a 30 metres by 30 metres pattern. The stope limits are contained within the ore body defined using a 1% total copper cut-off. Other stope dimensions are worked out using geomechanical properties of the rocks.

Appropriate actions are taken while designing the blast holes as well as during blasting to minimise dilution from the sub-economic areas outside the ore body limits. However, due to the stratified nature of the rocks some dilution does take place. Dilution generally ranges from 5% to 40%, depending on the rock condition.

Mining methods employed at the Konkola mine include overcut and bench drift and fill, post pillar cut and fill and longitudinal room and pillar. The total rock hoisting capacity at the Konkola mine is 645 kilo tonnes per month ("ktpm") which comprises 160 ktpm from the No. 1 shaft, 135 ktpm from the No. 3 shaft and 350 ktpm from the No. 4 shaft. On reaching the surface run of the mine ("RoM") ore from the No. 1 shaft is conveyed via conveyor belt directly to the Konkola concentrator and the RoM ore from the No. 3 shaft is transported three km to the Konkola concentrator using 85 tonne off-highway trucks.

The 6 mtpa Konkola concentrator processes RoM ore sourced from the Konkola underground mine using froth flotation to produce copper concentrate for smelting at the smelter in Nchanga. RoM ore hoisted from the new No. 4 shaft, through the mid-shaft loading station is transported to the plant through conveyor belts.

The 6 mtpa concentrator comprises two streams of 3 mtpa. KCM commissioned the first stream of 3 mtpa in October 2008 and the second stream of 3 mtpa in February 2010. The Konkola concentrator utilises SAG & Ball mill comminution and beneficiation by froth flotation processing. The nominal capacity of the milling circuit is 6.6 mtpa, which with a 10% design allowance yields a maximum milling capacity of 7.3 mtpa. In order to achieve the planned ramp-up to 7.5 mtpa throughput, further augmentation of the facilities will be needed at an estimated cost of $15 million to $20 million.

The crushed RoM ore is fed directly into the concentrator's SAG mill with final milling being performed in the Ball mill prior to flotation. The concentrates are thickened and filtered to produce a final concentrate with a grade of approximately 36% to 40%. The concentrates are then transported 30 km southwest of Chililabombwe by road to the Nchanga smelter in Chingola. Approximately 60% of the residual tailings from the concentrator are thickened and pumped straight to the Lubengele tailings dam situated approximately 4.5 km north of the plant, while approximately 40% of the tailings are pumped to the backfill plant to produce backfill for underground mining operations.

During fiscal 2011, Konkola mined and processed approximately 2.35 million tonnes of ore, including some ore from the Chingola open-pits D and F, at a grade of approximately 2.5% of total copper to produce 136,879 tonnes of copper concentrate containing 47,096 tonnes of copper. Based on reserves and resources as of 31 March 2011 and anticipated production, the estimated mine life of the Konkola mine is approximately over 24 years from 1 April 2011. The total capacity of the Konkola underground mine is being expanded by the KDMP.

Power at the mine is supplied by Copperbelt Energy Corporation ("CEC") with fixed rates subject to index adjustment based on the US Producer Price Indices until 2020. The maximum demand for Konkola is currently 90 MW, but Vedanta estimates that it will rise to 120 MW by 2013 as a result of increased production from the mine primarily due to the KDMP. On-site emergency power is available from two 10 MW diesel generators owned and operated by CEC. This power is mainly utilised for running the de-watering pumps underground. Water pumped from underground is utilised for the plant. The power infrastructure at Konkola is being upgraded to meet the enhanced requirements of the KDMP project. In addition, in anticipation of any power failure, KCM has installed three diesel generator sets of 8 MW each to meet the power requirements of its Konkola mining operations and the KDMP project.

Mine water as well as water from the nearby Kafue river is utilised for domestic requirements. Mulonga Water and Sewerage Company handles the domestic water supply.

Nchanga. The Nchanga mine is situated in the Copperbelt Province of Zambia, in the vicinity of the town of Chingola. As of 31 March 2011, Nchanga operating units employed approximately 4,499 employees and 5,500 contractors. Nchanga's operating units comprise four operational open-pit mines, a large underground mine, a TLP with the associated SX-EW facility, a sulphuric acid plant, copper concentrators comprising two main processing units and a recently commissioned direct blister flash smelter. At Nchanga, KCM holds LML number 7075-HQ-LML for its operations which expires on 31 March 2025. The licence allows KCM to mine copper, cobalt, gold, silver, sulphur, selenium and tellurium within the leasehold area. Due to a change in the mining law in Zambia, KCM was required to apply for the renewal of the mining licence for the mine and is now required to obtain an operating permit on an annual basis. The current mining licence has been renewed and is valid until 31 March 2025.

Following exploration in 1923, development in 1927 and the cessation of operations due to flooding and low copper prices in 1931, mining at the Nchanga underground mine recommenced in 1937. Surface mining operations from NOP commenced in 1957.

Access to the underground operations is by a series of vertical and inclined primary and sub-vertical shafts. The combined rock hoisting capacity is 292 ktpm. The current operations are projected to extend to 920 metres below the surface. Mine de-watering at Nchanga requires pumping approximately 75,000 m^3 of water per day, a component of which is derived from inflow through the open-pit during the wet months.

The Nchanga deposit is situated on the northern end of the southwest margin of the Kafue anticline in the vicinity of Chingola. The mineralisation is hosted within two stratigraphic horizons being the Lower Ore Body ("LOB") and Block "A". Block "A" lies to the southwest of LOB and has a similar deposit with a slightly more gentle dip of about 20 degrees. The underground resources are defined using an assay footwall and an assay hanging wall with a cut-off grade of 1.5% total copper.

The Nchanga mining licence areas also have stockpiles of Chingola Refractory Ore ("CRO") with a high refractory material content in mica which is not treatable by conventional methods. These stockpiles add up to approximately 147.2 million tonnes of probable reserves with an average grade of 0.9% total copper and 0.6% Acid Soluble ("AS") Copper. KCM is currently developing a process to extract copper from the CRO through a contract with Outotec Oyj, a third-party contractor, to develop a CRO plant for extracting copper from the CRO. The CRO plant is expected to consist of various processes, including crushing, grinding, de-watering, acid leaching, counter current decantation, clarification of pregnant leach solution, SX-EW facilities and neutralisation of washed tailings and raffinate bleed. The plant will use acid from the Nchanga main acid plant in its processing. The CRO Project is in its final engineering phase and is expected to be at full production by fiscal 2014.

The mining method currently employed at Nchanga is block carving using a continuous advancing long wall caving method. The ore body and the rocks above the areas where the long wall caving method is used are very weak and as a result no development takes place within it. Ore body limits are primarily defined by diamond drilling from the access established below the ore body. The drill holes are located on a 30 metres by 30 metres pattern. Extreme care is taken to ensure that core recovery from diamond drilling remains high (in excess of 85%) and contamination is avoided by use of double or triple tube core barrels. Logging, sampling and assaying are carried out in accordance with quality assurance/quality control procedures. An external cut-off of 1.5% total copper is taken to define the ore body limits. The cut-off is reduced to 1% total copper where the ore body is thin and richly mineralised. For the Nchanga open-pit ore bodies, a cut-off grade of 0.5% total copper is used.

Sub-economic dilution is practically zero at the initial stages, but it increases as the extraction increases. Depending upon the in situ grade, a dilution in excess of 50% may be recorded at the time when the grade of material from a finger raise has fallen below 1% exhausted finger raises are barricaded with timbers.

Open-pit mining has historically been exploited near surface ore bodies, including the LOB, UOB, River Lode, Luano and Chingola Ore Bodies. The mining operations are heavily mechanised using surface drilling techniques, electric shovel loading and 60 tonnes/300 tonnes off-highway rear dump trucks. The majority of mining operations at Nchanga have been outsourced to specialised mining contractors to improve overall mining efficiency, recovery factors and cost efficiency.

The Nchanga concentrator comprises two main processing units; the east mill and the west mill. The east mill is a conventional comminution circuit with a RoM capacity of 6.6 mpta which treats copper ore from the open-pits to produce a thickened product which is pumped to the west mill situated approximately two km away for further processing. The west mill comprises three distinct circuits: the copper comminution circuit for underground ore, the copper flotation circuit for open-pit and underground ore and the cobalt milling-flotation circuit for open-pit cobalt ore. The copper comminution circuit crushes and mills ore from the Nchanga underground mine ahead of the flotation circuit and has a RoM capacity of approximately 3.0 mpta. The copper flotation circuit treats milled ore from the Nchanga underground mine (copper comminution circuit) and milled ore from NOP (east mill) to produce concentrates with a rated capacity of approximately 264 ktpa. Residues from the concentrator are pumped to the TLP for hydrometallurgical processing. The cobalt milling flotation circuit treats RoM cobalt ore from the NOP and includes a conventional crushing, milling and flotation with a rated RoM operating capacity of approximately 0.8 mtpa. The concentrates are transported to the Nchanga smelters except bulk copper-cobalt concentrates which are sold in the market.

During fiscal 2011, the Nchanga underground mine mined and processed approximately 2.05 million tonnes of ore at a grade of 1.59% copper and the Nchanga open-pit mines mined and processed approximately 1.82 million tonnes of cobalt ore at a grade of 1.24% copper and 0.33% of total cobalt. During fiscal 2011, the Nchanga open pits and underground mine concentrators processed ore to produce 132,222 tonnes of copper concentrates containing 42,654 tonnes of copper.

Power at the mine is supplied by CEC with fixed rates subject to index adjustment based on the US Producer Price Indices until 2020. KCM agreed to a 33% increase in the tariff under its agreement with CEC. This increase became effective on 1 January 2008. Nchanga's maximum demand is 97 MW.

Based on proved and probable reserves and resources and inferred reserves as of 31 March 2011, the estimated mine life for the Nchanga underground mine is approximately seven years and for the open-pits is 11 years from 1 April 2011, respectively. Vedanta expects the mining of the upper ore body to extend the life of the Nchanga underground mine to approximately 2021. Vedanta also believes that the life of the Nchanga underground mine will be further extended beyond 2021 if KCM is successful in upgrading the 41.8 mt of additional inferred resources in the upper ore body to measured or indicated resources.

Nampundwe. The Nampundwe mining operating assets are the Nampundwe pyrite underground mine and concentrator. These are located in the Central Province of Zambia, approximately 50 km west of Lusaka. Nampundwe exploits iron pyrite rich ore bodies containing 16% in situ sulphur and has capacity to produce 60,000 tpa of pyrite concentrate that is blended with copper concentrate for smelting. As of 31 March 2011, the Nampundwe operating unit employed 91 employees and 47 contractors. Currently, the Nampundwe mine is under care and maintenance.

Principal raw materials

The principal inputs of Vedanta's copper business are copper concentrate, rock phosphate, power, fuel and sulphuric acid. Other inputs include coke, lime, reagents and oxide ore. Vedanta has in the past been able to secure an adequate supply of the principal inputs for its copper production.

Copper concentrate. Copper concentrate is the principal raw material of Sterlite's copper smelters. As of 31 March 2011, Sterlite sourced 92.92% of its copper concentrate requirements from third-party suppliers, either through long-term contracts or on spot markets, and sourced only 7.08% of its copper concentrate requirements from its mine in Australia. Sterlite purchases copper concentrate at the LME price less a TcRc that it negotiates with its suppliers but which is influenced by the worldwide prevailing market rate for the TcRc. Vedanta expects the percentage that Sterlite will purchase from third-party suppliers to increase in future periods as the reserves of the Mt. Lyell copper mine are expected to be exhausted by fiscal 2014.

As of 31 March 2011, KCM sourced approximately 49% of its copper concentrates requirements (in terms of copper content) from third-party suppliers and sourced 51% of its copper concentrates requirements (in terms of copper content) from its own mines in Zambia. KCM purchases copper concentrate at the LME price less a TcRc that KCM negotiates with its suppliers, but which is influenced by the worldwide prevailing market rate for the TcRc. Assuming the current production rate continues for the remainder of the mine life, KCM estimates that the reserves from the Konkola mine, Nchanga underground mine and NOP will be exhausted in 2035, 2021 and 2021, respectively.

Sterlite expects the percentage of copper concentrate that it purchases from third-party suppliers to also increase in future periods to the extent it seeks to increase its copper smelting and refining capacity.

In general, Sterlite's long-term agreements run for a period of three to five years and KCM's agreements run for a period of one year, and are renewable at the end of the period. The quantity of supply for each contract year is fixed at the beginning of the year and terms like TcRc and freight differential are negotiated each year depending upon market conditions. As of 31 March 2011, Sterlite and KCM sourced approximately 71.27% and 49%, respectively, of their copper concentrate requirements through long-term agreements.

Sterlite also purchases copper concentrate on a spot basis to fill any gaps in its requirements based on production needs for quantity and quality. These deals are struck on the best possible TcRc during the period and are specific for short-term supply. As of 31 March 2011, Sterlite sourced approximately 28.73% of its copper concentrate requirements through spot purchases.

Rock phosphate. Sterlite's rock phosphate is sourced primarily from Jordan and Egypt pursuant to long term supply contracts. Sterlite is currently exploring the sourcing of rock phosphate from countries such as Morocco, Nauru, Togo, Algeria and Israel to diversify its supply base.

Power. The electricity requirements of Sterlite's copper smelter and refinery at Tuticorin are primarily met by the on-site captive power plants. Sterlite's captive power plants at Tuticorin operate on furnace oil that is procured through long-term contracts with various oil companies. Sterlite has outsourced the day-to-day operation and maintenance of its captive power plants at Tuticorin. Sterlite's Silvassa facility relies on the state power grid for its power requirements.

KCM's Nkana, Nchanga and Konkola operations receive their electricity requirements pursuant to a long-term agreement with CEC. KCM also has an agreement with the national utility company of Zambia, Zambia Electricity Supply Corporation Limited ("ZESCO"), to provide power to Nampundwe on substantially the same terms as its agreement with CEC. ZESCO transmits power from hydroelectric generating stations at Kariba North, Kafue Gorge and Victoria Falls to the central switching station in Kitwe and at the Luano substation outside Chingola at 330 KV, which is sold in bulk to CEC. The 330 KV voltage is stepped down to 220 KV and 66 KV and distributed by CEC throughout the Zambian Copperbelt. ZESCO also supplies electricity directly to the mining operations at Nampundwe in the Central Province of Zambia. In addition, in anticipation of any power failure, KCM has installed a diesel generator set of 24 MW to meet the power requirements of its Konkola mining operations and the KDMP project.

KCM agreed to a 33% increase in its tariff under the terms of its electricity supply agreement with CEC. This increase became effective on 1 January 2008 and will remain fixed for a period of one year. A 35% increase in the tariff under KCM's agreement with ZESCO has been proposed, but no amendment has been made to this agreement as of the date of this Offering Circular.

Fuel. KCM's fuel supply is completely dependent on imports. In the past, Zambia has faced fuel shortages. KCM has addressed these fuel shortages by entering into a light fuel supply agreement with BP Zambia Limited on 1 September 2010, which expires on 31 December 2013. In addition to the light fuel supply agreement with BP Zambia Limited, KCM is also party to a heavy fuel oil supply agreement with Kobil Zambia Limited.

Sulphuric acid. The sulphuric acid for KCM's TLP is largely supplied by the new Nchanga smelter.

Distribution, logistics and transport

Copper concentrate from the Mt. Lyell processing facility is transported by road to a rail head and then transported by rail to the port of Burnie, Tasmania, from which it is shipped to the port of Tuticorin in India. Copper concentrate sourced from both the Mt. Lyell processing facility and from third parties is received at the port of Tuticorin and then transported by road to the Tuticorin facility.

Once processed at the Tuticorin facility, copper anodes are either refined at Tuticorin or transported by road to Silvassa. Copper cathodes, copper rods, sulphuric acid, phosphoric acid and other by-products are shipped for export or transported by road to customers in India.

KCM's finished copper in the form of copper cathodes are mainly sold to overseas markets in the Middle East, southeast Asia and the Far East with very little copper being sold locally in Zambia. The metal is transported to these markets by road and rail to the Indian Ocean ports of Dar-es-Salaam in Tanzania and Durban in South Africa and, more recently, Beira in Mozambique. During fiscal 2011, approximately 40% of KCM's copper cathode exports (by volume) went through Dar-es-Salaam, primarily via rail, and the remaining exports went through Durban.

Sales and marketing

The ten largest customers of Vedanta's copper business accounted for approximately 31.5%, 30.5% and 41.4% of Vedanta's revenue from the copper business in fiscal 2009, 2010 and 2011, respectively. Save for Ambrian Metals (which accounted for 11% of revenue from the copper business in fiscal 2011), no customer accounted for greater than 10% of Vedanta's copper business revenue in the last three fiscal years.

Sterlite's copper sales and marketing head office is located in Mumbai, and it has field sales and marketing offices in most major metropolitan centres in India. KCM does not maintain any significant sales offices as sales are effected mainly through contracts executed at its corporate offices in Chingola, Zambia. Sterlite sells its copper rods and cathodes in both domestic and export markets. KCM primarily sells its products in export markets. Domestic sales in Zambia form an insignificant portion of KCM's sales. In fiscal 2009, 2010 and 2011, exports accounted for approximately 53.9%, 61.1% and 61.9% of the revenue from Vedanta's copper business, respectively. Vedanta's export sales were primarily to China, Japan, the Philippines, Singapore, South Korea, Taiwan, Thailand and various countries in the Middle East. Sterlite also sells phosphoric acid and other by-products in both domestic and export markets. Vedanta's exports of copper anode slimes are predominately sold to Europe.

Domestic sales by Sterlite in India are broadly based on the LME spot price plus regional premiums, as well as domestic supply and demand conditions. A majority of the Vedanta Group's sales are made pursuant to existing supply agreements. The price for the copper Sterlite sells in India is normally higher than the price it charges in the export markets due to the tariff structure on costs, smaller order sizes that domestic customers place and the packaging, storing and truck loading expenses that it incurs when supplying domestic customers.

Sterlite's export sales of copper are made on the basis of both long-term sales agreements and spot sales. The prices of Sterlite's copper exports include the LME price plus a producer's premium. Sterlite does not enter into fixed price long-term copper sales agreements with its customers. 29% of KCM's sales are through annual contracts priced on the monthly average LME price plus a premium.

Market share and competition

According to ICPCI, Sterlite is one of only two custom copper smelters and had a 43% primary market share by sales volume in India in fiscal 2011 and the other custom copper smelter in India is Hindalco Industries Limited ("Hindalco"), which had a primary market share by sales volume of approximately 41% in fiscal 2011, with the remainder of the primary copper market in India served by imports, Hindustan Copper Limited and SWIL Limited.

KCM is expected to account for 22% of total national copper mine production in 2011 and grow to 28% by 2013 to be the largest producer in Zambia, driven by ramp-up of the Konkola operation. KCM operates the largest single site copper smelter in Africa in terms of smelting capacity at its facilities in Nchanga, according to Brook Hunt.

Copper is a commodity product and Sterlite competes primarily on the basis of price and service, with price being the most important consideration when supplies of copper are abundant. Sterlite's metal products also compete with other materials, including aluminium and plastics that can be used in similar applications by end-users. Copper is sold directly to consumers or on terminal markets such as the LME. Prices are established based on the LME price, though as a regional producer Sterlite is able to charge a premium to the LME price which reflects the cost of obtaining the metal from an alternative source.

Projects and developments

Sterlite has ongoing expansion projects costing $500.1 million to increase its total copper capacity to 800,000 tpa with a 160 MW coal-based thermal captive power plant. The 400,000 tpa copper smelter expansion project at Tuticorin is being rescheduled pending consent from the State Pollution Control Board and is targeted for completion in fiscal 2013. Sterlite has incurred $129.9 million (INR 5,800 million) on these projects as of 31 March 2011. The funding for these projects is mainly from the proceeds of the convertible senior notes issued by Vedanta in fiscal 2010.

KDMP. The KDMP was approved by KCM's board of directors in July 2005, at a total initial capital outlay of approximately $357 million. This project is expected to contribute to the productivity of KCM's underground copper deposit. All governmental approvals for the KDMP have been received. The mid-shaft loading station of the No. 4 shaft was commissioned in April 2010. The project is expected to be financed substantially from KCM's internal resources, medium term foreign currency loans with banks and related parties and supplemented with additional debt as required. The KDMP was originally planned to increase the ore production of the Konkola mine from 1.8 mtpa of ore to approximately 6 mtpa, and its scope and configuration was subsequently revised. This revised scope and configuration plans an increase in target output of up to an estimated 7.5 mtpa by fiscal 2017, an increase of 37.5% over the earlier announced expansion. The increase in target output and generally inflationary trends in construction and other project work have resulted in an increase in the estimated project cost from approximately $400 million to $674 million. The cost has since been revised upward to $973 million primarily due to an increase in the scope of the project and consequent extra time required, weak ground conditions at the site resulting in additional engineering costs, commodity price increases and appreciation of the South African rand to the US dollar.

Work on the KDMP, including the sinking of the bottom shaft, is progressing on schedule.

Nchanga smelter. KCM installed and began commissioning a new smelter at Nchanga in October 2008. The total approved capital outlay for the smelter was approximately $470 million, and it has the capacity to produce 311,000 tpa of copper anode and 640,000 tpa of sulphuric acid. Vedanta intends to increase KCM's finished copper production from approximately 216,500 tpa in fiscal 2011 to over 400,000 tpa in fiscal 2014.

Seasonality

Vedanta's copper business is not subject to seasonality.

Zinc Business

Introduction

Vedanta's fully integrated zinc business is owned and operated by HZL. HZL's fully-integrated zinc operations include four lead-zinc mines, four hydrometallurgical zinc smelters, one lead smelter, one lead-zinc smelter, four sulphuric acid plants, one silver refinery in the State of Rajasthan in northwest India, five captive power plants in northwest India, one hydrometallurgical zinc smelter and one sulphuric acid plant at the Vizag facility in the State of Andhra Pradesh in southeast India and one zinc ingot melting and casting plant at Haridwar in the State of Uttarakhand in northern India. HZL's mines supply all of its concentrate requirements and allow HZL to also export surplus zinc and lead concentrates.

Sterlite acquired its interest in HZL in April 2002. Since then, its operating performance has been significantly improved through expansion, by improving operational efficiencies and reducing unit costs. There was also an increase in reserves and resources at HZL's mines to 313.18 mt as of 31 March 2011 (excluding the reserves at the Skorpion mine, the Lisheen mine and the Black Mountain mine) as a result of further exploration efforts. HZL improved its operating performance further by:

- benefiting from low-cost production available from its two hydrometallurgical smelters with capacity of 210,000 tpa each at Chanderiya commissioned in May 2005 and December 2007, and expanded in April 2008 together with associated captive power plants at Chanderiya;
- benefiting from low-cost production available from one of its hydrometallurgical zinc smelters with capacity of 210,000 tpa at Rajpura Dariba smelting complex, which was commissioned in March 2010;
- increasing the percentage of concentrates being sourced from its Rampura Agucha mine as compared to its other mines to lower its cost of obtaining zinc concentrate;
- continuing its initiatives to improve operational efficiencies at its existing operations;
- reducing power costs by building on-site captive power plants rather than relying on State power grids;
- reducing the size of its workforce including through a voluntary retirement plan; and
- increasing productivity and upgrading existing technology.

HZL has signed a mining lease for the Kayar mine in the State of Rajasthan which expires on 27 February 2018. In January 2009, HZL obtained environmental clearance for an annual production of 350,000 tonnes. The Kayar mine is currently in the detailed surface exploration stage. HZL has obtained surface land rights over most of the mine area and such rights are in the process of being obtained in respect of the remaining mine area. HZL has commenced mine development activities. As of 31 March 2011, the total estimated measured and indicated mineral resources were 6.27 million tonnes containing 0.68 million tonnes of zinc content at a grade of 10.83% and 0.096 million tonnes of lead content at a grade of 1.53%.

HZL pays royalties to the State Government of Rajasthan based on its extraction of lead-zinc ore in Rajasthan, where all of HZL's mines are located. The royalties payable by HZL are subject to change. With effect from 13 August 2009, the royalty rate increased from 6.6% to 8.4% of the LME zinc metal price payable on the zinc metal contained in the concentrate produced and from 5% to 12.7% of the LME lead metal price payable on the lead metal contained in the concentrate produced. Vedanta also pays royalties in connection with its zinc operations in Namibia, Ireland and South Africa.

Principal products

Zinc. HZL produces and sells zinc ingots in all three international standard grades: Special High Grade (99.994%) ("SHG"), High Grade (99.95%) ("HG") and Prime Western (98%) ("PW"). HZL sells most of its zinc ingots to Indian steel producers for galvanising steel to improve its durability. Some of its zinc is also sold to alloy, dry cell battery, die casting and chemical manufacturers.

Lead. HZL produces and sells lead ingots of 99.99% purity primarily to battery manufacturers and to a small extent to chemical manufacturers.

By-products

Sulphuric acid. HZL sells sulphuric acid to fertiliser manufacturers and other industries.

Silver. HZL produces and sell silver ingots primarily to industrial users and traders of silver.

Production

The following table sets out Vedanta's total production(1) from its Chanderiya, Debari, Dariba and Vizag facilities for each of fiscal 2009, 2010 and 2011:

Facility	Product	Year Ended 31 March 2009	2010	2011
		(Tonnes, except for silver which is in kgs)		
Chanderiya:				
ISP(TM) pyrometallurgical lead-zinc smelter	Zinc	79,569	93,480	90,298
	Lead(2)	18,937	21,550	20,562
Silver refinery	Silver	105,055	138,550	148,082
Hydrometallurgical zinc smelters(3)	Zinc	333,888	343,401	334,121
Ausmelt(TM) lead smelter	Lead	41,385	42,769	36,733
Sulphuric acid plants	Sulphuric acid	611,871	641,313	600,753
Dariba:				
Hydrometallurgical zinc smelter(3)	Zinc	—	—	164,551
Sulphuric acid plant	Sulphuric acid	—	29,143	218,483
Debari:				
Hydrometallurgical zinc smelter	Zinc	85,191	87,347	84,839
Sulphuric acid plant	Sulphuric acid	267,463	290,188	306,949
Vizag:				
Hydrometallurgical zinc smelter	Zinc	53,076	54,184	38,663
Sulphuric acid plant	Sulphuric acid	74,935	74,945	66,514
Total	Zinc	**551,724**	**578,412**	**712,472**
	Lead	**60,322**	**64,319**	**57,295**
	Silver	**105,055**	**138,550**	**148,082**
	Sulphuric acid	**954,269**	**1,035,589**	**1,192,699**

Notes:

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) Excludes lead containing a high content of silver (High Silver lead) produced from the pyrometallurgical lead-zinc smelter for captive use, which was 5,009 tonnes, 7,308 tonnes and 5,898 tonnes in fiscal 2009, 2010 and 2011, respectively.

(3) The hydrometallurgical zinc smelter was commissioned in March 2010.

The following table sets out HZL's total ore, zinc concentrate and lead concentrate production(1) for each of fiscal 2009, 2010 and 2011:

Mine (Type of Mine)	Product	Year Ended 31 March		
		2009	2010	2011
		(Tonnes, except percentages)		
Rampura Agucha (Open-pit)	Ore mined	4,953,110	5,135,625	6,149,165
	Ore grade — Zinc	13.1%	12.9%	13.1%
	Lead	1.9%	1.8%	2.2%
	Recovery — Zinc	92%	92.1%	88.4%
	Lead	60.6%	59.3%	54.6%
	Zinc concentrate	1,114,048	1,155,849	1,319,245
	Lead concentrate	92,151	89,205	117,272
Zawar (Underground)	Ore mined	944,300	1,020,250	240,550
	Ore grade — Zinc	3.3%	3.1%	3.7%
	Lead	2.0%	1.9%	0.9%
	Recovery — Zinc	89.4%	90.8%	88.0%
	Lead	87.3%	90.8%	70.7%
	Zinc concentrate	29,257	—	—
	Lead concentrate	15,049	—	—
	Bulk Concentrate(2)	29,924	73,048	55,265
Rajpura Dariba (Underground)	Ore mined	783,288	945,997	989,634
	Ore grade — Zinc	4.9%	5.4%	5.6%
	Lead	1.8%	1.9%	1.8%
	Recovery — Zinc	81.8%	82.2%	82.4%
	Lead	74.2%	76.2%	76.7%
	Zinc concentrate	59,672	74,872	93,364
	Lead concentrate	17,745	20,828	26,896
	Bulk Concentrate(2)	8,687	15,535	14,265
Total	Ore mined	**6,680,698**	**7,101,872**	**7,379,349**
	Zinc concentrate	**1,202,977**	**1,230,721**	**1,412,609**
	Lead concentrate	**124,945**	**110,033**	**144,168**
	Bulk Concentrate(2)	**38,611**	**88,583**	**69,530**

Notes:

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) Bulk concentrate is concentrate that contains both zinc and lead.

Reserve base

The following table sets out Vedanta's proved and probable zinc and lead reserves(1) as of 31 March 2011:

	Proved Reserve			Probable Reserve			Total Proved and Probable Reserves		
	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade
	(Million tonnes)	(%)		(Million tonnes)	(%)		(Million tonnes)	(%)	
Rampura Agucha	6.16	12.37	1.75	63.55	14.47	1.98	69.71	14.28	1.96
Rajpura Dariba	7.37	6.87	1.80	1.67	6.47	1.65	9.04	6.80	1.77
Zawar Group	3.53	4.07	2.05	4.34	3.32	2.01	7.87	3.66	2.03
Sindesar Khurd	1.91	5.44	2.60	8.19	4.82	2.82	10.10	4.93	2.78
Skorpion	1.50	9.40	—	4.90	10.40	—	6.40	10.20	—
Lisheen	5.0	11.2	1.9	0.7	9.0	1.5	5.7	10.9	1.8
Black Mountain	3.3	2.7	3.7	3.5	3.3	2.8	6.8	3.0	3.2
Total	**28.77**	**8.0**	**2.0**	**86.85**	**12.1**	**2.0**	**115.62**	**11.1**	**2.0**

Note:

(1) See "Presentation of Information — Basis of Presentation of Reserves" for an explanation of the basis of preparation of reserve amounts.

Description of operations

Smelters and refineries The following table sets out the total capacities(1) as of 31 March 2011 at Vedanta's Chanderiya, Debari, Dariba, Vizag, Zawar and Skorpion facilities:

	Capacity				
Facility	Zinc	Lead	Silver	Sulphuric Acid	Captive Power Plant
	(tpa except for silver which is in million oz)				(MW)
Chanderiya(2)	525,000	85,000	5.9 million oz	828,500	248.5
Debari	88,000	—	—	419,000	14.5
Vizag	56,000	—	—	90,996	—
Dariba	210,000	—	—	306,000	160
Zawar	—	—	—	—	86
Skorpion	150,000	—	—	—	—
Total	**1,029,000**	**85,000**	**5.9 million oz**	**1,644,496**	**509**

Notes:

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) The Haridwar plant melts and casts zinc ingots from zinc cathodes produced in the Chanderiya smelter and therefore its production capacity does not increase the total production capacity of HZL's facilities.

Vedanta expects to increase its lead capacity from the current 85,000 tpa to 185,000 tpa in 2012. In addition, Vedanta seeks to increase its silver capacity from 8 million oz to 16.0 million oz and intends to become one of the largest silver producers by 2012.

Chanderiya. The Chanderiya facility is located approximately 120 km east of Udaipur in the State of Rajasthan in northwest India. The Chanderiya zinc smelter is the fourth largest smelter on a production basis worldwide in 2010, according to Brook Hunt. The facility contains four smelters, two associated captive power plants, two sulphuric acid plants and one silver refinery:

(1) An ISP(TM) pyrometallurgical lead-zinc smelter with a capacity of 105,000 tpa of zinc ingots and 35,000 tpa of lead ingots that was commissioned in 1991;

(2) Two hydrometallurgical zinc smelters with 210,000 tpa capacity each that were commissioned in May 2005 and December 2007 and expanded in April 2008 together with associated captive power plants;

(3) An Ausmelt(TM) lead smelter with a capacity of 50,000 tpa that was commissioned in February 2006;

(4) Associated 154 MW and 80 MW coal-based captive power plants commissioned in May 2005 and April 2008, respectively;

(5) A 14.5 MW captive power plant which was commissioned at Debari in March 2003 and transferred from Debari to Chanderiya in March 2009;

(6) Two sulphuric acid plants with a total capacity of 828,500 tpa sulphuric acid; and

(7) A silver refinery with a capacity of 168 tpa silver ingots.

A 154 MW captive power plant and an 80 MW captive power plant were commissioned in 2005 and 2009, respectively. In March 2009, a 14.5 MW captive power plant was transferred from Debari to Chanderiya. These power plants provide all of the power for the Chanderiya facilities. The captive power plant requires approximately 130,000 tonnes of coal per month which HZL procures through tenders, with contracts made on the basis of one to three shipments of 50,000 tonnes to 70,000 tonnes each and the particulars depending on price and other circumstances. The coal is imported from a number of third-party suppliers. In addition, HZL secured in January 2006, as part of a consortium with five other partners, the award of a coal block from the Ministry of Coal of the GoI, which is expected to help meet the coal requirements of HZL's captive power plants in the future. HZL's share of the coal block is approximately 31.5 million tonnes which, according to the Ministry of Coal of the GoI, are proved reserves with ash content ranging from 28.7% to 47% and with gross calorific value ranging from 3,865 Kcal/kg to 5,597 Kcal/kg. On 16 June 2008, the Ministry of Coal of the GoI approved the consortium's plan for mining the coal block. The coal block is located in the Hasdev Arand coal field of Chhattisgarh which is falling under moderate to dense forest. The environmental clearance and approval for the forest diversion was rejected by the MoEF and accordingly, a letter of rejection was issued by the state government on 23 January 2010. HZL will continue to import coal from third-party suppliers as it currently does or pursue alternative sources. HZL has also been awarded 2.43 million tonnes of coal linkage by the Ministry of Coal of the GoI, which will enable it to source coal from mines of Coal India. HZL's remaining operations source their required power from liquid fuel-based captive power plants or from local power companies. The liquid fuel is sourced from third-party suppliers on yearly contracts.

- *Debari.* The Debari hydrometallurgical zinc smelter is located approximately 12 km east of Udaipur in the State of Rajasthan, India. The hydrometallurgical zinc smelter was commissioned in 1968, uses RLE technology and has a capacity of 88,000 tpa. The Debari facility also includes a 419,000 tpa sulphuric acid plant. A majority of the power requirements of the facility is sourced from the coal-based captive power plant at Chanderiya and the balance is sourced from an on-site liquid fuel-based 14.5 MW captive power plant commissioned in March 2003. The liquid fuel is procured from domestic oil-producing companies through a tender process for a yearly contract.

- *Vizag.* The Vizag hydrometallurgical zinc smelter is located approximately 17 km from the Vizag inner harbour on the Bay of Bengal in the State of Andhra Pradesh in southeast India. The hydrometallurgical zinc smelter was commissioned in 1977, uses older RLE technology and has a capacity of 56,000 tpa. The Vizag facility also includes a 91,000 tpa sulphuric acid plant. HZL obtains approximately 50% of the facility's power requirements from Andhra Pradesh Gas Power Corporation Limited, a government-owned gas utility company in which HZL holds an 8% equity interest. The remaining power requirements are obtained from the Transmission Company of Andhra Pradesh Limited, a government-owned enterprise.

- *Haridwar.* The 210,000 tpa zinc ingot melting and casting plant in Haridwar in the State of Uttarakhand was commissioned in July 2008. This plant melts and casts zinc ingots from zinc cathodes produced in the Chanderiya smelter and therefore its production capacity does not increase the total production capacity of HZL's facilities. After the start of the second stream, the capacity of Haridwar Zinc Plant is 292,000 tpa.

- *Zawar.* The Zawar facility does not have a smelter. The captive power plant at this facility provides power to the mine.

- *Dariba.* The Dariba hydrometallurgical zinc smelter is located approximately 75 km northeast of Udaipur in the Rajsamand district of Rajasthan in Northwest India. This hydrometallurgical zinc smelter was commissioned in March 2010 and has a capacity of 210,000 tpa. The Dariba facility also includes a 306,000 tpa sulphuric acid plant. A majority of the power requirements of the facility is sourced from the coal-based captive power plant at Dariba.

Mines

Rampura Agucha. The Rampura Agucha lead-zinc mine is located in Gulabpura, District Bhilwara in the State of Rajasthan, northwestern India. It can be accessed by paved road from the major centres of Udaipur, approximately 225 km to the south, and Jaipur, the capital of the State of Rajasthan, which lies approximately 200 km to the north. The nearest railway to the mine lies approximately five km to the west. This railway provides access to Jaipur in the north and Chittorgarh in the south where the Chanderiya lead-zinc smelting facility is located.

The Rampura Agucha mine is the largest zinc mine in the world on a production basis in 2010, according to Brook Hunt. It is a sediment-hosted zinc deposit which lies within gneisses and schists of the Precambrian Mangalwar Complex. The main ore body is approximately 1.5 km long and has a width ranging from five metres to 90 metres with an average of approximately 58 metres. It extends from the surface with recent exploration intersecting up to 15 metre wide mineralised zones at depths of over 900 metres. The southern boundary of the ore body is sharp and steeply dipping while the northern margin is characterised by a thinning mineralised zone. Grades remain relatively consistent with depth. The ore body consists of sphalerite and galena, with localised concentrations of pyrite, arsenopyrite, pyrrhotite and tetrahedrite-tennantite.

The Rampura Agucha mine is India's largest producer of zinc ore and one of the largest producers of lead ore in the world in 2010, according to Brook Hunt. The ore body is mined by open-pit methods. The capacity of the mine and concentrator was expanded between 2003 and 2010 from 2.4 mtpa to 6.15 mtpa for mine and 6.5 mtpa for mill.

The 12 square km mining lease was granted by the State Government of Rajasthan and will run until March 2020. Mining leases are governed in accordance with the Mineral Concession Rules 1960 and the Mineral Conservation and Development Rules, 1988. HZL has also obtained consents under various environmental laws to operate the mine. HZL has applied for a reconnaissance permit over 408.65 square km covering the surrounding area as the ore body is dipping towards the eastern limit of the mining lease and the deepest intersection is approaching the current leasehold boundary. The reconnaissance permit has been granted and executed on 25 February 2010 for a period of 3 years. HZL commenced production at the Rampura Agucha mine in 1991. Since then, approximately 47.2 million tonnes of ore, with an ore grade of 12.85% zinc and 1.93% lead, respectively, have been extracted from the open-pit mine up to 31 March 2011.

Mining at Rampura Agucha is a drill and blast, load and haul sequence using 240 tonne trucks and 34 metre^3 excavators. Ore is trucked to the primary crusher at the mill and waste is trucked to the waste dump. The mining equipments are all owner-operated. The processing facility is a conventional crushing, milling and differential lead-zinc floatation plant which was commissioned in 1991. Ore from the open-pit is crushed in a series of three crushing circuits and then milled in three identical milling circuits, comprising a rod mill in open circuit and a ball mill in closed circuit. The milled ore is then sent to the lead flotation circuit which includes roughing, scavenging and three stages of cleaning. The lead concentrates are thickened and filtered ahead of storage and transport to the Chanderiya lead smelter. The lead flotation tails proceed to zinc flotation which comprises roughing, scavenging and four stages of cleaning. Zinc concentrates are thickened and filtered ahead of storage and transport to all three of the HZL zinc smelters. Zinc flotation tails are thickened ahead of disposal to the tailings dam.

At Rampura Agucha, a total of 149 holes (approximately 88,040 metres) have been drilled since 2004 which has resulted in significant resource addition in depth. Following open-pit re-optimisation and underground mine feasibility studies completed during 2009 and 2010, a significant part of resources was upgraded to reserves. As of 31 March 2011, the estimated reserves were 69.7 million tonnes with an average grade of 14.3% zinc and 2.0% lead after depletion. The drill spacing for the definition of proved reserves was approximately 50 metres by 50 metres while for probable reserves was 100 metres by 100 metres in the open-pit.

The Rampura Agucha open-pit mine was commissioned in 1991 by HZL and operated as a state-owned enterprise until 2002 when it was acquired by Vedanta. The low strip ratio and good ore minerology of the mine provide a high metal recovery ratio and a low overall cost of production for zinc concentrate extracted from the mine. An on-site concentrator is used to produce zinc and lead concentrates which are shipped mainly to HZL's smelters though surplus concentrates are exported through the port of Kandla. The mining and processing facilities are modern and in good condition.

In fiscal 2011, 6.15 million tonnes of ore at 13.1% zinc and 2.2% lead were mined from Rampura Agucha, which produced 1.3 million tonnes of zinc concentrate at 51.3% zinc and 117,272 tonnes of lead concentrate at 58.6% lead. Approximately 77,066,151 tonnes of waste were removed giving a strip ratio of 12.53 tonnes of waste per tonne of ore mined. The expansion of mine from 5 mtpa to 6.15 mtpa has resulted in a significant increase in the strip ratio as there is dimensional change in the pit with ultimate depth of mine of 372 metres. Rampura Agucha mine has initiated a number of steps to optimize the strip ratio. Approximately 88.4% of the zinc was recovered to the zinc concentrate, while 54.6% of the lead and 64.1% of the silver was recovered from the metal contained in ore mined.

The gross book value of the Rampura Agucha mine's fixed assets and mining equipment was INR16,749.60 million ($375.1 million) as of 31 March 2011.

Power is supplied from two 234 MW and 80 MW captive power plants at Chanderiya and Zawar with two backup 5 MW generators on-site. Water to the site is pumped 57 km from radial wells in the Banas River. A water extraction permit has been granted, which provides sufficient water for a production rate of approximately 6 mtpa.

HZL estimates the remaining mine life at Rampura Agucha based on reserves and resources as of 31 March 2011, and current and anticipated production to be over 30 years. In 2004, HZL commissioned the first exploration programme since the mine opened and since then has increased the reserves at Rampura Agucha by approximately 60% after depletion. HZL also believes that additional mineralisation exists in an extension in the depth and breadth of the established resource boundary and exploration drillings and is continuing to evaluate the potential of this deeper mineralisation.

An economic feasibility study was carried out in September 2008 based on an industry standard Lerch Grossman open-pit optimisation algorithm using the Whittle 4X multi-element optimisation software. The treatment charges considered were $270 per tonne of zinc concentrate and $210 per tonne of lead concentrate. A dilution factor of 3% and a mining recovery factor of 96% were also applied.

Additionally, a sensitivity analysis was carried out which determined that an ultimate pit shell of 372 metres is optimal. The base metal prices used in the sensitivity analysis were $1,650 per tonne for zinc and $1,190 per tonne for lead.

In fiscal 2011, 55,954 dmt of zinc concentrate at a grade of 49.9% was sold to third parties from the Rampura Agucha mine. The revenue realised from zinc concentrate sales was INR 2,215.6 million ($49.6 million). In fiscal 2011, 30,305 dmt lead concentrate at a grade of 54.0% was sold to third parties from the Rampura Agucha mine. The revenue realised from lead concentrate sales was INR 2,638.3 million ($59.1 million).

HZL commissioned a one mtpa concentrator at the Rampura Agucha mine in March 2010.

Rajpura Dariba. Rajpura Dariba is a medium-sized underground lead-zinc mine and processing facility located approximately 75 km by paved road northeast of Udaipur in the Rajsamand district of Rajasthan in northwest India. Roads to Chittorgarh and Udaipur are used to transport concentrates to the HZL smelters at Chanderiya and Debari. The railway is used to transport concentrate to the HZL smelter at Vizag on the east coast of India.

The ore at Rajpura Dariba occurs in the north, south and east lenses which are typically 15 metres to 50 metres thick, are conformable with the stratigraphy and dip approximately 65 degrees to the east. The lenses have strike lengths of over 900 metres, 500 metres and 600 metres, respectively. They lie within a synclinal structure with a north-south axis which is overturned to the west with steep easterly dips. The lead and zinc mineralisation is hosted within silicified dolomites and graphite mica schists. The main ore minerals are galena and sphalerite with minor amounts of pyrite, pyrrhotite and silver bearing tetrahedrite-tennantite.

Mining at Rajpura Dariba commenced in 1983 and is carried out using the Vertical Crater Retreat method and the Blast Hole Mining method with mined out stopes backfilled with cemented classified mill tailings. In certain areas the ground conditions adversely affect slope stability and dilution. These ground conditions are the result of the weak graphitic nature of the shear zone combined with the dissolution of fractured and sheared dolomites by percolating acidic groundwater derived for overlying adjacent oxidised zones. HZL's Rajpura Dariba's mine permit is valid until May 2010 and it has submitted an application to renew this permit on 18 December 2008. The mine is currently being operated on the basis of deemed approval. The environmental clearance was obtained on 4 November 2009 and is in the process of being renewed.

The mine is serviced by two vertical shafts approximately 600 metres deep. The main shaft is six metres in diameter and the auxiliary shaft is 4.5 metres in diameter. The main shaft has the capacity to hoist one mtpa of ore by counterbalancing two skips each with six tonnes of capacity and is equipped with a modern multi-rope Koepe winder. All personnel and materials are hoisted in a large counter-balanced cage which also operates by Koepe winder. The surface infrastructure includes ventilation fans, compressors and ore loading facilities.

The ore is crushed underground before being hoisted to the surface. It is then crushed again and milled before undergoing a lead flotation process incorporating roughing, scavenging and three stages of cleaning. A facility exists at the mine to direct lead rougher concentrate to multi-gravity separators in order to reduce the graphite levels in the final concentrate as required. The final lead concentrate is thickened and filtered and subsequently stored and sent to HZL's Chanderiya lead smelters.

Lead flotation tails are sent to the zinc flotation process which comprises roughing, scavenging and three stages of cleaning. The facility is able to direct zinc rougher concentrate to column flotation cells to reduce silica levels in the final concentrate if required. Zinc concentrates are thickened, filtered and stored prior to dispatch to HZL smelters. Zinc flotation tails proceed to a backfill plant where they are cycloned with the underflow proceeding to intermediate storage where cement is added in preparation for use as underground fill. The cyclone overflow is thickened to recover water ahead of disposal in the tailings dam.

In fiscal 2011, 989,634 tonnes of ore at a grade of 5.6% zinc and 1.8% lead ore (percentages are for ore mined at the main Rajpura Dariba and Sindesar Khurd mines) was mined which produced 93,364 tonnes of zinc concentrate at 47.8% zinc, 26,896 tonnes of lead concentrate at 54.0% lead and 2,972 grams per tonne silver, and 14,265 tonnes of bulk concentrate at 37.5% zinc and 10.6% lead with 82.4% of the zinc being recovered in the zinc concentrate and 76.7% of the lead (percentages are for ore mined at the main Rajpura Dariba and Sindesar Khurd mines) and 81.0% of the silver being recovered in the lead concentrate.

The gross book value of the Rajpura Dariba mine's fixed assets, including Sindesar Khurd Mine, was approximately INR7,799.6 million ($174.7 million) as of 31 March 2011.

Power for the mine is supplied largely from HZL's 248.8 MW captive power plant at Chanderiya and through a contract with Ajmer Vidyut Vitran Nigam Limited, a state-owned entity. Water is sourced via a 22-km long pipeline from the Matri Kundia Dam on the seasonal Banas River as well as from underground. Water supply has been erratic in the past requiring supplemental supplies to be delivered by truck.

HZL estimates the remaining life at Rajpura Dariba including Sindesar Khurd, based on reserves and resources as of 31 March 2011 at current and anticipated production to be approximately 37 years. An exploration programme is also underway to identify new resources with the potential to be upgraded to reserves, and has been and continues to be focused on maintaining the reserve position after annual mining depletion. The drill spacing for proved reserves was some 30 metres while for probable reserves was less than 60 metres.

The average grade for each individual stope was defined using standard parameters for internal waste and dilution and a geological cut-off grade of 3% combined lead and zinc, though the mineralisation generally has a sharp natural contact. The economic cut-off grade was then calculated based on a zinc price of $1,000 per tonne and a lead price of $700 per tonne, treatment charges of $130 per tonne for zinc concentrate and $140 per tonne for lead concentrate and fiscal 2006 cost and performance levels. The in-situ quantities and qualities were adjusted by applying a mining loss factor of 10%, a dilution factor of between 12% and 20% depending on ground conditions, with a further grade adjustment of 0.2% for lead, 0.3% for zinc and five grams per tonne silver. These parameters are based on a reconciliation of historical production. This analysis showed that at these prices the diluted in-situ cut-off grade should be 5.4% combined lead and zinc. Stopes with average grades below this economic cut-off grade were excluded from the reserve estimate. The final reserve estimate is the sum of the stopes with an average grade above the economic cut-off limit. As the stopes are all accessed using the existing infrastructure and as there is sufficient capacity on the tailings dam, the capital expenditure was limited to the replacement of mining equipment and was therefore considered not to have a material impact on the cut-off grade.

Sindesar Khurd. The latest addition to the Rajpura Dariba mining operation is the Sindesar Khurd underground mine deposit that was explored from 1992 to 1995. Mine production at Sindesar Khurd began in April 2006 and HZL's mining permit is valid until 2029.

The Sindesar Khurd mine is an underground mine. The deposit lies five km north of and is on the same geological belt as the Rajpura Dariba mine. Ore from the mine is fed to the Rajpura Dariba mill and processing plant. The two mines are connected by all-weather gravel road. The proved and probable reserves for the Sindesar Khurd mine as of 31 March 2011 consist of 10.1 million tonnes at 4.9% zinc and 2.8% lead.

The Sindesar Khurd ore body is conformable with the host stratigraphy. The mineralisation lies within silicified dolomite and graphite mica schist which are overlain by quartzite. The deposit has been drilled to a depth of approximately 800 metres below the surface and the ore body is traced over approximately two km along the strike with an 800 metres vertical extension. While the deposit is still open in depth in the southern extension of the present mine block, the area below the mine block and towards the north extension only has narrow and low to moderate grade mineralisation intersected.

Access to the mine is through an incline shaft and ramp from the surface while ore is hauled up the inclined shaft through the ramp. The ore body is accessed via horizontal drives on three levels. The long-hole open stoping mining method is used.

Exploration at Sindesar Khurd has been ongoing since March 2005 with a drilling programme aimed at increasing the size of the resource. As of 31 March 2011, a total of 185 holes have been drilled, the deepest being 1,100 metres below surface.

In fiscal 2011, 10,004 dmt of zinc concentrate at a grade of 48.5% was sold to third parties from the Rajpura Dariba mines. The revenue realised from zinc concentrate sales was INR 369.2 million ($8.27 million). In fiscal 2011, 8,152 dmt of lead concentrate at a grade of 50.5% was sold to third parties from the Rajpura Dariba mines including Sindesar Khurd. The revenue realised from lead concentrate sales was INR 1,365.4 million ($30.6 million).

Zawar. Zawar consists of four separate mines, namely, Baroi, Zawarmala, Mochia and Balaria. The deposit is located approximately 45 km south of the city of Udaipur in the State of Rajasthan, India. Ahmedabad, the capital of the State of Gujarat is located about 215 km to the south. The deposits lie within a 36.2 square km mining lease granted by the State Government of Rajasthan, India, which expired on 29 March 2010. HZL has submitted an application to renew this lease to the Government of Rajasthan on 25 November 2008. At present, operations at certain parts of the Balaria mine are carried out pursuant to consents to operate under Air & Water Acts, which are valid until 28 February 2013. The mine plan for enhanced quantity was approved by the Indian Bureau of Mines ("IBM") on 21 August 2009. The environmental clearance from the MoEF for the renewal of the lease and capacity enhancement of 1.5 million tonnes was obtained on 30 October 2009. Due to the lack of forest clearance, mining activities at the Mochia, Zawarmala and Baroi mines ceased after 29 March 2010.

The four deposits at Zawar are hosted by low grade metamorphosed sediments consisting of greywackes, phyllites, dolomites and quartzites that unconformably overlay the Pre-Cambrian basement. The lead-zinc-pyrite mineralisation is strata bound and occurs as vein-stringers reflecting the high level of fractures within the more competent dolomites. There are multiple ore bodies that are complex in some areas as the lenses split and enclose waste rock. The ore bodies are steeply dipping.

Zawar uses the "sub-level open stoping mining method" and its variants for the majority of its production with shrinkage stopping being used where the ore body geometry dictates.

Ore processing is carried out in a conventional comminution and floatation plant having facility for "differential" as well as "bulk floatation" of zinc and lead metals. The ore is primarily crushed underground and then hoisted to the surface. Thereafter, the ore is crushed to 15 millimetres in size before being milled to 74 microns. In the differential floatation process, milled ore is conveyed separately to two lead flotation circuits and undergoes a process incorporating roughing, scavenging and cleaning. Final lead concentrate is thickened and filtered and then stored before dispatch to the Chanderiya lead smelter. Lead flotation tails proceed to two zinc flotation circuits comprising roughing, scavenging and cleaning. Zinc concentrate is thickened and filtered, then stored and dispatched to the Debari and Chanderiya smelters. Zinc flotation tails are disposed in slurry form in designated tailings disposal area.

In the bulk flotation process milled ore is conveyed to the flotation circuit and undergoes a process incorporating roughing, scavenging and cleaning. Final bulk concentrate is thickened and filtered, and then stored before dispatch to the Chanderiya lead zinc smelter. Bulk flotation tails are disposed in slurry form in designated tailings disposal area.

In fiscal 2011, approximately 240,550 tonnes of ore at 3.7% zinc and 0.9% lead was mined which produced 55,265 tonnes of bulk concentrate at 44.9% zinc and 6.4% lead. The recovery of zinc and lead during fiscal 2011 was 88.0% and 70.7%, respectively.

The gross book value of the Zawar fixed assets and mining equipment was approximately INR 1,551.86 million ($34.8 million) as of 31 March 2011 and of the new 80 MW coal-based thermal captive power plant at Zawar was INR 3,134.27 million ($70.2 million).

Power is supplied through a combination of an 80 MW coal-based thermal captive power plant commissioned in December 2008 and a six MW captive power plant. Power from the 80 MW coal-based thermal captive power plant is supplied to HZL's Debari hydrometallurgical zinc smelter and the excess power is sold to third parties. Water consumption is controlled by an active water conservation programme with supplemental water supplies sourced from a dedicated 300 million cubic foot dam. The process plant is in a reasonable structural, electrical and mechanical condition and a planned maintenance program is in place.

Based on reserves and resources as of 31 March 2011 and annual production levels, HZL estimates the remaining life of the Zawar operation to be approximately 20 years from 31 March 2011. The focus of mine exploration at Zawar is to replenish the reserves that are being depleted through exploration activities and to look for new mineralised areas to enhance production capacity. A surface drilling program is underway to locate deeper resources below -100 MRL up to -500 MRL. Underground exploratory drilling is carried out on a grid of between 25 metres and 30 metres which is then infilled to 12 metres and 15 metres after completing the development for final delineation of ore bodies. Past exploration has outlined additional in-mine mineral resources which require further delineation to add to reserves and further extend the mine life.

Two approaches were used to determine the reserves. For some of the proved reserves, the stope limits had been designed and the mineable quantities were then derived by applying a mining recovery factor of 90% and a dilution factor of 10% For the remaining proved resources and all of the probable reserves, the mineable quantities were adjusted further by applying an additional mining recovery factor of 60% to reflect the impact of leaving pillars and an additional dilution factor of 15% to reflect the effect of internal waste.

The average grade for each individual stope was defined using standard parameters for internal waste and dilution and a geological cut-off grade of 3% for combined lead and zinc. The economic cut-off grade was then calculated based on a zinc price of $1,000 per tonne, a lead price of $700 per tonne, treatment charges of $130 per tonne for zinc concentrate and $140 per tonne for lead concentrate and fiscal 2006 cost and performance levels. This analysis showed that at these prices, the diluted cut-off grade should be 3.6% zinc. Stopes with average grades below this economic cut-off grade were excluded from the reserve estimate. The final reserve estimate is the sum of the stopes with an average grade above the economic cut-off limit. As the stopes are all accessed using the existing infrastructure and as there is sufficient capacity on the tailings dam, the capital expenditure was limited to the replacement of mining equipment and was therefore considered not to have a material impact on the cut-off grade. In fiscal 2010, no zinc, lead or bulk concentrate was sold to third parties from the Zawar mine.

Principal raw materials

The principal inputs of HZL's zinc smelting business are zinc and lead concentrates and power. HZL has in the past been able to secure an adequate supply of the principal inputs for its business.

Zinc and Lead Concentrates. Zinc and lead concentrates are the principal raw material of HZL's smelters. HZL's lead-zinc mines have provided all of its requirements for zinc and lead concentrates in the past. Vedanta expects HZL's mines to continue to provide all of its zinc and lead concentrate requirements for the foreseeable future.

Power. Most of HZL's operations are powered by the coal-based captive power plant at Chanderiya for which HZL imports the necessary thermal coal from a number of third-party suppliers. HZL has outsourced the day-to-day operation and maintenance of its captive power plants at Chanderiya, Debari and Zawar.

HZL has also been awarded 2.43 million tonnes of coal linkage by the Ministry of Coal of the GoI, which will enable it to source coal from mines of Coal India. HZL's remaining operations source their required power from liquid fuel-based captive power plants or from local power companies. The liquid fuel is sourced from third-party suppliers on yearly contracts.

Metallurgical coke. In addition, HZL's pyrometallurgical smelter at Chanderiya requires metallurgical coke that is used in the smelting process. HZL currently sources its metallurgical coke requirements from third parties under long-term contracts and the open market.

Distribution, logistics and transport

Zinc and lead concentrates from HZL's lead-zinc mines are transported to the Chanderiya and Debari smelters by road. Zinc concentrate from HZL's mines is also transported by road, or a combination of road and rail, to the Vizag smelter which is located approximately 1,200 km southeast of the mines. Zinc concentrate may also be shipped for export. Zinc and lead ingots and silver, and sulphuric acid by-products are transported by road to customers in India.

Sales and marketing

HZL's ten largest customers accounted for approximately 23.1%, 32.3% and 36.2% of its revenue in fiscal 2009, 2010 and 2011, respectively. No customer accounted for greater than 10% of HZL's revenue in fiscal 2009, 2010 or 2011.

HZL's marketing office is located in Mumbai, and it has field sales and marketing offices in most major metropolitan centres in India. In fiscal 2011, HZL sold approximately 61% of the zinc and lead metal it produces in the Indian market and exports approximately 39%.

Approximately 98% of the zinc metal that HZL produced in fiscal 2011 was sold under annual contracts specifying quantity, grade and price, with the remainder sold on the spot market. In some of the contracts, a premium over the LME price is fixed while in other contracts, sales take place at a price equal to HZL's list price less an agreed discount. HZL's list prices are based on the LME prices, the prevailing market premium, tariffs and logistics costs. HZL periodically revises its list prices based on LME price trends. Thus, the price that HZL receives for its zinc is dependent upon, and subject to fluctuations in, the LME price.

Projects and developments

HZL has various expansion projects amounting to $720 million to increase its total lead-zinc capacity to 1,064,000 tpa with fully integrated mining and captive power generation capacities and $193.0 million (INR 8,650 million as at the date of announcement) to increase its total wind power generation capacity from 123.2 MW to 273.2 MW. These projects include:

- Successfully commissioning a 210,000 tpa hydro zinc smelter at Dariba and 1 million tpa concentrator at Rampura Agucha in the fourth quarter of fiscal 2010, which was three months ahead of schedule;
- Establishing one brownfield lead smelter which is expected to increase the production capacity of lead by approximately 100,000 tonnes at HZL's Rajpura Dariba complex in the State of Rajasthan which is expected to be completed by the end of June 2011;
- Successfully commissioning an associated captive power plant with a capacity of 160 MW at Rajpura Dariba;
- Expanding ore production capacity at the Sindesar Khurd mine from approximately 0.3 mtpa to 1.5 mtpa, which is scheduled to be progressively completed from mid-2011. The ramp portal connecting the Sindesar Khurd mine surface to the ore body has been completed and resources have been mobilised to achieve accelerated mine development;
- HZL is expected to commence mining activity at the Kayar mine progressively from mid-2011, with the mine expected to have a production capacity of 360,000 tpa;
- Increasing its silver production from the current levels of approximately 180 tpa to approximately 500 tpa in large part from additional production at the Sindesar Khurd mine; and
- Expanding its existing wind power generation capacity from the existing 123.2 MW to 273.2 MW. The first phase of 48 MW has been completed and the second phase of 102 MW is scheduled to be completed by the second quarter of fiscal 2012.

These projects are being financed from internal sources.

Market share and competition

HZL is the only integrated zinc producer in India and had a market share by sales volume of the Indian zinc market of 82% in fiscal 2011, according to ILZDA. Binani Zinc Limited is the only other zinc producer in India but it is not integrated and depends on imports of zinc concentrate. Binani Zinc Limited had a market share of 6% of the Indian market in terms of sales volume in fiscal 2011, according to ILZDA. Imports and secondary accounted for the remaining 12% market share, according to ILZDA.

Zinc is a commodity product and HZL competes primarily on the basis of price, time of delivery and location. Zinc metal also faces competition as a result of substitution of materials, including aluminium, stainless steel and other alloys, plastics and other materials being substituted for galvanised steel and epoxies, paints and other chemicals being used to treat steel in place of galvanising in the construction market.

HZL is the only primary lead producer in India, with competition coming from imports which provide a substantial majority of the lead consumed in India. Lead is a commodity product and HZL competes primarily on the basis of price, time of delivery and location.

Seasonality

Vedanta's zinc business is not subject to seasonality.

Recent developments — Acquisition of various zinc assets

On 10 May 2010, Vedanta agreed to acquire various zinc assets of Anglo American Plc for a total consideration of $1,513.1 million. The net cash available at these entities as of the date of acquisition was $359.2 million. The various zinc assets comprise Skorpion, which owns the Skorpion mine and refinery in Namibia, a 74% stake in Black Mountain Mining, which assets include the Black Mountain mine and the Gamsberg project, in South Africa and Lisheen, which owns the Lisheen mine in Ireland. On 3 December 2010, Vedanta announced the completion of the acquisition of Skorpion by Sterlite Infra Limited, a wholly-owned subsidiary of Sterlite. On 4 February 2011, Vedanta announced the completion of the acquisition of the 74% stake in Black Mountain Mining. The acquisition of Lisheen was completed on 15 February 2011.

Principal products

Skorpion produces SHG zinc ingots and there is a committed off-take agreement for three years commencing 1 January 2010, covering the sale of all zinc ingots produced at the integrated mine and refinery of Skorpion. Skorpion does not produce any material by-products.

Lisheen produces zinc and lead in concentrate. There are market priced off-take concentrate sales contracts in place with international customers for part of the production in fiscal 2012 and fiscal 2013 with the balance of concentrate to be sold in the spot market.

Black Mountain produces zinc and lead in concentrate and all the zinc concentrate is shipped to a refinery owned by Exxaro Base Metals. Copper and silver are also produced as a by-product.

Production

The following table sets out the total production(1) from Skorpion for each of the three years ended 31 December 2008, 2009 and 2010:

		Year Ended 31 December		
Facility	**Product**	**2008**	**2009**	**2010**
			(Tonnes)	
Skorpion:				
Zinc refinery	Zinc	145,000	150,000	152,000

Note:

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts. These production amounts are for before and after the acquisition of Skorpion by the Vedanta Group.

The following table sets out the total ore, zinc and lead concentrate production(1) at the Skorpion mine, the Lisheen mine and the Black Mountain mine for each of the three years ended 31 December 2008, 2009 and 2010:

Mine (Type of Mine)	Product	Year Ended 31 December 2008	2009	2010
		(Tonnes, except percentages)		
Skorpion (Open-pit)	Ore mined	1,390,000	1,496,000	1,553,000
	Ore grade — Zinc	12.2%	11.8%	11.1%
	Recovery — Zinc	89.1%	90.3%	90.3%
Lisheen (Underground)	Ore processed (DMT)(2)	1,517,000	1,526,000	1,588,000
	Ore grade — Zinc	12.1%	12.4%	12.2%
	— Lead	1.6%	1.8%	1.9%
	Recovery — Zinc	91.1%	90.6%	90.5%
	— Lead	64.0%	68.4%	67.2%
	Zinc concentrate	313,000	322,000	326,000
	Lead concentrate	25,000	31,000	34,000
Black Mountain (Underground)	Ore mined	1,205,000	1,293,000	1,379,000
	Ore grade — Zinc	3.0%	2.8%	3.3%
	— Lead	4.3%	4.0%	4.2%
	Recovery — Zinc	77.2%	78.6%	79.9%
	— Lead	91.8%	94.6%	88.2%
	Zinc concentrate	56,000	56,000	72,000
	Lead concentrate	65,000	69,000	71,000

Notes:

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) Includes 19,000 tonnes and 73,000 tonnes of ore purchased in fiscal 2009 and fiscal 2010, respectively.

Reserve base

The following table sets out the proved and probable zinc and lead reserves(1) as of 31 March 2011:

	Proved Reserve			Probable Reserve			Total Proved and Probable Reserves		
	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade
	(Million tonnes)	(%)		(Million tonnes)	(%)		(Million tonnes)	(%)	
Skorpion	1.5	9.4	—	4.9	10.4	—	6.4	10.2	—
Lisheen	5.0	11.2	1.9	0.7	9.0	1.5	5.7	10.9	1.8
Black Mountain(2)	3.3	2.7	3.7	3.5	3.3	2.8	6.8	3.0	3.2
Total	9.8	8.1	2.2	9.1	4.5	1.2	18.9	7.8	1.7

Notes:

(1) See "Presentation of Information — Basis of Presentation of Reserves" for an explanation of the basis of preparation of reserve amounts.

(2) Black Mountain mine also contain proved copper and silver reserves of 3.3 mt at 0.33% and 41g/t and probable copper and silver reserves of 3.5 mt at 0.43% and 47.5g/t, respectively.

Description of operations

Smelters and refineries

The following table sets out the total capacity(1) of the facility at Skorpion as of 31 March 2011:

Facility	Capacity Zinc (tpa)
Skorpion	153,000
Total	153,000

Note:

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

Skorpion

The Skorpion mine is located in the Karas region of southern Namibia, comprising an open pit mine with a mine life up to 2015 and an attached electrolytic refinery producing approximately 150,000 tonnes of SHG zinc ingots annually. Further opportunities to extend the life of the mine are currently being evaluated.

According to Brook Hunt, the Skorpion mine has consistently been one of the largest zinc producing mines in the world and in 2010, it was ranked 15th in the world in terms of production volume with a cost base in the bottom half of the zinc industry cost curve. The Skorpion mine produces only high-grade, high purity SHG zinc ingots that are registered in the London Metals Exchange.

The processing at the Skorpion mine is unique, using solvent-extraction/ electrowinning from zinc oxide ore. In this process, mined ore is crushed, homogenised and milled before acid leaching in agitated tanks at the refinery. Clarified liquor is purified by solvent extraction and zinc is electrolytically plated on to aluminium cathodes. Zinc is periodically stripped from these cathodes before being melted and cast as ingots for export.

Zinc at the Skorpion mine is cast into ingots for export and transported from the refinery to the port of Luderitz, approximately 300 km away, by trucks each having a maximum capacity of 35,000 tonnes.

The maximum power demand of the Skorpion mine is 85 MW and power is supplied from South Africa and is governed by a trilateral US dollar-denominated fixed price contract between Namibia Power Corporation (Proprietary) Limited, Eskom Holdings Limited and Skorpion, that currently links the annual increases in power costs to a US inflationary index.

The Skorpion mine uses 80,000 tonnes of sulphur per year, of which 80% is imported in bulk from Germany and shipped to Namibia through the port of Luderitz while the remaining sulphur is brought in from South Africa in molten form via road.

During the year ended 31 December 2010, 1.55 million tonnes of ore at 11.1% zinc were mined from the Skorpion mine, which produced approximately 152,000 tonnes of zinc metal. Approximately 9.21 million tonnes of waste were removed giving a strip ratio of 6 tonnes of waste per tonne of ore mined. Prior to its acquisition by the Vedanta Group, Skorpion had a financial year end of 31 December.

Lisheen

The Lisheen mine is located in County Tipperary, approximately 160 km southwest of Dublin, Republic of Ireland and consists of an underground mine, concentrator and backfill plant, producing approximately 170,000 tonnes of zinc in concentrate annually with an expected mine life until 2014. The Lisheen mine also produces approximately 25,000 tonnes of lead concentrate annually.

According to Brook Hunt, the Lisheen mine was one of the top 15 zinc mines by production volume in the world in 2010.

The crushed ore from the Lisheen mine is stored in a surface stockpile from which it is conveyed to a two-stage wet grinding circuit as the first processing set in the concentrator. The slurried product from the grinding mills then passes directly to the two flotation circuits, where the lead concentrate and the zinc concentrates are floated off sequentially. The zinc concentrates are leached with sulphuric acid to remove dolomite to bring the product to smelter requirements. The concentrates are dewatered to shipment requirements by thickening and subsequent pressure filtration. The dewatered concentrates are then trucked to the port of Cork and are then shipped to international smelters.

The power requirements at the Lisheen mine are provided by a 22KV power substation on site.

During the year ended 31 December 2010, 1,588,000 tonnes of ore at 12.2% zinc and 1.9% lead were mined from the Lisheen mine, which produced approximately 326,000 tonnes of zinc concentrate and 34,000 tonnes of lead concentrate, containing 175,000 tonnes and 21,000 tonnes of zinc and lead, respectively. Prior to its acquisition by the Vedanta Group, Lisheen had a financial year end of 31 December.

Black Mountain

The zinc mine at Black Mountain is an underground operation, mining a polymetallic ore body, with an attached concentrator producing approximately 28,000 tonnes of zinc, 50,000 tonnes of lead, 2,000 tonnes of copper and 55 tonnes of silver in concentrate, annually. Exxaro Resources (through its wholly owned subsidiary, Exxaro Base Metals) holds the remaining 26% interest in Black Mountain.

The predominant mining method is ramp in stope cut and fill. The planned production rate is 1.56 mtpa plant feed and the share hoisting capacity is approximately 150,000 tpa. All production stopes are backfilled and waste filled, integrated into the mining sequence.

The mining process includes primary crushing underground before being hoisted to surface coarse ore silos for stockpile. Coarse ore is screened before secondary and tertiary crushing, from where it is fed into a milling plant. The slurry product from the grinding mills passes directly to the floatation circuits from which copper concentrates, lead concentrates and, finally zinc concentrates are floated off. The concentrates are dewatered by thickening and subsequent pressure filtration to reduce moisture content to shipment requirements. The dewatered concentrates are discharged onto conveyors, before being transferred to separate copper, lead and zinc concentrate stockpiles. From the stockpiles, the concentrates are hauled by truck to a dedicated railway siding, where they are loaded onto rail cars for outbound shipping.

Power at the zinc mine at Black Mountain is supplied from two 40 MVA transformers at the Eskom Aggeneys substation. Water is supplied by the Pelladrift Water Board, which supplies potable water to the mine from the Orange river for both human consumption and industrial water requirements.

Zinc concentrate is transported via road and rail to Exxaro Base Metals' Zincor Refinery in Springs, Gauteng which is approximately 1,200 km away from the mine. Lead and copper concentrate from the mine is road hauled to a dedicated railway siding along a 150 km gravel road, which is owned by the provincial authorities but maintained by Black Mountain. The concentrate is then transported by train to Saldanha on the Sishen-Saldanha railway with delivery terms to export customers on a cost, insurance and freight basis.

During the year ended 31 December 2010, 1,379,000 tonnes of ore at 3.3% zinc and 4.2% lead were mined from Black Mountain, which produced approximately 72,000 tonnes of zinc concentrate and 71,000 tonnes of lead concentrate, containing 36,000 tonnes of zinc and 51,000 tonnes of lead, respectively. In addition Black Mountain also produced 2,500 tonnes of copper in concentrate and 57 tonnes of silver in concentrate. Prior to its acquisition by the Vedanta Group, Black Mountain Mining had a financial year end of 31 December.

Gamsberg project

The Gamsberg project comprises two main areas of mineralisation, Gamsberg North, a near surface mineral resource of approximately 154 mt at 6.3% zinc and Gamsberg East, with a mineral resource of approximately 32 mt at 9.8% zinc, which requires underground mining.

According to Brook Hunt, the Gamsberg project is expected to be one of the world's largest zinc producers with operating costs in the bottom third of the cost curve.

The Gamsberg deposits are favourably distinguished from other large undeveloped zinc deposits for reasons including:

- The deposits have large open-pittable resource, supported by higher grade underground resource;
- The deposits belong to the class of mineralisation characterised by metamorphosed, re-crystalised sulphide mineralisation which can have important by-products such as lead and silver;
- There is potential to upgrade the mineralisation using ore-sorting technology due to the magnetic nature of the non-ore mineral such as magnetite and pyrrhotite; and

- The deposits are located adjacent to a well established mining district with modern infrastructure and is locally in a politically stable country with a mild climate.

Vedanta believes that the Gamsberg project will be capable of producing in excess of 400,000 tpa of SHG zinc metal and is expected to comprise an open pit, an underground mine, a concentrator and a refinery.

The estimated power requirement for the Gamsberg project is 350 MVA for the production of 400,000 tpa of SHG zinc metal.

Aluminium Business

Introduction

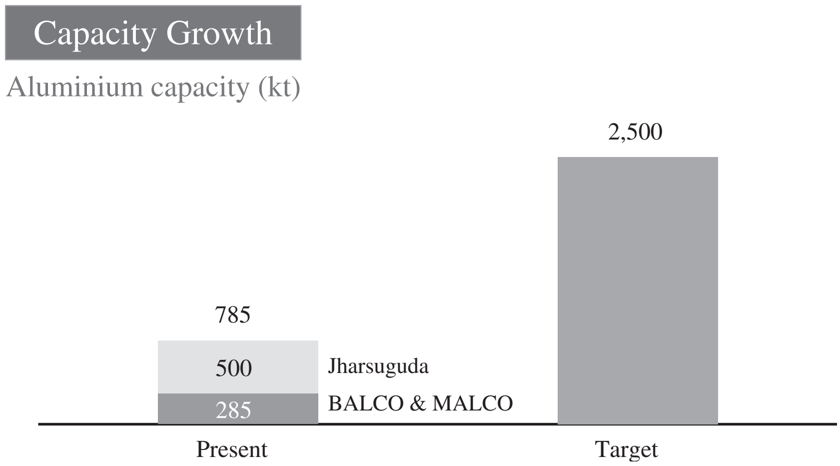
Vedanta's aluminium business is primarily owned and operated by BALCO and Vedanta Aluminium. In fiscal 2010, the combined market share of BALCO and Vedanta Aluminium was approximately 36% of the primary market share by sales volume in India, according to the AAI.

BALCO's partially integrated aluminium operations consist of two bauxite mines and the Korba facility which includes one alumina refinery, one aluminium smelter, two captive power plants and a fabrication facility, all of which are located in the State of Chhattisgarh in central India. One of BALCO's aluminium smelters at Korba with an installed capacity of 100,000 tpa was shut down in June 2009 pursuant to the terms of the MoU dated 8 August 2007 with the State Government of Chhattisgarh to phase out the old VSS technology (as defined below) smelter.

Sterlite acquired its interest in BALCO in 2001 and has since worked to improve BALCO's operating performance through expansion and by improving operational efficiencies and reducing unit costs of production. BALCO currently sources the alumina required for its smelters from third-party suppliers on both the Indian and international markets, including from Vedanta Aluminium. BALCO's bauxite mines provide all of the bauxite required for BALCO's alumina refinery. BALCO intends to further improve its operating performance by continuing to reduce unit operating costs at the Korba facility, including by lowering power consumption and improving the operating efficiency of the captive power plant. BALCO also intends to focus on the production of fabricated products with higher margins.

MALCO's aluminium operations consist of two bauxite mines and the Mettur Dam alumina refining and aluminium smelting complex which includes a captive power plant and fabrication facility, all of which are located in the State of Tamil Nadu in Southern India. In November 2008, MALCO ceased production of aluminium and is currently engaged in the generation of power to the state grid and other industrial consumers. Since Vedanta acquired its interest in MALCO in 1995, MALCO has improved its operating performance by setting up a coal-based captive power plant to provide power at reduced cost.

Vedanta Aluminium started with a 1 mtpa, expandable to 1.4 mtpa, of installed capacity subject to government approvals, alumina refinery at Lanjigarh in the State of Orissa in eastern India, with an associated 75 MW captive power plant, expandable to 90 MW. The alumina refinery at Lanjigarh produced 706,640 tonnes of alumina in fiscal 2011. In addition, Vedanta Aluminium has completed construction of a greenfield 500,000 tpa aluminium smelter, together with an associated 1,215 MW coal-based captive power plant, in Jharsuguda in the State of Orissa. The project was implemented in two phases of 250,000 tpa each. Phase 1 was completed on 30 November 2009 and Phase 2 was completed on 1 March 2010. All nine units of 135 MW have been commissioned. Vedanta pays royalties to the State Government of Chhattisgarh based on its extraction of bauxite. Vedanta Aluminium currently has 500,000 tpa of aluminium capacity and 1 mtpa of alumina capacity.



Vedanta Aluminium is currently undergoing several large projects which, once completed, will add to its alumina refinery and aluminium smelter capacities. See "— Projects and developments".

Principal products

Primary aluminium. Primary aluminium is produced from the smelting of metallurgical grade alumina. Vedanta produces primary aluminium in the form of ingots and wire rods for sale. Ingots are used extensively for aluminium castings and fabrication in the construction and transportation industries. Wire rods are used in various electrical applications especially in the form of electrical conductors and cables. Vedanta Aluminium also produces aluminium billets.

Rolled products. Rolled products, namely coils and sheets, are value-added products that BALCO and Vedanta Aluminium produce from primary aluminium. Rolled products are used for a variety of purposes in different industries, including aluminium foil manufacturing, printing, transportation, consumer durables, building and architecture, electrical and communications, packaging and general engineering industries.

By-products. Vanadium sludge is a by-product of the alumina refining process and is primarily used in the manufacture of vanadium-based ferrous alloys.

Production

The following table sets out Vedanta's total aluminium production(1) from its Korba(2) , Mettur Dam(3) and Jharsuguda facilities for fiscal 2009, 2010 and 2011:

Facility	Product	Year Ended 31 March 2009	2010 (Tonnes)	2011
Korba	Alumina(4)	197,947	42,893	0
	Ingots (including billets)	172,340	51,100	26,490
	Busbar	—	3,073	1,437
	Rods	127,042	148,279	160,665
	Rolled products	57,399	65,973	66,706
Mettur Dam	Alumina(4)	43,377	—	0
	Ingots	684	—	0
	Rods	17,621	—	0
	Busbar	4,919	—	—
Lanjigarh	Alumina(4)	585,597	762,195	706,640
Jharsuguda	Ingots(5)	82,061	250,356	288,150
	Rods	—	4,142	58,971
	Rolled products	—	9,200	37,524
	Busbar/Slab	—	617	717
Total	Alumina(4)	**826,921**	**805,088**	**706,640**
	Ingots	**255,085**	**301,456**	**314,640**
	Rods	**144,663**	**152,421**	**219,636**
	Rolled products	**57,399**	**75,173**	**104,230**
	Busbar/Slab	**4,919**	**3,690**	**2,154**

Notes:

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) BALCO ceased operations at one of its 100,000 tpa smelter at Korba in June 2009.

(3) MALCO suspended production of aluminium in November 2008 and currently only operates the power plant and sells the power generated to the state grid and to other industrial consumers.

(4) Alumina is used for the production of aluminium and rolled products. Approximately two tonnes of alumina is required for the production of one tonne of aluminium. Additional alumina needed for the production of aluminium is purchased from third parties and is not reflected in alumina production numbers.

(5) Production fully capitalised.

The following table sets out the total bauxite ore production(1) for each of Vedanta's mines for fiscal 2009, 2010 and 2011:

Mine (Type of Mine)	Product	Year Ended 31 March 2009	2010	2011
		(Tonnes, except percentages)		
Mainpat (Open-pit)	Bauxite ore mined	571,422	486,429	564,608
	Ore grade	44.7%	46.4%	46.8%
Bodai-Daldali (Open-pit)	Bauxite ore mined	300,250	300,000	506,108
	Ore grade	49.1%	46.1%	45.8%
Shevaroy (Open-pit)	Bauxite ore mined	101,527	—	—
	Ore grade	41.5%	—	—
Koli Hills (Open-pit)	Bauxite ore mined	166,340	—	—
	Ore grade	39.4%	—	—
Total	Bauxite ore mined	1,139,539	786,429	1,070,716

Note:

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

Reserve base

The table below sets out BALCO's and MALCO's proved and probable bauxite reserves(1) as of 31 March 2011:

		Proved Reserve		Probable Reserve		Total Proved and Probable Reserves	
		Quantity (Million tonnes)	Oxide (%)	Quantity (Million tonnes)	Oxide (%)	Quantity (Million tonnes)	Oxide (%)
BALCO	Mainpat	2.4	46.8	—	—	2.4	46.8
	Bodai-Daldali	2.6	45.8	0.4	46	3.0	45.8
MALCO	Shevaroy	—	—	—	—	—	—
	Koli Hills	—	—	—	—	—	—
Total		5.0	46.3	0.4	46	5.4	46.3

Note:

(1) See "Presentation of Information — Basis of Presentation of Reserves" for an explanation of the basis of preparation of reserve amounts.

Description of operations

Smelters and Refineries

The following table sets out the total capacities as of 31 March 2011 at BALCO's Korba, MALCO's Mettur Dam and Vedanta Aluminium's Lanjigarh and Jharsuguda facilities:

	Capacity: Alumina(1) (tpa)	Aluminium (tpa)	Power Plant (MW)
Korba	200,000	245,000	810
Mettur Dam	88,000(2)	40,000(2)	100
Lanjigarh	1,000,000	—	90
Jharsuguda	—	500,000	1,215
Total	1,288,000	785,000	2,215

Notes:

(1) Alumina is used for the production of aluminium and rolled products. Approximately two tonnes of alumina is required for the production of one tonne of aluminium.

(2) MALCO suspended production of aluminium in November 2008 and currently only operates the power plant and sells the power generated to the state grid and other industrial consumers.

Vedanta intends to increase its aluminium capacity to 2,500,000 tpa in the future.

Korba aluminium complex. BALCO's aluminium complex is located at Korba in the State of Chhattisgarh in central India. The Korba alumina refinery was commissioned in 1973, uses the conventional high pressure Bayer process and has a capacity of 200,000 tpa of alumina. There are two aluminium smelters at Korba of which only one is operational. The older smelter was commissioned in 1975, used the Vertical Stud Soderberg technology ("VSS technology") to produce aluminium from alumina and had a capacity of 100,000 tpa. Operations at the older 100,000 tpa aluminium smelter were partially suspended from February 2009 and ceased on 5 June 2009. The newer aluminium smelter, which uses pre-baked Guiyang Aluminium Magnesium Design Research Institute technology ("GAMI technology") and has a capacity of 245,000 tpa, was fully commissioned in November 2006 at a cost of $543.2 million. BALCO is in the process of constructing a new 325,000 tpa aluminium smelter using pre-baked GAMI technology along with an associated 1,200 MW power plant at a cost of $1,820 million to increase production capacity and lower costs of production. The 325,000 tpa aluminium smelter at Korba is expected to complete by the second quarter of fiscal 2013.

The fabrication facility at Korba has two parts, a cast house and a sheet rolling shop. The cast house uses Properzi CCR copper rod technology and has a foundry which has twin-roll continuous casters with a SNIF degasser and hydraulically driven semi-continuous ingot casting machine to produce ingots and wire rods. The sheet rolling shop has three parts: a hot rolling mill with a capacity of 75,000 tpa, an older cold rolling mill with a capacity of 30,000 tpa and a newer cold rolling mill commissioned in 2004 with a capacity of 36,000 tpa. Molten metal is cast into slabs and then either hot-rolled and sold as hot-rolled sheets or converted into cold-rolled sheets in the cold rolling mills. Alternatively, molten metal is directly used in strip casting and then fed to the cold rolling mills to be converted into cold-rolled sheets or coils. BALCO has ceased operations at one of the smelters at Korba and is selling the surplus power generated by the captive power plant at this complex.

Smelting requires a substantial continuous supply of power and interruptions can cause molten metal to solidify and damage or destroy the pots. Power for the Korba facility is, for the most part, provided by the older coal-based 270 MW captive power plant commissioned in 1988 together with a new coal-based 540 MW captive power plant commissioned in March 2006 at a cost of $325.6 million as part of the expansion project. Thermal coal is a key raw material required for the operation of BALCO's captive power plants. In August 2006, BALCO entered into a five-year coal supply agreement with South Eastern Coalfields Limited ("SECL"), a subsidiary of Coal India, for the supply of thermal coal by SECL to BALCO, representing approximately 68% of its thermal coal requirements, with the remainder obtained through open market purchases and imports of coal. In November 2007, BALCO received a coal block allocation of 211 million tonnes for use in its captive power plants. At the time of the allocation, the Ministry of Coal estimated that the coal block allocated to BALCO contained proved reserves of 211 million tonnes of coal. These allocated coal blocks are currently in the post-exploration but pre-development stage.

Mettur Dam aluminium complex. MALCO's integrated aluminium complex is located at Mettur Dam in the Mettur region of the State of Tamil Nadu in southeast India and was commissioned in 1965. The complex consists of a Bayer alumina refinery, a VSS technology aluminium smelter, a 100 MW captive power plant and a fabrication facility. MALCO has suspended aluminium operations at the Mettur Dam facility since November 2008 and is selling the power generated by the captive power plants.

Lanjigarh alumina refinery: The Lanjigarh alumina refinery is located in the Lanjigarh district in the State of Orissa in India, which is located approximately 450 km from BALCO's Korba facility in the State of Chhattisgarh. In March 2007, Vedanta Aluminium began the progressive commissioning of a 1,000,000 tpa greenfield alumina refinery, expandable to 1.4 mtpa of installed capacity and an associated 75 MW, expandable to 90 MW, captive power plant. As of 31 March 2011, the 1 mtpa of installed capacity alumina refinery was operational and it produced 706,640 tonnes of alumina in fiscal 2011. The captive power plant was fully operational to meet the power requirements of the refinery. The second production stream of the Lanjigarh alumina refinery was commissioned in March 2010. Vedanta Aluminium is investing an estimated $1,720 million to expand its alumina refining capacity at Lanjigarh to 6 mtpa (which has since been revised to

5 mtpa). It proposes to increase the current alumina refinery's capacity from 1,400,000 tpa to 2,000,000 tpa by de-bottlenecking and then further expand the refinery by constructing a second alumina refinery with a refining capacity of 3 mtpa with an associated 210 MW captive power plant. The expansion at Lanjigarh is being put on hold in light of the MoEF's direction to Vedanta Aluminium to cease further construction of the expansion of its alumina refinery. See "— Litigation — Petitions have been filed in the Supreme Court of India and the High Court of Orissa to seek the cessation of construction of Vedanta Aluminium's refinery in Lanjigarh and related mining operations in Niyamgiri Hills" for further details.

Jharsuguda aluminium smelter: The Jharsuguda aluminium smelter is located in Jharsuguda in the State of Orissa in India. Operations in the Jharsuguda facility are being implemented in 2 phases. The first phase has a production capacity of 250,000 tpa and was completed in November 2009. It produced 264,315 and 385,363 tonnes of aluminium in fiscal 2010 and 2011, respectively. The second phase was commissioned in June 2010. A total of nine units of the associated 1,215 MW coal-based thermal captive power plant of 135 MW each, has been commissioned. The captive power plant units are expected to meet the power requirements of the Jharsuguda smelter and all other power requirements of this facility. Vedanta Aluminium is also investing an estimated $2,920 million to set up a 1,250,000 tpa aluminium smelter.

Mines

Chhattisgarh. BALCO has two captive bauxite mines, namely the Mainpat bauxite mines and the Bodai-Daldali bauxite mines, located in the State of Chhattisgarh in central India. Mainpat is an open-pit bauxite mine located approximately 210 km from the Korba facility in the Surguja district of the State of Chhattisgarh. The Mainpat mine has been in production since 1993 and has a leasehold area of 6.39 square km. The Mainpat mining lease is valid up to 8 July 2012 and is renewable. BALCO has applied for renewal of the mining lease for a further period of 10 years from 9 July 2012 and renewal is currently pending. The bauxite extraction limit for the mine as granted by MoEF is 750,000 tpa. The Bodai-Daldali deposits are located approximately 260 km from Korba in the Kawardhha district of the State of Chhattisgarh. Bodai-Daldali was commissioned in 2004 by BALCO with a lease hold area of 6.3 square km. The mining lease is valid until 26 March 2017 and is renewable. The bauxite extraction limit for the Bodai-Daldali mine approved by the IBM is 1,250,000 tpa.

The Chhattisgarh bauxite deposits are situated over a plateau with steep scarps on both sides, at an elevation of approximately 1,000 metres above sea level, for Mainpat, and approximately 940 metres above the surrounding land, for Bodai-Daldali. The bauxite is generally one metre to three metres thick and lies within a laterite sequence overlying thick tertiary basalts of the Deccan Traps. The cover of laterite and thin topsoil is up to five metres thick but is generally less than two metres. The bauxite outcrops around much of the plateau rims.

A typical profile of the Chhattisgarh deposits comprises topsoil and soft overburden above the laterite. The upper laterite consists of hard, loose or indurated bauxite pebbles and boulders with a clear contact with the underlying hard bauxites. The bauxite occurs in discontinuous lenses up to four metres in thickness with laterite infilling joints and fractures with the bauxite. The contact with the softer lower laterite is usually gradational and irregular.

The bauxite is hard to very hard with a natural moisture content of 5% to 10%, with an in-situ density of 2.3 tonnes per metre^3 to 2.4 tonnes per metre^3. It comprises primarily gibbsite with boehmite and minor diaspore. The reactive silica content is low and iron is present in the form of hematite and aluminous goethite. The average grade of the bauxite is, at present, approximately 47% aluminium oxide and silica levels of less than 4%.

All mining and transportation at both mines are undertaken by contractors. One thin topsoil layer is removed by an excavator and is either transported to an adjacent storage point or an area that is being backfilled. The laterite layer is drilled and blasted. The overburden is then removed by backhoe excavators and 15-tonne dumpers. Broken ore is hand-sorted, leaving waste material behind. Ore productivity is around two to three tonnes per person per day in the dry season, which decreases to around 1.25 tonnes per person per day to 1.75 tonnes per person per day in the wet season.

The ore pile is loaded by hand into non-tipping 16-tonne to 25-tonne trucks. Loaded trucks undertake a one-way trip of approximately 210 km via public roads to the respective railway siding or intermittent storage yard. The journey takes around six to seven hours depending upon the truck and road conditions which are highly variable, ranging from seven-metre wide, drained, cambered, smooth bitumen highways to non-surfaced, ungraded, three-metre wide dirt tracks.

At Mainpat's processing site, the trucks are unloaded manually and the bauxite is bulldozed onto an armoured pan feeder conveyor, where it is fed into the crusher.

The current exploration drilling programme is based on a 50-metre square pattern and is reduced to 25-metre centres for detailed mine planning. Sampling is normally in 0.40 metre lengths and core is currently split and retained for future reference. Bauxite samples are tested for silica and aluminium oxide at laboratories situated on site and at the Korba plant. Selected samples are re-assayed as part of a quality control programme.

Since commencing operations, the Mainpat mine has produced approximately 6.56 million tonnes of bauxite to 31 March 2011, with production in fiscal 2011 amounting to 564,608 tonnes at 44.33% aluminium oxide and was therefore less than the bauxite extraction limit for the mine fixed by the IBM. The potential consequences of this deviation include cancellation of the associated mining lease and a restriction from removing the mined ore from the mining site. See "Risk Factors — Risks of the Combined Group — The Combined Group's operations are subject to extensive governmental, health and safety and environmental regulations which have in the past and could in the future cause it to incur significant costs or liabilities or interrupt or close its operations, any of which events may adversely affect its results of operations, and financial condition".

Power and water requirements at Mainpat are minimal and can be supplied by small on-site diesel generators and from boreholes in the mine.

BALCO estimates the proved and probable reserves at Mainpat to be 2.4 million tonnes as of 31 March 2011. Based on current and anticipated production rates, BALCO expects that the mine will continue to operate for approximately 3.3 years from 31 March 2011.

Total production at the Bodai-Daldali mine since the commencement of production to 31 March 2011 was 2.03 million tonnes of bauxite, with production in fiscal 2011 of 506,108 tonnes at 49.9% aluminium oxide. At the Mainpat mine, manual sorting and sizing of ore is carried out due to the bauxite occurring as boulders but trials for mechanised crushing and screening on-site are planned. Power is supplied by on-site diesel generators and ground water provides the water requirements for the mine.

BALCO estimates the proved and probable reserves at Bodai-Daldali to be 3.0 million tonnes as of 31 March 2011. BALCO estimates that the remaining life of the Bodai-Daldali mine is three years from 31 March 2011.

A cut-off grade of 44% alumina was used to define the reserves at BALCO's mines, as this cut-off limit was primarily fixed by IBM for reserve estimation for the metallurgical use of bauxite. As the bauxite is hand-sorted and the mining recovery adjustment factor is based on reconciliation studies, there is a high degree of confidence in the cut-off limits.

The reserves as of 31 March 2011 at BALCO's mines at Mainpat and Bodai-Daldali were determined by verifying that the integrated operation was economic at an aluminium price of $2,120 per tonne, which was the average metal price checked for the three fiscal years ended 31 March 2011.

A drilling hole spacing of 50 metres by 50 metres is used to determine the proved reserves while a drill hole spacing of 100 metres by 100 metres is used to determine the probable reserves.

The mining dilution and mining recovery factors applied to determine the reserves at the Mainpat mine are 6.4% and 62%, respectively, while the factors applied at the Bodai-Daldali mine are 5% and 65%, respectively. The parameters for Mainpat are derived from the reconciliation of actual production against the geological model, while the parameters for Bodai-Daldali are based on estimates.

In fiscal 2011, all mining and transportation of the bauxite was done by contractors and the total cost for this was INR 1,935 ($43.34) per tonne of bauxite.

In fiscal 2011, the stripping ratio at the Mainpat mine was 1.0:3.25 with 4.25 tonnes of waste overburden being removed to mine one tonne of ore, while the stripping ratio at the Bodai-Daldali mine was 1.0:3.96 with 4.96 tonnes of waste overburden being removed to mine one tonne of ore. The strip ratio for the remaining reserves at Mainpat is 3.7 tonnes of waste per tonne of ore, while at the Bodai-Daldali mine, it is 3.5 tonnes of waste per tonne of ore.

Shevaroy. The Shevaroy bauxite mine is located eight km northeast of Yercaud town in the State of Tamil Nadu in India, which is approximately 85 km east of the Mettur Dam complex. The open-pit mine is operated by private mining contractors. However, work at the Shevaroy mine is currently suspended in connection with the suspension of operations at the Mettur Dam smelter. MALCO estimates the balance reserves of the portion of the Shevaroy mine which MALCO is permitted to mine to be 0.04 million tonnes as of 31 March 2011. The life of the Shevaroy mine is estimated by MALCO to be approximately three months from the time when mining re-commences at this mine. MALCO's mining leases have expired and, therefore, the mines are being operated under deemed consent. The Company has applied for renewal of these mining leases, and renewal is currently in process.

Koli Hills. The Koli Hills bauxite mine is located in the State of Tamil Nadu in India, approximately 150 km southeast of the Mettur Dam complex.

Operations at the Koli Hills mine are currently suspended in connection with the suspension of operations at the Mettur Dam smelter. MALCO estimates the balance reserves of the portion of the Koli Hills mine which MALCO is permitted to mine to be 0.11 million tonnes as of 31 March 2011. The life of the Koli Hills mine is estimated by MALCO to be approximately seven months from the time when mining re-commences at this mine. MALCO's mining leases have expired and, therefore, the mines are being operated under deemed consent. MALCO has applied for renewal of these mining leases but over a different portion of the Koli Hills mine which still has reserves. The renewal is currently in process.

Principal raw materials

The principal inputs for Vedanta's aluminium operations are bauxite, alumina, power, water, carbon, caustic soda and certain other raw materials. In the past, Vedanta has been able to secure an adequate supply of the principal inputs for its aluminium business.

Bauxite. Bauxite is the primary raw material used in the production of alumina. BALCO supplies bauxite to the Lanjigarh refinery on per job basis and receive alumina produced from the supplied bauxite. Vedanta's Lanjigarh refinery also purchases bauxite from various other sources in India.

Alumina. Alumina is the primary raw material used in the production of aluminium. BALCO currently sources all of its alumina from third-party suppliers in both India and the international markets, including from Vedanta Aluminium. Vedanta Aluminium sources some of its alumina requirement from its refinery at Lanjigarh and the remaining from third-party suppliers in international markets. The alumina sourced externally is metallurgical grade calcined alumina with a minimum alumina content of 98.6% on a dry basis. In fiscal 2009, 2010 and 2011, Vedanta purchased approximately 138,267 tonnes, 326,440 tonnes and 499,283 tonnes of alumina from international markets at an average price of $339, $321 and $410 per tonne, respectively, on a cost, insurance and freight basis at the port of Vizag in India.

Power. Smelting primary aluminium requires a substantial, continuous supply of electricity. A reliable and inexpensive supply of electricity, therefore, significantly affects the viability and profitability of aluminium smelting operations. As a result, power is a key input at BALCO's Korba facility and Vedanta Aluminium's Jharsuguda facility, where it is provided primarily by the older 270 MW captive power plant together with a new coal-based 540 MW captive power plant and nine coal-based captive power plants of 135 MW each, respectively. BALCO's captive power plant had historically been dependant upon coal allocations from Coal India. If such allocations are not available, BALCO imports coal from third parties. In November 2007, BALCO received a coal block allocation of 211 million tonnes for use in its captive power plants. At the time of the allocation, the Ministry of Coal estimated that the coal block allocated to BALCO contains proved reserves of 211 million tonnes of coal. These allocated coal blocks are currently in the post-exploration but pre-development stage. BALCO expects mine development activities to commence upon the receipt of all regulatory approvals. Power for BALCO's mines is provided by on-site diesel generators.

Water. Water is also an important input for BALCO's and Vedanta Aluminium's captive power plants. BALCO sources its water requirements at Korba from a nearby canal, with the water being transported by pipelines. BALCO is currently in a dispute with the National Thermal Power Corporation Limited ("NTPC") regarding the right of way for its water pipeline that supplies water to its 270 MW captive power plant, which has been built through NTPC premises. Arbitration proceedings commenced on 18 May 2009 and are ongoing. Vedanta Aluminium sources its water requirements for its operations at Jharsuguda from the Hirakud reservoir which is approximately 35 km from the plant through a pipeline and its water requirements for its operations at Lanjigarh from the Tel river located at Kesinga which is approximately 67 km from the plant through a dedicated pipeline.

Carbon. Carbon is an important raw material to the aluminium smelting process. Carbon is used in the process of electrolysis, in the form of cathodes and anodes, with the latter being the biggest component of BALCO's and Vedanta Aluminium's carbon costs. Anodes are made up of carbonaceous material of high purity. For pre-baked anodes, green carbon paste made of calcined petroleum coke and coal tar pitch is compacted or pressed into the required form. These anodes are baked before their use in electrolytic cells or pots.

BALCO and Vedanta Aluminium have in-house facilities to manufacture carbon anodes to meet their entire carbon anode requirements. Calcined petroleum coke, coal tar pitch and fuel oil, which are the key ingredients for the manufacture of carbon anodes, are sourced primarily from the Indian market. There is an adequate supply of these raw materials in India, though their prices are generally determined by movements in global prices.

Caustic soda. Caustic soda is a key raw material used to dissolve the bauxite in the alumina refining process. The caustic soda requirement varies significantly depending on the silica content of the bauxite and the technology employed.

Other raw materials. BALCO and Vedanta Aluminium use other raw materials such as fluorides and other chemicals. For these raw materials, there are several sources of supplies in the domestic markets and Vedanta does not currently foresee any difficulty in securing supplies when needed.

Distribution, logistics and transport

Bauxite mined from the Mainpat and Bodai-Daldali mines is transported by road to the nearest dispatch point for onward transportation to Vedanta Aluminium's refinery at Lanjigarh. Alumina purchased from third-party suppliers is obtained from a combination of domestic sources and imports, and is transported to the Korba facility and the Jharsuguda facility by road from domestic third-party suppliers or ports. BALCO's and Vedanta Aluminium's aluminium products are transported from the Korba facility and the Jharsuguda facility to domestic customers through a combination of road and rail, and shipped for export.

Sales and marketing

The Vedanta Group's aluminium business's ten largest customers accounted for 42%, 42% and 38% of its revenue from the aluminium business in fiscal 2009, 2010 and 2011, respectively. Save for Sterlite Technologies Ltd. (which is a related party and accounted for 11% and 18% of revenue from the aluminium business in fiscal 2009 and 2010, respectively), no customer accounted for greater than 10% of Vedanta's aluminium business revenue in the last three fiscal years.

Vedanta's aluminium sales and marketing head office is located in Mumbai, and it has field sales and marketing offices in most major metropolitan centres in India. Currently, Vedanta sells its aluminium products in both the Indian and international markets. However, with the commissioning of BALCO's new 325,000 tpa aluminium smelter and Vedanta Aluminium's 1.25 mtpa smelter at Jharsuguda, a significant part of the additional production may be sold in the export market. Vedanta's key customers in the aluminium segment include conductor manufacturers, state road transport corporations, railways, defence contractors and electrical equipment and machinery manufacturers.

Domestic sales are normally conducted on the basis of a fixed price for a given month that BALCO and Vedanta Aluminium determine from time to time based on the LME spot prices plus regional premiums, as well as domestic supply and demand conditions. The price for the aluminium which BALCO and Vedanta Aluminium sell in India is normally higher than the price it charges in the export markets due to the Indian tariff structure, smaller order sizes that domestic customers place and the packaging, storing and truck loading expenses incurred when supplying domestic customers.

BALCO's and Vedanta Aluminium's export sales of aluminium are currently on a spot basis at a price based on the LME price plus a premium.

Projects and developments

Lanjigarh alumina refinery. Sterlite entered into a MoU with the Government of Orissa for the setting up of a alumina refinery on 7 June 2003 and the same was subsequently assigned to Vedanta Aluminium. The MoU was further revised to include the aluminium smelter at Jharsuguda in the State of Orissa on 4 April 2007. On 5 October 2009, Vedanta Aluminium also entered into an agreement with OMC for the supply of 150 million tonnes of bauxite to the alumina refinery at Lanjigarh from the Lanjigarh bauxite mine and nearby mines. In November 2007, the Supreme Court of India directed Sterlite to enter into an agreement with OMC to operate the bauxite mines in place of Vedanta Aluminium. Accordingly, OMC and Sterlite formed a joint venture company to extract bauxite from the mines in the name of South West Orissa Bauxite Mining Pvt. Ltd with 74%, and 26% shareholding rights for Sterlite and OMC, respectively.

Besides the formation of the joint venture company for mining bauxite, OMC and Sterlite jointly agreed to the rehabilitation package as suggested by the Supreme Court when it granted clearance to the mines project. Accordingly, Sterlite has filed the necessary affidavits accepting the rehabilitation package in compliance with the Supreme Court's interim judgment dated 23 November 2007.

In accordance with the Supreme Court order, the Government of Orissa formed a special purpose vehicle on 6 October 2009 called Lanjigarh Project Area Development Foundation for the purposes of the Lanjigarh area development. Mine development has not commenced as OMC is awaiting forest clearance from the MoEF. Vedanta Aluminium started with a 1 mtpa capacity, expandable to 1.4 mtpa of installed capacity subject to government approvals, an alumina refinery at Lanjigarh in the State of Orissa in eastern India, with an associated 75 MW captive power plant, expandable to 90 MW. The second stream of the 1.4 mtpa of installed capacity alumina refinery at Lanjigarh was commissioned in March 2010 and it produced 706,640 tonnes of alumina in fiscal 2011.

In addition, Vedanta Aluminium is investing an estimated INR 76,798 million ($1,720 million) to expand its alumina refining capacity at Lanjigarh to 5 mtpa, subject to government approvals by increasing the capacity of the current alumina refinery from 1 mtpa to 2 mtpa through de-bottlenecking and by constructing a 3 mtpa alumina refinery and an associated 210 MW captive power plant.

On 8 August 2008, the Supreme Court of India granted clearance to the forest diversion proposal for the conversion of 660.7 hectares of forest land from forestry use to mining use, allowing the sourcing of bauxite which has been mined on the Niyamgiri Hills in Lanjigarh. Pursuant to the Supreme Court order, Sterlite was required to pay, from April 2007, the higher of 5% of annual profits before tax and interest from the Lanjigarh project and INR 100 million per annum, as a contribution for scheduled area development, as well as INR 122 million towards tribal development and INR 1,055.3 million plus expenses towards a wildlife management plan for the conservation and management of wildlife around the Lanjigarh bauxite mine. As of 31 March 2011, an amount of INR 1,211.8 million has been remitted to the Compensatory Afforestation Fund in compliance with the Supreme Court order. On 11 December 2008, the MoEF granted in-principle approval under the Forest (Conservation) Act, 1980 (the "Forest Act"). The stage one approval for the conveyor corridor was granted on 15 March 2009.

On 28 April 2009, the MoEF granted environmental clearance for the mining of bauxite. Thereafter, in a statement issued on 24 August 2010 the MoEF refused the final approval to the OMC proposal for the bauxite mining at Niyamgiri Hills. On 8 March 2011, OMC challenged the order of the MoEF by way of a special leave petition to the Supreme Court of India. On 1 April 2011, the Supreme Court of India admitted OMC's plea against the MoEF. Upon direction of the Supreme Court, the application has been converted into a writ petition and was listed before the Supreme Court on 21 April 2011. On this date, the Supreme Court directed the MoEF and other parties to file their replies within four weeks and list thereafter.

In view of the ongoing delay in approval of the Niyamgiri mining, Vedanta Aluminium is actively pursuing alternative sources of bauxite to its alumina refinery from the State of Orissa.

Accordingly, the expansion at Lanjigarh is being put on hold in light of the MoEF's direction to Vedanta Aluminium to cease further construction of the expansion of its alumina refinery.

Jharsuguda aluminium smelter. Vedanta Aluminium has completed the construction of a greenfield 500,000 tpa aluminium smelter, together with an associated 1,215 MW coal-based captive power plant, in Jharsuguda in the State of Orissa. The project was implemented in two phases of 250,000 tpa each. Phase 1 was completed on 30 November 2009. Phase 2 was completed on 1 March 2010. All nine units of 135 MW have been commissioned. The smelter production for fiscal 2011 was 385,363 tonnes including trial run production, whereas the net generation of captive power plant was 7,147 million units.

Vedanta Aluminium is also setting up another 1,250,000 tpa aluminium smelter in Jharsuguda at an estimated cost of $2,920 million.

As of 31 March 2011, Vedanta Aluminium had spent $6,158.6 million on all the projects at Lanjigarh and Jharsuguda.

Vedanta Aluminium received formal approval to set up a special economic zone in a portion of the area on 27 February 2009. This special economic zone is a designated duty-free enclave approved by the GoI which is treated as foreign territory for the purposes of trade operations, duties and tariffs. For the import or procurement of capital goods, raw materials, consumables, spares and other products into the special economic zone, there is no customs duty or excise duty. There is a 100% income tax exemption for a period of five years, a 50% income tax exemption for a further period of five years and an exemption for up to 50% of profits that are reinvested into the zone for a further period of five years under section 10-AA of the Income Tax Act, 1961 of India (the "Income Tax Act").

Chhattisgarh aluminium smelter. On 8 August 2007, BALCO entered into a MoU with the State Government of Chhattisgarh for a potential investment to build an aluminium smelter with a capacity of up to 650,000 tpa at Chhattisgarh at an estimated cost of INR 81,000 million ($1,814.1 million). The first of two phases of this project has commenced and the estimated project cost of the 325,000 tpa aluminium smelter by BALCO, which uses pre-baked GAMI technology, and the associated 1,200 MW power plant is $1,820 million. The first two units of 300 MW are expected to be synchronised by the second and third quarter of fiscal 2012 respectively and the remaining two units progressively by the second quarter of fiscal 2013.

Market share and competition

According to AAI, BALCO and Vedanta Aluminium are two of the four primary producers of aluminium in India and together had a 36% market share by sales volume in India in fiscal 2010 while its main competitors are Hindalco and National Aluminium Company Limited with a 39% and 25% market share by sales volume in India in fiscal 2010, respectively.

Aluminium ingots, wire rods and rolled products are commodity products and BALCO and Vedanta Aluminium compete primarily on the basis of price and service, with price being the most important consideration when supplies are abundant. Aluminium competes with other materials, particularly plastic, steel, iron, glass, and paper, among others, for various applications. In the past, customers have demonstrated a willingness to substitute other materials for aluminium.

Seasonality

Vedanta's aluminium business is not subject to seasonality.

Iron Ore Business

Introduction

Vedanta's iron ore business is owned and operated by SGL, India's largest exporter of iron ore in the private sector by volume since 2003, according to the Federation of Indian Mineral Industries. In April 2007, Vedanta acquired 51.0% of the share capital of SGL which, as of 31 March 2011, owns 100% of the share capital of SRL. As of 31 March 2011, Vedanta owns 55.1% of the share capital of SGL. SGL engages in the exploration, mining and processing of iron ore. In fiscal 2011, SGL exported approximately 16.3 million tonnes of iron ore. In fiscal 2011, SGL produced approximately 18.8 million tonnes of iron ore fines and lumps.

SGL's mining operations are carried out in the Indian states of Goa and Karnataka. Ore from SGL's mine at Karnataka is exported mainly through the ports at Goa and Mangalore while ore from Orissa was mainly exported through the ports of Haldia and Paradeep. In the early 1990s, SGL diversified into the manufacturing of pig iron and metallurgical coke. SGL directly operates a metallurgical coke plant with an installed capacity of 280,000 tpa and operates a pig iron plant with an installed capacity of 250,000 tpa. SGL manufactures pig iron through the blast furnace route. SGL has a patent for the technology for the manufacture of metallurgical coke by the non-recovery method.

SGL intends to further leverage its position in the iron ore sector on the basis of the following strengths:

- As of 31 March 2011, SGL owns or has the rights to reserves consisting of 175.6 million tonnes of iron ore at an average grade of 56.6% and resources consisting of 130.6 million tonnes of iron ore at an average grade of 51.9%.
- The opportunity to expand through consolidation of the fragmented Indian iron ore industry.
- Experienced personnel with technical skills in Indian mining and resource development.
- Well-positioned to capitalise on the world's sixth largest (according to the Indian Steel Alliance) iron ore reserves and resources in India of approximately 25 billion tonnes, according to the IBM in 2005.

- Strong growth potential with additional prospecting and mining licences and de-bottlenecking operations.

- Robust balance sheet.

- Vertically integrated pig iron and metallurgical coke operations with patented in-house technology.

On 22 March 2011, Vedanta announced that it had acquired the assets of the uncompleted steel plant unit of BSAL for a cash consideration of $49.3 million (INR 2,200 million) comprising a 0.5 mtpa steel plant (which was under construction), the freehold land on which the plant is being constructed of approximately 700 acres, existing buildings and structures and plant and machinery. Vedanta had undertaken this acquisition as the assets were located in the iron ore rich belt in the State of Karnataka, in close proximity to transportation networks such as, highways and railways, and water sources. Accordingly, Vedanta believes that the acquisition provides an opportunity to set up a value added facility to complement its existing businesses.

Principal products

Iron ore SGL's iron ore reserves consist of both lump and fine ore. The percentage of lump ore in the reserves is approximately 12% and 20% in Goa and Karnataka, respectively. While the Goan ore contains average iron content deposits of 57% to 60%, the mines in Karnataka are of higher grade deposits, ranging between 58% to 65% iron. SGL sells lump ore with less than 64% of iron content from its mines in Karnataka primarily to domestic pig iron/steel producers; the majority of other iron ore produced by SGL's mines is sold internationally, primarily to purchasers in China.

Pig iron SGL produces basic, foundry and nodular grade pig iron in various grades for steel mills and foundries.

Metallurgical coke SGL also produces metallurgical coke, the majority of which is consumed internally.

Production

The table below sets out SGL's total production(1) for each of fiscal 2009, 2010 and 2011:

Mine/Mine Type(1)	Product	Year Ended 31 March 2009	2010	2011
		(Million tonnes)		
Goa (Open-Pit)	Iron ore	9.9	10.6	10.3
A. Narrain (Open-Pit)	Iron ore	2.5	3.7	3.0
Thakurani (Open-Pit)	Iron ore	1.8	1.7	1.4
Dempo (Open-Pit)	Iron ore	—	3.2	4.1
Total Iron Ore	**Iron ore**	**14.2**	**19.2**	**18.8**
Amona Plant	Metallurgical coke	0.22	0.26	0.26
	Pig iron	0.22	0.28	0.28

Note:

(1) See "Presentation of information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

In fiscal 2011, SGL produced approximately 18.8 million tonnes of iron ore fines and lumps. In addition, as of 31 March 2011, SGL had total production capacities of 250,000 tpa of pig iron and 280,000 tpa of metallurgical coke. SGL plans to expand its pig iron and metallurgical coke capacity from 250,000 tpa to 625,000 tpa and from 280,000 tpa to 560,000 tpa, respectively by fiscal 2012, for which applications seeking the necessary approvals have been filed. This capacity expansion is expected to cost approximately $150 million in total to complete based on SGL's estimates as of 31 March 2011.

The table below sets out proved and probable iron ore reserves(1) as of 31 March 2011 at mines that SGL owns or has rights to:

	Proved Reserve		Probable Reserve		Total Proved and Probable Reserves	
	Quantity (Million tonnes)	Fe Grade (%)	Quantity (Million tonnes)	Fe Grade (%)	Quantity (Million tonnes)	Fe Grade (%)
Goa:						
Codli Group	14.76	55.13	9.61	56.53	24.37	55.68
Sonshi Group	8.98	59.67	10.48	59.19	19.46	59.42
Other	4.78	55.4	12.69	56.12	17.47	55.92
A. Narrain	19.92	55.55	24.30	61.58	44.22	58.86
Dempo	33.77	55.21	36.32	54.41	70.09	54.79
Total	82.21	55.77	93.4	57.26	175.61	56.57

Note:

(1) See "Presentation of Information — Basis of Presentation of Reserves" for an explanation of the basis of preparation of reserve amounts.

Description of operations

Production facilities

The following table sets out the total rated capacities as of 31 March 2011 at SGL's Amona facility:

	Capacity	
	Metallurgical Coke (tpa)	Pig Iron
Amona Plant	280,000	250,000

Amona plant. SGL's then subsidiary, SIL (which has since amalgamated with SGL with effect from 14 February 2011 and with the appointment date being set at 1 April 2005) commenced operations at its Amona plant in Goa in 1994 and has been engaged in the manufacture and sale of pig iron since then. SGL's metallurgical coke plant at Amona produces a range of coke fractions from over 70 mm for foundries, 20 mm to 60 mm for blast furnaces and six mm to 25 mm for the ferrous alloy industry. Approximately 63% of the total production of metallurgical coke is consumed by SGL for its pig iron production and the remainder is sold to customers primarily located in India. The cost of the input coal blend is the single most important cost component for the production of coke. SGL's production consists mainly of low ash coking coal and it imports 100% of low ash coking coal each year. In order to ensure a stable raw material supply, SGL has long-term supply contracts for the procurement of such coal. Electric power for SGL is supplied by Goa Energy Pvt Ltd ("GEPL") under an agreement among erstwhile Sesa Kembla Coke Company Limited (which has since merged with SGL), Videocon International Limited, GEPL and SGL. GEPL is an independent power producer generating power from the waste heat of SGL's metallurgical coke plant and the blast furnace gas from SGL.

Mines

Goa mines. SGL's Goa operations consist of two major iron ore mining areas, one in Codli village (in the South Goa District) and the other in Sonshi village (in the North Goa District). In addition, SGL derives ore production from several satellite mines in North Goa. SGL's Goa leases were originally granted as mining concessions by the government during the Portuguese regime from 1955 onwards, and in 1987 these concessions were converted to mining leases. SGL now operates a total of 13 mining leases in Goa representing an area of approximately 863 hectares as well as three third-party leases on contract, representing an area of approximately 169 hectares. The lease periods for SGL's 13 mining leases in Goa have expired and are in the process of being renewed and are currently being operated under deemed consent. SGL applied to the State of Goa for the renewal of these mining leases within the applicable statutory period, and the renewal is in process. Under applicable law, a leaseholder can continue mining while its application is pending with the State of Goa. Furthermore, under applicable law every person seeking renewal of a mining lease for the mining of a mineral that is used in its own industry is generally entitled to renewal of its mining lease for a period not exceeding 20 years. All renewal applications by SGL for leases which have expired were submitted on a timely basis and SGL does not expect that any of these leases will not be renewed.

SGL carries out exploration in grid patterns of 100 metres by 100 metres at the initial stage of exploration, followed by grid patterns of 50 metres by 50 metres. Core samples are analysed and used to interpret the ore body for the preparation of geological cross sections and the classification of the ore as either crude ore or sub-grade ore. Drill core sampling is undertaken on entire holes and the drill core material is sampled at the sample preparation facilities.

The gross value of fixed assets for SGL's Goa operations, including capital works-in-progress, was $1,198.1 million as of 31 March 2011.

Codli mines. The Codli group of mines is situated in South Goa, approximately 600 km south of Mumbai and 50 km east of Panaji, the capital of Goa. It is an open-pit operation and the mining leases are held by SGL. The nearest railway stations, Sanvordem and Margao, are approximately 13 km and 40 km, respectively, from the mine. There is an airport 55 km from the mine at Dabolim. The river loading points at Sanvordem and Capxem are approximately 12 km and 14 km, respectively, from the Codli mines while the port is approximately 40 nautical miles from the river loading point.

The Codli mines cover an area of approximately 340 hectares and are operated under the terms and conditions stipulated in four contiguous leases, three of which are owned by SGL with the remaining lease being owned by a third-party. SGL owns an additional two mining leases to the northwest of the current Codli mine operations where exploration is being undertaken. All of these leases expired in November 2007 and are in the process of being renewed.

SGL's leases were originally granted as mining concessions by the government during the Portuguese regime, and SGL acquired these mining leases in 1958. Exploration at the Codli mines began in 1966 and the mine first commenced production in 1973. Production at the mine reached 3 mtpa by 1995. The mines have been granted environmental clearance by the MoEF for a production of 7 mtpa.

At the Codli mines, the lower grade iron formation is folded and subsequently eroded into basinal areas amenable to open-pit mining. Economically mineable material occurs over an area of about 3.1 km by 1.6 km and is located between 84 metres above sea level and 50 metres below sea level. The formations show a general northwest-southeast trend with shallow to moderate dips towards the northeast with local reversals. The footwall is comprised manganiferous clay and decomposed quartzites and the stratigraphy of the ore body is cross cut by late dolerite dykes and sills which are manifested by pink clayey zones in the mine area.

The Codli mines are multi-pit, multi-lease fully mechanised mining units. The open-pits have a bench height of seven metres, haulage roads of 15 to 20 metres width and an overall pit slope under 30 degrees. The Codli mines have 14 basins, of which five pits have been exhausted. The lateritic overburden is removed either by blasting or ripping/dozing, and loaded by excavators and/or wheel loaders into heavy earth moving machinery such as rigid dumpers and articulated dumpers. Hauling within the mine is also done by rigid and articulated dumpers. An ore stockpile is maintained at all times to continuously feed the processing plants.

SGL has extensive ore processing facilities for upgrading the ore, which include crushing, dry screening, scrubbing, log washing, classifying, hydrocycloning, and magnetic separation with ultra fines recovery. The four Codli processing plants are between nine and 16 years old and throughput capacity of the four Codli processing plants is 10 mtpa. The processed ore is transported by road to a riverhead jetty by 10 tonne tipper trucks and then further transported by barges to the Goa ports or transhipper for onward shipment. SGL has a captive fleet of 16 barges and a transhipper, based at the Mormugao port. The transhipper is a large panamax size vessel (82,000 dwt) with gears, capable of picking up ore from barges and loading into ocean-going vessels at the maximum rate of 40,000 tonnes per day. One plant is provided with a dry circuit to process high grade ore, while the remaining three wet plants process low grade ores. The Codli processing plants undergo regular maintenance and annual repairs are conducted during the monsoon season.

SGL has an extensive exploration and evaluation programme at the Codli mines which involved, as of 31 March 2011, drilling a total of 66,038 metres in depth in 1,041 holes. The Codli mine deposits are extensively sampled in vertical drill hole grids between eight metres and 127 metres in length. The resource estimation at the Codli mines is done using the conventional cross-sectional half influence method.

Power at the Codli mines is supplied through a Government Grid Supply network with a maximum contracted demand of 4,000 kVA. There are also generator sets with an aggregate of 5,190 kVA available to supply power. The site's full water requirements are met from the rainwater accumulated in exhausted pits.

In fiscal 2011, the Codli mines produced 6.1 million tonnes of iron ore.

The economic cut-off grade at the Codli mines is determined by the requirement to meet various sales contracts. SGL operates on a 50% iron operational cut-off grade in practice, as compared to the statutory cut-off grade of 55% iron. Ore containing less than 55% iron is saleable after processing.

The reserves at the Codli mines in the proved reserve category are defined by drill holes spaced at 50 metre intervals, the probable reserves are generally defined by drill holes spaced at a further 50 metre interval from the proved reserves. Possible reserves are generally defined by drill holes spaced at a further 50 metre to 75 metre interval from the probable reserves. As the area is drilled at approximately 50 metres by 50 metres grids, the physical continuity of the ore is well demonstrated.

SGL has been operating the Gauthona Dusrifal mine, the lease of which is held by M/s Timblo Private Limited, as an ore raising contractor since 1989. This mining concession was granted in 1958 to M/s Timblo Private Limited, which owned and operated the mine until 1988. Since 1983, SGL has had a common boundary working agreement with M/s Timblo Private Limited and, in 1989, SGL acquired control of 40.8 hectares of the leasehold area. This mine is contiguous to the Codli mines. The mine has environmental clearance from the MoEF for 0.7 mtpa. The mining method at the Gauthona Dusrifal mine is the same as that of the Codli mines described above. Current ore production of the Gauthona Dusrifal mine is approximately 0.2 mtpa to 0.3 mtpa.

Sonshi mine. The Sonshi mine is situated in the North Goa District, approximately 34 km from Panaji and approximately 40 km north of the Codli mines. It comprises an open-pit mine. The area is well connected by metalled roads and the nearest railway station is at Tivim, approximately 25 km from the Sonshi mine. The river loading point, Amona, is nine km from the site and the port is approximately 35 nautical miles from the river loading point. The airport is approximately 50 km from the Sonshi mine.

The leasehold area of the Sonshi mine is 62 hectares. The lease expired in October 2007 and is in the process of being renewed. The leaseholder submitted timely renewal applications and no rejections have been notified. The Sonshi mine is currently operating under deemed consent. Due to the narrow width of the leasehold area, SGL has entered into common boundary working agreements with adjourning lessees to facilitate mining operations. The original mining concession was granted in 1955 to Cosme Costa & Sons. SGL has not acquired the lease, but has been operating the Sonshi mine as an ore raising contractor since 1958. Production at the mine commenced in 1958. The agreements entered into by SGL with Cosme Costa & Sons for the raising and sale of iron ore are valid until March 2013. The Sonshi mine has been granted environmental clearance for a production of 3.0 mtpa from the MoEF.

The area surrounding the Sonshi mine is covered with laterite capping underlain by lumpy ore zone. The ore deposit at the Sonshi mine forms the northern limb of the northwest-southeast trending syncline. The formations dip 50 degrees to 60 degrees northeast. The principal deposit of the Sonshi mine comprises three distinct ore bodies that are folded into a syncline. The youngest ore body has a width of 50 metres, while the other ore bodies dip steeply to the northeast and have widths of approximately 20 metres to 25 metres. The intervening parting between the ore bodies comprised 50 metres of manganiferous clay and a 30-metre wide limonitic zone separating one ore body from the footwall phyllite. The depth extent of these bands has not yet been outlined. Hematite is the major economic mineral in each of the bands.

The open-pit mining operations at the Sonshi mine are fully mechanised. The hard laterite capping is loosened either by drilling, blasting or ripping/dozing. The soft sub-lateritic zone is excavated and transported to respective laterite, clay and ore stacks. The material is then reloaded into smaller 10-tonne trucks and transported to the plants for processing and beneficiation, which involves crushing, scrubbing, log washing, classifying, double stage cycloning and thickening. The waste is transported to a dump stockpile four to five km away. Processing operations for the Sonshi mine are similar to those of the Codli mines described above. The processed ore is transported to the Amona jetty, loaded in barges and sent to Mormugao port approximately 35 nautical miles away.

There is no processing plant on-site. The extracted ore is transported by a fleet of contractors with 10-tonne trucks to the processing plants at Amona (approximately nine km away) and at Cudnem (approximately six km away). The combined throughput capacity of the processing plants is 4.2 mtpa. The plants undergo regular maintenance and annual repairs are carried out during the monsoon season.

The Sonshi mine has been extensively sampled in vertical and incline drill hole with a total of 47,392 metres being drilled in 562 holes as of 31 March 2011.

Power at the mine is supplied through a Government Grid Supply and the maximum contracted demand is 1,000 kVA. A 600 kVA diesel generator is also available to supply power.

In fiscal 2011, the Sonshi mine produced 2.4 million tonnes of ore.

The economic cut-off grade at the Sonshi mine is determined by the requirement to meet various sales contracts and the need to maintain stockpiles to meet the contract. SGL operates on a 50% iron operational cut-off grade in practice, as compared to the statutory cut-off grade of 55% iron. Any ore containing less than 55% iron is saleable after processing.

Geological understanding of the nature of bedded mineralisation and confidence in the reasonableness and variation in forecasts is used to classify tonnages as either measured resources (mine's internal proved), indicated resources (mine's internal probable) or inferred resources (mine's internal possible), depending on drill spacing, drill density and/or continuity.

SGL acquired an adjoining mining lease for the Mareta Sodo mine in 2004 from Pandurang Timblo Industries. This mining concession was granted in 1955 and was operated intermittently until the mine was transferred to SGL in November 2004. This mine has been granted environmental clearance for a production of 0.5 mtpa from the MoEF. As of 31 March 2011, 12,253 metres have been drilled in 87 boreholes on the leased area. The mining method of the Mareta Sodo mine is the same as that of the Sonshi mine described above

Other leases/mines. In addition to the Codli mines and right to the third-party mining lease at the Sonshi mine, SGL has ten additional mining leases, of which four are non-operative leases. The operative mines are the Sanquelim mines with three contiguous leases with an environmental clearances of 0.2 mtpa, the Orasso Dongor mine (0.2 mtpa) and the Botvadeacho Dongor mine (0.2 mtpa). The non-operative leases are under exploration.

The economic cut-off grade at these other mines is determined by the requirement to meet various sales contracts and the need to maintain stockpiles to meet the contracts. SGL operates on a 50% iron operational cut-off grade in practice, as compared to the statutory cut-off grade of 55% iron. Ore containing less than 55% iron is saleable after processing.

Karnataka. SGL's main operations in Karnataka are at the A. Narrain mine which is located approximately 200 km northwest of Bangalore. The open-pit mine is operated by SGL and is well connected by rail, with the nearest stations, Sasalu and Amruthapura, located 16 km and 17 km, respectively, from the A. Narrain mine. The nearest port at Mangalore is approximately 430 km from the mine and the nearest airport is located at Bangalore, approximately 230 km from the mine.

The leasehold area of the mine is 163.5 hectares, which is classified into two blocks, namely the South block, which is 123.5 hectares and the North block which is 40.0 hectares. These two blocks are joined by a narrow stretch of land 40 metres in width and 665 metres in length along the eastern side of the leasehold area. SGL has operated the mine since 1994, and the MoEF granted requisite permission for enhanced productions to SGL to 6.0 mtpa in 2009. SGL's lease is due to expire in 2012.

The A. Narrain mine began its operations in 1952 when a mining lease was granted in favour of A.K. Madhav Narrain for a period of 20 years, and subsequently renewed twice for a period of ten years each. Upon expiry of the lease in 1992, the present mining lease was granted in favour of A. Narrain Mines Private Limited for a period of 20 years. In 1994, SGL obtained access to mine iron ore, and the mine was subsequently acquired by SGL. This lease expires in 2012.

The geological formation of this region belongs to the Archean-Proterozoic age. The geology of the A. Narrain mine consists of Archean formations locally termed "Dharwars" which contain rich and large iron ore deposits. The leasehold area forms part of the Chitradurga-Tumkur schist belt and part of a regional isoclinal fold. The strike direction of the ore body dips westerly at an angle of about 60 degrees to 70 degrees.

Hematite is the principal ore mineral and limonite, goethite and magnetite constitute the associated minor minerals of the mine. The mineralised horizon extends over a length of about two km. The footwall comprised decomposed quartzite and phyllite, and the stratigraphy is cross cut by late dolerite dykes and sills which are manifested by pink clayey zones in the mine area.

Currently, the North and the South block of the A. Narrain mine have fully mechanised mining operations. The open-pit mines have a bench height of seven metres, haulage roads of 12 metres to 15 metres in width and an overall pit slope of less than 30 degrees. The A. Narrain mine is equipped with dry process facilities for processing all grades of ore.

The lateritic overburden is removed either by blasting or ripping/dozing, loaded onto and transported by 30-tonne trucks. The ore mined is processed at the mine's processing facilities, which involves crushing and dry screening processes. The processed ore is then transported by road to the railway yard, for onward transport to Goa or to Mangalore port for shipment and export. Ore produced in Karnataka ranges from 59% to 65% iron content and comprises 77% fines and 23% lumps. A portion of the ore is directly transported by road to Goa or to Mangalore for shipment as well as to the Amona plant for processing.

The two processing plants at the A. Narrain mine have a combined capacity of 1,150 tonnes per hour.

Since the mine was taken over by SGL, exploration at the A. Narrain mine involved the drilling of a total of 40,041 metres in 487 boreholes as of 31 March 2011. The A. Narrain deposit is extensively sampled in vertical and incline drill hole grids between 50 metres and 100 metres in length, with most of the holes covering a depth of 50 metres to 200 metres.

Power at the mine is supplied by a 725 kVA and 320 kVA generator. All power supplied to the mines and plants is through generators.

The gross value of fixed assets, including capital works-in-progress, was $352.37 million as of 31 March 2011.

In fiscal 2011, the A. Narrain mine produced approximately 3.0 million tonnes of ore.

The economic cut-off grade at the A. Narrain mine is determined by the requirement to meet various sales contracts and the need to maintain stockpiles to meet the contract specifications.

The reserves in the proved reserve category at the Karnataka mines are estimated based on drilled boreholes spaced at 50 metres along predefined section lines and occasionally off of the section lines, the probable reserves are estimated based on drilled boreholes spaced at 50 metres from the proved reserves and the possible reserves are estimated based on drilled boreholes spaced at 25 metres from the probable reserves. As the area is drilled at approximately 50 metres by 50 metres grids, the physical continuity of the ore is well demonstrated.

Orissa. The Thakurani mine is situated at Barbil within the State of Orissa, approximately 400 km from Kolkata airport. The Thakurani mine has been operated by SGL as an ore raising contractor since 1999 and the lease expired on 30 November 2010. Production at this mine has ceased.

The gross value of fixed assets, including capital works-in-progress, was $39.1 million as of 31 March 2011.

In fiscal 2011, the Thakurani mine produced approximately 1.4 million tonnes of ore.

SRL, Goa: SRL extracts iron ore from 20 mining leases spread across a total of approximately 1,700 hectares in Goa. SRL's operations consist of two major iron ore mining areas, one in Bicholim and the other in Surla, both located in North Goa and which together account for approximately 75% of SRL's total estimated iron ore reserves.

The Bicholim mine consists of five contiguous mining leases covering an area of 479.3 hectares in North Goa. The Surla mine consists of three contiguous mining leases covering an area of 253.4 hectares in the recognised iron ore belt of Pale-Velguem-Bicholim-Shirgao in North Goa. Mining operations started at the Bicholim mine and the Surla mine in 1958. Processed ore from the Bicholim and Surla mines is transported by SRL to loading jetties at Sarmanas and Surla/Sinori in North Goa, and then loaded into barges and sent to Mormugao port in Goa, India, where it is then shipped to customers. SRL's mining assets include processing plants, barges, jetties, transhippers and loading capacities at the Mormugao port.

In fiscal 2011, SRL produced 4.1 million tonnes and sold 4.0 million tonnes of iron ore. SRL's major customer base is in Japan and China.

SGL also has a ship building division which commenced operations in 1984 for the construction and repair of inland mini bulk carriers owned by SGL as its primary activity as well as support SGL's core activities including the export of iron ore and the import of coke and coal.

The ship building division has since developed into a medium sized yard with the capability of designing and building sophisticated vessels. The facilities of the ship building division comprises a slipway, several sheds, cranes, a quayside with water depth of 3m, gas manifold system and docking equipment.

The ship building division has designed and built various types of vessels such as barges, pusher tugboats, oil recovery vessels and landing crafts. In 1996, the ship building division was awarded a National Award for excellence in indigenisation of defense equipment from the Department of Defense Production and Supplies, Ministry of Defense, India for designing and constructing two landing crafts for the Indian Army.

The ship building division was also the first to design and build hatch covers for barges in Goa for shipment of fines during the monsoon season. As of 31 March 2011, the ship building division was certified ISO 9001-2000 Quality Management System in 2000, ISO 14001-2004 Environment Management System in 2004 and OHSAS 18001 for Occupational Health Management System.

Principal raw materials

Iron ore operations. There are no direct raw materials used in SGL's iron ore mining and processing operations. Indirect raw materials include power, fuel and lubricants. SGL procures these indirect materials from various vendors. The electricity required for its operations is supplied by the government grid and supplemented by SGL's owned and hired diesel generator sets. The prices of fuel and necessary lubricants are volatile and the price of power is dependent on tariffs imposed by State Governments.

Pig iron operations. The principal raw materials for the manufacture of pig iron are iron ore, metallurgical coke, limestone and dolomite.

Iron ore is largely sourced from mines in Karnataka and Goa. The iron ore is transported from Karnataka by truck and railway rakes and from Goa by truck. Iron ore requirements are met by SGL's own mines from Karnataka and purchases from other mines in Karnataka and Goa. SGL's metallurgical coke requirements are met by its metallurgical coke division. Limestone and dolomite are purchased from mines in Karnataka and transported to SGL by truck.

Metallurgical coke. The principal raw materials for the manufacture of metallurgical coke are hard and semi-hard coking coals. These raw materials are imported from various international suppliers mainly from Australia. SGL is currently negotiating with its suppliers of coking coal to renew the long-term contracts which had expired on 31 March 2011.

Power. Electricity for SGL's metallurgical coke and manufacturing operations is primarily supplied from GEPL under an agreement between GEPL and SGL. GEPL is an independent power producer generating power from the waste gases of SGL's metallurgical coke plant and its blast furnace.

Distribution, logistics and transport

SGL's mining operations are advantageously located in Goa and are complemented by an efficient transportation network. In order to achieve higher volume and loading capacities and vessels with higher drafts, SGL and SRL each own and operate a transfer vessel, which are used for mid-stream loading at Goa. In addition, SRL owns 50% of a transhipper vessel "MV Goan Pride" at Goa, which is also used for mid-stream loading. SGL ships its products from ports on both the east and west coasts of India so although the annual monsoon season shuts down shipping services on the west coast of India from the Mormugao port in Goa from June to September, iron ore mined in Karnataka and Orissa can still be shipped out from the ports of Mangalore and Krishnapatnam and the ports at Haldia and Paradeep, respectively.

SGL maintains a network of rail cars, barges and transhippers that are primarily used to facilitate the export of its ore to foreign customers. SGL's fleet includes 19 barges with a total floating capacity of 37,000 dwt and a transfer vessel which is based at the ports in Goa and has the ability to load vessels as large as 300,000 dwt.

Sales and marketing

Pig iron. Currently, the majority of the pig iron produced by SGL is sold within India to foundries and steel mills. The sale of pig iron is generally done on a spot basis with prices valid for a month. The prices of pig iron are fixed on a delivered basis, with material generally being sent on a freight-to-pay basis.

Metallurgical coke. Currently, all of the metallurgical coke produced by SGL is sold primarily within India to foundries, pig iron producers, ferrous alloys producers and cement plants. Approximately 63% of SGL's total metallurgical coke production is used for its production of pig iron. The balance is sold in the domestic Indian market.

The sale of metallurgical coke to other customers is done on a spot basis with prices valid for a month. Contracts with some ferrous alloy producers are on a quarterly or bi-monthly basis, where the quantity, grade and price are fixed.

SGL sold 89.6% of its iron ore by volume in the export market in fiscal 2011 with domestic sales being 10.4%. The geographical distribution of the exports of SGL by volume in fiscal 2011 was China (85.6%), Japan (7.7%), South Korea (3.3%), The Netherlands (2.7%), Pakistan (0.5%) and Thailand (0.4%). The ten largest customers of SGL's iron ore business accounted for 57.1% of its free on board business revenue in fiscal 2011. About 88% of the exports of SGL by volume in fiscal 2011 are linked to spot prices. The remainder of SGL's sales are priced based on long-term contracts which are linked to international benchmark prices that are negotiated quarterly.

SGL has a marketing office at Panaji in Goa with indenting agents to sell its pig iron and metallurgical coke products. SGL manages its iron ore sales in China through its own representative offices in China. The remaining sales and chartering needs of SGL are managed from the office at Goa.

Market share and competition

SGL has been India's largest exporter of iron ore in the Indian private sector by volume since 2003, according to the Federation of Indian Mineral Industries since 2003. In fiscal 2011, SGL exported approximately 16.3 million tonnes of iron ore, which accounted for approximately 13.9% of India's total iron ore exports of 117.3 million tonnes according to the Goa Mineral Ore Exporters' Association and approximately 1.8% of the world's total seaborne trade in iron ore of 905 million tonnes as published by Tex Report in its Iron Ore Manual 2009. SGL's primary competitors in both the public and private sectors in India include National Mineral Development Corporation, MMTC India Limited, Rungta Mines Ltd., MSPL and Essel. In addition, SGL competes with a number of international producer-exporters of iron ore worldwide.

Seasonality

Vedanta's iron ore mining operations are affected by changes in weather conditions, particularly heavy rains. Goa, where the majority of Vedanta's iron ore mining operations are located, experiences monsoon seasons, which usually occurs from early June to early October. During the monsoon season, restricted barge movements result in significantly lower exports through the Mormugao port in Goa, where Vedanta's iron ore is shipped to customers. Vedanta attempts to mitigate the effects of the monsoon season by concentrating on mine development and extracting larger quantities of overburden waste during the monsoon season in order to permit speedier extraction of iron ore during the dry season. In addition, during the monsoon season, Vedanta typically conducts annual maintenance at its processing plants and its other mining machinery.

Commercial Power Generation Business

Introduction

Vedanta has been building and managing captive power plants in India since 1997. As of 31 March 2011, the total power generation capacity of its thermal power plants and wind power plants was 4,127 MW of which approximately 3,874 MW was from coal-based thermal captive power plants.

Sales of units of power increased from 3,279 million units in fiscal 2010 to 4,782 million units of power in fiscal 2011. The increase in sales drove revenue from the Vedanta Group's commercial power generation business from $330.7 million in fiscal 2010 to $338.0 million in fiscal 2011.

The following table sets out information relating to Vedanta's existing power plants:

Year Commissioned	Capacity (MW)	Location	Type	Fuel Used
1988(1)	270	Korba	CPP	Thermal coal
1997	24	Tuticorin	CPP	Liquid fuel
1999	75	Mettur	CPP	Thermal coal
2003	29	Debari	CPP	Liquid fuel
2003	6	Zawar	CPP	Liquid fuel
2005	23	Tuticorin	CPP	Liquid fuel
2005	154	Chanderiya	CPP	Thermal coal
2006	540	Korba	CPP	Thermal coal
2007	75(2)	Lanjigarh	CPP	Thermal coal
2007(3)	107	Gujarat and Karnataka	WPP	Wind
2008	80	Chanderiya	CPP	Thermal coal
2009	80	Zawar	CPP	Thermal coal
2009(3)	16	Gujarat and Karnataka	WPP	Wind
2009	25	Mettur	CPP	Thermal coal
2010(4)	1,215	Jharsuguda	CPP	Thermal coal
2010	160	Dariba	CPP	Thermal coal
2010(5)	1,200	Jharsuguda	IPP	Thermal coal
2011	48	Rajasthan and Karnataka	WPP	Wind
Total	4,127(5)			

Notes:

(1) Commissioned by BALCO prior to Vedanta's acquisition of BALCO in 2001.

(2) Expandable up to 90 MW, subject to the GoI's approvals.

(3) Vedanta's wind power plants are not used for captive use.

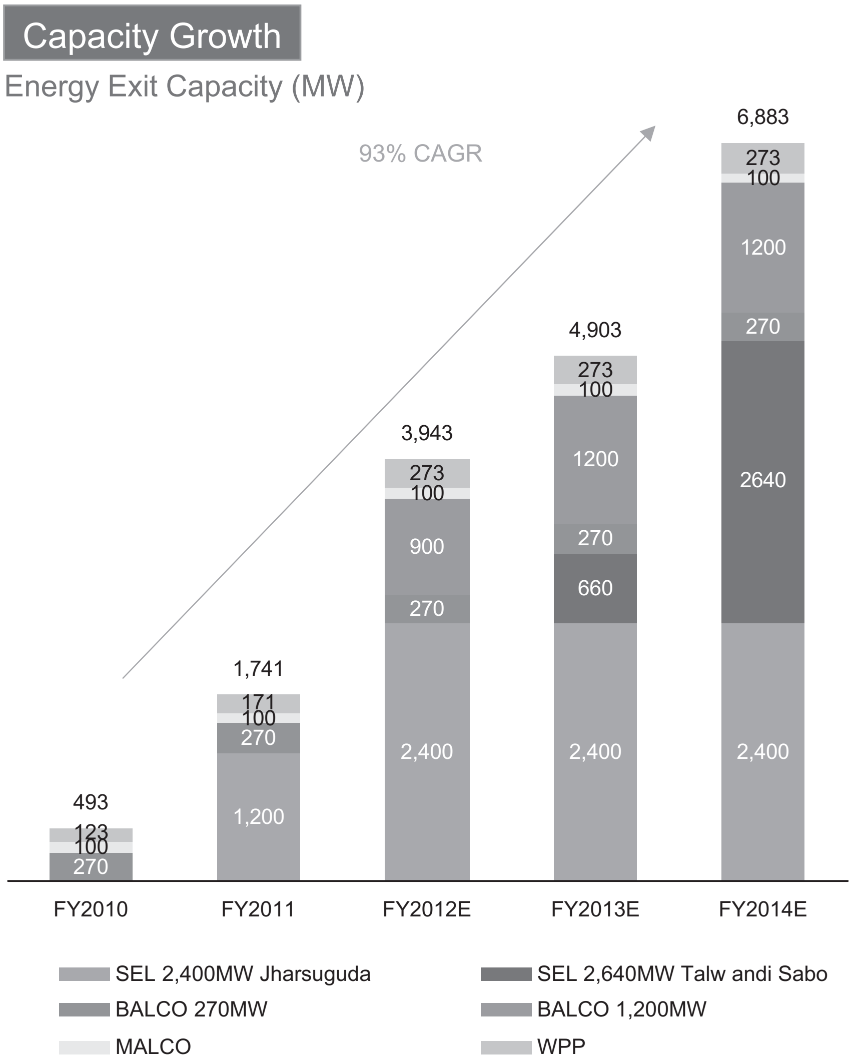
(4) Nine units of 135 MW each were commissioned from 2009 to 2010.

(5) One of the 600 MW unit included was operational and under trial run as at 31 March 2011.

Vedanta has the following power plants under construction:

- HZL's 160 MW coal-based captive power plant at the Rajpura Dariba mines of which, the first 80 MW unit was commissioned in the first quarter of fiscal 2011 and the second unit was commissioned in the fourth quarter of fiscal 2011;
- Sterlite's 160 MW coal-based thermal captive power plant at Tuticorin where the first unit of 80 MW is scheduled for commissioning in the fourth quarter of fiscal 2012;
- BALCO's 1,200 MW thermal coal-based power plant in the State of Chhattisgarh where the first two units of 300 MW are expected to be synchronised by the second and third quarter of fiscal 2012 respectively and the remaining two units, progressively by the second quarter of fiscal 2013;
- Sterlite Energy's 2,400 MW thermal coal-based power plant in Jharsuguda in the State of Orissa. The first unit was lighted on 30 June 2010 and commercial operation commenced in November 2010. The second unit was operational on 30 March 2011 and the remaining two units are expected to be progressively commenced by the fourth quarter of fiscal 2012;
- Sterlite Energy's 1,980 MW thermal coal-based power plant at Talwandi Sabo in the State of Punjab where the first unit is expected to be commissioned by fourth quarter of fiscal 2013 and remaining two units by the second quarter of fiscal 2014. In addition, TSPL has also signed a MoU with the Government of Punjab in October 2010 for the establishment of another unit of 660 MW. The aggregate capacity for the project is 2,640 MW and the fourth unit is expected to be completed by the fourth quarter of fiscal 2014; and
- Vedanta Aluminium's 210 MW coal-based captive power plant at its 3 mtpa alumina refinery which is expected to be commissioned in fiscal 2012.

Vedanta has been successful in building captive power plants at reasonable cost through its partnerships with a number of established suppliers. Vedanta's captive power plants of 154 MW and 540 MW at Chanderiya and Korba were commissioned at a capital cost of $111.6 million, or $0.7 million per MW, and $325.6 million, or $0.6 million per MW, respectively.



Vedanta Group's plans for commercial power generation

Sterlite Energy — Orissa In August 2006, Sterlite's shareholders approved its entry into the power generation business in India. Sterlite Energy is investing approximately INR 87,300 million ($1,955.2 million) to build a 2,400 MW thermal coal-based power facility (comprising four units of 600 MW each) in Jharsuguda in the State of Orissa. As of 31 March 2011, $1,515.6 million has been spent on the project. The first unit has been commissioned and the second unit is under trial with the remaining two units to be progressively commissioned by the fourth quarter of fiscal 2012. This project is expected to be financed by internal sources and/or debt financing. Sterlite Energy is building this power facility in the State of Orissa which has abundant coal resources estimated at 66.31 billion tonnes as of 1 April 2010, according to the Geological Survey of India 2010.

According to the U.S. Energy Information Administration, the statistical agency within the United States Department of Energy, India had the sixth largest coal reserves in the world, as of 1 January 2008. According to the Geological Survey of India, 2009 the State of Orissa had approximately 24.4% of India's total coal resources of 267.21 billion tonnes as of 1 April 2009. The facility would require approximately 12.49 mtpa of coal. Sterlite Energy applied to the Ministry of Coal of the GoI for allocation of coal blocks for its captive use. In January 2008, the Ministry of Coal allocated to six companies, including Sterlite Energy, coal blocks in the Rampia Dipside in the State of Orissa for the captive mining of coal and Sterlite Energy has been allocated a proportionate share of 112.2 million tonnes. These six companies have entered into an agreement to jointly promote a new company called Rampia Coal Mine and Energy Private Limited which is expected to develop the coal mines over a period of three to five years for the purposes of mining these allocated coal blocks. At the time of the allocation, the Ministry of Coal estimated that the coal block contains reserves of 645.26 million tonnes of coal. In addition, Sterlite Energy received a letter of assurance in June 2008 from Mahanadi Coalfields Limited that it would supply 2.57 million tonnes of coal per annum in order to meet the coal requirements of the first unit of 600 MW. In July 2010, a further letter of assurance was issued to Sterlite Energy for the supply of coal through a coal linkage of 6.94 mtpa for the Jharsuguda project from Mahanadi Coalfields Limited to meet the coal requirements of the three remaining units.

The process of making arrangements for a water reservoir, railway marshalling yard, coal stockpile, ash pond and other required facilities is currently underway. The power generated from the 2,400 MW power plant is expected to be sold to entities including state electricity boards, state-owned utility companies, power trading companies, private entities and the 1,250,000 tpa smelter of Vedanta Aluminium.

In September 2006, Sterlite Energy entered into a PPA with Grid Corporation of Orissa Limited, a nominee of the State Government of Orissa ("GRIDCO"), which was amended in August 2009, in which GRIDCO was granted the right to purchase up to 25% of the installed capacity of the power plant after adjustments for auxiliary consumption by Sterlite Energy, i.e. approximately up to 561 MW from this project. Further, GRIDCO would at all times have the right on behalf of the State Government of Orissa to receive from the Jharsuguda power project, 7% of the power generated (after adjustments for auxiliary consumption by Sterlite Energy), i.e. approximately 157 MW of power at variable cost, as determined by the Orissa Electricity Regulatory Commission ("OERC"). Further, Sterlite Energy is required to make available to GRIDCO the entire power generated from the first unit of the Jharsuguda power project after meeting its own requirement. GRIDCO will have the right to purchase an aggregate 718 MW of power from Sterlite Energy once in every five years, for a period 25 years from the date of commercial operation of the last unit. This right is an option to purchase rather than a binding commitment of GRIDCO. The PPA is subject to the approval of the OERC. Power from the power plant to be purchased by GRIDCO will be evacuated by GRIDCO from the bus bar of the project. For the evacuation of the remaining power, Sterlite Energy has constructed a 400 KV transmission line to connect to the transmission line being developed by Power Grid Corporation India Limited ("PGCIL") near Jharsuguda. Sterlite Energy entered into an agreement with PGCIL in July 2010 to build the dedicated transmission system required for evacuating power from the power plant to the pooling units of PGCIL and to dispatch power to beneficiaries.

In July 2008, Sterlite Energy was awarded a project for the construction of a 1,980 MW coal-based thermal power plant at Talwandi Sabo in the State of Punjab in India at an estimated cost of $2,087 million (INR 93,200 million). This project is expected to be commissioned in stages and completed in the second quarter of fiscal 2014. Sterlite Energy also completed the acquisition of Talwandi Sabo Power Limited ("TSPL") for a purchase price of INR 3,866.4 million ($86.6 million) on 1 September 2008.

In October 2010, TSPL signed a MoU with Punjab State Power Corporation Limited to construct an additional unit of 660 MW in line with the State of Punjab's 2010 power generation policy. The estimated cost for the additional unit is $559.9 million (INR 25,000 million) and is expected to be completed in the fourth quarter of fiscal 2014.

In May 2008, Sterlite Energy entered into an on-shore and offshore engineering, procurement and construction contract with Shandong Electric Power Construction Corporation ("SEPCO"), for Sterlite Energy's Talwandi Sabo thermal power project for INR 69,500 million ($1,556.5 million). The contract was amended to include an additional unit of 660 MW. The revised cost of the contract was $1,948.5 million (INR 87,000 million).

SEPCO's obligations under the contract include testing and delivery of plant and equipment, system design and engineering of plant and equipment as per technical specifications, supervision of civil, structure and manufacturing work, custom clearance, port clearance, inland transportation of offshore as well as onshore plant and equipment, unloading, storage and preservation for all equipment and material required, ash disposal among others within the period specified in the contracts. The fixed contract price is payable in multiple instalments according to a fixed payment schedule. SEPCO has provided performance guarantees with respect to various parameters, for instance, net unit heat rate of 2,222.80 kwph/kcal and net unit electric output of 614 MW. If there is a delay in completion or failure to meet performance guarantees, liquidated damages may be imposed on SEPCO in accordance with the terms of the contract.

Sterlite Energy intends to participate in projects relating to the generation of coal-based thermal power and ancillary activities, including UMPPs or other projects announced by the GoI or any state government. An initiative of the Ministry of Power of the GoI offers private developers an opportunity to establish a number of UMPPs. Private developers will be selected on the basis of competitive bidding and under the initiative, will have the benefit of the assured purchase of power generated and payment security mechanisms. Four of such UMPPs have been awarded as of 31 March 2011.

On 30 October 2009, Sterlite Energy filed a draft red herring prospectus with SEBI for a proposed initial public offering of its equity shares for an issue size of INR 51,000 million ($1,142.2 million). While the permission from SEBI to proceed with the initial public offering lapsed in April 2011, Vedanta continues to explore various financing options for Sterlite Energy including an initial public offering.

HZL — Wind power plants HZL currently has wind power plants with a combined capacity of 123.2 MW, as of 31 March 2011. The establishment of additional wind power plants with an additional 150 MW of combined capacity has been announced by HZL in January 2011, of which plants, with a combined capacity of 48 MW, are already in production.

The electricity from these wind power plants is proposed to be sold to state electricity boards in India. This project is anticipated to be funded through internal resources and benefits from the various tax incentives available under the Income Tax Act.

Other opportunities in power

Vedanta Aluminium entered into an agreement on 1 October 2007 with GRIDCO for the sale of excess power from its captive power plant at Lanjigarh.

Vedanta also intends to sell any excess power generated from its captive power plants to third parties.

Seasonality

Vedanta's commercial power business is not subject to seasonality.

Other Activities

Vedanta's other activities include:

Infrastructure

The Vedanta Group actively considers on an ongoing basis investment opportunities in port and infrastructure. Any future transactions will be publicly announced by Vedanta at the appropriate time in accordance with applicable law and stock exchange rules and regulations.

Paradip port

The Vedanta Group has a 74% interest in a consortium between Sterlite and Leighton Contractors (I) Pvt Ltd ("Leighton") which won the bid to build, own and operate a new berth at Paradip port, situated in the Jagatsinghapur District of Orissa, on the east coast of India.

The new berth is expected to facilitate the movement of cargo such as aluminium ingots, steel and containers and to have a capacity to handle up to 5.0 mpta of cargo. Upon receipt of environmental approval by the port authority, Paradip Port Trust, the consortium will enter an agreement with Paradip Port Trust, to operate the berth on a build-operate-transfer basis for 30 years commencing on the date of award of concession. Paradip Port Trust will receive a share of the revenue earned from the berth.

The expected costs for the project is INR 3,920 million ($87.8 million) and construction has yet to commence.

Vizag port

The Vedanta Group has a 74% interest in Vizag General Cargo Berth Pvt Limited ("VGCB"), a joint venture between Sterlite and Leighton which won the bid to mechanise the coal handling facilities and upgrade the general cargo berth for handling coal at the outer harbour of Vishakhapatnam port, on the east coast of India.

The initial capacity of the upgraded berth will be 10.2 mtpa with flexibility to upgrade to 12.5 mtpa. VGCB has entered into an agreement on 8 October 2010 with the port authority, Vishakhapatnam Port Trust, to mechanise the coal handling facilities and upgrade the general cargo berth on a build-operate-transfer basis for 30 years commencing on the date of award of concession. Vishakhapatnam Port Trust will receive a share of the revenue earned from the berth.

The expected costs for the project is INR 6,640 million ($148.7 million) and construction has commenced with completion of the berth expected in fiscal 2013.

Intellectual Property

Vedanta, through SGL, owns one patent in India and another in Europe that relates to a system for producing metallurgical coke. SGL also has a patent in the USA relating to the reduction of sulphur-based gases during the production of iron ore. Vedanta, through Sterlite, owns an additional patent in India that relates to a system for enhancing the quality of cathodes. Vedanta also has a number of patents in the process of being granted in India related to mining, refining and smelting processes. Vedanta owns a number of trademarks that are used to identify its businesses and products. Vedanta has also acquired certain intellectual property rights under licences from third parties for use in its businesses.

Vedanta's patents, licences and trademarks constitute valuable assets. However, Vedanta does not depend on any single patent, licence or trademark in a material manner in the conduct of its sales and operations viewed as a whole.

Options to Increase Interests in HZL and BALCO

BALCO Call Option

On 2 March 2001, Sterlite acquired a 51.0% interest in BALCO from the GoI for a cash consideration of INR 5,533 million ($115.2 million at the time of acquisition). On the same day, Sterlite entered into a shareholders' agreement with the GoI and BALCO to regulate, among other things, the management of BALCO and dealings in BALCO's shares. The shareholders' agreement provides that as long as Sterlite holds at least 51.0% of the share capital of BALCO, it is entitled to appoint one more director to the board of BALCO than the GoI and is also entitled to appoint the managing director. There are various other matters reserved for approval by both the GoI and Sterlite under the shareholders' agreement, including amendments to BALCO's articles of association, the commencement of a new business, non-pre-emptive issues of shares or convertible debentures and the provision of loans or guarantees or security to other companies under the same management as BALCO.

Under the shareholders' agreement, if either the GoI or Sterlite wishes to sell its shares in BALCO to a third party, the selling party must first offer the shares to the other party at the same price at which it is proposing to sell the shares to the third party. The other party shall then have the right to purchase all, but not less than all, of the shares so offered. If a shareholder does not exercise its right of first refusal, it shall have a tag along right to participate in the sale pro rata and on the same terms as the selling party, except that if the sale is by the GoI by way of a public offer, the tag along right will not apply. However, a transfer of shares representing not more than 5% of the equity share capital of BALCO by the GoI to the employees of BALCO is not subject to such right of first refusal by Sterlite.

The GoI also granted to Sterlite an option to acquire the remaining shares in BALCO held by the GoI at the time of exercise. The exercise price is the higher of:

- the fair value of the shares on the exercise date, as determined by an independent valuer; and
- the original sale price (INR 49.01 per share) ($1.09 per share) together with interest at a rate of 14% per annum compounded half yearly from 2 March 2001 to the exercise date, less all dividends received by the GoI since 2 March 2001 to the exercise date.

On 19 March 2004, Sterlite exercised its option to acquire the remaining 49.0% of BALCO's issued share capital held by the GoI at that time. Thereafter, the GoI sought several extensions to complete the sale of the shares as well as its interest during these additional time periods. On 7 June 2006, the GoI contended that the clauses of the shareholders' agreement relating to Sterlite's option violated the provisions of section 111A of the Indian Companies Act, 1956 by restricting the right of the GoI to transfer its shares and that as a result the shareholders' agreement was null and void. The GoI has also expressed an intention to exercise its right to sell 5% of BALCO to BALCO employees.

Sterlite has filed a petition before the High Court of Delhi seeking that the High Court direct the GoI to deposit with it at least 44% of the equity shares in BALCO and that the High Court further grant an injunction to restrain the GoI from selling, transferring, pledging or mortgaging or in any other way disposing of or encumbering its shareholding in BALCO in favour of any third party. The GoI retains the right to sell its shares representing 5% of BALCO to BALCO employees.

Subsequently, the GoI notified Sterlite that it would require Sterlite to amicably negotiate or, if that fails, commence informal mediation as provided for under the terms of the shareholders' agreement. The High Court of Delhi on 7 August 2006 directed that negotiations between the parties take place expeditiously. As negotiations for an amicable resolution were unsuccessful, on 17 May 2007, Sterlite filed a petition requesting that the court appoint an arbitrator as provided for under the terms of the shareholders' agreement.

At a hearing on 10 July 2007, the High Court directed the parties to conduct mediation proceedings failing which arbitration would proceed. The mediation process failed to resolve the dispute and the High Court directed the arbitrators appointed by the parties to constitute the arbitration tribunal. Consequently all applications before the High Court were discontinued. Arbitration proceedings commenced on 16 February 2009 and concluded on 29 August 2010. On 25 January 2011, the arbitration tribunal rejected the claims of Sterlite on the ground that the clauses relating to the call option, the right of first refusal, the "tag-along" rights and the restriction on the transfer of shares violate section 11A(2) of the Indian Companies Act, 1956. On 23 April 2011, Sterlite filed an application under section 34 of the Arbitration and Conciliation Act, 1996 in the High Court of Delhi to set aside the award dated 25 January 2011 to the extent that it holds these clauses ineffective and inoperative.

HZL Call Options

On 11 April 2002, Sterlite acquired a 26% interest in HZL from the GoI through its subsidiary, SOVL. At the time of the acquisition, Sterlite owned 80% of SOVL and STL owned the remaining 20%. In February 2003, STL transferred its 20% interest in SOVL to Sterlite and SOVL became Sterlite's wholly-owned subsidiary. SOVL subsequently acquired a further 20% interest in HZL through an open market offer. The total cash consideration paid by SOVL for the acquisition of the 46% interest in HZL was INR 7,776 million ($161.9 million at the time of acquisition).

Upon SOVL's acquisition of the 26% interest in HZL, the GoI and SOVL entered into a shareholders' agreement to regulate, among other things, the management of HZL and dealings in HZL's shares. The shareholders' agreement provides that as long as SOVL holds at least 26% of the share capital of HZL, SOVL is entitled to appoint one more director to the board of HZL than the GoI and is also entitled to appoint the managing director. In addition, as long as the shareholders' agreement remains in force, the GoI has the right to appoint at least one director to the board of HZL.

There are also various other matters reserved for approval by both the GoI and SOVL, including amendments to HZL's articles of association, the commencement of a new business, non-pre-emptive issues of shares or convertible debentures, a discounted rights issue and the granting of loans or the provision of guarantees or security to other companies under the same management as HZL.

Under the shareholders' agreement, the GoI also granted SOVL two call options to acquire all the shares in HZL held by the GoI at the time of exercise. SOVL exercised the first call option on 29 August 2003 and acquired an additional 18.9% of HZL's issued share capital at a cost of INR 3,239 million ($72.5 million) on 12 November 2003, taking Sterlite's interest in HZL to 64.9%.

The shareholders' agreement provides that prior to selling shares in HZL to a third party, either party must first issue a sale notice offering those shares to the other party at the price it intends to sell them to the third party. However, a transfer of shares, representing not more than 5% of the equity share capital of HZL, by the GoI to the employees of HZL is not subject to such right of first refusal by SOVL. The GoI has transferred shares representing 1.5% of HZL's share capital to the employees of HZL. The shareholders' agreement also provides that if the GoI proposes to make a sale of its shares in HZL by a public offer prior to the exercise of SOVL's second call option, then SOVL shall have no right of first refusal.

The second call option provides SOVL a right to acquire the GoI's remaining 29.5% shareholding in HZL, subject to the right of the GoI to transfer up to 3.5% of the issued share capital of HZL to employees of HZL, in which case the number of shares that SOVL may purchase under the second call option will be reduced accordingly. This call option became exercisable on 11 April 2007 and remains exercisable for as long as the GoI has not sold its remaining interest pursuant to a public offer of its shares. Under the shareholders' agreement, upon the issuance of a notice of exercise of the second call option by SOVL to the GoI, SOVL shall be under an obligation to complete the purchase of the shares, if any, then held by the GoI, within a period of 60 days from the date of such notice. The exercise price for the second call option will be equal to the fair market value of the shares as determined by an independent appraiser. In determining the fair market value of the shares, the independent appraiser may take into consideration a number of factors including, but not limited to, discounted cash flows, valuation multiples of comparable transactions, trading multiples of comparable companies, SEBI guidelines and principles of valuation, the minority status of the shares, the contractual rights of the shares and the current market price of the shares. Based solely on the market price of HZL's shares on the NSE on 31 March 2011 of INR 137.55 ($3.1) per share, and not including the other factors that the independent appraiser may consider, one possible estimation of the exercise price to acquire all of the GoI's 1,247,950,590 shares in HZL would be INR 171,656 million ($3.8 billion). If the GoI sells its remaining ownership interest in HZL through a public offer, Sterlite may look into alternative means of increasing its ownership interest in HZL.

By a letter dated 21 July 2009, SOVL exercised the second call option. The GoI has stated that the clauses of the shareholders' agreement relating to Sterlite's option violate the provisions of section 111A of the Indian Companies Act, 1956 by restricting the right of the GoI to transfer its shares and that as a result the shareholders' agreement was null and void. As such, the GoI has refused to act upon the second call option. Consequently, SOVL commenced arbitral proceedings under the terms of the shareholders' agreement and has appointed its arbitrator. Under the terms of the shareholders' agreement, the GoI is required to nominate an arbitrator, but the GoI has not as yet made such a nomination. As a result, SOVL has filed an arbitration application pursuant to section 11(6) of the Indian Arbitration and Conciliation Act 1996 in the High Court of Delhi petitioning the court to constitute an arbitral tribunal. On 18 May 2010, the High Court of Delhi ordered the parties to appoint mediators to mediate the dispute and if mediation fails, arbitration proceedings are to commence. Both the GoI and SOVL have appointed their respective mediators and mediation is on-going. Depending on the outcome of the mediation process, arbitration may commence.

In addition, from time to time, it has been reported in the Indian media that the GoI is considering asserting a breach of a covenant by Sterlite's subsidiary SOVL and may seek to exercise a put or call right with respect to its shares in HZL. If the GoI makes such an assertion, Sterlite intends to contest it and believes it has meritorious defences.

Litigation

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which the Company believes could reasonably be expected to have a material adverse effect on the Company's results of operation or financial position.

SOVL has commenced proceedings against the GoI, which has disputed SOVL's exercise of the call option to purchase its remaining 29.5% ownership interest in HZL.

Under the terms of the shareholders' agreement between the GoI and SOVL, SOVL was granted two call options to acquire all the shares in HZL held by the GoI at the time of exercise. SOVL exercised the first call option on 29 August 2003.

Mediation is on-going in relation to a dispute between the GoI and SOVL, with respect to SOVL's exercise of its second call option to acquire the remaining shares in HZL held by the GoI, pursuant to the shareholders' agreement between the parties. The GoI has refused to act upon the second call option, stating that SOVL's second call option violates the provisions of the Indian Companies Act, 1956, by restricting the right of the GoI to transfer its shares.

The amount of SOVL's claim against the GoI is not quantifiable as SOVL is seeking specific performance as a remedy.

Sterlite has commenced proceedings against the GoI which has disputed Sterlite's exercise of the call option to purchase its remaining 49.0% ownership interest in BALCO.

Arbitration proceedings have recently been concluded in relation to a dispute between the GoI and Sterlite, with respect to Sterlite's exercise of its second call option to acquire the remaining shares in BALCO held by the GoI, pursuant to the shareholders' agreement between the parties. On 25 January 2011, the arbitration tribunal rejected Sterlite's claims on the grounds that the clauses relating to the call option, the right of first refusal, the "tag-along" rights and the restriction on the transfer of shares violate the provisions of the Indian Companies Act, 1956. On 23 April 2011, Sterlite filed an application under section 34 of the Arbitration and Conciliation Act, 1996 in the High Court of Delhi to set aside the award dated 25 January 2011 to the extent that it holds these clauses ineffective and inoperative.

The amount of Sterlite's claim against the GoI is not quantifiable as Sterlite is seeking specific performance as a remedy.

Appeal proceedings in the High Court of Bombay brought by SEBI to overrule a decision by the SAT that Sterlite has not violated regulations prohibiting fraudulent and unfair trading practices.

In April 2001, SEBI ordered prosecution proceedings to be brought against Sterlite, alleging that it violated regulations prohibiting fraudulent and unfair trading practices, and also passed an order prohibiting Sterlite from accessing the capital markets for a period of two years. SEBI's order was overruled by the SAT on 22 October 2001 on the basis of a lack of sufficient material evidence to establish that Sterlite had, directly or indirectly, engaged in market manipulation and that SEBI had exercised its jurisdiction incorrectly in prohibiting Sterlite from accessing the capital markets. On 9 November 2001, SEBI appealed to the High Court of Bombay. A hearing date has not been fixed and no further action or procedures have taken place since 2001.

SEBI's order was based on its finding that Sterlite had manipulated the price of its shares in connection with its proposed acquisition of shares in Indian Aluminium Company Limited ("INDAL") and its proposed open offer to the shareholders of INDAL in 1998. SEBI also alleged that MALCO provided funds to an entity Vedanta allegedly controlled to enable its associate to purchase Sterlite's shares, as part of a connected price manipulation exercise.

In addition to the civil proceedings, SEBI also initiated criminal proceedings in 2001 before the Court of the Metropolitan Magistrate, Mumbai, against Sterlite, Vedanta's Executive Chairman, Mr. Anil Agarwal, Sterlite's Director of Finance, Mr. Tarun Jain, and the chief financial officer of MALCO at the time of the alleged price manipulation. When SEBI's order was overturned in October 2001, Sterlite filed a petition before the High Court of Bombay to defend those criminal proceedings on the grounds that the SAT had overruled SEBI's order on price manipulation. An order has been passed by the High Court of Bombay in Sterlite's favour, granting an interim stay of the criminal proceedings. The matter is pending final arguments.

The then directors and various officers were last summoned by the Court of the Metropolitan Magistrate on 19 February 2011 and the matter was adjourned on 19 April 2011 to 25 July 2011. A memorandum is expected to be filed with the Court of the Metropolitan Magistrate for a continuation of a stay on criminal proceedings.

The claim amount in respect of both civil and criminal proceedings is not presently quantifiable.

Investigation by the SFIO.

The Ministry of Corporate Affairs of the GoI had passed an order dated 23 October 2009 for the investigation by the SFIO into the affairs of SGL and its then subsidiary, SIL (which has since been amalgamated with SGL), in respect of alleged mismanagement, malpractices, financial and other irregularities, including the alleged siphoning and diversion of funds, which allegedly occurred primarily in the period prior to acquisition by the Vedanta Group and for a report to be submitted to the central government. Vedanta understands from the order that this investigation has been initiated pursuant to a report of the Registrar of Companies in Goa, India dated 8 October 2009 that recommended such an investigation and the order directs inquiry into allegations made in certain complaints. SGL did not have any notice of this report prior to receipt of the order and has not received a copy of this report of the Registrar of Companies in Goa, India. SGL has received requests from the Registrar of Companies in Goa for information. The investigation originates from the allegations made in the complaint filed by Ms. Krishna Bajaj against SGL and its directors.

The complainants' agitation against SGL, SIL and Mitsui relates to the siphoning of funds and mismanagement prior to the acquisition of SGL by Vedanta. On 26 May 2011, SGL received a copy of the report by the SFIO on its investigation into SGL's affairs pursuant to section 235 of the Indian Companies Act, 1956. SGL is in the process of reviewing the report and is unable at this time to comment on the contents of the SFIO report. The financial impact, if any, of the investigation is not presently quantifiable.

Criminal proceedings against SGL and its directors.

Ms. Krishna Bajaj filed a complaint against the then directors of SIL (which has since been amalgamated with SGL) before the Magistrate at Mumbai in 2000, in relation to shares issued on a preferential basis by SIL in 1993 to the shareholders of SGL, representing that the shares of SIL were not listed within 12 to 18 months of the offer as stated in the offering document. The Magistrate at Mumbai completed its enquiry and framed charges against the individuals who served as directors of SIL at the time of the issue of the shares. The four directors appeared before the court on 16 June 2009 and pleaded not guilty to the charges. The four directors have filed a criminal application in the High Court of Bombay challenging the Magistrate's order of framing charges before the High Court of Bombay. The matter is admitted and the proceedings before the Magistrate at Mumbai have been stayed. The next hearing has not been fixed.

Ms. Krishna Bajaj also filed another complaint against SIL, SGL and their directors in 2003 alleging that when SGL had offered in 2003 to buy-back the shares of SIL issued on a preferential basis by SIL in 1993 from the minority shareholders of SIL (including herself), it had committed the same offence alleged against the then directors of SIL described in the preceding paragraph and accordingly, SIL, SGL and their directors should also be liable for the failure to list the shares of SIL. There were also allegations of other irregularities under the Indian Companies Act, 1956, as amended from time to time. The Chief Judicial Magistrate at Mumbai, in connection with Ms. Krishna Bajaj's complaint of 2003, issued an order for process in October 2006 against SIL, SGL and its directors, against which a criminal writ petition was filed by SIL, SGL and their then directors before the High Court of Bombay, which stayed further proceeding, pursuant to an order in August 2007. The High Court of Bombay passed an order in favour of SIL, SGL and their directors, quashing Ms. Bajaj's complaint. The Supreme Court subsequently issued notices to all the parties and proceedings are on-going. Ms. Krishna Bajaj submitted an application to implead SFIO as a party to the proceedings and the next date of hearing is scheduled to take place on 18 July 2011. The financial impact, if any, of the complaint is not presently quantifiable.

Criminal proceedings against Vedanta Aluminium and Mr. Anil Agarwal

Maytas Infra Limited ("Maytas") has filed a special leave petition in the Supreme Court of India, challenging an order dated 18 November 2009 of the Andhra Pradesh High Court, which had, pursuant to an application filed by Vedanta Aluminium on 13 March 2009, quashed a first information report registered by the local police station for investigation into a criminal complaint filed by Maytas on 20 February 2009, with the Chief Metropolitan Magistrate, Hyderabad, alleging illegal encashment of bank guarantees worth INR 460 million ($10.3 million) by Vedanta Aluminium, and naming Mr. Anil Agarwal as one of the accused.

Amalgamation of SIL and SGL.

The scheme of amalgamation of SIL with SGL was approved on 18 December 2008 by the Single Judge in the High Court of Bombay at Goa. The objector, Ms. Krishna Bajaj, submitted that the Single Judge should not have approved the scheme on the basis that it was against the public interest, the exchange ratio was not favourable and the inspection report by Ministry of Corporate Affairs revealed irregularities and requested an appeal before the Division Bench. By an order dated 21 February 2009, the Division Bench set aside the order passed by the Single Judge with the result that the merger is not operative. SIL filed a petition in the Supreme Court challenging the order of the Division Bench. The Supreme Court has directed the Ministry of Corporate Affairs of India to file an affidavit disclosing the allegations against SIL and others pursuant to a concurrent SFIO investigation. The Ministry of Corporate Affairs of India has filed their affidavit with the report from the SFIO. The Supreme Court on 7 February 2011 allowed the appeal and upheld the judgment of the High Court of Bombay at Goa which approved the scheme of amalgamation of SIL with SGL. Ms. Krishna Bajaj has filed a review petition against the judgment of the Supreme Court dated 7 February 2011. However, there has been no notice or stay order from the Supreme Court. The financial impact, if any, of the aforesaid is not presently quantifiable.

BALCO is involved in litigation whereby BALCO has allegedly engaged in illegal felling of trees situated on forest land.

BALCO is involved in public interest litigations filed by an organisation known as "Sarthak" and Bhupesh Baghel before the forest bench of Supreme Court alleging encroachment by BALCO over the land on which the Korba facility is situated. It alleges that the land belongs to the State Government of Chhattisgarh and that BALCO has engaged in illegal felling of trees on that land and usage of forest land in violation of the Forest Conservation Act, 1980. The Supreme Court has referred the matter to the Central Empowered Committee of India ("CECI") which has submitted its report on the petitions to the Supreme Court on 17 October 2007, recommending that BALCO be directed to seek ex-post facto approval for diversion of forest land in possession of BALCO for non-forest use. This matter is currently pending.

On 29 February 2008, the Supreme Court had separately issued an order directing that no trees were to be felled pending resolution of disputes. The petitioners filed an application alleging contempt of the order dated 29 February 2008. The application was heard on 26 March 2010 and on 23 April 2010, the Supreme Court referred the application to CECI. After CECI submits its report to the Supreme Court, the matter will be listed for hearing in the Supreme Court. In the event that the judgment of the Supreme Court is held against BALCO, BALCO may be required to pay the net present value of the land in question to convert the forest land for non-forest use and the maximum amount payable, based on the highest prescribed rate, is approximately $14.2 million.

Vedanta is involved in certain litigation seeking cancellation of permits and environmental approval for the alleged violation of certain air, water and hazardous waste management regulations at its Tuticorin plant.

Various writ petitions were filed before the High Court of Madras sometime between 1996 and 1998 by the National Trust for Clean Environment and certain private citizens in relation to the operations of the Vedanta Group's smelter at Tuticorin in the State of Tamil Nadu, India. The smelter has been in operation since 1997. These writ petitions alleged that sulphur dioxide emissions from the Vedanta Group's copper smelting operations at Tuticorin are causing air, water and hazardous waste pollution resulting in damage to the marine ecosystem and the lives of people living in and around Tuticorin. The petitioners were seeking an order from the High Court of Madras for discontinuation of the Vedanta Group's current operations at Tuticorin and revocation of the environmental permits granted to the Vedanta Group by the Tamil Nadu Pollution Control Board (the "TNPCB"), and the MoEF in relation to the Vedanta Group's Tuticorin smelter plant. The above writ petitions were finally heard on 12 February 2010 before the High Court of Madras wherein the Vedanta Group contended that these writ petitions have become infructuous and liable to be dismissed since the Vedanta Group had complied with all the conditions imposed and is successfully running the copper smelter and has received periodic consents from the TNPCB and has also received environmental clearances from MoEF for its various expansion projects. However, by an order dated 28 September 2010, the High Court of Madras has ordered the closure of the Vedanta Group's copper smelting plant at Tuticorin. The Vedanta Group has applied for a special leave petition before the Supreme Court against the order of the High Court of Madras for a stay on the order passed by the High Court of Madras on 28 September 2010. The Supreme Court on 1 October 2010 after hearing the Vedanta Group's petition, granted an interim stay over the order dated 28 September 2010. The stay on the order passed by the High Court of Madras on 28 September 2010 was extended to 18 July 2011 at a hearing on 29 April 2011. The Supreme Court has in the interim directed that an independent assessment be conducted after the joint inspection with the TNPCB, Central Pollution Control Board and the Vedanta Group. The financial impact, if any, of the writ petition is not presently quantifiable.

Further, another writ petition has been filed in December 2009 in the High Court of Madras by one Mr. Pushparayan, challenging the grant of environmental clearance for Sterlite's expansion project from 400,000 mtpa to 800,000 mtpa of copper production. The petitioner is seeking an order from the High Court of Madras for declaring the environmental clearance as incorrect in law for want of public hearing for the aforesaid expansion of the smelter plant. The writ petition filed has been admitted without any adverse order or direction. The matter was heard on 5 January 2010. The Vedanta Group's submission that the petitioner should have filed an appeal before the National Environmental Appellate Authority has not been accepted by the Court who directed the matter to be decided on merits. On 16 April 2010, counter affidavits were filed by the TNPCB and the MoEF. Further, the Additional Solicitor General representing MoEF argued the case on merits. Another respondent, State Industries Promotion Corporation of Tamil Nadu Ltd. filed its counter affidavit and the matter is next scheduled for further hearing on 25 July 2011. The financial impact, if any, of the writ petition is not presently quantifiable.

Certain proceedings are on-going among Asarco, Sterlite and Sterlite USA.

Sterlite and Sterlite USA entered into an agreement with Asarco to purchase substantially all of the operating assets of Asarco on 30 May 2008 (the "30 May 2008 Agreement"). The 30 May 2008 Agreement was renegotiate and a new agreement, superseding the 30 May 2008 Agreement in its entirety, was entered into on 6 March 2009 (the "March 2009 Agreement"). The consummation of the March 2009 Agreement was contingent upon the confirmation of a Chapter 11 plan of reorganisation proposed by Asarco and sponsored by Sterlite (USA) (the "Debtor Plan") by the US Bankruptcy Court for the Southern District of Texas, Corpus Christi Division.

As part of Asarco's reorganisation plans, various parties, including Grupo Mexico S.A.B. de C.V. ("Grupo Mexico") through its subsidiaries, also submitted a proposed reorganisation plan (the "Parent Plan"). The US District Court considered both plans and the Debtor Plan was rejected. Sterlite and Sterlite USA appealed against that decision but the US Court of Appeal dismissed the appeal.

On 17 March 2010, Asarco filed a complaint in the US Bankruptcy Court for the Southern District of Texas, Corpus Christi Division, against Sterlite and Sterlite USA alleging that Sterlite and Sterlite USA had breached the 30 May 2008 agreement by, among other things, refusing to pay the $2.6 billion purchase price as allegedly required by the 30 May 2008 agreement and refusing to assume the liabilities and contractual obligations as allegedly required by the 30 May 2008 agreement.

Asarco is seeking to recover from Sterlite and Sterlite USA damages it allegedly suffered as a result of the alleged breach and certain other amounts, including costs associated with Asarco's efforts to complete their reorganisation and costs, disbursements and attorney's fees in connection with the proceedings. Asarco's complaint does not currently specify a quantum of damages suffered by Asarco. Both Sterlite and Sterlite USA intend to defend the complaint vigorously. The US Bankruptcy Court has fixed the trial to commence on 13 June 2011. This claim is currently unquantifiable as Asarco has not indicated the amount of damages it is seeking.

After confirmation of the Parent Plan, Asarco terminated the March 2009 agreement and drawn the $50 million provided as deposit under March 2009 Agreement. Sterlite and Sterlite USA have also filed a separate application to the US Bankruptcy Court for the return of the $50 million drawn by Asarco and legal costs. This application will also be heard by the US Bankruptcy Court concurrently with hearing of Asarco's complaint.

Petitions have been filed in the Supreme Court and the High Court of Orissa to seek the cessation of construction of Vedanta Aluminium's refinery in Lanjigarh and related mining operations in Niyamgiri Hills.

In 2004, a writ petition was filed against Sterlite, Vedanta Aluminium, the State of Orissa, the Republic of India, OMC, OIDC, and others by a private individual before the High Court of Orissa. The petition alleges that the proposed grant of the mining lease by OMC to Vedanta Aluminium and Sterlite to mine bauxite in the Niyamgiri Hills at Lanjigarh in the State of Orissa would violate the provisions of the Forest (Conservation) Act, 1980 of India (the "Forest Act"). The petition further alleges that the felling of trees and construction of the alumina refinery by Sterlite and Vedanta Aluminium and the development of the mine is in violation of the Forest Act and would have an adverse impact on the environment. The petition sought, among other things, to restrain the grant of the mining lease to mine bauxite in the Niyamgiri Hills at Lanjigarh in the State of Orissa by OMC to Vedanta Aluminium and Sterlite, to declare the memorandum of understanding entered into between OMC and Vedanta Aluminium void, a court direction for the immediate cessation of construction of the alumina refinery by Vedanta Aluminium and an unspecified amount of compensation from Sterlite and Vedanta Aluminium for damage caused to the environment. This issue was also filed before the Supreme Court by certain non-governmental organisations and individuals. The CECI heard the petitioners and filed its report to the Supreme Court. The Supreme Court after considering the report of CECI submissions made by MoEF and petitioners approved the forest diversion proposal for mining in the Niyamgiri Mines of OMC with Sterlite as the beneficiary of the Bauxite on terms and condition as specified in the order. Consequent to the order of the Supreme Court, the proceedings before the High Court of Orissa became infructuous as the issues were already determined. Subsequent to the order of the Supreme Court, the MoEF granted environmental clearance in respect of the Niyamgiri Mines. Thereafter, the MoEF on 24 August 2010 declined to grant the forest clearance to the Niyamgiri Mines and rendered the environmental clearance non-operational. On 8 March 2011, OMC challenged the order of the MoEF by way of a special leave petition to the Supreme Court of India. On 1 April 2011, the Supreme Court of India admitted OMC's plea against the MoEF. Upon direction of the Supreme Court, the application has been converted into a writ petition and was listed before the Supreme Court on 21 April 2011. On this date, the Supreme Court directed the MoEF and other parties to file their replies within four weeks and list thereafter. The lack of the clearance granted by the MoEF in respect of the Niyamgiri mines would prevent Sterlite from procuring bauxite from the Niyamgiri mines and thereby be unable to supply bauxite to the alumina refinery of Vedanta Aluminium.

Vedanta Aluminium was issued two notices by the MoEF dated 31 August 2010 to show cause as to (i) why the environmental clearance of its existing 1 mtpa alumina refinery should not be revoked and directions should not be issued for closure of its existing refinery and (ii) why the terms of reference issued on 12 March 2009 for the expansion of its alumina refinery from 1 mtpa to 6 mtpa should not have been withdrawn.

Vedanta Aluminium submitted its response to the show cause notices highlighting that there has not been any violation of the conditions of the existing environment clearance and that the expansion has been implemented in terms of the applicable notification of the MoEF, albeit the environmental clearance for the expansion remains outstanding.

On 20 October 2010, in respect of the first show cause notice, the MoEF permitted Vedanta Aluminium to carry on its business operations subject to compliance with certain conditions.

On 20 October 2010, in respect of the second show cause notice, the MoEF withdrew the terms of reference issued on 12 March 2009 and directed Vedanta Aluminium to cease further construction of the expansion of its alumina refinery from 1 mtpa to 6 mtpa. Vedanta Aluminium filed a writ petition in the High Court of Orissa challenging the order dated 20 October 2010 and requesting a reconsideration of the expansion plans under the relevant circular of the MoEF. The High Court of Orissa has heard the matter and judgment has been reserved.

Sterlite and Vedanta Aluminium have entered into three separate leases with the OIDC which specify that Sterlite and Vedanta Aluminium are required to start construction at the three sites that are the subject of the leases within a stipulated time period and to subsequently install plant and machinery and begin commercial production within a specified period from the date of taking possession of the premises. As a result of the pending litigation with respect to the Lanjigarh facility, Vedanta Aluminium has not been in compliance with the conditions of the leases. However, Sterlite and Vedanta Aluminium have not received any notice from the OIDC with respect to such non-compliance. Vedanta Aluminium applied to the OIDC for an extension of the terms of the leases on 25 August 2006 and such extension has neither been approved nor denied.

The claim amount relating to the litigation regarding Vedanta Aluminium's refinery in Lanjigarh and relating mining operations in Niyamgiri Hills is not presently quantifiable.

SGL is involved in proceedings relating to orders passed by the Government of Karnataka banning export of iron ore.

SGL filed a writ petition before the High Court of Karnataka against the State of Karnataka and others, alleging that orders dated 26 July 2010 and 28 July 2010 of the Karnataka Government had resulted in a ban on export of iron ore from the State of Karnataka. The High Court, by order dated 19 November 2010, disposed of the writ petition and upheld the orders passed by the Karnataka Government. Against the order of the High Court, SGL filed a writ petition in the Supreme Court. The Supreme Court by its orders dated 20 January 2011 and 11 February 2011 noted the contention of the Karnataka Government that the ban on export of iron ore was intended to be a temporary measure for a period of about six months to enable the State Government to put in place certain regulatory measures to prevent illegal mining or iron ore in Karnataka. The Supreme Court was informed by the State Government that steps in this behalf had been taken by issuing the draft Karnataka (Prevention of Illegal Mining, Transportation, Storage of Minerals) Rules, 2011 in the Karnataka gazette, inviting objections and suggestions from the public, following which these rules would be finalized and published. Subsequently, the Supreme Court, by order dated 5 April 2011, granted an interim stay with effect from 20 April 2011 on the operation of the orders passed by the Karnataka Government, noting that the State Government was yet to put in place the infrastructure and personnel required to implement the rules. The next date of hearing has not been scheduled.

Demands against HZL by the Department of Mines and Geology and Ministry of Mines.

The Department of Mines and Geology of the State of Rajasthan issued several show cause notices in August, September and October 2006, aggregating $83.5 million in demand, to HZL in relation to alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at its Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan, during the period from July 1968 to March 2006. In addition, the Department of Mines and Geology has also demanded an aggregate of INR 55 million ($1.2 million), being the sum equivalent to the alleged arrears in royalty payments at such mines as a result of incorrect computation by HZL during the period from April 1971 to March 2000. HZL has filed writ petitions in the High Court of Rajasthan in Jodhpur and in 2006 has obtained a stay in respect of these demands in 2006.

A writ petition was filed by HZL in October 2006 against the Union of India through the Ministry of Mines and others before the High Court of Rajasthan at Jodhpur with regard to a demand notice dated 20 October 2006 issued by the Mining Engineer of Rajasthan to HZL. As per the terms of the notice, the Ministry of Mines stated that the mining lease granted to HZL was for the extraction of zinc and lead but that HZL was also extracting cadmium and silver and was thus in violation of the terms of the lease for the

Rampura Agucha mine. The Department of Mines and Geology claimed INR2,435.88 million ($54.6 million) from HZL for the extraction of cadmium and silver.

HZL asserted in its writ petition that the lease was granted for lead, zinc and associated minerals and that cadmium and silver are associated minerals. Further it has stated that the contested minerals are found alongside lead and silver in an inseparable form and cannot be extracted separately. It has also submitted that it has been paying the royalty on cadmium and silver, which has been duly accepted by the Department of Mines and Geology, which is part of the Ministry of Mines without objection. The High Court issued an order in October 2006 granting a stay and restrained the Department of Mines and Geology from undertaking any measures to recover the penalty. In January 2007, the High Court issued another order granting the Ministry of Mines more time to file their reply and the High Court also directed the Ministry of Mines not to issue any orders cancelling the lease. The Department of Mines and Geology has since filed its reply and the next hearing is scheduled to take place in July 2011.

HZL is involved in a litigation proceeding before the Supreme Court of India in relation to renewal of one of its mining leases.

HZL filed an application on 16 March 2010 before the Supreme Court of India seeking clarification on an order dated 19 February 2010 passed by the Supreme Court in a writ petition filed by T. N. Godavarman against the Union of India. The Supreme Court had, in the aforementioned order, directed that lease-holders, whose applications for renewal of licenses were pending, would be prohibited from undertaking any mining operation until further orders. This was, in the view of a large number of lease-holders, exploiting the deeming provision under Rule 24A of the Mineral (Development and Regulation) Rules, 1960, pursuant to which a mining lease is deemed extended in case the application for its renewal is not disposed of by the State Government before expiry of the lease. As a result of the order dated 19 February 2010, HZL's application for renewal of its lease was deferred. However, HZL has contended that such order would not apply to it as its mining lease for the Zawar mines had not expired. Further, HZL has contended that the Supreme Court, in its order dated 19 February 2010, had not restrained the Forest Advisory Committee of the MoEF from processing an application for renewal on the merits of the application. Accordingly, HZL has submitted that the Supreme Court clarify that the Forest Advisory Committee of the MoEF is not prohibited from considering HZL's renewal application and that in the event such authorities grant approval, the Government of Rajasthan be directed to renew the lease. Further, HZL has submitted that it be permitted to continue mining operations pending renewal of its mining lease.

SGL is involved in proceedings challenging the constitutional validity of the Goa Rural Improvement and Welfare Cess Act, 2000.

SGL filed two writ petitions before the High Court of Bombay, Goa Bench, against the State of Goa and others, being aggrieved by the levy of cess by the Government of Goa on mineral ore and coke and the transportation thereof. SGL has challenged the constitutional validity of the Goa Rural Improvement and Welfare Cess Act, 2000 on the ground that this Act is beyond the legislative competence of the State legislature. SGL has requested the Court to direct the respondents to refund the sum paid by SGL till date along with interest at 12% per annum. Further, SGL has filed miscellaneous applications before the Court, requesting the Court to stay demand notices issued by the Government of Goa, through the Directorate of Transport, on 27 July 2010, 16 August 2010, 28 September 2010 and 12 January 2011 for INR 62,755,860 ($1.41 million), INR 12,555,000 ($281,187), INR 513,495,380 ($11.5 million) and INR 12,555,000 ($281,187) respectively. The next date of hearing has not been fixed.

TNEB alleges that MALCO failed to pay the applicable electricity consumption tax on self-generated power.

MALCO filed a writ petition before the High Court of Madras against the claim made by Tamil Nadu Electricity Board (a statutory body constituted by the Tamil Nadu Government to function as the State Transmission Utility & Licensee) and Tamil Nadu Government (the "TN Government") that MALCO failed to pay the applicable electricity consumption tax on self-generated power from MALCO's captive power plant at Mettur Dam during the period from May 1999 to June 2003. The claims are valued at $25.7 million in aggregate as of 23 July 2004. MALCO has sought exemption from the levy of electricity consumption tax.

Further, TNEB has also alleged that MALCO has failed to pay applicable electricity duty, tax and additional duty on the surplus power that MALCO sold to one of its associates. MALCO has asserted that it has no liability to the TNEB in this regard as the sale of surplus power is done only through TNEB. The

TNEB issued a disconnection notice on 4 August 2001 which was stayed by the High Court of Madras by its orders dated 24 August 2001 and 15 September 2003. The matter was last heard on 9 February 2011 and the High Court of Madras passed an order remanding the matter to the State Government with a direction to reconsider the representation made by MALCO seeking exemption from payment of tax on consumption of electricity and pass a detailed order on merits within a period of three months.

Self-generation levy (New Act — 2003).

The State Government of Tamil Nadu has imposed a tax on the consumption of self-generated electricity under the Sale and Consumption of Electricity Act, 2003. MALCO, together with other petitioners, has filed a writ petition before the High Court of Madras challenging the validity of this tax on constitutional grounds. The writ petition was dismissed by the Single Bench of the High Court of Madras and MALCO along with other petitioners then filed an appeal to the Division Bench of the High Court of Madras. MALCO's writ appeal in respect of the same issue was dismissed on 22 September 2008. However, if the High Court of Madras decides the exemption case in MALCO's favour under the Old Electricity Act, MALCO may become entitled to protection from the tax on consumption of self-generated electricity under the Tamil Nadu Tax on Sale and Consumption of Electricity Act, 2003. The claim amount is not currently quantifiable as the tax liability (if any) will be calculated up until the time when these cases are resolved.

The TN Government has enacted a Validation Act to negate the effect of the Supreme Court order. Some of the petitioners have challenged the same and the matter is pending for next hearing.

Tax demands against the subsidiaries of Twin Star.

The Indian Income Tax Department (the "Tax Department") issued block assessment orders, dated December 2001 and January 2002, for unpaid income tax (including interest) of approximately \$57.3 million against three former Indian subsidiaries of Twin Star, which previously held Twin Star's interests in Sterlite and MALCO and which are in the process of being wound up. Twin Star has furnished bank and corporate guarantees for the amount of the tax claims and interest thereon.

The three subsidiaries filed an appeal against the block assessment orders and the Commissioner of Income Tax (Appeals) vide orders dated 31 October 2003 and 4 November 2003, disallowed the Tax Department's assessment of undisclosed income totalling approximately \$74.6 million (in respect of which income tax (including interest) of approximately \$57.5 million had been assessed) and allowed the Tax Department's assessment of undisclosed income totalling approximately \$4.5 million (in respect of which income tax (excluding interest) of approximately \$2.9 million had been assessed).

The three subsidiaries as well as the Tax Department filed separate appeals against the orders of the Commissioner of Income Tax (Appeals) before the Income Tax Appellate Tribunal. The Income Tax Appellate Tribunal vide order dated 30 April 2007 upheld the decision of the Commissioner of Income Tax (Appeals) and dismissed the appeal filed by the Tax Department. The appeals filed by the Tax Department before the High Court were dismissed on the ground that no substantial question of law arose. The Tax Department has filed an appeal in the Supreme Court. The hearing have yet to be heard in the Supreme Court.

The Tax Department subsequently issued notices to the three subsidiaries seeking to reopen the assessment of undisclosed income and assess the alleged income under reassessment proceedings, in lieu of the block assessment. The three subsidiaries have filed writ petitions in the High Court against these reassessment proceedings. An interim stay has been granted and further hearings before the High Court are in progress.

SGL is involved in certain proceedings pursuant to environmental laws that are currently pending.

SGL is a defendant in a writ petition and civil application filed by Goa Foundation, a private organisation, against the State of Goa, and others before the High Court of Bombay, Goa Bench challenging the grant of a mining lease to a private party on the ground that such lease was located in an ecologically fragile zone and that the required clearance under applicable environmental legislations had not been obtained. The petitioner brought to the court's attention the decision of the Indian Board of Wildlife on 21 January 2002, requiring all lands falling within 10 km of the boundaries of national parks and sanctuaries to be notified as eco-fragile. Further, in a separate writ petition filed by the Goa Foundation, the Supreme Court passed an order directing the GoI to issue orders of closure against the units that are continuing to operate in violation of environmental laws. In view of the proceedings before the Supreme Court, the High Court proceedings have been stayed until the Supreme Court decision has been pronounced. The GoI issued an order dated 2 March 2005 directing all state governments and union territory administrations to immediately close down all the defaulting units which was stayed by the Supreme Court on 11 March 2005. On 11 May 2005 the Supreme Court modified its order and held that those mining units, which are operating without the required clearance would be governed by the 2 March 2005 order. Proceedings before the High Court of Bombay have been adjourned until a final decision in the writ petition filed before the Supreme Court is pronounced. The claim amount in this case is not presently quantifiable.

The Goa State Pollution Control Board (the "GPCB") has issued notices to some of the Vedanta Group's Goa mines under the provisions of the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974 in relation to non-receipt of clearances from the relevant wildlife authority and has directed the Vedanta Group to suspend operations in its mine units located in Codli village with immediate effect. The Vedanta Group has filed an appeal against this direction before the Administrative Tribunal, North Goa and has obtained a stay on the direction of the GPCB. In a letter dated 26 August 2010, the forest department has closed the offence booked against SGL, with the direction that no mining activities should take place in Codli without obtaining approval under the Forest (Conservation Act), 1980. SGL has applied for this approval through a letter dated 1 September 2010. SGL has filed an additional affidavit on 24 September 2010 informing the Court of the letter received from the forest department. The proceedings are on-going and the next hearing is scheduled for 14 June 2011. The financial impact of this matter is not presently quantifiable.

Certain local residents of Amona have filed a writ petition against SGL and SIL (which has since been amalgamated with SGL) before the High Court of Bombay, Goa Bench, alleging pollution due to industrial activities in the village of Amona and seeking, among other things, an order to shut down one of the SGL group's plants located in Amona and to appoint the National Environmental Engineering Research Institute ("NEERI") to conduct an inquiry into the adverse effects of graphite pollution on the human body, agriculture and fishing. The High Court appointed NEERI to conduct such an inspection and NEERI submitted a report to the court in December 2008. The High Court subsequently directed the parties to file their responses to the report and ordered a further inspection by the GPCB to check the level of river pollution in Amona. Subsequently, the GPCB filed an inspection report before the High Court. The next date of hearing has not been scheduled.

Mr. Akash Naik, a resident of Advalpal village along with the Goa Foundation and others, filed a writ petition in the High Court of Bombay, Goa Bench against the State of Goa, SGL and others, challenging the operation of mining lease at Orasso Dongor mine owned by SGL, alleging that the mining lease had lapsed, the lease did not have prior clearance under the provisions of the Forest Conservation Act, 1980 and that environmental clearance and other approvals issued to SGL are in violation of law and without a valid lease subsisting. Further, Mr. Akash Naik requested, *inter alia*, for an order restraining SGL from continuing its mining operations on phases I and II of the lease, and for an order directing SGL to remove the illegal dump. On 6 January 2010, the High Court directed SGL to remove the dump accumulated at phase 1 by the end of April 2010, and noted SGL's statement that it would inform the High Court prior to commencing mining activity in phase 1 and phase 2, in the event that its revised mining plans were approved by the IBM.

On 9 April 2010, Mr. Vithal S. Gaonkar, a resident of Advalpal village filed a writ petition in the High Court of Bombay, Goa Bench against the State of Goa and SGL against the process of demolishing and excavation of dumps consisting of mining rejects existing in Advalpal village by SGL (pursuant to the order of the High Court in writ petition filed by Mr. Akash Naik) on account of threat to the lives and property of the villagers. Mr. Vithal S. Gaonkar requested that SGL be refrained from relocating the dump until it obtains requisite permission of the authorities and/or after obtaining a report from an independent technical agency in the matter of scientific re-location of the dump. On 29 April 2010, the High Court passed an order in the said writ petition appointing NEERI to oversee the work of removing mining waste from phase 1.

Subsequently, the High Court by its order dated 3 August 2010 (in writ petitions filed by Mr. Akash Naik and Mr. Vithal S. Gaonkar) ordered that NEERI submit a report, suggesting how such mining waste should be removed, by 31 December 2010 and ordered SGL to complete the removal by 31 March 2011. NEERI has filed its report before the High Court, which does not favour removal of the dump. In addition, as approval from the IBM has been received, SGL has filed an application before the High Court seeking approval to commence mining work in phase 2 of the mine. Subsequently, Goa Foundation filed a miscellaneous civil application before the High Court, seeking an injunction against SGL from carrying out operations in phase 2 of the project. SGL has filed its reply before the High Court and has also filed an application requesting the High Court to relieve the Company from completing the exercise of removal of the dump, in view of NEERI's recommendation. The next date of hearing has not been fixed.

The villagers of Shirgao filed a writ petition in January 2008 before the High Court of Bombay at Goa against the Sirigao Nagarik Sanghatana Sirigao-Goa, State of Goa, Dempo Mining Corporation Limited and certain others alleging environmental degradation and adverse impact on water resources on account of mining activities carried out by certain companies. The petitioners have also filed a miscellaneous application on 3 May 2008 seeking immediate stoppage of mineral ore transport or further mining activity creating noise, air or dust pollution. The High Court of Bombay at Goa by its order dated 8 July 2010 directed that the Pollution Control Board file compliance reports with the Court with regard to compliance by mining companies of the directions issued by it and in terms of the order of the High Court dated 23 February 2010, containing certain recommendations. Pursuant to an order dated 14 March 2011, the High Court appointed the National Geophysical Research Institute ("NGRI") to study and identify the source of water and directed that a report be filed by the NGRI within a period of two months. The next date of hearing has not been scheduled.

SGL is involved in suits relating to the lands on which its units are located.

SGL has filed two civil appeals before the Administrator of Comunidade of North Zone Mapusa, Goa in relation to a notice issued by Comunidade of Amona to SGL in December 2005 (subsequently modified in February 2006) stating that SGL had violated the terms of lease entered into between SGL and Comunidade of Amona in relation to land, where the pig iron plant of SGL is located, on the grounds that SGL had sub-leased part of the land to a private company. The notice requests SGL to reply and explain within a period of 30 days as to why the alleged lease should not be forfeited. In the event of an adverse order and subject to SGL's right to appeal, the location of these plants may have to be relocated. The claim amount in this matter is not presently quantifiable. The next date for hearing the final arguments before the Administrator of Comunidade is 9 June 2011.

SGL filed a writ petition in the High Court of Karnataka on 27 October 2008 against the Government of Karnataka and others, challenging the imposition of forest development tax at a rate of 8% on the value of iron ore sold by SGL from the mining leases in the forest area, in terms of the notification dated 16 August 2008 issued by the Government of Karnataka and the memorandum/common order dated 30 September 2008 issued by the Deputy Conservator of Forests. Pursuant to its order dated 19 August 2009, the High Court of Karnataka permitted the respondents to levy forest development tax and directed that the demand be restricted only to 50% of the forest development tax as an interim arrangement pending disposal of the writ petition. An application was filed by SGL before the High Court seeking modification of the order dated 19 August 2009. However, the application was not taken up for hearing. Subsequently, SGL filed a special leave petition in November 2009 before the Supreme Court, against the said order of the High Court of Karnataka. The Supreme Court by its order dated 30 November 2009 directed the High Court to dispose of the application for modification of the order dated 19 August 2009 and directed SGL to furnish a bank guarantee towards payment of the forest development tax. The matter was heard on 5 April 2010 and SGL was directed to pay 25% of the demand in cash and furnish bank guarantee for the remaining 25%. The date of hearing has not yet been notified.

TCM is involved in a suit relating to damage to public property as a result of its mining activity.

The State of Queensland filed a petition against TCM and its joint venture partner, BML Holdings Pty. Limited on 9 October 2007 pursuant to section 179 of the Property Law Act, 1974, Australia before the Supreme Court in Queensland, Australia, in relation to relocation of a public road to a site where there is no subsidence.

In the second half of 2005, a nearby road, Gregory road, developed cracking. The Australian department of main roads in Queensland ("DMR") issued a notice to the joint venture company requiring reimbursement for the cost of relocating the road to an area where the road would not be subject to subsidence. The joint venture company obtained an indemnity under its public liability insurance policy of up to AUD 30 million and its insurance company, QBE Australia, a member of the QBE Insurance Group ("QBE") is dealing with the claim directly with the DMR. QBE's geological technical expert has found an alternative of backfilling and/or buttressing the highway reward pit in order to stabilise cracking in the road at a cost of AUD 12 to AUD 16 million. However, the DMR has submitted to construct a new road at a cost of AUD 27 million. Technical experts from both sides are in discussions to settle the matter. The claim is expected to be listed for hearing within the next 10 months.

Vedanta is involved in a tax dispute with the Indian tax department.

In 2007, Vedanta acquired SGL through the acquisition of all of the outstanding shares of Finsider by its wholly-owned subsidiaries, Richter Holding Ltd and Westglobe Limited. Finsider held Mitsui & Company Limited's 51.0% interest in SGL. In October 2009, the Indian tax department issued a show cause notice to Richter as to why Richter did not withhold taxes in respect of its acquisition of Finsider from Mitsui. The Indian tax department contended that the acquisition of Finsider amounted to an indirect acquisition of SGL and accordingly the acquisition of Finsider gave rise to capital gains which were taxable under Indian tax laws.

Richter filed a writ petition in the High Court of Karnataka to quash the show cause notice and on 24 March 2011, the single judge directed Richter to submit its arguments to the Indian tax department. Richter filed an appeal against the order of the single judge on 19 April 2011 in the division bench of the High Court of Karnataka. The division bench of the High Court of Karnataka ordered a stay on the order of the single judge for two months and directed a notice to be issued to the Indian tax department to show cause why the appeal of Richter should not be admitted. Vedanta believes that neither it nor any of its group companies are liable for such withholding tax and intends to contest this dispute vigorously.

SGL is involved in certain arbitration proceedings.

Goa Energy Private Limited ("GEPL") and Videocon Industries Limited filed an arbitration petition against SGL and SIL before the Principal District Judge, North Goa, on 11 December 2010. GEPL, SIL and Sesa Kembla Coke Limited (prior to merging with SGL) and Videocon Industries Limited entered into a power agreement dated 2 April 2004, pursuant to which SGL and SIL would supply gas for generation of electricity from the power plant with an installed capacity of 30 MW (out of which 7 MW would be supplied to the Sesa Group and the remaining could be sold to third party consumers) proposed to be set up by GEPL. Further, in the event SGL and SIL increased their gas production due to expansion plans, GEPL would have the right of first refusal. It is alleged that SGL and SIL were undertaking an expansion by setting up additional blast furnaces and coke ovens and a waste heat recovery power plant. GEPL has prayed that pending arbitration proceedings that the parties intend to commence, SGL and SIL be restrained from selling, supplying and creating any rights in favour of third parties with respect to additional gas to be produced by them or the captive use of such additional gas in the power plant proposed to be set up by SGL and SIL themselves.

SGL and SIL have also filed an arbitration petition on 4 February 2011 before the Court of Principal District Judge, North Goa, for securing an amount of INR 90,773,899 together with interest payable as charges towards supply of gas to GEPL and for providing a right of first refusal to GEPL, pending resolution of disputes under arbitration. Further, SIL and SGL have prayed for an injunction restraining GEPL from transferring, creating any third party rights or encumbering 100% equity shares and management control of GEPL in Videocon Industries Limited and the power plant of GEPL to any third party except SGL and SIL. The petitions are scheduled to be heard on 2 July 2011.

SGL is involved in a proceeding relating to infringement of a patent.

Sun Coke Company ("Sun Coke") filed an infringement suit before the Additional District Judge, Goa for patent infringement against Sesa Kembla Coke Company Limited ("SKCCL"), a company which was subsequently merged with SGL. The infringement suit was filed for a patent granted to Sun Coke for 14 years effective from 10 September 1991, and for payment of licence fee of $9.4 million. In October 2006, Sun Coke filed a notice of opposition before the Controller of Patents and Designs against the patent granted to SKCCL. In January 2007, the Additional District Judge stayed proceedings in the civil suit on the ground that the grant of the patent to SKCCL in 2005 had rendered the proceedings infructuous and that the correct forum for deciding the validity of the patent is the appellate court. Sun Coke filed a writ petition before the High Court of Bombay asking the High Court to set aside the order of the Additional District Judge. The High Court, by order dated 28 March 2011, disposed of the writ petition challenging the order of the District Judge in January 2007, and directed that the parties appear before the District Court for hearing. The next date of hearing before the District Court has not been scheduled.

Indian Regulatory Matters

Mining Laws

The Indian Mines and Minerals (Development and Regulations) Act, 1957 (the "MMDR Act"), Mines Act, 1952 (the "Mines Act"), Mineral Concession Rules, 1960 (the "MC Rules") and the Mineral Conservation and Development Rules, 1988 (the "MCD Rules") govern mining rights and the operations of mines in India. The Mines Act and MMDR Act provide for the development and regulation of mines and minerals in India and regulate the grant, renewal and termination of reconnaissance permits, mining leases and prospecting licences. The Indian Bureau of Mines (the "IBM"), established March 1948, is a subordinate office under the Ministry of Mines, GoI (the "MoM") and the principal Government agency for compiling exploration data and mineral maps, and performs regulatory functions, including the enforcement of the MMDR Act, MC Rules and MCD Rules.

The GoI announced the National Mineral Policy in March 2008 (for non-fuel and non-coal minerals) to sustain and develop mineral resources so as to ensure their adequate supply for the present needs and future requirements of India in a manner which ensures sustainable development, takes account of bio-diversity issues and provides for measures for restoration of the ecological balance.

Grant of a Mining Lease

The MMDR Act empowers State governments to develop and regulate mines and minerals, including in relation to grant of reconnaissance permits (for preliminary prospecting of a mineral through regional, aerial, geophysical or geochemical surveys and geological mapping), prospecting licences (for undertaking operations for exploring, locating or proving mineral deposits) and mining leases (for undertaking operations for mining any mineral). The mining lease governs the terms on which a lessee may use the land for the mining operations. If land on which mines are located belongs to private parties, the lessee must acquire surface rights relating to the land from such private parties. If such land belongs to the GoI or a State Government, such government may grant surface rights on application.

If mining operations result in displacement of persons, the consent of affected persons, their resettlement and rehabilitation, and payment of benefits in accordance with guidelines of the applicable State government, including payment for land acquired from displaced persons, need to be settled before commencement of mining. In respect of minerals listed in the First Schedule of the MMDR Act, the GoI's prior approval is required to be obtained by the State government for entering into the mining lease. GoI approval is granted on the basis of recommendations of the State governments, although the GoI has discretion to overlook recommendations of the State governments. On receiving GoI clearance, the State government grants the mining lease or prospecting licence. The lease can be executed only after obtaining mine plan approval from the IBM, which is valid for five years. No person can acquire one or more mining leases for any mineral or prescribed group of associated minerals in a State covering a total area of more than 10 square km. However, the GoI may relax this requirement, if necessary in the interest of development of any mineral.

The maximum term of a mining lease is 30 years and the minimum term is 20 years. A mining lease may be renewed for further periods of up to 20 years at the option of the lessee. Renewals are subject to the lessee not being in default of applicable laws. The MC Rules provide that if a lessee uses the minerals for its own industry, such lessee is generally entitled to renewal of its mining lease for 20 years, unless it applies for a lesser period. The lessee is required to apply to the relevant State government for renewal of the mining lease at least one year prior to its expiration. Delay in applying for a renewal of a mining lease may be waived by the State government if the application for renewal is made prior to expiry of the mining lease. If the State government does not make orders relating to an application for renewal prior to the expiration of the mining lease, the mining lease is deemed extended until such time that the State government makes the order on the application for renewal.

Protection of the Environment

The MMDR Act also deals with the measures required to be taken by the lessee for protection and conservation of the environment from adverse effects of mining. The MCD Rules require every lessee to take all possible precautions for protection of the environment and control of pollution while conducting mining operations. The required environmental protection measures include prevention of water pollution, measures in respect of surface water, total suspended solids, ground water pH, chemicals and suspended particulate matter in respect of air pollution, noise levels, slope stability and impact on flora and fauna and local habitation. The National Mining Policy emphasises that no mining lease would be granted to any party without a proper mining plan, including an environmental plan approved and enforced by statutory authorities and which provides for controlling environmental damage and restoration of mined areas and for planting trees according to prescribed norms.

Labour Conditions

Working conditions of mine labourers are regulated by the Indian Mines Act, 1952, which sets out standards of work, including the number of hours of work, leave requirements, medical examination, weekly days of rest, night shift requirements and other requirements to ensure the health and safety of workers employed in mines.

Royalties

Royalties on minerals extracted or a dead rent component, whichever is higher, are payable to the relevant State government in India by the lessee, in accordance with the MMDR Act. The mineral royalty is payable in respect of an operating mine from which minerals are removed or consumed and is computed by a prescribed formula. The GoI has broad powers to modify the royalty scheme under the MMDR Act, but may not do so more than once every three years. In addition, the lessee must pay the occupier of the surface land over the mining lease an annual compensation determined by the State government. The amount depends on whether the land is agricultural or non-agricultural.

Laws relating to Coal Mines

The Coal Mines (Nationalization) Act, 1973 (the "Coal Nationalization Act"), Coking Coal Mines (Nationalization) Act, 1972, Coal Mines (Taking Over of Management) Act, 1973, Coking Coal Mines (Emergency Provision) Act, 1971, Coal Bearing Areas (Acquisition and Development) Act, 1957, and Coal Mines (Conservation and Development) Act, 1974, govern the mining rights of coal mines and coal mining operations in India. Under the Coal Nationalization Act, on and from 1 May 1973, the right, title and interest of the owners of coal mines were transferred to the GoI and the GoI is required to pay a specified amount for such transfer to the owner. The Coal Nationalization Act prohibits any person from carrying on coal mining operations in India, except for: (a) the GoI or a Government Company including corporations owned, managed or controlled by the GoI; (b) a person to whom a sub-lease has been granted by the GoI or such company or corporation mentioned in (a) above; or (c) a company which is engaged in the production of iron and steel, generation of power, washing of coal obtained from a mine, or such other end use as the GoI may notify.

Distribution of Coal

The New Coal Distribution Policy, 2007 (the "NCD Policy") was issued by the Ministry of Coal to regulate the distribution of coal. The NCD Policy removes the classification of consumers into core and non-core sectors, and requires verification of consumers of erstwhile non-core sector consumers and cancellation of allocation to such consumers not found to be *bona fide*. The NCD Policy also deals with distribution and pricing of coal to different consumers or sectors like the defence sector, railways, power utilities, and integrated steel plants, provides for an exclusive distribution policy for consumers in the small and medium sector, replacement of the linkage system with enforceable fuel supply agreements, and policies for new consumers and a fresh scheme for e-auction of coal.

Draft Mining Act

The MoM has prepared the draft Mines and Minerals (Development and Regulation) Act, 2010 (the "Draft Mining Act"), which seeks to decentralise powers to the States and increase revenues to the GoI, including through rationalisation of royalties, taxes and cesses, and the offer of mining blocks on auction basis pursuant to promotional regional exploration by the State government. The Draft Mining Act mandates that with respect to the land in which minerals vest, the holder of a mining lease or prospecting licence be liable to pay reasonable compensation to the stakeholders holding occupation, usufruct or traditional rights of the surface of the land over which the licence and lease has been granted, as mutually agreed (failing which the relevant State government will determine compensation payable). The proposal includes the formation of a National Mineral Royalty Commission consisting of representatives of the GoI, the State governments and the mining industry, to review the existing royalty payable. The Draft Mining Act would require to be passed by the Indian Parliament, before it comes into effect.

Mining Bill

The Mining Bill was introduced in the upper house of the Indian Parliament and proposes several amendments to the Mines Act, 1952, including significant enhancement to the monetary penalties and terms of imprisonment for violations under the Mines Act, 1952.

Power Sector

Licencing Requirements

Under the Electricity Act, 2003 ("Electricity Act"), transmission and distribution of, and trading in, electricity require licences from the appropriate Central or State Electricity Regulatory Commissions (respectively, "CERCs" and "SERCs", and collectively, "ERCs"), unless exempted in accordance with the Electricity Act. CERC has jurisdiction over generating companies owned or controlled by the GoI or which have a composite scheme for generation and sale in more than one State. SERCs have jurisdiction over generating stations within State boundaries, except those under CERC's jurisdiction. The respective ERC determines the tariff for supply of electricity from a generating company to a licencee, transmission, wheeling, and retail sale of electricity. The Electricity Act was amended in 2007 to exempt captive power generation plants from licencing requirements.

Generation

Currently, any generating company in India can establish, operate and maintain a generating station if it complies with the technical standards relating to connectivity with the grid. Generating companies are permitted to sell electricity to any licencees and where permitted by the respective SERCs, to consumers. The respective ERCs determine the tariff for supply of electricity from a generating company to any distribution licencee, transmission of electricity, wheeling of electricity and retail sale of electricity. CERC has jurisdiction over generating companies owned or controlled by the GoI and those generating companies who have entered into or otherwise have a composite scheme for generation and sale in more than one State. SERCs have jurisdiction over generating stations within State boundaries, except those under CERC's jurisdiction.

In order to qualify as a captive generating plant, the Electricity Rules, 2005 ("Electricity Rules") require that not less than 26% of the ownership of the plant be held by a captive user and not less than 51% of the aggregate electricity generated in such plant, determined on an annual basis, be consumed for captive use. If the minimum percentage of captive use is not complied with in any year, the entire electricity generated is treated as supplied by a "generating company" and benefits available to a "captive generating plant" (such as exemption from payment of certain levies and surcharges) will not apply in such year.

Transmission

The Electricity Act allows generating companies open access to transmission lines. The provision of open access is subject to the availability of adequate transmission capacity as determined by the Central or State Transmission Utility. CERC amended its rules in 2009, permitting any captive generating plant using 25% of its own power to sell electricity through an open access system without requiring a separate licence. The balance may be sold through the Indian Energy Exchange, also without requiring a separate licence.

Tariff Principles

Under the Electricity Act, ERCs determine tariff for supply of electricity by a generating company (as well as for transmission, wheeling and retail sale of electricity). In case of shortage of electricity supply, the ERC may fix the minimum and maximum tariff for sale or purchase of electricity, pursuant to an agreement entered into between a generating company and licencee or between licencees, for up to one year. Under guidelines issued by the MoP, the determination of tariff for a particular power project depends on the mode of participation in the project, i.e., (i) the MoU route, based on tariff principles prescribed by CERC (cost plus basis, comprising capacity charge, energy charge, unscheduled interchange charge and incentive payments); or (ii) the competitive bidding route, where tariff is market based.

Bidding route: The Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licencees, 2005 ("Bidding Guidelines") envisage two types of bids: Case I bids, where location, technology and fuel are not specified by the procurers, i.e., the generating company is free to choose the site and technology for the generation plant; and Case II bids, where procurement is location and fuel specific. The Bidding Guidelines envisage a two-step process — pre-qualification and final bid. For long-term procurement (for seven or more years), a two-stage process featuring separate request for qualification

("RFQ") and request for proposal ("RFP") stages is required. Bidders are required to submit a technical and financial bid at RFP stage. For medium-term procurement (for up to seven years but exceeding one year), the procurer may, at its option, adopt a single-stage tender process (combining the RFP and RFQ processes). Individual power producers ("IPPs") may typically bid at two parameters: fixed or capacity charge; and variable or energy charge, which comprises fuel cost for electricity generated. Bidders are typically permitted to quote a base price and an acceptable escalation formula. The MoP has issued guidelines for competitive bidding as well as draft documentation in the form of model PPAs.

MoU Route: The MoU route involves negotiation between the State power utility and developer. Cost determination under the MoU route involves determination of receivables of capital cost and approval of capital costs by CEA, approval of interest rates and local and foreign debt by CEA, finalizing term of loans and/or other debt, finalizing the extent of foreign exchange protection, fixing operating parameters within prescribed ceilings, identifying deemed generation provisions, evaluating the extent of dispatchability, evaluating the level of incentive payments, identifying change in law in terms of tax or any other matter, identifying the extent of working capital permissible, evaluating the premium on fuel prices for assured supply, identifying fuel supply and transportation risk and issues, evaluating escalations in O&M and insurance expenses permissible, evaluating the extent of maintenance of spares permissible, and rebates in respect of prompt payment.

The Tariff Policy, 2006 requires all procurement of power after 6 January 2006 to be through the bidding route. Certain State governments in India have continued to purchase power under the MoU route, with the view that the Tariff Policy is indicative and not binding.

The CERC (Terms and Conditions of Tariff) Regulations, 2009 ("Tariff Regulations") apply where tariff for a generating station or unit (other than those based on non-conventional energy sources) and transmission system is yet to be determined by CERC. Tariff for supply of electricity from a thermal generating station comprises two parts: capacity charge (for recovery of annual fixed cost) and energy charge (for recovery of primary fuel cost and limestone cost where applicable). Tariff in respect of a generating station may be determined for the whole generating station, or a stage, unit, or block of the generating station. The generating company may apply for determination of tariff in respect of the units of the generating station completed or projected to be completed within six months from the date of application.

National Electricity Policy

In compliance with the Electricity Act, the GoI announced the National Electricity Policy in February 2005. The National Electricity Policy aims at achieving the following objectives:

- access to electricity — available for all households by 2010;
- availability of power — demand to be fully met by 2012 and energy and peaking shortages to be overcome and adequate spinning reserve to be available;
- supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates;
- per capita availability of electricity to be increased to over 1,000 units by 2012;
- minimum lifeline consumption of 1 unit/household/day as a merit good by year 2012;
- financial turnaround and commercial viability of electricity sector; and
- protection of consumers' interests.

National Electricity Plan

The Electricity Act requires CEA to frame a National Electricity Plan once in five years and revise such plan from time to time in accordance with the National Electricity Policy. CEA released a National Electricity Plan in April 2007 which includes:

- Short-term and long-term demand forecast for different regions;
- Suggested areas/locations for capacity additions in generation and transmission keeping in view the economics of generation and transmission, losses in the system, load centre requirements, grid stability, security of supply, quality of power including voltage profile and environmental considerations including, rehabilitation and resettlement;

- Integration of such possible locations with transmission system and development of national grid including type of transmission systems and requirement of redundancies;
- Different technologies available for efficient generation, transmission and distribution; and
- Fuel choices based on economy, energy security and environmental considerations.

Mega Power Projects

Under the Mega Power Policy introduced by the MoP on 10 November 1995 and amended on 14 December 2009, power projects which meet the following criteria are eligible to be classified as mega power projects:

- a thermal power plant with capacity of 1,000 MW or more; or
- a thermal power plant with a capacity of 700 MW or more, in the States of Jammu and Kashmir, Sikkim, Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura; or
- a hydro electricity power project of capacity 500 MW or more; or
- a hydro electricity power plant of a capacity of 350 MW or more, in the States of Jammu and Kashmir, Sikkim, Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura.

Mega power projects are eligible for certain concessions and benefits, including waiver of customs duty for import of capital goods for setting up such projects and certain income tax benefits. Mega Power Policy benefits have been extended to brownfield projects where the size of the expansion unit would not be not less than that provided in the earlier phase of the project certified as a mega power project.

Ultra Mega Power Projects

With the aim of meeting India's significant power requirements, the GoI proposed the construction of Ultra Mega Power Projects ("**UMPPs**") in 2006. The award of the projects is based on competitive bidding processes, with the amount of normalised tariff for 25 years being a significant factor in their selection. UMPPs will be awarded to developers on a build-own-operate basis. Each UMPP will provide power generation capacity of 4,000 MW and use coal as fuel. The GoI will facilitate land and environmental clearances, off-take agreements, payment security mechanisms and fuel linkages in some cases, to ensure efficient implementation of the UMPPs.

Environment Laws

Environment Protection Act, 1986 (the "EPA")

The EPA is an umbrella legislation in respect of the various environment protection laws in India. The EPA vests in the GoI the power to take any measures it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution. Penalties for violation of the EPA include fines up to INR 100,000 or imprisonment of up to five years, or both. The MoEF, in exercise of powers conferred under the EPA, issued a notification on 6 January 2011 declaring coastal stretches as coastal regulation zones and thereby imposing restrictions on industries, operations and processes in a coastal regulation zone.

The EIA Notification issued under the EPA and the Environment (Protection) Rules, 1986 requires prior MoEF approval if any new project in certain specified areas is proposed to be undertaken. To obtain environmental clearance, a no-objection certificate must first be obtained from the applicable regulatory authority. This is granted after a notified public hearing, submission and approval of an environmental impact assessment report that sets out the operating parameters such as the permissible pollution load and any mitigating measures for the mine or production facility and an environmental management plan. Under the EPA and the Environment (Protection) Rules, 1986, as amended, the GoI has issued a notification (S.O. 1533(E)) dated September 14, 2006 ("**EIA Notification**"), which requires that prior approval of the MoEF, GoI, or State Environment Impact Assessment ("**EIA**") Authority, as the case may be, be obtained for the establishment of any new project and for expansion or modernisation of existing projects specified in the EIA Notification (including power projects). An application for environment clearance is made after identification of the prospective site for the project or activity to which the application relates, but prior to commencing construction activity or preparation of land at the site. Certain projects which require approval from a State Environment Impact Assessment Authority ("**SEIAA**") may not require an EIA report. For projects that require preparation of an EIA report, public consultation involving public hearing and written responses is conducted by the State PCB, prior to submission of a final EIA report. The environment clearance (for commencement of the project) is valid for up to 30 years for mining projects and five years for all other projects and activities. This period of validity may be extended by the concerned regulator for up to five years. The EIA Notification states that obtaining of prior environment clearance includes four stages, i.e., screening, scoping, public consultation and appraisal.

The MoEF has, by circular (No. J-11013/41/2006-IA.II(I)) dated 1 November 2010, decided that proposals for obtaining environment clearance for projects that rely on the availability of coal as a raw material, including thermal power projects, will be considered only after the availability of firm coal linkage and the status of environment and forestry clearances of the source of the coal, i.e., the linked coal mine or block, are known. If a project is dependent on coal sourced from outside India, a copy of a signed memorandum of understanding between the foreign coal supplier and project proponent is required to be submitted to the MoEF prior to environment clearance being granted. All proposals for environment clearance that are currently pending either before the MoEF or SEIAA, will be deferred and delisted until the conditions of the circular are complied with by the project proponents.

The MoEF has, by office memorandum (No. J-11013/41/2006-IA.II(I)) dated 16 November 2010, requested State governments to initiate action against projects where substantial progress relating to construction has been made and significant investments been made without obtaining requisite prior environment clearance. The memorandum prescribes the procedure for rectifying instances of non-compliance with the EIA Notification. Prior to environment clearance being granted, the concerned entity would be required to mandatorily highlight the violation before its board of directors/managing director/chief operating officer for consideration of its environmental policy or plan of action, and provide written commitment in the form of a formal resolution, to the MoEF or SEIAA within 90 days from receiving the communication from the MoEF or SEIAA, which will be uploaded on the websites of the MoEF or SEIAA. If the project proponent does not file a response with the MoEF or SEIAA within 90 days, it will be assumed that the project proponent is no longer interested in pursuing the project and the project file will be closed, after which the procedure for obtaining environment clearance will be required to be initiated afresh if the project proponents are desirous of pursuing the project.

Forest (Conservation) Act, 1980 (the "Forest Act") and Forest Conversation Rules, 2003

The Forest Act requires consent from the relevant authorities prior to clearing forests by felling trees. Final clearance in respect of both forests and the environment is given by the GoI, through the MoEF. However, all applications must be made through the respective State governments who recommend the application to the GoI. Penalties for non-compliance may include closure of the mine or prohibition of mining activity, stoppage of supply of energy, water or other services and monetary penalties on and imprisonment of persons in charge of the conduct of the business of the company.

Water Act (Prevention and Control of Pollution) Act, 1974 (the "Water Act")

The Water Act aims to prevent and control water pollution and to maintain or restore wholesomeness of water. The Water Act provides for a Central and various State Pollution Control Boards to be constituted to implement its provisions. The Water Act debars any person from establishing any industry, operation or process or any treatment and disposal system likely to discharge sewage or trade effluents into a water body, without prior consent of the State Pollution Control Board.

Air (Prevention and Control of Pollution) Act, 1981 (the "Air Act")

The Air Act aims to prevent, control and abate air pollution, and stipulates that no person shall, without prior consent of the State Pollution Control Board, establish or operate any industrial plant which emits air pollutants in an air pollution control area. The Central Pollution Control Board and State Pollution Control Board constituted under the Water Act perform similar functions under the Air Act as well. All provisions of the Air Act do not automatically apply to all parts of India, and the State Pollution Control Board must notify an area as an "air pollution control area' before the restrictions under the Air Act apply.

Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008 (the "Hazardous Wastes Rules")

The Hazardous Wastes Rules regulate the collection, reception, treatment, storage and disposal of hazardous waste by imposing an obligation on every occupier and operator of a facility generating hazardous waste to dispose of such waste without adverse effect on the environment. Every occupier and operator of a facility generating hazardous waste must obtain approval from the applicable State Pollution Control Board. The occupier is liable for damages caused to the environment resulting from the improper handling and disposal of hazardous waste and any fine that may be levied by the respective State Pollution Control Board.

Water (Prevention and Control of Pollution) Cess Act, 1977 (the "Water Cess Act")

Under the Water Cess Act, a lessee carrying on any industry specified under the Water Cess Act is required to pay a surcharge calculated on the amount of water consumed and purpose for which the water is used. Penalties for non-compliance include a penalty not exceeding the cess in arrears, imprisonment up to six months or fine, or both.

Employment and Labour Laws

Industrial Disputes Act, 1947 (the "IDA")

The IDA seeks to pre-empt industrial tensions in an establishment and provide the mechanics of dispute resolution, collective bargaining and investigation and settlement of industrial disputes between trade unions and companies. While the IDA provides for voluntary reference of industrial disputes to arbitration, it also empowers the appropriate government agency to refer industrial disputes for compulsory adjudication and prohibit strikes and lock-outs during the pendency of conciliation proceedings before a board of conciliation or adjudication proceedings before a labour court.

Factories Act, 1948 (the "Factories Act")

The Factories Act regulates occupational safety, health and welfare of workers of industries in which 10 or more workers are employed in a manufacturing process being carried out with the aid of power. The Factories Act includes provisions as to the approval of factory building plans before construction or extension, investigation of complaints, maintenance of registers and the submission of yearly and half-yearly returns. Penalties for non-compliance include imprisonment of the occupier and manager for up to two years or fine, or both and further fine for each day of continued contravention.

Contract Labour (Regulation and Abolition) Act, 1970 (the "CLRA")

The CLRA regulates the employment of workers hired on the basis of individual contracts in certain establishments. The CLRA applies to every establishment in which 20 or more workmen are employed or were employed on any day of the preceding 12 months as contract labour. The CLRA vests the responsibility with the principal employer of an establishment, to register as an establishment that engages contract labour. Likewise, every contractor to whom the CLRA applies must obtain a licence and may not undertake or execute any work through contract labour except in accordance with the licence issued. Penalties, including both fines and imprisonment, may be levied for contravention of the CLRA. Penalties for non-compliance include imprisonment up to three months or fine, or both.

Minimum Wages Act, 1948 (the "MWA")

The MWA provides for a minimum wage payable by employers to employees. Under the MWA, every employer is required to pay the minimum wage to all employees, whether for skilled, unskilled, manual or clerical work, in accordance with the minimum rates of wages that have been fixed and revised under the MWA. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate State Government. Contravention may result in imprisonment for up to six months or fine or both. State governments may stipulate a higher penalty for contravention, if it is deemed fit to do so.

Payment of Wages Act, 1936 (the "PWA")

The PWA regulates payment of wages to certain classes of employees and makes every employer responsible for payment of wages to persons employed by such employer. No deductions are permitted from, nor is any fine permitted to be levied on, wages earned by a person employed except as provided under the PWA. Penalties under the PWA include fine.

Workmen's Compensation Act, 1923 (the "WCA")

The WCA makes every employer liable to pay compensation if injury, disability or death is caused to an employee (including those employed through a contractor) due to an accident arising out of or in the course of employment. If the employer fails to pay the compensation due under the WCA within a month from the date it falls due, the commissioner may direct the employer to pay the compensation along with interest and impose a penalty for non-payment. The maximum gratuity payable to an employee is INR 5,000.

Employee State Insurance Act, 1948 (the "ESIA")

The ESIA requires the provision of certain benefits to employees or their beneficiaries in the event of sickness, maternity, disability or employment injury. Every employee, including casual and temporary employees, whether employed directly or through a contractor, who is in receipt of wages up to INR 10,000 per month, is entitled to be insured under the ESIA. The ESIA contemplates payment of a contribution by the principal employer and each employee to the Employee State Insurance Corporation of India. Penalties for failure to make contributions under the ESIA include imprisonment for a term which may extend to three years which shall not be less than one year, in case of failure to pay the employee's contribution which has been deducted by him from the employee's wages and shall also be liable for a fine and which shall not be less than six months, in any other case and shall also be liable for a fine.

Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (the "EPFA")

The EPFA institutes provident funds for the benefit of employees in factories, industrial undertakings, and other establishments notified by the GoI from time to time. Contributions are required to be made by employers and employees to a provident fund and pension fund established and maintained by the GoI.

Payment of Gratuity Act, 1972 (the "PGA")

Under the PGA, an employee who has been in continuous service for five years is eligible for gratuity on retirement, resignation, death or disablement due to accident or disease. Entitlement to gratuity in the event of superannuation or death or disablement due to accident or disease is not contingent on an employee having completed five years of continuous service. The maximum gratuity payable to an employee is INR 1,000,000.

Payment of Bonus Act, 1965 (the "PBA")

The PBA provides for payment of a minimum annual bonus to all employees regardless of whether the employer has made a profit or a loss in the accounting year in which the bonus is payable. Contravention of the PBA by a company is punishable by imprisonment up to six months or fine, or both, against persons in charge of, and responsible to the company for, the conduct of the business of the company at the time of contravention.

Land Acquisition Laws

Under the Land Acquisition Act, 1984 (the "Land Acquisition Act"), the GoI or appropriate State government may acquire any land from private persons for 'public purpose' subject to payment of compensation to the persons from whom land is so acquired. The Land Acquisition Act prescribes the manner in which such acquisition may be made. Any person having an interest in such land has the right to object to such proposed acquisition. The penalties under the Land Acquisition Act for willfully obstructing any person in any acts authorised by the Land Acquisition Act is liable to imprisonment of up to one month or fine, or both.

In the case of land owned by the central or any State government, the surface right to operate in a mining lease area or otherwise use such land for any industrial purpose may be granted by the relevant government on application.

Oil and Gas related Laws

In keeping with the liberalised policy of the GoI for attracting private investments in the oil and gas sector, the GoI formulated the New Exploration Licencing Policy ("NELP"), which came into effect in February 1999. The DGH is the nodal agency for implementation of NELP. The key features of NELP are that there would be no mandatory state participation, exploration acreages and mining blocks would be awarded on competitive basis instead of the earlier system of nomination, there would be freedom to contractors for marketing of crude oil and gas in the domestic market, companies would be exempt from payment of import duty on the goods imported for petroleum operations, a seven year tax holiday from the date of commencement of commercial production would be available, and contractors would be allowed full cost recovery with unlimited carry forward on contract area basis, unlike the previous regime in which exploration cost was recovered on contract area basis and development and production cost on field basis. Under NELP, the first round of offer for exploration of oil and natural gas was in 1999 and the second to ninth rounds were in 2000, 2002, 2003, 2005, 2006, 2008, 2009 and 2011, respectively. As per the report of the DGH on Hydrocarbon Exploration and Production Activities, 2009-10, the intention of the GoI is to move from NELP to an Open Acreage Licencing Policy ("OALP"). Under OALP, companies can choose any block for offer at any time without waiting for bid rounds under NELP. The blocks will be awarded to the party giving the best bid at any time of the year. DGH is taking steps to implement OALP.

The Oilfields (Regulation and Development) Act, 1948 ("Oilfields Act") empowers the GoI to make rules for grant of mining leases in respect of any mineral oil. The holder of a mining lease is required to pay royalty in respect of any mineral oil mined, excavated or collected. The Oil Industry (Development) Act, 1974 ("OID Act") provides for establishment of the Oil Industry Development Board ("OID Board") for development of the oil industry and to levy excise duty on crude oil and natural gas, including through financial and other assistance. The OID Board may apply to courts for relief, including transfer of the management of the oil industrial concern to the OID Board, in case an oil industrial concern or other persons default on repayments of loans or violate the terms of the assistance agreement. The Oil Mines Regulations, 1984 ("Oil Mines Regulations") prescribe the duties of persons employed in oil mines, such as workers, managers, installation managers, safety officers and fire officers, including with respect to examination of equipment, usage of safeguards, safety devices and other appliances. The Oil Mines Regulations regulate production activities in oil mines, transportation of oil through pipelines, machinery, plant and equipment apart from laying down requirements for protection measures against gases and fires and general safety provisions. The Petroleum and Natural Gas (Safety in Offshore Operations) Rules, 2008 ("SOO Rules") require operators of offshore installations to obtain consent from the competent authority and to intimate the competent authority within 30 days of commencement, or cessation of operations. The operator is also responsible for providing health-related resources, establishing a strategy for environmental preparedness and a safety management system, carrying out risk assessment, maintaining information and records for petroleum activities, accidental pollution, recovery, rescue and remedial actions taken, and environment reporting.

The Petroleum Act, 1934 ("Petroleum Act") and Petroleum Rules, 2002 ("Petroleum Rules") regulate import, transport, storage, production, refining and blending of petroleum. Only the holder of a storage licence issued under the Petroleum Rules or his authorised agent or a port authority or railway administration or a person authorised under the Petroleum Act to store petroleum without a licence may deliver or dispatch petroleum in India. The Petroleum and Natural Gas Rules, 1959 ("PNG Rules") regulate prospecting and mining of petroleum and natural gas. Prospecting for petroleum is permitted only on receiving a petroleum exploration licence ("PEL") under the PNG Rules, and mining petroleum is permitted only on receiving a petroleum mining lease ("PML") granted under the PNG Rules. A PEL or a PML in respect of any land or mineral underlying the ocean within the territorial waters or continental shelf of India is granted by the GoI. In respect of any land vested in a State Government, a PEL or a PML is granted by the State Government with previous approval of the GoI. The PNG Rules require the payment of royalty on petroleum in case PML is granted. The PEL and PML may be cancelled by the GoI or the State Government, if the licencee or lessee fails to fulfil, or contravenes, any terms, covenants and conditions contained therein; fails to use the land covered by it for the purposes for which it has been granted, or uses such land for a purpose other than that for which it has been granted.

The Petroleum and Natural Gas Regulatory Board Act, 2006 ("PNGRB Act") provides for establishment of the Petroleum and Natural Gas Regulatory Board ("PNGR Board") to regulate refining, processing, storage, transportation, distribution, marketing, import, export and sale of petroleum, petroleum products and natural gas excluding production of crude oil and natural gas. Every entity desirous of marketing any notified petroleum or petroleum products or natural gas, or establishing or operating a liquefied natural gas terminal, or establishing storage facilities for petroleum, petroleum products or natural gas exceeding such capacity as may be specified by regulations and fulfilling eligibility conditions is required to apply to the PNGR Board for its registration. The functions of the PNGR Board include registration of entities in accordance with the PNGRB Act, declaring pipelines as common or contract carriers, receiving complaints, adjudication of certain disputes, and such other functions as entrusted to it by the GoI to implement the PNGRB Act. The PNGR Board may notify regulations consistent with the PNGRB Act and rules thereunder to implement the PNGRB Act. The PNGR Board (Codes of Practices for Emergency Response and Disaster Management Plan) Regulations, 2010 ("ERDMP Regulations") cover the identification and classification of emergencies, pre-emergency planning and preparedness to develop plans for actions when disaster or emergencies occur, responses that mobilise necessary emergency services and post disaster recovery, mitigation measures and implementation schedules to reduce or eliminate risk or disaster. The ERDMP Regulations apply to hydrocarbon processing installations, natural gas pipelines, commercial petroleum storage facilities and any other installation notified by the PNGR Board.

In June 2008, the MoPNG issued guidelines for sale of natural gas by NELP contractors ("Gas Sale Guidelines"). The Gas Sale Guidelines apply for an initial period of five years. Contractors are permitted to sell to consumers in accordance with marketing priorities determined by GoI on the basis of an approved pricing formula. If consumers in a particular higher priority sector are not in a position to take gas when it becomes available, it would go to the sector next in the order of priority. The priority for supply of gas from a particular source would apply only amongst customers not connected to an existing and available pipeline network connected to a source.

BUSINESS OF CAIRN INDIA

The Cairn Information has been extracted solely from Public Sources and has not been independently verified by Vedanta or its independent auditors or the Joint Global Coordinators and Joint Lead Managers. See "Risk Factors — Risks of the Cairn India Business and the Acquisition — All information, including the financial data, relating to the Cairn India Group, included in this Offering Circular ("Cairn Information") has been extracted solely from Public Sources (as defined below) and has not been independently verified by Vedanta or its independent auditors, the Joint Global Coordinators and Joint Lead Managers, the Joint Bookrunners or the Co-Manager."

The Cairn India Group does not have any direct or indirect interest in the Bonds to be issued by Vedanta and does not accept any claims or liabilities suffered by the Vedanta Group or any prospective bondholder or other third party, arising howsoever, directly or indirectly, from reliance made on any representations or statements contained in this Offering Circular or from the issue of the Bonds.

Overview

The Cairn India Group is primarily engaged in the business of surveying, prospecting, drilling, exploring, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals, oils, petroleum, gas and related by-products and other activities incidental to the above. As of 1 May 2011, Cairn India had the second largest gross oil and gas reserves and resources in India among private sector oil companies. As part of its business activities, the Cairn India Group also has rights to explore and develop oil exploration blocks in the Indian sub-continent and Sri Lanka.

Gross production of the Cairn India Group has grown from 66 kboepd in the fifteen months ended 2009, to 69 kboepd in the twelve months ended 2010 to an estimated 149 kboepd in the twelve months ended 2011.

The Cairn India Group's principal production asset is a 70% participating interest in three contiguous development areas totalling 3,111 square km in the Rajasthan Block pursuant to the Rajasthan Block PSC that runs until 2020. The first phase of development, including the commissioning of the MPT, was completed on 29 August 2009 and sales of crude oil through the Pipeline of approximately 590 km, which is the world's longest continuously heated and insulated pipepline, commenced on 15 June 2010. As of 31 December 2010, Cairn India was producing approximately 125,000 bopd from the Rajasthan Block. The Rajasthan Block represents a significant resource base with estimated aggregate 2P hydrocarbon initially in place of 4.3 bboe as of 31 March 2010.

Cairn India was incorporated in India on 21 August 2006 and was listed on the Bombay Stock Exchange and the National Stock Exchange of India in January 2007 and as of 31 March 2011, had a market capitalisation of $14,912.9 million. The following table sets forth information relating to the assets in which the Cairn India Group has an interest and includes its percentage interest, its partner(s), each partner's percentage interest and the operator of the relevant asset:

Block	Interest of Cairn India(1)	Partner(s) and Interest(s) of Partner(s)(1)	Operator
Production			
Block PKGM-1 (the Ravva Block)	22.5%	ONGC (40%); Videocon Industries Limited (25%)(2); Ravva Oil (Singapore) Pte Ltd. (12.5%)(3)	Cairn India
Block CB/OS-2 (the Cambay Basin block).	40%(4)	ONGC (50%); Tata Petrodyne Limited (10%)(4)	Cairn India
Production and Development			
Block RJ-ON-90/1 (the Rajasthan Block)	70%	ONGC (30)%	Cairn India
Exploration			
PR-OSN-2004/1.	35%	ONGC (35%), Tata Petrodyne Limited (30)%	Cairn India
SL 2007-01-001.	100%	—	Cairn India
KG-ONN-2003/1	49%	ONGC (51)%	Cairn India
Non-operated Block			
KG-DWN-98/2	10%	ONGC (65%), Petrobras International Braspetro NV (15%), Statoil (10)%	ONGC
KK-DWN-2004/4.	40%	ONGC (45%), Tata Petrodyne Limited (15%)	ONGC

(1) Interest is shown on a net participating interest basis pursuant to the relevant PSC.

(2) Videocon was formerly a separate corporate entity called Petrocon India Limited, previously named Videocon Petroleum Limited.

(3) Ravva Oil is a wholly owned subsidiary of Marubeni Corporation, Japan.

(4) The Cairn India Group has a 40% participating interest in the Lakshmi, Gauri and CB-X development areas. The rights of Cairn Energy India Pty. Ltd. elsewhere in Block CB/OS-2 have otherwise been relinquished as required by Block CB/OS-2 PSC.

As of 31 March 2010, the gross assets of the Cairn India Group after adjustment of current liabilities were INR 377,309.87 million. For the year ended 31 March 2010, the gain before tax was INR 10,163.36 million.

Outside of the Rajasthan Block, Cairn India estimates that as of 31 March 2010, the aggregate 2P reserves and resources attributable to the fields in production in which it has interests to be 116 million barrels of oil equivalent ("mmboe"). On a net participating interest basis, Cairn India estimates as of 31 March 2010, these same reserves and resources to be 30 mmboe. In addition, as of 31 March 2010, Cairn India estimates that the deep water block KG-DWN-98/2, where Cairn India has a 10% participating interest, contains one of India's largest gross contingent resource of an additional 353 mmboe.

Summary of Cairn India's Estimates of Hydrocarbons Initially in Place, Reserves and Contingent Resources

Cairn India uses various measures of hydrocarbons to make decisions regarding exploration priorities and investment in field developments. In the exploration phase, estimates of hydrocarbons initially in place, and the associated estimate of prospective resource are essentially speculative and subject both to a binary risk (probability of success or failure) and considerable uncertainty of volumetric magnitude. Following successful exploration and appraisal work, and as a field matures technically and commercially through development work and actual production, it becomes possible for Cairn India to make estimates, which may change over time, of the volumes of hydrocarbons or reserves that, in varying degrees of certainty or uncertainty, will ultimately be recoverable.

Cairn India relies primarily on estimates of proved plus probable, or 2P, reserves for purposes of significant capital investment decisions. For purposes of financial accounting under Indian GAAP, proved reserves will have additional significance in that only proved reserves at the beginning of an accounting period may be compared with production for the period to determine the period's depletion charge on a unit of production basis.

Finally, as a further measure of the potential commerciality of known accumulations of hydrocarbons in Cairn India's areas, estimates of contingent resources are also used. The estimation of these resources, and the likelihood that they may in the future be reclassified as reserves, depends on Cairn India's ability to prove commercial and technical viability of recovery within a reasonable timeframe. Cairn India employs reserves and resources definitions according to SPE/WPC International Standards which provide detailed descriptions for each category of reserves and resources.

Set forth in the table below is certain data regarding Cairn India's estimates of gross hydrocarbons initially in place, gross and net participating interest reserves and gross contingent resources from fields within the Rajasthan Block, the Ravva fields and fields within Block CB/OS-2 as of 31 March 2010. All of Cairn India's estimates with respect to Rajasthan Block fields are based on the assumption that Cairn India will be granted an extension of the Rajasthan Block PSC at least until 2041 (which is when Cairn India currently estimates economically viable production will no longer be possible) except for the estimates of proved only reserves where Cairn India has only included volumes that it believes can be substantially produced by 2020, the current year of expiration of the Rajasthan Block PSC. There is no assurance that this assumption will prove correct.

	Gross Proved Plus Probable Hydrocarbons Initially in Place	Gross Proved Plus Probable Reserves	Net Participating Interest Proved Plus Probable Reserves
	(mmboe)		
Rajasthan Block			
Mangala	1,293	476	333
Bhagyam	468	151	106
Aishwariya	293	66	46
Total "MBA" Fields	2,054	694	486
Rajasthan Block Small Fields	300	12	9
Rajasthan Block Other Fields	1,676	140	98
EOR			
Mangala	—	194	136
Bhagyam	—	70	49
Aishwariya	—	44	31
Ravva Fields	708	100	23
CB/OS-2 Fields	175	16	7
KG-DWN-98/2	650	353	35
Total (excluding EOR)	5,563	1,315	656
Total (including EOR)	**5,563**	**1,623**	**872**

A summary of these definitions is provided under "Estimation of Reserves and Resources" and you should read that summary carefully to understand the different meanings of different estimates presented in the tables below.

DeGolyer and MacNaughton's Independent Estimates of Hydrocarbons Initially in Place, Reserves and Contingent Resources

DeGolyer and MacNaughton, independent petroleum engineering consultants, had been engaged to prepare estimates of the proved, probable, and possible oil, condensate, and sales gas reserves and the contingent and prospective resources contained within the areas of the Cairn India Group.

The estimation of oil and gas reserves and resources is highly uncertain and highly subjective and different, reasonable estimates may be produced by different engineers analysing the same geological, technical and commercial data. As a result, there are differences between Cairn India's estimates and DeGolyer and MacNaughton's estimates.

Set forth in the table below is a summary of DeGolyer and MacNaughton's estimates of gross hydrocarbons initially in place, gross and net participating interest oil reserves from fields within the Rajasthan Block, the Ravva fields (except for hydrocarbons in place where DeGolyer and MacNaughton did not provide any report) and fields within Block CB/OS-2 as of 30 June 2010.

	Gross Proved Plus Probable Hydrocarbons Initially in Place	Gross Proved Plus Probable Oil Reserves	Net Participating Interest Proved Plus Probable Oil Reserves
		(mmbbls)	
Rajasthan Block			
Mangala	1,240,808	329,352	230,546
Bhagyam	478,756	109,982	76,987
Aishwariya	334,563	30,560	21,392
Total "MBA" Fields	2,054,127	469,894	328,925
Ravva Fields	N/A	56,204	12,646
CB/OS-2 Fields	16,676	6,477	2,591

A summary of the most significant differences between Cairn India's estimates and DeGolyer and MacNaughton's estimates follows.

The reserves estimated by Cairn were as of 31 March 2010 while DeGolyer and MacNaughton's estimates were as of 30 June 2010. The production from the Mangala field, the Ravva field and the fields within Block CB/OS-2 during the period from 31 March 2010 to 30 June 2010 also contributed to the differences. DeGolyer and MacNaughton does not consider recovery factors for waterflood operations in its estimate under the "proved category".

Rajasthan Block

Overview

The majority of the estimated hydrocarbons in place, 2P reserves and contingent resources attributable to fields in which Cairn India has an interest are contained in the Rajasthan Block. The Cairn India Group's primary asset is a 70% participating interest in three contiguous development areas totalling 3,111 square km including the Mangala, Bhagyam and Aishwariya fields (the "Development Area"), which is located in a former exploration area that was originally approximately 11,000 square km. On 16 January 2004, the Mangala field in the Development Area, which was the largest onshore crude oil field discovery in India since 1985, was discovered.

As of 31 March 2010, Cairn India estimates the Mangala field to have gross 2P reserves and resources of 476 mmboe, and its net participating interest in those reserves and resources to be 333 mmboe (in each case assuming the relevant PSC is extended from 2020 until the end of the field's economic life which is currently estimated in 2041). Cairn India is currently producing 125,000 bopd from the Mangala field and it believes the Mangala field has the potential to produce 150,000 bopd based on results from the on-going development drilling campaign. Cairn India estimates the Bhagyam field to have gross 2P reserves and resources of 151 mmboe as of 31 March 2010. Cairn India believes that the Bhagyam field has the potential to produce 40,000 bopd , the Aishwariya field another 10,000 bopd. Cairn India estimates that due to an increase of stock tank oil initially in place ("STOIIP") in the Aishwariya field, the peak rate could further increase.

As of 31 December 2010, Cairn India has made 25 discoveries in the Rajasthan Block. The fields are at different stages of understanding and evaluation and many are still subject to significant appraisal. As of 31 March 2010, Cairn India estimates that the aggregate gross 2P hydrocarbons initially in place attributable to the existing discovered fields in the Rajasthan Block accumulations is approximately 4 bboe. In addition, the Rajasthan Block has further exploration potential and the prospective resource base is currently estimated to be 2.5 bboe, resulting in an aggregate of 6.5 bboe in the Rajasthan Block.

Phase II of the development of the Rajasthan Block, including the development of Bhagyam and Aishwariya fields and the construction and installation of the Salaya to Bhogat section of the Pipeline, is underway and is expected to commence operations in the second half of 2012.

The Rajasthan Block comprises three contiguous development areas as follows:

- Mangala, Aishwariya, Raageshwari and Saraswati fields;

- Bhagyam and Shakti fields; and
- Kaameshwari West fields.

Currently, the Bhagyam, Shakti, Aishwariya, Saraswati and Raageshwari oil fields are all under active development planning. As of 31 March 2010, Cairn India estimates the aggregate gross hydrocarbons initially in place and the gross 2P reserves plus gross contingent resources attributable to these fields, respectively, are approximately 2 bboe and 707 mmboe, respectively. The Mangala, Bhagyam and Aishwariya fields (collectively, the "MBA Fields") are the largest in the Rajasthan Block and the Mangala field is the first to be developed having commenced production of commercial crude oil in August 2009, and the Bhagyam field is expected to commence production in 2011. In each of these MBA Fields, Cairn India is the operator. As of 31 March 2010, Cairn India estimates that the MBA fields together contained gross 2P reserves and resources of 694 mmboe. Enhanced oil recovery ("EOR") studies are currently on-going in the Mangala field and it is expected that the probable reserves and resources will increase by 308 mmboe.

In addition, Cairn India has completed the first phase of the MPT, a centralised hub facility to handle crude oil production from, *inter alia*, the MBA Fields. As of 31 December 2010, the MPT has a total planned processing capacity of 205,000 bopd with flexibility to expand such capacity.

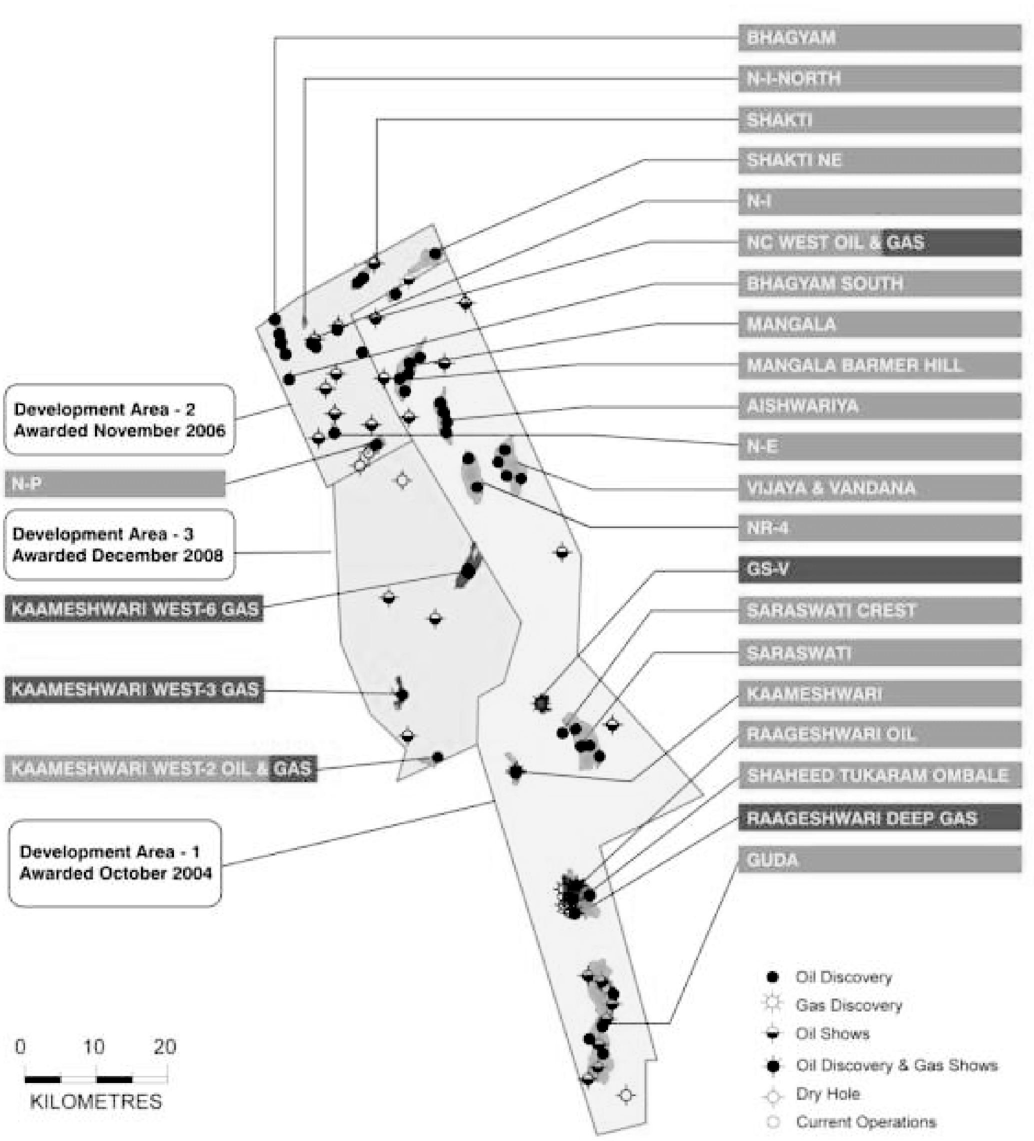
Cairn India has also commenced the construction and installation of the Salaya to Bhogat section of the Pipeline and as well as the construction of the Bhogat marine terminal, tank farms and utility facilities. The Salaya to Bhogat section and the marine terminal and its ancillary facilities are expected to be operational in the second half of 2012.

The other fields in the Rajasthan Block comprise smaller or low permeability fields and reservoirs requiring further evaluation. Cairn India currently estimates that these 20 fields have aggregate hydrocarbons initially in place of 1.9 bboe and gross contingent resources of 140 mmboe.

Cairn India is working in partnership with its joint venture partner, the GoI, acting through ONGC, and the Government of Rajasthan in the Rajasthan Block. Under the PSC, the GoI is obliged to purchase the crude oil produced from the Rajasthan Block. However, the GoI has granted permission to Cairn India to sell the crude oil produced to private refineries and as of 31 December 2010, Cairn India is selling the crude oil to both private refineries and the Indian Oil Corporation Limited ("IOC"). As of 31 December 2010, commercial sales arrangements are in place for 143,000 bopd with public sector undertakings ("**PSU**") and private refineries. Any additional sales to the PSU, refineries, Special Economic Zone refineries and overseas are subject to approval from the GoI.

The Rajasthan Block PSC was signed in May 1995 between the GoI and a consortium consisting of ONGC and SIPD. Cairn India acquired its interest in the Rajasthan Block PSC in three stages, eventually acquiring a 100% beneficial interest in the assets and liabilities as of May 2002 and acquiring legal title to this 100% interest on 20 June 2003. Under the Rajasthan Block PSC, the GoI, acting through ONGC, had an option to acquire a participating interest of 30% in any development area containing a commercial discovery. The GoI exercised this right in all three development areas, specifically, the Mangala development area in 2005, the Bhagyam and Shakti development areas in 2007 and the Kameswari development area in 2009, acting through ONGC and acquired a 30% participating interest.

The three contiguous development areas, together with the main discoveries and prospects are illustrated below.



As at 31 December 2010, Cairn India's principal focus is the development of the discoveries in the northern part of the Rajasthan Block, namely the MBA Fields for which field development plans ("FDPs") have been approved. Phase I is complete and commercial production from the Mangala field commenced in August 2009. The approved FDPs for the MBA Fields provide for a plateau production rate for Mangala, Bhagyam and Aishwariya of 125,000 bopd, 40,000 bopd and 10,000 bopd respectively, with the aggregate plateau production rate at 175,000 bopd.

The gross development capital expenditure for the Rajasthan Block was approximately $4 billion, comprising $1 billion for the construction of the Pipeline and approximately $3 billion for the development of upstream facilities, of which approximately an aggregate of $2.8 billion was spent as of 31 December 2010. The development to date includes the construction of the MPT which is designed to process up to a nameplate capacity of 205,000 bopd through four processing trains, the Pipeline and export system, the sub-surface saline water supply, the gas and power generation system and the development wells.

The Barmer Basin is a NNW-SSE oriented rift basin with normal fault growth having occurred mainly during the Palaeocene-Eocene age. The rift basin was developed in a terrain consisting of Pre-Cambrian granitic and metamorphic rocks, Mesozoic sediments (including significant sandstone formations) and Deccan Trap volcanics and volcanoclastics. The Barmer Basin exhibits a marked deepening from North to South along its axis, accompanied by changes in the structural configuration.

The basin has been informally subdivided into the Northern Fields and Southern Fields at an approximate line of latitude immediately north of the Saraswati field. The Northern Fields are in general relatively simple large scale tilted fault blocks, with a series of stacked fluvial sandstones of the Fatehgarh group as the principal reservoir rocks. The Southern Fields consist of two principal plays, namely, a shallow crude oil accumulation in fields such as the Saraswati, Guda and Raageshwari oil fields and a deeper gas accumulation beneath these fields, such as in the Raageshwari deep gas field.

The crude oil in the majority of fields in the Rajasthan Block is characterised by its high pour point and its propensity to solidify at certain temperatures. Accordingly, the crude oil needs to be kept hot during processing and transportation and even under reservoir conditions where water injection is employed as a recovery method, the water needs to be heated to ensure that the temperature of the crude oil in the reservoir does not fall below the pour point.

Resource Base — Hydrocarbon Resources

Mangala, Bhagyam and Aishwariya

The MBA Fields' STOIIP is in excess of 2.1 billion bbls. The current approved rate from the MBA Fields is 175,000 bopd (comprising 125,000 bopd from the Mangala field, 40,000 bopd from the Bhagyam field and 10,000 bopd from the Aishwariya field). Cairn India believes that the resource base in the Rajasthan Block will enable Cairn India to produce 240,000 bopd, subject to receipt of regulatory approval and additional investments. As of 31 March 2010, the Mangala field contained nearly 1.3 billion bbls of STOIIP in the Fatehgarh formation, with 476 mmbbls recoverable through water flood. Development drilling on the field commenced in January 2009, and 107 wells from twelve pads have been drilled as of 31 December 2010, with a combination of horizontal wells with screens, deviated producers and mono-bore water injectors. This represents approximately two-thirds of the wells planned for the field-wide development. Results from these wells have confirmed the geological and reservoir understanding of the field and the STOIIP estimates. Performance of the horizontal wells has been better than expected, with an average production rate greater than 11,500 bopd. In consideration of these results, Cairn India believes that the Mangala field has the potential to produce 150,000 bopd. Moreover, the increased off-take rate from Mangala would have no impact on the ultimate technical recovery from the field. The proposed increase in production also requires further regulatory approvals.

Northern Fields

Mangala

The Mangala field which was discovered in 2004, is the largest field in the Barmer Basin in the state of Rajasthan, with estimated gross 2P reserves and resources of 476 mmboe assuming field life of up to 2041.

The main reservoir unit in the Mangala field is of the late Palaeocene Age Fatehgarh group which is also common to the other Northern Fields. The Fatehgarh sequence consists of stacked reservoir units of interbedded sands and shales. The Fatehgarh sandstones exhibit world class reservoir characteristics, with porosities ranging from 21% to 26% and *in-situ* permeability of 0.2 to 20 Darcies. The structure is a simple tilted fault block, bounded to the west and north by first and second order faults respectively, with the field structure dipping at around nine degrees toward the south-east. The depth of the crest of the structure is only 600 metres below sea level, with crude oil-water contact at 960 metres below sea level. Ground elevations are in the order of 200 metres above mean sea level. The Fatehgarh crude oil column covers an area in excess of 13 square km.

Mangala crude oil is waxy and sweet, having a low sulphur content, averaging 27.3 degrees API and a relatively high pour point of 40 degrees Celsius to 45 degrees Celsius. The reservoir is normally pressured and hot water flooding is typically implemented to maintain reservoir pressure and efficiently sweep the oil.

The Mangala FDP recommends the drilling of wells from the well pads that will significantly reduce the overall footprint and environmental impact. Consequently, all wells are deviated to some extent. A total of 18 well pads are planned and production wells will be required to be lifted by pump when water breakthrough occurs and Cairn India intends to use hot water circulation as the artificial lift method.

The Mangala FDP envisages drilling 162 development wells out of which 11 are horizontal producers. The commercial production in the Mangala field commenced with the initial production of approximately 6,000 bopd and since July 2010, at the approved peak rate of 125,000 bopd. Based on the well deliverability, Cairn India believes there is further potential to increase the peak rate from 125,000 bopd to 150,000 bopd.

Set out below is the gross production of crude oil from the Mangala field and Cairn India's net participating interest with regard to such production for the periods indicated:

	For the Year Ended 31 December					
	2008		2009		2010	
	Gross	Net	Gross	Net	Gross	Net
	(mmbbls)					
Mangala	—	—	1.6	1.2	27.7	20.5

Bhagyam

Bhagyam is the second largest discovery in the fields of Rajasthan, after Mangala, with estimated gross 2P reserves and resources, as of 31 March 2010, of approximately 151 mmboe with a field life of up to 2041.

The Fatehgarh group reservoir at Bhagyam is of high quality, with slightly higher permeability than in the Mangala field. Bhagyam crude oil is waxy and sweet, and of medium gravity, averaging 26 degrees API and has a pour point of 39 degrees Celsius to 45 degrees Celsius which is similar to the pour point of the crude oil from the Mangala field.

Further, there is slightly more variation in crude oil type with depth at Bhagyam than in the other Northern Fields with a variation from 21 degrees API close to the crude oil water contact and up to 33 degrees API at the crest. Moreover, the Bhagyam field has a very small gas cap in the Fatehgarh Group accounting for approximately 1.5% of the total reservoir pore volume.

The development of the Bhagyam field will involve the drilling of 81 wells.

The Bhagyam FDP was approved in 2008 with the plateau oil production rate of 40,000 bopd. The crude oil from the Bhagyam field will be processed at the MPT and development work is ongoing and Cairn India is intending to commence production in the Bhagyam field in 2011.

Aishwariya

The Aishwariya field is located in the northern Barmer Basin in the state of Rajasthan, immediately south of the Mangala field and was discovered in March 2004. As of 31 March 2010, Cairn India estimates gross 2P reserves and resources of 66 mmboe in this field.

The basin is a tertiary rift, consisting predominantly of Palaeocene-Eocene sediments. The main reservoir unit in Aishwariya is of the Fatehgarh group, consisting of stacked reservoir units of interbedded sands and shales. The reservoir characteristics of the Fatehgarh sands vary from moderate to excellent with porosities ranging from 12% to 26% and *in-situ* permeabilities ranging from 10 milli-Darcies to over 20 Darcies. The Aishwariya structure is a simple tilted fault block, dipping at around 12 degrees to the east.

Aishwariya crude oil is waxy and sweet, having a low sulphur content, with an API gravity ranging from 27 degrees to 32 degrees API. As with the Mangala field, the crude oil has a relatively high pour point of 40 degrees Celsius to 45 degrees Celsius. The reservoir is normally pressured and hot water flooding is typically implemented to maintain reservoir pressure and efficiently sweep the oil. Similar to the Mangala field, production wells will be required to be lifted by pump when water breakthrough occurs and Cairn India intends to use hot water circulation as the artificial lift method.

The Aishwariya FDP recommends a drilling programme of up to 51 development wells to recover the reserves using the water flood method. The Aishwariya FDP also indicates gross plateau rate of 10,000 bopd. Based on the increase in reserves since the Aishwariya FDP was submitted and as of 31 December 2010, Cairn India anticipates the plateau production rate of 20,000 bopd. The oil produced from Aishwariya will be processed at the MPT.

Raageshwari Deep Gas Field

The Raageshwari deep gas field is designed to supply gas to meet the energy requirements at the MPT and the Pipeline. As of 31 December 2010, ten new wells were drilled and completed in addition to the existing three gas producing wells. Hydraulic fracturing operations have also been completed in two wells with four to five zones fractured in each well. These fracturing operations have been successful in increasing the flow rate with wells having flow rates of up to 20 mmscfd, which is five times the rates previously achieved from this reservoir.

The Raageshwari FDP is in respect of approximately 35 wells in total with gas processing at Raageshwari Gas Terminal. The processed gas is transported to the MPT through the Pipeline for captive consumption.

Southern Fields

Raageshwari

The Raageshwari crude oil field is located at the northern end of the Central Basin High within the Barmer Basin and was discovered in 2003.

A 3D seismic survey over this area of the Rajasthan Block has identified that the Raageshwari crude oil field is separated into various fault blocks which are likely to require individual drain points to develop the field's reserves.

The shallow Thumbli sandstone reservoir is the primary reservoir in the field. The Thumbli section is a relatively low permeability sandstone formation of laminated sands and shales. The typical porosity ranges from 20% to 35%, with permeability varying from 10 milli-Darcies to 250 milli-Darcies.

The Raageshwari field also has a gas cap which will provide natural pressure support when the field is under production but Cairn India intends to retain the gas cap for later recovery once crude oil production has begun.

The crude oil from the Raageshwari field has a typical crude oil gravity of 35 degrees API, a high wax content and a relatively high pour point though not as high as the crude oil found in the Northern fields.

The approved FDP for Raageshwari will utilise 15 wells (13 new and two existing wells) in the first phase and two drilling campaigns. As of 31 December 2010, eight development wells have been drilled.

The approved FDP focuses on the use of the minimum facilities to provide separation, metering, and flow lines with the associated infrastructure and utilities. Crude oil, water and associated gas from the well heads will be processed through production and separation units on each of the planned pads.

Saraswati

The Saraswati field was discovered by Cairn India in 2001. There are two reservoir types in this field, the Fatehgarh Group Sandstone Reservoir and the Higher Barmer Hill Formation sandstones. The Fatehgarh formation at this location is approximately 65 km south of the Mangala field, at a deeper depth and lower quality as compared to the Northern Fields with porosity of 15% to 20% and permeability of between 50 milli-Darcies to 100 milli-Darcies. The Barmer Hill formation is tight but there is evidence of a fracture system at Saraswati which would increase its production potential, unlike in the Northern Fields.

Saraswati crude oil is light and sweet, having a low sulphur content, and has a typical crude oil gravity of 40 degrees API. Similar to crude oil from the other fields in the Rajasthan Block, it has a high wax content, but its pour point is lower, at 30 degrees Celsius.

The approved FDP incorporates two existing wells and these wells will produce from stand alone surface locations. As of 31 December 2010, four new development wells as part of phase one have been drilled and three additional wells as part of phase two, will be drilled from two new separate multi-well surface pad locations. Additional wells will be drilled if required for optimal recovery.

The chosen development concept focuses on facilities to provide separation, metering, and flow lines with the associated utilities and infrastructure. Crude oil, water and associated gas will be processed through production and separation units on each of the planned pads.

Barmer Hill and Other Fields

In addition to the MBA, Raageshwari and Saraswati fields, Cairn India has discovered 20 other fields (including the Barmer Hill formation) that contain a gross discovered resource of approximately 1.9 bboe in place of which the gross recoverable resource is estimated to be 140 mmboe. From the development drilling results and further evaluation of the Barmer Hill formation overlying the Mangala and Aishwariya Fatehgarh Formation reservoirs, Cairn India has identified increased potential in the basin. Fields in other parts of the world with characteristics similar to the Barmer Hill are being developed and have demonstrated recovery factors of 7% to 20%.

As a result of this evaluation, the estimated Barmer Hill (from Mangala and Aishwariya) and other fields gross recoverable resources have more than doubled to 140 mmbbls as of 31 March 2010. Since the Barmer Hill reservoir is less permeable than the main Fatehgarh formation reservoir, fracturing of horizontal wells is being planned to optimise the well count and deliver high online production rates. A declaration of commerciality ("DOC") for the Barmer Hill has been submitted to the GoI and a FDP is under preparation for submission later this year. A FDP covering fields in the Kaameshwari West development area has also been submitted to the GoI.

Further Potential: Exploration Upside

Cairn India believes there remains an untested prospective resource potential to pursue in the Barmer Basin of the Rajasthan Block.

Over the last two years, a full re-evaluation of the Barmer Basin had been undertaken. All 170 exploration and appraisal wells were re-examined, new studies were started and 2,733 square km of 3D seismic data was re-processed and re-interpreted. Cairn India has also acquired over 2.2 km of cores to help gain a better understanding of the geographical and reservoir models. As a result of these studies, the estimated 2P reserves and resources in the Rajasthan Block has increased to 250 mmboe of exploration upside, equivalent to a most likely in place resource of 2.5 bboe. Discovering and developing these resources is important in realising the full production potential of the Rajasthan Block. Cairn India drilled two exploration wells in the fourth quarter of 2010. Both wells found hydrocarbons in the Thumbli reservoir, extending the Shaheed Tukaram Ombale (Raageshwari East-1z) discovery made in 2008. The last two exploration wells drilled in the Rajasthan Block, namely, the Tukaram-2, found 6 metres of economically producible oil ("oil pay") and 6 metres of economically producible gas ("gas pay"), and the Tukaram SE-1 found 11 metres of oil pay. In addition, 2.5 metres of oil pay was found in a Dharvi Dungar reservoir and the deeper well Tukaram-2 also found 15 metres of gas pay in Fatehgarh, extending the Raageshwari deep gas resource base. Technical evaluation work is on-going to assess existing and new plays in the basin to generate further prospects in Rajasthan Block.

Northern Fields Development

The Mangala field is the first of the Northern Fields to be developed. Cairn India commenced commercial production of this field in August 2009. Cairn India expects to commence commercial production from the Bhagyam and Shakti fields in 2011 and the Aishwariya field in 2012. The development of the Northern Fields is being managed under a gated system of project control, which monitors and verifies project progress through each of the pre-development, development and post-development phases.

Mangala Development Facilities

Mangala Base Development Facilities

Surface facilities are designed to process the viscous, high pour point, waxy crude oil with a range of associated watercuts to the oil export quality specifications. The MPT is envisaged as the central hub for future development of the Bhagyam and Aishwariya fields. The water required for reservoir pressure maintenance, makeup water for steam generation, power water circulation and plant utility will be drawn from the Thumbli water field. Due to very high energy demand, the plant will consume all associated gas produced and will also require gas as fuel from the Raageshwari deep gas field. The export oil will be pumped into the Mangala pipeline.

Mangala Processing Terminal

The MPT has been designed as a centralised hub facility to handle crude oil production from the fields in the Rajasthan Block that have been discovered by Cairn India. It has a planned capacity of 205,000 bopd of crude oil upon completion, and has been designed with sufficient flexibility to be later expanded to process more crude oil, depending on the resource potential of the Rajasthan Block.

The MPT comprises four oil processing trains:

- Train One has a capacity of 30,000 bopd from the Mangala field which commenced production on 29 August 2009 and has since been on stream;
- Train Two has a capacity of 50,000 bopd, also from the Mangala field, which commenced production in May 2010 and has since been on stream;

- Train Three has a capacity of 50,000 bopd to access the plateau production from the Mangala field, which commenced production in June 2010 and has since been on stream; and
- Train Four has a planned capacity of 75,000 bopd which is scheduled to be commissioned in 2011 and is designed to accommodate production from the Bhagyam and Aishwariya fields and any further expansion.

The MPT uses boilers to produce steam, which drives the turbines to generate power. A closed loop system of steam condensate recovery helps to meet the feed water requirement of boilers and the heating requirement of various process units and also the power fluid for injection into the oil wells. This closed loop system has resulted in efficient power management and in turn, has resulted in lower emissions.

Saline water from the Thumbli aquifer, approximately 20 km from the MPT, is transported through a 20 inch pipeline. Some of this water is desalinated to:

- feed the five boilers at the MPT to generate steam for heating, drive the turbines to generate electricity as well as to aid water flooding of the oil reservoirs, and
- supply portable water and other water needs at the MPT.

The remaining saline water is injected into the oil reservoirs.

Gas is required to fire the boilers to generate steam, which in turn generates the power to heat the waxy crude at an average of 65 degrees Celsius along the pipeline. The gas comes from the Raageshwari gas field, located approximately 90 km away from the MPT. The Raageshwari Gas Terminal, with four gas well pads and 35 wells, is designed to produce dry gas of over 30 mmscfd. The dry gas is transported through a 12 inch gas pipeline to the MPT and the gas liquids, or condensate, are transported by a separate four inch pipeline.

Reliability of fuel supply for power generation and heating for the Northern Field facilities is critical. The facilities at the Mangala field will be fueled by using associated gas from the Mangala field itself, supplemented with gas from the Raageshwari deep gas field located approximately 80 km from the site designated for the Central Power Plant as and when required. The gas from the Raageshwari deep gas field will be transported through the Pipeline to the MPT. Cairn India expects the Raageshwari deep gas field will initially be the fuel source for the facilities at Mangala field and will also serve as a supplemental or back up fuel source for the associated gas from the Mangala field itself during the early phase of production and eventually become the primary fuel source for the facilities at Mangala field as the amount of associated gas diminishes.

The Mangala field development will also require significant infrastructure, and the infrastructure in place comprises:

- internal and external communication systems;
- interconnecting roads between facilities and well pads within the Mangala field, the source water wells field and the Raageshwari deep gas field;
- buildings for process equipment and key infrastructure such as control rooms, office and administrative buildings, warehousing, support services, work shops, a laboratory, a communications centre, a fire station and an ambulance building;
- residential accommodation facilities for field and visiting personnel; and
- a power transmission network.

Enhanced Oil Recovery

EOR techniques are methods of increasing recovery from oil fields. Historically, EOR has been considered as a tertiary recovery method to be applied at the later stage of field life following primary and secondary recovery from the reservoirs.

Cairn India recognised the potential for EOR at an early stage of development in the MBA Fields. The reservoir quality, oil properties and ambient temperature make these fields ideal for the application of chemical flooding EOR methods such as polymer or Alkali Surfactant Polymer ("ASP") flooding. The early application of such chemical flooding is designed to extend their crude oil production plateau periods, reduce water production, mitigate future decline rates and potentially accelerate crude oil production. With the viscosity of oil being higher than that of water, the injected water is not able to displace the oil very efficiently, resulting in some bypassed oil under a conventional water flooding scheme.

By adding chemicals such as polymers, the injected water attains a viscosity close to that of the oil, which improves the displacement and overall sweep. In addition, the use of alkali and surfactants along with polymer further increase recovery, as these chemicals act like soap and wash off more oil from the reservoir pore spaces.

Studies conducted by two independent laboratories show favourable trial results of 30% to 40% incremental recovery from the application of EOR in the reservoir core-floods. Detailed field scale modelling and simulation studies carried out incorporating the findings of the laboratory evaluation indicate incremental recoveries of 15% from the MBA Fields by the application of ASP flooding.

Cairn India started an EOR pilot project in 2010. The first phase of the EOR pilot project, comprising four injectors, one producer and three observation wells, is complete. The water injection and production phase commenced in December 2010 and conditional upon the success of the pilot, Cairn India intends to implement chemical flooding on a field scale in Mangala, followed by Bhagyam and Aishwariya. The current assessment of the EOR resource base is more than 300 mmbbls of incremental recoverable oil from the MBA Fields.

Cairn India is a member of a Joint Industry Project ("JIP") on chemical EOR. This JIP is supported by approximately 30 exploration and production and service companies across the world, which sponsors research in chemical EOR. This initiative will provide Cairn India access to the results of the latest technology and research carried out by the industry.

Crude Sales

As at 31 December 2010, Cairn India has sales arrangements with PSU and the private refineries in place for 143,000 bopd. Any additional sales to the PSU, private refineries, Special Economic Zone refineries and overseas is subject to approval from the GoI.

Mangala crude is benchmarked to the low sulphur, internationally traded crude oil known as Bonny Light. The crude oil realisation price is adjusted with the gross product worth and represents a 10% to 15% discount to Brent on the basis of prices prevailing for 12 months to December 2010.

As at 31 December 2010, the crude oil is supplied to the domestic PSU and the private refineries through the Pipeline. The first phase of the Pipeline from MPT to Salaya is operational and it transports the crude oil to the refineries. Once the second phase is ready (the section from Salaya to Bhogat and the marine facility), Cairn India will have access to approximately 75% of India's refining capacity including the coastal refineries.

Rajasthan Block PSC

The Rajasthan Block PSC establishes a management committee for the Rajasthan Block which consists of four members, two members which are nominated by and represent the Government and the Licensee (ONGC) taken together and two members which are nominated by and represent the Cairn India Group. The management committee must unanimously approve annual work programmes, budgets, proposals for the declaration of a discovery as commercial, FDPs, and the delineation of or additions to a development area while all other matters only require a majority vote.

The Rajasthan Block PSC is currently valid until May 2020. Under the PSC, there is a five year extension right, subject to mutual agreement among the parties, and the potential for a further extension period linked to the expected production life of the field that is also subject to mutual agreement among the parties.

Each eligible unit in the Rajasthan Block will benefit from a tax holiday of seven years commencing from 1 April in the tax year during which commercial production from that unit begins. However, during the seven year tax holiday, MAT rules will also apply resulting in a tax of 19% of accounting profits in accordance with Indian GAAP. Any MAT paid can be carried forward (at current rates) for a total period of ten years and used to reduce corporate tax paid.

Under the Rajasthan Block PSC, until such time as India attains self-sufficiency in its crude oil supply, Cairn India is required to sell to the GoI, or its nominee, all of Cairn India's entitlement to crude oil and condensate extracted from the Rajasthan Block in order to assist in satisfying domestic Indian crude oil demand. The GoI is entitled to appoint a nominee to purchase all of the crude oil and condensate produced from the Rajasthan Block. However, the GoI has allowed marketing freedom to Cairn India under the PSC to sell remaining quantities, over and above those allocated to the Government nominees, to other domestic private refineries.

Under the Rajasthan Block PSC, all sales are to be valued at a weighted average Free on Board ("FOB") selling price per barrel of a basket of international crude oils quoted in Platts, a leading provider of energy information, to be agreed by all parties. For any delivery period in which sales take place, the price will be set at an average price per barrel determined by calculating the average for such delivery period of the mean of the high and low FOB prices of the basket for each day adjusted for differences in quality, delivery time, quantity, payment terms and other contract terms to the extent known. In agreeing to an appropriate basket, the parties are required to choose a mixture and weighting of crude oils which would produce a quality similar to the quality of crude oil expected to be produced from that development area, and to agree what quality adjustment (if any) to the basket price is appropriate. In determining the quality of crude oil, account is to be taken of all relevant characteristics including gravity, sulphur and metal content, pour point and product yield.

The crude oil produced at the Rajasthan Block is sold at a discount to Bonny Light, an international benchmark crude oil as published in Platts Crude Oil Market Wire on a daily basis. In the event that there is a dispute between the parties to the Rajasthan Block PSC as to the basis of, or mechanism for, the calculation of the crude oil price, then any party may refer the matter to a sole expert who is to be an independent and impartial person of international standing with relevant qualifications and experience. Under the provisions of the Rajasthan Block PSC, the decision of the sole expert is final and binding on the parties.

Block PKGM-1 — Krishna-Godavari Basin — Ravva Field

Overview

Cairn India is the operator of the Ravva field in Block PKGM-1(the "Ravva Block") pursuant to a PSC for Ravva Oil and Gas Field entered into on 28 October 1994 between ONGC, Videocon Industries Limited (formerly a separate corporate entity called Petrocon India Limited, previously named Videocon Petroleum Limited) ("Videocon"), Cairn Energy India Pty Limited (formerly known as Command Petroleum (India) Pty Ltd. ("Command Petroleum")) and Ravva Oil (Singapore) Pte Ltd ("Ravva Oil").

Cairn India's operations in the Ravva Block are centred around the Ravva oil and gas field in the Krishna-Godavari Basin. Developed in partnership with ONGC, Videocon and Ravva Oil, Cairn India became the operator in 1994, working under a PSC that runs until 2019. Crude oil and natural gas production from the Ravva Block commenced in 1993 and as of 31 December 2010, the Ravva field had produced more than 231 mmboe since commencement of production, including 231 million barrels ("mmbbls") of commingled crude oil, with a specific gravity scale developed by the American Petroleum Institute for measuring the relative density of various petroleum liquids ("API"), of 36 degrees even though it was originally estimated to produce approximately 101 mmbbls.

The Ravva field lies in the Krishna-Godavari Basin, offshore of the state of Andhra Pradesh in eastern India in water depths of between approximately zero and 80 metres isobath. ONGC discovered the Ravva field in 1987 and production commenced in 1993. The PSC for the exploration, development and production of the Ravva field (the "Ravva PSC") was signed on 28 October 1994 between the GoI and a consortium consisting of ONGC, Videocon, Ravva Oil and Command Petroleum with Command Petroleum being designated as the operator. In October 1994, Cairn Energy acquired Command Petroleum (now known as Cairn Energy India Pty Limited), including its interest in the Ravva field, and became the operator.

Cairn India holds a 22.5% participating interest in the Ravva field with the remaining interests currently held by ONGC (40%), Videocon (25%) and Ravva Oil (12.5%) (together, the "Ravva JV").

Production from the Ravva Field

As at 31 December 2010, average oil production levels at the Ravva field were at the rate of 29,381 bopd, or approximately 4% of India's current domestic crude oil production. This rate was maintained through the use of 18 crude oil production wells, four gas production wells and eight water injection wells. The Ravva field has been in production for over 15 years and is thus considered to be a mature field at a stage of decline. The field produced at a plateau rate in excess of 50,000 bopd for over nine years and is expected to achieve an Estimated Ultimate Recovery ("EUR") of approximately 60%. Cairn India and its joint venture partners have completed an ocean bottom cable ("OBC") four dimensional ("4D") Seismic data acquisition campaign, which is a first in India, to identify bypassed oil zones within the field through three infill producers and two and thereby attempting to arrest the decline of production from the field.

As at 31 December 2010, the Ravva field had produced more than 285.9 mmboe since the commencement of production, including 233.4 mmbbls of 36 degrees API crude oil. For fiscal 2010, the

Ravva field's gross production rate was 39,957 boepd, of which Cairn India's entitlement interest was 8,900 boepd.

As at 31 December 2010, the Ravva JV operates eight unmanned offshore platforms and additional sub-sea pipelines to transfer crude oil and natural gas from offshore and to inject water to the Ravva field to maintain reservoir pressure and to sweep for oil. Cairn India believes that the reservoir management strategy of water flooding utilised for the Ravva field has resulted in the high recovery factor experienced for the field of approximately 43% of oil initially in place ("OIIP").

Cairn India is working in partnership with ONGC, Videocon and Ravva Oil. A 225 acre onshore processing facility at Swasaniyam (the "Ravva Onshore Terminal") owned by the Ravva field joint venture partners, processes natural gas and crude oil from the Ravva field. The Ravva Onshore Terminal received ISO 14001 certification, an international standard for environmental management systems, in 2005 and has the capacity to handle 70,000 bopd, 95 million standard cubic feet per day ("mmscfd") of natural gas and 111,000 barrels ("bbls") per day of injection water. The Ravva Onshore Terminal also has the capacity to store one million barrels of crude oil onshore.

As at 31 December 2010, the processing facilities at the Ravva Onshore Terminal include three stage separator trains, storage tanks, gas and effluent treatment plants as well as a 10 megawatt captive power generation.

Crude Oil Production

The Ravva main oil reservoir is of Mid-Miocene age at depths of between 1,500 metres and 1,800 metres. The average gross production from the Ravva field for 2010 was 37,957 boepd.

Set out below is the gross production of crude oil from the Ravva field and Cairn India's net participating interest with regard to such production for the periods indicated:

	For the Year Ended 31 December					
	2008		2009		2010	
	Gross	Net	Gross	Net	Gross	Net
			(mmbbls)			
Ravva	15.37	3.46	12.73	2.86	10.71	2.41

Crude Oil Sales

Pursuant to the Ravva PSC, Cairn Energy India Pty Limited, for itself and on behalf of Videocon, ONGC and Ravva Oil, is required to sell to the GoI all the crude oil produced from Ravva field during each year at a price and under delivery terms determined in accordance with the terms of the PSC.

The price of the crude oil produced at the Ravva field is benchmarked to the average of Tapis, a benchmark crude in Malaysia and Minas, a benchmark crude in Indonesia, less $0.60 per barrel without any gross product worth adjustments. In the past few years, the crude oil provided from the Ravva field had been nominated by the GoI to IOC (Bongaigaon Refinery) and Hindustan Petroleum Corporation Limited ("**HPCL**").

Tolling Arrangement

The Ravva JV has been providing tolling services to ONGC to allow it to transport the crude oil and condensate ("ONGC Crude") produced from its own onshore fields through the Ravva JV facilities since December 1998. For fiscal 2010, 1,377,541 bbls of ONGC Crude (average of 5,046 bopd) was transported through the Ravva JV facilities.

As at 31 December 2010, crude oil from the offshore platforms of the Ravva field is brought to the Ravva Onshore Terminal through seven pipelines. After removing the associated natural gas in the three onshore separators, the crude oil is stored at the Ravva Onshore Terminal before transfer to buyers through an offshore single point mooring buoy. The Ravva Onshore Terminal has the capability to store up to one mmbbls of crude oil onshore allowing for flexibility in the event that offshore loading is hindered by bad weather conditions.

Natural Gas Production

As at 31 December 2010, the main field at Ravva was producing 50.3 mmscfd of natural gas, of which 52% is associated natural gas (that is, natural gas produced with crude oil from the same reservoir). Non-associated natural gas in the Ravva field is produced mainly from a satellite field of Late-Miocene age natural gas reserves found at depths of between approximately 800 metres and 1100 metres. The satellite field was discovered during exploration drilling undertaken in 1997 and 1998 and production from the field commenced in September 2001. Cairn India currently expects to produce at a rate of 36.75 mmscfd. The main field at Ravva has produced at a plateau rate of 31.78 mmscfd, which was achieved since March 2002.

Set out below are the gross sales volumes of natural gas from the Ravva field and Cairn India's net participating interest with regard to such production for the periods indicated.

	For the Year Ended 31 December					
	2008		2009		20010	
	Gross	Net	Gross	Net	Gross	Net
	(bcf)					
Ravva main	13.28	2.99	11.20	2.52	9.78	2.20
Ravva satellite	12.66	2.85	7.06	1.59	9.00	2.03
Total	25.94	5.84	18.26	4.11	18.78	4.23

Natural Gas Sales

The Ravva JV has entered into gas sale contracts ("GSCs") with Gail (India) Limited ("GAIL"), formerly known as the Gas Authority of India Limited, relating to the Ravva main field. The first contract, signed on 27 June, 1997, relates to production from the Ravva main field (the "Main GSC"). The second contract signed on 9 April 2001, relates to the Ravva satellite field (the "Satellite GSC"). Both the Main GSC and the Satellite GSC are essentially life of field depletion contracts (though each contract has an expiration date of 27 October 2019 and the Satellite GSC provides for the total sales quantities in the contract).

Exploration Activity

While the Ravva field has been producing crude oil and natural gas for over a decade, Cairn India believes that there are considerable exploration and development opportunities remaining. Interpretation and mapping in the Ravva field from the Late Oligocene to Pliocene-Pleistocene age has permitted Cairn India to identify exploration prospects, below the currently producing areas. A comprehensive inventory has been collated, based upon the analysis of block-wide 3D seismic data and from various wells in and around the Ravva field.

4D seismic studies have been conducted to help discover oil remaining that has been un-drained by the current recovery scheme or new prospects in the Ravva block. The potential benefits of the 4D studies include, identifying bypassed hydrocarbons, optimizing reservoir management, enhancing exploration evaluation through multi-component data and better imaging. Cairn India is deploying this new technology to try and maintain the crude oil plateau rate of the Ravva field.

An exploration well (RX-9) spudded in June 2006 has now been plugged and abandoned after a test confirmed low volumes of gas and a negligible quantity of high viscous oil.

As at 31 March 2010, Cairn India estimates that the gross prospective resources in the Ravva field are approximately 65 mmboe of which Cairn India has a 15 mmboe net participating interest.

Following a comprehensive assessment of remaining potential in the Ravva field, the gross 2P reserves have increased by 20%, from 60 mmboe in 2010, to 72 mmboe. Cairn India believes that the Ravva field has a considerable reserve potential remaining which could produce additional oil.

PROSPECTIVE RESOURCES RELATE TO UNDISCOVERED ACCUMULATIONS AND, ACCORDINGLY, ARE HIGHLY SPECULATIVE. A POSSIBILITY EXISTS THAT THE PROSPECTS WILL NOT RESULT IN THE SUCCESSFUL DISCOVERY OF ECONOMIC RESOURCES, IN WHICH CASE THERE WOULD BE NO COMMERCIAL DEVELOPMENT.

Ravva PSC

The Ravva PSC was signed in 1994 and is currently valid until 27 October 2019, but may be extended upon mutual agreement for a period of five years. Under the Ravva PSC, Cairn India is entitled to recover 100% of exploration, development and production costs from crude oil and natural gas sales before any profit is allocated among the parties.

Under the Ravva PSC, until such time as India attains self-sufficiency in its crude oil supply, Cairn India is required to sell in the domestic market of India, all of its entitlement to crude oil extracted from the Ravva field to assist in satisfying domestic Indian crude oil demand. All sales to the GoI nominees are to be valued at a FOB selling price per barrel, ascertained on Platts, of one or more crude oils of similar characteristics and quality or through the spot market for such crude oils, whichever price is determined by the parties to reflect more truly the current value of the sale.

The Ravva PSC also provides that royalties and cess are payable on production. The royalty rate on crude oil and casing head condensate is set at INR 528 per metric tonne ($11.8 per barrel), regardless of the value of the crude oil. OIDA cess is set by the Ravva PSC at INR 900 per tonne of crude oil production ($2.61 per barrel). A further INR 27 per tonne (representing a 2% increase in the OIDA cess), is levied against members of the Ravva JV as educational cess and senior and higher secondary educational cess. The cess has been paid by Cairn India on behalf of the other members of the Ravva JV, although Cairn India is disputing the requirement to make such payment. The royalty payable on natural gas is 10% of the wellhead value of the natural gas (typically 9% of natural gas revenue). OIDA cess is not payable on natural gas production. Royalties and OIDA cess are capped by the Ravva PSC at these levels regardless of the generally prevailing royalty and OIDA cess rate. Royalty and OIDA cess payments are recoverable under the Ravva PSC before any profit is allocated among the parties. As ONGC originally discovered the Ravva field, Cairn India and the other members of the Ravva JV are obliged to make a series of production payments to ONGC based on cumulative crude oil production. Cairn India has set out the method of calculating the production payments below:

Production	Gross Payment Owed to ONGC	Net Payment by Cairn India
For every 25 million barrels produced up to 75 million barrels	$9.00 million	$3.38 million
For every 5 million barrels produced between 80-100 million barrels	$1.80 million	$0.68 million
For every 5 million barrels produced between 100-225 million barrels	$1.71 million	$0.64 million
For every 5 million barrels produced between 225-250 million barrels	$1.35 million	$0.51 million
For every 5 million barrels produced over 250 million barrels	$0.09 million	$0.34 million

The calculation of the GoI's share of petroleum produced from the Ravva Block has been the subject of differing interpretations for some years and an arbitration to settle the matter was launched in 2002. The material issue of the arbitration, the treatment of an item known as the ONGC carry, was found in Cairn India's favour by the arbitration panel in 2004. This was subsequently appealed by the GoI, following which it was disclosed as a contingent liability in the notes to the financial statements of both Cairn Energy and Cairn India. The Cairn India Group's share of this liability was $64.0 million principal, plus interest of $31.6 million. The GoI appealed to the Malaysian courts (the seat of arbitration) who in January 2009 set aside the arbitration award made in favour of the Cairn India Group. The GoI then instructed the buyers of the Ravva crude to withhold the revenues due to the Cairn India Group until such time as they believed that the liability had been settled in full. Following the Cairn India Group's appeal, a further judgment was delivered by the Malaysian court of appeal in September 2009 which reversed the Malaysian court's January 2009 ruling and had the effect of re-instating the original award in favour of the Cairn India Group. The GoI filed an application for admission of appeal which was allowed by the Federal Court of Malaysia on 27 May 2010. The Federal Court of Malaysia heard the appeal on 18 January 2011 and has reserved judgment. The Cairn India Group is defending its position and is seeking to recover the revenues which it believes have been, and continue to be, wrongfully withheld.

In a separate and unrelated dispute, the Ravva JV received a demand from the DGH for the period from 2000 to 2005 for $166.4 million in respect of an alleged underpayment of profit petroleum to the GoI, of which the Cairn India group's share would be $37.4 million (approximately RS. 1.688 billion) plus potential interest at the applicable rate (LIBOR plus 2%). This claim relates to the GoI's allegation that the Ravva JV has recovered costs in excess of the Base Development Costs ("BDC") cap imposed in the Ravva PSC and that the Ravva JV has also allowed these excess costs in the calculation of the PTRR. Additionally, the Ravva JV has also contested the basis of the calculation in the above claim from the DGH. Even if upheld, the Cairn India group believes that the DGH has miscalculated the sums that would be due to the GoI in such circumstances. The Ravva JV (excluding ONGC) has initiated arbitration proceedings. The arbitration panel published its award on 18 January 2011 that was broadly in favour of the Ravva JV that the Ravva JV was entitled to recover the development costs over and above the BDC cap but the cost overruns in respect of the base development were not recoverable. The GoI had also been ordered to pay 50% of the Ravva JV's legal costs. Cairn India has received a notice of appeal by the GoI before the High Court of Malaysia to set aside the award of dated 18 January 2011.

Subsequent to amendments made to the Finance bill of 2009, India the complete exploration and development of a block is treated as one single undertaking and as such the Cairn India Group benefits from a tax holiday relief for a period of seven consecutive years commencing from the year in which commercial production commence. The tax holiday period for the Rajasthan Block took effect from 1 April 2009 and will continue until 2016. During the period of seven years, the Cairn India Group will be paying taxes under the MAT at an effective rate of 19.0035%. MAT payments made during the tax holiday period can be carried forward for 10 years and credit of the same can be taken when the Cairn India Group begins payment of taxes at the standard rate.

Block CB/OS-2 — Cambay Basin — Lakshmi, Gauri and CB-X

Overview

Cairn India operates in Block CB/OS-2, which is in the Cambay Basin offshore of the state of Gujarat in western India. Cairn India's operations in Block CB/OS-2 are centred around the Lakshmi and Gauri oil and gas fields. Based on exploration and development activities undertaken by Cairn India, Block CB/OS-2 has yielded natural gas discoveries in its offshore Lakshmi and Gauri fields (the "Offshore CB/OS-2 Fields") and onshore CB-X field and crude oil discoveries in the Offshore CB/OS-2 Fields. Cairn India commenced gas production from the Lakshmi gas field in 2002, with gas production from Gauri commencing in 2004. Production of commingled crude oil, which consists of crude oil plus condensate, from Gauri commenced in 2005.

The onshore CB-X field is a marginal gas field and has a shared reservoir with a gas field owned by ONGC. The onshore CB-X field has a single well and is presently shut-in as it has already produced a volume equivalent to the proved, probable and possible reserves as stated in the FDP. As directed by the DGH, a third party agency is being hired to apportion the reserves between the onshore CB-X field and the field owned by ONGC.

Exploration, development and production of Block CB/OS-2 is governed by a PSC between the GoI and a consortium consisting of ONGC, Tata Petrodyne Limited ("Tata") and Cairn India (the "CB/OS-2 JV") which was signed on 30 June 1998 (the "Block CB/OS-2 PSC") and runs until 2023. Cairn India's participating interest in the CB/OS-2 JV consists of a 40% interest in the Lakshmi, Gauri and CB-X development areas. The remaining interests in these development areas are held by ONGC (50%) and Tata (10%). The rights of Cairn India elsewhere in Block CB/OS-2 have been relinquished as required by the Block CB/OS-2 PSC.

Production from the Lakshmi Gauri and CB-X Fields

The Lakshmi and Gauri offshore fields cover areas of 121.1 square km and 50.7 square km, respectively, in the Cambay Basin and lie off the coast of the state of Gujarat in water depths of between approximately 6 metres and 30 metres. CB-X is an onshore gas field situated on the coastal area of the CB/OS-2 block and covers an area of 33.28 square km.

As of 31 December 2010, the Lakshmi, Gauri and CB-X fields had collectively produced more than 44.25 mmboe since commencement of production, including in excess of 11.17 mmbbls of commingled crude oil and 198.5 billion cubic feet ("bcf") of gas. For fiscal 2010, the gross production rate from the Lakshmi, Gauri and CB-X fields was 12,979 boepd (of which Cairn India's interest was 5,192 boepd) with gross commingled crude oil production averaging 7,703 bopd.

An 82 acre onshore processing facility at Suvali (the "Suvali Processing Plant"), which is owned by the CB/OS-2 JV, processes natural gas and crude oil from the Lakshmi and Gauri fields. The Suvali Processing Plant and offshore infrastructure are certified ISO 14001 and OSHAS 18001 and has the capacity to process 150 mmscfd of natural gas and 10,000 bopd of crude oil. The processing facility includes three stage separator trains and a 28,300 bbls storage tank as well as two 2.4 MW captive power generation plants.

Natural Gas Production

The natural gas reservoirs of the Lakshmi and Gauri fields are of Mid-Miocene age and are found at depths of between approximately 735 metres and 1,150 metres. Cairn India discovered the Lakshmi natural gas reservoir in May 2000 and production from this reservoir commenced in November 2002 utilising two offshore platforms, six wells and a 36 km long, 24 inch wide offshore pipeline which connects the Lakshmi field to the Suvali Processing Plant. The Gauri natural gas reservoir was discovered in January 2001 and production from this reservoir commenced in April 2004 utilising one offshore platform, four wells and a five km long, 12 inch wide offshore pipeline connecting the Gauri field to the Lakshmi pipeline. Subsequently, during the infill drilling campaign in 2004 to 2005, five additional gas wells were drilled in the Lakshmi fields. CB-X is an onshore gas field with a single well and a nine km long, six inch wide pipeline connected to the Suvali Processing Plant.

Set out below is the gross sales volume of natural gas from Lakshmi, Gauri and CB-X, and Cairn India's net participating interest with regard to such production for the periods indicated:

	For the Year Ended 31 December					
	2008		2009		2010	
	Gross	Net	Gross	Net	Gross	Net
	(bcf)					
Lakshmi	6.92	2.77	4.07	1.63	4.70	1.88
Gauri	4.57	1.83	3.32	1.33	1.83	0.73
CB-X	2.90	1.16	1.57	0.63	0.00	0.00
Gauri field's share of gas pursuant to the GBA	—	—	0.18	0.07	4.16	1.66
Total	14.38	5.75	9.15	3.66	10.69	4.27

On 30 May 2001, the CB/OS-2 JV entered into two GSCs relating to natural gas production from the Lakshmi field, one with Gujarat Paguthan Energy Corporation Private Limited ("GPEC"), formerly known as Gujarat Powergen Energy Corporation Limited, and the other with Gujarat Gas Company Limited, whose interest was subsequently assigned to Gujarat Gas Trading Company Limited ("GTCL"), as well as a master gas sales contract to govern the relationship between these individual GSCs.

Each of the GSCs is essentially a life of field depletion contract in respect of natural gas production from the Lakshmi field. Since production of natural gas commenced from the Gauri field, Cairn India has sold natural gas from the Gauri field under the GSCs pursuant to a contractual right of substitution. Sales from the Lakshmi and Gauri fields commenced in November 2002 and April 2004, respectively.

The local market price for natural gas had increased over time as liquefied natural gas had started flowing in the Gujarat market from 2004 and the prevailing market price were higher than those being paid by the buyers under the GSCs. Cairn India renegotiated with the buyers on both the contracted gas prices and gas volumes with effect from 1 October 2006 for GTCL and 1 November 2006 for GPEC, while making provisions in the contract to accommodate the natural gases containing heavier hydrocarbons.

The gas supplies have been on decline and Cairn India has given monthly daily contract quantity in line with the declining profile to GPEC and GTCL for the period 1 July 2010 to 30 June 2011, where there is no or minimal shortfall of gas.

The Gauri field is adjacent, and connected in parts, to the Hazira field, in which Niko Resources Limited and Gujarat State Petroleum Corporation Limited ("GSPC") hold interests (the "Hazira JV"). A gas balancing agreement ("**GBA**") was agreed on 17 February 2006 between the CB/OS-2 JV and the Hazira JV with the intention of ensuring that each field is developed in accordance with good international practice and that each party exploits only the natural gas to which it is entitled under the terms of its respective PSC. Under the GBA, each party continued to exploit its share of allocated volumes from the connected and potentially connected reservoir. With an unforeseen early water breakthrough in the Gauri reservoir, it was not technically possible nor economically viable for the CB/OS-2 JV to exploit its share of reserves. Accordingly, Cairn India, on behalf of its joint venture partners entered into an addendum to the GBA for producing Gauri's share of reserves through Hazira JV facilities, which Cairn India believes was the first of its kind in India. Gauri GBA gas production commenced from Hazira facilities in December 2009 and as of 31 December 2010, 3.4 bcf of Gauri's share of natural gas has been produced through Hazira JV facilities and was sold to GTCL at $6.22 per mmbtu.

Crude Oil Production

The Lakshmi and Gauri fields have crude oil-bearing reservoirs, which are of Early-Miocene age and are found at depths of between approximately 1,175 metres and 1,325 metres. Cairn India, as operator, commenced crude oil production at Gauri in October 2005 utilising one crude oil well drilled during the drilling campaign in 2003 and 2004.

Further, as part of crude oil development, an infill drilling campaign was undertaken in 2007 and 2008, with the drilling of four new wells (three wells in Lakshmi and one well in Gauri) and conversion of three gas wells for oil service (two wells in Lakshmi and one well in Gauri). The onshore facilities were upgraded to handle 10,000 bopd at minimal capital expenditure. A crude oil sales agreement was signed between Cairn India, on behalf of the CB/OS-2 JV and IOC and price benchmarked to Bonny Light crude oil on a delivered basis with current validity up to 31 March 2012. As there is no pipeline infrastructure between the facility of Cairn India and the IOC refinery, the prevailing mode of transportation are as follows:

- Crude oil is transported through trucks to Ankleshwar (which is approximately 100 km from the facility of Cairn India) and unloaded at the unloading facility. In addition, CB/OS-2 JV had also leased three 2,000 KL storage tanks from ONGC's CTF, Ankleshwar which is close to the unloading facility.
- The crude oil is stored in the 2,000,000 litres tanks and custody is then transferred in favour of ONGC. Thereafter, ONGC handles and processes the crude oil from the CB/OS-2 JV along with its own crude oil and subsequently transports the same to IOC's refinery, Koyali through ONGC's pipeline.
- ONGC-Ankleshwar receives service charges for the above.

As at 31 December 2010, the commingled crude oil production from the Lakshmi and Gauri fields was approximately 7,000 bopd.

CB-X

In February 2004, Cairn India made a natural gas discovery in the onshore CB-X field in Block CB/OS-2 which has since been declared commercial. The FDP for this field was approved on 20 March 2006 and production from the CB-X field commenced in June 2007 at an initial rate of 5 mmscfd and the gas was sold to GSPC at a price of $5.50 per mmbtu without any firm commitments on quantities and on a reasonable endeavour basis. However, the production rates gradually increased to 8 mmscfd based on reservoir deliverability, well performance and data. The well at the CB-X field has already produced approximately 6.25 bcf of gas, a volume equivalent to the proved, probable and possible reserves as stated in the FDP. As directed by the DGH, a third party agency is being hired to apportion the reserves between the onshore CB-X field and the field owned by ONGC.

Exploration Activity in Block CB/OS-2

According to Cairn's understanding of the PSC in respect of Block CB/OS-2, exploration operations can continue in the existing development areas, provided that the operation committee and the management committee constituted under the relevant PSC approve the appropriate work programme and budgets. According to the Oilfields (Regulation and Development) Act, 1948, as amended from time to time, a mining lease includes an exploration licence. The letter of authority granted by the GoI in respect of this block includes the right of exploitation as well. Accordingly, only part of the contract area was relinquished and not the exploration right. Cairn India has submitted a proposal to continue with further exploration in the existing development areas in respect of another block and such proposal is currently pending with the GoI.

Block CB/OS-2 PSC

The Block CB/OS-2 PSC is currently valid until June 2023, but may be extended by the GoI for up to an additional ten years in the case of commercial production of non-associated natural gas or up to five years otherwise. Under the terms of the Block CB/OS-2 PSC, Cairn India is entitled to recover 100% of exploration, development and production costs from crude oil and natural gas sales before any profit is allocated among the parties.

Block CB/OS-2 benefits from a tax holiday of seven years commencing from the financial year during which commercial production of the block first commenced. As a result, Block CB/OS-2 had benefited from tax holidays until the end of March 2010. However, during the seven year tax holiday, MAT rules will also apply which currently result in a tax of 19.95% of accounting profits in accordance with Indian GAAP. Any MAT paid can be carried forward at current rates for a period of seven years and used to reduce corporate tax paid.

Exploration Blocks

In addition to the three production and development blocks described in this Offering Circular, Cairn India also holds equity interests in seven other blocks where there is currently no production or development but which are in various stages of exploration. The main basins where Cairn India is currently actively involved in exploring include Gujarat-Saurashtra, Krishna-Godavari, Kerala-Konkan and Palar-Pennar. The New Exploration Licensing Policy ("NELP") VIII round awarded new acreage to Cairn India's portfolio and exploration activity in these blocks are expected to commence in 2011. This section provides a summary of the exploration interests.

Krishna-Godavari Basin

Block KG-DWN-98/2

Block KG-DWN-98/2, which covers an area of 7,338 square km is located in the Krishna-Godavari Basin and is situated 20 km south of the Ravva field in water depths of between approximately 350 metres and 3,200 metres isobath. Cairn Energy acquired this deepwater block in April 2000 and in September 2004, transferred to ONGC a 90% interest in block KG-DWN-98/2, with an effective economic date of 30 September 2003. As a result, as of 31 December 2010, Cairn India has a 10% interest in this block while ONGC serves as the operator and holds a 65% interest., Petrobras BV has a 15% interest and Statoil ASA (formerly known as Statoil Hydro) has the remaining 10 percent interest in the block.

Drilling of six exploration and appraisal wells during 2000 and 2001 in the deep water acreage of block KG-DWN-98/2 resulted in a succession of crude oil and natural gas discoveries which, at the time, were not commercial on a stand-alone basis. ONGC, as operator, drilled 12 exploratory wells leading to five gas discoveries. High resolution 3D seismic surveys were acquired for the northern and southern parts of the block over all the existing areas. The exploration for all three phases was completed on 11 April 2008. The block is divided into the Northern Discovery area and the Southern Discovery area and an appraisal programme was approved for these areas. Three appraisal wells have been completed in the Northern Discovery area and DOCs have been submitted by ONGC for both areas.

As of 31 March 2010, Cairn India estimates that the gross contingent resources in Block KG-DWN-2003/1 are approximately 353 mmboe of which it has a 35 mmboe participating interest.

The PSC for block KG-DWN-98/2 was signed on 12 April 2000, between the GoI and Cairn India with ONGC becoming a party to it upon its acquisition of a 90% interest under its sale and purchase agreement with Cairn India dated 31 December 2004, but with a commercial effective date of 30 September 2003.

Block KG-ONN-2003/1

The onshore block KG-ONN-2003/1, located in the Krishna-Godavari Basin in the state of Andhra Pradesh was awarded in NELP V round to a joint venture between Cairn Energy India Pty Limited and ONGC. Phase I work commitments included reprocessing of two dimensional ("2D") and three dimensional ("3D") seismic data, geochemical soil sampling acquisition, processing and interpretation of 2D and 3D seismic data and the drilling of five exploratory wells. The three year period for phase I was extended by six months to 7 August, 2010 with approval from the management committee and the commitments were completed by August.

Cairn India drilled five wells as required pursuant to the minimum work programme and the fifth well, Nagayalanka-1z, flowed light oil to surface at 75 bopd and natural gas at 0.27 mmscfd.

Based on the analysis of test results and geological and geophysical data, the joint venture declared this as a discovery of potential commercial interest. The discovery will be appraised in 2011 along with any further exploration potential in the block. The joint venture has elected to proceed with the second phase of exploration.

Preparations are on going for further exploration and appraisal drilling.

Palar-Pennar Basin
Block PR-OSN-2004/1

Block PR-OSN-2004/1, is located in the Palar-Pennar basin, south of the Krishna Godavari basin and north of the Cauvery basin offshore on the east coast of India. Water depths in the block range from a few metres (near shore) to 400 metres at the eastern boundary of the block. The block covers an area of 9,416 square km.

Cairn India has a 35% stake in the block and is the operator, while the consortium comprises ONGC and Tata each holding interests of 35% and 30%, respectively.

Phase I of exploration included 2D reprocessing, a gravity and magnetic survey, acquisition, processing and interpretation of 2D and 3D seismic data. All the quantities surveyed were in excess of the minimum work programmes. The remaining phase I exploration programme includes the drilling of three exploration wells and force majeure has been declared in this block until permission is granted by the Department of Space, GoI, to continue drilling/ survey activities in the area designated as inaccessible.

Kerala-Konkan Basin
KK-DWN-2004/1

Block KK-DWN-2004/1 is located in the Kerala-Konkan basin. The block is operated by ONGC, with Cairn India, ONGC and Tata holding interests of 40%, 45% and 15%, respectively. The work programme commitment for phase I period includes reprocessing of 2D seismic, acquisition, processing and interpretation of 2D seismic data, gravity and magnetic data and 3D seismic data. All commitment programmes are complete. The acquisition of 300 square km of 3D seismic data was completed in January 2011.

NELP VIII Awards
KG-OSN-2009/3

The offshore block KG-OSN-2009/3 covers an area of 1,988 square km and is located in the Krishna-Godavari Basin off the coast of Andhra Pradesh. It was awarded to Cairn India and Cairn Energy India Pty Limited (as operator) each holding an interest of 90% and 10% respectively. Block KG-OSN-2009/3 is a shallow water block with water depths within the block ranging between near shore to 400 metres.

Phase I work commitments includes acquisition, processing and interpretation of 2D and 3D seismic data and the drilling of six exploratory wells.

Cairn India plans to acquire detailed bathymetry survey over the block prior to acquisition of 3D seismic data in the fourth quarter of fiscal 2012.

MB-DWN-2009/1

The deep water block MB-DWN-2009/1 covers an area of 2,961 square km and is located in the Mumbai offshore basin. Cairn India is the operator and holds a 100% interest. MB-DWN-2009/1 has water depths of between 400 metres to 2,000 metres.

Phase I work commitments include acquisition, processing and interpretation of 2D and 3D seismic data.

Sri Lanka

Mannar Basin
Block SL2007-01-001

Block SL-2007-01-001 was awarded to Cairn Lanka Pvt Limited ("CLPL"), a wholly owned subsidiary of Cairn India. A petroleum resources agreement was signed between CLPL, the Petroleum Resources Development Secretariat and the Government of Sri Lanka in 2008. CLPL has a 100% stake in the block and the petroleum exploration licence was awarded by the Government of Sri Lanka in 2008. The licence consists of three phases of three years, two years and three years respectively with phase 1 commencing from the date the licence was awarded.

Block SL-2007-01-001 covers approximately 3,000 square km and is only 15km from the shore with water depths ranging from 400 metres to 1,900 metres within the block.

Phase 1 had an initial commitment of acquisition, processing and interpretation of 2D and 3D seismic data. The block has additional re-processing commitments of 2D and 3D seismic data. Phase I also has a commitment of drilling three exploratory wells.

Phase 1 is currently underway and 1,750 square km of 3D seismic data was acquired in the block. Frontier exploration drilling is scheduled to commence in July 2011 and a drillship has been contracted and preparation work is ongoing ahead of drilling.

Competition

The exploration, development and production industry in India is highly competitive. In seeking to obtain desirable exploration and development prospects, in particular in the NELP licensing rounds, Cairn India faces significant competition from Indian companies, including ONGC and Reliance Industries Limited, and major integrated and large independent multinational companies. ONGC, which is controlled by the GoI and has been awarded the majority of the exploration blocks offered by the GoI in the first five NELP licensing rounds, has recently been told by the GoI to focus on their exploration and production activities against which Cairn India competes. Many of these competitors have access to financial or other resources substantially in excess of those available to Cairn India and may, accordingly, be better positioned to acquire and exploit prospects, hire personnel and market production. In addition, many of Cairn India's competitors may be better able to withstand the effect of changes in industry conditions such as worldwide crude oil and natural gas prices and levels of supply and the application of government regulations, which affect Cairn India's business and which are beyond the control of Cairn India.

Employees

As at 31 December 2010, Cairn India had 1,132 employees with an average age of 36 years and an average work experience of 13 years. Cairn India has not experienced any significant labour related problems or disruptions, and management considers its relations with employees to be good. Various initiatives to nurture talent were launched during fiscal year 2010, including:

- creation of multiple platforms for learning;
- encouraging lateral placements and cross functional expertise;
- leadership development; and
- continuation of competency management framework build-up.

Intellectual Property

Cairn India has registered the trademarks of the Cairn logo and the name "Cairn" in the jurisdictions set out in the table below. Cairn India has entered into various agreements with the Cairn Energy Group in connection with the Cairn trademark and corporate logo.

Mark	Territory and Registered Number	Classes	Expiration
Cairn	European Community (8232861)	16,35,37,39,40,41 and 42	Registered (due for renewal on 21st April, 2019)
Cairn Energy	Benelux (656253)	16,35,37,39,40,41 and 42	Registered (due for renewal on 8 April 2019)
Cairn	Benelux (656260)	16,35,37,39,40,41 and 42	Registered (due for renewal on 8 April 2019)
Cairn Logo	Benelux (0936553)	16,35,37,39,40,41 and 42	Registered (due for renewal on 16 April 2019)
Cairn Energy	European Community (8232886)	16,35,37,39,40,41 and 42	Registered (due for renewal on 21 April 2019)
Cairn Logo	European Community (8232101)	16,35,37,39,40,41 and 42	Registered (due for renewal on 21 April 2019)
Cairn Energy	UK (2183151)	16,35,37,39,40,41 and 42	Registered (due for renewal on 28 November 2018)
Cairn	UK (2183153)	16,35,37,39,40,41 and 42	Registered (due for renewal on 28 November 2018)
Cairn Logo	UK (2183158)	16,35,37,39,40,41 and 42	Registered (due for renewal on 28 November 2018)
Cairn Resources	UK (2276265)	16,35,37,39,40,41 and 42	Registered (due for renewal on 26 July 2011)
Cairn Resources	Benelux (705023)	16,35,37,39,40,41 and 42	Registered (due for renewal on 07 August 2011)
Cairn	India (1505110)	16,35,37,39,40,41 and 42	Registered (due for renewal on 17 November 2016)
Cairn Logo (in series)	India (1586828)	16,37,39,40,41 and 42	Registered (due for renewal on 02 August 2017)

Research and Development

Cairn India does not have any specific research and development policies although it has carried out and where appropriate, may continue from time to time, to carry out research and development in specific areas on an ad-hoc basis. The amount spent on research and development in the last three financial years is not material.

Seasonality

The Cairn India Group's business is not subject to seasonality.

Litigation

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Cairn India is aware), which Cairn India believes could reasonably be expected to have a material adverse effect on its results of operation or financial position.

Ravva Block Arbitration.

The calculation of the GoI's share of petroleum produced from the Ravva Block has been the subject of differing interpretations for some years and an arbitration to settle the matter was launched in 2002. The material issue of the arbitration, the treatment of an item known as the ONGC carry, was found in the Cairn Energy Group's favour by the arbitration panel in 2004. This was subsequently appealed by the GoI, following which it was disclosed as a contingent liability in the notes to the financial statements of both Cairn Energy and Cairn India. The Cairn India Group's share of this liability was $64 million principal, plus interest of $31.6 million. The GoI appealed to the Malaysian courts (the seat of arbitration) who in January 2009 set aside the arbitration award made in favour of the Cairn India Group. The GoI then instructed the buyers of the Ravva crude to withhold the revenues due to the Cairn India Group until such time as they believed that the liability had been settled in full. Following the Cairn India Group's appeal, a further judgment was delivered by the Malaysian court of appeal in September 2009 which reversed the Malaysian court's January 2009 ruling and had the effect of re-instating the original award in favour of the Cairn India Group. The GoI filed an application for admission of appeal which was allowed by the Federal Court of Malaysia on 27 May 2010. The Federal Court of Malaysia heard the appeal on 19 January 2011 and judgment has been reserved. The Cairn India Group is defending its position and is seeking to recover the revenues which it believes have been, and continue to be, wrongfully withheld.

Ravva Joint Venture Arbitration Proceedings: Base Development Cost.

Ravva is an unincorporated joint venture to which the Cairn India Group is a party (the "Ravva JV"). The Ravva JV received a demand from the DGH for the period from 2000 to 2005 for $166.4 million in respect of an alleged underpayment of profit petroleum to the GoI, of which the Cairn India Group's share would be $37.4 million (approximately INR 1.688 billion) plus potential interest at the applicable rate (LIBOR plus 2%). This claim relates to the GoI's allegation that the Ravva JV has recovered costs in excess of the BDC cap imposed in the Ravva PSC and that the Ravva JV has also allowed these excess costs in the calculation of the Post Tax Rate of Return ("PTRR"). Additionally, the Ravva JV has also contested the basis of the calculation in the above claim from the DGH. Even if upheld, the Cairn India Group believes that the DGH has miscalculated the sums that would be due to the GoI in such circumstances. The Ravva JV (with the exception of ONGC) has initiated arbitration proceedings. The arbitration panel had published its award on 18 January 2011 that was broadly in favour of the Ravva JV that the Ravva JV was entitled to recover the development costs over and above the BDC cap but the cost overruns in respect of the base development were not recoverable. The GoI had also been ordered to pay 50% of the Ravva JV's legal costs. Cairn India has received a notice of appeal by the GoI before the High Court of Malaysia to set aside the award of dated 18 January 2011.

Special Leave Petition by the Cairn India Group.

The Cairn India Group filed a writ petition with the High Court of Gujarat in December 2008 challenging the restriction of section 80-IB (9) of the Indian Income Tax Act, 1961 ("Section 80-IB(9)") to the production of oil. Section 80-IB(9) allows the deduction of 100% of profits from the commercial production or refining of mineral oil. The term "mineral oil' is not defined but has always been understood to refer to both oil and gas, either separately or collectively. The 2008 Indian Finance Bill appeared to remove this deduction by stating (without amending section 80-IB(9)) that "for the purpose of section 80-IB(9), the term "mineral oil' does not include petroleum and natural gas, unlike in other sections of the Act". Subsequent announcements by the Indian Finance Minister and the MoPNG have confirmed that a tax holiday would be available on production of crude oil but have continued to exclude gas. The High Court of Gujarat did not admit the writ petition on the ground that the matter needs to be first decided by the lower tax authorities. A special leave petition has been filed before the Supreme Court against the decision of the High Court of Gujarat. In the event that this challenge is unsuccessful, the potential liability for tax and related interest on the tax holiday claimed on gas production for all periods to 31 December 2010 is approximately INR 2.394 billion ($53.4 million). A hearing date has not yet been scheduled and will be subject to Court availability.

Cess arbitration: Cairn Energy India Pty Limited ("CEIPL") and Cairn Energy Hydrocarbons Ltd ("CEHL")

The Cairn India Group has an ongoing dispute with the GoI and ONGC in respect of whether cess, which is a levy on production of crude oil, under the Oil Industry (Development) Act 1974 ("OIDA cess") is payable by the Cairn India Group in respect of commercial crude oil production from the Rajasthan Block. The Cairn India Group believes that they are not liable for cess on a number of grounds, including the contention that pursuant to the Rajasthan Block PSC any statutory obligation to pay OIDA cess that might be applicable as a matter of Indian law does not apply to the Cairn India Group in respect of production under the Rajasthan Block PSC. The facts, law and contractual interpretations relevant to the dispute are complex and the applicable rate of OIDA cess that might be payable is also contested. To the extent that OIDA cess becomes payable by the Cairn India Group, it would be liable for the percentage of the Cairn India Group's participating interest in the Rajasthan Block, which is 70%. In addition, if and to the extent that OIDA cess is payable on crude oil production, further levies may be payable. It is the Cairn India Group's belief based on other practices under other PSCs in India where OIDA cess is payable by contractors, that, if the Cairn India Group is required to pay OIDA cess on commercial crude oil production from the Rajasthan Block, any such payments would be cost recoverable pursuant to the terms of the Rajasthan Block PSC. An arbitration panel has been constituted and a preliminary hearing is scheduled on 22 May 2011. The disputed amount is not currently capable of being quantified.

Writ petitions: Cairn Energy India Pty Limited.

CEIPL and CEHL have filed two writ petitions before the Rajasthan High Court seeking to set aside the letter and show cause notice issued by the Rajasthan Sales Tax Department and others demanding 4% VAT on sales of crude oil on the basis of an intra-state sale (as opposed to an inter-state sale). A 2% Central States Tax is currently being paid. The Government of Rajasthan and others have filed their affidavits and CEIPL and CEHL have filed a rejoinder and the date for hearing has not been fixed. The amounts claimed are not currently capable of being quantified.

Service Tax: Cairn Energy India Pty Limited.

CEIPL received five show cause notices from the tax authorities in India for non payment of service tax as a recipient of services from foreign suppliers. These notices cover periods from 16 August 2002 to 31 March 2010. A writ petition has been filed with Chennai High Court challenging the liability to pay service tax as recipient of services in respect of first show cause notice (for the period 16 August 2002 to 31 March 2006) and another writ petition has been filed challenging the scope of some services in respect of the second show cause notice (for the period 1 April 2006 to 31 March 2007). The writ petition in relation to the first show cause notice was decided in favour of the Cairn India Group resulting in quashing the demand notice of INR 474.7 million. The reply for the other show cause notices has also been filed before the relevant authorities.

Should future adjudication go against the Cairn India Group, it will be liable to pay the service tax of approximately INR 1,281.8 million ($28.7 million) and potential interest of approximately INR 424.7 million ($9.5 million), although this could be recovered in part, where it relates to services provided to joint venture of which Cairn India is operator.

MANAGEMENT

The following table sets forth certain information regarding Vedanta's Directors, executive officers and senior management as of 31 March 2011:

Name	Nationality	Age	Position
Board of Directors			
Anil Agarwal(1)(2)	Indian	58	Executive Chairman
Navin Agarwal(3)(12)	Indian	50	Deputy Executive Chairman
Mahendra Singh Mehta(2)(4)(12). . . .	Indian	55	Chief Executive Officer
Naresh Chandra(5)(6)(7)(8)(11)	Indian	76	Non-executive Director and Senior Independent Director
Aman Mehta(7)(8)(9)(10)	Indian	64	Non-executive Director
Euan R. Macdonald(6)(7)(8)(10)	British	71	Non-executive Director
Executive Officers			
Tarun Jain(2)	Indian	51	Director of Finance
Dindayal Jalan(2)	Indian	54	Chief Financial Officer
Dilip Golani(2)	Indian	45	Director and Head of Management Assurance
A. Thirunavukkarasu(2).	Indian	50	President, Group Human Resources
Other Significant Employees			
Copper and Zinc Businesses			
Rajagopal Kishore Kumar(2)	Indian	48	Chief Executive Officer, Vedanta Zinc International, Non-Executive Director, KCM
Akhilesh Joshi(2)(4)(12)	Indian	57	Chief Operating Officer and Whole Time Director, HZL
Jeyakumar Janakaraj(2)(4)	Indian	40	Chief Executive Officer/Whole Time Director, KCM
Aluminium Business			
Mansoor Siddiqi(2)(12)	Indian	57	Group Director — Projects, Vedanta Group, Aluminium Business and Director, Vedanta Aluminium
Pramod Suri(2)(12)	Indian	53	Chief Executive Officer, Vedanta Aluminium, Whole Time Director, Sterlite Energy and Director, BALCO
Iron Ore Business			
Prasun Kumar Mukherjee(2)	Indian	55	Managing Director, SGL
Commercial Energy			
Baldev Krishnan Sharma	Indian	58	Chief Executive Officer/Whole Time Director, Talwandi Sabo Power Limited

Notes:

(1) Chairman of the Nominations Committee.

(2) Member of the Executive Committee.

(3) Chairman of the Executive Committee.

(4) Member of the Sustainability Committee.

(5) Chairman of the Remuneration Committee.

(6) Member of the Audit Committee.

(7) Member of the Nominations Committee.

(8) Independent Director.

(9) Chairman of the Audit Committee.

(10) Member of the Remuneration Committee.

(11) Chairman of the Sustainability Committee.

(12) A "Whole Time Director" is a Director who is employed full-time in rendering services to the management of the company with respect to which he is a Director. An individual can be a Whole Time Director with respect to only one company, although he or she may accept the position of non-whole time director in other companies. In addition to Messrs. Tarun Jain, Mahendra Singh Mehta, Akhilesh Joshi, Mansoor Siddiqi and Pramod Suri, Mr. Navin Agarwal is also considered to be a Whole Time Director.

Directors and Senior Management

Other than those interests and relationships disclosed in "Principal Shareholders" and "Related Party Transactions", no conflicts of interest exist between the private interests of the management team and the interests of the Company.

Directors

Vedanta's Board is chaired by Mr. Anil Agarwal. The other members of the Board are Messrs. Navin Agarwal, Mahendra Singh Mehta, Naresh Chandra, Euan R. Macdonald and Aman Mehta. The business address of each of the Directors, executive officers and other significant employees is 16 Berkeley Street, London WIJ 8DZ.

Executive Directors

Mr. Anil Agarwal is the Company's Executive Chairman and was appointed to the Vedanta Board in November 2003. Mr. Agarwal, who founded the Vedanta Group in 1976, is also the executive chairman of BALCO, non-executive chairman and non-executive director of Sterlite, non-executive chairman of Sterlite Technologies, Sterlite Energy and Vedanta Aluminium. Mr. Agarwal was Sterlite's chairman, managing director and chief executive officer from 1980 until the expiration of his term in October 2004. He was also the chief executive officer of Vedanta from December 2003 to March 2005. Mr. Agarwal has experience of over three decades as an industrialist and has been instrumental in the Company's growth and development since its inception.

Mr. Navin Agarwal is the Company's Deputy Executive Chairman and was appointed to the Vedanta Board in November 2004. Mr. Agarwal is also the chairman of MALCO and KCM. vice-chairman of BALCO, non-executive vice chairman of Sterlite and director of each of HZL, Vedanta Aluminium, Sterlite Iron & Steel Company Limited, Sterlite Infrastructure Holdings Private Limited, MALCO Power Co Limited, MALCO Industries Ltd., Vedanta Resources Holding Limited and Vedanta Resources Investment Limited. He joined Sterlite at its inception in 1976. As executive vice-chairman of Sterlite, Mr. Agarwal is responsible for executing Sterlite's business strategy and managing the overall performance and growth of Sterlite. Mr. Agarwal is also the chairman of Vedanta's Executive Committee. In this role, he oversees the planning, execution and completion of the pipeline of growth projects. In the Executive Committee, Mr. Agarwal brings together business unit and financial heads to ensure best practice is shared and continuous improvement measures are being implemented. Mr. Agarwal has over 25 years' experience in strategic and operational management. He received a Bachelor of Commerce degree from Sydenham College, Mumbai, India and has completed the Owner/President Management Programme at Harvard University, USA.

Mr. Mahendra Singh Mehta is the Company's Chief Executive Officer and was appointed to the Vedanta Board on 1 October 2008. He is also the director of each of TSPL, Vedanta Resources Holding Ltd and Vedanta Resources Investment Ltd. Prior to his appointment, Mr. Mehta was the chief executive officer and a director of HZL. Mr. Mehta joined the Vedanta Group in April 2000 and has held various leadership roles within the Vedanta Group. He was also the Commercial Director (Base Metals) responsible for the marketing of copper, aluminium, zinc and lead, procurement of copper concentrate, export and tolling of zinc concentrate and coal procurement. Before joining the Vedanta Group, Mr. Mehta worked with Lloyds Steel Industries Ltd, where he handled wide ranging portfolios, including marketing, procurement, working capital finance and projects. Mr. Mehta has a Mechanical Engineering degree from MBM Engineering College, Jodhpur, and holds a Master's degree in Business Administration from the Indian Institute of Management, Ahmedabad.

Non-executive Directors

Mr. Naresh Chandra is a Non-executive Director and Senior Independent Director. Mr Chandra joined the Vedanta Board in May 2004. Mr. Chandra was the Home Secretary of India in 1990, the cabinet secretary from 1990 to 1992, senior adviser to the then Prime Minister of India from 1992 to 1995 and India's ambassador to the United States from 1996 to 2001. He was chairman of the Indian Government Committee on Corporate Governance & Audit from 2002 to 2003 and was chairman of the Committee on Civil Aviation Policy from 2004 to 2005. Mr. Chandra is a director of Avtec Limited, Tata Consultancy Services Limited, Hindustan Motors Ltd, Bajaj Auto Limited, Bajaj Financial services Ltd., Bajaj Holdings and Investment Ltd., Amboya Cement Ltd., Balrampur Chini Mills Ltd, Acc Limited, Electrosteel Casting Limited, Cairn India Ltd, Gammon Infrastructure Projects Limited and Great Offshore Limited. He was awarded the prestigious Padma Vibhushan award by the President of India in 2007. Mr. Chandra holds a Master's degree in Mathematics from Allahabad University.

Mr. Aman Mehta is a Non-executive Director. Mr Mehta, a senior banker, joined the Vedanta Board in November 2004 following his retirement from The Hongkong and Shanghai Banking Corporation Limited ("HSBC") after 36 years. He held numerous positions, including chairman and chief executive officer of HSBC USA Inc. (the New York based arm of HSBC Holdings plc), and as deputy chairman of HSBC Bank Middle East, based in Dubai with responsibility for the HSBC group's operations in the Middle East. In 1999, Mr. Mehta was appointed chief executive officer of HSBC, a position he held until his retirement. Mr. Mehta is a director of Jet Airways (India) Limited, PCCW Limited, Tata Consultancy Services Limited, Wockhardt Limited, Max India Limited and Godrej Consumer Products Ltd, Cairn India Ltd, MGF Emaar Ltd and ING Group NV. In addition, he is also a member of the Board of Governors of the Indian School of Business, Hyderabad. Mr. Mehta has a degree in Economics from Delhi University. He now resides in New Delhi and is a member of a number of corporate and institutional boards in India as well as overseas.

Mr. Euan R. Macdonald is a Non-executive Director. Mr Macdonald joined the Vedanta Board in March 2005. Mr. Macdonald spent over 20 years with SG Warburg, specialising in emerging market finance. From 1995 to 1999, Mr. Macdonald was the chairman of SBC Warburg India, responsible for all of the bank's activities in India, and from 1999 to 2001, he was the executive vice chairman of HSBC Securities and Capital Markets, India. Mr. Macdonald has a degree in Economics from Cambridge University and a Master's degree in Finance and International Business from Columbia Business School, New York.

Executive officers

Tarun Jain is the Director of Finance. Mr. Jain joined Sterlite in 1984 and has over 24 years of experience in corporate finance, accounts, audit, taxation and secretarial practice. He is responsible for Sterlite's strategic financial matters, including finance and accounting, legal and regulatory compliance and risk management. Mr. Jain is a graduate of the Institute of Cost and Works Accountants of India and a Fellow Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. Mr. Jain is also a non-executive director of Vedanta Aluminium, and a director of BALCO, SOVL, Sterlite Infrastructure Ltd and Twin Star Holdings Limited.

Dindayal Jalan is the Company's Chief Financial Officer and a Whole Time Director of Sterlite. Mr. Jalan joined Sterlite as the president of its Australian operations and was responsible for the business and operations of CMT and TCM from January 2001 to February 2002 before becoming its chief financial officer (metals). He was appointed as the Company's Chief Financial Officer in October 2005 and was also appointed as the chief financial officer of Sterlite in March 2003 to May 2009. Mr. Jalan has over 32 years of experience working in various companies in the engineering, mining and non-ferrous metals industries. Mr. Jalan received a Bachelor of Commerce from Gorakhpur University, India, and is a member of the Institute of Chartered Accountants of India.

Dilip Golani is the Director and group head of the management assurance department. Mr. Golani joined Sterlite in 2000 as the head of its management assurance department before becoming the head of its performance improvement department from August 2004 to August 2005. Between September to December 2005, Mr. Golani was also appointed as the head of marketing for HZL. In December 2005, he assumed the position as head of management assurance for the Vedanta Group. Mr. Golani has a Bachelor of Engineering degree from Motilal National Institute of Technology, Allahabad and a Post-Graduate Diploma in Industrial Engineering from the National Institute of Industrial Engineering, India.

A Thirunavukkarasu is the President for Human Resources ("HR"). Mr. Thirunavukkarasu was Senior Vice President of HR for Vedanta's copper division heading the human resources, total quality management, corporate social responsibility and public relations functions, prior to becoming President, Group Human Resources in July 2007. Mr. Thirunavukkarasu held positions in Hindustan Lever and TVS Electronics before joining the Vedanta Group. Mr. Thirunavukkarasu holds a Bachelor degree in Literature and Masters degree in Social Work with Personnel Management and Organisational behaviour from Loyola College, Chennai, India.

Other Significant Employees

Copper business

Mr. Jeyakumar Janakaraj is currently the chief executive officer and Whole Time Director of KCM. Prior to this he was handling the operations of KCM as deputy chief executive officer. Mr. Janakaraj joined the Vedanta Group in September 1995 as a mechanical engineer in Sterlite's copper division at Tuticorin and moved to HZL subsequently as senior manager in July 2002 and worked in various capacities, including projects head for both mines and smelters. Under his leadership the production capacity of Chanderiya zinc smelter increased manifold and expansion projects were completed well within time lines and cost. Mr. Janakaraj was conferred a gold medal for his significant contributions to non-ferrous metallurgical industries by the Indian Institute of Metals, Kolkata in September 2006. Mr. Janakaraj holds a B.E. (Mechanical) from PSG College of Technology, Bharathiar University, Coimbatore, India.

Zinc business

Mr. Rajagopal Kishore Kumar is the chief executive officer of zinc assets (Africa and Ireland) of Vedanta Zinc International and is also a non-executive director of KCM. He was chief executive officer of KCM from 2008 to 2010. Prior to this he was heading Sterlite's copper division and zinc division and was responsible for the overall management of copper business since December 2006 and zinc business since October 2008. Mr. Kumar joined the Company in April 2003 as vice president — marketing of HZL, and became senior vice president - marketing for Sterlite's copper division from June 2004 to December 2006, where he was responsible for copper marketing and concentrate procurement. Prior to joining the Company, Mr. Kumar was employed by Hindustan Lever Ltd for 12 years, most recently as a regional commercial manager. Mr. Kumar has a Bachelor's degree in Commerce from Kolkata University, India and is a member of the Institute of Chartered Accountants of India.

Mr. Akhilesh Joshi is the chief operating officer and Whole Time Director of HZL. He joined HZL in September 1976 as a mining engineer and worked in various capacities at HZL's underground and open-cast mines. He subsequently obtained his First Class Mines Manager's certificate of competency. Mr. Joshi became the general manager of HZL when HZL became a part of the Vedanta Group. He has also served as the Unit Head of the Rampura Agucha mine and became Senior Vice President — Mines in April 2008. Mr. Joshi played a significant role in the expansion projects for the Rampura Agucha mine and is in charge of the mining activities at HZL. Mr. Joshi has a Bachelor's degree in Engineering (Mining) from M.B.M. Engineering College, Jodhpur and completed his postgraduate diploma in "Economic Evaluation of Mining Projects" from the University of Paris.

Aluminium business

Mr. Mansoor Siddiqi is currently Group Director — Projects. Prior to this he was the chief executive officer for the aluminium sector for the Vedanta Group and Whole Time Director of Vedanta Aluminium. He joined the Vedanta Group in 1991. Prior to joining the Vedanta Group, Mr. Siddiqi worked at Hindustan Copper Limited. Mr. Siddiqi has over 35 years of experience in various areas of operations and project management. Mr. Siddiqi has a Bachelor's degree in Technology from the Indian Institute of Technology, Delhi, India and a diploma in management from the All India Management Association, Delhi, India.

Mr. Pramod Suri is the Chief Executive Officer of Vedanta Aluminium and a Whole Time Director of Sterlite Energy. He is responsible for the operations of Vedanta Aluminium and Sterlite Energy. Mr. Suri was previously the president for BALCO Operations. Mr. Suri joined the Vedanta Group in 2004 as head of the 245,000 tpa Korba smelter for BALCO. Prior to joining the Vedanta Group, he was employed by JK Industries Ltd. as their vice president from January 2001 to March 2004. Mr. Suri has also held positions in INDAL, CEAT Ltd. and Goodyear South Asia Tyres Pvt. Ltd. Mr. Suri has a Master's degree in Chemistry from the Indian Institute of Technology, Delhi, India.

Iron ore business

Mr. Prasun Kumar Mukherjee is the Managing Director of SGL. Mr. Mukherjee joined SGL in April 1987 and held various positions in internal audit, corporate affairs, taxation, finance and accounts before taking up the position of director finance for SGL from July 2000 to March 2006. Prior to joining SGL, Mr. Mukherjee was associated with CEAT Tyres of India, Ltd. (now known as CEAT Ltd.), and Bridge and Roof Co. (India) Limited. Mr. Mukherjee is a fellow member of the Institute of Chartered Accountants of India and an associate member of the Institute of Cost and Works Accountants of India.

Commercial Power Generation business

Mr. Baldev Krishnan Sharma is the chief executive officer and Whole Time Director of Talwandi Sabo Power Limited. Mr. Sharma has over 35 years of experience in the areas of commercial, marketing and business operations management. Mr. Sharma joined the Vedanta Group in 1997 and prior to that was associated with West Coast Paper Mills. Mr. Sharma has a Bachelor of Science degree and a MBA from Punjab University, India.

Corporate Governance

Vedanta's shares were listed on the LSE in December 2003. Most of the Vedanta Group's assets and management are located in India. Three of the Vedanta Group's subsidiary companies, namely Sterlite, HZL and SGL, are currently listed on stock exchanges in India and maintain their own corporate governance arrangements in compliance with Indian regulations. Sterlite also has ADSs listed on the New York Stock Exchange ("NYSE") and is thus subject to compliance with NYSE listing requirements. In addition, BALCO, HZL and KCM have government appointees on their boards of directors to represent wider shareholder interests. As the Acquisition constitutes a reverse takeover of Vedanta under the Listing Rules (as defined below), on completion of the Acquisition, the listing of the Ordinary Shares will be cancelled and Vedanta will be required to apply to the Financial Services Authority, UK and the London Stock Exchange for the Ordinary Shares to be readmitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively.

The Vedanta Group Executive Chairman, Mr. Anil Agarwal, is the Vedanta Group's original promoter and founder having built the Vedanta Group from its inception in 1976. Volcan, a company Mr. Agarwal is deemed to have beneficial ownership of, remains as Vedanta's controlling shareholder with a 61.53% voting shares interests as of 31 March 2010. The relationship between Volcan, Mr. Agarwal and the Vedanta Group is governed by a relationship agreement dated 5 December 2003 as amended in 2004 by way of a deed of adherence signed in 2007 (the "Relationship Agreement") which was entered into at the time of the Listing to ensure the Company is able to operate independently of the controlling shareholder. See "Relationship with the Major Shareholder — Transactions and arrangements with the Major Shareholder — Relationship Agreement — Vedanta, Volcan, Onclave and Mr. Anil Agarwal". Under the terms of the Relationship Agreement, the Board, and Nominations Committee will at all times consist of a majority of Directors who are all independent of Volcan and the Agarwal family, whilst the Remuneration and Audit Committees shall at all times comprise only Non-executive Directors. Volcan is entitled to nominate for appointment as Director such number of persons as is one less than the number of Directors who are independent of Volcan, the Agarwal family and their associates. The Board considers these to be adequate safeguards in that Directors who are independent of Volcan make up a majority of the Board and Vedanta's ability to operate independently of Volcan is protected by the Relationship Agreement.

Since Vedanta's Listing, the Board has moved towards compliance with the requirements of "The UK Corporate Governance Code" issued by the Financial Reporting Council (the "Code"), as amended most recently in June 2010.

The Vedanta Group does not provide for any benefits to its officers and directors upon the termination of their services.

Statement of Compliance

The Board has sought to achieve the standards of corporate governance as set out in section 1 of the Code and believes that the Company has complied with the provisions of the Code throughout fiscal 2010, except as follows:

- First, the Executive Chairman, Mr. Anil Agarwal, did not meet the independence criteria on appointment because he was previously the Chief Executive Officer of Vedanta and, through Volcan, he has a controlling interest in Vedanta (Code Provision A.2.1 and A.3.1).
- As the founder of Vedanta, Mr. Anil Agarwal has built the Vedanta Group since its inception in 1976. The Board believes that Mr. Agarwal has been a major contributor to Vedanta's development into a FTSE 100 company and that he has been responsible for leading the Vedanta Group to strong profitability and cash flows. Mr. Agarwal's appointment in March 2005 as Executive Chairman allowed him to step back from operational management and new projects, thereby extending the Vedanta Group's growth pipeline into the future and focusing on turning new opportunities into value creating

projects. The Board is unanimously of the opinion that his continued involvement in an executive capacity is important to the Vedanta Group's success.

- Second, pursuant to the Relationship Agreement, Volcan will be consulted on all appointments to the Board. The Nominations Committee of the Company therefore works collaboratively with Volcan on the making of appointments to the Board and, to this extent, differs from the process set out in Code Provision A.4.1.

The Board

Role and Responsibilities of the Board

The role of the Board is to provide leadership to maximise opportunities to develop the Company's portfolio of businesses profitably while assessing and managing the associated risks. The boards of directors of the Vedanta Group's individual businesses are responsible for managing their businesses profitably while controlling risks. The Board assesses the strategic objectives of each business, monitors performance, ensures the availability of financial, management and other resources required to meet the objectives, sets the Vedanta Group's standards of conduct and ensures that effective controls are in place to manage risk and that the interests of shareholders and other investors are observed. For example, by March 2011 a new code of conduct and ethics (the "Code of Conduct and Ethics") was approved to provide over arching standards for the Vedanta Group's individual businesses.

The Board has adopted a schedule of matters reserved for its consideration to ensure that it is in a position to assess strategy, monitor performance and maintain effective controls while delegating operational management to the Executive Committee and the Vedanta Group's businesses. Such matters reserved to the Board include, but are not limited to, approving the Vedanta Group's overall strategy and annual budgets, major capital expenditures, major acquisitions, disposals and significant changes to capital structure and dividend policy. This schedule of matters reserved was reviewed in March 2010.

The Board meets on a regular basis and throughout the year ended 31 March 2011 met nine times. The Chairman also met with the Non-executive Directors without the Executive Directors present on several occasions throughout the same period. All of the committees are authorised to obtain legal or other professional advice as necessary, to secure the attendance of external advisers at their meetings and to seek information from any employee of the Company in order to perform their duties.

There are five Board Committees: Executive, Nominations, Remuneration, Audit, and Sustainability. Each committee has its own clearly defined terms of reference which can be obtained from the Company Secretary and each committee reports directly to the Board.

Board Balance and Independence

The Board comprises the following members as of 31 March 2011:

Mr. Anil Agarwal	Executive Chairman
Mr. Navin Agarwal	Deputy Executive Chairman
Mr. Mahendra Singh Mehta	Chief Executive Officer
Mr. Naresh Chandra	Non-executive Director and Senior Independent Director
Mr. Aman Mehta	Non-executive Director
Mr. Euan R. Macdonald	Non-executive Director

All three Non-executive Directors served throughout fiscal 2011 and up to the date of this Offering Circular. There have been no new appointments to the Board during the year.

As of the date of this Offering Circular, the Board will consist of the Executive Chairman, the Deputy Executive Chairman, one Executive Director and three Non-executive Directors. The Company regards this as an appropriate board structure. The Company considers all of its Non-executive Directors as independent Non-executive Directors within the meaning of "independent" as defined in the Code and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. In making its assessment of the independence of the Non-executive Directors, the Board has considered the fact that Mr. Aman Mehta and Mr. Euan R. Macdonald have held previous senior management positions within subsidiary companies of HSBC Holdings plc (which acted as the joint global co-ordinator and bookrunner in the Listing of the Ordinary Shares in December 2003). At the time of their appointments, the Board considered that neither Mr. Aman Mehta's nor Mr. Euan R. Macdonald's previous employments included the provision of corporate finance services in London by the HSBC group (and thus they had no involvement with the Vedanta Group prior to their appointment to the Board) and that the value of the business transacted between the Company and the HSBC group was less than 1% of the turnover of either organisation. The Board therefore remains of the view that these circumstances will not affect the judgment exercised by either Mr. Aman Mehta or Mr. Euan R. MacDonald, and therefore considers them to be independent.

Mr. Naresh Chandra is the Senior Independent Director. His primary responsibilities are to lead discussions at meetings of the Non-executive Directors, provide an effective channel of communication between the Chairman and Non-executive Directors, ensure that the views of the Non-executive Directors are given due consideration and provide a point of contact for any shareholder who wishes to raise concerns which the normal channels of communication through the Executive Chairman and Chief Executive Officer have failed to resolve, or for which contact is inappropriate.

The Directors support high standards of corporate governance. Following Readmission, the Company will comply with the UK Corporate Governance Code, save that the Executive Chairman is not independent, as outlined under "— Corporate Governance — Statement of Compliance" above.

Executive Chairman and Chief Executive Officer

There is a clear division of the responsibilities between the running of the Board and executive responsibility for running the business, so that no one person should have undue power of decision. In June 2005, the Board approved a policy to ensure a clear separation is maintained between the responsibilities of the Executive Chairman and the Chief Executive Officer, as detailed below:

Executive Chairman

- Setting a vision for Vedanta, formulating its strategy, creating a growth pipeline of profitable business opportunities and reviewing potential merger and/or acquisition opportunities;
- Providing leadership to the Board and ensuring its effectiveness;
- Ensuring that there is effective communication with shareholders;
- Facilitating the effective contribution of non-executive Directors; and
- Overseeing corporate governance arrangements in compliance with the Code.

Chief Executive Officer

- Developing and managing the executive team;
- Delivery of budgets for operations;
- Supporting the Executive Chairman in the delivery and implementation of business strategy;
- Optimising Vedanta's assets and management and the allocation of resources;
- Supporting the Executive Chairman in effective communication with various shareholders; and
- Creating and maintaining a sound control environment.

Executive Committee

The Executive Committee, comprising the Executive Directors and the senior management within the Vedanta Group who head the principal businesses and corporate functions, meets on a monthly basis to consider the operating performance of each of the principal subsidiaries. Mr. Navin Agarwal chairs the Executive Committee. The Board's role is to set the Vedanta Group's values and standards, determine its strategic objectives and monitor operational performance.

The Executive Committee supports the Board in fulfilling this role and is essentially responsible for operational performance including: implementing and delivering the strategic plans formulated by the Board, monitoring operational and financial performance, prioritising and allocating resources and developing and reviewing objectives and budgets with subsidiary company boards to ensure that these fall within agreed targets and parameters set by the Board. In addition, the Executive Committee approves capital expenditure and reviews the Vedanta's Human Resources Policy and Treasury Policy. During fiscal 2009, the Executive Committee also oversaw the division of the Vedanta Group's principal businesses into various operating sectors and alignment of management in these sectors to achieve greater and more effective management focus and operational efficiencies.

The Executive Committee had 12 meetings in fiscal 2011.

Nominations Committee

In conjunction with the consultation of Volcan pursuant to the Relationship Agreement, the Nominations Committee has a role in reviewing the structure, size and composition of the Board, particularly the balance between Executive and Non-executive Directors, and advising the Board on proposed appointments of new

Non-executive Directors. The Nominations Committee draws up a list of criteria to be used to assess potential new appointments to the Board and this is to be used as part of the selection process for new Non-executive Directors appointed during the year. In respect of the appointment of Non-executive Directors to the Board, the candidates will be made aware of the time commitment expected of them which will be reflected in the letter of appointment. The approval of the Chairman must be sought before an Executive Director may take on a non-executive directorship outside of the Vedanta Group. Mr. Anil Agarwal is Chairman of the Nominations Committee. The other members are Messrs. Naresh Chandra, Euan R. Macdonald and A Mehta (from 1 August 2010).

The UK Corporate Governance Code issued in June 2010 requires that all directors be re-elected on an annual basis and that non-executive directors should be appointed for specific terms. Accordingly, during fiscal 2010, the Nominations Committee considered the re-appointment of Mr. Naresh Chandra to the Board and as Senior Independent Director on the expiry of his letter of appointment. It considered the re-appointment of Mr. Anil Agarwal who retired by rotation and recommended to shareholders both the re-appointment of Messrs. Chandra and Agarwal. During the annual general meeting held on 28 July 2010, both Mr. Aman Mehta and Mr. Euan Macdonald retired by rotation and were re-elected to the Board.

Vedanta's Articles of Association (the "Articles") require that at every annual general meeting, one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office. Non-executive Directors are only put forward for re-election if, following performance evaluation, the Board believes the Director's performance continues to be effective and demonstrates commitment to the role.

The Nominations Committee held three meetings in fiscal 2011.

Remuneration Committee

Mr. Naresh Chandra is Chairman of the Remuneration Committee. The other members are Messrs. Euan R. Macdonald and Aman Mehta. The Remuneration Committee is responsible for setting the remuneration policy and remuneration packages for the Executive Directors and for maintaining an awareness of the overall remuneration of the key operational and financial heads within the Vedanta Group. In the Remuneration Committee's terms of reference approved by the Board, the Remuneration Committee is required to consider and give due regard to the recommendations of the Code and other guidelines published in respect of the remuneration of directors of listed companies such as that produced by the Association of British Insurers and National Association of Pension Funds. A significant proportion of the Executive Directors' remuneration is performance related through the annual bonus and long term incentive schemes. The fees of the Non-executive Directors are independently reviewed and take into account the time commitments and responsibilities of the role.

The Remuneration Committee had three meetings in fiscal 2011.

Audit Committee

The primary role of the Audit Committee is to oversee the integrity of the Vedanta Group's financial reporting system, its approach to risk and internal controls, the effectiveness of its internal audit activity, its relationship with its external auditors and compliance with relevant statutory and other required financial reporting standards, including corporate governance disclosures. The Audit Committee has an established process for identifying, evaluating and managing significant risks faced by the Vedanta Group in accordance with the Turnbull Guidance on Internal Control published by the Financial Reporting Council. In addition the Audit Committee has discussions with the auditor, without management being present. The Audit Committee reviews the Vedanta Group's whistleblowing policy and risk matrix, its annual report and interim statement, fraud or misappropriation cases, and reviews the Vedanta Group's external audit engagement, scope and strategy.

In line with best practice, the Board has reviewed the internal control system in place for the Vedanta Group up to the period ended 31 March 2011. During the course of its review of the system of internal control, the Board has not identified nor been advised of any weaknesses or control failure that is significant.

In addition to the requirements of the UK Corporate Governance Code issued in June 2010, certain of Vedanta's subsidiaries, by virtue of their listings on the Indian stock exchanges or the NYSE, have their own audit committees which are established in accordance with Indian or NYSE corporate governance requirements, as applicable. This provides a second level of financial oversight below the Vedanta Group's

Audit Committee which also monitors the discussions and findings of the audit committees of Vedanta's subsidiaries.

Mr. Aman Mehta is the Chairman of the Audit Committee. The other members are Messrs. Naresh Chandra and Euan R. Macdonald.

The Audit Committee had four meetings in fiscal 2011.

Sustainability Committee

Mr. Naresh Chandra is the Chairman of the Vedanta Group's Sustainability Committee. The other members are Messrs. M. S. Mehta, Jeyakumar Janakaraj and Tony Henshaw.

The role of the Sustainability Committee is to assist the Board in meeting its responsibilities in relation to sustainability related matters arising out of the activities and operations of the Vedanta Group. The principal duties and responsibilities of the Sustainability Committee are:

- to recommend to the Board sustainability policies for the Group, clearly setting out the commitments of the Group to manage matters of sustainable development effectively;
- to advise the Board to enable it to discharge its responsibilities, having regard to the law and the expected international standards of governance;
- to outline initiatives required to institutionalise a sustainability culture through involvement of the employees at all levels;
- to review and report to the Board the performance of the Vedanta Group and the Vedanta Group companies with respect to the implementation of the Sustainability Management System designed to ensure that the commitments made in the policy are being met and that sustainability and reputational related risks are being assessed, controlled and managed effectively;
- to review targets for sustainaibility performance and report to the Board with respect to their appropriateness and assess progress towards achieving those targets;
- to recommend, when appropriate, amendments to the sustainability policies or management system and
- to approve the Sustainability Report prior to publication.

The Healthy, Safety and Environment Committee, which, by order of the Board, was renamed the Sustainability Committee, held three meetings in fiscal 2011.

Directors' and Executive Officers' Compensation

The aggregate compensation Vedanta paid to its executive directors and executive officers for fiscal 2011 was £9,252,908, which includes £5,634,796 paid towards short term benefits comprising salary, bonuses and allowances, £409,597 paid towards post employment benefits and £3,208,515 in non-cash payments relating to the LTIP. The total compensation paid to Vedanta's most highly compensated executive during fiscal 2011 was £2.01 million, of which £1.23 million comprised salary, bonus and benefits in kind and £0.77 million comprised non-cash payments relating to the LTIP.

The aggregate compensation Vedanta paid its Non-executive Directors in fiscal 2011 was £351,000.

The following table sets forth the pre-tax remuneration for fiscal 2011 for individual Directors who held office in the Company during this period. Payment is generally made in UK pounds sterling although payments in India under service contracts with Sterlite are paid in Indian Rupees. The table below indicates the salary paid to Vedanta's Directors for fiscal 2011. Pursuant to a Board meeting held in May 2010, the compensation for Non-executive Directors was reviewed leading to an increase in the annual fees payable to such Directors. Pursuant to a Board meeting held in July 2010, Mr Aman Mehta was appointed as a member of the Nominations committee leading to an increase in annual fees payable to Mr Mehta.

	UK Salary	Fees	Pensions	Annual Performance Bonus	Benefits in Kind	Total
			(£)			
Executive Directors						
A.K. Agarwal(1)	1,170,125	—	—	500,000	60,691	1,730,816
N. Agarwal(2).	80,000	772,805	126,615	352,707	36,901	1,369,028
M.S. Mehta(3)	80,000	248,158	26,411	126,974	1,135	482,678
Non-Executive Directors						
M. Chandra	140,000	—	—	—	—	140,000
A. Mehta	111,000	—	—	—	—	111,000
E.R. Macdonald	100,000	—	—	—	—	100,000
Total	£1,681,125	£1,020,963	£153,027	£979,681	£98,727	£3,933,522

(1) Mr. Anil Agarwal's benefits in kind include provision of a car and fuel in the UK and India for business and personal purposes.

(2) Mr. Navin Agarwal's benefits in kind include use of leased accommodation in India club membership and use of car and driver.

(3) Mr. Mahendra Singh Mehta's benefits in kind include use of a car.

Employee Share Schemes

Vedanta Reward Plan

The Company operated the Vedanta Reward Plan which was adopted to reward a limited number of employees who had contributed to Vedanta's development and growth over the period leading up to Vedanta's initial public offering and listing on the LSE, and no further awards were granted under the Vedanta Reward Plan.

Vedanta Long-Term Incentive Plan

The Company operates the Vedanta Resources Long-Term Incentive Plan (the "LTIP") which was adopted to grant share options to its employees or employees of its subsidiaries. Awards are made to certain senior employees and executive directors on an annual basis. Awards under the LTIP may be granted to any employee of Vedanta or any of its subsidiaries.

The LTIP is consistent with Vedanta's reward philosophy, which aims to provide superior rewards for outstanding performance, and to provide a high proportion of "at risk" remuneration for Executive Directors and senior employees. The maximum value of the Ordinary Shares which may be conditionally awarded in any fiscal year to a participant in the LTIP who is an executive director is restricted to 100% of that Executive Director's annual base salary (including fees).

The performance target which currently applies to vesting of awards is Vedanta's performance as measured against comparative total shareholder return against a peer group of companies comprising the FTSE Worldwide Mining Index (excluding precious metals).

In fiscal 2011, no material grants were awarded.

As of 31 March 2011, options were outstanding under the LTIP to acquire an aggregate of 2,228,085 Ordinary Shares of Vedanta.

Vedanta Share Option Plan

The Vedanta Group adopted Vedanta's Share Option Plan (the "Plan") in 2004. The Vedanta Group has no intention to grant options under the Plan for the foreseeable future and has adopted that Plan for maximum flexibility in the design of incentive arrangements in the long-term.

The following table sets forth the options granted to and exercised by Vedanta's Directors and executive officers during fiscal 2011:

Option Granted	Exercise Price	Options Outstanding 1 April 2010	Movements During the Year		Lapsed Due to Performance Conditions	Options Outstanding 31 March 2011	Exercise Period (Earliest/ latest Exercise Dates)	Date Award Exercised
			Grants	Exercised				
A.K. Agarwal								
14 November 2007	$0.10	37,000	—	14,800	22,200	0	14 November 2010 to 14 May 2011	—
1 August 2009	0.10	60,000		—	—	60,000	1 August 2012 to 1 January 2013	—
N. Agarwal								
14 November 2007	0.10	24,500	—	9,800	14,700	0	14 November 2010 to 14 May 2011	—
1 August 2009	0.10	40,000		—	—	40,000	1 February 2009 to 1 August 2009	—
M.S. Mehta								
14 November 2007	0.10	8,000		3,200	4,800	0	14 November 2010 to 14 May 2011	—
1 August 2009	0.10	17,500		—	—	17,500	1 February 2009 to 1 August 2009	

Directors Dealings in Shares

The Company has a policy based on the Model Code published in the listing rules of the UK Listing Authority (the "Listing Rules") under Section 74 of the United Kingdom Financial Services and Markets Act 2000, as amended, (the "FMSA"), which covers dealings in securities and applies to directors and senior management. A comprehensive insider list is maintained and all participants are notified of close periods.

Limitations on Liability and Indemnification Matters

Section 201 of the Indian Companies Act provides that a company may indemnify any director, officer or auditor against any liability incurred by such director, officer or auditor in defending any civil or criminal proceedings, in which a judgment is given in favour of such director, officer or auditor or in which he or she is acquitted or discharged or in connection with application made by a director or an officer to the High Court of the relevant state for relief, because he or she has reason to apprehend that any proceeding will or might be brought against him in respect of any negligence, default, breach of duty, misfeasance or breach of trust, in which relief has been granted by the High Court of the relevant state.

Section 201 also provides that, except for such indemnity described above, any provision, whether contained in the articles of association of a company or in an agreement with the company or in any other instrument, for exempting any director, officer or auditor of the company from, or indemnifying him or her against, any liability which, by any rule of law, would otherwise attach to such director, officer or auditor in respect of any negligence, default, misfeasance, breach of duty or breach of trust of which he or she may be guilty in relation to the company, shall be void.

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding beneficial ownership of Ordinary Shares as of 31 March 2011 held by:

- each person who is known to the Company to have more than 5% beneficial share ownership;
- each of Vedanta's Directors and executive officers having more than 1% beneficial share ownership; and
- all of Vedanta's Directors and executive officers as a group.

Each Ordinary Share is entitled to one vote on all matters that require a vote of shareholders, and none of Vedanta's shareholders has any contractual or other special voting rights.

As used in this table, beneficial ownership means the sole or shared power to vote or direct the voting or to dispose of or direct the sale of any security. A person is deemed to be the beneficial owner of securities that can be acquired within 60 days upon the exercise of any option, warrant or right. Ordinary Shares subject to options, warrants or rights that are currently exercisable or exercisable within 60 days are deemed outstanding for computing the ownership percentage of the person holding the options, warrants or rights, but are not deemed outstanding for computing the ownership percentage of any other person. The amounts and percentages as of 31 March 2011 are based upon 265,733,940 voting Ordinary Shares (excluding 6,904,995 Ordinary Shares held through global depository receipts, with no voting rights, 22,502,483 treasury shares held by the Company and a further 1,704,333 shares were purchased pursuant to Vedanta's buyback programme by an independent company, Gorey Investments Ltd. Gorey Investments Ltd. will not vote on these shares and such shares purchased by Gorey Investments Ltd. will be treated in the consolidated accounts of Vedanta as treasury shares outstanding as of that date.

Shareholders' Name	Number of Ordinary Shares	Percentage of Issued Voting Share Capital
5% shareholders		
Volcan Investments Limited and affiliates(1)	163,500,000	61.53%
Loyalist Plaza, Don Mackay Boulevard P O Box AB-20377 Marsh Harbour, Abaco Bahamas		
Directors and Executive Officers		
Anil Agarwal(1)(2)	163,587,240	61.56%
Navin Agarwal	223,160	*
Mahendra Singh Mehta	39,521	*
Naresh Chandra	—	—
Aman Mehta	—	—
Euan R. Macdonald	—	—
Tarun Jain	104,560	*
Dindayal Jalan	22,160	*
Dilip Golani	11,131	*
A. Thirunavukkarasu	—	—
All Vedanta's directors and executive officers as a group (10 persons)	163,988,372	61.71%

* Represents beneficial ownership of less than 1%.

(1) Volcan owns 163,500,000 Ordinary Shares, or approximately 61.53% of the issued voting share capital, of Vedanta. Volcan is owned and controlled by the Anil Agarwal Discretionary Trust (the "Trust"). Onclave PTC Limited ("Onclave") is the trustee of the Trust and controls all voting and investment decisions of the Trust. As a result, shares beneficially owned by Volcan may be deemed to be beneficially owned by the Trust and, in turn, by Onclave. Mr. Anil Agarwal, the Executive Chairman of Vedanta and the Non-Executive Chairman of Sterlite, may be deemed to have beneficial ownership of shares that may be owned or deemed to be beneficially owned by Onclave. Vedanta, Volcan, Onclave and Mr. Anil Agarwal are parties to a relationship agreement that regulates the ongoing relationship among them.

(2) Includes 87,240 Ordinary Shares of Vedanta held directly by Mr. Anil Agarwal.

RELATED PARTY TRANSACTIONS

The following is a summary of material transactions that Vedanta has engaged in with its controlling shareholder, Volcan, and its subsidiaries and other related parties, including those in which Vedanta or its management has a significant equity interest. In addition, the following contains a discussion of how Vedanta intends to handle conflicts of interest and allocations of business opportunities between itself and its affiliates, Directors and executive officers. For further discussion of related party transactions, see the consolidated financial statements appearing elsewhere in this Offering Circular.

Related Parties

Volcan and the Agarwal Family

Volcan owns approximately 61.70% of the issued ordinary shares of Vedanta. Volcan is 100% owned and controlled by the Trust. Onclave is the trustee of the Trust and controls all the voting and investment decisions of the Trust. As a result, securities beneficially owned by Volcan may be regarded as being beneficially owned by the Trust and, in turn, by Onclave. Mr. Anil Agarwal, the Executive Chairman of Vedanta and the Non-Executive Chairman of Sterlite, may be deemed to have beneficial ownership of securities that are owned by Onclave. Vedanta, Volcan, Onclave and Mr. Agarwal are parties to the Relationship Agreement, which regulates the ongoing relationship among them. See "— Related Transactions — Relationship Agreement — Vedanta, Volcan, Onclave and Mr. Anil Agarwal". Mr. Agarwal, his father, Mr. Dwarka Prasad Agarwal, and his son, Mr. Agnivesh Agarwal, the Non-Executive Chairman of HZL, also have a controlling interest in STL, a publicly-listed company in India which was spun-off from the Vedanta group in July 2000, except for nominal interests in STL held by MALCO and Sterlite. In addition, Mr. Anil Agarwal holds directorships with other members of the Vedanta Group and will continue to hold such cross directorships following Readmission. Mr. Agarwal is also the non-executive chairman of Sterlite. These directorships and positions give rise to situations in which Mr. Agarwal could have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

Related Transactions

Relationship Agreement — Vedanta, Volcan, Onclave and Mr. Anil Agarwal

Vedanta, Volcan, Onclave and Mr. Anil Agarwal are parties to the Relationship Agreement. The principal purpose of the Relationship Agreement is to enable Vedanta to carry on its business independently of Volcan and its direct and indirect shareholders, and their respective associates (the "Volcan Parties") as required by the Listing Rules of the Financial Services Authority of the United Kingdom (the "FSA") and to ensure that transactions and relationships, including all matters that are the subject of the Shared Services Agreement (as described below), among the Volcan Parties are at arm's length and on a normal commercial basis. The Relationship Agreement will terminate in respect of Volcan at such time as each of the Volcan Parties, acting individually or jointly by agreement, cease to be a controlling shareholder of Vedanta for the purposes of the Listing Rules of the FSA or if Vedanta is de-listed from the LSE. In addition, the Relationship Agreement will terminate in respect of Onclave and Mr. Anil Agarwal if any of them individually or acting jointly ceases to be a controlling shareholder of Vedanta or Volcan. Currently, a controlling shareholder of a company for the purposes of the Listing Rules of the FSA is any person (or persons acting jointly by agreement whether formal or otherwise) who is entitled to exercise, or to control the exercise of, 30% or more of the rights to vote at general meetings of such company or is able to control the appointment of directors who are able to exercise a majority of the votes at board meetings of such company.

Under the Relationship Agreement:

- the parties agree to ensure that Vedanta is capable, at all times, of carrying on its business independently of the Volcan Parties as required by the Listing Rules of the FSA;
- the Board and Nominations Committee and any other committee of the Board (other than the Audit Committee or the Remuneration Committee or any committee which may be established by the Board in connection with a specific transaction, the constitution of which is approved by the Board) to which significant powers, authorities or discretions are delegated shall at all times comprise a majority of Directors who are independent of the Volcan Parties and who are free from any business or other relationship with the Volcan Parties which could materially interfere with the exercise of the Director's judgment concerning Vedanta;

- Vedanta's Remuneration Committee and Audit Committee shall at all times consist only of non-executive Directors;
- Volcan is entitled to nominate for appointment to the Board such number of persons as is one less than the number of Directors who are independent of the Volcan Parties and who are free from any business or other relationship with the Volcan Parties which could materially interfere with the exercise of the director's judgment concerning Vedanta;
- neither Mr. Anil Agarwal nor any non-independent Directors shall be permitted, unless the independent Directors agree otherwise, to vote on any resolutions of the Board or of a committee of the Board to approve the entry into, variation, amendment, novation or abrogation or enforcement of any contract, arrangement or transaction with any of the Volcan Parties;
- Volcan shall not exercise voting rights attaching to its shares in Vedanta or any resolution to approve the entry into, variation, amendment, novation or abrogation of any transactions or arrangements between Vedanta and the Volcan Parties;
- the Volcan Parties represented and warranted to Vedanta that at the time of the execution of the Relationship Agreement they did not own directly or indirectly any interests in the smelting, refining, mining or sale of any base metals or mineral otherwise than through Vedanta or any member of the Vedanta Group;
- the Volcan Parties agreed to, and agreed to cause each member of the Volcan group, the Agarwal family and their respective associates to, directly or indirectly, acquire or otherwise invest in any company, business, business operation or other enterprise which engages in the smelting, refining or mining of base metals or minerals only through Vedanta or other member of the Vedanta Group. However, this Relationship Agreement does not prevent, restrict or limit the acquisition or ownership by the Volcan Parties of:
  - not more than 5% in aggregate of any class of shares, debentures or other securities in issue from time to time of any company which engages in the smelting, refining or mining of base metals or minerals which is for the time being listed on any stock exchange; or
  - of, or of any interest in, a base metal or mineral property or asset (together with any associated property, plant and equipment), which is not adjacent or geographically proximate to an existing property or operation of the Vedanta Group so as to give them operational synergies, where the acquisition cost (including assumed indebtedness), including any related capital expenditures committed at the date of acquisition for the following 12 months, is equal to $50 million or less, for which purpose any acquisitions of two or more related or adjacent base metal or mineral properties or assets shall be aggregated when calculating the acquisition cost, provided that the relevant interested party (i) is not an officer or director of the Vedanta Group; and (ii) before acquiring such property or asset, first made the opportunity to acquire such property or asset available to the Vedanta Group, with a reasonable period for the independent directors of Vedanta to consider the opportunity, on terms no less favourable than those on which they are proposed to be acquired by the interested party and a majority of the independent directors has determined that the Vedanta Group should not make the acquisition; and
- transactions and relationships between Vedanta and the Volcan Parties must be conducted at arm's length and on a normal commercial basis, including those to be provided under the Shared Services Agreement.

Shared Services Agreement — STL, Sterlite Gold, Vedanta and Sterlite

Vedanta entered into a shared services agreement dated 5 December 2003 with STL, Sterlite Gold Ltd ("Sterlite Gold") (which at that time was an affiliated company) and Sterlite (the "Shared Services Agreement") as part of the Listing. Under this Shared Services Agreement, Sterlite and Vedanta agreed to continue to provide STL and Sterlite Gold with certain advisory services on an ongoing basis consisting primarily of access to certain of the Directors, officers and employees of the Vedanta Group. On 27 September 2007, Vedanta sold its entire interest in Sterlite Gold to an unaffiliated third party, and as of such date Sterlite Gold ceased to be an affiliated company of the Vedanta Group.

In fiscal 2009, 2010 and 2011, Vedanta received $25,047, $27,154 and $nil from STL, respectively, under the Shared Services Agreement.

Under the Shared Services Agreement:

- a party may terminate the Shared Services Agreement or a particular service which is provided pursuant to the Shared Services Agreement if another party commits a material breach of the Shared Services Agreement or upon another party becoming subject to or entering into arrangements in the context of insolvency. A party may also terminate a particular service on three months' notice;

- the services under the Shared Services Agreement will be provided by Sterlite or Vedanta, as the case may be, to STL or Sterlite Gold and the transactions between the parties will be on an arm's length basis;

- the cost of access to certain of the Directors, officers and employees of such member of the Vedanta Group shall be paid by STL or Sterlite Gold, as the case may be, to Sterlite or Vedanta, as appropriate; and

- the cost of the services provided pursuant to the Shared Services Agreement is calculated by apportioning the total salary cost to Sterlite or the Vedanta Group of the employment of the relevant director, officer or employee to STL or Sterlite Gold, as appropriate, based on the time spent for each such member of the Vedanta Group.

On 13 April 2006, a letter agreement was executed by Vedanta, Sterlite, STL and Sterlite Gold amending the Shared Services Agreement, with the following effect:

- the list of employees of Vedanta who may be hired under the Shared Services Agreement was amended to reflect those individuals who actually performed the services;

- the amount to be paid to Vedanta was amended based on estimated cost plus 20%; and

- only 25% of Mr. Anil Agarwal's salary costs are taken into account when determining the charge to STL and Sterlite Gold in recognition of the more limited services Mr. Agarwal has provided to STL and Sterlite Gold since the Listing.

On 27 September 2007, Vedanta sold its entire interest in Sterlite Gold to an unaffiliated third party, and as of such date Sterlite Gold ceased to be an affiliated company of Vedanta.

Guarantees — Sterlite, IFL, CMT, TCM, Vedanta Aluminium, Sterlite Energy

Sterlite has provided guarantees on behalf of IFL, CMT, TCM, Vedanta Aluminium and Sterlite Energy. See "Management's Discussion and Analysis of Financial Condition and Results of Operations for Vedanta — Guarantees".

Vedanta has provided guarantees to third party vendors to facilitate procurement of copper concentrate by its subsidiary, Sterlite, pursuant to a board resolution passed on 16 November 2005. As of 31 March 2011, it issued guarantees of $120 million.

Sale of Aluminium Conductor Business — STL and Sterlite

On 30 August 2006, Sterlite entered into an agreement to sell its aluminium conductor business, also known as its power transmission line division, as a going concern on an "as is where is basis," subject to existing encumbrances and charges and together with the power transmission line division's assets, debts, and liabilities, to STL for a consideration of INR 1,485 million ($32.6 million as at the date of sale). The terms of this transaction were negotiated between Sterlite and STL on an arm's length basis, with an independent appraiser hired to establish the sale price. Under the terms of the agreement, Sterlite may not carry on or engage directly or indirectly in any business which competes with any part of the power transmission line division business for a period of five years from the completion of the sale. The sale of this non-core business was approved by Sterlite's shareholders on 30 September 2006.

MATERIAL CONTRACTS

The following is a summary of each of the Vedanta Group's material contracts.

Consultancy Agreement dated 29 March 2005 between Vedanta and Sterlite

See "Related Party Transactions — Related Transactions".

Representative Office Agreement dated 29 March 2005 between Vedanta and Sterlite

See "Related Party Transactions — Related Transactions".

Outstanding loans

See "Description of Material Indebtedness".

Material Contracts relating to the Acquisition

Cairn India Purchase Agreement

On 15 August 2010, Vedanta entered into a share purchase agreement (the "Purchase Agreement") with Cairn UK Holdings Limited ("CUKHL"), Cairn Energy and TSEHL pursuant to which TSEHL agreed to purchase from CUKHL 40% to 51% of the fully diluted share capital of Cairn India (subject to downwards adjustment) at a price of INR 355 per Cairn India Share (the "Vedanta Share Purchase"). The number of Cairn India Shares acquired under the Purchase Agreement was to be reduced below 51% by the number of Cairn India Shares validly tendered in the Open Offer (defined below), subject to a maximum reduction of 11% of Cairn India's fully diluted share capital at Completion.

Vedanta will pay a non-compete fee to Cairn Energy of $820 million upon consummation of the Acquisition (equal to INR 50 per Cairn India Share acquired from members of the Cairn Energy Group pursuant to the Purchase Agreement) in consideration for Cairn Energy agreeing not to engage in the business of oil or gas extraction and/or its transport or processing in India, Sri Lanka, Pakistan and Bhutan or any other business which competes with the business of the Cairn India Group. With the share purchase price and non-compete fee aggregated, Vedanta paid $6.7 billion for the purchase of the Cairn India Shares pursuant to the Purchase Agreement.

The Vedanta Share Purchase was conditional upon (i) the approval of the shareholders of Vedanta and Cairn Energy at general meetings (such approval having been obtained on 7 October 2010 and 13 December 2010, respectively); (ii) completion of the Open Offer and (iii) to the extent related to the Rajasthan Block, Block CB/OS-2 and/or the Ravva Block: (a) no material production share contract, operating agreement, material licence, lease or permit of the Cairn India Group being terminated or otherwise coming to an end, (b) no formal notice having been issued by a competent authority that any of the events in (a) above will occur as a result of or with effect from the Vedanta Share Purchase and (c) all requested or required governmental consents having been given.

Standby Equity Underwriting Letter

In connection with the Acquisition and pursuant to the Standby Equity Underwriting Letter, J.P. Morgan Securities Limited, Goldman Sachs International and Morgan Stanley & Co. International plc (the "Banks") have severally undertaken, subject to the terms of the Standby Equity Underwriting Letter, to underwrite, through the entering into of the Underwriting Agreement (as defined below), a capital increase by way of a rights issue (or such other equity raising process of Ordinary Shares in the capital of Vedanta as Vedanta and the Banks may agree) (an "Ordinary Share Offering") to raise, in aggregate, net proceeds (being the proceeds of the Ordinary Share Offering net of costs, fees and expenses) of an amount to be determined by the Banks of up to twice the amount required to pay or prepay the amount outstanding (including interest and charges) under the Bridge Facility Agreement as of the date nine months from the drawdown under the Bridge Facility Agreement (or, if earlier, the date of the Ordinary Share Offering) (the "Refinancing Amount" or the "Gross Proceeds"). Each of the Banks may severally, at its sole discretion, at any time on or after the date falling six months from drawdown under the Bridge Facility Agreement, serve a notice on Vedanta requiring Vedanta to undertake an Ordinary Share Offering on and subject to the terms of the Standby Equity Underwriting Letter (the "Offer Notice"). The net proceeds raised by way of such Ordinary Share Offering will be used first to pay or repay the Refinancing Amount. The Banks have also agreed that, subject to being able to act in such role, they shall act as joint sponsors in connection with the proposed admission to the Official List of the Ordinary Shares issued in connection with the Ordinary Share Offering.

Upon receipt of an Offer Notice, Vedanta has irrevocably undertaken to effect, subject to the terms of the Standby Equity Underwriting, an Ordinary Share Offering of the Refinancing Amount as soon as reasonably practicable, but taking into account market conditions, the directors' fiduciary duties and the obtaining of any required shareholder approval, save that completion of the Ordinary Share Offering must take place on or before the date that is nine months plus 30 days from the date of drawdown under the Bridge Facility Agreement (the "Repayment Date") provided that, if the Offer Notice is served less than two months before, on or after, the Repayment Date, completion of the Ordinary Share Offering must take place on or before the date falling two months after service of the Offer Notice.

The Standby Equity Underwriting Letter also contains, amongst others, the following provisions:

- the Banks and Vedanta have agreed that the issue price of any Ordinary Shares in the capital of Vedanta proposed to be issued in connection with the Ordinary Share Offering will be agreed by Vedanta and the Banks at the time the Ordinary Share Offering is launched, and, failing such agreement, at a price of $0.10 per Ordinary Share (being the nominal value of an Ordinary Share);

- the Banks and Vedanta have undertaken to act reasonably and negotiate in good faith the terms and conditions of the underwriting agreement to be entered into in connection with an Ordinary Share Offering (the "Underwriting Agreement"). In addition, Vedanta and the Banks have agreed the form of certain significant provisions of the Underwriting Agreement in advance of its execution relating to the form of certain customary representations and warranties, indemnities, conditions and termination provisions and force majeure provisions (if any). In addition, Vedanta has, amongst other things and without limitation, agreed to prepare and submit to the FSA a prospectus and any other documents that may be required in connection with an Ordinary Share Offering, to convene a general meeting of Vedanta's Shareholders in order to seek such shareholders' approvals which are necessary in order to proceed with the Ordinary Share Offering, to instruct the Company's auditors in relation to any accounting work to be undertaken in connection with the Ordinary Share Offering (including the provision of comfort letters) and to instruct the Company's legal advisers in relation to the Ordinary Share Offering (including the provision of comfort letters and customary legal opinions). Vedanta has also agreed to procure an irrevocable undertaking from Volcan to vote in favour of any shareholders' resolutions proposed at any such general meeting convened in connection with an Ordinary Share Offering (the "Volcan Undertaking"). Volcan executed the Volcan Undertaking on 16 November 2010;

- Vedanta has undertaken that, subject to the provisions described below, from the date of the Standby Equity Underwriting Letter to the Repayment Date or until the Underwriting Agreement becomes effective, it will not and will procure that members of the Vedanta Group will not, without the prior written consent of the Banks, directly or indirectly undertake to offer, issue, lend, sell or otherwise dispose of any equity securities of any member of the Vedanta Group (or any interest therein or in respect thereof) or any securities exchangeable for or convertible into, or substantially similar to, the equity securities of any member of the Vedanta Group or enter into any transaction with the same economic effect, save that the above restrictions shall not apply in respect of (a) the issue of Ordinary Shares pursuant to the Ordinary Share Offering; (b) the grant of options under and the issue of shares pursuant to the options granted under share option schemes of Vedanta or any member of the Vedanta Group in existence on the date of the Standby Equity Underwriting Letter in accordance with normal practices; (c) the issue of Ordinary Shares in any member of the Vedanta Group pursuant to existing obligations in respect of convertible debt securities; (d) the issue of shares pursuant to the initial public offering of KCM or any sale by any member of the Vedanta Group of shares in KCM; (e) any listed subsidiary of Vedanta or any of Vedanta's subsidiaries; (f) the issue in a marketed offering of any convertible or exchangeable debt securities which are convertible or exchangeable into shares of any member of the Vedanta Group; (g) any disposal of shares in a subsidiary undertaking of Vedanta by Vedanta and/or the relevant member(s) of the Vedanta Group; or (h) the sale of any Ordinary Shares held in treasury by Vedanta at any time on or before the date falling six months from drawdown under the Bridge Facility;

- a commitment fee equal to 0.25% of the Gross Proceeds (plus any VAT if applicable) is payable by Vedanta to the Banks in proportion to their respective underwriting commitments upon signing the Underwriting Agreement;

- an underwriting fee equal to 2.75% of the Gross Proceeds less the total cash subscription made by Volcan in taking up (in whole or in part) its rights to subscribe for Ordinary Shares pursuant to the Ordinary Share Offering (provided that the total number of Ordinary Shares subscribed for by Volcan (the "Volcan Shares") shall not be underwritten by the Banks pursuant to the Underwriting Agreement and an irrevocable commitment is received from Volcan on or prior to the execution of the Underwriting Agreement to subscribe for the Volcan Shares in a form and manner satisfactory to the Banks) (plus any VAT if applicable) is to be payable by Vedanta to the Banks in proportion to their respective underwriting commitments if the Underwriting Agreement becomes unconditional and is not terminated;
- in the event that none of the Banks are able to act as sponsor to the Company in connection with an Ordinary Share Offering the Company has agreed to pay to such sponsor a separate sponsor fee (such fee to be in line with the levels of such fees for London rights issues of a similar nature); and
- if (A) the Bridge Facility Agreement is terminated before any funds are drawn down under it, (B) completion of the Purchase Agreement does not occur by 20 May 2011 (On 20 May 2011, Vedanta and Cairn Energy agreed to extend the closing date of the Purchase Agreement in order to secure the necessary consents and approvals from the GoI to complete the Acquisition) or (C) the Bridge Facility is repaid or prepaid in full, the Standby Equity Underwriting Letter and the undertakings in it automatically terminate. The Banks (acting together) have the right to terminate the Standby Equity Underwriting Letter at their discretion at any time prior to entering into the Underwriting Agreement. In addition, the Company has the right to terminate the Standby Equity Underwriting Letter in the event that a Bank is in material breach of its obligations to enter into the Underwriting Agreement or to underwrite the Ordinary Share Offering.

Vedanta has procured an irrevocable undertaking from Volcan to vote in favour of any shareholders' resolutions proposed at any such general meeting convened in connection with an Ordinary Share Offering (the "Volcan Undertaking"). Volcan executed the Volcan Undertaking on 16 November 2010.

KCM Material Contracts

KCM Shareholders' Agreement

A shareholders' agreement among GRZ, Zambia Copper Investments Ltd., ZCI Holdings S.A.("ZCIH"), ZCCM, KCM, VRHL and Vedanta was entered into on 5 November 2004 and sets out, inter alia, primary objects of KCM, the structure of KCM's board of directors, restrictions on KCM's activities, rules relating to the transfer of shares in KCM, financing of KCM and alteration of the share capital of KCM. ZCIH subsequently transferred its entire shareholding to VRHL and effectively ceased to continue to be bound by the terms of this agreement. Pursuant to this agreement, KCM's board is to comprise ten directors and Vedanta has the right to appoint, remove or replace five of the ten directors, including the Chairman. ZCCM and ZCIH jointly and GRZ, subject to certain conditions, have the right to appoint, remove or replace two, two and one of the remaining directors on the KCM board, respectively, although the director appointed by GRZ does not have the right to vote at board meetings except in limited circumstances related to any non-arm's length contracts.

In the event that cash flow shortfalls arise at KCM after expenses (excluding depreciation and amortisation), interest, principal and fees payable in respect of any loans, sustaining and project capital expenditure, and tax, Vedanta has agreed to fund any such cash flow shortfalls up to an aggregate limit of $220 million. Vedanta is entitled to discharge any such cash flow shortfalls by the provision of debt finance or the contribution of equity to KCM. Any payments made by Vedanta on a debt finance basis will bear interest on arm's length terms (but not exceeding the London Interbank Offering Rate ("LIBOR") plus 2.5%), and will be repaid to Vedanta in priority to dividends or any other distributions to the KCM shareholders. Any equity contributions made to KCM by Vedanta to discharge cash flow shortfalls will be made on a nondilutionary basis to the other shareholders of KCM. The obligation of Vedanta to fund cash flow shortfalls in KCM will terminate on the earlier of (a) 5 November 2013; (b) any transfer of VRHL's shares in KCM to ZCIH and/or ZCCM pursuant to the ZCIH/ZCCM call option deed (see below); or (c) any exit of Vedanta from KCM in accordance with the shareholders' agreement. Vedanta is also required to provide or arrange any and all financing required in order to implement an Extension Project (as defined in this agreement) at Konkola such as the KDMP. It is entitled to meet this requirement by the provision of debt finance or the contribution of equity to KCM. Any finance provided by Vedanta as debt will bear interest on arm's length terms (but not exceeding LIBOR plus 2.5%), and otherwise be provided on standard market terms for similar projects including the amount of fees payable by KCM, rank and repayment terms. Any equity contributions made to

KCM by Vedanta to meet its financing obligations in connection with an Extension Project such as the KDMP will be made on a dilutionary basis to the other shareholders of KCM.

Pursuant to the shareholders' agreement, Vedanta has the right to exit KCM at any time after 31 December 2007, subject to providing 12 months' notice. Vedanta will be required to make a payment equivalent to the budgeted capital expenditure of KCM for the notice period and to meet its obligation to cover any cash flow shortfalls in KCM during the notice period.

KCM Amended and Restated Development Agreement

An amended and restated development agreement (the "Development Agreement") between GRZ and KCM was entered into on 5 November 2004 which regulates the legal and fiscal framework under which KCM operates in Zambia. The Development Agreement contains provisions regulating, among other things, KCM's rights to import and export, supply and procure, employ and train, suspend and curtail production, social assets and municipal infrastructure services and environmental matters. The Development Agreement also incorporates the Approved Programme of Mining and Metal Treatment Operations and the mining licenses granted to KCM for a period of 25 years from 31 March 2000. Subject to extension depending on increased life of mine associated with an Extension Project such as the KDMP, the Development Agreement also provides certain incentives and concessions which benefit KCM. Although the Development Agreement provides for legislative and taxation certainty for an agreed period, the provisions relating to such legislative and taxation certainty are no longer binding on GRZ following the coming into force of the Zambian Mines and Minerals Development Act No. 7 of 2008 and the introduction of a revised fiscal regime in Zambia. The Development Agreement also sets out the terms and conditions on which GRZ will grant its approval to any Extension Project proposed by KCM. The Development Agreement was abrogated by the Zambian Mines and Minerals Development Act No. 7 in April 2008.

KCM Management Agreement

A management agreement between Vedanta and KCM was entered into on 5 November 2004. Under this agreement, Vedanta agreed to provide a variety of specified "know-how" related services for an annual fee of $1,000,000 for a term of three years commencing on the date of the management agreement (the "Management Agreement"). Additional services may be requested by KCM and will be provided by Vedanta on a per diem basis. This agreement was terminated at the end of its three year term; however, on 24 January 2008, Vedanta's Board agreed to renew the Management Agreement with a 10% increase in the fees applicable thereto. Since the expiration of the Management Agreement, Vedanta has continued to provide KCM with management services as if the Management Agreement had not terminated.

Cairn India Material Contracts

Information Agreement

In accordance with the Purchase Agreement, Cairn Energy and Cairn India will enter into an agreement pursuant to which Cairn Energy has certain rights to information on the Cairn India Group following completion of the Acquisition (the "Information Agreement"). This agreement will replace the relationship agreement between Cairn Energy, Cairn India and CUKHL prior to completion of the Acquisition. The Information Agreement will require that (i) all related party transactions between Cairn India and the Vedanta Group and the Cairn Energy Group, respectively, be on an arms length basis and approved by the board of directors of Cairn India, (ii) Cairn India adopt the Vedanta Group's corporate governance and accounting policies, (iii) Cairn India provide, to the extent permitted under applicable law, the information Cairn Energy requires in order to comply with its financial and regulatory reporting requirements, (iv) Cairn India provide assistance and information in the form of marketing material, road shows and presentations for any sale of shares in Cairn India by the Cairn Energy Group and (v) Cairn India consult with Cairn Energy prior to any material regulatory announcement being made by Cairn India.

Cairn Relationship Agreement

In accordance with the Purchase Agreement, Vedanta and Cairn India will enter into a relationship agreement which will be substantially on the same terms as the relationship agreement between Cairn Energy, Cairn India and CUKHL prior to completion of the Acquisition (the "Cairn Relationship Agreement"). The Cairn Relationship Agreement will require Vedanta and Cairn India to each exercise all of their respective powers and, so far as they are respectively able to do so, procure that the directors of Cairn India exercise their respective powers to ensure: (i) that the business of Cairn India is at all times carried on independently of any other member of the Vedanta Group; (ii) all dealings between the Cairn India and the rest of the Vedanta Group are approved by the Cairn India audit committee; and (iii) the business of Cairn India is managed for the benefit of its shareholders as a whole. The parties will also agree to use their reasonable endeavours to ensure that they can comply with their respective obligations under applicable law or under the rules of the stock exchanges on which they are traded. The Cairn Relationship Agreement will require Cairn India to provide the Vedanta Group with such information as it may require in order to comply with its legal, regulatory and reporting obligations for so long as Vedanta Group's holding in Cairn India is of a level that requires Vedanta to account for the holding as a subsidiary or associated undertaking under international accounting standards. The Cairn Relationship Agreement will require that any offer, allotment or issue of securities in Cairn India be approved by a securities committee of the board of Cairn India. Any meeting of the securities committee will only be quorate, and any decision of that committee will only be valid, if the majority of the members present are directors of Cairn India who have been nominated in accordance with the articles of association of Cairn India. For so long as the Vedanta Group holds at least 10% of the issued equity share capital of Cairn India, Cairn India will agree that, subject to certain limitations and subject to applicable law, the Vedanta Group has the right to require Cairn India to take such steps as may be reasonably required by it in connection with a proposed sale or disposal of Cairn India Shares by any member of the Vedanta Group.

Subscription Agreement

See "Plan of Distribution".

Conflicts of Interest

From time to time, conflicts of interest have in the past and will in the future arise between the Company and its affiliates. With respect to transactions between the Company and its affiliates, Directors and executive officers that involve conflicts of interests, the Company has in the past undertaken and will continue in the future to undertake such transactions in compliance with the rules for interested or related party transactions of the LSE on which Vedanta is listed, the NYSE on which Sterlite is listed and the Indian stock exchanges.

The rules applicable to LSE listed companies require that the details of a related party transaction be notified to a regulatory information service and disclosed to the FSA as soon as possible after the terms of the transaction are agreed upon. There is also a requirement that a circular containing information about the related party transaction be sent to all shareholders and that their approval of the related party transaction be obtained either before the transaction is entered into or, if the transaction is conditional on shareholder approval, before the transaction is completed. The related party and its associates must be excluded from voting on the related party transactions. The requirement of shareholder approval does not apply to transactions where the gross assets of the transaction as a percentage of the gross assets of the listed company, the profits attributable to the assets of the transaction as a percentage of the profits of the listed company, the consideration for the transaction as a percentage of the aggregate market value of all the ordinary shares (excluding treasury shares) of the listed company and the gross capital of the company or business being acquired as a percentage of the gross capital of the listed company, does not exceed 5%. However, the listed company must, before entering into the related party transaction, inform the FSA of the details of the proposed related party transaction, provide the FSA with a written confirmation from an independent adviser acceptable to the FSA that the terms of the proposed related party transaction with the related party are fair and reasonable as far as the shareholders of the listed company are concerned and undertake in writing to the FSA to include details of the related party transaction in the listed company's next published annual financial statements, including, if relevant, the identity of the related party, the value of the consideration for the transaction or arrangement and all other relevant circumstances. Related party transactions where all the above percentage ratios are 0.25% or less have no requirements under the rules applicable to LSE-listed companies. Where several separate transactions occur between a company and the same related party during a 12-month period, the transactions must be aggregated for the purpose of applying the percentage ratio tests.

As part of Sterlite's listing on the NYSE, Sterlite was required to confirm to the NYSE that it will appropriately review and oversee related party transactions on an ongoing basis. Such related party transactions include transactions between Sterlite and Vedanta, and Vedanta's affiliates. The NYSE reviews the proxy statements and other public filings of its listed companies as to related party transactions. Under the rules of the NYSE, Sterlite was required to have an independent audit committee comprised of a majority of independent directors within 90 days of listing and comprised entirely of independent directors within one year of listing. Sterlite currently has an independent audit committee comprised entirely of independent directors and expects to continue to do so following the Listing. One of the functions of its independent audit committee is to review any related party transactions by Sterlite or any of its subsidiaries or affiliates. In addition, under the rules of the NYSE, Sterlite is required to obtain shareholder approval for any issuance of its equity shares, or securities convertible into or exercisable for the Company's equity shares, to any related party, except that such approval would not be required for sales of the Company's equity shares to the Company's controlling shareholder or its affiliates in an amount not to exceed 5% of the number of the Company's equity shares outstanding prior to such issuance and at a price equal to or greater than the higher of the book or market value of the Company's equity shares.

Under the listing agreements that the Company's Indian subsidiaries have entered into with the Indian stock exchanges, these subsidiaries are required to ensure that their disclosures in relation to material and significant related party transactions in their annual reports are in compliance with Indian GAAP. Specifically, these subsidiaries are required to place before their audit committee and publish in their annual reports a statement in summary form of the related party transactions entered into by them during the previous fiscal year, providing details of whether such transactions were undertaken in the ordinary course of business and details of material individual transactions with related parties or others which were not on an arm's length basis, together with their management's justification for such transactions. Under the listing agreements, their audit committee is required to review and discuss with the management the disclosures of any related party transactions, as defined under Indian GAAP, in Vedanta's annual financial statements.

The Company also has used and will continue to use independent appraisers in appropriate circumstances to help determine the terms of related party transactions. The Company has had and will continue to have an Audit Committee comprised entirely of independent directors which is responsible for reviewing any related-party transaction by Vedanta or any of its subsidiaries or affiliates.

DESCRIPTION OF MATERIAL INDEBTEDNESS

Set forth below is a summary of the terms and conditions of certain of Vedanta's debt instruments that Vedanta considers to be the most material as of the date of this Offering Circular. The summary may not contain all of the information that is important to you. You should read the notes to the financial statements for additional information about the indebtedness of the Vedanta Group.

Vedanta Group Material Indebtedness

As of 31 March 2011, the Vedanta Group had $9,752.5 million of debt outstanding including term loans and working capital facilities. In addition, the Vedanta Group had $3,407.6 million of undrawn credit facilities. Set forth below is information regarding the Vedanta Group's debt outstanding on and after 31 March 2011.

$1 billion Facility Agreement dated 11 April 2008, between Vedanta as borrower and ABN AMRO Bank N.V., Barclays Capital, Citigroup Global Markets Asia Limited, Bank of Tokyo-Mitsubishi UFJ, Ltd., Calyon, Standard Chartered Bank and Sumitomo Mitsui Banking Corporation as lead arrangers

On 22 April 2007, Richter entered into a $1.1 billion term facility agreement to finance the acquisition of SGL. This facility was refinanced on 11 April 2008 when Vedanta entered into a $1.0 billion term facility agreement with ABN AMRO Bank N.V., Barclays Capital, Citigroup Global Markets Asia Limited, Bank of Tokyo-Mitsubishi UFJ, Ltd., Calyon, Standard Chartered Bank and Sumitomo Mitsui Banking Corporation as the lead arrangers, ABN AMRO Bank N.V. as agent. Vedanta utilised this facility in full on 16 April 2008.

The rate of interest payable is US dollar LIBOR plus either 2.0% per annum, in relation to the first 12 months of the agreement commencing 16 April 2008, or 3.0%, in relation to the period thereafter up to 57 months (i.e. until maturity of the term loan) and any applicable mandatory costs, in addition to the interest rate to compensate the lenders for the cost of compliance with the requirements of the Bank of England and/or the FSA or any replacement authority and the requirements of the European Central Bank, to be calculated on an agreed upon formula. The interest period for this loan is one, three or six months or such other period as Vedanta and the lenders may agree. Vedanta is currently paying interest on a one month basis under this loan.

25% of the outstanding loan falls due 48 months after the commencement of the agreement and the balance after 57 months from 16 April 2008. Vedanta has an option to prepay the whole or any part of the loan in multiples of 50 million at the end of any interest period.

Under this facility, Vedanta is subject to financial covenants as to consolidated tangible net worth, borrowings (the ratio of borrowings of Vedanta and its subsidiaries to EBITDA (as defined in the facility agreement), the ratio of borrowings of subsidiaries to EBITDA and ratio of total net assets of group to borrowings of the group) and interest expense (the ratio of EBITDA to interest expense).

Proceeds of this loan were utilised to repay the outstanding amount of $1.1 billion syndicated term loan facility due on 16 April 2008.

Issue of $500.0 million 8.75% bonds due 2014 and $750.0 million 9.50% bonds due 2018 by Vedanta Resources PLC with JPMorgan and Morgan Stanley as joint global co-ordinators

On 2 July 2008, Vedanta issued $500.0 million 8.75% bonds due 2014 ("2014 Bonds") and $750.0 million 9.50% bonds due 2018 ("2018 Bonds"). The bonds were offered by JPMorgan and Morgan Stanley as lead managers, outside of and within the United States in accordance with Regulation S and Rule 144A, respectively, under the Securities Act.

The issue price of the bonds was 100% of the principal amount. The interest on the 2014 Bonds is payable semi annually in arrears on 15 January and 15 July each year, at a rate of 8.75% per annum. The 2014 Bonds will mature on 15 January 2014. The interest on the 2018 Bonds is payable semi annually in arrear on 18 January and 18 July each year, at a rate of 9.50% per annum. The 2018 Bonds will mature on 18 July 2018.

Under the terms and conditions of the bonds, Vedanta is subject to certain covenants restricting it and its Material Subsidiaries (as defined in the trust deed dated 2 July 2008 between Vedanta and Deutsche Trustee Company Limited) from creating or permitting to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of their respective undertaking, assets or revenues to secure any indebtedness or debt (as defined in the trust deed dated 2 July 2008 between Vedanta and Deutsche Trustee Company Limited), or any guarantee or indemnity in respect of any Relevant Debt (as defined in the trust deed dated 2 July 2008 between Vedanta and Deutsche Trustee Company Limited), unless the bonds are secured equally and rateably therewith or otherwise benefit identically or not materially less beneficial to the bondholders.

Issue of $1,250.0 million 5.50% guaranteed convertible bonds due 2016 by Vedanta Resources Jersey Limited with JPMorgan Cazenove as sole bookrunner and lead manager.

On 13 July 2009, Vedanta Resources Jersey Limited issued $1,250.0 million 5.50% guaranteed convertible bonds due 2016 ("2016 Bonds"). The 2016 Bonds were offered by JPMorgan Cazenove as sole bookrunner and lead manager, outside of the United States in accordance with Regulation S under the Securities Act.

The issue price of the 2016 Bonds was 100% of the principal amount. The interest on the 2016 Bonds is payable semi annually in arrears on 13 January and 13 July each year, at a rate of 5.50% per annum. The 2016 Bonds will mature on 13 July 2016.

Under the terms and conditions of the 2016 Bonds, Vedanta Resources Jersey Limited and Vedanta are subject to certain covenants restricting them and Vedanta's Material Subsidiaries (as defined in the trust deed dated 13 July 2009 between Vedanta, Vedanta Resources Jersey Limited and The Bank of New York Mellon) from creating or permitting to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of their respective undertaking, assets or revenues to secure any indebtedness or debt (as defined in the trust deed dated 13 July 2009 between Vedanta, Vedanta Resources Jersey Limited and The Bank of New York Mellon), or any guarantee or indemnity in respect of any Relevant Debt (as defined in the trust deed dated 13 July 2009 between Vedanta, Vedanta Resources Jersey Limited and The Bank of New York Mellon), unless the 2016 Bonds are secured equally and rateably therewith or otherwise benefit identically or not materially less beneficial to the bondholders.

The 2016 Bonds are first convertible into exchangeable redeemable preference shares to be issued by Vedanta Resources Jersey Limited, which will then be exchanged for ordinary shares of Vedanta. The bondholders have the right to convert at any time from 24 August 2009 until the earlier of the date falling seven days prior to 13 July 2016 or, if the bonds shall have been called for redemption by Vedanta Resources Jersey Limited before 13 July 2016, the day which is seven days before the date fixed for redemption. The 2016 Bonds are convertible at $36.48 per share of $0.10 each.

If the 2016 Bonds have not been converted, they will be redeemed at the option of the Company on or at any time after 28 July 2012, subject to the conditions as part of the issue, or be redeemed at the option of the bondholders on 13 July 2014.

Issue of $500.0 million 4.0% foreign currency convertible bonds due 2014 by Sterlite with Deutsche Bank Securities Inc. and Morgan Stanley as underwriters.

On 29 October 2009, Sterlite issued $500.0 million 4.0% foreign currency convertible bonds due 2014 (the "Sterlite FCCBs") The Sterlite FCCBs were offered by Deutsche Bank Securities Inc. and Morgan Stanley, outside of and within the United States in accordance with Regulation S and Rule 144A, respectively, under the Securities Act.

The issue price of the Sterlite FCCBs was 100% of the principal amount and interest is payable semi annually in arrears on 30 April and 30 October each year, at a rate of 4.0% per annum. The Sterlite FCCBs will mature on 30 October 2014.

The Sterlite FCCBs are convertible into Sterlite ADSs at $23.33 per ADS, at the election of the bondholders at any time on the business day immediately preceding the maturity date. If the Sterlite FCCBs have not been converted, they will be redeemed at the option of Sterlite on or at any time after 4 November 2012, subject to the conditions as part of the issue.

Issue of $500.0 million 5.0% foreign currency convertible bonds due 2014 by SGL with Goldman Sachs (Asia) L.L.C. and Morgan Stanley as joint lead managers.

On 30 October 2009, SGL issued $500.0 million 5.0% foreign currency convertible bonds due 2014 (the "SGL FCCBs"). The SGL FCCBs were offered by Goldman Sachs (Asia) L.L.C. and Morgan Stanley as joint lead managers, outside of the United States in accordance with Regulation S under the Securities Act.

The issue price of the SGL FCCBs was 100% of the principal amount and interest is payable semi annually in arrears on 30 April and 30 October each year, at a rate of 5.0% per annum. The SGL FCCBs will mature on 31 October 2014.

Under the terms and conditions of the SGL FCCBs, SGL is subject to certain covenants restricting SGL and its Material Subsidiaries (as defined in the terms and conditions of the SGL FCCBs) from creating or permitting to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure any Relevant Indebtedness (as defined in the terms and conditions of SGL FCCBs), or any guarantee or indemnity in respect of any Relevant Indebtedness, unless SGL's obligations under the SGL FCCBs and the trust deed dated 30 October 2009 between SGL and Citicorp International Limited are secured equally and rateably therewith or otherwise benefit identically or not materially less beneficial to the bondholders

The SGL FCCBs are convertible into equity shares of SGL at INR 346.88 per share, based on a fixed $/INR exchange rate of 48.00 at the election of the bondholders at any time from the 40th day after closing to 7 days prior to maturity. If the SGL FCCBs have not been converted, they will be redeemed at the option of SGL on or at any time after 30 October 2012, subject to the conditions as part of the issue.

As of 31 December 2010, $283.2 million SGL FCCBs had been converted, with $216.8 million still outstanding.

Issue of $883.0 million 4.0% guaranteed convertible bonds due 2017 by Vedanta Resources Jersey II Limited with JPMorgan and Morgan Stanley as joint global co-ordinators

On 30 March 2010, Vedanta Resources Jersey II Limited issued $883.0 million 4.0% guaranteed convertible bonds due 2017 ("2017 Bonds"). The 2017 Bonds were offered by JPMorgan and Morgan Stanley as lead managers, outside of the United States in accordance with Regulation S under the Securities Act.

The issue price of the 2017 Bonds was 100% of the principal amount. The interest on the 2017 Bonds is payable semi annually in arrears on 30 March and 30 September each year, at a rate of 4.0% per annum. The 2017 Bonds will mature on 30 March 2017.

Under the terms and conditions of the 2017 Bonds, Vedanta Resources Jersey II Limited and Vedanta are subject to certain covenants restricting them and Vedanta's Material Subsidiaries (as defined in the trust deed dated 30 March 2010 between Vedanta, Vedanta Resources Jersey II Limited and The Bank of New York Mellon) from creating or permitting to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of their respective undertaking, assets or revenues to secure any indebtedness or debt (as defined in the trust deed dated 30 March 2010 between Vedanta, Vedanta Resources Jersey II Limited and The Bank of New York Mellon), or any guarantee or indemnity in respect of any Relevant Debt (as defined in the trust deed dated 30 March 2010 between Vedanta, Vedanta Resources Jersey II Limited and The Bank of New York Mellon), unless the 2017 Bonds are secured equally and rateably therewith or otherwise benefit identically or not materially less beneficial to the bondholders.

The 2017 Bonds are first convertible into exchangeable redeemable preference shares to be issued by Vedanta Resources Jersey II Limited, which will then be exchanged for ordinary shares of Vedanta. The bondholders have the right to convert at any time from 10 May 2010 until the earlier of the date falling seven days prior to 30 March 2017 or, if the bonds shall have been called for redemption by Vedanta Resources Jersey II Limited before 30 March 2017, the day which is seven days before the date fixed for redemption. The 2017 Bonds are convertible at $51.9251 per share of $0.10 each.

If the 2017 Bonds have not been converted, they will be redeemed at the option of the Company on or at any time after 14 April 2013, subject to the conditions as part of the issue, or be redeemed at the option of the bondholders on 29 April 2013 or 30 March 2015.

Issue of Non-Convertible Debentures by BALCO

On 17 November 2008, BALCO issued non-convertible debentures of INR 5,000 million ($111.6 million) to Life Insurance Corporation of India and the interest payable is 12.25% per annum. The debentures are secured and have a *pari passu* charge on certain specified fixed assets of BALCO to the extent of 1.33 times of the issued amount. The debentures are redeemable in three equal annual instalments commencing in November 2013.

$224 million Term Loan with ICICI Bank Limited

In April 2008, Vedanta Aluminium entered into a term loan agreement with ICICI Bank Limited for an amount of INR 10,000 million ($224 million). The interest payable is 10% per annum. The term loan is not secured and is repayable in eight equal instalments on a quarterly basis with the first payment commencing in July 2011. The amount due under this loan as of 31 March 2011 was $224 million.

Issue of Non-Convertible Debentures by Vedanta Aluminium

On 23 October 2008, Vedanta Aluminium issued non-convertible debentures of INR 4,000 million ($89.6 million) to Life Insurance Corporation of India and the interest payable is 11.5% per annum. The debentures are secured and have a *pari passu* charge on certain specified fixed assets of Vedanta Aluminium to the extent of 1.33 times of the issued amount. The debentures are redeemable in three equal annual instalments commencing in October 2013.

$100 million External Commercial Borrowing with ICICI Bank Limited, Singapore branch

In June 2008, Vedanta Aluminium entered into an external commercial borrowing loan with ICICI Bank Limited, Singapore branch of $100 million. The interest payable is US dollar LIBOR plus 2.4% per annum. The loan is secured by a negative lien undertaking on the existing and future assets of the Jharsuguda project of Vedanta Aluminium, including assets that are already charged in favour of ICIC Bank Limited and other lenders. The repayment period is from February 2012 to August 2014.

$200.0 million Term Loan with Standard Chartered Bank

In November 2009, KCM entered into a term loan agreement with Standard Chartered Bank for $200.0 million. The term loan facility was drawn down in two tranches with $91.7 million (tranche A) drawn down on 30 November 2009 and $108.3 million (tranche B) drawn down on various dates with the last amount drawn on 5 March 2010. Tranche A is repayable in 11 quarterly instalments commencing from 13 January 2010 and tranche B is repayable in 16 quarterly instalments commencing from 13 January 2011. The loan bears interest at three months LIBOR plus 550 basis points.

$100.0 million Term Loan with the Development Bank of Southern Africa

In October 2009, KCM entered into a term loan agreement with The Development Bank of Southern Africa of $100.0 million. The loan bears interest at three month LIBOR plus 280 basis points and is repayable in 12 equal instalments on a quarterly basis with the first payment commencing in March 2011.

$373.0 million Term Loan with Bank of Tokyo-Mitsubishi UFJ

In July 2009, the Vedanta Group entered into a $400.0 million term loan agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd, Axis Bank Limited, Bank of Baroda, Calyon Singapore Branch, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, Australia and New Zealand Banking Group Limited and BNP Paribas as the arrangers, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. as agent. Subsequently, the facility was reduced to $373.0 million in October 2009 and was drawn in January 2010. The loan bears interest at the US dollar LIBOR plus 425 basis points and is repayable in July 2011.

Issue of Non-Convertible Debentures by Sterlite

On 10 April 2003, Sterlite Industries issued non-convertible debentures of INR 1,000 million ($22.4 million) (of which INR 400 million ($9.0 million) has been repaid) to Life Insurance Corporation of India and the interest payable is 8% per annum. The debentures are secured and have a *pari passu* charge on certain specified fixed assets of Sterlite Industries. The outstanding debentures of INR 600 million ($13.4 million) are redeemable on 10 April 2013.

Term loan of INR 55,690 million ($1,247.3 million) by Sterlite Energy

On 29 June 2009, Sterlite Energy entered into a common rupee term loan agreement with State Bank of India, IDBI Bank Limited, Punjab National Bank, Andhra Bank, United Bank of India, Life Insurance Corporation of India, Syndicate Bank, Tamilnad Mercantile Bank Limited, Bank of India, Canara Bank, Union Bank of India, Corporation Bank, Allahabad Bank, Oriental Bank of Commerce, UCO Bank, Jammu and Kashmir Bank Limited, Central Bank of India and The Bank of Rajasthan Limited for an amount of INR 55,690 million ($1,247.3 million). The interest payable is benchmarked to the State Bank Advance Rate less 0.25% per annum. Although the security creation agreements are in the process of being executed, the term loan proposed to be secured against the assets of Sterlite Energy's 2,400MW Jharsuguda power project.

Issue of Non-Convertible Debentures by Talwandi Sabo Power Limited

On 9 December 2010 and 13 January 2011, Talwandi Sabo Power Limited issued non-convertible debentures aggregating INR 15,000 million ($335.9 million) in two tranches, to ICICI Bank Limited and the interest payable is 9.8% per annum. The debentures are secured and have a *pari passu* charge on all the assets of Talwandi Sabo Power Limited. The debentures are redeemable in 12 quarterly installments beginning from 9 March 2021 and 13 April 2021, for the two tranches respectively.

INR 100 billion Term Loan with State Bank of India

On 5 April 2011, Vedanta Aluminium entered into a facility agreement with State Bank of India for an amount of INR 100 billion ($2.2 billion). The interest payable is benchmarked to the SBI base rate plus 225 basis points per annum. The term loan is secured against Vedanta Aluminium's projects and assets at Jharsuguda and guaranteed by Vedanta. The term loan is repayable by 31 March 2021.

Non-Equity Non Controlling Interests

The Vedanta Group bought out certain non — equity non controlling interests by purchasing the deferred shares in KCM held by ZCI of $47.5 million. As at 31 March 2011, non equity non controlling interests remain of $11.9 million, being deferred shares in KCM held by ZCM. The deferred shares have no voting rights or rights to KCM's dividends, but are entitled on a winding up to a return of $0.99 per share once all of KCM's ordinary shares have received a distribution equal to their par value and any share premium created on their issue and which remains distributable to them.

The deferred shares are held at historic cost, being the fair value attributed to them at the time of initial acquisition of KCM in the year ended 31 March 2005. They are classified as non-current liabilities as they are repayable only on the winding up of the Company. The shares have been valued at $0.99 per share, which is the maximum amount payable to the deferred shareholders. These deferred shares have not been discounted as the effect would not be material.

$3.5 billion Term Loan Facility Agreement dated 17 November 2010, between TSMHL as borrower and Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, Goldman Sachs International, J.P. Morgan plc, Morgan Stanley Bank International Limited, Standard Chartered Bank and The Royal Bank of Scotland N.V. as arrangers

On 17 November 2010, Vedanta entered into a syndicated term loan facility agreement between, amongst others, TSMHL as borrower, Vedanta and TSEHL as the guarantors, Barclays Bank PLC, Citicorp Securities Asia Pacific Limited, Credit Suisse International, Goldman Sachs Lending Partners LLC, J.P. Morgan Chase Bank, N.A. (London Branch), Morgan Stanley Senior Funding, Inc., Standard Chartered Bank and The Royal Bank of Scotland N.V., Singapore Branch as lenders, Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, Goldman Sachs International, J.P. Morgan plc, Morgan Stanley Bank International Limited, Standard Chartered Bank and The Royal Bank of Scotland N.V. as arrangers, and Standard Chartered Bank as the agent (the "Acquisition Facility Agreement").

The Acquisition Facility Agreement provides for a total aggregate amount of up to $3.5 billion in cash to be advanced to TSMHL for the purpose of financing the cash consideration payable by TSMHL to the Cairn Energy Group in order to acquire up to 40% of the fully diluted share capital of Cairn India under the terms of the Purchase Agreement. Out of the $3.5 billion in cash to be advanced under the Acquisition Facility Agreement:

- up to $1.85 billion is to be advanced as part of a first tranche ("Tranche A"); and
- up to $1.65 billion is to be advanced as part of a second tranche ("Tranche B").

If the Open Offer is not taken up in full, SGL has agreed to purchase such number of shares in Cairn India as shall bring its holding up to 20% of the fully diluted share capital of Cairn India either from a member of the Cairn Energy Group or direct from a member of the Vedanta Group. In the event that all necessary approvals, including the RBI approval, for this purchase are not available at Completion, Vedanta is to procure that a further short term loan (the "Excess Payment Bridge") is utilised to fund the initial purchase of these shares from the Cairn Energy Group with such Excess Payment Bridge to be repaid from the proceeds of sale of such shares to the SGL group. The Excess Payment Bridge shall have a maturity of up to 39 months following Completion.

Tranche A has a final maturity of 12 months from the date of first drawdown under the Acquisition Facility Agreement, subject to an option by TSMHL to extend the facility by a further period of six months (the "Roll-Over Option"). The Roll-Over Option is exercisable on payment by TSMHL of a fee equal to 75 basis points on the amount advanced under Tranche A and is payable on the date of exercise of the Roll-Over Option. Tranche B has a final maturity of three years following first drawdown under the Acquisition Facility Agreement.

A commitment fee also applies to both Tranches A and B in respect of the undrawn amounts in respect of Tranche A and Tranche B respectively, beginning in each case on the date falling 90 days after execution of the Acquisition Facility Agreement up to and including 13 May 2011.

Drawings under the Acquisition Facility Agreement bear interest at the aggregate of (a) the applicable margin, (b) USD LIBOR, and (c) additional mandatory costs. The applicable margin in relation to Tranche A is 1.75% per annum for the first year after its first drawdown date, and 2.5% per annum in respect of the six months following the anniversary of its first drawdown date.

The applicable margin in relation to Tranche B is 3.25% per annum for the first 12 months after its first drawdown date. After this 12 month period, the applicable margin in relation to Tranche B will adjust by reference to the amount of time that has elapsed since first drawdown and the long-term unsecured corporate credit rating from any two rating agencies of bonds issued by the Vedanta Group.

The interest periods for both Tranche A and Tranche B over which interest is calculated can be selected by TSMHL, but must be 1, 2, 3 or 6 months or such other period as may be agreed with the agent. TSMHL may cancel the facility (in whole or in minimum amounts of $25 million) at any time. TSMHL may also prepay amounts (in whole or in minimum amounts of $25 million) at any time subject to payment of break costs in certain circumstances. Mandatory prepayment obligations may arise where there is a change of control of Vedanta (including where Mr. Anil Agarwal and his affiliates, cease to be interested in at least 35% of the issued equity share capital of Vedanta and/or cease to control the appointment of the majority of the Board and where Vedanta and certain underlying subsidiaries cease to hold requisite percentage shareholdings in such subsidiaries). The Acquisition Facility Agreement is subject to further mandatory prepayment events which are prepayments from, sources derived from the sale of Cairn India Shares (whether to SGL or otherwise); dividends from Cairn India Shares; the sale of shares in other specified subsidiaries; the raising of new debt, equity, equity linked instruments and bond proceeds (subject to agreed thresholds and exceptions); the sale of treasury stock; and the disposal of other assets by obligors under the Acquisition Facility Agreement (subject to a $10 million threshold). There are covenants, without limitation, in relation to the provision of information and other representations and warranties, general undertakings, events of default and indemnities customary for a facility of this nature. The principal security in relation to the facility is a share pledge by TSEHL (a wholly-owned subsidiary of Vedanta) over its shares in TSMHL.

$1.5 billion high yield senior secured bridge facility agreement dated 17 November 2010 between Vedanta as borrower and Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, The Royal Bank of Scotland N.V. and Standard Chartered Bank as mandated lead arrangers

On 17 November 2010, Vedanta entered into a high yield senior secured bridge facility agreement among Vedanta as borrower, TSMHL and TSEHL as the guarantors, Barclays Bank PLC, Citicorp Securities Asia Pacific Limited, Credit Suisse International, Standard Chartered Bank and The Royal Bank of Scotland N.V., Singapore Branch as lenders, Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, The Royal Bank of Scotland N.V. and Standard Chartered Bank as mandated lead arrangers and Standard Chartered Bank as the agent (the "High Yield Bridge Facility Agreement").

The High Yield Bridge Facility Agreement provides for a total aggregate amount of up to $1.5 billion in cash (the "Bridge Loans") to be advanced to Vedanta for the purpose of further financing the cash consideration payable by TSMHL to the Cairn Energy Group in order to acquire up to 40% of the fully diluted share capital of Cairn India under the terms of the Purchase Agreement, in addition to the financing provided to the Vedanta Group pursuant to the terms of the Acquisition Facility Agreement.

Interest on the Bridge Loans will be payable monthly in arrears at a rate per annum equal to one-month LIBOR plus 350 basis points per annum (the "Spread") plus mandatory costs. In the event that the Refinancing Notes (as defined below) to be issued by the Vedanta Group have received ratings of at least Ba2 from Moody's, BB from S&P and BB from Fitch (the "Specified Ratings"), the Spread will be adjusted by reference to such Specified Ratings. In the event that ratings on the Refinancing Notes have not been issued at the time amounts are first drawn down under the High Yield Bridge Facility Agreement, ratings on existing unsecured, non convertible and non exchangeable bonds issued or guaranteed by Vedanta shall be used to determine the Specified Ratings. In the event that the ratings on the relevant notes are at any time less than the Specified Ratings, the Spread shall be adjusted and subject to a cap (the "Total Cap") by reference to a ratchet grid based on the credit rating of the Company. The Spread shall increase by an additional 100 basis points per annum at the end of each 30 day period for as long as the Bridge Loans remain outstanding, subject to a default rate. The default rate, which applies during the continuance of a payment default under the High Yield Bridge Facility Agreement, accrues on overdue amounts on the Bridge Loans at a rate of 100 basis points in excess of the rate otherwise applicable to such overdue amounts and is payable on demand. The representations and warranties and events of default provisions in the High Yield Bridge Facility Agreement are substantially the same as in the Acquisition Facility Agreement.

The Bridge Loans shall be subject to mandatory prepayment: (1) with the proceeds of Refinancing Notes (as defined) or other similar debt securities and (2) with 50% of the proceeds of most mandatory prepayment events set out under the Acquisition Facility Agreement (but only where the percentage of the proceeds of such events required to be applied to amounts under the Acquisition Facility Agreement has been reduced to 50%). If any of the events in the foregoing sentence occur prior to the drawing of the Bridge Loans, commitments under the Bridge Loans would be reduced by a corresponding amount. Finally, upon a change of control of Vedanta (defined on a basis consistent with the Acquisition Facility Agreement), the Majority Lenders (as defined therein) may declare all Bridge Loans due and payable.

The Bridge Loans will mature three months after Completion and may be prepaid at any time, without premium or penalty, subject to payment of all interest accrued up to the prepayment date, break costs and other amounts due. If the Bridge Loans are not prepaid on or prior to the date falling three months after Completion (the "Rollover Date"), the principal amount of the Bridge Loans outstanding on the Rollover Date will be automatically converted, subject to the satisfaction of certain conditions, into senior secured rollover loans with a maturity of five years from the date of execution of the High Yield Bridge Facility Agreement and with terms substantially similar to the Exchange Notes (as defined) (except that the Rollover Loans (as defined) shall be secured and not subject to prepayment premiums) (the "Rollover Loans"). Interest on the Rollover Loans is to be payable at the rate of the Total Cap. Default interest will accrue on the same basis as for the Bridge Loans.

Each lender under the High Yield Bridge Facility Agreement who is (or will immediately transfer to) an Eligible Holder (as defined) shall have the right at any time on or after the Rollover Date to exchange Rollover Loans held by it for unsecured senior exchange notes to be issued by Vedanta (the "Exchange Notes"). However, Vedanta will not be required to carry out such an exchange, until all such requests total at least $100 million. In connection with each such exchange and if requested by one or more lenders under the High Yield Bridge Facility Agreement holding (subject to a total of two such requests) at least $100 million of Exchange Notes, Vedanta shall:

- deliver to the relevant lenders an offering memorandum of the type customarily used in a Rule 144A offering of high yield securities covering the resale of such Exchange Notes by the relevant lenders; and
- deliver such opinions, comfort letters, certificates and other customary documentation as such lenders may request to receive as is customary in a Rule 144A offering; and
- take or procure the taking of such actions as may be reasonably requested by such lenders in connection with a Rule 144A offering.

The Exchange Notes are to have a maturity of five years from the date of execution of the High Yield Bridge Facility Agreement (the "Rollover Maturity Date"). Interest on the Exchange Notes is to be payable semi-annually in arrears at the rate of the Total Cap. Default interest will accrue on the same basis as for the Rollover Loans.

Up until the third anniversary of the execution date of the High Yield Bridge Facility Agreement, the Exchange Notes will be redeemable by Vedanta at a customary "make-whole" premium calculated using a discount rate equal to the yield on comparable treasury securities plus 0.5%. Thereafter, the Exchange Notes will be redeemable at Vedanta's option at a premium equal to 50% of the coupon on the Exchange Notes, declining to 25% of the coupon on the fourth anniversary of the execution date of the High Yield Bridge Facility Agreement up until the Rollover Maturity Date.

Covenants in relation to the provision of information and other representations and warranties, general undertakings, events of default and indemnities shall be customary for such instruments.

Amounts loaned under the High Yield Bridge Facility Agreement are subject to (i) customary commitment and funding fees payable on Completion; (ii) rollover fees calculated by reference to the percentage of the Bridge Loans outstanding under the agreement on the Rollover Date, payable on the Rollover Date; (iii) fees based on the commitments under the agreement, for the period beginning 90 days after execution of the High Yield Bridge Facility Agreement until the earlier of expiration/termination of the commitments thereunder and Completion; (iv) refinancing fees by reference to the amounts repaid under the High Yield Bridge Facility Agreement; and (v) alternative financing fees where alternative financing to financing provided under the High Yield Bridge Facility Agreement is used by the Vedanta Group for the Acquisition.

$1 billion senior secured bridge loan facility dated 17 November 2010 with TSMHL as borrower and Goldman Sachs International, J.P. Morgan plc and Morgan Stanley Bank International Limited as mandated lead arrangers

On 17 November 2010, Vedanta entered into a senior unsubordinated bridge loan facility agreement between, TSMHL as borrower, Vedanta and TSEHL as the guarantors, Goldman Sachs Lending Partners LLC, J.P. Morgan Chase Bank N.A. (London Branch) and Morgan Stanley Senior Funding Inc., as lenders, Goldman Sachs International, J.P. Morgan plc and Morgan Stanley Bank International Limited as mandated lead arrangers, and Standard Chartered Bank as the agent (the "Bridge Facility Agreement").

The Bridge Facility Agreement provides for a total aggregate amount of up to $1 billion in cash (the "Bridge Facility") to be advanced to TSMHL for the purpose of further financing the cash consideration payable by TSMHL to the Cairn Energy Group in order to acquire no less than 40% of the fully diluted share capital of Cairn India under the terms of the Purchase Agreement, in addition to the financing provided to the Vedanta Group pursuant to the terms of the Acquisition Facility Agreement and the High Yield Bridge Facility Agreement referred to above.

The Bridge Facility has a final maturity of 18 months from the date of first drawdown. Drawings under the Bridge Facility Agreement bear interest at the aggregate of (a) the applicable margin, (b) USD LIBOR, and (c) additional mandatory costs (if any). The applicable margin is 1.75% per annum for the first year after its first drawdown date and 2.5% per annum in respect of the six months following the anniversary of its first drawdown date.

Under the Bridge Facility Agreement the mandatory prepayment events include the same change of control event as under the Acquisition Facility Agreement and also include prepayments in relation to any proceeds received by the Vedanta Group as a result of the initial public offering of KCM, the proceeds received as a result of the issue of new equity in connection with the actions contemplated by the Standby Equity Underwriting Letter, and the proceeds received as a result of the disposal of certain specified assets.

There are covenants, without limitation, in relation to the provision of information and other representations and warranties, general undertakings, events of default and indemnities customary for a facility of this nature.

Amounts loaned under the Bridge Facility Agreement are subject to a commitment fee equal to 1% per annum which is calculated on the undrawn amount under the Bridge Facility, starting from 90 days following execution of the Bridge Facility Agreement up until 13 May 2011.

$226.4 million Letters of Credit Facility Agreement with ICICI Bank

On 30 August 2010 TSPL entered into a facility agreement with ICICI Bank Limited. The expiry date of the letters of credit facility agreement is 22 July 2010.

In December 2010 and January 2011, TSPL set up a two tranche programme of Rated, Secured, Redeemable Non-Convertible Debentures ("NCDs") on a private placement basis for up to INR 7.5 billion (approximately $168.0 million) each having a maturity of 13 years. The issuance is secured by an unconditional and irrevocable guarantee from Sterlite Industries (India) Ltd. The coupon is 9.8% per annum and the NCDs are to be redeemed in quarterly equal instalments after the tenth year of allotment. Both tranches have been drawn.

$180 million Term Loan with ICICI Bank (UK)

In December 2010, Vedanta entered into a term loan agreement with ICICI Bank for a sterling amount equivalent to $180 million. The interest payable is 3.85% above three month GBP LIBOR. The term loan is not secured and is repayable in two equal instalments at the end of the fourth and fifth years of the loan. As at 31 March 2011, no amounts were repaid.

$150 million Term Loan with ICICI Bank (Hong Kong)

In January 2011, Twin Star Holdings Limited entered into a term loan agreement with ICICI Bank for an amount equivalent to $150 million. The interest payable is 3.89% above three month GBP LIBOR. The term loan is not secured and is repayable in two equal instalments at the end of the fifth and six years of the loan. As at 31 March 2011, no amounts were repaid.

$500 million Facility Agreement between Vedanta Aluminium as borrower, Vedanta as guarantor and Axis Bank Limited as lender.

On 6 July 2009, Vedanta Aluminium entered into a $500 million loan facility agreement with Welter Trading Limited as lender. This facility is being refinanced whereby Axis Bank Limited will replace Welter Trading Limited as the direct lender under the loan agreement and Vedanta will guarantee the loan facility. The rate of interest payable is US dollar LIBOR plus 400 basis points. The loan facility is repayable in three installments from the date the loan was transformed from Welter Trading Limited to Axis Bank Limited. $200 million of the outstanding loan falls due at the end of the fourth year, $200 million of the outstanding loan falls due at the end of the fifth year and $100 million of the outstanding loan falls due at the end of the sixth year. Vedanta Aluminium has applied to the RBI to approve amendments to the existing facility and the change in lender from Welter Trading Limited to Axis Bank Limited such approval is pending.

Cairn India Material Indebtedness

As of 31 December 2010, the Cairn India Group had $696 million of debt outstanding including term loans and working capital facilities. In addition, the Cairn India Group had $504 million of undrawn credit facilities. Set forth below is information regarding the Cairn India Group's debt outstanding on and after 31 December 2010. Consents of certain lenders for the USD Facility (as defined below) relating to the Acquisition is currently pending.

Debt facilities available with Cairn India.

In October 2009, Cairn India refinanced an existing revolving credit facility to fund the Rajasthan development. The refinancing package comprised a US dollar facility ("USD Facility") and an Indian Rupee facility ("INR Facility").

The aggregate amount of the USD Facility is up to $750 million. The facility of $750 million comprises commitment from seven international banks and the International Finance Corporation to Cairn Energy Hydrocarbons Limited (a wholly-owned subsidiary of Cairn India) and expires on 31 December 2015. On 31 December 2010, The aggregate amount of the loan that can be drawn under the USD Facility at any point in time is determined by reference to the net present value of the Rajasthan developments. The interest payable on amounts drawn is the aggregate of LIBOR, a margin of 3.25% until 20 October 2012 (and thereafter 3.75%) and specified mandatory costs. The interest period for each loan over which interest is calculated can be selected by the borrower, but must be three months, six months or such other period as is agreed with the facility agent. Cairn Energy Hydrocarbons Limited may cancel the USD Facility (in whole or in part) and/or prepay any amounts drawn under it at any time, subject to the payment of break costs in certain circumstances. Mandatory prepayment obligations may arise where, among other things, there is a direct or indirect change of control of Cairn India and the majority of the lenders give notice. There are covenants in relation to the provision of information and other general undertakings customary for a facility of this nature. There are also events of default provisions customary for a facility of this nature. These include cross default provisions which may be triggered on, among other things, a default under the INR Facility. The principal security in relation to the USD Facility is a share pledge by Cairn India Holdings Limited (a wholly-owned subsidiary of Cairn India) over its shares in Cairn Energy Hydrocarbons Limited. Further securities may require to be granted in certain circumstances.

The aggregate amount of the INR Facility was initially up to INR 40 billion (approximately $855 million). It is provided by a consortium of seven leading Indian banks and financial institutions to Cairn India. The INR Facility was due to expire on 31 December 2015. In October 2010, Cairn India substituted the above INR Facility by raising INR 22.5 billion (approximately $500 million) through an issuance of INR unsecured non-convertible debentures (described below), at competitive commercial terms. On 13 October 2010, the total outstanding amount of INR 13,950 million ($310 million) of the INR Facility was fully repaid.

In October 2010, Cairn India issued Unsecured Redeemable Non Convertible Debentures ("NCDs") for INR 22.5 billion (approximately $500 million), having an average maturity of approximately two years. The NCDs are unsecured with a negative lien on the assets of Cairn India. The issuance was done in three tranches, viz Series A for INR 6.25 billion (approximately $139 million) having a maturity of 21 months, Series B for INR 6.25 billion (approximately $139 million) having a maturity of 24 months and Series C for INR 10 billion (approximately $222 million) with a maturity of 27 months. Of these tranches, Series C is a partially paid-up debenture with 10% of the amount paid upfront and the remaining 90% i.e. INR 9 billion available as a commitment. A different coupon rate is applicable on each individual series of the said NCDs. Series A attracts a coupon at the rate of 8.35% per annum; Series B at 8.40% and Series C attracts a coupon of 8.50% for the initial 12 months and thereafter is linked to a market determined floating rate subject to a minimum of 8.5% per annum. In addition to the repayment of the existing INR Facility, the said debt is also available for general corporate purposes. For Series A and B, Cairn India has the option to prepay such NCDs at the end of 12 months i.e. on 12 October 2011.

TERMS AND CONDITIONS OF THE BONDS

The following, other than the paragraphs in italics, is the text of the terms and conditions of the Bonds which will be endorsed on the individual certificates ("Individual Certificates") issued in respect of the Bonds. References in the following to the "Issuer" are to Vedanta Resources plc.

The issue of the $750,000,000 6.75% Bonds due 2016 (the "2016 Bonds") and $900,000,000 8.25% Bonds due 2021 (the "2021 Bonds" and, together with 2016 Bonds, the "Bonds", which expression shall, unless the context requires, include any bonds issued pursuant to Condition 15 and forming a single series with the Bonds of that series issued on the Closing Date) was authorised by a resolution of the Board of Directors of Vedanta Resources plc (the "Issuer") on 17 March 2011. The Bonds are constituted by a Trust Deed (the "Trust Deed") to be dated on or about 7 June 2011 between the Issuer and Citicorp International Limited (the "Trustee" which expression shall include all persons for the time being acting as trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. These terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Issuer will enter into a paying agency agreement to be dated on or about 7 June 2011 (the "Paying Agency Agreement") among the Issuer, the Trustee, Citibank, N.A., London Branch, as principal paying agent, Citigroup Global Markets Deutschland AG. as transfer agent and registrar, and the other paying and transfer agents appointed under it. The principal paying agent, transfer agent, registrar, paying agents and transfer agents for the time being are referred to herein as the "Principal Agent", the "Registrar", the "Paying Agents" (which expression shall include the Principal Agent) and the "Transfer Agents" (which expression shall include the Registrar), respectively, each of which expressions shall include the successors from time to time of the relevant persons, in such capacities, under the Paying Agency Agreement, and are collectively referred to herein as the "Agents". Copies of the Trust Deed, and of the Paying Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Floor 39, ICBC Tower, 3 Garden Road, Central, Hong Kong) and at the specified offices of each of the Paying Agents. The Bondholders (as defined in Condition 1(b)) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of the provisions of the Paying Agency Agreement applicable to them.

1. Form, Denomination, Title and Status

(a) **Form and denomination:** The Bonds are in registered form in the minimum denomination of $200,000 each and in integral multiples of $1,000 in excess thereof, without coupons attached. A bond certificate (each a "Certificate") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Bond and each Certificate will have an identifying number which will be recorded on the relevant Certificate and in the Register (as defined in Condition 2(a)).

Certificates issued with respect to Rule 144A Bonds will bear the Securities Act Legend (as defined in the Trust Deed), unless determined otherwise in accordance with the provisions of the Paying Agency Agreement by reference to applicable law. Certificates issued with respect to the Regulation S Bonds will not bear the Securities Act Legend. Upon issue, the Rule 144A Bonds of each series will be represented by the Restricted Global Certificate and the Regulation S Bonds of each series will be represented by the Unrestricted Global Certificate. The Restricted Global Certificate will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("DTC") and the Unrestricted Global Certificate will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC for the accounts of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The Conditions are modified by certain provisions contained in the Global Certificates. See "Summary of Provisions relating to the Bonds while in Global Form."

Except in the limited circumstances described in the Global Certificates and "Summary of Provisions relating to the Bonds while in Global Form," owners of interests in Bonds represented by the Global Certificates will not be entitled to receive Individual Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(b) **Title:** Title to the Bonds passes only by transfer and registration in the Register (as defined in Condition 2(a)). The holder of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or the theft or loss of, the Certificate (if any) issued in respect of it or anything written on it or on the relevant Certificate) and no person will be liable for so treating the holder. In these Conditions, "Bondholder" and (in relation to a Bond) "holder" mean the person in whose name a Bond is registered in the Register from time to time.

(c) **Status:** The Bonds of each series constitute senior, unsubordinated, direct, unconditional and (subject to Condition 3(a)) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

2. Transfer of Bonds

(a) **The Register:** The Issuer will cause to be kept at the specified office of the Registrar and in accordance with the terms of the Paying Agency Agreement a register (the "Register") on which shall be entered, on behalf of the Issuer, the names and addresses of the holders of the Bonds from time to time and the particulars of the Bonds held by them and of all transfers and redemptions of Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding.

(b) **Transfers:** Subject to the terms of the Paying Agency Agreement and to Conditions 2(e) and 2(f), a Bond may be transferred by delivering the Certificate issued in respect of it, with the form of transfer on the back duly completed and signed, to the specified office of the Registrar or any of the Transfer Agents. No transfer of a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificates will be effected in accordance with the rules of the relevant clearing systems.

Upon the transfer, exchange or replacement of a Rule 144A Bond, a Transfer Agent will only deliver Certificates with respect to Rule 144A Bonds that bear the Securities Act Legend unless there is delivered to such Transfer Agent such satisfactory evidence, which may include an opinion of legal counsel, as may be reasonably required by the Issuer, that neither the Securities Act Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the US Securities Act of 1933, as amended (the "Securities Act").

Interests in Bonds represented by the Restricted Global Certificate may be transferred to a person who wishes to take delivery of any such interest in the form of an interest in Bonds represented by the Unrestricted Global Certificate only if a Transfer Agent receives a written certificate from the transferor (in the form provided in the Paying Agency Agreement) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S under the Securities Act ("Regulation S") or Rule 144 under the Securities Act ("Rule 144A")(if available).

Prior to the 40th day after the day of issue of the Bonds (the "Restricted Period"), an interest in Bonds represented by the Unrestricted Global Certificate may be exchanged for an interest in Bonds represented by the Restricted Global Certificate only if a Transfer Agent receives a written certificate from the transferee of the interest in Bonds represented by the Unrestricted Global Certificate (in the form provided in the Paying Agency Agreement) to the effect that the transferee is a qualified institutional buyer (as defined in Rule 144A) and is obtaining such interest in a transaction meeting the requirements of Rule 144A and any applicable securities laws of any state of the United States or any other jurisdiction. After the expiration of the Restricted Period, this certification requirement will no longer apply to such transfers.

Transfers of Bonds are also subject to the restrictions described under "Plan of Distribution" and "Transfer Restrictions" below.

(c) **Delivery of new Certificates:** Each new Certificate to be issued on transfer of a Bond or Bonds will, within five Business Days of receipt by the relevant Transfer Agent of the duly completed and signed form of transfer, be made available for collection at the specified office of the relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds transferred (free of charge to the holder), to the address specified in the form of transfer.

Except in the limited circumstances described in "Summary of Provisions relating to the Bonds while in Global Form — Registration of Title", owners of interests in Bonds represented by the Global Certificates will not be entitled to receive physical delivery of Individual Certificates. Issues of Certificates upon transfers of Bonds are subject to compliance by the transferor and transferee with the certification procedures described above and in the Paying Agency Agreement and, in the case of Rule 144A Bonds, compliance with the Securities Act Legend.

Where some but not all of the Bonds in respect of which a Certificate is issued are to be transferred or redeemed, a new Certificate in respect of the Bonds not so transferred or redeemed, will, within five Business Days of delivery or surrender of the original Certificate to the relevant Transfer Agent or Registrar, be made available for collection at the specified office of the relevant Agent or, if so requested by the holder, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred or redeemed (free of charge to the holder), to the address of such holder appearing on the Register.

In this Condition 2, "Business Day" means a day (other than a Saturday or a Sunday) on which banks are open for business in the city in which the specified office of the Registrar and the relevant Transfer Agent to which the Certificate in respect of the Bonds to be transferred or relevant form of transfer is delivered is situated.

(d) **Formalities free of charge:** Registration of transfer of Bonds will be effected without charge by or on behalf of the Issuer or any of the Transfer Agents, but only upon the person making such application for transfer, paying or procuring the payment (or the giving of such indemnity as the Issuer or any of the Transfer Agents may require) of any tax, duty or other governmental charges which may be imposed in relation to such transfer.

(e) **Closed periods:** No Bondholder may require the transfer of a Bond to be registered during the period of 15 days ending on (and including) the due date for any payment of principal of that Bond or seven days ending on (and including) any Interest Record Date (as defined in Condition 6(a)).

(f) **Regulations:** All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder upon written request.

3. Covenants

(a) **Negative Pledge:** So long as any Bond remains outstanding (as defined in the Trust Deed):

(i) the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("Security") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Indebtedness or any guarantee or indemnity in respect of any Indebtedness; and

(ii) the Issuer will not permit any of its Material Subsidiaries to create or permit to subsist any Security upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt;

unless, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Trust Deed, (x) are secured equally and rateably therewith in substantially identical terms thereto, in each case to the satisfaction of the Trustee; or (y) have the benefit of such other security or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

Provided that sub-clause (i) above shall not apply to Security (x) arising by operation of law or (y) created in respect of Indebtedness (which for this purpose shall exclude Relevant Debt) in an aggregate principal amount not exceeding 10% of Total Assets.

As used in these Conditions:

"Excluded Indebtedness" means any Indebtedness to finance the ownership, acquisition, development and/or operation of projects, assets or installations (the "Relevant Property") in respect of which the person or persons (in this definition the "Lender") to whom any Indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group for the repayment of all or any portion of such indebtedness other than;

(i) recourse to such borrower for amounts limited to the present and future cash flow or net cash flow from the Relevant Property; and/or

(ii) recourse to the proceeds of enforcement of any Security given by such borrower over the Relevant Property or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such Indebtedness, *provided that* (A) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on any such enforcement, and (B) such Lender is not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness, to commence proceedings for the winding-up or dissolution of such borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of such borrower generally or any of its projects, assets or installations (save for the Relevant Property the subject of such security); and/or

(iii) recourse to such borrower generally, or directly or indirectly to a member of the Group, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another person or an indemnity in respect thereof or an obligation to comply or to procure compliance by another person with any financial ratios or other tests of financial condition) by the person against whom such recourse is available;

"Group" means the Issuer and its Subsidiaries;

"Indebtedness" means any obligation (whether present or future, actual or contingent, secured or unsecured, as principal, surety or otherwise) for the payment or repayment of money;

"Material Subsidiary" has the meaning specified in Condition 8.

"Relevant Debt" means any present or future indebtedness (other than Excluded Indebtedness) of the Issuer or any other person in the form of, or represented by, bonds, notes, debentures, loan stock or other securities, which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, have an original maturity of more than one year from their date of issue and are denominated, payable or optionally payable in a currency other than Rupees or are denominated in Rupees and more than 50% of the aggregate principal amount of which is initially distributed outside India by or with the authority of the Issuer;

"Subsidiary" means any company or other business entity of which the Issuer owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of the Issuer or which, under English or other applicable law or regulations and under generally accepted accounting principles in the United Kingdom, or International Financial Reporting Standards, as the case may be, from time to time, should have its accounts consolidated with those of the Issuer; and

"Total Assets" means the aggregate of consolidated total current assets and consolidated total non-current assets of (i) the Issuer as shown in the balance sheet of the latest available audited consolidated financial statements of the Issuer; and (ii) any Subsidiary of the Issuer acquired by the Issuer or any Subsidiary of the Issuer since the date of the latest available audited consolidated financial statements of the Issuer as shown in the balance sheet of the latest available audited consolidated financial statements of such Subsidiary.

(b) **Dividend restriction:** The Issuer shall not, and shall procure that each of its Material Subsidiaries shall not, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the payment of dividends to, or the making of any other distribution with respect to the Share Capital of, any Material Subsidiary or on the making or repayment of loans to, the Issuer or any other Material Subsidiary of the Issuer, other than (w) such encumbrance or restriction in relation to any Indebtedness of any Material Subsidiary of the Issuer or other assurance against financial loss where such encumbrance or restriction relates to payment of dividends or other distributions during the continuance of an event of default (howsoever described) which has occurred pursuant to the terms of that Indebtedness; (x) such encumbrance or restriction arising by operation of law; (y) such encumbrance or restriction as is in existence on the date of issue of the Bonds; or (z) in respect of any Person (including any existing Subsidiary of the Issuer) which becomes a Material Subsidiary after the date of issue of the Bonds, any encumbrance or restrictions on such Person as may be in existence on the date such Person becomes a Material Subsidiary provided such restrictions were not imposed in contemplation of such Person becoming a Material Subsidiary; *provided that* this Condition 3(b) shall not restrict any Material Subsidiary from issuing Preferred Stock otherwise in accordance with the terms of the Conditions.

(c) **Limitation on Borrowings:** The Issuer shall not, and shall procure that each of its Subsidiaries shall not, Incur directly or indirectly any Borrowings, and the Issuer shall procure that each of its Subsidiaries shall not issue any Preferred Stock; provided that (x) the Issuer may Incur Borrowings if, after giving pro forma effect to the Incurrence of such Borrowings and the application of the proceeds thereof, the Fixed Charge Coverage Ratio would be not less than 3.0 to 1.0 and (y) any Subsidiary of the Issuer may Incur Borrowings or issue Preferred Stock if, after giving pro forma effect to the Incurrence of such Borrowings or issuance of

Preferred Stock and the application of the proceeds thereof, the Fixed Charge Coverage Ratio would be not less than 3.5 to 1.0.

(d) **Limitation on distribution of Net Proceeds of Asset Sales:** The Issuer shall not, and shall procure that each of its Subsidiaries shall not pay any dividend in respect of or otherwise distribute the Net Proceeds from any Asset Sale to any Person (other than to the Issuer or any of its Subsidiaries) if such dividend or distribution, individually or when aggregated with all other dividends or distributions in respect of the Net Proceeds from any Asset Sales in the twelve month period prior to the date of the declaration of such dividend or distribution, exceeds $250,000,000 or its equivalent in other currencies.

(e) **Material Subsidiaries:** So long as any of the Bonds are outstanding (as defined in the Trust Deed), the Issuer or any of its Subsidiaries shall retain Control over, or, directly or indirectly, own more than 50% of the issued equity share capital of, each of its Material Subsidiaries.

(f) **Accounts:** The Issuer agrees that (i) as soon as reasonably practicable after the issue or publication thereof and in any event within 180 days after the end of each financial year (beginning with 31 March 2012) it will deliver to the Trustee and the specified office of each of the Paying Agents three copies of its annual report and audited Accounts as at the end of and for the financial year ending on such 31 March and will establish, announce and conduct one conference call with all the holders of Bonds (including the beneficial owners thereof), the contents of which will be limited to such annual report and audited Accounts and any other publicly available information regarding the Issuer and its Subsidiaries; (ii) as soon as reasonably practicable after the issue or publication thereof, it will deliver to the Trustee and the specified office of each of the Paying Agents three copies of its unaudited interim Accounts as at the end of the six month period ending on 30 September (beginning with 30 September 2011), provided that if and to the extent that the financial statements are not prepared or adjusted on a basis consistent with that used for the preceding relevant semi-annual or annual fiscal period, that fact shall be stated, and will establish, announce and conduct one conference call with all the holders of Bonds (including the beneficial owners thereof), the contents of which will be limited to such unaudited interim Accounts and any other publicly available information regarding the Issuer and its Subsidiaries; and (iii) with each set of Accounts delivered by it under this Condition 3 or otherwise within 14 days of the request of the Trustee, the Issuer will deliver to the Trustee and the specified office of each of the Paying Agents the Compliance Certificate.

(g) **Covenant suspension:** If, on any date following the date of the Trust Deed, the Bonds of any series have an Investment Grade rating from any two of the Rating Agencies and no Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Bonds of that series cease to have an Investment Grade rating from either of the Rating Agencies, the provisions of the Trust Deed summarised under the following captions will not apply to the Bonds of that series:

(a) Condition 3(c) "Limitation on Borrowings"; and

(b) Condition 3(d) "Limitation on distribution of Net Proceeds of Asset Sales."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken in compliance with the provisions of the Trust Deed during the continuance of the Suspension Event.

(i) **Definitions:** As used in these Conditions:

"Accounts" means (i) as at each 31 March and for the twelve month period then ending, the audited consolidated profit and loss account and balance sheet of the Issuer prepared in accordance with Applicable Accounting Principles and (ii) as at each 30 September and for the six month period then ending, the unaudited consolidated profit and loss account and balance sheet of the Issuer prepared in accordance with Applicable Accounting Principles; *provided that* if the accounting principles, standards and practices generally accepted in the United Kingdom, or International Finance Reporting Standards, as the case may be, should be changed and the consolidated profit and loss account and balance sheet of the Issuer are prepared on such changed basis, the Accounts may comprise such consolidated financial statements together with a certificate of the independent auditors of the Issuer setting out the adjustments necessary to restate such financial statements in accordance with Applicable Accounting Principles.

"Adjusted Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield in maturity of the Comparable Treasury Issue, assuming a price for the

Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Affiliate" means, with respect to any Person, any other Person, directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Accounting Principles" means the accounting principles and provisions of International Financial Reporting Standards applicable to the Issuer and its Subsidiaries as at 1 April 2005.

"Applicable Premium" means with respect to a Bond at any redemption date, the greater of (i) 1.0% of the principal amount of such Bond and (ii) the excess of (A) the present value at such redemption date of 100% of the principal amount of such Bond, plus all required remaining scheduled interest payments due on such Bond through the stated maturity of the Bond (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points, over (B) the principal amount of such Bond.

"Assets" of any Person means all or any of its shares, business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or sale leaseback transactions) in one or a series of transactions in any twelve month period by the Issuer or any Subsidiary to any Person other than the Issuer or any of its Subsidiaries of a material part of the consolidated Assets of the Issuer.

"Balance Sheet Date" means each 30 September and 31 March or other semi-annual date at which the Issuer prepares its audited or unaudited Accounts.

"Borrowings" means, with respect to any Person at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iii) all obligations of such Person as lessee which are capitalised in accordance with Applicable Accounting Principles, (iv) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, except in respect of trade accounts payable arising in the ordinary course of business, (v) all obligations of such Person representing Disqualified Stock valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, plus accrued dividends, if any, (vi) all Borrowings of others guaranteed by such Person (vii) all Borrowings of others secured by Security on any Asset of such Person (whether or not such Borrowings are assumed by such Person); *provided* that the amount of such Borrowings will be the lesser of (A) the fair market value of such asset at such date of determination and (B) the amount of such Borrowings, and (viii) in the case of a Subsidiary of the Issuer, all obligations representing Preferred Stock valued at the greater of its voluntary or involuntary maximum fixed repurchase price, plus accrued dividends, if any; *provided* that for the purposes of Condition 3(c), the Borrowings shall not include (A) Borrowings of the Issuer or any of its Subsidiaries owed to the Issuer or any of its Subsidiaries; *provided* that where (1) any Subsidiary of the Issuer to which such Borrowing is owed ceases to be a Subsidiary of the Issuer or (2) there is a subsequent transfer of such Borrowing to any Person (other than the Issuer or any of its Subsidiaries), then such Borrowing shall be deemed to constitute a Borrowing for the purposes of Condition 3(c) and (B) Preferred Stock or Disqualified Stock issued by any Subsidiary of the Issuer to the Issuer or any other Subsidiary of the Issuer; *provided further* that for the purposes of clause (y) of the proviso in Condition 3(c), Borrowings shall not include the Borrowings of any Subsidiary (which is established as a special purpose entity for the sole purpose of engaging in financing activities) of the Issuer, which are guaranteed by the Issuer and have no recourse, directly or indirectly, to any other member of the Group.

"Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York City and London.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the date of the Trust Deed or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

"Change of Control" means the occurrence of either of the following events:

(1) the Permitted Holders are the beneficial owners of less than 35% of the total voting power of the Voting Stock of the Issuer; or

(2) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act")) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Issuer greater than such total voting power held beneficially by the Permitted Holders.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and a Rating Decline.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Trust Deed, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means any United States Treasury security having a maturity comparable to the remaining term of the Bonds to be redeemed that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Bonds.

"Comparable Treasury Price" means, with respect to any redemption date:

(1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the fifth Business Day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities;" or

(2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

"Compliance Certificate" means a certificate signed by two directors of the Issuer confirming compliance with the financial ratios set out in this Condition 3, in each case as at each Balance Sheet Date and in respect of the whole of the financial year for each Balance Sheet Date falling on 31 March and in respect of the whole of the six month period ending on the Balance Sheet Date for each Balance Sheet Date falling on 30 September, and setting out in reasonable detail the computations necessary to demonstrate such compliance.

"Consolidated EBITDA" means, for any period, the amount equal to (i) "operating profit" *plus* (ii) "depreciation" *plus* (iii) "special items" reducing "operating profit" *minus* (iv) "special items" increasing "operating profit," in each case as it is presented on consolidated financial statements of the Issuer and its Subsidiaries prepared in accordance with the Applicable Accounting Principles for such period.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (i) Consolidated Net Interest Expense for such period and (ii) all cash and non-cash dividends accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Issuer or any of its Subsidiaries held by Persons other than the Issuer or any of its Subsidiaries.

"Consolidated Net Interest Expense" means, for any period, the amount equal to "finance costs" minus "investment revenue," in each case as it is presented on a consolidated income statement of the Issuer and its Subsidiaries prepared in accordance with the Applicable Accounting Principles for such period.

"Control", "Controlling" or "Controlled" means the right to appoint and/or remove all or the majority of the members of the board of directors or other governing body or the right to direct or cause the direction of the management and policies, in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the stated maturity of the Bonds, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the stated maturity of the

Bonds or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Borrowing having a scheduled maturity prior to the stated maturity of the Bonds.

"Fitch" means Fitch Ratings Limited, its affiliates and any successor to its ratings business.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Issuer prepared in accordance with the Applicable Accounting Principles (which the Issuer shall use its best efforts to compile in a timely manner) are available (the "Two Semi-annual Period") and have been provided to the Trustee to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual Period.

"Incur" means, as applied to any obligation, to directly or indirectly, create, incur, issue, assume, guarantee or in any other manner become directly or indirectly liable, contingently or otherwise. Such obligation and "Incurred", "Incurrence" and "Incurring" shall each have a correlative meaning.

"Investment Grade" means a long term credit rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "−" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a long term credit rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns or assigns or a long term credit rating of "AAA," or "AA," "A" or "BBB," as modified by a '+," or "−" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns or the equivalent long term credit ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Issuer as having been substituted for S&P, Moody's or Fitch or all of them, as the case may be.

"Moody's" means Moody's Investors Service, Inc., its affiliates and any successor to its ratings business.

"Net Proceeds" means the aggregate cash proceeds received by the Issuer or any Subsidiary of the Issuer in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale.

"Offer to Purchase" means an offer to purchase the Bonds of any series by the Issuer from the Bondholders of Bonds of that series commenced by mailing a notice by first class mail, postage prepaid, to the Trustee and each Bondholder of Bonds of that series at its last address appearing in the Bond register stating:

(1) the provision of the Trust Deed pursuant to which the offer is being made and that all Bonds of that series validly tendered will be accepted for payment on a *pro rata* basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Bond of that series not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Issuer defaults in the payment of the purchase price, any Bond of that series accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Bondholders of Bonds of that series electing to have a Bond of that series purchased pursuant to the Offer to Purchase will be required to surrender the Bond, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Bond completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Bondholders of Bonds of that series will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Bondholder, the principal amount of Bonds of that series delivered for purchase and a statement that such Bondholder is withdrawing his election to have such Bonds of that series purchased; and

(7) that Bondholders of Bonds of that series whose Bonds of that series are being purchased only in part will be issued new Bonds of that series equal in principal amount to the unpurchased portion of the Bonds of that series surrendered; *provided that* each Bond purchased and each new Bond issued shall be in a minimum principal amount of $200,000 or integral multiples of $1,000.

On the Offer to Purchase Payment Date, the Issuer shall (a) accept for payment on a *pro rata* basis Bonds of any series or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Bonds of that series or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Bonds of that series or portions thereof so accepted together with a certificate signed by two directors of the Issuer specifying the Bonds of that series or portions thereof accepted for payment by the Issuer. The Paying Agent shall promptly mail to the Bondholders of Bonds of that series so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Bondholders a new Bond of that series equal in principal amount to any unpurchased portion of the Bond of that series surrendered; *provided that* each Bond purchased and each new Bond issued shall be in a principal amount of $200,000 or integral multiples of $1,000. The Issuer will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer will comply with all applicable securities laws and regulations, in the event that the Issuer is required to repurchase Bonds pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Issuer and its Subsidiaries which the Issuer in good faith believes will assist such Bondholders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Bondholders to tender Bonds pursuant to the Offer to Purchase.

"Permitted Holders" means any or all of the following:

(1) Mr. Anil Agarwal, Mr. D.P. Agarwal and Mr. Agnivesh Agarwal, individually or collectively;

(2) Any Affiliate or a direct family member of any of the Persons specified in clause (1) of this definition; and

(3) Any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are more than 80% owned by Persons specified in clauses (1) and (2) of this definition.

"Person" means any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organisation.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

"Rating Agencies" means (i) S&P, (ii) Moody's, (iii) Fitch and (iv) if any or all of them shall not make a rating of the Bonds publicly available, an internationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for such Rating Agency or Rating Agencies, as the case may be.

"Rating Date" means the date which is 90 days prior to the earlier of the date of consummation of Change of Control and a public announcement of a Change of Control.

"Rating Decline" means the occurrence on, or within six months after, the earlier of the date of consummation of Change of Control or public announcement of a Change of Control (which period shall be extended so long as the rating of the Bonds of any series is under publicly announced consideration for possible ratings change by any of the Rating Agencies) of any of the events listed below:

(1) In the event the Bonds of that series are rated by all Moody's, S&P and Fitch on the Rating Date as Investment Grade, the rating of the Bonds of that series by at least two such Rating Agencies shall be below Investment Grade;

(2) In the event the Bonds of that series are rated by two of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Bonds of that series by either such Rating Agency shall be below Investment Grade;

(3) In the event the Bonds of that series are rated by one of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Bonds of that series by such Rating Agency shall be below Investment Grade; or

(4) In the event the Bonds of that series are rated by all Moody's, S&P and Fitch on the Rating Date as below Investment Grade, the rating of the Bonds of that series by any such Rating Agency shall be below the rating it provided on the Rating Date.

"Reference Treasury Dealer" means each of any three investment banks of recognised standing that is a primary United States Government securities dealer in The City of New York, selected by the Issuer in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Issuer or any of its agents of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer or such agent by such Reference Treasury Dealer at 5:00 p.m. on the fifth Business Day preceding such redemption date.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc., its affiliates and any successor to its ratings business.

"Share Capital" means any and all shares, interests (including joint venture and partnership interests), participations or other equivalents of capital stock of a corporation or any and all equivalent ownership interests in a Person.

"Transaction Date" means, with respect to the Incurrence of any Borrowing, the date such Borrowing is to be Incurred.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

4. Interest

The 2016 Bonds will bear interest from the Closing Date at the rate of 6.75% per annum and the 2021 Bonds will bear interest from the Closing Date at the rate of 8.25% per annum, in each case, payable semi-annually in arrears on (i) with respect to the 2016 Bonds, 7 June and 7 December of each year, commencing 7 December 2011, and (ii) with respect to the 2021 Bonds, 7 June and 7 December of each year, commencing 7 December 2011 each an "Interest Payment Date"). Interest on the Bonds of any series shall accrue from (and including) the most recent date to which interest has been paid and ending on (but excluding) the next Interest Payment Date for the Bonds of that series, except that (i) the first payment of interest, to be made on 7 December 2011 with respect to the 2016 Bonds, will be made in respect of the period from the Closing Date to 6 December 2011 and (ii) the first payment of interest, to be made on 7 December 2011 with respect to the 2021 Bonds, will be made in respect of the period from the Closing Date to 6 December 2011. Each Bond will cease to bear interest from the due date for redemption unless, upon surrender in accordance with Condition 6, payment of the full amount of principal is improperly withheld or refused or unless default is otherwise made in respect of any such payment. In such event each Bond shall continue to bear interest at the applicable rate (both before and after judgment) until, but excluding whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day which is seven calendar days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh calendar day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

5. Redemption and Purchase

(a) **Final redemption:** Unless previously redeemed, or purchased and cancelled as provided herein, the 2016 Bonds will be redeemed at their principal amount on 7 June 2016 and the 2021 Bonds will be redeemed at their principal amount on 7 June 2021. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 5.

(b) **Redemption at the option of the Issuer:** The Bonds of any series may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 calendar days' written notice to the Bondholders of Bonds of that series (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount of the Bonds of that series plus the Applicable Premium applicable to the Bonds of that series, plus accrued and unpaid interest, if any, to, the redemption date.

(c) **Redemption for taxation reasons:** The Bonds of any series may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 calendar days' written notice to the Bondholders of Bonds of that series (which notice shall be irrevocable), at their principal amount (together with interest accrued and unpaid to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date hereof, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, *provided that* no such notice of redemption shall be given earlier than 90 calendar days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds of that series then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on the Bondholders.

(d) **Repurchase of Bonds Upon a Change of Control Triggering Event:** Not later than 30 days following the occurrence of a Change of Control Triggering Event, the Issuer will make an Offer to Purchase all outstanding Bonds of each series (a "Change of Control Offer") at a purchase price equal to 101.0% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

Notwithstanding the above, the Issuer will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the same manner, at the same times and otherwise in compliance with the requirements set forth in the Trust Deed applicable to a Change of Control Offer made by the Issuer and purchases all Bonds validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control, the Trust Deed does not contain provisions that permit the Bondholders to require that the Issuer purchase or redeem the Bonds in the event of a takeover, recapitalisation or similar transaction.

(e) **Purchase:** Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time the Issuer and any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. Any purchase of Bonds of any series by tender shall be made available to all Bondholders of Bonds of that series alike and such Bonds of that series may be retained for the account of the relevant purchaser or otherwise dealt with at its discretion (but may not be resold). The Bonds of any series so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders of Bonds of that series and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders of Bonds of that series or for the purposes of Condition 12(a).

(f) **Cancellation:** All Bonds of any series so redeemed will be cancelled and may not be re-issued or resold. All Bonds purchased pursuant to this Condition may be cancelled at the discretion of the relevant purchaser. Bonds may be surrendered for cancellation by surrendering each such Bond to the Principal Agent and if so surrendered shall be cancelled forthwith (and may not be reissued or resold) and the obligations of the Issuer in respect of any such Bonds shall be discharged.

6. Payments

(a) **Principal and Interest:** Payment of principal and interest due other than on an Interest Payment Date will be made in United States dollars by transfer to the registered account of the Bondholder. Payment of principal will only be made after surrender of the relevant Certificate at the specified office of any of the Paying Agents.

Interest on Bonds due on an Interest Payment Date will be paid in United States dollars on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the "Interest Record Date"). Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder.

(b) **Registered accounts:** For the purposes of this Condition, a Bondholder's registered account means the United States dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

(c) **Payments subject to fiscal laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(d) **Payment initiation:** Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a business day, the first following day which is a business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

(e) **Business Day:** In this Condition, "business day" means: (i) in the case of payment by transfer to a registered account, a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York City; and (ii) in the case of the surrender of a Certificate, a day in which commercial banks are open for business in the place of the specified office of the Paying Agent to whom the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

(f) **Paying Agents:** The initial Paying Agents, Transfer Agents and Registrar and their initial specified offices are listed below. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent, Transfer Agents or Registrar and appoint additional or other Paying Agents, Transfer Agents or Registrar; *provided* that it will maintain: (i) a Principal Agent; (ii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to, such Directive; (iii) a Paying Agent in Singapore so long as the Bonds of any series are listed on the SGX-ST and the rules of the SGX-ST so require; and (iv) a Registrar. Notice of any change in the Paying Agents, Transfer Agents or Registrar or their specified offices will promptly be given to the Bondholders and the SGX-ST (so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require).

7. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In the event that such withholding or deduction is required is required by law, the Issuer shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond:

(a) to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the United Kingdom other than the mere holding of the Bond; or

(b) in the case of payment of principal or interest (other than interest due on an Interest Payment Date)) if the Certificate in respect of such Bond is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Certificate for payment on the last day of such period of 30 days; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to, such Directive;

(d) if the Certificate in respect of such Bond is presented for payment by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a Member State of the European Union;

(e) with respect to taxes, duties, assessments or governmental charges in respect of such Bond imposed as a result of the failure of the holder or beneficial owner of the Bond to comply with a written request of the Issuer before any such withholding or deduction would be payable to provide timely or accurate information concerning the nationality, residence or identity of the holder or beneficial owner or to make any valid or timely declaration or similar claim or satisfy any certification, information or other reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the United Kingdom or any authority therein or thereof having the power to tax as a condition to exemption from all or part of such taxes;

(f) for any estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment; or

(g) for any taxes, duties, assessments or governmental charges payable otherwise than by deduction or withholding on payments of principal or interest on the Bonds.

Such additional amounts shall also not be payable where, had the beneficial owner of the Bond been the holder of the Bond, it would not have been entitled to payment of additional amounts by reason of clauses (a) through (g) inclusive above.

"Relevant Date" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City by the Principal Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques despatched or payment made.

Any reference in these Conditions to principal and/or interest in respect of the Bonds shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Trust Deed.

8. Events of Default

The Trustee at its discretion may, and if so requested by holders of not less than 25% in principal amount of the Bonds of any series then outstanding or if so directed by an Extraordinary Resolution of the Bondholders of Bonds of any series shall (subject in each case to it being indemnified and/or secured (including by way of payment in advance) to its satisfaction), give notice in writing to the Issuer that the Bonds of that series are, and they shall immediately become, due and payable at their principal amount together with accrued interest, if applicable, if any of the following events (each an "Event of Default") shall have occurred:

(a) **Non-Payment:** (i) the Issuer fails to pay all or any part of the principal of any of the Bonds of that series when the same shall become due and payable, whether at maturity, upon redemption or otherwise and such failure continues for a period of seven calendar days; or (ii) the Issuer fails to pay any instalment of interest upon any of the Bonds of that series as and when the same shall become due and payable, and such failure continues for a period of 14 calendar days; or

(b) **Breach of Other Obligations:** (i) the Issuer fails to make or consummate an Offer to Purchase with respect to any of the Bonds of that series in the manner set out in Condition 5(d); or (ii) the Issuer defaults in the performance or observance of or compliance with any of its other obligations set out in the Bonds of that series or the Trust Deed, which default is incapable of remedy or, if in the opinion of the Trustee such default is capable of remedy, is not in the opinion of the Trustee remedied within 45 calendar days after the date on which written notice specifying such failure, stating that such notice is a "Notice of Default" under the Bonds of that series and demanding that the Issuer remedy the same, shall have been given to the Issuer by the Trustee; or

(c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity (otherwise than at the option of the Issuer or such Material Subsidiary, as the case may be) by reason of any actual or potential default, event of default or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period originally provided for; or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due (or within any applicable grace period originally provided for) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised; provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which any one or more of the events mentioned above in this Condition 8(c) has or have occurred equals or exceeds $100,000,000 or its equivalent in other currencies; or

(d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process (other than distraint or attachment imposed by any government, authority or agent prior to enforcement foreclosure) is levied, enforced or sued out, as the case may be, on or against a substantial part of the property, assets or revenues of the Issuer or all or a substantial part of the property, assets or revenues of any of its Material Subsidiaries and is not (i) either discharged or stayed within 60 calendar days or in circumstances where the levy, enforcement or suing out, as the case may be, of such legal process is not, or does not become, materially prejudicial to the interests of the Bondholders, within 120 calendar days; or (ii) being contested in good faith on the basis of appropriate legal advice provided by reputable independent counsel in the relevant jurisdiction or jurisdictions and by appropriate proceedings; or

(e) **Security Enforced:** an encumbrancer takes possession or a receiver, administrative receiver, administrator, manager or other similar person is appointed over, or an attachment order is issued in respect of, the whole or a substantial part of the undertaking, property, assets or revenues of the Issuer or any of its Material Subsidiaries and in any such case such possession or appointment is not stayed or terminated or the debt on account of which such possession was taken or appointment made is not discharged or satisfied within 60 calendar days of such appointment or the issue of such order; or

(f) **Insolvency:** the Issuer or any of its Material Subsidiaries (i) is insolvent or bankrupt or is deemed to be insolvent as a result of the court being satisfied that the value of the Issuer's or such Material Subsidiary's assets is less than the amount of its liabilities, taking into account contingent and prospective liabilities or unable to pay its debts or stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or of a particular type of) its debts as they mature; or (ii) applies for or consents to or suffers the appointment of an administrator, administrative receiver, liquidator, manager or receiver or other similar person in respect of the Issuer or any of its Material Subsidiaries or over the whole or a substantial part of the undertaking, property, assets or revenues of the Issuer or any of its Material Subsidiaries; or (iii) proposes or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or a substantial part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries, except, in any such case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Bondholders of Bonds of that series; or

(g) **Winding-up, Disposals:** an administrator or an administrative receiver is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business or operations, or the Issuer or any of its Material Subsidiaries sells or disposes of all or a substantial part of its assets or business whether as a single transaction or a number of transactions, related or not; except, in any such case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger, consolidation or other similar arrangement (i) on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders of Bonds of that series, or (ii) in the case of a Material Subsidiary, not including arising out of the insolvency of such Material Subsidiary and under which all or substantially all of its assets are transferred to another member or members of the Group or to a transferee or transferees which immediately upon such transfer become(s) a Subsidiary of Subsidiaries of the Group; or

(h) **Expropriation:** any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates (excluding any distraint or attachment prior to enforcement or foreclosure) all or a substantial part of the assets or shares of the Issuer or any of its Material Subsidiaries; or

(i) **Analogous Events:** any event occurs which under the laws of England or, in the case of the Issuer's Material Subsidiaries, the laws of the relevant Material Subsidiary's place of incorporation or principal place of business has an analogous effect to any of the events referred to in paragraphs (d) to (h) above.

Upon any such notice being given to the Issuer, the Bonds of that series will immediately become due and payable at their principal amount together with accrued interest as provided in the Trust Deed, *provided* that no such notice may be given unless an Event of Default shall have occurred and *provided further* that, in the case of paragraphs (b), (d), (e) and (h), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Bondholders of Bonds of that series.

For the purposes of paragraph (c) above, any indebtedness which is in a currency other than US dollars shall be translated into US dollars at the middle spot rate for the sale of US dollars against the purchase of the relevant currency quoted by any leading bank selected by the Trustee on any day when the Trustee requests a quotation for such purposes.

"Material Subsidiary" means, at any particular time, a Subsidiary of the Issuer:

(a) whose (i) total assets or (ii) gross revenues (in each case (x) attributable to the Issuer and (y) consolidated in respect of a Subsidiary which itself has Subsidiaries) are equal to or greater than 10% of the consolidated total assets or consolidated gross revenues, as the case may be, of the Issuer, in each case as calculated by reference to the then latest audited consolidated or, as the case may be, unconsolidated financial statements of the relevant Subsidiary or Subsidiaries and the then latest audited consolidated financial statements of the Issuer; or

(b) to which is transferred all or substantially all of the business, assets and undertaking of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary of the Issuer shall immediately cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary (subject to the provisions of paragraph (a) above).

A report by two Directors of the Issuer certified by the Issuer's auditor that in their opinion a Subsidiary of the Issuer is or is not, or was or was not, at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Trustee and the Bondholders.

9. Consolidation, Amalgamation or Merger

The Issuer will not consolidate with, merge or amalgamate into, or transfer its properties and assets substantially as an entirety to, any corporation or convey or transfer its properties and assets substantially as an entirety to any person (the consummation of any such event, a "Merger"), unless:

(a) the corporation formed by such Merger or the person that acquired such properties and assets shall expressly assume, by a supplemental trust deed in form and substance satisfactory to the Trustee, all obligations of the Issuer under the Trust Deed and the Bonds and the performance of every covenant and agreement applicable to it contained therein;

(b) immediately after giving effect to any such Merger, no Event of Default or Potential Event of Default (as defined in the Trust Deed) shall have occurred or be continuing or would result therefrom as confirmed to the Trustee by (i) a certificate signed by two Directors of the Issuer and (ii) a certificate signed by two directors of the corporation that would result from such Merger or, as the case may be, a certificate from any such person referred to above; and

(c) the corporation formed by such Merger, or the person that acquired such properties and assets, shall expressly agree, among other things, not to redeem the Bonds pursuant to Condition 5(b) as a result of it becoming obliged to pay any additional amounts (as provided or referred to in Condition 7) arising solely as a result of such Merger.

10. Prescription

Claims in respect of principal and interest will become void unless made as required by Condition 6 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

11. Replacement of Certificates

If any Certificate representing a Bond is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the costs and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (*provided that* the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Meetings of Bondholders, Modification and Waiver

(a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders of Bonds of any series to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of the Bondholders of Bonds of that series of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Bondholders of Bonds of any series holding not less than 15% in principal amount of the Bonds of that series for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution of the Bondholders of Bonds of any series will be two or more persons holding or representing a clear majority in principal amount of the Bonds of that series for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders of Bonds of that series whatever the principal amount of the Bonds of that series held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds of that series or the dates on which interest is payable in respect of the Bonds of that series, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds of that series, (iii) to change the currency of payment of the Bonds of that series or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders of Bonds of that series or the majority required to pass an Extraordinary Resolution of the Bondholders of Bonds of that series, in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Bonds of that series for the time being outstanding. Any Extraordinary Resolution of the Bondholders of Bonds of any series duly passed shall be binding on Bondholders of Bonds of that series (whether or not they were present at the meeting at which such resolution was passed and whether or not they voted in favour).

(b) **Modification and Waiver:** The Trustee may agree, without the consent of the Bondholders of Bonds of any series, to (i) any modification to these Conditions or to the provisions of the Trust Deed which is in its opinion of a formal, minor or technical nature or is made to correct a manifest or proven error, and (ii) any other modification (except as provided for in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders of Bonds of that series. Any such modification, authorisation or waiver shall be binding on the Bondholders of Bonds of that series and such modification shall be notified to the Bondholders of Bonds of that series as soon as practicable.

(c) **Written resolutions of 90% holders:** The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90% of the aggregate principal amount outstanding of Bonds of any series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Trust Deed shall be as valid and effective as a duly passed Extraordinary Resolution of the Bondholders of Bonds of that series.

(d) **Entitlement of the Trustee:** In connection with the exercise of its powers, trusts, authorisations or discretions (including but not limited to those referred to in this Condition), the Trustee shall have regard to the interests of the Bondholders of Bonds of any series as a class and shall not have regard to the consequences of such exercise for individual Bondholders of Bonds of that series (including as a result of their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory) and the Trustee shall not be entitled to require, nor shall any Bondholder of Bonds of any series be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders of Bonds of that series.

13. Enforcement

At any time after the Bonds of any series become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds of that series, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Bondholders of Bonds of that series or so requested in writing by Bondholders holding at least one-quarter in principal amount of the Bonds of that series outstanding, and (b) it shall have been indemnified and/or secured (including by way of payment in advance) to its satisfaction. No Bondholder may proceed directly against the Issuer unless subject to Condition 13(b) above, the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders on any certificate or report prepared by the auditors or any other person pursuant to the Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the auditors liability in respect thereof is limited by a monetary cap or otherwise; any such certificate shall be conclusive and binding on the Issuer, the Trustee, and the Bondholders.

15. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds of any series in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue, provided that, if the securities of such further issue are not fungible with the Bonds of any series for U.S. federal income tax purposes, such securities will have a separate CUSIP or ISIN. References in these Conditions to the Bonds of any series include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds of that series. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

16. Notices

Notices to Bondholders will be valid if published in a leading newspaper having general circulation in Singapore (which is expected to be the *Business Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificates and the Global Certificates are held on behalf of DTC or the alternative clearing system (as defined in the Global Certificates), notices to Bondholders may be given by delivery of the relevant notice to DTC or the alternative clearing system, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18. Governing Law and Jurisdiction

(a) **Governing Law:** The Trust Deed, the Bonds and all non-contractual matters arising from or connected with the Bonds and the Trust Deed, shall be governed by and shall be construed in accordance with English law.

(b) **Jurisdiction:** The courts of England have exclusive jurisdiction to settle any dispute (a "Dispute") arising from or connected with the Trust Deed or the Bonds and all non-contractual matters arising from or in connection therewith (including a dispute regarding the existence, validity or termination of the Trust Deed or the Bonds or the consequences of their nullity). The submission to the jurisdiction of the courts of England is for the benefit of the Trustee and the Bondholders only and shall not (and shall not be construed so as to) limit the right of the Trustee or any Bondholder to take proceedings relating to a Dispute ("Proceedings") in any other courts with jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if any to the extent permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificates contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Conditions of the Bonds set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of certain of those provisions.

Book-Entry; Delivery and Form

The certificates representing the Bonds will be issued in fully registered form without interest coupons attached. The Regulation S Bonds of each series will initially be represented by the Unrestricted Global Certificate and will be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream. Prior to the 40th day after the date of issue of the Bonds, beneficial interests in the Regulation S Bonds may only be held through Euroclear or Clearstream, and any resale or transfer of such interests to United States persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A or Regulation S under the Securities Act.

The Rule 144A Bonds of each series will be represented by the Restricted Global Certificate and will be deposited with a custodian for, and registered in the name of a nominee of, DTC.

Each Global Certificate (and any Bonds issued for exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "Transfer Restrictions".

Ownership of beneficial interests in a Global Certificate will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Certificate will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). QIBs may hold their interests in a Restricted Global Certificate directly through DTC if they are participants in such system, or indirectly through organisations which are participants in such system.

Investors may hold their interests in a Regulation S Bond directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organisations that are participants in such system. On or after the 40th day following the date of issue of the Bonds, investors may also hold such interests through organisations other than Euroclear or Clearstream that are participants in the DTC system. Euroclear and Clearstream will hold interests in the Regulation S Bonds on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a Global Certificate, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Bonds represented by such Global Certificate for all purposes under the Trust Deed and the Bonds. No beneficial owner of an interest in a Global Certificate will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Trust Deed and the Paying Agency Agreement and, if applicable, those of Euroclear and Clearstream.

Registration of Title

Individual Certificates will not be issued in exchange for interests in the Bonds in respect of which the Global Certificates are issued, except in the event that (where they shall be issued free of charge to the holder) DTC (or any clearing system as shall have been designated by the Company and approved by the Trustee (the "Alternative Clearing System") on behalf of which the Bonds evidenced by the Restricted Global Certificate may be held) notifies the Company that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Bonds, or ceases to be a "Clearing Agency" registered under the Exchange Act or is at any time no longer eligible to act as such and the Company is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC (or, as the case may be, such Alternative Clearing System).

So long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a paying agent in Singapore in the event that the Global Certificate is exchanged for Individual Certificates. In addition, in the event that the Global Certificate is exchanged for Individual Certificates, an announcement of such exchange shall be made through the SGX-ST (so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require) and such announcement will include all material information with respect to the delivery of the Individual Certificates, including details of the paying agent in Singapore.

In such circumstances, the Company will cause sufficient Individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Bondholders. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Company and the Registrar may require to complete, execute and deliver such Individual Certificates and, in the case of a person with an interest in the Bonds represented by the Restricted Global Certificate, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous sale pursuant to Rule 144A, Regulation S or Rule 144 under the Securities Act ("Rule 144"), a certification that the transfer is being made in compliance with the provisions of Rule 144A, Regulation S or Rule 144, as the case may be, in accordance with the Paying Agency Agreement. Restricted individual certificates issued in respect of the Rule 144A Bonds shall bear the Securities Act Legends applicable to transfers pursuant to Rule 144A.

Payments and Transfers

Payments of principal and interest in respect of Bonds represented by a Global Certificate will be made to DTC or its nominee, as the case may be, and will be made without presentation or, if no further payment falls to be made in respect of the Bonds, against presentation and surrender, of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose. None of the Company, the Trustee nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Certificate, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Certificate as shown on the records of DTC or its nominee. The Company also expects that payments by participants to owners of beneficial interests in such Global Certificate held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

The Company expects that DTC will take any action permitted to be taken by a Bondholder (including the presentation of Bonds for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Certificate is credited and only in respect of such portion of the aggregate principal amount of Bonds as to which such participant or participants has or have given such direction.

The Company understands that DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies and certain other organisations that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Certificate among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, the Trustee or any Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Notices

So long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, notices will be published in a leading newspaper having general circulation in Singapore (which is expected to be the Business Times). Any such notice shall be deemed to have been given on the date of such publication. So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of DTC or an Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for publication as required by the Conditions.

Meetings

The registered holder of each Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each $1,000 in principal amount of the Bonds for which the Global Certificates may be exchanged. The Trustee may allow a person with an interest in the Bonds in respect of which a Global Certificate has been issued to attend and speak at a meeting of Bondholders on appropriate proof of his identity and interest.

Purchase and Cancellation

Cancellation of any Bond required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while a Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may have regard to any information provided to it by or on behalf of the relevant clearing system or its operator as to the identity (either individually or by category) of its account holders with entitlements to the Bonds and may consider such interests as if such account holders were the holders of the Bonds.

The Clearing Systems

General

DTC, Euroclear and Clearstream have advised the Company as follows:

DTC. DTC is a limited-purpose trust company organised under the laws of the State of New York, a "banking organisation" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organisations, some of whom own DTC, and may include the Joint Bookrunners. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Transfers of ownership or other interests in Bonds in DTC may be made only through DTC participants. In addition, beneficial owners of Bonds in DTC will receive all distributions of principal of and interest on the Bonds from the Trustee through such DTC participant.

Euroclear and Clearstream. Euroclear and Clearstream hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Initial Settlement

Initial settlement for the Bonds will be made in immediately available funds. All Bonds issued in the form of global certificates will be deposited with Cede & Co., as custodian for DTC. Investors' interests in Bonds held in book-entry form by DTC will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Euroclear and Clearstream will initially hold positions on behalf of their participants through DTC.

Investors electing to hold their Bonds through DTC (other than through accounts at Euroclear or Clearstream) must follow the settlement practices applicable to United States corporate debt obligations. The securities custody accounts of investors will be credited with their holdings against payment in same day funds on the settlement date.

Investors electing to hold their Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Bonds will be credited to the securities custody accounts of Euroclear holders and of Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Bonds where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC participants. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in same-day funds using DTC's Same-Day Funds Settlement System.

Trading between Euroclear and Clearstream participants. Secondary market trading between Euroclear participants and Clearstream participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC seller and Euroclear or Clearstream purchaser. When Bonds are to be transferred from the account of a DTC participant to the account of a Euroclear participant or a Clearstream participant, the purchaser must send instructions to Euroclear or Clearstream through a participant at least one business day prior to settlement. Euroclear or Clearstream, as the case may be, will receive the Bonds against payment. Payment will then be made to the DTC participant's account against delivery of the Bonds. Payment will include interest accrued on the Bonds from and including the last interest payment date to and excluding the settlement date, on the basis of a calendar year consisting of twelve 30-day calendar months. For transactions settling on the 31st day of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made to the DTC participant's account against delivery of the Bonds. After settlement has been completed, the Bonds will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream participant's account. Credit for the Bonds will appear on the next day (European time), and cash debit will be backvalued to, and the interest on the Bonds will accrue from, the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade date fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear participants or Clearstream participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the Bonds are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream participants purchasing Bonds would incur overdraft charges for one day, assuming they cleared the overdraft when the Bonds were credited to their accounts. However, interest on the Bonds would accrue from the value date. Therefore, in many cases, the investment income on Bonds earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant, a cross-market transaction will settle no differently than a trade between two DTC participants.

Finally, day traders that use Euroclear or Clearstream and that purchase Bonds from DTC participants for credit to Euroclear participants or Clearstream participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

(1) borrowing through Euroclear or Clearstream for one day (until the purchase side of the day trade is reflected in their Euroclear account or Clearstream account) in accordance with the clearing system's customary procedures;

(2) borrowing the Bonds in the United States from a DTC participant no later than one day prior to settlement, which would give the Bonds sufficient time to be reflected in the borrower's Euroclear account or Clearstream account in order to settle the sale side of the trade; or

(3) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Euroclear participants or Clearstream participants.

Trading between Euroclear or Clearstream seller and DTC purchaser. Due to the time zone differences in their favour, Euroclear participants or Clearstream participants may employ their customary procedures for transactions in which Bonds are to be transferred by the respective clearing system to another DTC participant. The seller must send instructions to Euroclear or Clearstream through a participant at least one business day prior to settlement. In these cases, Euroclear or Clearstream will credit the Bonds to the DTC participant's account against payment. Payment will include interest accrued on the Bonds from and including the last interest payment date to and excluding the settlement date, on the basis of a calendar year consisting of twelve 30-day calendar months. For transactions settling on the 31st day of the month, payment will include interest accrued to the Bonds excluding the first day of the following month. Payment will then be made to the DTC participant's account against delivery of the Bonds. The payment will then be reflected in the account of the Euroclear participant or Clearstream participant the following day, and receipt of the cash proceeds in the Euroclear or Clearstream participant's account will be back-valued to the value date (which would be the preceding day when settlement occurs in New York). If the Euroclear participant or Clearstream participant has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream participant's account would instead be valued as of the actual settlement date.

As in the case with respect to sales by a DTC participant to a Euroclear or Clearstream participant, participants in Euroclear and Clearstream will have their accounts credited the day after their settlement date. See "— Trading between DTC seller and Euroclear or Clearstream purchaser" above.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Regulation S Bonds or the Rule 144A Bonds.

This offering is being made in reliance on Rule 144A under the Securities Act and Regulation S under the Securities Act. The Bonds have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any State in the United States or any other jurisdiction, and may only be offered or sold (a) within the United States to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) to non-US persons outside the United States in reliance on Regulation S under the Securities Act, and in each case in accordance with any other applicable law.

Rule 144A Bonds

Each purchaser of the Bonds within the United States pursuant to Rule 144A, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

1. It is (a) a QIB within the meaning of Rule 144A, (b) acquiring such Bonds for its own account or for the account of one or more QIBs, (c) not acquiring the Bonds with a view to further distribute such Bonds, and (d) aware, and each beneficial owner of such Bonds has been advised, that the sale of such Bonds to it is being made in reliance on Rule 144A.

2. It understands that such Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, resold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that the holder and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the States of the United States; and the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the Bonds of the resale restrictions referred to in this clause (2).

3. It acknowledges that the Bonds offered and sold hereby in the manner set forth in paragraph (1) above are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Bonds.

4. It understands that any offer, sale, pledge or other transfer of the Bonds made other than in compliance with the above-stated restrictions may not be recognised by the Company.

5. The Company, the Registrar, the Joint Bookrunners and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Bonds for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make (and does make) the foregoing acknowledgments, representations and agreements on behalf of each such account.

6. It understands that the Bonds of each series offered in reliance on Rule 144A will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws.

7. It understands that such Bonds, unless otherwise agreed between the Company and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT

(1) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER OF THIS BOND WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS BOND OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

Prospective purchasers are hereby notified that sellers of the Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Bonds

Each purchaser of Bonds offered hereby in reliance on Regulation S under the Securities Act, by accepting delivery of this Offering Circular and the Bonds, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

1. It understands that such Bonds have not been and will not be registered under the Securities Act, and such Bonds are being offered and sold in reliance on Regulation S.

2. It is, or at the time the Bonds are purchased will be, the beneficial owner of such Bonds and (a) it is purchasing the Bonds in an offshore transaction (within the meaning of Regulation S); (b) it is not an affiliate of the Company or a person acting on behalf of such an affiliate and (c) it is not a US person (as defined in Regulation S under the Securities Act) and is located outside the United States and will continue to be located outside the United States at the time the buy order is originated.

3. It will not offer, sell, pledge or transfer Bonds, except in accordance with the Securities Act and any applicable laws of the states of the United States and any other jurisdiction.

4. The Company, the Registrar, the Joint Bookrunners and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

5. It understands that the Bonds of each series offered in reliance on Regulation S will be represented by the Unrestricted Global Certificate. For the period until and including the 40th day after the commencement of the offering, any interest in the Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a US person or a person located in the United States or a person who takes delivery in the form of an interest in the Restricted Global Certificate, provided that it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) to the effect that the transferee is a "qualified institutional buyer" (as defined in Rule 144A) and as to compliance with applicable securities laws.

6. It understands that such Bonds will, unless otherwise agreed between the Company and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, FOR THE ACCOUNT OR BENEFIT OF, ANY UNITED STATES PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

TAXATION

European Union Savings Directive

Under European Council Directive 2003/48/EC regarding the taxation of savings income (the "Directive"), Member States are required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction to, or where payments of interest or similar income are secured by such a person for, an individual in another Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, deducting tax at rates rising over time to 35% (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories and certain dependent or associated territories of certain Member States have adopted or agreed to adopt similar measures. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories. A consultation process is currently underway within the EU in relation to the scope of the Directive and, in particular, whether the Directive should also extend to payments channelled through intermediate entities and/or to payments considered to be of an interest-like nature. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts to the Bondholders or to otherwise compensate Bondholders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Certain United Kingdom Taxation Considerations

The following is a general description of certain UK tax considerations relating to the Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds and it does not generally deal with the tax position of prospective Bondholders who may be subject to tax in a jurisdiction other than the UK. It relates to the position of persons who hold Bonds as an investment and who are the absolute beneficial owners of the same and some aspects do not apply to certain classes of taxpayer (such as dealers in securities, Bondholders who are connected with the Company for relevant tax purposes or those who are treated for tax purposes as having received their Bonds by reason of their employment). Prospective Bondholders should seek their own professional advice as to their tax position. This summary is based on the Company's understanding of UK tax law and HM Revenue & Customs practice as in effect on the date of this Offering Circular and is subject to any change in such law or practice that may take effect after such date (possibly with retrospective effect).

PROSPECTIVE PURCHASERS OF BONDS WHO MAY BE SUBJECT TO TAX IN ANY JURISDICTION OTHER THAN THE UK, OR WHO HAVE ANY DOUBT WHATSOEVER AS TO THEIR TAX POSITION SHOULD CONSULT AN APPROPRIATE PROFESSIONAL ADVISER.

Interest on the Bonds

The Bonds will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 (the "Act") as long as they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Act. SGX-ST is a "recognised stock exchange" for these purposes. The Bonds will be treated as listed on SGX-ST if the Bonds are included in the official list of, and are admitted to trading on (which, in the case of SGX-ST, means quoted on), the Main Board of SGX-ST.

Provided, therefore, that the Bonds are and remain so listed and quoted, payments of interest on the Bonds will be made without deduction or withholding for or on account of UK income tax.

In all other cases, an amount must be deducted or withheld for or on account of UK income tax at the basic rate (currently 20%), subject to any direction to the contrary by HM Revenue & Customs under an applicable double taxation treaty, and except that the deduction or withholding obligation is disapplied in respect of payments of interest to Bondholders who the Company reasonably believes are either UK resident companies or non-UK resident companies carrying on a trade in the UK through a permanent establishment which is, in each case, within the charge to UK corporation tax and to which the interest is attributable, or are partnerships consisting entirely of such persons (unless, in each such case, HM Revenue & Customs directs otherwise), or fall within various categories enjoying a special tax status (including certain charities and pension funds) or where any other relevant exception, exemption or relief applies. Any premium payable on redemption may be treated as a payment of interest for UK tax purposes and may accordingly be subject to the withholding tax treatment described above.

Interest on the Bonds will constitute UK source income for UK tax purposes and may be subject to UK income tax or UK corporation tax (as appropriate) by direct assessment even where paid without deduction or withholding. However, interest with a UK source received without deduction or withholding for or on account of UK income tax will not be chargeable to UK tax in the hands of a Bondholder who is not resident for tax purposes in the UK unless that Bondholder: (i) is not a company and carries on a trade, profession or vocation in the UK through a UK branch or agency, or is a company and carries on a trade in the UK through a UK permanent establishment and the interest is received in connection with, or the Bonds are attributable to, that branch or agency or permanent establishment; or (ii) is a trustee in certain circumstances. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double tax treaty may also be relevant for such Bondholders.

Provision of information

In certain circumstances, HM Revenue & Customs has the power to require any person in the UK (i) paying interest to, or receiving interest on behalf of another person who is an individual; or (ii) paying amounts due on redemption of any Bonds which constitute deeply discounted securities as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 to or receiving such amounts on behalf of another person who is an individual, to disclose the name and address of that holder of Bonds and to provide information regarding the amounts paid to him or received on his behalf. In relation to the payment or receipt of interest, these provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of UK income tax and whether or not the holder of Bonds is resident in the UK for UK taxation purposes. Where the holder of Bonds is not so resident, the details provided to HM Revenue & Customs may, in certain cases, be passed on to the tax authorities of the jurisdiction in which the holder of Bonds is resident for taxation purposes.

Transfer and redemption of the Bonds

UK corporation taxpayers

In general, Bondholders who are within the charge to UK corporation tax in respect of the Bonds (other than certain Bondholders including investment trusts, venture capital trusts, authorised unit trusts and open-ended investment companies) will be treated for tax purposes as realising profits, gains or losses (including exchange gains and losses) in respect of the Bonds on a basis which is broadly in accordance with their statutory accounting treatment so long as that accounting treatment is in accordance with generally accepted accounting practice as that term is defined for the relevant tax purposes. Such profits, gains and losses will be taken into account in computing taxable income for UK corporation tax purposes.

Other UK taxpayers

It is not entirely certain whether or not the Bonds will be treated as "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. Accordingly, Bondholders are advised to consult their own professional advisers in respect of this issue.

If the Bonds are treated as "deeply discounted securities" for the purposes of Part 4, Chapter 8 of the Income Tax (Trading and Other Income) Act 2005, Bondholders who are not within the charge to UK corporation tax and who are resident or ordinarily resident for tax purposes in the United Kingdom, or who carry on a trade, profession or vocation in the UK through a branch or agency to which the Bonds are attributable, may be subject to UK tax on income on a disposal of the Bonds (including a disposal occurring on redemption of Bonds). In such a case, no chargeable gain or allowable loss would arise on a disposal of a Bond by a Bondholder (including a disposal occurring on redemption) nor should the accrued income profits and losses regime (as set out below) apply to Bondholders on such a disposal.

If the Bonds are not treated as "deeply discounted securities" for the purposes of Part 4, Chapter 8 of the Income Tax (Trading and Other Income) Act 2005, a disposal of the Bonds (including a disposal occurring on redemption) by an individual Bondholder who is resident or ordinarily resident for tax purposes in the United Kingdom, or who carries on a trade, profession or vocation in the UK through a branch or agency to which the Bonds are attributable, may give rise to a chargeable gain or allowable loss for the purposes of the UK taxation of chargeable gains. In calculating any gain or loss accordingly, a taxable profit can arise even where the amount received in a non-sterling currency is the same as, or less than, the amount paid in that currency for the Bond. Special rules may apply to individuals who have ceased to be resident or ordinarily resident in the United Kingdom and who dispose of their Bonds before becoming once again resident or ordinarily resident in the United Kingdom.

The provisions of the "accrued income profits and losses" regime (formerly known as the "accrued income scheme") (the "Regime") may apply to Bondholders who are subject to UK income tax in relation to the Bonds. On a transfer of securities with accrued interest, the Regime can, in certain circumstances, apply to deem the transferor to receive an amount of income equal to the accrued interest and to treat the deemed or actual interest subsequently received by the transferee as reduced by a corresponding amount. Generally, persons who are neither resident nor ordinarily resident in the UK and who do not carry on a trade in the UK through a branch or agency to which the Bonds are attributable will not be subject to the provisions of these rules. Bondholders are advised to consult their own professional advisers for further information about the rules relating to the Regime.

Stamp duty and stamp duty reserve tax. No UK stamp duty or stamp duty reserve tax should be payable on issue, transfer or redemption of the Bonds.

US Federal Income Tax Considerations

The following discussion is a summary of certain material US federal income tax consequences of the purchase, ownership and disposition of the Bonds by a US holder (defined below), but does not purport to be a complete analysis of all potential tax effects. This summary is based upon the US Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), Treasury regulations issued or proposed thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion does not address all of the US federal income tax consequences that may be relevant to a US holder in light of such US holder's particular circumstances or to US holders subject to special rules, such as certain financial institutions, US holders that will hold the Bonds in connection with a branch, agency or permanent establishment in the United Kingdom, US expatriates, insurance companies, dealers in securities or currencies, traders in securities, US holders whose functional currency is not the US dollar, tax-exempt organisations, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities, persons liable for alternative minimum tax and persons holding the Bonds as part of a "straddle", "hedge", "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase Bonds for cash pursuant to this Offering Circular at original issue, at their "issue price" (the first price at which a substantial part of the Bonds are sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Bonds as capital assets within the meaning of Section 1221 of the Internal Revenue Code.

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF US FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY PROSPECTIVE INVESTORS, FOR THE PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

For purposes of this discussion, a "US holder" is a beneficial owner of a Bond that is, for US federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation or any entity taxable as a corporation created or organised in the United States or under the laws of the United States, any state thereof or the District of Columbia;
- any estate the income of which is subject to US federal income taxation regardless of its source; or

- any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a United States person.

If a partnership (including any entity treated as a partnership for US federal income tax purposes) holds Bonds, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisers regarding the tax consequences of the purchase, ownership and disposition of Bonds.

Prospective purchasers of Bonds should consult their tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Bonds in light of their particular circumstances, including the application of the US federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Payments of Interest

It is expected, and the following discussion assumes, that the Bonds will not be issued with original issue discount in excess of a statutorily defined de minimis amount. Payments of stated interest on the Bonds generally will be taxable to a US holder as ordinary income at the time that such payments are received or accrued, in accordance with such US holder's method of accounting for US federal income tax purposes.

Interest income on a Bond generally will constitute foreign source income and generally will be considered "passive category income" or, in the case of certain US holders, "general category income" for purposes of the foreign tax credit limitation rules.

Should any foreign tax be withheld, the amount withheld and the gross amount of any additional amounts paid to a US holder as a result of such withholding as described in "Terms and Conditions of the Bonds — Taxation" (such amounts, "Additional Amounts"), will be included in such US holder's income as ordinary income at the time such amount is received or accrued in accordance with such US holder's method of tax accounting. Foreign withholding tax paid at the rate applicable to a US holder would, subject to limitations and conditions, be treated as foreign income tax eligible for credit against such US holder's US federal income tax liability or, at such US holder's election, eligible for deductions in computing taxable income. US holders should consult their tax advisers regarding the creditability or deductibility of any withholding taxes. Any Additional Amounts would generally constitute foreign source income.

Payments in Excess of Stated Interest or Principal

In certain circumstances (see "Terms and Conditions of the Bonds — Redemption and Purchase — Redemption at the option of the Issuer," "— Terms and Conditions of the Bonds — Redemption and Purchase — Repurchase of Bonds Upon a Change of Control Triggering Event" and "Terms and Conditions of the Bonds — Taxation"), the Company may be obligated to make payments on the Bonds in excess of stated principal and interest. The Company intends to take the position, and this discussion assumes, that the Bonds should not be treated as contingent payment debt instruments because of the possibility of these additional payments. This position is based in part on assumptions regarding the likelihood, a of the date of issuance of the Bonds, that such additional payments will have to be made. Assuming such position is respected, any additional payments to a US holder pursuant to such redemption or repurchase, as applicable, would be taxable as described below in "— Sale, Exchange, Redemption or Other Disposition of Bonds," and any payments of Additional Amounts would be taxable as described above in "— Payments of Interest." Our position is binding on a US holder, unless the holder explicitly discloses on its timely filed US federal income tax return for the taxable year including the acquisition date of the Bond that the US holder is taking a different position, but is not binding on the US Internal Revenue Service (the "IRS"). If the IRS successfully challenges our position, and the Bonds are treated as contingent payment debt instruments, the timing, amount and character of a US holder's income with respect to the Bonds could be materially different from the consequences described herein. US holders are urged to consult their tax advisers regarding the potential application to the Bonds of the contingent payment debt instrument rules and the consequences thereof.

Sale, Exchange, Redemption or Other Disposition of Bonds

Generally, upon the sale, exchange, redemption or other disposition of a Bond, a US holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange, redemption or other disposition (less any amount attributable to accrued but unpaid interest not previously included in income, which will be taxable as such) and such US holder's adjusted tax basis in the Bond. A US holder's adjusted tax basis in a Bond generally will equal the cost of such Bond to such US holder, less any principal payments received by the US holder.

Such gain or loss generally will be US source capital gain or loss, and will be long-term capital gain or loss if at the time of the sale, exchange, redemption or other disposition the Bond has been held by such US holder for more than one year. Long-term capital gain recognised by a non-corporate US holder will generally be subject to taxation at a reduced rate. The deductibility of capital losses is subject to limitation.

Information Reporting and Backup Withholding

In general, payments made in the United States or through certain US-related financial intermediaries of interest or principal and the proceeds from sales of Bonds held by a US holder will be required to be reported to the IRS unless the US holder is an exempt recipient and when required, demonstrates this fact. In addition, a US holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a US holder's US federal income tax liability and may entitle the US holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Recent Legislation

For taxable years beginning after 18 March 2010, legislation enacted in the United States in 2010 requires certain US holders who are individuals to report information relating to an interest in the Bonds, subject to certain exceptions (including an exception for Bonds held in accounts maintained by certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. US holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Bonds.

PLAN OF DISTRIBUTION

Each of the Joint Bookrunners has, pursuant to a subscription agreement dated 26 May 2011 (the "Subscription Agreement"), severally agreed with the Company, subject to the satisfaction of certain conditions, to subscribe for the principal amount of the Bonds set forth opposite its name below.

	Principal Amount $750,000,000 6.75% Bonds Due 2016	%	Principal Amount $900,000,000 8.25% Bonds Due 2021	%
Standard Chartered Bank	$254,984,504	34.0%	$305,981,405	34.0%
The Royal Bank of Scotland plc	135,991,736	18.1%	163,190,083	18.1%
Citigroup Global Markets Limited	127,492,252	17.0%	152,990,702	17.0%
Credit Suisse Securities (Europe) Limited	118,992,769	15.9%	142,791,322	15.9%
Barclays Bank PLC.	110,493,285	14.7%	132,591,942	14.7%
Goldman Sachs International	681,818	0.1%	818,182	0.1%
J.P. Morgan Securities Ltd.	681,818	0.1%	818,182	0.1%
Morgan Stanley & Co. International plc	681,818	0.1%	818,182	0.1%
	$750,000,000	100.00%	$900,000,000	100.00%

The Subscription Agreement provides that the Joint Bookrunners will purchase all the Bonds if they purchase any of the Bonds. The Subscription Agreement entitles the Joint Global Coordinators and Joint Lead Managers, on behalf of the Joint Bookrunners, to terminate the Subscription Agreement in certain circumstances prior to payment being made to the Company. The Company has under the Subscription Agreement agreed to indemnify the Joint Bookrunners against certain liabilities. The Joint Bookrunners may offer and sell the Bonds through certain of their affiliates.

Neither the Company nor any person acting on its behalf will, from the date of this Offering Circular until the date 60 days after the date of the issuance of the Bonds, without the prior written consent of the Joint Bookrunners, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal) non-equity-linked debt securities issued or guaranteed (other than guarantees in respect of Indian Rupee denominated non-equity linked debt securities) by the Company and having a maturity of more than one year from the date of issue.

The Bonds are a new issue of securities with no established trading market. The Company has obtained in-principle approval for the listing of the Bonds on the SGX-ST. In connection with this offering, the Stabilising Managers or any of their affiliates (or persons acting on behalf of any Stabilising Manager) may, to the extent permitted by laws and regulations, over-allot or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail for a limited time after the issue date of the Bonds. However, there is no assurance that the Stabilising Managers or any of their affiliates (or persons acting on behalf of any Stabilising Manager) will undertake any stabilisation action. Any stabilising action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action must be conducted by the relevant Stabilising Manager or any of their affiliates (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

The Joint Bookrunners and their respective affiliates have, in the past, provided banking, investment banking and advisory services for the Company and the Group for which they have received customary fees and expenses. Any or all of the Joint Bookrunners and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Company and the Group in the ordinary course of their respective businesses. The Joint Bookrunners or certain of their respective affiliates may purchase Bonds and be allocated Bonds for asset management and/or proprietary purposes and not with a view to distribution. Each of the Joint Bookrunners or its affiliate is a party to a $3.5 billion syndicated term loan facility and a $1.5 billion bridge to bond facility, in each case, which Vedanta entered into to partially finance the Acquisition. As of the date of this Offering Circular, no amounts have been drawn from the above facilities. It is intended that the bridge to loan facility will, upon completion of this offering, be cancelled. See "Summary — Financing for the Acquisition and related transactions."

It is expected that delivery of beneficial interests in the Bonds will be made through the facilities of DTC on or about 7 June 2011, which will be the seventh business day following the initial sale of the Bonds. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Bonds prior to the third business day before the delivery of the Bonds will be required, by virtue of the fact that the Bonds initially will settle on a delayed basis, to agree to a delayed settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Bonds who wish to make such trades should consult their own advisors.

General

No action has been or will be taken in any jurisdiction by the Joint Bookrunners or the Company that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of, United States persons, except that the Bonds may be offered or sold to qualified institutional buyers in reliance on an exemption from registration under the Securities Act or outside the United States in accordance with Regulation S. The Bonds are being offered and sold outside the United States to non-US persons in reliance on Regulation S and within the United States to qualified institutional buyers in reliance on Rule 144A or another exemption from registration under the Securities Act. In addition, until 40 days after the commencement of the offering, an offer or sale of the Bonds within the United States (whether or not as part of the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

United Kingdom

Each of the Joint Bookrunners represents and agrees that (i) each Joint Bookrunner and Joint Lead Manager has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and (ii) each Joint Bookrunner and Joint Lead Manager has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

No Bonds may be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made thereunder; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

No advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been or will be issued other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

India

This document has not been and will not be registered as a prospectus or a statement in lieu of prospectus with any registrar of companies in India. This document has not been and will not be reviewed or approved by any regulatory authority in India, including the Securities and Exchange Board of India, any registrar of companies in India or any stock exchange in India. This document and this offering of Bonds are not and should not be construed as an invitation, offer or sale of any securities to the public in India. Other than in compliance with the private placement exemptions under applicable laws and regulations in India, including the Companies Act, 1956, as amended, our Bonds have not been, and will not be, offered or sold to the public or any member of the public in India. This document is strictly personal to the recipient and neither this document nor the offering of our Bonds is calculated to result, directly or indirectly, in our Bonds becoming available for subscription or purchase by persons other than those receiving the invitation or offer.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Law of Japan and may not be offered or sold, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to, or for the account or benefit of, any person for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except (a) pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Financial Instruments and Exchange Law of Japan and (b) in compliance with any other relevant laws and regulations of Japan.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (b) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor;

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (for corporations, under section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for Vedanta Resources plc by Latham & Watkins LLP as to matters of English law and US federal securities law. Certain legal matters will be passed upon for the Joint Bookrunners by Shearman & Sterling LLP with respect to English law and US federal securities law. Certain legal matters with respect to the Bonds will be passed upon for Vedanta Resources plc and the Joint Bookrunners by Amarchand & Mangaldas & Suresh A. Shroff & Co. as to Indian law.

INDEPENDENT AUDITORS

The consolidated Annual Financial Statements of Vedanta Resources plc's as of and for the years ended 31 March 2010 and 2011 included in this Offering Circular have been audited by Deloitte LLP, independent auditors, as stated in their reports appearing herein.

The audit reports of Deloitte LLP, with respect to Vedanta's consolidated financial statements, in accordance with guidance issued by The Institute of Chartered Accountants in England and Wales, include the following limitations: "This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed".

The consolidated financial statements for the Cairn India Group as at and for the twelve months ended 31 December 2007, as at and for the fifteen months ended 31 March 2009 and as at and for the twelve months ended 31 March 2010, included in this Offering Circular have been audited, by S.R. Batliboi & Associates, independent auditors, as stated in their report appearing herein.

EXPERTS

The information included in this Offering Circular regarding the ore reserves is based on estimates determined by Vedanta and;

(i) reviewed and confirmed as being reported in compliance with the Joint Ore Reserves Committee ("JORC") Code by SRK Consulting (UK) Limited for the mining assets of HZL, as of 31 March 2011;

(ii) reviewed and confirmed as being reported in compliance with the JORC Code by RPA for the mining assets of SGL, as of 31 March 2011; and

(iii) reviewed and confirmed as being reported in compliance with the 2006 South African Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves ("SAMREC") Code by SRK Consulting (South Africa) (Pty) Ltd for the mining assets of KCM, as of 31 March 2011, who additionally confirmed that it did not find any material differences between the SAMREC Code and the JORC Code.

DeGolyer and MacNaughton has independently estimated the proved, probable, and possible reserves and contingent and prospective resources of Cairn India as of 30 June 2010 according to the PRMS approved in March 2007 by the SPE, WPC, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers.

Where the ore reserve estimate has been updated since the last audit by the independent mining consultants, the independent mining consultants have not reviewed the calculations but confirmed that the results appear reasonable.

The information included in this Offering Circular regarding the proved, probable, and possible oil, condensate, and sales-gas reserves and the contingent and prospective resources owned by Cairn India in India is based on estimates determined by Cairn India.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Definitions

The following definitions apply throughout this Offering Circular unless the context requires otherwise:

"AAI"	Aluminium Association of India
"Acquisition"	the acquisition by Vedanta and/or members of the Vedanta Group of 58.5% of the fully diluted share capital of Cairn India
"Act"	Income Tax Act 2007 of the UK
"ADSs"	American Depositary Shares
"Affiliate"	a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified person. A person shall be deemed to control another person if such first person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of such other person, whether through the ownership of voting securities, by contract or otherwise
"Agarwal family"	Messrs. Anil Agarwal, Dwarka Prasad Agarwal and Agnivesh Agarwal, any of their parents, spouses, children, siblings and their children of the Vedanta Group, and the families of any such person
"Air Act"	Air (Prevention and Control of Pollution) Act, 1981 of India
"Alcoa"	Alcoa Inc.
"aluminium business"	the business of the Group comprising the aluminium operations as further described in "Business — Description of the Businesses — Aluminium Business"
"AMC"	African Mining Consultants Ltd, an independent consulting firm
"Annual Financial Statements"	the consolidated financial information for Vedanta as of and for the fiscal years ended 31 March 2009, 2010 and 2011
"APDRP"	The Accelerated Power Development and Reform Programme, an initiative implemented by the Finance Ministry of the GoI
"Articles"	Articles of Association of the Company
"Asarco"	Asarco LLC, formerly known as American Smelting and Refining Company
"associated undertakings"	has the meaning ascribed to it under paragraph 20(1) of Schedule 4A to the Companies Act
"AT&C"	Aggregate Technical and Commercial
"Aurubis"	The Aurubis Group
"Australia"	The Commonwealth of Australia, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof
"BALCO"	Bharat Aluminium Company Limited, a company incorporated in India
"BHP Billiton"	BHP Billiton Limited
"Binani Zinc"	Binani Zinc Limited
"Bloomberg"	Bloomberg L.P.
"Board"	the board of Directors of Vedanta
"Bondholders"	Holders of the Bonds

"Bonds"	$500,000,000 8.75% Bonds due 2014 and $750,000,000 9.50% Bonds due 2018
"BPC"	Bharat Petroleum Corporation Limited
"Brook Hunt"	Brook Hunt & Associates Ltd., a metals and mining consulting firm
"BSAL"	Bellary Steel & Alloys Limited
"BSE"	the Bombay Stock Exchange Limited
"CAGR"	Compound annual growth rate
"Cairn Energy"	Cairn Energy plc, a company incorporated in England & Wales
"Cairn Energy Group"	Cairn Energy, its subsidiaries and subsidiary undertakings, and "member of the Cairn Energy Group"" shall be construed accordingly
"Cairn India"	Cairn India Limited, a company incorporated in India
"Cairn India Group"	Cairn India its subsidiaries and subsidiary undertakings, and "member of the Cairn India Group" shall be construed accordingly
"Cairn India Shareholders"	The holders of Cairn India Shares
"Cairn India Shares"	Ordinary shares of INR 10 each in the share capital of Cairn India
"Cairn Relationship Agreement"	The agreement between CUKHL, Cairn India and Cairn Energy dated 4 October 2006, as amended
"Canada"	Canada, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof
"CDM"	Clean development mechanism
"CEA"	the Central Electricity Authority of India
"CEC"	Copperbelt Energy Corporation PLC, a public company in Lusaka, Zambia
"CEE"	Central and Eastern Europe
"CEIPL"	Cairn Energy India Pty Limited
"CGU"	Cash generating unit
"CHALCO"	Aluminium Corporation of China Limited
"CIS"	Commonwealth of Independent States
"Clearstream"	Clearstream Banking, *société anonyme*
"Closing Date"	on or about 7 June 2011
"CLRA"	Contract Labour (Regulation and Abolition) Act, 1970 of India
"CMT"	Copper Mines of Tasmania Pty Ltd, a company incorporated in Tasmania, Australia
"Co-Manager"	UniCredit Capital Markets LLC
"Coal India"	Coal India Limited, the government-owned coal monopoly in India
"Code"	"The Combined Code on Corporate Governance" issued by the Financial Reporting Council of the UK
"Codelco"	Corporación Nacional del Cobre
"Combined Group"	The Vedanta Group and the Cairn India Group
"Command Petroleum"	Command Petroleum (India) Pty Ltd.
"Commission"	US Securities and Exchange Commission

"Companies Act"	the United Kingdom Companies Act 1985, as amended
"Company" or "Vedanta"	Vedanta Resources plc, a company incorporated with limited liability in England and Wales
"copper business"	the business of the Group comprising the copper operations as further described in "Business — Description of the Businesses — Copper Business"
"CRISIL"	Credit Rating Information Services of India Limited
"CRISIL Research"	CRISIL Research & Information Services Limited
"CRO"	Chingola Refractory Ore
"CRO Project"	the plant being constructed by Vedanta to extract copper from the estimated 147.2 mt of probable reserves, as of 31 March 2011, from refractory ore stockpiled at its Nchanga licence area, which Vedanta believes will produce approximately 50,000 tpa of additional finished copper from approximately 11.2 mtpa of refractory ore by fiscal 2014
"CUKHL"	Cairn UK Holdings Limited, a company incorporated in England & Wales
"Development Agreement"	the development agreement dated 5 November 2004 between KCM and the Government of Zambia
"Development Area"	The three contiguous development areas in the Rajasthan Block totalling 3,111 square km including the Mangala, Bhagyam and Aishwariya fields
"DGH"	Directorate General of Hydrocarbons
"Directive"	Directive/2003/48/EC adopted by the EU regarding the taxation of savings income in the form of interest payments that came into force on 1 July 2005
"Directors"	the Executive Directors and Non-executive Directors of the Company
"DTC"	The Depository Trust Company
"EIA Notification"	Environment Impact Assessment Notification No. 1553(E), 2006 of India
"EPA"	Environment (Protection) Act, 1986 of India
"EPFA"	Employees' Provident Funds and Miscellaneous Provisions Act, 1952 of India
"ESIA"	Employee State Insurance Act, 1948 of India
"Essel"	Essel Mining & Industries Ltd
"EU"	the European Union as established by the Treaty on European Union
"Euroclear"	Euroclear Bank S.A./N.V.
"Exchange Act"	United States Securities Exchange Act of 1934, as amended
"Executive Directors"	Messrs. Anil Agarwal, Navin Agarwal and Mahendra Singh Mehta
"Factories Act"	Factories Act, 1948, as amended, of India
"FDP"	Field development plan
"FEMA"	Foreign Exchange Management Act, 1999 of India
"Finsider"	Finsider International Company Limited, a company incorporated in England and Wales

"fiscal"	the financial year ended or ending 31 March of that year
"Fitch"	Fitch Ratings Limited
"FOB"	Free on Board — means that the seller fulfils his obligation to deliver when the goods have passed over the ship's rail at the named part of shipment. This means that the buyer has to bear all costs and risks of loss or damage to the goods from that point
"Forest Act"	Forest (Conservation) Act, 1980 of India
"Freeport-McMoran"	Freeport McMoran Copper and Gold Corporation
"FSA"	Financial Services Authority of the United Kingdom
"FSMA"	the United Kingdom Financial Services and Markets Act 2000, as amended
"GAIL"	Gail (India) Limited
"GDP"	gross domestic product
"GEPL"	Goa Energy Pvt Ltd, an independent power producer
"Global Certificate"	the Restricted Global Certificate and the Unrestricted Global Certificates
"GoI"	Government of India
"GPEC"	Gujarat Paguthan Energy Corporation Private Limited
"GRIDCO"	Grid Corporation of Orissa Limited, a nominee of the State Government of Orissa
"GRZ"	the Government of Zambia
"GSC"	gas sale contracts
"GSPC"	Gujarat State Petroleum Corporation Limited
"GTCL"	Gujarat Gas Trading Company Limited
"Highway Reward"	an underground copper mine in Queensland, Australia (now closed) in which TCM had a 70% interest
"Hindalco"	Hindalco Industries Limited
"HPCL"	Hindustan Petroleum Corporation Limited
"HZL"	Hindustan Zinc Limited, a company incorporated in India
"IAS"	International Accounting Standards
"IBM"	Indian Bureau of Mines
"ICPCI"	International Copper Promotion Council, India
"IDA"	Industrial Disputes Act, 1947 of India
"IFL"	India Foils Limited, a company incorporated in India
"IFRS"	International Financial Reporting Standards
"ILZDA"	India Lead Zinc Development Association
"Income Tax Act"	Income Tax Act, 1961 of India
"INDAL"	Indian Aluminium Company Limited
"India"	Republic of India
"Indian GAAP"	generally accepted accounting principles as used in India

"Indian Takeover Code"	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended from time to time
"Interim Financial Statements"	the unaudited interim condensed consolidated financial information for Vedanta as of and for the nine months ended 31 December 2009 and 2010
"Internal Revenue Code"	US Internal Revenue Code of 1986, as amended
"IOC"	Indian Oil Corporation Limited
"iron ore business"	the business of the Group comprising the iron ore operations as further described in "Business — Description of the Businesses — Iron Ore Business"
"IRS"	US Internal Revenue Service
"ISO"	International Standards Organisation. ISO 14001 refers to the international standard for environmental management systems published by the ISO in 1996
"JIP"	Joint Industry Project
"Joint Bookrunners"	Barclays Bank PLC, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, The Royal Bank of Scotland plc, Standard Chartered Bank, Goldman Sachs International, J.P. Morgan Securities Ltd. and Morgan Stanley & Co. International plc
"Joint Global Coordinators, and Joint Lead Managers"	Barclays Bank PLC, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, The Royal Bank of Scotland plc and Standard Chartered Bank
"JPY"	Japanese Yen
"Kapasan Project"	The implementation of a 100,000 tpa greenfield zinc smelter plan at Kapasan, State of Rajasthan, by HZL under the terms of SOVL's shareholders' agreement
"KCM"	Konkola Copper Mines plc, a company incorporated in Zambia
"KDMP"	Konkola Deep Mining Project
"Konkola Resources"	Konkola Resources plc
"Land Acquisition Act"	Land Acquisition Act, 1894, as amended, of India
"LBMA"	The London Bullion Metal Association
"LIBOR"	London Interbank Offering Rate
"Lisheen"	Lisheen Mine Partnership and its subsidiaries
"Listing"	Vedanta's listing of the Ordinary Shares on the Official List and admission to trading on the LSE's main market for listed securities on 10 December 2003
"Listing Rules"	the rules relating to admission to the Official List, made in accordance with under Section 73A(2) of FSMA
"LME"	the London Metal Exchange Limited
"LML"	the four large-scale mining licences granted to KCM by the Republic of Zambia on 31 March 2000, each of which has a term of 25 years
"LOB"	Lower Ore Body, a stratigraphic horizon for mineralisation
"LSE"	London Stock Exchange plc

"LTIP"	Vedanta Resources Long-Term Incentive Plan.
"Major Shareholder"	Volcan Investments Ltd
"MALCO"	Madras Aluminium Company Ltd, a company incorporated in India
"Material Subsidiaries"	has the meaning as ascribed in the 2004 Trust Deed
"MBA Fields"	the Mangala, Bhagyam and Aishwariya fields located in the Rajasthan Block
"MC Rules"	Mineral Concession Rules, 1960, as amended, of India
"MCD Rules"	Mineral Conservation and Development Rules, 1988, as amended, of India
"Mitsui"	Mitsui & Co.
"MLMC"	Mt. Lyell Mining Company Limited, formerly Gold Mines of Australia
"MMDR Act"	Mines and Minerals (Development and Regulations) Act, 1957, as amended, of India
"MoEF"	Ministry of Environment and Forest of the GoI
"Monte Cello"	Monte Cello BV, a company incorporated in The Netherlands
"Moody's"	Moody's Investors Service, Inc.
"MoP"	Ministry of Power of the Government of India
"MoPNG"	Ministry of Petroleum and Natural Gas of the GoI
"MoU"	Memorandum of Understanding
"MPT"	Mangala Processing Terminal
"MSPL"	Mineral Sales Private Limited
"MWA"	Minimum Wages Act, 1948 of India
"NALCO"	National Aluminium Company Limited
"NEERI"	National Environmental Engineering Research Institute
"NELP"	New Exploration Licensing Policy
"NELP PSCS"	the blocks which the Cairn India Group has a participating interest in, which comprise of KK-DWN-2004/1 (Kerala Konkan Basin); GS-OSN-2003/1 (Gujarat Saurashtra Offshore); KG-DWN-98/2 (Krishna Godavari Basin); PR-OSN-2004/1 (Pallar Pennar Basin); MB-DWN-2009/1 (Mannar Basin); KG-OSN-2009/3 (Krishna Godavari Basin) and KG-ONN 2003/1 (Krishna Godavari Basin — Onshore)
"Nippon"	Nippon Mining and Metals Co. Ltd
"NMDC"	National Mineral Development Corporation
"No. 1 shaft"	the mining operations by underground methods focusing on the shaft system of the Kirila Bombwe South ore body
"No. 3 shaft"	the mining operations by underground methods focusing on the shaft system of the Kirila Bombwe North ore body
"Non-executive Directors"	Messrs. Naresh Chandra, Euan R. Macdonald and Aman Mehta
"Noon Buying Rate"	the noon buying rate in New York City for cable transfer of such foreign currency as certified for customs purposes by the Federal Reserve Bank of New York
"NOP"	Nchanga open-pit

"NSE"	the National Stock Exchange of India Limited
"NTP"	the National Tariff Policy of India
"NTPC"	National Thermal Power Corporation Limited
"Nyrstar"	Nyrstar NV
"NYSE"	New York Stock Exchange
"Official List"	the official list maintained by the UK Listing Authority for the purposes of Part VI of the FSMA
"OHSAS"	Occupational Health and Safety Assessment Series.
"OIDA"	Indian Oil Industry (Development) Act 1974, as amended
"OIDC"	Orissa Infrastructure Development Corporation
"OMC"	Orissa Mining Corporation Ltd.
"Onclave"	Onclave PTC Limited, the trustee of the Trust
"ONGC"	The Oil and Natural Gas Corporation Limited
"Open Offer"	the purchase of Cairn India Shares pursuant to an open offer made to Cairn India Shareholders (other than members of the Cairn Energy Group)
"Option Plan"	Vedanta Resources Share Option Plan. The share option plan described in "Management — Employee Share Schemes"
"Ordinary Shares"	ordinary shares of $0.10 each in the Company
"Paying Agency Agreement"	the paying agency agreement to be dated on or about the Closing Date among the Issuer, the Trustee and the Principal Agent
"PBA"	Payment of Bonus Act, 1965 of India
"PGA"	Payment of Gratuity Act, 1972 of India
"PGCIL"	Power Grid Corporation India Limited
"Phase I"	the first phase of development of the Rajasthan Block, including the development of the Mangala field, the commissioning of the MPT and the Pipeline
"Phase II"	the second phase of development of the Rajasthan Block, including the development of Bhagyam and Aishwariya fields and the construction and installation of the Salaya to Bhogat section of the Pipeline
"Pipeline"	the heated pipeline for the transportation of crude oil produced at the Rajasthan Block of approximately 600 km
"Plan"	Vedanta's Share Option Plan adopted in 2004
"PPAs"	power purchase agreements
"Pre-Acquisition Vedanta Group"	The Vedanta Group as it was immediately prior to the Acquisition
"Principal Agent"	Citibank, N.A., London Branch
"PRMS"	Petroleum Resources Management System
"Pro Forma Financial Information"	the unaudited pro forma condensed combined financial information
"PWA"	Payment of Wages Act, 1936 of India
"PWD"	Public Works Department of India
"QIB"	qualified institutional buyer within the meaning of Rule 144A
"Rajasthan Block"	Block RJ-ON-90/1

"Rajasthan Block PSC"	The PSC between the GoI and a consortium consisting of ONGC, SIPD and Cairn India in relation to the Rajasthan Block
"Ravva Block"	Block PKGM-1
"RBI"	Reserve Bank of India
"RBI Reference Rate"	the exchange rates certified by the Reserve Bank of India
"Readmission"	Admission of the Ordinary Shares to the Official List and to trading on the LSE's main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards
"Registrar"	Citigroup Global Markets Deutschland AG
"Regulation S"	Regulation S under the Securities Act
"Regulation S Bonds"	the Bonds which are offered and sold outside the United States to non-US persons in reliance on Regulation S
"Relationship Agreement"	the relationship agreement dated 5 December 2003 entered into by Vedanta, Volcan, Onclave and Anil Agarwal
"Restricted Global Certificate"	the restricted global certificate in restricted form initially representing the Rule 144A Bonds
"Richter"	Richter Holding Ltd.
"Rio Tinto"	Rio Tinto plc
"Rio Tinto Alcan"	Rio Tinto Alcan Ltd.
"Rule 144A"	Rule 144A under the Securities Act
"Rule 144A Bonds"	the Bonds which are offered and sold in the United States to QIBs in reliance on Rule 144A
"RPA"	Roscoe Postle Associates Inc. (formerly known as Scott Wilson Roscoe Postle Associates Inc.), an independent consulting firm
"SAT"	Securities Appellate Tribunal of India
"SEBI"	Securities and Exchange Board of India
"SEBs"	State electricity boards in India
"SECL"	South Eastern Coalfields Limited, a subsidiary of Coal India
"Securities Act"	United States Securities Act of 1933, as amended
"Securities Act Legend"	has the meaning as ascribed to in the Trust Deed
"Segment result after special items"	has the meaning given to it in "Presentation of Information"
"SEPCO"	Shandong Electric Power Construction Corporation
"SEWT"	SIL Employee Welfare Trust
"SFA"	Securities and Futures Act, Chapter 289 of Singapore
"SFIO"	Serious Fraud Investigation Office
"SGL"	Sesa Goa Limited, a company incorporated in India
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Shared Services Agreement"	the shared services agreement dated 5 December 2003 entered into among STL, Sterlite Gold (an affiliated company then) and Sterlite as part of the Listing
"SICA Act"	Sick Industrial Companies (Special Provisions) Act 1985 of India

"SIL"	Sesa Industries Limited, a company incorporated in India, which was formerly the subsidiary of SGL, which has since amalgamated with SGL with effect from 14 February 2011 and the appointment date of 1 April 2005
"SIPD"	Shell India Production Development B.V.
"SKCCL"	Sesa Kembla Coke Company Limited
"Skorpion"	Skorpion Mining Company (Pty) Ltd and its subsidiaries
"SMCL"	Sesa Mining Corporation Limited
"SOVL"	Sterlite Opportunities and Ventures Limited, a company incorporated in India
"SPE"	Society of Petroleum Engineers
"SRK Consulting"	independent consulting firms of SRK Consulting (South Africa) Pty Ltd and SRK Consulting (UK) Limited collectively
"SRL"	Sesa Resources Limited (previously known as V.S. Dempo & Co. Private Limited)
"SSO"	surfaces sources operations
"Standard & Poor's"	Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc.
"Sterlite"	Sterlite Industries (India) Limited, a company incorporated in India
"Sterlite USA"	Sterlite (USA), Inc.
"Sterlite Energy"	Sterlite Energy Limited, a company incorporated in India
"Sterlite Gold"	Sterlite Gold Ltd, a company incorporated in Canada
"STL"	Sterlite Technologies Limited, a company incorporated in India
"Subscription Agreement"	a subscription agreement entered into by the Joint Bookrunners and the Company and dated 26 May 2011
"Sun Coke"	Sun Coke Company
"Tata"	Tata Petrodyne Limited
"T&D"	transmission and distribution
"Tax Department"	the Indian Income Tax Department
"TCM"	Thalanga Copper Mines Pty Ltd, a company incorporated in Victoria, Australia
"Thalanga"	a copper processing facility (now closed) in which TCM had a 100% interest associated with the Highway Reward mine
"TLP"	tailings leach plant
"TNEB"	Tamil Nadu Electricity Board
"TNPCB"	Tamil Nadu Pollution Control Board
"Trust"	Anil Agarwal Discretionary Trust
"Trust Deed"	the trust deed to be dated on or about the Closing Date between the Company and the Trustee
"Trustee"	Citicorp International Limited
"TSEHL"	Twin Star Energy Holdings Limited, a company incorporated in Mauritius
"TSMHL"	Twin Star Mauritius Holdings Limited, a company incorporated in Mauritius

"Twin Star"	Twin Star Holdings Limited, a company incorporated in Mauritius
"UC RUSAL"	United Company RUSAL Ltd.
"TSPL"	Talwandi Sabo Power Limited
"UK Corporate Governance Code"	The UK Corporate Governance Code issued by the Financial Reporting Council of the UK in June 2010
"UK GAAP"	generally accepted accounting principles as used in the UK
"UK Listing Authority" or "UKLA"	the FSA acting in its capacity as the competent authority for the purpose of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of the FSMA
"UMPPs"	Ultra Mega Power Projects of India
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"Unrestricted Global Certificate"	the unrestricted global certificate is registered form initially representing the Regulation S Bonds
"US EIA"	US Energy Information Administration
"US GAAP"	generally accepted accounting principles as used in the US
"USGS"	US Geological Survey a science agency for the US Department of the Interior with a mission to provide for the provision of reliable scientific information to describe and understand the Earth; minimise loss of life and property from natural disasters; manage water, biological, energy, and mineral resources; and enhance and protect quality of life.
"Vale"	Vale Limited
"Vedanta Aluminium" or "VAL"	Vedanta Aluminium Limited, a company incorporated in India
"Vedanta Group"	Vedanta its subsidiaries and subsidiary undertakings, and "member of the Vedanta Group" shall be construed accordingly
"VFJL"	Vedanta Finance (Jersey) Limited
"Videocon"	Videocon Industries Limited (formerly a separate corporate entity called Petrocon India Limited, previously named Videocon Petroleum Limited)
"Volcan"	Volcan Investments Limited, a company incorporated in the Bahamas
"VRHL"	Vedanta Resources Holdings Limited, a company incorporated in England and Wales
"Water Act"	Water (Prevention and Control of Pollution) Act, 1974 of India
"Water Cess Act"	Water (Prevention and Control of Pollution) Cess Act, 1977 of India
"WCA"	Workmen's Compensation Act, 1923 of India
"WPC"	World Petroleum Council
"Xinfa"	Xinfa Aluminium Electrical
"Xstrata"	Xstrata AG
"Zambia" or "GRZ"	the Republic of Zambia

"ZCCM"	Zambia Consolidated Copper Mines Limited, a company incorporated in Zambia
"ZCI"	Zambia Copper Investments Ltd, a company incorporated in Zambia
"ZCIH"	ZCI Holdings S.A., a company incorporated in Zambia
"ZESCO"	Zambia Electricity Supply Corporation Limited
"zinc business"	the business of the Group comprising the zinc operations as further described in "Business — Description of the Businesses — Zinc Business"
"Zinifex"	Zinifex Limited

Glossary of Technical Terms

The following definitions shall apply to the technical terms used herein:

"2D"	two dimensional
"2P"	gross proved plus probable reserves
"3D"	three dimensional
"4D"	four dimensional
"alloy"	a compound of two or more metals
"alumina"	the calcined product from an alumina refinery containing at least 98% aluminium oxide (Al2O3)
"anode"	the electrode by which current enters the cell. For copper refining, the impure copper is used as an anode. For zinc refining, lead anodes are used. For aluminium refining, a carbon anode is used
"anode slime"	a deposit of insoluble residue formed from the dissolution of the anode in commercial electrolysis. In copper refining, this slime contains the precious metals that are recovered from it
"API"	a specific gravity scale developed by the American Petroleum Institute for measuring the relative density of various petroleum liquids
"AS"	acid soluble (pertaining to copper)
"ASP"	alkaline surfactant polymer
"assay"	a test to determine the level of a particular element in a sample.
"asset capacity"	the maximum throughput of fixed facilities such as a processing plant or material handling system, which can vary over the life of the facility from the initial nameplate capacity
"bboe"	billion barrels of oil equivalent
'boepd"	barrels of oil equivalent per day
"bopd"	barrels of oil per day
"bauxite"	a general term for a rock composed of a mixture of hydrated aluminium oxides and hydroxides and generally contaminated with compounds of iron; it is the main ore from which aluminium is produced
"Bayer process"	this is the principal industrial means of refining bauxite to produce alumina. In the Bayer process, bauxite is washed with a hot solution of sodium hydroxide at 175°C (*digestion*). This converts the alumina to aluminium hydroxide which dissolves in the hydroxide solution. The other components of bauxite do not

dissolve and are filtered from the solution as solid impurities (*clarification*). The mixture of solid impurities is called *red mud*, and presents a disposal problem. Next, the hydroxide solution is cooled, and the dissolved aluminium hydroxide precipitates out as a white, fluffy residue. When then heated to 1,050°C, the aluminium hydroxide decomposes to alumina (*calcination*), giving off water vapour in the process. A large amount of the alumina so produced is then subsequently *smelted* in order to produce aluminium.

"Blast Hole Mining method"	this mining method involves the drilling of blast holes within an ore block in an upward and/or downward direction which are then filled with explosives. These explosives are set off in stages to break up the ore block in order to extract it from the mine. The broken ore is removed by loading and transportation equipment at the mine. The cavity in the ore block is filled with mill tailing and cement to maintain the stability of the mine
"brownfield"	development project to upgrade, modify or further develop an existing property
"calcined"	to be heated to a high temperature, but below the melting or fusing point causing loss of moisture, reduction or oxidation or thermal decomposition (a chemical reaction where a single compound breaks up into two or more simpler compounds or elements when heated)
"cathode"	the cathode is the conductor through which electricity leaves the cell. For copper refining, the cathode is where the refined copper is deposited. For aluminium smelting, the cathode is known as the pot lining
"cells"	cells are the containers in which the electrolytic process for formation of metal takes place. For aluminium smelting, these are known as pots
"concentrate"	material which has been processed to increase the percentage of the valuable mineral to facilitate transportation and downstream processing
"copper concentrate"	a product of the flotation process with a copper content typically ranging between 24% and 40%
"CPP"	captive power plant
"cut-off grade"	the lowest grade of mineralised material considered economic to mine; cut-off grade is used in the calculation of the ore reserves for a given deposit.
"DCQ"	daily contract quantity
"de-bottlenecking"	the removal of a constraint on production by increasing the productivity of one part of an operation
"deposit"	a mineralised body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing mineral reserves, until final legal, technical and economic factors have been resolved.
"Development"	activities related to a mineral deposit commencing at the point economically recoverable reserves can reasonably be estimated to exist and generally continuing until commercial production begins.

"dmt"	Dry metric tonnes
"dmtu"	Dry metric tonne unit. Iron ore prices are quoted in dmtu.
"DOC"	declaration of commerciality
"DORS II"	Dynamic Ore Reserve System II; an in-house system developed to calculate the Nchanga underground reserves by applying the grade factor to the resource based on the percentage of ore drawn and forecasts of the grades to be mined
"Draft"	with respect to a ship's hull, the vertical distance between the waterline and the bottom of the hull (keel), with the thickness of the hull included
"DTH"	down the hole; a drilling method in all application segments including blasthole, water well, foundation, oil and gas, cooling systems, and drilling for heat exchange pumps
"dwt"	dead weight tonnes; refers to the maximum amount of tonnes of cargo a ship is able to carry
"economic feasibility of the reserves" . .	the degree on the other hand categorising the resources under economic, marginally economic and sub-economic according to the relationship between prices and extraction costs and technological exploitability
"EOR"	Enhanced oil recovery
"exploration".	prospecting, sampling, mapping, drilling and other work Involved in searching for ore
"EUR"	estimated ultimate recovery
"Fe"	symbol for the chemical element, iron
"flotation".	a wet chemistry process by which particular minerals are induced to become attached to bubbles and to float, while other minerals sink
"flue gas"	Gas that exits to the atmosphere via a flue, which is a pipe or channel for conveying exhaust gases from a fireplace, oven, furnace, boiler or steam generator.
"FDPs"	field development plans
"FOB"	Free on Board
"footwall"	The rock which lies below the ore
"frame contracts"	prospecting, sampling, mapping, drilling and other work involved in searching for ore
"GAMI technology"	technology from Guiyang Aluminium — Magnesium Design & Research Institute of China. In the GAMI technology, pots are cut into the circuit by taking complete power outage. This involves loss of production as well as regular operational disturbances to pot operation. Fuses are designed to bypass the line current, until the pot was cut into the circuit. After a calculated safe period of time, the fuses melted resulting in the pot coming into potline circuit. The GAMI technology potline has a capacity for producing initially 245,000 tpa aluminium.
"GBA"	gas balancing agreement
"grade"	proportion (by weight) of the valuable element within the mineralised rock

"greenfield"	new development project on previously undeveloped land that is built from scratch
"GW"	gigawatt, a unit of electrical energy equal to 1 billion watts
"HG"	high grade; an international standard of grading for zinc ingots
"hydrometallurgical"	The treatment of metal or the separation of metal from ores and ore concentrates by liquid processes, such as leaching, extraction and precipitation to extract and recover metals from their ores
"inferred resources"	mineral resource inferred from geoscientific evidence, drill holes, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
"IPP"	independent power plant
"IsaProcess(TM)"	an electrolytic refining process developed by MIM Holdings Ltd.'s Process Technologies
"IsaSmelt(TM)"	a lance-based intensive bath smelting technology developed by MIM Holdings Ltd.'s Process Technologies
"JORC Code"	Report of the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, dated September 1999
"Kcal/kg"	thousands of calories per kilogramme, a measurement of energy per unit mass
"Koepe winder"	A system where the winding drum is replaced by a large wheel or sheave. Both cages are connected to the same rope, which passes around some 200 degrees of the sheave in a groove of friction material. The Koepe sheave may be mounted on the ground adjacent to the headgear or in a tower over the shaft. The drive to the rope is the frictional resistance between the rope and the sheave. It requires the use of a balance rope. It is often used for hoisting heavy loads from deep shafts and has the advantage that the large inertia of the ordinary winding drum is avoided. The system has been widely used in Europe for many years, and some large projects in the UK are being equipped with winders of this type.
"kt"	kilotonne
"ktpm"	thousand tonnes per month
"KV"	kilovolt
"kVA"	kilovolt-ampere
"kWh"	kilowatt-hours
"lb"	imperial pound (mass) equivalent to 0.4536 kilogrammes
"leaching"	extracting a soluble metallic compound from an ore by selectively dissolving it in a suitable solvent
"lead concentrate"	product of the flotation process with a lead content typically ranging between 50% and 70%
"life of mine"	the remaining life of a mine in years calculated by deducting the scheduled production rates (i.e. the rate at which material will be removed from the mine, from the current defined reserves)
"m$^{(3)}$"	cubic metres

"MAT"	minimum alternate tax
"metcoke"	metallurgical coke which is produced by the carbonisation of coals or coal blends at temperatures up to 1,400 K (1,127 degrees Celsius) to produce a macroporous carbon material of high strength and relatively large lump size.
"mill"	a plant in which ore is treated and metals are recovered or prepared for smelting; also a revolving drum used for the grinding of ores in preparation for treatment
"mineral"	a natural, inorganic, homogeneous material that can be expressed by a chemical formula
"mineralisation"	the process by which minerals are introduced into a rock. More generally, a term applied to accumulations of potentially economic or related minerals in quantities ranging from anomalous to economically recoverable
"mineral resource"	a tonnage or volume of rock or mineralisation of intrinsic economic interest
"mm"	millimetres
"mmbbls"	million barrels
"mmboe"	million barrels of oil equivalent
"mmbtu"	million British thermal units
"mmscfd"	million standard cubic feet per day
"mt"	metric tonnes
"mtpa"	million tonnes per annum
"MW"	megawatt, a unit of electrical energy equal to one million watts
"OIIP"	oil initially in place
"open-pit mine"	a mine that is entirely on the surface. Also referred to as an open-cut or opencast mine
"ore"	a mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination to make extraction economic
"ore reserve"	the economically mineable part of a measured and/or indicated mineral resource, and includes diluting materials and allowances for losses which may occur when the material is mined
"overburden"	waste material overlying ore in an open-pit mine
"pH"	potential of Hydrogen; a measure of the acidity or alkalinity of a solution
"pig iron"	pig iron is raw iron that is the immediate product of smelting iron ore with coke and limestone in a blast furnace.
"plant"	fixed or moveable equipment required in the process of winning or processing the ore
"plant load factor"	in relation to a given period, is expressed as the percentage of total kilowatt hours per unit (Kwh) generated at generator terminals to installed capacity, expressed in kilowatts (Kw) multiplied by number of hours in that period
"ppm"	parts per million (in relation to silver)
"probable reserves"	those measured and/or indicated mineral resources which are not yet "proved", but of which detailed technical and economic studies

	have demonstrated that extraction can be justified at the time of the determination and under specified economic conditions
"Properzi"	technology for fabricating wire, sheets and ingots sold by Continuous Properzi S.p.A., Italy
"Properzi CCR"	Properzi Continuously Cast and Rolled; a copper rod technology from Continuous-Properzi S.p.A. to produce copper rods
"proven reserves"	reserves for which (a) quantities are computed from dimensions revealed in outcrops, trenches, workings or drill holes; (b) grade and/or quality are computed from the results of detailed sampling; and (c) sites for inspection, sampling and measurement are spaced so closely and the geologic character is sufficiently defined that the size, shape, depth and mineral content of the reserves are well established
"PSC"	production sharing contract
"PSU"	public sector undertaking
"PTRR"	post tax rate of return regime
"PW"	Prime Western; an international standard of grading for zinc ingots
"Pyrometallurgical"	pertaining to metallurgical operations that involve processing temperatures above ambient conditions, generally involving chemical reactions as distinct from metal casting substantially which involves only a physical transformation, such as, solidification
"Rc"	refining charge; the price paid by mining companies to smelters for refining the contained precious metals (and copper) in their concentrates to produce a payable metal. The Rc is based on the payable metal content (after deductions)
"refining"	the final process of upgrading of the metal quality, although for aluminium, it is the intermediate stage of converting bauxite to alumina
"refining charge"	the fees charged by a refinery for purifying crude metallic products
"reserves"	those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable
"resources"	all of the potential minerals in a defined area based on points of observation and extrapolations from those points. Potential 195 minerals are defined as minerals which have been or could be beneficiated to give a quality acceptable for commercial usage in the foreseeable future
"RLE"	roast-leach-electrowin; a process utilised in many hydrometallurgical zinc smelters whereby zinc concentrate is first roasted to remove the sulphur content, which comes out in the form of sulphur dioxide gas, and then subjected to leaching and electrolysis
"RoM"	run of mine, which includes all material mined including the waste
"SAG"	semi-autogenous
SAMREC Code	the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves which sets out minimum standards, recommendations and guidelines for public reporting of

	exploration results, mineral resources and mineral reserves in South Africa
"SCF"	slag cleaning furnace
"SHG"	Special High Grade; an international standard of grading for zinc ingots
"slag"	the vitreous mass separated from the fused metals in the smelting process
"SLOS"	sub land open stoping
"smelting"	a thermal process whereby molten metal is liberated from a concentrate, with impurities separating into a lighter slag
"SNIF degasser"	a spinning nozzle inert flotation (SNIF) in-line degassing/filtration system for treatment of molten aluminium
"spot market"	a market in which commodities are bought and sold for cash and delivered immediately
"spot price"	the current price of a metal for immediate delivery
"SSO"	surfaces sources operations
"STOIIP"	stock tank oil initially in place
"stope"	the underground excavation within the ore body where the main production takes place; depending on the ore body qualities, stopes can range from 5 kt to 2 mt
"strip ratio"	the number of units of waste material in a surface mine which must be removed in order to extract one unit of ore
"sustaining capital expenditure"	capital expenditure to maintain the Group's operating capacity
"SX-EW"	solvent extraction/electrowinning
"t" or "tonne"	metric tonne equivalent to 2,204.62 lb or 1,000 kilogrammes
"tailing dam"	a low-lying depression used to confine tailings, the prime function of which is to allow enough time for heavy metals to settle out or for cyanide to be destroyed before water is discharged into the local watershed
"Tc"	treatment charge
"TcRc"	treatment charge and refining charge levied by smelters and refineries for the smelting and refining of copper concentrate from mines into copper metal
"TCu"	total copper
"toll smelter"	a smelter that is independent of the concentrate supplier and charges a fee for smelting the concentrate
"total production"	that part of production at mines and operations in which subsidiaries of Vedanta have an interest; in this Offering Circular, unless expressly stated otherwise, production also refers to total production
"total reserves"	that part of the reserves from a mine in which subsidiaries of Vedanta have an interest; in this Offering Circular, unless expressly stated otherwise, reserves also refer to total reserves
"tpa"	tonnes per annum
"Vertical Crater Retreat method"	a comparatively new method of blast hole mining in which only large diameter in-the-hole drills are used to blast down horizontal slices of ore into an opening below the block of ore being mined

"VSS technology"	Vertical Stud Soderberg technology; a method of primary aluminium reduction using the Soderberg process in which the electrical current is introduced to self baking anodes by steel rods, or studs, inserted into the top of a monolithic anode
Whittle 4X multi-element optimisation software	this software is used for strategic planning and provides information which is used to determine the life of an open pit mine. This software helps define the economically workable limits of an open pit mine and provides a template for the pit design. Using this template, the KCM Group is able to determine the quantity of waste that is required to be mined in order to extract a known quantity of copper ore
"zinc concentrate"	product of flotation process with a zinc content typically ranging between 45% and 60%

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND IFRS

Cairn India's financial statements included in this Offering Circular have been prepared in conformity with Indian GAAP which differs in certain significant respects from IFRS as issued by the International Accounting Standards Board. Such differences involve methods for measuring the amounts shown in the financial statements of Cairn India, as well as additional disclosures required by IFRS, which we have not made.

The following is a general summary of significant differences between Indian GAAP and IFRS.

The differences identified below are limited to those significant differences that are appropriate to Cairn India's financial statements. However, they should not be construed as exhaustive as no attempt has been made to quantify the effects of those differences, nor has a complete reconciliation of Indian GAAP to IFRS been undertaken. Had any such quantification or reconciliation been undertaken, other potential significant accounting and disclosure differences may have come to attention, which are not identified below. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements and the notes thereto.

IFRS and Indian GAAP considered for preparation of this Statement are those which are applicable as on 17 May 2011. No attempt has been made to identify the impact of amendments/pronouncements which have been issued but would become applicable on a future date, e.g., Accounting Standards 30 and 31, AS 32 on Financial Instruments issued under Indian GAAP or new/revised standards under IFRS have not been considered in this Statement. Also, no attempt has been made to identify differences which would be arising as a result of application of Indian Accounting Standards (Ind-AS) notified by the Ministry of Corporate Affairs. Also, no attempt has been made to identify differences which would be arising as a result of changes expected in future periods.

This Statement has been prepared on the assumption that the company applies IFRS on continuing basis and, therefore, the Impact of IFRS 1 regarding First Time Adoption of IFRS has not been considered.

Potential investors should consult their own potential advisors for an understanding of the principal differences between Indian GAAP and IFRS and how these differences might affect Cairn India's financial statements.

IFRS	Indian GAAP
First time adoption	
Preparation of the first financial statements	
IFRS 1 gives detailed guidance on preparation of the first IFRS financial statements. To help overcome a number of practical challenges for a first-time adopter, there are certain mandatory/voluntary exceptions and grants from the full retrospective application.	There is no specific standard dealing with the preparation of the first Indian GAAP financial statements. Thus, full retrospective application of Indian GAAP will be required.
Statement of Cash Flows	
Cash and Cash equivalents	
Cash comprises not only cash on hand but also demand deposits with banks or other financial institutions. An investment normally qualifies as a cash equivalent only when it has a maturity of three months or less from its acquisition date. Bank borrowings are normally part of financing activities. Nonetheless, bank overdrafts that are repayable on demand and that form an integral part of an entity's cash management are included in cash equivalents.	Indian GAAP is similar to IFRS except that there is no provision for classification of bank overdrafts as cash equivalents.

IFRS	Indian GAAP
Format and content of cash flow statement	
The cash flow should be classified into operating, investing and financing cash flows. The cash flow from operating activities may be presented using either the direct method (cash flows derived from aggregating cash receipts and payments associated with operating activities) or the indirect method (cash flows derived from adjusting net income for transactions of a non-cash nature such as depreciation).	Indian GAAP is similar to IFRS. However, in case of listed entities, SEBI requires presentation of cash flow from operating activities using the indirect method only.
Consolidated cash flow statement	
IFRS deals with preparation and presentation of consolidated cash flow statement. Particularly, it provides the following guidance in this regard: • The effects of "undistributed profits of associates" are adjusted while determining the net cash flow from operating activities using the indirect method. • Cash flows of a foreign subsidiary should be translated using the exchange rates at the dates of the cash flows. However, an entity may use average rate as well if it approximates the actual rate. • Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control are classified as cash flows from financing activities.	Preparation and presentation of consolidated cash flow statement is not specifically addressed in AS 3.
Accounting policies, changes in accounting estimates and errors	
Change in accounting policies	
When an entity changes an accounting policy on initial application of an IFRS that does not include specific transitional provisions applying to that change, or if it changes an accounting policy voluntarily, it will apply the change retrospectively. Comparative information is restated, and the amount of the adjustment relating to prior periods is adjusted against the opening balance of each affected component of equity of the earliest year presented.	Any change in an accounting policy having a material effect should be disclosed. The impact of, and the adjustments resulting from, such change, if material, should be shown in the financial statements of the period in which such change is made, to reflect the effect of such change. If a change is made in the accounting policies which has no material effect on the financial statements for the current period but is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted. There is no specific guidance on how changes in accounting policies are dealt with, except few specific items, like change in the method of depreciation or change arising out of a new standard.
Definition of prior period items	
IAS 8 treats all omissions/misstatements in an entity's earlier period financial statements as an error/ prior period item. Thus, this term has a broader meaning under IAS 8.	Under AS 5, a prior period item includes only the items of income and expense arising in the current period from errors or omissions in the earlier period financial statements. Thus, AS 5 does not treat balance sheet misclassifications not having an impact on the statement of profit and loss as "prior period item."

IFRS	Indian GAAP
Correction of prior period items	
An entity will correct material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.	These are reported as a prior period adjustment in the current year results. Comparative information of the earlier years is not restated.
Events after the reporting date	
Proposed dividend	
If dividends to holders of equity instruments are proposed or declared after the balance sheet date, an entity should not recognize those dividends as a liability at the balance sheet date. It should, however, disclose the amount of dividends that were proposed or declared after the balance sheet date, but before the financial statements were approved for issue.	AS 4 requires entities to make a provision for the proposed dividends, even if they are proposed/declared after the balance sheet date.

2. Presentation and disclosures

IFRS	Indian GAAP
Presentation of financial statements	
In India, Schedule VI to the Companies Act, 1956, prescribes a detailed format for the presentation of balance sheet. Schedule VI also contains requirements concerning preparation of the profit and loss account. The Ministry of Corporate Affairs (MCA) recently issued a revised Schedule VI that will be applicable for the financial year 2011-12 and onwards, under the existing non-converged accounting standards notified through the Companies (Accounting Standards), Rules, 2006. A draft Schedule VI has been published by the MCA but is not notified as yet. Keeping this in view, key differences between IAS 1, *Presentation of Financial Statements*, and the existing Indian GAAP, viz., Schedule VI and AS 1 *Disclosure of Accounting Policies*, are listed below.	
Measurement basis	
IFRS recognizes four measurement bases, viz., historical cost, current cost, net realizable value and present value. Key exceptions to the historical cost measurement in IFRS include fair valuation of financial instruments, revaluation of property, plant and equipment and intangible assets and impairment of assets.	Indian GAAP is broadly in line with IFRS. However, it disregards fair valuation/discounting in some situations, for example, provisions are not allowed to be discounted and fair value gains on current investments held-for-trading are not allowed to be recognized.

IFRS	Indian GAAP
Component of financial statements	
A set of financial statements should contain all the following: • A statement of financial position as at the end of the period • A statement of comprehensive income for the period • A statement of changes in equity for the period • A statement of cash flows for the period; • Notes, comprising a summary of significant accounting policies and other explanatory information; and • A statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.	A set of financial statements contains a balance sheet, statement of profit and loss, cash flow statement and notes to accounts. The concept of SOCIE and OCI does not prevail under Indian GAAP, however, the information relating to appropriation of profits, movement in capital and reserves, etc., is presented on the face of the statement of profit and loss and/or in the captions of share capital and reserves and surplus in the balance sheet.
Presentation of the third balance sheet	
A balance sheet with related notes as at the beginning of the earliest comparative period needs to be presented when an entity changes an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements.	There is no such requirement to give third balance sheet under Indian GAAP.
Disclosure of critical judgments and capital disclosures	
IAS 1 requires disclosure of critical judgments made by the management in applying accounting policies and key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. It also requires disclosure of information that enables the users of financial statements to evaluate an entity's objectives, policies and processes for managing capital.	There is no such disclosure requirement in AS 1, the existing Schedule VI or the revised Schedule VI.
Extraordinary items	
Disclosure of items as extraordinary items, either on the face of the statement of profit and loss or in the notes, is prohibited.	Extraordinary items are defined as income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the entity and, therefore, are not expected to recur frequently or regularly. The nature and the amount of each extraordinary item should be separately disclosed in the statement of profit and loss in a manner that its impact on current profit or loss can be perceived.

IFRS	Indian GAAP
Format of balance sheet/statement of financial position	
IAS 1 does not prescribe any rigid format for presentation of balance sheet. It, however, prescribes the minimum information to be presented on the face of the balance sheet. It requires an entity to present current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity will present all assets and liabilities in order of liquidity.	Although AS 1 does not prescribe any minimum structure of the financial statements, Schedule VI to the Companies Act prescribes a detailed format for the balance sheet. Recently, the MCA issued a revised Schedule VI to be followed in Indian GAAP. The revised schedule requires entities to present current and non-current assets, and current and non-current liabilities, as separate classifications in the balance sheet.
Format of balance sheet/statement of financial position	
The statement of comprehensive income presents all items of income and expense recognized in profit or loss, together with all other items of income and expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by other IFRS. An entity may either present all items together in a single statement, or present two linked statements — one displaying the items of income and expense recognized in profit or loss (the income statement), and the other statement beginning with profit or loss, and displaying all the items included in "other comprehensive income (OCI)" (the statement of comprehensive income).	The concept of SOCIE and OCI does not prevail under Indian GAAP, however, the information relating to appropriation of profits, movement in capital and reserves, etc., is presented on the face of the statement of profit and loss and/or in the captions of share capital and reserves and surplus in the balance sheet.
Format of statement of profit and loss/income statement	
IAS 1 does not prescribe rigid format for presentation of statement of profit and loss. It, however, prescribes the minimum information to be presented on the face of the statement of profit and loss. It also requires an entity to present an analysis of expenses recognized in profit or loss using a classification based on either their nature or their function within the entity, whichever provides the information that is reliable and more relevant. An entity may present this analysis either in the statement of profit and loss or in the notes.	Although AS 1 does not prescribe any minimum structure of the financial statements, Schedule VI to the Companies Act specifies disclosures to be made in the statement of profit and loss. Recently, the MCA issued a revised Schedule VI to be followed in Indian GAAP. The revised schedule, among other disclosures, prescribed format to be used for presentation of the statement of profit and loss. Both the existing and the revised Schedule VI require entities to present an analysis of expenses recognized in profit or loss using a classification based on their nature.
Statements of comprehensive income	
The components of OCI include: • Changes in the revaluation surplus • Foreign exchange translation differences • Actuarial gains and losses arising during the period • Gains and losses arising on fair valuation of available for sale financial assets • Effective portions of gains and losses on hedging instruments in a cash flow hedge.	The concept of OCI does not prevail under Indian GAAP. AS 5 requires all items of income and expense to be recognized in the statement of profit and loss, unless required otherwise by any other accounting standard. Applicable standards require credit for certain items to be recognized directly in reserves, e.g., an upward revaluation of fixed assets. The transitional provisions to certain standards also require the first-time adjustment and their consequential tax effects to be recognized directly in reserves.

IFRS | **Indian GAAP**

Information relating to movement in reserves, etc., is generally presented in the caption reserves and surplus in the balance sheet.

Statement of Changes in Equity (SOCIE)

An entity needs to present SOCIE as part of its complete set of financial statements. On the face of SOCIE, the following are disclosed:

- Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non controlling interest
- For each component of equity, the effects of retrospective application or retrospective restatement recognized in accordance with IAS 8
- For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
  - Profit or loss
  - Each item of OCI
  - Transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control

Indian GAAP does not mandate the presentation of a SOCIE. AS 5 requires all items of income and expense to be recognized in the statement of profit and loss, unless required otherwise by any other accounting standard. Applicable standards require credit for certain items to be recognized directly in reserves, e.g., an upward revaluation of fixed assets. The transitional provisions to certain standards also require the first time adjustment and their consequential tax effect to be recognized directly in reserves.

The existing and revised Schedule VI require notes to be given for equity and reserves and surplus, showing opening and closing position as on the balance sheet date, and movements therein during the year. The information relating to appropriation of profit is also presented in the balance sheet/ statement of profit and loss and related notes.

Operating segments

Identification of segments

IFRS 8 is based on the core principle that an entity must "disclose information to enable users of its financial statements to evaluate the nature and financial effects of the different business activities in which it engages and the economic environments in which it operates." Entities will consider this principle to make all critical judgments concerning the segment.

IFRS 8 focuses on the internal decision making and performance measurement structure of an entity to identify its segments. As a result, it requires those business activities to be identified as operating segments for which the operating results are regularly reviewed by the chief operating decision maker (CODM) to make decisions about resource allocation and performance measurement.

Indian GAAP requires two sets of segments to be identified — one based on related products and services (business segment) and the other on geographical areas (geographical segment) using the risk and rewards as basis for identification. One set of segments is regarded as "primary segment" and the other set as "secondary segment," depending on which set predominantly reflects the source of risks and returns affecting the entity.

A business segment is a distinguishable component of an entity that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

IFRS	Indian GAAP

Reportable segments

IFRS

A reportable segment is an operating segment that meets either of the following criteria:

- Contributes 10% or more of the entity's total sales (including inter-segment sales)
- Earns 10% or more of the combined reported profit of all operating segments that did not report a loss (or 10% or more of the combined reported loss of all operating segments that reported a loss)
- Has 10% or more of the combined assets of all operating segments

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments will be identified as reportable segments until at least 75% of the entity's revenue is included in reportable segments.

Information on segments that are not reportable is combined and included in "all other segments" category with source of revenue disclosed.

Indian GAAP

A business segment or geographical segment should be identified as a reportable segment if it meets either of the following criteria:

- Its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments
- Its segment result, whether profit or loss, is 10% or more of:
  - The combined result of all segments in profit
  - The combined result of all segments in loss whichever is greater in absolute amount
- Its segment assets are 10% or more of the total assets of all segments.

If the total external revenue attributable to reportable segments constitutes less than 75% of the total entity revenue, additional segments should be identified as reportable segments until at least 75% of total entity's revenue is included in reportable segments.

Segments not identified as above are included as "others."

IFRS

Under IFRS 8, a segment identified as a reportable segment in the immediately preceding period, because it satisfied the relevant 10% criteria, should continue to be a reportable segment for the current period notwithstanding that its revenue, result and assets no longer exceed the 10% criteria, if the management judges the segment to be of continuing significance.

Indian GAAP

A segment identified as a reportable segment in the immediately preceding period because it satisfied the relevant 10% thresholds should continue to be a reportable segment for the current period notwithstanding that its revenue, result, and assets all no longer meet the 10% thresholds. Hence, AS 17 is stricter in this regard as the option to make an exception based on management's judgment of continuing significance is not available.

Disclosures

IFRS

IFRS 8 requires the following general Information to be disclosed:

- The factors used to identify the entity's reportable segments, including discussion of how the entity is organized and whether operating segments have been aggregated
- The types of products and services from which each reportable segment receives its revenue.

Indian GAAP

An entity should indicate the types of products and services included in each reported business segment and indicate the composition of each reported geographical segment, if the same is not otherwise disclosed in the financial statements.

IFRS	Indian GAAP
Related party disclosures	
Identification of related parties	
IAS 24 requires control/significant influence over both "financial and operating decisions" to identify person as related party to the reporting entity.	AS 18 definition of related party is: "Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions." Thus, it appears that under AS 18, a person can be identified as "related party" merely based on control/ significant influence over either operating or financial decisions.
IAS 24 includes close members of the families of key managerial personnel (KMPs) as related party as well as that of persons who exercise control/significant influence over the entity.	AS 18 covers only relatives of KMPs as related party.
Definition of control	
IAS 24 contains principle based definition of the term 'Control'. Under IAS 24, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.	AS 18 defines control as either of the following: • Ownership, directly or indirectly, of more than one half of the voting power of an entity • Control of the composition of the board of directors or the governing body • A substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of an entity
Significant influence	
Under IAS 24, significant influence is the power to participate in both financial and operating policy decisions of an entity, but is not control over those policies. Under IFRS, significant influence may be gained by share ownership, statute or agreement.	Under AS 18, an entity is considered to have significant influence over the other entity even if it has the power to participate in either financial or operating policy decisions or both of the other entity, but not control of those policies. AS 18 specifies rebuttable presumptions that an entity is considered to have a substantial interest in another entity if that entity owns, directly or indirectly, 20% or more interest in the voting power of the other entity.
Definition of key management personnel	
The definition of KMP includes any director whether executive or otherwise.	AS 18 excludes non-executive directors from the definition of KMP.

3. Assets and liabilities

Property, plant and equipment (PPE)

Cost of PPE

IFRS

Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction, or where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of other IFRS. The costs include:

- The purchase price (less any discounts and rebates), import duties and non-refundable taxes
- Any directly attributable costs of bringing the asset to its working condition
- The initial estimate of the costs of dismantling and removing the item, and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period
- Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset

General and administrative overheads, and start-up costs other than those necessary to bring the asset to its working condition, cannot be capitalized. Similarly, in case of self-constructed asset, the cost of abnormal waste material, labor or other resources cannot be capitalized.

Fair value gains and losses on qualifying cash flow hedges relating to purchase of PPE in foreign currency can be capitalized.

The cost of an item of PPE is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit, unless such interest is recognized in the carrying amount of the item in accordance with IAS 23.

Indian GAAP

Indian GAAP is similar to IFRS except the following:

- No general guidance is given for capitalization of dismantling and site restoration cost. However, the *Guidance Note on Accounting for Oil and Gas Producing Activities* states that entities involved in those activities should capitalize the dismantling and site restoration cost.
- There is no guidance under AS 10 specifying treatment of fixed assets acquired on deferred settlement terms. Generally, financing element is not separated from the total price paid even if payment is deferred beyond normal credit terms. However, fixed assets acquired on hire purchase terms are recognized at their cash value, calculated using an appropriate interest rate.
- There is no specific guidance on capitalization of fair value gains and losses on qualifying cash flow hedge relating to purchase of PPE in foreign currency.

IFRS	Indian GAAP
Component accounting	
IAS 16 mandates component accounting. This requires each major part of an item of PPE, with a cost that is significant in relation to the total cost of the item, to be depreciated separately.	AS 10 does not require full adoption of the component approach. It merely recognizes the approach, by stating that accounting for a tangible fixed asset may be improved if total cost, thereof, is allocated to its component parts provided they are in practice separable, and estimates are made of the useful lives of these components. For example, instead of treating an aircraft and its engines as one unit, it may be better to treat the engines as a separate unit if it is likely that their useful life is shorter than that of the aircraft as a whole.
The revaluations must be kept sufficiently up to date, so that the carrying amount does not differ materially from the fair value. This requires regular revaluations of all items of the relevant class in PPE when the revaluation policy is adopted. Management must consider at each year end, whether fair value is materially different from the carrying value.	There is no such requirement to perform revaluation at regular intervals.
Depreciation	
An item of PPE should be depreciated over its estimated useful life, and the depreciation charge must be recognized as an expense, unless it has to be included in the carrying amount of another asset. Each part of an item of PPE with a cost that is significant in relation to the total cost of the item should be depreciated separately. On initial recognition, an entity allocates the amount recognized in respect of an item to its significant parts and depreciates separately each such part.	The depreciable amount of each asset should be allocated on a systematic basis over its useful life. All companies need to ensure that minimum depreciation is provided at the rates prescribed in schedule XIV to the Companies Act, 1956. Further, top-up depreciation should be charged to comply with AS 6 requirements, in case the useful life of an asset is shorter than that envisaged in Schedule XIV. AS 10 recognizes component approach in one paragraph by stating that accounting for a tangible fixed asset may be improved if total cost thereof is allocated to its various parts. Apart from this, there is no requirement under Indian GAAP for separate depreciation on significant parts of an asset.
A significant part of an item of PPE may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge. Though not required, an entity may choose to depreciate separately the parts of an item that do not have a cost that is significant in relation to the total cost of the item.	Apart from AS 10 recognizing component approach in one paragraph, by stating that accounting for a tangible fixed asset may be improved if total cost thereof is allocated to its various parts, there is no requirement under Indian GAAP for separate depreciation on parts of an asset.
A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the units of production method.	Schedule XIV permits only the use of straight-line method and written down value method, for depreciation purposes.

IFRS	Indian GAAP
Decommissioning and restoration liabilities	
As per IAS 16, the cost of an item of PPE includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. On initial recognition, the amount recognized as provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. A change in the measurement of an existing decommissioning, restoration or similar liability, which results from changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or a change in the discount rate, should be added to, or deducted from, the cost of the related asset in the current period, if the asset is carried at cost. However, the amount deducted from the cost of the asset should not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in profit or loss. IFRS also deals with accounting for change in the measurement of an existing decommissioning, restoration or similar liability where this liability pertains to an asset carried at revalued amount. In this case, the increase/decrease in liability do not impact the carrying value of asset; rather, it is recognized in revaluation reserve/profit or loss, depending on how the revaluation increase/decrease on the asset was treated.	AS 10 is silent on accounting for decommissioning and restoration liabilities. AS 29 requires that an entity should recognize a provision toward its decommissioning and restoration liability at an amount representing best estimate of the expenditure required to settle the obligation. The amount of a provision should not be discounted to its present value. In contrast, the *Guidance Note on Accounting for Oil and Gas Producing Activities* requires that on initial recognition, the full eventual liability for abandonment cost net of salvage values should be recognized because a liability to remove an installation exists the moment it is installed. The Guidance Note also provides that an entity should capitalize as part of the cost centre the amount of provision required to be created for subsequent abandonment. Neither AS 29 nor the Guidance Note provides any guidance on accounting for subsequent changes in decommissioning and restoration liabilities.
Retirement and disposal	
IAS 16 prohibits gains or losses arising from derecognition of an item of PPE to be classified as revenue. However, when an entity routinely sells items of PPE held for rental in the course of its ordinary activities, it will transfer such assets to inventories at their carrying amount, when they cease to be rented and become held for sale. The proceeds from sale of such assets will be recognized as revenue.	Gains or losses arising from disposal of assets are recognized in profit or loss for the period. There is no specific requirement to include/exclude such gains/losses from revenue.

IFRS	Indian GAAP
Leases	
Inception of lease and commencement of lease	
IAS 17 distinguishes between the *inception of the lease* (when leases are classified) and the *commencement of the lease term* (when recognition takes place). The inception of the lease is the earlier of the date of the lease agreement and the date of commitment of the parties to the principal terms of the lease. This is the date on which a lease is classified as a finance or operating lease and, for finance leases, the date at which the amounts to be recognized at commencement are determined. The commencement of the lease term is the date on which the lessee is entitled to exercise its right to use the leased asset and is the date of initial recognition of the assets, liabilities, income and expenses of the lease in the financial statements.	AS 19 does not make such differentiation between the *inception of the lease* and the *commencement of the lease term*.
Lease of land	
IAS 17 deals with lease of land and composite leases. It requires a lease of land to be assessed as an operating or finance lease, based on the same criteria laid in the standard, for lease of other assets. IAS 17 also states that when a lease includes both land and building elements, an entity assesses the classification of each element as a finance or an operating lease separately in accordance with the criteria laid in the standard. In determining whether the land element is an operating or a finance lease, an important consideration is that land normally has an indefinite economic life.	AS 19 excludes lease of land from its scope. Consequent to this, disparate practices have emerged with regard to accounting for short-term and long-term leases of land as well composite leases of land and building. However, an opinion issued by the EAC provides guidance on long-term lease of land. In accordance with the opinion, a lease of land for very long period, say, 99 years with another renewal of similar period, has the effect of passing significant rights of ownership to the parties concerned. Thus, such a lease will be in the nature of sale and should be accounted for accordingly.
Determination whether an arrangement contains lease	
IFRIC 4 requires an entity to determine whether an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments, is a lease. Such determination will be based on the substance of the arrangement and requires an assessment of whether both the following conditions are met: • Fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) • The arrangement conveys a right to use the asset	There is no specific guidance on accounting for such arrangements. Amounts are generally recognized in accordance with the legal form of the transaction, rather than its economic substance. However, there is no prohibition from treating such arrangements as lease.
Evaluating the substance of transactions involving the legal form of a lease	
SIC 27 requires that a series of transactions that involve the legal form of a lease is linked and should be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. This is the case, for example, when the series of transactions are closely interrelated, negotiated as a single transaction, and takes place concurrently or in a continuous sequence.	There is no specific guidance under Indian GAAP.

IFRS	Indian GAAP
SIC 27 also requires that the accounting for such arrangement will reflect the substance of the arrangement. All aspects and implications of an arrangement will be evaluated to determine its substance, with weight given to those aspects and implications that have an economic effect.	
Borrowing costs	
Definition of borrowing costs	
IAS 23 requires the borrowing costs to be calculated using the effective interest method as described in IAS 39. Thus, it requires transactions costs and premiums or discounts on the borrowed funds to be factored in the calculation of interest using the effective interest method. In addition, the borrowing cost includes: • Finance charges in respect of finance leases recognized in accordance with IAS 17 • Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.	AS 16 does not mandate the use of the effective interest method for calculating borrowing cost. It simply states that borrowing costs may include: • Interest and commitment charges on bank borrowings and other short-term and long-term borrowings • Amortization of discounts or premiums relating to borrowings • Amortization of ancillary costs incurred in connection with the arrangement of borrowings • Finance charges in respect of assets acquired under finance leases or under other similar arrangements • Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs
Exchange differences as an adjustment to interest costs	
In accordance with IAS 23, borrowing cost includes exchange difference arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. However, it does not provide any specific guidance on measurement of such amounts.	AS 16 is similar to IAS 23. However, it provides following additional guidance on manner of arriving at this adjustment: • The amount of adjustment should be exchange differences on the amount of principal of the foreign currency borrowings to the extent of difference between interest on local currency borrowings and interest on foreign currency borrowings. • For this purpose, the interest rate for the local currency borrowings should be considered as that rate at which the entity would have raised the borrowings locally had it not decided to raise the foreign currency borrowings. • If the difference between the interest on local currency borrowings and the interest on foreign currency borrowings is equal to or more than the exchange difference on the amount of principal of the foreign currency borrowings, the entire amount of exchange difference is regarded an adjustment to the borrowing cost.

IFRS	Indian GAAP
Impairment of assets	
When should impairment review be conducted?	
An entity will assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity should estimate the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, an entity will test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. In addition, goodwill acquired in a business combination is tested at least annually for impairment.	An entity should assess at each balance sheet date, whether there is any indication that an asset may be impaired. If any such indication exists, the entity should estimate the recoverable amount of the asset. However, intangible assets which are not yet available for use or intangible assets which are amortized for greater than 10 years are tested for impairment annually irrespective of, whether there are any indications for impairment.
Intangible assets	
Intangibles acquired as a part of business combination	
According to IFRS 3, if an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. The intangible asset is recorded by the acquirer irrespective of whether the asset had been recognized by the acquiree before the business combination. For an intangible asset acquired in a business combination, the requirement that the asset will generate future economic benefits is always considered to be met, since the fair value of the asset reflects such expectations. Similarly, if the asset is separable or arises from contractual or other legal rights, it is presumed that sufficient information exists to measure reliably the fair value of the asset. Thus, an entity need not evaluate future economic benefits and measurement criteria separately for recognition of intangible asset arising from business combination.	If an intangible asset is acquired in an amalgamation in the nature of purchase, the same should be recognized separately at its cost or fair value, depending on whether the entity applies book value or fair value method to the amalgamation as per AS 14. This is subject to further condition that that cost or fair value can be reliably measured. If the same is not reliably measurable, it is included as a part of goodwill. Where the consideration is allocated to individual identifiable assets and liabilities on the basis of their fair values at the date of amalgamation, intangible asset is recorded even if the same had not been recognized in the financial statements of the transferor. However, if an amalgamation in the nature of purchase is recognized using the book value method, the transferor cannot recognize an intangible asset that was not recognized separately in the financial statements of transferor. An acquirer cannot recognize intangible assets acquired in an amalgamation in the nature of merger or an acquisition of a subsidiary, which are recorded at book values, if those assets were not recognized by the acquiree.
Intangible assets purchased on deferred payment terms	
The cost of an intangible asset acquired separately is its cash price equivalent at the acquisition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit, unless such interest is recognized in the carrying amount of the item in accordance with IAS 23.	AS 26 does not provide any such guidance.

IFRS	Indian GAAP
Amortization	
The depreciable amount of an intangible asset with a finite useful life will be allocated on a systematic basis over its useful life. IAS permits variety of amortization methods to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the unit of production method. The method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset. If that pattern cannot be determined reliably, the straight-line method will be used. If there is a change in the expected pattern of consumption of future economic benefits, the amortization method should be changed to reflect the changed pattern.	Amortization is charged over the useful life of the asset, but should not exceed 10 years, unless there is persuasive evidence for amortizing over a longer period. AS 26 specifically states there will rarely, if ever, be persuasive evidence to support an amortization method for intangible assets that results in a lower amount of accumulated amortization than that under the straight-line method.
Inventory	
Cost formulae	
According to IAS 2, specific identification, FIFO and weighted average are acceptable methods of determining cost. However, the same cost formula should be used consistently for all inventories that have a similar nature and use to the entity. The use of LIFO method is prohibited.	Similar to IFRS, except that it is not expressly mandated in AS 2 to use the same cost formula consistently for all inventories that have a similar nature and use to the entity. AS 2 requires that the formula used should reflect the fairest possible approximation, to the cost incurred in bringing the items of inventory, to their present location and condition.
Provisions, contingent liabilities and contingent assets	
Applicability to financial instruments	
IAS 37 does not apply to financial instruments (including guarantees) that are within the scope of IAS 39.	AS 29 excludes from its scope only those financial instruments that are carried at fair value. Thus, it applies to financial instruments (including guarantees) that are not carried at fair value.
Definitions	
IAS 37 defines the terms "legal obligation" and "constructive obligation," which are not there in AS 29.	AS 29 defines the terms "present obligation" and "possible obligation" which are not defined in IAS 37.
Present value	
Where the effect of the time value of money is material, the amount of a provision should be the present value of the expenditures expected to be required to settle the obligation. The discount rate(s) should not reflect risks for which future cash flow estimates have been adjusted.	The amount of a provision should not be discounted to its present value.
Contingent assets	
A contingent asset is disclosed in financial statements where an inflow of economic benefits is probable.	A contingent asset should not be disclosed in financial statements. However, it can be disclosed in the Director's Report, where inflow of economic benefits is probable.

4. Revenue and expenses

IFRS	Indian GAAP

Revenue

Measurement

IFRS: Revenue should be measured at the fair value of the consideration received or receivable. Where the inflow of cash or cash equivalents is deferred, revenue is measured at present value of future cash flows.

Indian GAAP: Revenue is measured at the amount recoverable from customers for goods supplied, services rendered or the use of resources by them. Discounting of deferred revenue is normally not required. However, for installment sales, discounting will be required.

Revenue recognition — services rendered

IFRS: When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction should be recognized by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the entity.
- The stage of completion of the transaction at the balance sheet date can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Indian GAAP: AS 9 recognizes both completed contract method and proportionate completion method for recognition of revenue arising from rendering of services. It provides that where the performance of the service requires execution of more than one act, revenue is recognized proportionately by reference to the performance of each act. Completed Contract method is followed where performance consists of single act or services are performed in more than one act but services yet to be performed are so significant in relation to the transaction taken as a whole that performance cannot be deemed to be completed until execution of those acts.

Interest, royalties and dividend

IFRS: Revenue arising from the use by others of entity assets yielding interest, royalties and dividends should be recognized when all the following conditions are satisfied:

- It is probable that the economic benefits associated with the transaction will flow to the entity.
- The amount of the revenue can be measured reliably.

Revenue will be recognized on the following bases:

- Interest will be recognized using the effective interest method.
- Royalties will be recognized on an accrual basis in accordance with the substance of the relevant agreement.
- Dividends will be recognized when the shareholder's right to receive payment is established.

Indian GAAP: Guidance is similar to IFRS except that interest is recognized based on time-proportion basis considering the amount outstanding and the rate applicable.

IFRS	Indian GAAP
Accounting for government grants	
Government assistance	
IAS 20 deals with disclosure of government assistance. It requires an entity to give an indication of the government assistance (other than in the form of government grants) from which it has directly benefited.	AS 12 does not deal with the accounting for government assistance, other than in the form of government grants.
Asset related grants	
IAS 20 gives an option to present the grants related to assets in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.	Government grants related to specific fixed assets should be presented in the balance sheet by showing the grant as a deduction from the gross value of the assets concerned in arriving at their book value. Where the grant related to a specific fixed asset equals the whole, or virtually the whole, of the cost of the asset, the asset should be shown in the balance sheet at a nominal value. Alternatively, government grants related to depreciable fixed assets may be treated as deferred income which should be recognized in the profit or loss on a systematic and rational basis over the useful life of the asset.
Grants in the form of non-monetary assets	
IAS 20 gives an option to present the grants related to assets, including non-monetary grants at fair value, in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.	AS 12 requires government grants in the form of non-monetary assets, given at a concessional rate, to be accounted for on the basis of their acquisition cost only. If a non-monetary asset is given free of cost, it should be recorded at a nominal value.
Grants in the nature of promoter's contribution	
IAS 20 does not recognize the concept on recognizing grants directly in reserves. Government grants will be recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They cannot be credited directly to shareholders' interests.	AS 12 requires certain grants, viz., grants in the nature of promoter's contribution and grants related to non-depreciable assets, which do not have any conditions attached to them, to be recognized directly in "capital reserve" which is a part of the "shareholders' funds."
Government loan at below-market rate	
In accordance with IAS 20, the benefit of a government loan at nil or below-market rate of interest is treated as a government grant. The loan will be recognized and measured in accordance with IAS 39. The benefit of the below-market rate of interest will be measured as the difference between the initial carrying value of the loan determined in accordance with IAS 39 and the proceeds received.	AS 12 does not specifically deal with accounting for government loan at nil or below-market rate of interest. However, the common practice is to treat such loans, e.g., sales tax deferral benefit, as government assistance. Thus, entities do not quantify the benefit by imputation of interest. This treatment can also be justified on the grounds that Indian GAAP prohibits discounting in a number of other cases, e.g., provisions.

IFRS	Indian GAAP
Disclosures	
IAS 20 requires additional disclosure of unfulfilled conditions and other contingencies attached to government assistance that has been recognized. It also requires an indication of other forms of government assistance from which the entity has directly benefited to be disclosed in the financial statements	AS 12 does not require any such additional disclosure.
Employee benefits	
Actuarial gains and losses	
IAS-19 requires the entire amount of actuarial gains or losses arising on both defined benefit liability and other long-term employee benefits to be recognized immediately in the other comprehensive income	Actuarial gains or losses arising on both defined benefit liability and other long-term employee benefits are recognized immediately in the statement of profit and loss for the period.
Use of discount rates	
The discount rate to be used in determining post-employment defined benefit obligation is determined with reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, discount rate is determined by reference to the market yield on government bonds of a currency and tenure consistent with the currency and term of the post-employment benefit obligation.	The discount rate to be used in measuring post-employment defined benefit obligation is determined only with reference to market yields at the balance sheet date on government bonds. The bonds should be of a currency and tenure consistent with the currency and term of the post-employment benefit obligation.
Share-based payment	
Scope	
Measurement	
For equity-settled share-based payment transactions, an entity will measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If it cannot estimate reliably the fair value of the goods or services received, which is typically the case for employees, the entity will measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. For cash-settled share-based payment transactions, an entity will measure the goods or services acquired, and the liability incurred at the fair value of the liability. Until the liability is settled, the entity will re-measure the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.	The guidance is similar to IFRS except that an entity is permitted to use of the intrinsic value method as an alternate to the fair value method, to measure an employee share-based payment. However, the entity using the intrinsic value method is required to give fair value disclosures.

IFRS	Indian GAAP
Graded vesting	
An entity need to determine the vesting period for each portion of the option separately, and amortize the compensation cost of each such portion on a straight-line basis, over the vesting period of that portion. The option to recognize the expense over the service period for the entire award period is not available.	The ICAI Guidance Note and the SEBI Guidelines provide the following two options in this regard: • Determine the vesting period for each portion of the option separately, and amortize the compensation cost of each such portion on a straight-line basis over the vesting period of that portion. • The amount of employee compensation cost will be accounted for and amortized on a straight-line basis over the aggregate vesting period of the entire option (that is, over the vesting period of the last separately vesting portion of the option). However, the amount of employee compensation cost recognized at any date should at least equal the fair value or the intrinsic value, as the case may be, of the vested portion of the option at that date.
Group and treasury share transactions	
IFRS 2 deals with various issues arising from such transactions. It requires the subsidiary, whose employees receive such compensation to measure the services received from its employees in accordance with the requirements of IFRS 2 with a corresponding increase recognized in equity as a contribution from the parent. IFRS 2 also clarifies the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.	Detailed guidance on issues arising from such transactions is not available. Common practice is that the entity whose employees receive such compensation does not account for any compensation cost because it does not have any settlement obligation.
Income taxes	
Approach	
IAS 12 requires entities to account for taxation using the balance sheet liability method, which focuses on temporary differences in accounting for the expected future tax consequences of events.	Deferred tax is accounted using the statement of profit and loss approach, which focuses on timing differences.
Under this approach, a revaluation of fixed assets when no equivalent adjustment is made for tax purposes results in temporary differences for which deferred tax needs to be recognized, if other recognition criteria are met.	Under the timing differences approach, no deferred tax is recognized on upward revaluation of fixed assets where such revaluation is credited directly to revaluation reserve in accordance with AS 10.

IFRS	Indian GAAP

Recognition of deferred tax assets

IFRS	Indian GAAP
Deferred tax assets should be recognized to the extent that it is probable that future profits will be available against which the deductible temporary difference can be utilized. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, when an entity has a history of recent losses, the entity recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity.	Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where an entity has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only to the extent there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Recognition of deferred tax on investment made in subsidiaries, branches, associates and joint ventures (undistributed profits)

IFRS	Indian GAAP
An entity should recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.	Generally, deferred tax is not recognized for such differences.

Deferred tax arising on business combination

IFRS	Indian GAAP
Deferred tax is recognized on difference between the fair value of assets, except goodwill, recognized in financial statements and their tax base, unless the tax base is also stepped up to fair value.	There is no single standard dealing comprehensively with business combinations. AS 21, which deals with acquisition of a subsidiary, requires acquisition accounting in the CFS based on book values rather than fair values. Hence, the question of re-measuring deferred tax in CFS does not arise. Further, the ICAI had issued ASI 11 dealing with accounting for taxes on income arising in an amalgamation. ASI 11 prescribed separate treatment for DTA/ DTL of the acquiree depending on whether the amalgamation is in the nature of merger or in the nature of purchase. It may be noted that the ICAI had withdrawn ASI 11.

Recognition of deferred tax on elimination of intra-group transactions

IFRS	Indian GAAP
Deferred tax should be recognized on temporary differences that arise from the elimination of profits and losses resulting from the intra-group transactions.	Deferred tax is not recognized on such eliminations. The deferred taxes in the CFS are a simple aggregation of the deferred tax recognized by various group entities.

IFRS	Indian GAAP

Recognition of deferred tax on foreign non-monetary assets/liabilities when the tax reporting currency is not the functional currency

IFRS

The non-monetary assets and liabilities of an entity are measured in its functional currency. If the entity's taxable profit or tax loss (and, hence, the tax base of its non-monetary assets and liabilities) is determined in a different currency, changes in the exchange rate gives rise to temporary differences requiring recognition of deferred tax liability or asset. The resulting deferred tax liability/ asset is charged or credited to profit or loss.

Indian GAAP

In Indian GAAP, there is no concept of functional currency. If an entity prepares its financial statements in a different reporting currency, no deferred tax is recognized for such translation differences.

The effects of changes in exchange rates

Integral and non-integral foreign operations

IFRS

IAS 21 does not make distinction between integral and non-integral foreign operations. All entities are required to prepare their financial statements in their functional currency. Any exchange gain/loss to recognize a transaction in its functional currency is recognized in the profit or loss for the period. In translating the financial statements from functional currency to presentation currency, a reporting entity should use the following procedures:

- Assets and liabilities, both monetary and non-monetary, should be translated at the closing rate.
- Income and expense items should be translated at exchange rates at the dates of the transactions.
- All resulting exchange differences should be accumulated in the foreign currency translation reserve, until the disposal of the net investment.

Indian GAAP

AS 11 distinguishes between integral and non-integral foreign operations and accordingly prescribes separate accounting treatment for integral and non-integral operations. The financial statements of an integral foreign operation should be translated using the principles and procedures as if the transactions of the foreign operation had been those of the reporting entity itself. In translating the financial statements of a non-integral foreign operation for incorporation in its financial statements, a reporting entity should use the following procedures:

- Assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation should be translated at the closing rate.
- Income and expense items of the non-integral foreign operation should be translated at exchange rates at the dates of the transactions.
- All resulting exchange differences should be accumulated in foreign currency translation reserve until the disposal of the net investment.

Concept of functional currency

IFRS

Functional currency is defined as the currency of the primary economic environment in which the entity operates. In accordance with IAS 21, when a reporting entity prepares financial statements, each individual entity included in the reporting entity — whether it is a stand-alone entity, an entity with foreign operations (such as a parent) or a foreign operation (such as a subsidiary or branch) — determines its functional currency, and measures its results, and financial position in that currency. Foreign currency is defined as a currency other than the functional currency of the entity.

Indian GAAP

Foreign currency is defined as a currency other than the reporting currency of the entity. There is no concept of determining the functional currency by the entities. Each reporting entity follows the prescribed translation procedures for conversion based on integral or non-integral operations.

5. Acquisition and consolidation

Business combinations

Scope

IFRS 3 applies to most business combinations — both amalgamations (where the acquiree loses its existence) and acquisition (where the acquiree continues its existence). IFRS 3, however, does not apply to formation of joint ventures, common control transaction and acquisition of asset/group of assets that does not constitute a business.

There is no comprehensive standard dealing with all business combinations. AS 14 applies only to amalgamation, i.e., where acquiree loses its identity. AS 21, AS 23 and AS 27 apply to accounting for investments in subsidiaries, associates and joint ventures, respectively in CFS. AS 10 applies where a demerged division is acquired on a lump-sum basis by another entity. None of these standards differentiate between common control and other business combinations. However, AS 14 requires the pooling of interest method to be applied to an "amalgamation in the nature of merger," which is an amalgamation that satisfies five prescribed conditions.

As per section 391/ 394 of the Companies Act, 1956, reconstruction, amalgamation, etc., of companies need to be approved by the Tribunal/ High court. Considering the requirements of the Act for covering incidental, consequential and supplemental matters in the scheme, many companies include specific treatment for the transaction in the scheme. In many cases, treatment prescribed in the scheme is not in compliance with the accounting standards.

To address the above issue, the Securities and Exchange Board of India (SEBI) amended the listing agreement. As per the amendment, all listed entities, while filing any draft Scheme of amalgamation/ merger/ reconstruction, etc. with the stock exchange for approval, are also required file an auditors' certificate to the effect that the accounting treatment contained in the scheme is in compliance with all accounting standards. Thus, compliance with accounting standards is now mandatory for all listed entities. However, unlisted entities can still continue to file a scheme of arrangement with the Court containing an accounting treatment which is not in compliance with the accounting standards.

Accounting for common control business combination

IFRS 3 requires business combinations involving entities or businesses under common control to be accounted using the pooling of interests method. Key features of the pooling of interest method as prescribed in IFRS 3 are:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities. The only adjustments that are made are to harmonize accounting policies.
- The financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the earliest period presented, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information will be restated only from that date.
- The consideration for the business combination may consist of securities, cash or other assets. The securities will be recorded at nominal value. In determining the value of the consideration, assets other than cash will be considered at their fair values.
- The identity of the reserves will be preserved and will appear in the financial statements of the transferee in the same form in which they appeared in the financial statements of the transferor.
- The excess, if any, between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is recognized as goodwill in the financial statements of the transferee entity; in case of any deficiency, the same will be treated as capital reserve.

Under Indian GAAP, none of the standards differentiate between common control and other business combinations. However, AS 14 requires the pooling of interest method to be applied to an "amalgamation in the nature of merger," which is an amalgamation that satisfies five prescribed conditions. Under the pooling of interest method prescribed in AS 14, no goodwill or capital reserve is recognized in the financial statements. Also, if consideration paid through issuance of securities, AS 14 requires such securities to be recognized at fair value.

Acquisition date

The date on which the acquirer effectively obtains control of the acquiree is the acquisition date.

The date of amalgamation/acquisition as defined in the court scheme is the acquisition date.

Cost of acquisition

The acquirer will measure the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree.

The consideration for the amalgamation may consist of securities, cash or other assets. In determining the value of the consideration, an assessment is made of the fair value of its elements.

Acquisition-related costs

An acquirer should recognize the acquisition-related costs as an expense in the period incurred. However, the costs relating to the issue of debt or equity securities will be recognized in accordance with IAS 32 and IAS 39.

There is no specific guidance on acquisition related costs. There is an EAC Opinion which requires that due diligence cost incurred for acquiring business should be expensed immediately in the period incurred.

Contingent consideration

When a business combination agreement provides for an adjustment to the cost of the combination that is contingent on future events, the acquirer will recognize the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.	In accordance with AS 14, "many amalgamations recognize that adjustments may have to be made to the consideration in the light of one or more future events. When the additional payment is probable and can reasonably be estimated at the date of amalgamation, it is included in the calculation of the consideration. In all other cases, the adjustment is recognized as soon as the amount is determinable."
Subsequent adjustments to the contingent consideration are generally not adjusted to goodwill, other than for changes resulting from additional information about the facts and circumstances existing at the acquisition date, provided such additional information is obtained within a twelve month period from the date of acquisition. Other IFRS govern subsequent accounting for contingent consideration. For example, if contingent consideration is classified as equity, it is not re-measured subsequently. If contingent consideration is classified as financial instrument, it is measured at fair value at each reporting date and gain/loss is recognized in profit or loss or in other comprehensive income for the period in accordance with IAS 39.	There is no guidance relating to contingent consideration in situations other than amalgamation. However the practice is to adjust the goodwill amount.

Restructuring provisions

The acquirer recognizes the liability as part of the acquisition accounting only if the acquiree has an existing liability either constructive or legal at the acquisition date in accordance with IAS 37.	The acquirer recognizes the liability as part of the acquisition accounting only if the acquiree has an existing legal liability at the acquisition date.

Contingent liabilities

The acquiree's contingent liabilities are recognized as actual liabilities by the acquirer at the acquisition date as part of acquisition accounting, if they are present obligation arising from past events and their fair values can be measured reliably.	Contingent liabilities are not recognized.

Minority (non-controlling) interests at acquisition

Non-controlling interest is stated either at acquisition-date fair value or at non-controlling interest's proportionate share of acquiree's identifiable net assets.	Minority interest is valued at its proportionate share of historical book value of net assets.

Accounting for goodwill

At the acquisition date, an acquirer will recognize goodwill as an asset and measure the same as below: Cost of acquisition *Plus* amount of non-controlling interest *Plus* if business combination is achieved in stages, the acquisition-date fair value of previous equity interest in the acquiree *Less* net acquisition-date amount of assets acquired and liabilities assumed After initial recognition, the acquirer will measure goodwill acquired in a business combination at cost less any accumulated impairment losses. Goodwill amortization is prohibited.	Treatment of goodwill differs in different accounting standards. Goodwill arising on amalgamation in nature of purchase is amortized to the statement of profit and loss over a period not exceeding five years. Goodwill arising under AS 10, AS 21, AS 23 and AS 27 need not be amortized though there is no prohibition. In case of amalgamation in nature of merger, excess consideration over net assets taken over is adjusted against the revenue reserves. After initial recognition, the acquirer will measure goodwill acquired in a business combination at cost less accumulated amortization, if any, and accumulated impairment losses.

Subsequent adjustments to assets and liabilities

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the financial statements are prepared using provisional amounts for the items for which the accounting is incomplete. IFRS 3 permits adjustments to items recognized in the original accounting for a business combination, for a maximum of one year from the acquisition date, where new information about facts and circumstances existing at the acquisition date is obtained. Any such adjustments are made retrospectively as if those adjustments had been made at the acquisition date.	No adjustment is permitted, except for certain deferred tax adjustment.

Consolidated and separate financial statements

Presentation of Consolidated Financial Statements (CFS)

Each parent is required to present CFS wherein it consolidates its subsidiaries except where the parent satisfies all the following conditions: (a) The parent is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting CFS. (b) The parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets). (c) The parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market. (d) The ultimate or any intermediate parent of the parent produces CFS available for public use that comply with IFRS.	It is not mandatory for entities to prepare CFS under AS 21. However, SEBI requires all listed entities to prepare and present CFS.

A similar exemption is also available from application of the proportionate consolidation/ equity accounting to interests in joint ventures/ investments in associates, if a venturer/ investor satisfies the above conditions	
CFS includes all subsidiaries. It further states that a subsidiary is not excluded from consolidation simply because the investor is a venture capital organization, mutual fund, unit trust or similar entity.	AS 21 precludes consolidation of a subsidiary when either of the following conditions is met: • Control is intended to be temporary because a subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future (i.e., twelve months). • A subsidiary operates under severe long term restrictions, which significantly impair its ability to transfer funds to the parent. In the CFS, such subsidiaries are accounted under AS 13 and the reasons for not consolidating are disclosed.
SIC 12 states that a Special Purpose Entity (SPE) should be consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity.	There is no specific guidance available for consolidation of SPE.

Separate financial statements

IFRS specifically defines separate financial statements as "those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees."	Under Indian GAAP, all entities are required to prepare and present separate financial statements, without any exception. In a parent's separate financial statements, investments in subsidiary should be accounted for in accordance with AS 13. AS 13 requires such investments to be valued at cost as adjusted for any diminution, other than temporary in the value of those investments.
The financial statements of an entity that does not have a subsidiary, associate or venturer's interest in a jointly controlled entity are not separate financial statements.	
Separate financial statements need not be appended to, or accompany, the consolidated financial statements, unless required by law.	
IAS 27 requires that a parent's investment in a subsidiary should be accounted in the parent's separate financial statements at either of the following two amounts: • Cost • Fair value in accordance with IAS 39.	

Consolidation procedures

Intra-group elimination

Intra-group balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intra-group transactions that are recognized in assets, such as inventory and fixed assets, are also eliminated. Intra-group losses may, however, indicate an impairment requiring recognition in the CFS.	Similar to IFRS, except that no deferred tax is recognized on elimination of intra-group transactions.

Deferred tax should be calculated on temporary differences that arise from the elimination of profits and losses resulting from intra-group transactions.

Reporting periods

The financial statements of the parent and its subsidiaries used in the preparation of the CFS will be prepared as at the same reporting date. When the financial statements of a subsidiary used in the preparation of CFS are prepared as of a reporting date different from that of the parent, adjustments will be made for the effects of significant transactions or events that occur between that date and the date of the parent's financial statements. In any case, the difference between the reporting date of the subsidiary and that of the parent will be no more than three months.

Similar to IFRS, except that the difference between reporting dates should not be more than six months.

6. Financial instruments

IFRS	Indian GAAP

Financial instruments

Under Indian GAAP, there is no notified accounting standard dealing with accounting for financial instruments in a comprehensive manner. To deal with the accounting of such instruments, the ICAI had issued AS 30, AS 31 and AS 32. The ICAI recently issued the following clarification regarding the applicability status of AS 30, AS 31 and AS 32 under Indian GAAP:

1. To the extent of accounting treatments covered by the notified accounting standards (AS), e.g., AS 11 and AS 13, the existing AS will continue to prevail over AS 30.
2. In cases where a regulatory authority, e.g., RBI for banks, has prescribed specific regulatory requirements, the prescribed requirements will continue to prevail over AS 30.
3. Subject to 1 and 2 above, the entities are encouraged to follow AS 30, AS 31 and AS 32.

Comparison without considering the impact of AS 30, AS 31 and AS 32 since these standards are not notified under the Companies Act, 1956, is presented below.

Definition of financial instrument, financial asset and financial liability

A **financial instrument** is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A **financial asset** is an asset that falls in one of the following:

- Cash
- An equity instrument of another entity
- A contractual right to receive cash or another financial asset from another entity

There is no notified accounting standard dealing with financial instruments in a comprehensive manner.

IFRS	Indian GAAP

• A contractual right to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity
• A contract that will or may be settled in the entity's own equity instruments, and is
  • A non-derivative for which the entity is or may be obliged to receive a variable number of its own equity instruments
  • A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.
For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of its own equity instruments.
A **financial liability** is a liability that falls in one of the following:
• A contractual obligation to deliver cash or another financial asset to another entity
• A contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity
• A contract that will or may be settled in the entity's own equity instruments, and is
  • A non-derivative for which the entity is or may be obliged to deliver a variable number of its own equity instruments
  • A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.
An **equity instrument** is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.	

Classification of financial instruments between liability and equity	
The issuer of a financial instrument will classify the instrument, or its components, on initial recognition as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The instrument is an equity instrument if, and only if, all conditions mentioned below are met: • The instrument includes no contractual obligation to deliver cash or another financial asset to another entity. • The instrument includes no contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer.	There is no notified accounting standard dealing with financial instruments in a comprehensive manner. Classification is typically based on its legal form rather than true economic substance. For example, preference shares are generally treated as capital, even though, in many cases, in substance, they may be a liability. Consequent to this, any dividend on preference shares is treated as distribution of profit, as against charge to profit or loss.

IFRS	Indian GAAP
• If the instrument will or may be settled in the issuer's own equity instruments, it is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments, or it is a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.	
Financial assets	
Classification and measurement	
Financial assets are classified in four categories: • Financial asset at fair value through profit or loss (FVPL) • Held to maturity investments • Loans and receivables • Available for sale financial assets	There is no notified accounting standard dealing with financial instruments in a comprehensive manner. AS 13 classifies investments in two categories, viz., long-term and current investments.
Financial assets classified as FVPL that includes investments held for trading and those designated as at FVPL are mark-to-market at each reporting date with changes taken to the statement of profit and loss.	Under AS 13, current investments are measured at lower of cost or market value.
For held-to-maturity investments, initial measurement is at fair value plus transaction cost. Subsequent measurement is at amortized cost using the effective interest method.	In accordance with AS 13, long-term investments are carried at cost less provision to recognize other than temporary decline in the value of investments. Interest, if any, is recognized on time proportion basis.
For loans and receivables, initial measurement is at fair value plus transaction cost. Subsequent measurement is at amortized cost using the effective interest method.	Loans and receivables are measured at cost, less provision to the extent considered doubtful of recovery. Interest income on loans is recognized on time-proportion basis at the rates mentioned in the loan agreement.
For AFS investments, initial measurement is at fair value plus transaction cost. Subsequent measurement is at fair value and any change in the fair value is recognized directly in OCI and accumulated in equity. The amount so accumulated in equity is recycled to the statement of profit or loss when investments are sold or impaired.	There is no such classification under the notified standards. All investments are classified into long-term and current investments, based on AS 13 criteria.

IFRS	Indian GAAP
Reclassification	
Reclassifications between categories are relatively uncommon under IAS and are prohibited into and out of FVPL category, for investments initially designated as FVPL. However, an entity may, on certain conditions being met, reclassify some non-derivative financial assets out of the held-for-trading category: • Into loans and receivables, or • In rare circumstances, into available-for-sale or held-to-maturity category. A financial asset classified as available-for-sale may be reclassified to loans and receivables if the asset meets the definition of loans and receivables and the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity. Reclassifications from the held-to-maturity category as a result of a change of intent or ability are treated as sales and, other than in exceptional circumstances, result in the whole category being "tainted." The most common reason for a reclassification out of the category, therefore, is when the whole category is tainted and has to be reclassified as available-for-sale for two years.	AS 13 does not contain any restriction on reclassification of investments between current and long-term categories. Where a long-term investment is reclassified as current investment, transfer is made at the lower of cost and carrying amount at the date of transfer. Where a current investment is reclassified to long-term category, transfer is made at the lower of cost and fair value at the date of transfer.
Recognition of impairment	
An entity will assess at each balance sheet date whether there is any objective evidence, that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss has been incurred on financial assets carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future expected credit losses that have not yet been incurred). Where there is an objective evidence of impairment on AFS investments, the cumulative loss — measured as difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement — is removed from equity and recognized in the statement of profit and loss.	Current investments are recorded at lower of cost or market price. On long term investments, diminution other than temporary is recognized.
Reversal of impairment	
For assets carried at amortized cost and AFS debt securities, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed. IFRS 39 prohibits the reversal of an impairment loss on AFS equity securities through profit or loss. IFRS 39 prohibits the reversal of impairment on unquoted equity instruments which are carried at cost because their fair value cannot be measured reliably.	Any reversal of reduction in impairment loss is credited to the statement of profit and loss.

IFRS	Indian GAAP
Derecognition	
An entity will derecognize a financial asset when either of the following conditions is met: • The contractual rights to the cash flows from the financial asset expire • The entity has transferred substantially all risks and rewards from the financial assets • The entity has neither transferred substantially all, nor retained substantially all, the risks and rewards from the financial asset, but has transferred control of the asset.	The *ICAI Guidance Note on Accounting for Securitisation* required derecognition of financial asset if the originator loses control of the contractual rights that comprise the securitized assets. As per the ICAI Announcement, the said Guidance Note had been withdrawn from 1 April 2009.
Financial liability	
Classification and measurement	
Financial liabilities are classified into two categories: • Financial liability at fair value through profit or loss (FVPL) • other financial liabilities. Initial measurement is at fair value, less transaction cost in case of financial liabilities not at fair value thorough profit or loss. Subsequently, financial liabilities classified as FVPL are measured at fair value and the change is recognized in the statement of profit and loss for the period. All other (non-trading) liabilities are carried at amortized cost using the effective interest method. Gains or losses are recognized in the statement of profit and loss through the amortization process.	Liabilities are normally carried at amount received. Interest expense on liabilities is recognized on time-proportion basis at the rates mentioned in the loan agreement.
Derecognition	
An entity will remove a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.	There is no notified standard dealing with financial instruments comprehensively.

IFRS	Indian GAAP
Modification	
An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Gains/losses on such modification is accounted for in profit or loss.	There is no notified standard dealing with financial instruments comprehensively.
Derivatives and embedded derivatives	
Measurement of derivatives	
Derivatives are initially recognized at fair value. After initial recognition, an entity will measure derivatives at their fair values, without any deduction for transaction costs. Changes in fair value are recognized in the statement of profit or loss unless it satisfies hedge criteria.	AS 11 deals with accounting forward exchange contracts, except contracts entered to hedge firm commitments and highly probable forecast transactions.
Embedded derivatives need to be separated from the host contract if it is not closely related to the host contract and fair valued. If an entity is unable to measure the embedded derivative separately either at acquisition date or at the end of a subsequent financial reporting period, it will designate the entire hybrid (combined) contract as at fair value through profit and loss.	As required by the ICAI *Announcement on Accounting for Derivatives*, entities that have not applied principles of AS 30 are required to recognize loss on all derivatives not covered under AS 11, keeping in view the principle of prudence as enunciated in AS 1. No specific guidance is available on accounting for embedded derivatives. A perusal of financial statements of few Indian companies indicates existence of diverse practices on the matter.
Hedge accounting	
Criteria for hedge accounting	
Hedge accounting is permitted if at the inception of the hedge and on an ongoing basis, the hedge will be highly effective within the 80% to 125% range. Stringent documentation criteria have also been prescribed.	Presently, AS 11 deals with forward exchange contracts entered into for hedging foreign currency risk of foreign currency assets and liabilities. AS 11 does not lay down any specific guidelines for determining hedge effectiveness, rather, the treatment is based on the purpose for which such contracts are entered into.
Hedged items, hedging instruments and hedge relationships	
IFRS 39 provides detailed guidance on hedged items, hedging instruments and hedge relationships.	There is no notified standard dealing with financial instruments comprehensively.
Measurement	
IFRS 39 provides detailed guidance on hedge accounting, depending on nature of hedge relationship, viz., fair value hedge, cash flow hedge and hedge of net investment in a foreign operations.	Under AS 11, the premium or discount arising at the inception of a forward exchange contract entered into for hedging purposes should be amortized as expense or income over the life of the contract.

IFRS	Indian GAAP
In a fair value hedge, any gain or loss from re-measuring the hedging instrument at fair value is be recognized in profit or loss. The gain or loss on the hedged item attributable to the hedged risk also adjusts the carrying amount of the hedged item and is recognized in profit or loss. This applies if the hedged item was otherwise measured at cost.	Exchange differences on such a contract should be recognized in the statement of profit and loss of the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract should be recognized as income or as expense for the period.
In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income (OCI). The amount so recognized in OCI is generally recycled to the profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (except where the entity applies basis adjustment).	
Financial instruments: disclosures	
IFRS 7 requires entities to provide detailed disclosures in their financial statements that enable users to evaluate both the following:	The announcement on *"Disclosure regarding Derivative Instruments,"* issued by the ICAI, requires the following disclosures to be made in the financial statements:
• The significance of financial instruments for the entity's financial position and performance	• Category-wise quantitative data about derivative instruments that are outstanding at the balance sheet date
• The nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks The disclosures required under IFRS 7 include extensive quantitative as well as qualitative information.	• The purpose, viz., hedging or speculation, for which such derivative instruments have been acquired • The foreign currency exposures that are not hedged by a derivative instrument or otherwise.
	Further, the ICAI Announcement on *"Accounting for Derivatives"* requires an entity to disclose accounting policy followed with regard to accounting for derivatives. It also requires an entity to disclose the following: • If an entity has followed AS 30 with regard to accounting for derivatives, the amount of gain/ loss recognized in the financial statements in accordance with AS 30. • If an entity has not followed AS 30 with regard to accounting for derivatives, amount of losses provided for in the financial statements.

7. Industry related

IFRS	Indian GAAP
Exploration for and evaluation of natural resources	
Accounting for exploration and evaluation costs	
IFRS 6 allows entities to continue applying their existing accounting policy only in respect of exploration and evaluation (E&E) activities until a more comprehensive solution is developed. However, it does not deal with accounting for the costs incurred once the E&E phase is completed. Beyond the E&E phase, i.e., in the development phase, it would not be possible to apply the full cost accounting under IFRS as the definition of the asset may not be met.	Commonly, the two methods, viz., the successful efforts method (SEM) and the full cost method (FCM), are prevalent with regard to accounting for exploration and evaluation costs. Under SEM, generally only those costs that lead directly to the discovery, acquisition, or development of specific, discrete oil and gas reserves are capitalized to the particular cost center, which is not larger than a field. The incurred costs that do not result in the discovery of discrete oil and gas reserves are written off as soon as it becomes clear that a particular expense is non-productive. Under FCM, all costs incurred in prospecting, acquiring mineral interests, exploration and development are accumulated in large cost centers. The cost center, under this method, is not normally smaller than a country except where warranted by a major difference in economic, fiscal or other factors in the country. The full cost method permits the capitalization of cost even for unsuccessful wells. The ICAI has issued the *Guidance Note on Accounting for Oil and Gas Producing Activities* that recommends the SEM to be the preferred method for the accounting of such activities. It, however, also permits an entity to follow the FCM.

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Vedanta

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VEDANTA RESOURCES PLC

We have audited the group financial statements of Vedanta Resources plc for the year ended 31 March 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Director's Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter
We have reported separately on the parent company financial statements of Vedanta Resources plc for the year ended 31 March 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

David Paterson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
5 May 2010

Vedanta Resources plc

Consolidated financial statements for the year ended 31 March 2010

Consolidated Income Statement

	Note	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Continuing operations			
Revenue	3	7,930.5	6,578.9
Cost of sales		(5,786.7)	(5,136.1)
Gross profit		**2,143.8**	**1,442.8**
Other operating income		87.8	115.9
Distribution costs		(229.5)	(163.0)
Administrative expenses		(269.2)	(256.8)
Special items	4	(67.3)	(31.9)
Operating profit	3	**1,665.6**	**1,107.0**
Investment revenues	5	272.8	456.2
Finance costs	6	(236.6)	(288.1)
Other gains / (losses)	7	139.8	(94.1)
Profit before taxation		**1,841.6**	**1,181.0**
Tax expense	11	(330.4)	(280.5)
Profit for the year		**1,511.2**	**900.5**
Attributable to:			
Equity holders of the parent		602.3	219.4
Minority interests		908.9	681.1
		1,511.2	**900.5**
Basic earnings per ordinary share (US Cents)	12	219.6	76.4
Diluted earnings per ordinary share (US Cents)	12	203.2	75.8

Consolidated Statement of Comprehensive Income

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Profit for the year	**1,511.2**	**900.5**
Income and expenses recognised directly in equity:		
Exchange differences arising on translation of foreign operations	1,308.6	(2,195.3)
Gains/(losses) in fair value of available-for-sale financial assets (note 16)	111.0	(12.8)
Gains in fair value of cash flow hedges deferred in reserves	70.9	22.5
Tax effects arising on cash flow hedges deferred in reserves	(24.1)	(5.5)
Total income / (expense) recognised in equity	**1,466.5**	**(2,191.1)**
Losses/(gains) in fair value of cash flow hedges transferred to income statement	56.8	(67.0)
Tax effects arising on cash flow hedges transferred to income statement	(19.2)	20.9
Total transferred to the income statement	**37.6**	**(46.1)**
Total comprehensive income / (expense) for the year	**3,015.3**	**(1,336.7)**
Attributable to:		
Equity holders of the parent	1,406.2	(847.7)
Minority interests	1,609.1	(489.0)

Consolidated Balance Sheet

	Note	As at 31 March 2010 $ million	As at 31 March 2009 $ million
ASSETS			
Non-current assets			
Goodwill	14	12.2	12.2
Property, plant and equipment	15	14,326.7	9,348.4
Financial asset investments	16	201.2	91.6
Other non-current assets	17	18.3	21.4
Other financial assets (derivatives)	26	43.7	52.8
Deferred tax assets	28	8.9	11.2
		14,611.0	**9,537.6**
Current assets			
Inventories	18	1,260.6	909.3
Trade and other receivables	19	923.6	735.0
Other current financial assets (derivatives)	26	10.4	82.0
Liquid investments	20	6,849.4	4,532.1
Cash and cash equivalents	21	390.0	380.5
Current tax assets		15.0	-
		9,449.0	**6,638.9**
TOTAL ASSETS		**24,060.0**	**16,176.5**
LIABILITIES			
Current liabilities			
Short term borrowings	22	(1,012.6)	(1,298.5)
Trade and other payables	24a	(2,559.2)	(1,967.7)
Other current financial liabilities (derivatives)	26	(38.5)	(114.7)
Provisions	27	(0.9)	(6.9)
Current tax liabilities		(71.7)	(47.6)
		(3,682.9)	**(3,435.4)**
Net current assets		**5,766.1**	**3,203.5**
Non-current liabilities			
Medium and long term borrowings	22	(4,383.2)	(3,212.3)
Convertible bonds	25	(2,777.8)	(604.1)
Trade and other payables	24b	(306.4)	(76.4)
Other financial liabilities (derivatives)	26	(44.7)	(59.7)
Deferred tax liabilities	28	(1,209.3)	(1,010.6)
Retirement benefits	30	(36.6)	(29.3)
Provisions	27	(167.6)	(165.5)
Non equity minority interests	22	(11.9)	(11.9)
		(8,937.5)	**(5,169.8)**
TOTAL LIABILITIES		**(12,620.4)**	**(8,605.2)**
NET ASSETS		**11,439.6**	**7,571.3**
EQUITY			
Share capital	31	29.6	28.9
Share premium account		196.8	21.1
Share based payment reserves		25.5	14.0
Convertible bond reserve		305.9	111.5
Hedging reserves		27.8	(39.6)
Other reserves		2,463.8	1,168.9
Treasury shares		(428.9)	(80.3)
Retained earnings		2,090.0	1,888.1
Equity attributable to equity holders of the parent		**4,710.5**	**3,112.6**
Minority interests		6,729.1	4,458.7
TOTAL EQUITY		**11,439.6**	**7,571.3**

Financial Statements of Vedanta Resources Plc, registration number 4740415 were approved by the Board on 5 May 2010

MS Mehta - Director

Consolidated Cash Flow Statement

	Note	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Operating activities			
Profit before taxation		**1,841.6**	**1,181.0**
Adjustments for:			
Depreciation		563.0	473.2
Investment revenues		(272.9)	(456.2)
Finance costs, including foreign exchange		96.8	382.2
Share based payment charge		15.6	13.1
Inventory net realisable value write down		-	79.0
Other non-cash items		44.1	12.6
Operating cash flows before movements in working capital		**2,288.2**	**1,684.9**
(Increase)/decrease in inventories		(249.4)	69.9
Decrease in receivables		16.4	167.9
Increase in payables		205.2	383.9
Cash generated from operations		**2,260.4**	**2,306.6**
Dividends received		142.7	241.9
Interest income received		150.1	130.2
Interest paid		(455.3)	(399.9)
Income taxes paid		(407.8)	(330.8)
Dividends paid		(117.9)	(118.8)
Net cash from operating activities		**1,572.2**	**1,829.2**
Cash flows from investing activities			
Acquisition of subsidiary	32	(335.0)	-
Cash acquired with subsidiary	32	34.6	-
Purchases of property, plant and equipment		(2,362.1)	(2,799.6)
Proceeds on disposal of property, plant and equipment		12.1	7.9
Dividends paid to minority interests of subsidiaries		(68.4)	(56.1)
Purchase of liquid investments	23	(1,663.4)	(961.9)
Buyback of shares		(348.6)	(80.3)
Buy out of minority interest		(189.7)	(316.8)
Sale /(Purchase) of financial asset investments		17.9	(85.4)
Net cash used in investing activities		**(4,902.6)**	**(4,292.2)**
Cash flows from financing activities			
Issue of ordinary shares		0.7	0.1
Issue of depository receipts by subsidiary		1,090.1	-
(Decrease)/increase in short term borrowings	23	(360.6)	209.0
Increase in long-term borrowings	23	2,859.0	1,999.1
Net cash from financing activities		**3,589.2**	**2,208.2**
Net Increase/(decrease) in cash and cash equivalents	23	258.8	(254.8)
Effect of foreign exchange rate changes	23	(249.3)	177.1
Cash and cash equivalents at beginning of year		380.5	458.2
Cash and cash equivalents at end of year	**21**	**390.0**	**380.5**

Consolidated Statement of Changes in Equity

$ million	Attributable to equity holders of the Company									Minority interest	Total equity
	Share capital	Share premium	Treasury Shares	Share based payment reserves	Convertible bond reserve	Hedging reserves	Other reserves*	Retained earnings	Total		
At 1 April 2008	**28.8**	**20.0**	**-**	**15.6**	**115.7**	**(9.1)**	**1,932.6**	**1,743.5**	**3,847.1**	**5,360.6**	**9,207.7**
Total Comprehensive (loss)/income for the period	-	-	-	-	-	(30.5)	(1,036.6)	219.4	(847.7)	(489.0)	**(1,336.7)**
Conversion of convertible bond	-	1.1	-	-	(0.2)	-	-	-	0.9	-	**0.9**
Convertible bond transfers	-	-	-	-	(4.0)	-	-	4.0	-	-	**-**
KCM call option (note 37)	-	-	-	-	-	-	213.2	63.8	277.0	(233.1)	**43.9**
Transfers **	-	-	-	-	-	-	59.7	(59.7)	-	-	**-**
Dividends paid	-	-	-	-	-	-	-	(118.8)	(118.8)	(56.1)	**(174.9)**
Exercise of LTIP /STIP awards	0.1	-	-	(14.7)	-	-	-	14.7	0.1	-	**0.1**
Purchase of Treasury Shares	-	-	(80.3)	-	-	-	-	-	(80.3)	-	**(80.3)**
Additional Investment in Subsidiaries	-	-	-	-	-	-	-	21.2	21.2	(123.7)	**(102.5)**
Recognition of share based payment (note 30)	-	-	-	13.1	-	-	-	-	13.1	-	**13.1**
At 31 March 2009	**28.9**	**21.1**	**(80.3)**	**14.0**	**111.5**	**(39.6)**	**1,168.9**	**1,888.1**	**3,112.6**	**4,458.7**	**7,571.3**

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company										
$ million	**Share capital**	**Share premium**	**Treasury Shares**	**Share based payment reserves**	**Convertible bond reserve**	**Hedging reserves**	**Other reserves***	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
At 1 April 2009	**28.9**	**21.1**	**(80.3)**	**14.0**	**111.5**	**(39.6)**	**1,168.9**	**1,888.1**	**3,112.6**	**4,458.7**	**7,571.3**
Total Comprehensive income for the period	-	-	-	-	-	67.4	736.5	602.3	1,406.2	1,609.1	**3,015.3**
Issue of convertible bond (note 25)	-	-	-	-	330.2	-	-	-	330.2	-	**330.2**
Issue of depository receipts by subsidiary***	-	-	-	-	-	-	-	300.1	300.1	790.0	**1,090.1**
Conversion of convertible bonds (note 25)	0.7	175.7	-	-	(109.5)	-	-	42.2	109.1	32.6	**141.7**
Convertible bond transfers	-	-	-	-	(26.3)	-	-	26.3	-	-	**-**
Transfers **	-	-	-	-	-	-	558.4	(558.4)	-	-	**-**
Dividends paid	-	-	-	-	-	-	-	(117.9)	(117.9)	(68.4)	**(186.3)**
Exercise of LTIP /STIP awards	-	-	-	(4.1)	-	-	-	4.1	-	-	**-**
Purchase of Treasury Shares	-	-	(348.6)	-	-	-	-	-	(348.6)	-	**(348.6)**
Additional Investment in Subsidiaries	-	-	-	-	-	-	-	(96.8)	(96.8)	(92.9)	**(189.7)**
Recognition of share based payment (note 29)	-	-	-	15.6	-	-	-	-	15.6	-	**15.6**
At 31 March 2010	**29.6**	**196.8**	**(428.9)**	**25.5**	**305.9**	**27.8**	**2,463.8**	**2,090.0**	**4,710.5**	**6,729.1**	**11,439.6**

*** Other reserves comprise:**

	Currency translation reserve	Merger reserve	Investment revaluation reserve	General reserves	Other	Total
At 1 April 2008	**277.6**	**4.4**	**0.2**	**1,863.6**	**(213.2)**	**1,932.6**
Exchange differences on translation of foreign operations	(1,023.8)	-	-	-	-	(1,023.8)
Revaluation of available-for-sale investments	-	-	(12.8)	-	-	(12.8)
KCM call option	-	-	-	-	213.2	213.2
Transfer from retained earnings **	-	-	-	59.7	-	59.7
At 31 March 2009	**(746.2)**	**4.4**	**(12.6)**	**1,923.3**	**-**	**1,168.9**
Exchange differences on translation of foreign operations	625.5	-	-	-	-	625.5
Revaluation of available-for-sale investments	-	-	111.0	-	-	111.0
Transfer from retained earnings **	-	-	-	558.4	-	558.4
At 31 March 2010	**(120.7)**	**4.4**	**98.4**	**2,481.7**	**-**	**2,463.8**

** Under Indian law, a general reserve is created through a year-on-year transfer from the income statement. The purpose of these transfers is to ensure that distributions in a year are less than the total distributable results for the year. The general reserve becomes fully distributable in future periods.

***In June 2009, Sterlite raised US$ 1090.1 million via the issuance of American Depository Receipts. This resulted in a reduction of Vedanta's shareholding in Sterlite from 61.35% to 56.62%. This reduction has not resulted in any change in control and hence Sterlite continues to be consolidated in Vedanta's consolidated financial statements. This reduction has been accounted in Vedanta's consolidated financial statement as an equity transaction. The carrying amount of the minority interest has been adjusted to reflect the change in Vedanta's interest in Sterlite's net assets. The difference between the amount by which the minority interest is adjusted and the net consideration received of $ 298.2 million is recognised directly in equity and attributed to equity holders of Vedanta.

Notes to the Consolidated Financial Statements

1. Presentation of financial statements

Compliance with applicable law and IFRS

The financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, Article 4 of the IAS Regulation and International Financial Reporting Standards (IFRS) as adopted by the European Union and related interpretations.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale financial assets, fixed rate bonds and defined benefit pension obligations that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest million except where otherwise indicated.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

Improvements to IFRS's (April 2009)

IAS 27	(Revised 2008) – Consoldiated and Separate Financial Statements
IAS 28	(Revised 2008) – Investments in Associates
IFRS 3	(Revised 2008) – Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for:

– IFRS 3 (revised 2008) Business Combinations. This standard will affect the treatment of business combinations which take place in periods commencing on or after 1 July 2009, when the revised standard comes into effect.

Going concern

The financial statements have been prepared in accordance with the going concern basis of accounting. The use of this basis of accounting takes into consideration the Group's current and forecast financing postion, additional details of which are provided in the Going Concern section of the Directors Report.

Parent company financial statements

The financial statements of the parent company, Vedanta Resources plc, have been prepared in accordance with UK GAAP, UK accounting presentation and UK company law. The Company balance sheet is presented in note 38.

2(a) Accounting policies

Basis of consolidation

The consolidated financial information incorporates the results of the Company and all its subsidiaries, being the companies that it controls. This control is normally evidenced when the Group is able to govern a company's financial and operating policies so as to benefit from its activities or where the Group owns, either directly or indirectly, the majority of a company's equity voting rights unless in exceptional circumstances it can be demonstrated that ownership does not constitute control.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring any dissimilar accounting policies that may exist in line with Group policy.

All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Adoption of new standards

In the current financial period the Group has adopted the following new standards:

IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. The adoption of IFRS 8 has resulted in the disclosure of a new energy segment which represents the sale of commercial power and the Copper segment has been split into Copper India & Australia and Copper Zambia. The introduction of IFRS 8 has resulted in further disclosures on each of these segments and these are set out in Note 3. The comparatives have been restated accordingly.

IAS 1 "Presentation of Financial Statements" (revised 2007) requires the presentation of a statement of comprehensive income. In addition, IAS 1 introduces a requirement to present a third balance sheet at the opening date of the comparative period in instances where an accounting policy change has been applied retrospectively, or where there have been restatements or re classifications of items within the financial statements. The adoption of IFRS 8 triggers this third balance sheet requirement. The company has elected not to present the third balance sheet as the adoption of IFRS 8 did not result in any changes to the comparative balance sheet.

IAS 23 "Borrowing Costs ("revised"). IAS 23 (revised) requires that all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset must be capitalised. The Group's existing accounting policy is to capitalise such amounts, and so the adoption of the standard has not had an impact on the Group's financial results.

Revenue recognition

Revenue represents the net invoice value of goods and services provided to third parties after deducting discounts, volume rebates, outgoing sales taxes and duties, and are recognised when all significant risks and rewards of ownership of the asset sold are transferred to the customer. Revenues from sale of material by-products are included in revenue.

Dividend income is recognised when the shareholders' right to receive payment is established.

Interest income is recognised on an accrual basis in the income statement.

Certain of our sales contracts provide for provisional pricing based on the price on The London Metal Exchange Limited ("LME"), as specified in the contract, when shipped. Final settlement of the prices is based on the applicable price for a specified future period. The Company's provisionally priced sales are marked to market using the relevant forward prices for the future period specified in the contract with a corresponding adjustment to revenue.

Special items

Special items are those items that management considers, by virtue of their size or incidence, should be disclosed separately to ensure that the financial information allows an understanding of the underlying performance of the business. The determination as to which items should be disclosed separately requires a degree of judgement.

Business combinations

The results of subsidiaries acquired or sold during the year are consolidated for the periods from, or to, the date on which control passed. Acquisitions are accounted for under the purchase method. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

Excess purchase consideration, being the difference between the fair value of the consideration given and the fair value of the identifiable assets and liabilities acquired, is capitalised as an asset on the balance sheet.

To the extent that such excess purchase consideration relates to the acquisition of mining properties and leases, that amount is capitalised within property, plant and equipment as "mining properties and leases". Other excess purchase consideration relating to the acquisition of subsidiaries is capitalised as goodwill. Goodwill arising on acquisitions is reviewed for impairment annually.

Where the fair values of the identifiable assets and liabilities exceed the cost of acquisition, the surplus is credited to the income statement in the period of acquisition.

Where it is not possible to complete the determination of fair values by the date on which the first post-acquisition financial statements are approved, a provisional assessment of fair values is made and any adjustments required to those provisional fair values, and the corresponding adjustments to purchased goodwill, are finalised within 12 months of the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

For acquisitions of additional interests in subsidiaries, where there is no change in control, the group recognises a reduction to the minority interest of the respective subsidiary with the difference between this figure and the cash paid, inclusive of transaction fees, being recognised in equity. In addition, upon dilution of minority interests the difference between the cash received from sale or listing of the subsidiary shares and the increase to minority interest is also recognised in equity.

Property, plant and equipment

Mining properties and leases

Exploration and evaluation expenditure is written off in the year in which it is incurred.

The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as property, plant and equipment under the heading 'Mining properties and leases' in the year in which they are incurred.

When a decision is taken that a mining property is viable for commercial production, all further pre-production primary development expenditure other than land, buildings, plant and equipment, etc is capitalised as part of the cost of the mining property until the mining property is capable of commercial production. From that point, capitalised mining properties and lease costs are amortised on a unit-of-production basis over the total estimated remaining commercial reserves of each property or Group of properties.

Exploration and evaluation assets acquired are recognised as assets at their cost of acquisition subject to meeting the commercial production criteria mentioned above and are subject to impairment review.

Stripping costs and secondary development expenditure, mainly comprising of costs on blasting, haulage, excavation, etc incurred during the production stage of an ore body are charged to the income statement immediately.

In circumstances where a mining property is abandoned, the cumulative capitalised costs relating to the property are written off in the period.

Commercial reserves are proved and probable reserves. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Other property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use, including relevant borrowing costs and any expected costs of decommissioning. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to the income statement in the period in which the costs are incurred. Major shut-down and overhaul expenditure is capitalised.

Assets in the course of construction

Assets in the course of construction are capitalised in the assets under construction account. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs associated with the commissioning of an asset and any obligatory decommissioning costs are capitalised where the asset is available for use but incapable of operating at normal levels until a period of commissioning has been completed.

Depreciation

Mining properties and other assets in the course of development or construction, freehold land and goodwill are not depreciated. Capitalised mining properties and lease costs are amortised once commercial production commences, as described in "Property, plant and equipment – mining properties and leases". Leasehold land and buildings are depreciated over the period of the lease or if shorter their useful economic life.

Other buildings, plant and equipment, office equipment and fixtures, and motor vehicles are stated at cost less accumulated depreciation and any provision for impairment. Depreciation commences when the assets are ready for their intended use. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Buildings:	Operations	30 years
	Administration	50 years
Plant and equipment		10 – 20 years
Office equipment and fixtures		3 – 20 years
Motor vehicles		9 – 11 years

Major overhaul costs are depreciated over the estimated life of the economic benefit derived from the overhaul. The carrying amount of the remaining previous overhaul cost is charged to the income statement if the next overhaul is undertaken earlier than the previously estimated life of the economic benefit.

Property, plant and equipment held for sale or which is part of a disposal Group held for sale is not depreciated. Property, plant and equipment held for sale is carried at the lower of its carrying value and fair value less disposal cost and is presented separately on the face of the balance sheet.

Impairment

The carrying amounts of property, plant and equipment and investments in associates are reviewed for impairment if events or changes in circumstances indicate that the carrying value of an asset may not be recoverable and the carrying amount of goodwill is reviewed for impairment annually. If there are indicators of impairment, an assessment is made to determine whether the asset's carrying value exceeds its recoverable amount. Whenever the carrying value of an asset exceeds its recoverable amount, an impairment loss is charged to the income statement.

The Group reviews the residual value and useful life of an asset at least at each financial year-end and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

For mining properties and leases, other investments and goodwill, the recoverable amount of an asset is determined on the basis of its value in use, being the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life, discounted using a market-based, risk-adjusted, discount rate.

For other property, plant and equipment, the recoverable amount of an asset is also considered on the basis of its net selling price, where it is possible to assess the amount that could be obtained from the sale of an asset in an arm's length transaction, less the cost of disposal.

Recoverable amounts are estimated for individual assets or, if this is not possible, for the relevant cash-generating unit.

Government grants

Government grants relating to Prperty plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Other grants are credited to the income statement as and when the related expenditure is incurred.

Inventories

Inventories and work-in-progress are stated at the lower of cost and net realisable value, less any provision for obsolescence.

Cost is determined on the following bases:

- purchased copper concentrate is recorded at cost on a first-in, first-out ("FIFO") basis; all other materials including stores and spares are valued on weighted average basis;

- finished products are valued at raw material cost plus costs of conversion, comprising labour costs and an attributable proportion of manufacturing overheads based on normal levels of activity; and by-products and scrap are valued at net realisable value.

Net realisable value is determined based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Taxation

Tax expense represents the sum of tax currently payable and deferred tax.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Exceptions to this principle are:

- Tax payable on the future remittance of the past earnings of subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- Deferred income tax is not recognised on goodwill impairment which is not deductible for tax purposes or on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant Group entity intends to settle its current tax assets and liabilities on a net basis.

Retirement benefit schemes

The Group operates or participates in a number of defined benefits and contribution pension schemes, the assets of which are (where funded) held in separately administered funds. The cost of providing benefits under the plans is determined each year separately for each plan using the projected unit credit method by independent qualified actuaries.

Actuarial gains and losses arising in the year are recognised in full in the income statement of the year.

For defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

Share based payments

Certain employees (including executive directors) of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions are determined by an external valuer and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Provisions for liabilities and charges

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in the income statement as a finance cost. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine. Costs arising from the installation of plant and other site preparation work, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the income statement over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the income statement.

Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present values and charged to the income statement as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Foreign currency translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. For all principal operating subsidiaries, the functional currency is the local currency of the country in which it operates, except KCM where the functional currency is US dollars, since that is the currency of the primary economic environment in which it operates. In the financial statements of individual Group companies, transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies are translated into functional currency at exchange rates prevailing on the balance sheet date. All exchange differences are included in the income statement, except,

- where the monetary item is designated as an effective hedging instrument of the currency risk of designated forecast sales, where exchange differences are recognised in equity
- exchange differences on foreign currency borrowings relating to assets under construction, for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purposes of consolidation, the income statement items of those entities for which the US dollar is not the functional currency are translated into US dollars at the average rates of exchange during the period. The related balance sheets are translated at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of such operations, and on foreign currency borrowings to the extent that they hedge the Group's investment in such operations, are reported in other comprehensive inward and accumulated in equity.

On disposal of a foreign entity, the deferred cumulative exchange differences recognised in equity relating to that particular foreign operation would be recognised in the income statement.

Financial asset investments

Financial asset investments are classified as available for sale under IAS 39 and are initially recorded at cost and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses on financial asset investments are recognised directly in equity. On disposal or impairment of the investments, the gains and losses in equity are recycled to the income statement.

Investments in unquoted equity instruments that do not have a market price and whose fair value cannot be reliably measured are measured at cost.

Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

Liquid investments

Liquid investments represent short term current asset investments that do not meet the definition of cash and cash equivalents for one or more of the following reasons:

- They have a maturity profile greater than 90 days; and/or
- They may be subject to a greater risk of changes in value than cash; and/or
- They are held for investment purposes.

The change in fair value of trading investments incorporates any dividend and interest earned on the held for trading investments.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance for impairment for trade receivables is made where there is an event, which based on previous experience, is an indication of a reduction in the recoverability of the carrying value of the trade receivables.

Trade payables

Trade payables are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, short-term deposits with banks and short-term highly liquid investments that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

Borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis and charged to the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Convertible bonds

Convertible bonds denominated in the functional currency of the issuing entity are accounted for as compound instruments. The equity components and the liability components are separated out on the date of the issue. The equity component is recognised in a separate reserve and is not subsequently remeasured. The liability component is held at amortised cost. The interest expense on the liability component is calculated by applying the effective interest rate, being the prevailing market interest rate for similar non convertible debt. The difference between this amount and interest paid is added to the carrying amount of the liability component.

Convertible bonds not denominated in the functional currency of the issuing entity or where a cash conversion option exists, are split into two components: a debt component and a component representing the embedded derivative in the convertible bond. The debt component represents a liability for future coupon payments and the redemption on the principal amount. The embedded derivative, a financial liability, represents the value of the option that bond holders have to convert into ordinary shares. At inception the embedded derivative is recorded at fair value and the remaining balance, after deducting a share of issue costs, is recorded as the debt

component. Subsequently, the debt component is measured at amortised cost and the embedded derivative is measured at fair value at each balance sheet dates with the change in the fair value recognised in the income statement. The embedded derivative and the debt component are disclosed together and the current/non current classification follows the classification of the debt component which is the host contract.

Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time that the assets are substantially ready for their intended use i.e. when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such short term investments is also capitalised to reduce the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Derivative financial instruments

In order to hedge its exposure to foreign exchange, interest rate and commodity price risks, the Group enters into forward, option, swap contracts and other derivative financial instruments. The Group does not hold derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are re-measured at their fair value at subsequent balance sheet dates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement. The hedged item is recorded at fair value and any gain or loss is recorded in the income statement and is offset by the gain or loss from the change in the fair value of the derivative.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in equity. This includes certain non-derivative liabilities that are designated as instruments used to hedge the foreign currency risk on future, highly probable, forecast sales. Amounts deferred to equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement.

Derivative financial instruments that do not qualify for hedge accounting are marked to market at the balance sheet date and gains or losses are recognised in the income statement immediately.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

2(b) Critical accounting judgement and estimation uncertainty

In the course of applying the policies outlined in note 2(a), management made estimations and assumptions that impact the amounts recognised in the financial statements. Vedanta believes that judgement and estimation has been made in the following areas:

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 impact the depreciation rates, asset carrying values and environmental and restoration provisions.

Useful economic lives of assets and impairment

Property, plant and equipment other than mining properties and leases are depreciated over their useful economic lives. Management reviews the useful economic lives at least once a year and any changes could affect the depreciation rates prospectively and hence the asset carrying values. The Group also reviews its property, plant and equipment, including mining properties and leases, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. In assessing the property, plant and equipment for impairment, factors leading to significant reduction in profits such as changes in commodity prices, the Group's business plans and significant downward revision in the estimated mining reserves are taken into consideration. The carrying value of the assets of a cash generating unit (CGU) and associated mining reserves is compared with the recoverable amount of those assets, that is, the higher of net realisable value and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on commodity prices, market demand and supply, economic and regulatory climates, long term mine plan, discount rates and other factors. Any subsequent changes to cash flow due to changes in the abovementioned factors could impact on the carrying value of the assets.

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. The costs are estimated 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 when incurred reflecting our obligations at that time. A corresponding provision is created on the liability side. The capitalised asset is charged to the income statement over the life of the asset through depreciation over the life of the operation 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 such as the KCM acquisition agreement. 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.

As per local legislation, our Indian operations provide for restoration costs in accordance with statutory requirements. In Australia, appropriate provision has been made in accordance with local legal requirements and at KCM, a provision has been recognised with reference to a plan agreed with the Government of Zambia at the time of KCM's privatisation in April 2000 and pursuant to the KCM acquisition agreement.

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. The actual cash outflows takes 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.

Contingencies and commitments:

In the normal course of business, contingent liabilities may arise from litigation and other claims against the company. Where the potential liabilities have a low probability of crystallising or are very difficult to quantify reliably, we treat them as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, we do not expect them to have a materially adverse impact on our financial position or profitability.

Underlying earnings and special items:

In addition to the financial statements, we present "Underlying earnings" after adjusting for special items as an additional measure of performance in order to provide a better understanding of the underlying business operational results. Such special items are generally non-recurring in nature and are disclosed separately in the financial statements. Identification of such items involves a degree of judgement by the management.

3. Segment information

The Group's primary format for segmental reporting is based on business segments. The business segments consist of aluminium, copper, zinc, iron ore and energy with residual components being reported as "Other". Business segment data includes an allocation of certain corporate costs, allocated on an appropriate basis. The risks and returns of the Group's operations are primarily determined by the nature of the different activities in which the Group is engaged. Inter-segment sales are charged based on prevailing market prices. The Group's activities are organised on a global basis.

The Group's reportable segments under IFRS 8 are as follows:

- Aluminium
- Copper-India/Australia
- Copper-Zambia
- Zinc
- Iron Ore
- Energy

The Energy segment includes the sales of surplus power from Captive Power Plants for which the related asset carrying values are located within the other business segments.

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. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

(a) Reportable segments

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 2010 and 2009.

Year ended 31 March 2010

	Continuing Operations							
$ million	**Aluminium**	**Copper-India/ Australia**	**Copper-Zambia**	**Zinc**	**Iron Ore**	**Energy**	**Elimination**	**Total Operations**
REVENUE								
Sales to external customers	914.2	2,741.4	1,070.8	1,651.7	1,221.7	330.7	-	7,930.5
Inter-segment sales	1.6	-	12.9	-	0.8	-	(15.3)	-
Segment revenue	**915.8**	**2,741.4**	**1,083.7**	**1,651.7**	**1,222.5**	**330.7**	**(15.3)**	**7,930.5**
RESULT								
Segment result before special items	55.3	123.6	32.5	918.4	455.7	149.5	-	1,735.0
Special items (note 4)	(4.9)	(57.7)	-	-	(2.7)	(2.0)	-	(67.3)
Segment result after special items	50.4	65.9	32.5	918.4	453.0	147.5	-	1,667.7
Unallocated corporate expenses								(2.1)
OPERATING PROFIT								**1,665.6**
Net finance income								176.0
PROFIT BEFORE TAXATION								**1,841.6**
Tax expense								(330.4)
PROFIT FOR THE YEAR								**1,511.2**
ASSETS AND LIABILITIES								
Segment assets	7,590.2	2,921.8	2,065.2	4,488.0	4,078.5	1,964.5	-	23,108.2
Unallocated assets								951.4
TOTAL ASSETS								**24,059.6**
Segment liabilities	(3,603.9)	(1,550.5)	(828.1)	(433.2)	(2,425.1)	(729.9)	-	(9,570.7)
Unallocated liabilities								(3,049.4)
TOTAL LIABILITIES								**(12,620.1)**
Other segment information								
Additions to property, plant and equipment	2,385.9	87.6	307.4	505.6	32.0	546.0	-	3,864.5
Depreciation	(99.7)	(42.3)	(119.2)	(64.4)	(217.3)	(20.1)	-	(563.0)

Year ended 31 March 2009

$ million	Continuing Operations							
	Aluminium	Copper-India/ Australia	Copper-Zambia	Zinc	Iron Ore	Other	Elimination	Total Operations
REVENUE								
Sales to external customers	937.1	2,537.9	773.1	1,209.1	1,070.4	51.3	-	6,578.9
Inter-segment sales	4.4	-	1.7	-	-	-	(7.6)	-
Segment revenue	**941.5**	**2,537.9**	**774.8**	**1,209.1**	**1,070.4**	**51.3**	**(7.6)**	**6,578.9**
RESULT								
Segment result before special items	117.2	245.9	(165.9)	548.3	376.9	17.6	-	1,140.0
Special items (note 3)	-	(3.0)	-	-	(28.9)	-	-	(31.9)
Segment result after special items	117.2	242.9	(165.9)	548.3	348.0	17.6	-	1,108.1
Unallocated corporate expenses								(1.1)
OPERATING PROFIT								**1,107.0**
Net finance income								74.0
PROFIT BEFORE TAXATION								**1,181.0**
Tax expense								(280.5)
PROFIT FOR THE YEAR								**900.5**
ASSETS AND LIABILITIES								
Segment assets	4,718.4	2,479.6	1,803.3	3,129.9	2,471.0	1,103.7	-	15,705.9
Unallocated assets								470.6
TOTAL ASSETS								**16,176.5**
Segment liabilities	(3,020.7)	(1,087.0)	(732.6)	(303.7)	(1,657.1)	(317.6)	-	(7,118.7)
Unallocated liabilities								(1,486.5)
TOTAL LIABILITIES								**(8,605.2)**
Other segment information								
Additions to property, plant and equipment	1,841.4	34.4	584.4	294.6	27.1	545.7	-	3,327.6
Depreciation	(80.2)	(47.7)	(95.1)	(57.1)	(180.2)	(12.9)	-	(473.2)

Included within the Aluminium and Zinc segment result is a profit of $26.0 million on the surplus power sales. From 1 April 2010 surplus power sales have been included within the new Energy segment.

3. Segmental information continued

(b) EBITDA [1] by segment

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Aluminium	154.9	177.4
Copper	317.7	222.9
- India/Australia	165.9	293.7
- Zambia	151.8	(70.8)
Zinc	982.8	603.3
Iron Ore	673.0	557.1
Energy	170.7	53.3
Other	(3.2)	(1.8)
EBITDA	**2,295.9**	**1,612.2**
Depreciation	(563.0)	(473.3)
Special items	(67.3)	(31.9)
Group operating profit	**1,665.6**	**1,107.0**

[1] EBITDA represents operating profit before special items, depreciation and amortisation

(c) Geographical segmental analysis

The Group's operations are located in India, Zambia and Australia. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
India	3,900.5	3,318.8
China	1,838.0	1,131.4
Far East Others	633.5	836.5
UK	119.5	6.2
Africa	108.7	138.9
Europe	378.9	110.6
Middle East	834.6	763.1
Asia Others	113.8	192.9
Other	3.0	50.5
Total	**7,930.5**	**6,578.9**

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets*		Additions to property, plant and equipment	
	As at 31 March 2010 $ million	As at 31 March 2009 $ million	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Australia	14.6	11.4	4.4	3.5
India	12,701.4	7,928.8	3,540.2	2,664.0
Zambia	1,644.7	1,456.4	307.4	578.5
Other	197.7	77.0	12.5	81.6
Total	**14,558.4**	**9,473.6**	**3,864.5**	**3,327.6**

*Non-current assets does not include deferred tax assets and derivative receivables.

4. Special items

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Asarco transaction costs*	(57.7)	-
Voluntary retirement schemes	(6.9)	-
Losses in respect of obligation to associate	-	(3.0)
Impairment of mining reserves	(2.7)	(28.9)
	(67.3)	**(31.9)**

* Asarco transaction costs include the loss of a $50 million deposit used as security for a letter of credit which has been encashed by the counterparty.

5. Investment revenue

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Interest income on loans and receivables	17.2	27.9
Interest income on cash and bank balances	75.5	72.2
Change in fair value of financial assets held for trading	27.7	34.0
Profit on disposal of financial assets held for trading	47.8	27.5
Profit on sale of available for sale investment	7.6	-
Dividend income on financial assets held for trading	142.7	241.9
Expected return on defined benefit arrangements (note 30)	1.8	2.0
Foreign exchange (loss)/gain on cash and liquid investments	(42.7)	61.0
Capitalisation of interest income	(4.8)	(10.3)
	272.8	**456.2**

6. Finance costs

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Interest on bank loans and overdrafts	308.5	289.6
Coupon interest on convertible bonds (Note 25)	96.9	33.4
Accretive interest on convertible Bond	48.2	3.8
Interest on financial liability measured at fair value	21.7	34.5
Interest on other loans	52.3	26.9
Total interest cost	**527.6**	**388.2**
Unwinding of discount on provisions (Note 27)	4.4	4.2
Interest on defined benefit arrangements (Note 30)	5.9	7.7
Capitalisation of borrowing costs	(301.3)	(112.0)
	236.6	**288.1**

7. Other (gains)/ losses:

	Year ended 31 March 2010	Year ended 31 March 2009
	$ million	**$ million**
Exchange (gains) /losses on borrowings and capital creditors	(260.2)	458.1
Less: Qualifying borrowing costs capitalised (note 15)	46.4	(326.1)
Change in fair value of financial liabilities measured at fair value	(17.5)	(5.5)
Change in fair value of embedded derivative on convertible bonds (note 25)	35.7	-
Loss/(gain) arising on qualifying hedges and non-qualifying hedges	55.8	(32.4)
	(139.8)	**94.1**

8. Profit for the year has been stated after charging / (crediting):

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Depreciation on property, plant and equipment	563.0	473.2
Costs of inventories recognised as an expense	2,679.3	2,426.0
Auditors' remuneration for audit services	1.2	1.1
Research and development	1.4	0.8
Staff costs	464.5	406.7
Net foreign exchange (Gains)/ losses	(146.9)	244.0

9. Auditors' remuneration

The table below shows the fees payable globally to the Company's auditors, Deloitte LLP, for statutory external audit and audit related services, as well as fees paid to other accountancy firms for statutory external audit and audit related services in each of the two years ended 31 March 2010.

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Fees payable to the company's auditors for the audit of		
Vedanta Resources plc annual accounts	0.4	0.4
The audit of the company's subsidiaries pursuant to legislation	0.7	0.6
Total audit fees	**1.1**	**1.0**
Fees payable to the company's auditors and their associates for other services to the Group		
Other services pursuant to legislation*	0.8	0.9
Tax services	0.1	0.1
Corporate finance services**	0.7	0.4
Other Services	0.2	0.3
Total non-audit fees	**1.8**	**1.7**
Audit fees payable to other auditors of the Group's subsidiaries	0.1	0.1
Non audit fees payable to other auditors of the Group's subsidiaries	0.1	-
Total non-audit fees	**0.2**	**0.1**

*Other services pursuant to legislation principally comprise further assurance services, being quarterly reviews of the Group's listed Indian subsidiaries and the half year review of the Group's results.

**Corporate finance services principally comprise reporting accountant services relating to the raising of equity and debt during both years.

10. Employee numbers and costs

Average number of persons employed by the Group in the year

Class of business	Year ended 31 March 2010 Number	Year ended 31 March 2009 Number
Aluminium	8,022	7,257
Copper	11,518	13,507
- India/Australia	1,370	1,426
- Zambia	10,148	12,081
Zinc	6,907	6,456
Iron Ore	2,650	2,302
Energy	290	734
Other	210	130
	29,597	**30,386**

Costs incurred during the year in respect of Employees and Executive Directors	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Salaries and wages	410.7	373.6
Defined contribution pension scheme costs (Note 30)	17.7	17.7
Defined benefit pension scheme costs (Note 30)	20.5	2.3
Share based payments charge	15.6	13.1
	464.5	**406.7**

11. Tax

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Current tax:		
UK Corporation tax	-	-
Foreign tax		
- India	404.1	323.0
- Zambia	0.1	30.1
- Australia	20.3	20.5
- Other	4.9	5.7
	429.4	**379.3**
Deferred tax: (Note 29)		
Current year movement in deferred tax	(99.0)	(98.8)
	(99.0)	**(98.8)**
Total tax expense	**330.4**	**280.5**
Effective tax rate	**17.9%**	**23.8%**

Deferred tax recycled from equity to income statement is a charge of $8.5 million (2009: credit of $4.8 million).

Deferred Tax in income statement:

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Accelerated capital allowances	(71.8)	102.5
Unutilised tax losses	(74.6)	(205.0)
Other temporary differences	47.4	3.7
	(99.0)	**(98.8)**

Overview of the Indian direct tax regime

The following is an overview of the salient features of the Indian direct tax regime relevant to the taxation of the Group:

- Companies are subject to Indian income tax on a standalone basis. There is no concept of tax consolidation or Group relief in India.
- Companies are charged tax on profits of a financial year i.e. from 1 April to 31 March, in the next year. A company's taxable profits will be subject to either regular income tax or Minimum Alternative Tax ("MAT"). Where MAT is greater than the tax on regular basis, MAT is levied.
- Regular income tax is charged on book profits (prepared under Indian GAAP) adjusted in accordance with the provisions of the (Indian) Income Tax Act, 1961. Typically the required adjustments generate significant timing differences in respect of the depreciation on fixed assets, relief for provisions and accruals, the use of tax losses brought forward and pension costs. For the financial year 2009-2010 regular income tax is charged at 30% (plus a surcharge of 10% in case income exceeds INR 10 million & education cess of 3% on tax and surcharge) taking the effective tax rate to 33.99%.. For the financial year 2010-11 the corporate tax rate will be 33.2175 % (i.e. 30% corporate tax increased by surcharge of 7.5% in case income exceeds INR 10 million & education cess of 3% on tax and surcharge).
- MAT is charged on the book profits at 15% (plus a surcharge of 10% in case book profits exceeds INR 10 million & education cess of 3% on tax and surcharge). The effective rate of MAT is 16.99%. However, MAT paid during a year can be set off against normal tax payable in the subsequent years in the manner provided in the statute within a period of ten years succeeding the assessment year in which the MAT credit arose. The MAT rate for the financial year 2010-11 will be 18% (plus a surcharge of 7.5% in case book profits exceeds INR 10 million & education cess of 3% on tax and surcharge). The effective rate of MAT will be 19.93%.
- There are various tax exemptions or tax holidays available to companies in India subject to fulfilment of prescribed conditions. The most important ones applicable to the Group are:
    - Industrial undertakings' tax holiday: Profits of newly constructed industrial undertakings located in designated areas of India can benefit from a tax holiday. A typical tax holiday would exempt 100% of the undertaking's profits for five years, and 30% for the next five years;
    - Power plants' tax holiday: Profits on newly constructed power plants can benefit from a tax holiday. A typical holiday would exempt 100% of profits in ten consecutive years within the first 15 years of the power plants' operation. The start of the ten-year period can be chosen by a company. This exemption is available only for units set up until 31 March 2011;
    - Profits from units designated as Export Oriented Units (EOU), from where goods are exported out of India, are tax exempt up to financial year ending March 2011.
    - Profits from units located in Special Economic Zones are exempt from corporate tax to the extent of 100% of the profits for the first five years; 50% of the profits for the next five years; and for the next five years 50% of profits are exempt subject to creation of Special Economic Zone Reserve and utilisation of Special Economic Zone Reserve in the manner specified. MAT is not leviable on profits of units located in Special Economic Zone ;
    - The Indian tax laws are subject to a thorough review and the Government has introduced draft Direct Taxes Code (DTC) for public debate. The DTC is expected to be presented again in a modified form later this year and, when enacted, is proposed to be operational from financial year 2011-12. At present there is significant uncertainty as to the form of the DTC and it is not currently considered to be substantively enacted.
- Tax returns submitted by companies are regularly subjected to a comprehensive review and challenge by the tax authorities. There are appeal procedures prescribed. Both the tax authorities and taxpayers can prefer appeals to the appellate forums (save and except the first appellate authority i.e. the Commissioner of Income-tax (Appeals)) and it is not uncommon for significant or complex matters in dispute to remain outstanding for several years before they are finally resolved either in the High Court or in the Supreme Court.

Overview of the Zambian Tax Regime

The following is an overview of the salient features of the Zambian direct tax regime relevant to the taxation of the Group:

- The tax rate for income from mining operations is 30%.
- The 100% deduction for capital expenditure incurred on mining operations which had been removed in 2008-09 fiscal year was re-introduced with effect from 1 April 2009.
- Other changes introduced in the 2009-2010 fiscal year include:
    - Removal of windfall tax (see below) from 1 April 2009. However, a variable profits tax will still apply where income from mining activities exceeds 8% of gross sales at a rate determined according to a prescribed formula and payable only if windfall tax is not payable; and
    - The requirement to treat hedging activities as a separate source of income from mining operations was also removed.
- The period available to carry forward losses is 10 years.
- KCM must file tax returns in Zambian Kwacha. Tax losses are denominated in Kwacha but an indexation allowance applies to adjust for changes in the US dollar to Kwacha exchange rate

A windfall tax was introduced in fiscal year 2008-09 which became payable when copper is sold at prices above $ 5,512 per MT. The tax is charged at rates ranging from 25% to 75% depending on the difference between the realised price and a series of pricing thresholds ranging upward from $5,512 per MT. KCM received a letter from the Zambian Revenue Authority ("ZRA") during the year ended 31 March 2009 confirming an interim arrangement that the company would only be required to pay windfall tax at a rate of 25% at any price above US$5,512 per MT. KCM has used the principles outlined in the letter as the basis to record a windfall tax provision of US$29.8 million at 31 March 2010 (2009: $29.8 million) as it believes the terms of the letter are likely to be honoured. If this is not the case, the additional tax due under the original terms of the windfall tax regime will be approximately $20.5 million.

Discussions about a new tax regime for mining companies are being held with Zambian government.

A reconciliation of income tax expense applicable to accounting profit before tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 March 2010 is as follows:

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Accounting profit before tax	**1,841.6**	**1,181.0**
At Indian statutory income tax rate of 33.99% (2009: 33.99%)	625.9	401.4
Creation of tax losses	25.4	63.9
Disallowable expenses	45.4	64.6
Non-taxable income	(99.1)	(101.4)
Impact of tax rate differences	(24.6)	10.2
Tax holiday and similar exemptions	(255.1)	(156.9)
Minimum Alternative Tax	26.9	12.2
Adjustments in respect of previous years	(14.4)	(13.5)
At effective income tax rate of 17.9 % (2009: 23.8 %)	**330.4**	**280.5**

12. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and the Group's Convertible Bonds).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Net profit attributable to equity holders of the parent	602.3	219.4

	Year ended 31 March 2010	Year ended 31 March 2009
Weighted average number of ordinary shares for basic earnings per share (million)	274.3	287.2
Effect of dilution:		
Convertible bonds	46.7	-
Share options	3.7	2.2
Adjusted weighted average number of ordinary shares for diluted earnings per share	**324.7**	**289.4**

A) Earnings per share based on profit for the year

Basic earnings per share on the profit for the year	**Year ended 31 March 2010**	**Year ended 31 March 2009**
Profit for the year attributable to equity holders of the parent ($ million)	602.3	219.4
Weighted average number of shares of the Company in issue (million)	274.3	287.2
Earnings per share on profit for the year (US cents per share)	**219.6**	**76.4**

Diluted earnings per share on the profit for the year	**Year ended 31 March 2010**	**Year ended 31 March 2009**
Profit for the year attributable to equity holders of the parent ($ million)	602.3	219.4
Adjustment in respect of convertible bonds of Vedanta ($ million)	57.6	-
Profit for the year after dilutive adjustment ($ million)	659.9	219.4
Adjusted weighted average number of shares of the Company issue (million)	324.7	289.4
Diluted earnings per share on profit for the year (US cents per share)	**203.2**	**75.8**

During the year ended 31 March 2010, 393,292 options issued under the Long Term Incentive Plan were converted to equity shares pursuant to vesting and exercise of the options (2009: 535,350 options). Also during the year ended 31 March 2010, 6,804,628 shares were issued on conversion of a portion of one of the Group's convertible bonds (2009: 42,452 shares). The issue of these shares has been included in determining the 2010 weighted average number of shares.

Profit for the year would be increased if holders of the convertible bonds in Vedanta exercised their right to convert their bond holdings into Vedanta equity. The impact on profit for the year of this conversion would be the reduction in interest payable on the convertible bond net of any amount capitalised.

The outstanding awards under the LTIP are reflected in the diluted EPS figure through an increased number of weighted average shares.

Earnings per share based on Underlying Profit for the year

The Group's Underlying Profit is the profit for the year after adding back special items, other gains and losses (see note 7) and their resultant tax and minority interest effects, as shown in the table below:

	Note	**Year ended 31 March 2010 $ million**	**Year ended 31 March 2009 $ million**
Profit for the year attributable to equity holders of the parent		602.3	219.4
Special items	4	67.3	31.9
Other (gains)/ losses		(139.9)	94.1
Minority interest effect of special items and other (gains)/ losses		16.8	(35.2)
Underlying Profit for the year		**546.5**	**310.2**

Basic earnings per share on Underlying Profit for the year	**Year ended 31 March 2010**	**Year ended 31 March 2009**
Underlying profit for the year ($ million)	546.5	310.2
Weighted average number of shares of the Company in issue (million)	274.3	287.2
Earnings per share on Underlying Profit for the year (US cents per share)	**199.2**	**108.0**

Diluted earnings per share on Underlying Profit for the year	Year ended 31 March 2010	Year ended 31 March 2009
Underlying profit for the year ($ million)	546.5	310.2
Adjustment in respect of convertible bonds of Vedanta ($ million)	57.6	-
Underlying profit for the year after dilutive adjustment ($ million)	604.1	310.2
Adjusted weighted average number of shares of the Company (million)	324.7	289.4
Diluted earnings per share on Underlying Profit for the year (US cents per share)	**186.0**	**107.2**

13. Dividends

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Amounts recognised as distributions to equity holders:		
Equity dividends on ordinary shares:		
Final dividend for 2008-09 : 25 US cents per share (2007-08 : 25 US cents per share)	70.2	71.8
Interim dividend paid during the year : 17.5 US cents per Share (2008-09 : 16.5 US cents per share)	47.7	47.0
	117.9	**118.8**
Proposed for approval at AGM		
Equity dividends on ordinary shares:		
Final dividend for 2009-10: 27.5 US cents per share (2008-09: 25 US cents per share)	75.2	69.8

14. Goodwill

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Cost (gross carrying amount)	16.9	16.9
Accumulated impairment losses	(4.7)	(4.7)
Net carrying amount at 31 March	**12.2**	**12.2**

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The company has undertaken an impairment review for the outstanding goodwill of US$12.2 million as at 31 March 2010. The carrying amount of goodwill was evaluated using the discounted future cash flows of the entity to which the goodwill pertains (Sterlite) and it was determined that the carrying amount of goodwill is not impaired.

15. Property, plant and equipment

$million	Mining property and leases	Leasehold land and buildings	Freehold land and buildings	Plant and equipment	Assets under construction	Other	Total
Cost							
At 1 April 2008	**2,862.4**	**66.6**	**338.3**	**3,631.6**	**3,090.8**	**62.6**	**10,052.3**
Additions	-	13.8	22.4	96.4	3,194.1	0.9	3,327.6
Transfers	49.2	33.9	31.6	1,268.4	(1,412.8)	29.6	-
Reclassification to accumulated depreciation	(2.7)	0.1	2.2	11.5	-	0.8	11.7
Disposals	-	(0.4)	(0.8)	(9.4)	(2.1)	(0.3)	(13.0)
Foreign exchange differences	(589.9)	(6.2)	(78.4)	(739.6)	(722.3)	(16.6)	(2,153.1)
At 1 April 2009	**2,319.0**	**107.8**	**315.3**	**4,258.9**	**4,147.6**	**76.9**	**11,225.5**
Additions	0.9	6.0	4.8	28.5	3,823.4	0.9	3,864.5
Transfers	76.5	2.1	269.0	2,535.0	(2,822.2)	(60.4)	-
Reclassification from accumulated depreciation	2.6	2.3	7.1	(8.2)	-	(2.0)	1.8
Additions due to acquisition	412.0	-	16.2	66.8	1.8	-	496.9
Disposals	-	(0.1)	(2.9)	(22.9)	(2.2)	(0.3)	(28.4)
Foreign exchange differences	307.3	4.0	55.5	538.9	513.2	7.5	1,426.4
At 31 March 2010	**3,118.3**	**122.1**	**665.0**	**7,397.0**	**5,661.7**	**22.6**	**16,986.7**
Accumulated depreciation and impairment							
At 1 April 2008	**388.7**	**30.1**	**65.8**	**1,153.5**	**17.8**	**42.0**	**1,697.8**
Charge for the year	195.7	5.8	13.3	260.1	-	2.0	477.0
Disposals	-	-	(1.3)	(3.9)	-	-	(5.2)
Impairment charges	28.9	-	-	-	-	-	28.9
Reclassification to cost	(2.7)	0.1	2.2	11.5	-	0.8	11.7
Foreign exchange differences	(97.4)	(1.6)	(15.6)	(209.2)	-	(9.4)	(333.2)
At 1 April 2009	**513.2**	**34.3**	**64.4**	**1,212.0**	**17.8**	**35.4**	**1,877.0**
Charge for the year	208.1	7.1	4.5	348.1	-	0.9	568.7
Disposals	-	-	(0.1)	9.0	-	(25.1)	(16.2)
Reclassification to cost	2.6	2.3	7.1	(8.2)	-	(2.0)	1.8
Foreign exchange differences	81.3	0.8	8.9	134.5	-	3.2	228.7
At 31 March 2010	**805.2**	**44.5**	**84.8**	**1,695.3**	**17.8**	**12.4**	**2,660.0**
Net book value							
At 1 April 2008	**2,473.7**	**36.6**	**272.5**	**2,478.1**	**3,073.0**	**20.6**	**8,354.5**
At 1 April 2009	**1,805.8**	**73.4**	**250.9**	**3,046.9**	**4,129.9**	**41.5**	**9,348.4**
At 31 March 2010	**2,313.1**	**77.6**	**580.2**	**5,701.7**	**5,643.9**	**10.2**	**14,326.7**

At 31 March 2010, land having a carrying value of $37.0 million (31 March 2009: $19.9 million) was not depreciated. During the year ended 31 March 2010 depreciation of $ 5.7 million (2009: $3.7 million) directly relating to the trial run of expansion projects was capitalised.

At 31 March 2010, cumulative capitalised interest and foreign exchange gains or losses included within the table above was $254.9 million (31 March 2009: $438.1 million).

Plant and equipment include refineries, smelters, power plants and related facilities.

Other tangible fixed assets include office equipment and fixtures, and light vehicles.

16. Financial asset investments

Financial asset investments are required to be classified and accounted for as either available-for-sale, fair value through profit or loss, held for trading or held to maturity

Available-for-sale investments	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
At 1 April	**91.6**	**30.0**
(Disposals)/Additions	(4.5)	85.4
Movements in fair value	111.0	(12.7)
Exchange difference	3.1	(11.1)
At 31 March	**201.2**	**91.6**

Analysis of financial asset investments	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Quoted	178.7	71.8
Unquoted	22.5	19.8

Quoted investments represent investments in equity securities that present the Group with opportunity for return through dividend income and gains in value. These securities are held at fair value based on market prices.

Unquoted investments include mainly an investment in the equity share capital of the Andhra Pradesh Gas Power Corporation Limited and are held at cost.

17. Other non-current assets

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Deposits receivable after one year	18.3	21.4
	18.3	**21.4**

18. Inventories

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Raw materials and consumables	636.5	458.3
Work-in-progress	478.2	353.3
Finished goods	145.9	97.7
	1,260.6	**909.3**

Inventories with a carrying amount of $761.2 million (2009: $419.3 million) have been pledged as security against certain bank borrowings of the Group.

19. Trade and other receivables

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Trade receivables	206.7	276.2
Amounts due from related parties (note 34)	4.4	8.1
Prepayments	55.9	19.2
Deposits with Government	189.8	182.8
Other receivables	466.8	248.7
	923.6	**735.0**

The credit period given to customers ranges from zero to 90 days. Other receivables primarily includes excise balances, customs balances, deposits with governments, advances to suppliers, claims receivables and other receivables.

20. Liquid investments

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Bank deposits	1,301.4	1,021.2
Other investments	5,548.0	3,510.9
	6,849.4	**4,532.1**

Other investments include mutual fund investments and are fair valued through the income statement. Bank deposits are made for periods of between three months and one year depending on the cash requirements of the Group and earn interest at the respective deposit rates.

21. Cash and cash equivalents

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Cash at bank and in hand	74.7	63.3
Short-term deposits and short-term investments	315.3	317.2
	390.0	**380.5**

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.

Cash and cash equivalents include $2.5 million (2009: $2.1 million) of cash held in short-term deposit accounts that is restricted in use as it relates to unclaimed deposits, dividends, interest on debentures and share application monies.

22. Borrowings

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Bank loans	3,597.4	2,483.3
Bonds	1,243.7	1,812.4
Other loans	554.7	215.1
Total	**5,395.8**	**4,510.8**
Borrowings are repayable as:		
Within one year (shown as current liabilities)	1,012.6	1,298.5
In the second year	759.7	173.9
In two to five years	2,669.9	1,626.2
After five years	953.6	1,412.2
Total borrowings	**5,395.8**	**4,510.8**
Less: payable within one year	(1,012.6)	(1,298.5)
Medium and long term borrowings	**4,383.2**	**3,212.3**

At 31 March 2010, the Group had available US$ 3,204.8 million (2009: $1,909.4 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The principal loans held by Group companies at 31 March 2010 were as follows:

BALCO

Term Loans

BALCO secured two syndicated Indian rupee term loan facilities totalling $376.6 million, of which $352.2 million has been drawn down at an average interest rate of 7.2% per annum. The interest rate has now been reset to 7.0 %. These facilities are secured partly by first exclusive charge and partly by pari passu charge on movable properties, present and future, tangible or intangible other than current assets and a charge on immovable properties of BALCO. The first loan of $221.5 million was repayable in 12 quarterly installments commencing in January 2007 and was repaid fully in October 2009 ; the second loan of $130.7 million is repayable in eight quarterly installments, due to commence in May 2009. However $ 97.3 million of this amount has been repaid early. As at 31st March 2010 the total outstanding loan amount was $ 33.6 million.

Non convertible debentures

Balco issued Non Convertible Debentures of $ 110.8 million to the Life Insurance Corporation of India @12.25% per annum. The Debentures are secured and have the pari passu charge on the movable and immovable properties, present and future tangible or intangible assets other than current assets of Balco to the extent of 1.33 times of the issued amount. The above loan is repayable in 3 yearly equal instalments starting November 2013.

VAL

Rupee term Loan

VAL has taken an Indian rupee term loan of $221.5 million from ICICI Bank at an interest rate of 10.5%. The loan is not secured. Repayment is in eight equal quarterly instalments starting from July 2011.

Non convertible debentures

VAL has issued Non Convertible Debentures of $ 88.6 million to the Life Insurance Corporation of India at a rate of 11.50% per annum. The Debentures are secured and have the first pari passu charge over the identified assets (including Land and Building) of the issuer to the extent of 1.33 times of the issued amount. Debentures are repayable in 3 yearly equal instalments starting October 2013.

External Commercial Borrowing

VAL has obtained External Commercial Borrowing loan from ICICI Bank, Singapore of $100.0 million at an interest rate of 3.5% secured by Negative Lien Undertaking on the assets of the Jharsuguda project of the company, both present and future, excluding assets already charged in favour of ICICI bank and other lenders. The repayment period is from February 2012 to August 2014**.**

Project Buyers' Credit

As at 31 March 2010, VAL had extended credit terms relating to purchases of property, plant and equipment for its projects. The extended credit amounted to $ 886.1 million, which became repayable from October 2009. These loans bear interest at LIBOR plus 200 basis points. These are secured by all of the fixed assets of VAL, immovable or movable, present and future, on a pari passu basis with other term lenders and with priority over other creditors. The value of such facility as on 31 March 2010 was $ 884.9 million.

Sterlite Energy

Term Loan

Sterlite Energy obtained an Indian rupee term loan of $ 44.3 million from the State Bank of India in March 2009 at a rate of 12.0% per annum. The loan is unsecured and backed by a corporate guarantee of Sterlite. This loan is also expected to be added and converted into a long-term project finance facility of $1,339.0 million currently being syndicated. Assuming this loan is refinanced, the corporate guarantee of Sterlite will be released.

Sterlite Energy has also obtained an Indian rupee term loan of $ 44.3 million from Allahabad Bank in December 2009 and March 2010 at a rate of 7.0% per annum. The loan is unsecured and backed by a corporate guarantee of Sterlite.

Project Buyers' Credit

As at 31 March 2010, SEL has extended credit terms relating to the purchase of property, plant and equipment for its project of $303.9 million at an average rate of LIBOR plus 203 basis points. The facility is unsecured.

KCM

In 2009 KCM has obtained a loan of $100 million from the Development Bank of Southern Africa (5year term) and $ 191.7 million from Standard Chartered Bank (4 year term). The interest rate is 2.8% over 3 month Libor and 5.5% over 3 month LIBOR respectively. Both the loans are repayable in 12 quarterly instalments starting from the third and second year, respectively.

Long-term Bonds

In July 2008, Vedanta issued $500.0 million, 8.75% bonds due January 2014, and $750.0 million, 9.50% bonds due July 2018 in the United States of America ('USA') pursuant to Rule 144A of US Securities Act of 1933 ('Securities Act') and outside of the USA in Compliance with Regulation S pursuant to the Securities Act. The bonds are unsecured and are currently rated BB by Standard & Poor's, Ba2 by Moody's and BB+ by Fitch Ratings Limited.

Syndicated Bridge Term Loan

In April 2008, the Group refinanced the short term syndicated bridge loan facility of $1,100.0 million taken out to acquire Sesa Goa. The new facility is for $ 1,000 million, fully drawn down at 31 March 2010, which bears interest at LIBOR plus 296 basis points. $ 250.0 million is repayable in April 2012 and the remaining $ 750 million is repayable in January 2013. The facility has been guaranteed by Vedanta and is subject to a pledge of the Group's shares in Sesa Goa Limited through its holding in Richter and Westglobe Limited.

Term Loan

In June 2009, Vedanta obtained a term loan from ICICI Bank, UK for $ 200 million repayable in June 2010. It bears interest of 12 months GBP LIBOR plus 350 basis points.

In January 2010, the Group obtained a loan from Bank of Tokyo- Mitsubishi UFJ for $ 373 million repayable in July 2011 and bears interest at USD LIBOR plus 425 basis points.

Non-equity minority interests

The Group has bought out certain non–equity minority interests by purchasing the deferred shares in KCM held by ZCI of $47.5 million. As at 31 March 2010, non equity minority interests remain of $11.9 million, being deferred shares in KCM held by ZCM. The deferred shares have no voting rights or rights to KCM's dividends, but are entitled on a winding up to a return of $0.99 per share once all of KCM's ordinary shares have received a distribution equal to their par value and any share premium created on their issue and which remains distributable to them.

The deferred shares are held at historic cost, being the fair value attributed to them at the time of initial acquisition of KCM in the year ended 31 March 2005. They are classified as non-current liabilities as they are repayable only on the winding up of the company. The shares have been valued at $0.99 per share, which is the maximum amount payable to the deferred shareholders. These deferred shares have not been discounted as the effect would not be material.

23. Movement in Net Debt (1)

			Debt due within one year		Debt due after one year		
US$ million	**Cash and cash equivalents**	**Liquid investments**	**Debt carrying value**	**Debt- related derivatives(2)**	**Debt carrying value**	**Debt-related derivatives(2)**	**Total Net Debt**
At 1 April 2008	**458.2**	**4,648.5**	**(1,417.2)**	**(1.2)**	**(1,556.9)**	**11.3**	**2,142.7**
Cash flow	(254.8)	961.9	(209.0)	-	(1,999.1)	-	(1,501.0)
Other non-cash changes(3)	-	33.3	-	9.6	(341.3)	(18.2)	(316.6)
Foreign exchange differences	177.1	(1,111.6)	327.7	-	80.9	-	(525.9)
At 1 April 2009	**380.5**	**4,532.1**	**(1,298.5)**	**8.4**	**(3,816.4)**	**(6.9)**	**(200.8)**
Cash flow	258.8	1,663.4	360.6	-	(2,859.0)	-	(576.2)
Acquisition of Subsidiaries	-	-	(12.4)	-	-	-	(12.4)
Other non-cash changes (3)	-	27.6	25.0	(9.3)	(351.7)	(5.1)	(313.5)
Foreign exchange differences	(249.3)	626.3	(87.3)	-	(133.9)	-	155.8
At 31 March 2010	**390.0**	**6,849.4**	**(1,012.6)**	**(0.9)**	**(7,161.0)**	**(12.1)**	**(947.2)**

(1) Net (debt)/ cash being 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 $326.7 million (2009: $341.3 million) of project buyers credit obtained from banks, for which there is no cash movement as it represents the refinancing of amounts previously owed to suppliers and excluded from debt. It also includes $27.6 million (2009 $ 33.3 million) of fair value movement in investments. A movement of $ 14.4 million (2009: $ 8.6 million) which pertains to fair value of debt related derivatives is also included in other non-cash changes.

24. Trade and other payables

(a) Current trade payables

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Trade payables	1,390.1	945.0
Bills of exchange payable	771.7	721.1
Accruals and deferred income	72.7	57.1
Other trade payables	324.7	244.5
	2,559.2	**1,967.7**

Trade payables are non-interest bearing and are normally settled on 60 to 90-day terms. Bills of exchange are interest-bearing and are normally payable within 180 days. The fair value of trade and other payables is not materially different from the carrying values presented.

(b) Non-current trade payables

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Other trade payables	306.4	76.4
	306.4	**76.4**

Other trade payables primarily comprise the amounts withheld as retentions, payable to suppliers of capital projects after satisfactory completion of contractual commissioning period, which are generally payable after a year.

25. Convertible bonds

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
A. VFJL	-	604.1
B. VRJL	931.3	-
C. VRJL II	881.1	-
D. FCCB- SIIL & Sesa	965.4	-
	2,777.8	**604.1**

A. Vedanta Finance (Jersey) Limited ("VFJL") issued 4.6% $725 million guaranteed convertible bonds on 21 February 2006. The bonds are first converted into exchangeable redeemable preference shares to be issued by VFJL, which are then automatically exchanged for ordinary shares of Vedanta Resources plc, which do not carry voting rights. The bondholders had the option to convert at any time from 17 April 2006 to 15 February 2026. The loan notes were convertible at £14.54 per share of US$0.10 each and at an average rate of USD: GBP of 1.7845.

The Company had the option (subject to the terms of the bond) to redeem the convertible bonds on or at any time after 14 March 2009 and on and prior to 15 February 2026. The Bondholders had the option to redeem the convertible bonds on 21 February 2013, 21 February 2018 and 21 February 2022.

The net proceeds of the convertible issue were split between the liability element and equity component, representing the value attributable to the right to convert the liability into equity of the Company, as follows:

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Opening liability	**604.1**	**600.9**
Interest and amortisation of issue costs	31.8	37.2
Coupon interest paid	(28.3)	(33.1)
Conversion of bonds	(146.3)	(0.9)
Transfer from Convertible Bond Reserve	84.7	-
Principal value of outstanding bonds at redemption	**546.0**	**604.1**
Less: Redemption of Bonds	**(546.0)**	**-**
Closing liability	**-**	**604.1**

The interest charged for the year is calculated by applying an effective interest rate of 6.16% (2009: 6.18%).

During the year ended 31 March 2010, $176.3 million of the convertible bonds were converted into 6,804,628 equity shares, reducing the liability component of the convertible bonds by $146.3 million with a resulting release of $30.0 million from the convertible bond reserve.

On 8 February 2010 the company exercised its option for redemption and redeemed the remaining convertible bonds at a principal value of $546.1 million. Upon redemption the remaining convertible bond reserve of $79.3 million was transferred into retained earnings.

B. Vedanta Resource Jersey Limited ("VRJL") issued 5.5% $1,250 million guaranteed convertible bonds on 13 July 2009. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VRJL, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc. The bondholders have the option to convert at any time from 24 August 2009 to 6 July 2016. The loan notes are convertible at US$ 36.48 per share at an average rate of USD: GBP of 1.6386.

If the notes have not been converted, they will be redeemed at the option of the Company at any time on or after 28 July 2012 subject to certain conditions, or be redeemed at the option of the bondholders on or after 13 July 2014.

The net proceeds of the convertible issue have been split between the liability element and equity component, representing the fair value of the embedded option to convert the liability into equity of the Company, as follows:

	Year ended 31 March 2010 $ million
Nominal Value of convertible note issued	**1,250.0**
Less: Issue Expenses	**(15.2)**
Opening liability	**1,234.8**
Equity Component (net of issue expenses)	(327.9)
Imputed Liability on issue date	906.9
Unwinding of Effective Interest Rate	73.7
Coupon interest paid/ accrued	(49.3)
Closing liability	**931.3**

The interest charged for the year is calculated by applying an effective interest rate of 11.2 %.

The fair value of the convertible bond as at 31 March 2010 is $1,252.4 million.

During the period an additional $2.4 million was credited to equity with a corresponding charge taken to the income statement. This represents the movement in the fair value of the option to convert the bonds into equity before the terms of the bond were altered, in order for the conversion option to qualify for recognition as equity.

C. Vedanta Resource Jersey II Limited ("VRJL - II") issued 4.0 % $883 million guaranteed convertible bonds on 30 March 2010. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VRJL-II, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc. The bondholders have the option to convert at any time from 10 May 2010 to 23 March 2017. The loan notes are convertible at US$51.9251 per share at an average rate of USD: GBP of 1.4965.

If the notes have not been converted, they will be redeemed at the option of the Company at any time on or after 14 April 2013 subject to certain conditions, or be redeemed at the option of the bondholders on or after 29 April 2013 to 30 March 2015.

The net proceeds of the convertible issue have been split between the liability element and a derivative component, representing the fair value of the embedded option to convert the liability into equity of the Company. The latter has not been recorded within equity due to the existence of partial cash settlement terms within the bond which prevent the adoption of compound financial instrument accounting under IFRS. It is expected that the terms of the bond will be modified within the next 12 months such that the carrying value of the embedded option at the date of modification can be reclassified into equity.

During the period $5.2 million was credited to the value of the derivative liability with a corresponding charge taken to the income statement. This represents the movement in the fair value of the embedded option to convert to equity from the date of issue to 31 March 2010.

	Year ended 31-Mar-10 $ million
Nominal Value of Convertible Notes Issued	**883.0**
Less: Issue Costs	(7.2)
Effective interest cost	0.2
Coupon Interest Paid/accrued	(0.1)
Increase in Fair Value of derivative component	5.2
Closing Liability (including derivative component of $ 256.3 million)	**881.1**

The interest charged for the year is calculated by applying an effective interest rate of 6.93 %.

The fair value of the convertible bond as at 31 March 2010 was $882.9 million

D. Sterlite Industries (India) Limited ("SIIL") issued 4% $500 million convertible senior notes (denominated in US Dollars) on 29 October 2009 which are due on 30 October 2014. The bonds are convertible into American Depository Share ("ADS") to be issued by SIIL. The bondholders have the option to convert at any time before 29 October 2014 at a conversion ratio of 42.8688 for every $1000 of principal which is equal to a conversion price of USD 23.33 per ADS. SIIL has the option (subject to the terms of the bond) to redeem the convertible bond at any time after 4 November 2012.

Sesa Goa Limited ("Sesa") issued 5% $500 million convertible bonds (denominated in US Dollars) on 30 October 2009 and due October 2014. The bonds are convertible into ordinary shares of Sesa. The bondholders have the option to convert at any time after 10 December 2009 and before 24 October 2014 at a conversion ratio of 13837.6384 for every $100,000 principal. Sesa has the option (subject to certain conditions) to redeem the convertible bond at any time after 30 October 2012.

As the functional currency of SIIL and Sesa is INR, the conversion of the convertible bonds (which are denominated in US Dollars) would not result in the settlement and exchange of a fixed amount of cash in INR terms, for a fixed number of SIIL's and Sesa's shares respectively. Accordingly, the convertible bond must be separated into two component elements: a derivative component consisting of the conversion option (carried at fair value) and a liability component consisting of the debt element of the bonds. Further details of the accounting for such instruments are provided in the Group accounting policies (note 2a).

The following table shows the movements in the SIIL and Sesa bonds during the year on an aggregated basis:

	Year ended 31-Mar-10 $ million
Nominal Value of Convertible Notes Issued	**1,000.0**
Less: Issue Costs	(8.2)
Effective interest cost	39.4
Coupon Interest Paid	(19.3)
Conversion of bonds into equity of subsidiaries	(76.0)
Increase in Fair Value of derivative component	29.5
Closing Liability (including derivative component of $386.8 million)	**965.4**

The interest charged for the year is calculated by applying an effective interest rate of 12.7 % for SIIL convertible notes and 23.4 % for Sesa convertible notes.

The fair value of the convertible bonds as at 31 March 2010 was $1,114 million.

26. Financial instruments

The accounting classification of each category of financial instruments, and their carrying amounts, are set out below:

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Financial assets		
At fair value through profit or loss		
- Held for trading	6,849.4	4,532.1
- Other financial assets (derivatives)	54.1	134.8
Cash and cash equivalents	390.0	380.5
Loan and receivables		
- Trade and other receivables	867.7	715.8
- Other non-current assets	18.3	21.4
Available for sale investments		
- Financial asset investments held at fair value	178.7	71.8
- Financial asset investments held at cost	22.4	19.8
Total	**8,380.6**	**5,876.1**
Financial liabilities		
At fair value through profit or loss		
- Other financial liabilities (derivatives)	(83.2)	(174.4)
Designated into fair value hedge		
- Borrowings**	(643.0)	(614.7)
Financial liabilities at amortised cost		
- Trade and other payables	(2,865.6)	(2,044.1)
- Borrowings*	(7,530.6)	(4,500.2)
Total	**(11,122.4)**	**(7,333.4)**

* includes amortised cost liability portion of convertible bonds ($ 2,134.6 million)

** includes embedded derivative liability portion of convertible bonds ($ 643.1 million)

IFRS 7 Improving Disclosures about Financial instruments, issued in March 2009, requires additional information regarding the methodologies employed to measure the fair value of financial instruments which are recognised or disclosed in the accounts. These methodologies are categorised per the standard as:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The below table summarises the categories of financial assets and liabilities measured at fair value:

	As at 31 March 2010 $ million		
	Level 1	**Level 2**	**Level 3**
Financial assets			
At fair value through profit or loss			
- Held for trading	6,849.4	-	-
- Other financial assets (derivatives)	-	54.1	-
Available for sale investments	-	-	-
- Financial asset investments held at fair value	178.7	-	-
Total	**7,028.1**	**54.1**	-
Financial liabilities			
At fair value through profit or loss			
- Other financial liabilities (derivatives)	-	(83.2)	-
Designated into fair value hedge	-		
- Borrowings		(643.0)	-
Total	**-**	**(726.2)**	-

There were no transfers between Level 1 and Level 2 during the year.

The fair value of borrowings is $8,379.4 million (2009: $5,295.7 million). For all other financial instruments, the carrying amount is either the fair value, or approximates the fair value.

The fair value of financial asset investments represents the market value of the quoted investments and other traded instruments. For other financials assets the carrying value is considered to approximate fair value.

The fair value of financial liabilities is the market value of the traded instruments, where applicable. Otherwise fair value is calculated using a discounted cash flow model with market assumptions, unless the carrying value is considered to approximate fair value.

The fair value of the embedded derivative liability of convertible bonds has been calculated using binomial and black scholes models with market assumptions.

Derivatives instruments and risk management

The Group's businesses are subject to several risks and uncertainties including financial risks.

The Group's documented risk management policies act as an effective tool in mitigating the various financial risks to which the businesses are exposed to in the course of their daily operations. The risk management policies cover areas such as liquidity risk, commodity price risk, foreign exchange risk, interest rate risk, credit risk and capital management.

Risks are identified through a formal risk management programme with active involvement of senior management personnel and business managers at both the corporate and individual subsidiary level. Each operating subsidiary in the Group has in place risk management processes which are in line with the Group's policy. Each significant risk has a designated 'owner' within the Group at an appropriate senior level. The potential financial impact of the risk and its likelihood of a negative outcome are regularly updated. The risk management process is coordinated by the Management Assurance function and is regularly reviewed by the Group's Audit Committee. Key business decisions are discussed at the monthly meetings of the Executive Committee. The overall internal control environment and risk management programme including financial risk management is reviewed by the Audit Committee on behalf of the Board.

Treasury management

Treasury management focuses on capital protection, liquidity maintenance and yield maximisation. The treasury policies are approved by the Board and adherence to these policies is strictly monitored at the Executive Committee meetings. Day-to-day treasury operations of the subsidiary companies are managed by their respective finance teams within the framework of the overall Group treasury policies. Long term fund raising including strategic treasury initiatives are handled by a central team while short-term funding for routine working capital requirements is delegated to subsidiary companies. A monthly reporting system exists to inform senior management of investments, debt, currency, commodity and interest rate derivatives. The Group has a strong system of internal control which enables effective monitoring of adherence to Group policies. The internal control measures are effectively supplemented by regular internal audits.

The Group uses derivative instruments as part of its management of exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Group does not acquire or issue derivative financial instruments for trading or speculative purposes. The Group does not enter into complex derivative transactions to manage the treasury and commodity risks. Both treasury and commodities derivative transactions are normally in the form of forward contracts and interest rate and currency swaps and these are subject to the Group guidelines and policies. Interest rate swaps are taken to achieve a balance between fixed and floating rates (as described below under "Interest risk") and currency swaps are taken primarily to convert the Group's exposure to non-US dollar currencies to US dollar currencies.

Commodity risk

The Group is exposed to the movement of base metal commodity prices on the London Metal Exchange. Any decline in the prices of the base metals that the Group produces and sells will have an immediate and direct impact on the profitability of the businesses. As a general policy, the Group aims to sell the products at prevailing market prices. As much as possible, the Group tries to mitigate price risk through favourable contractual terms. The Group undertakes hedging activity in commodities to a limited degree. Hedging is used primarily as a risk management tool and, in some cases, to secure future cash flows in cases of high volatility by entering in to forward contracts or similar instruments. The hedging activities are subject to strict limits set out by the Board and to a strictly defined internal control and monitoring mechanism. Decisions relating to hedging of commodities are taken at the Executive Committee level and with clearly laid down guidelines for their implementation by the subsidiaries.

Whilst the Group aims to achieve average LME prices for a month or a year, average realised prices may not necessarily reflect the LME price movements because of a variety of reasons such as uneven sales during the year and timing of shipments.

Copper

The Group's custom smelting copper operations at Tuticorin is benefited by a natural hedge except to the extent of a possible mismatch in quotational periods between the purchase of concentrate and the sale of finished copper. The Group's policy on custom smelting is to generate margins from TCRCs, minimising conversion cost, generating a premium over LME on sale of finished copper, sale of by-products and from achieving import parity on domestic sales. Hence, mismatches in quotational periods are actively managed to ensure that the gains or losses are minimised. The Group hedges this variability of LME prices and tries to make the LME price a pass-through cost between purchases of copper concentrate and sales of finished products, both of which are linked to the LME price. The Company also benefits from the difference between the amounts paid for quantities of copper content received and recovered in the manufacturing process, also known as `free copper'. The Group hedges on a selective basis the free copper and revenue from variable margins on the purchases of copper concentrates by entering into future contracts.

The Group's Australian mines in Tasmania supply approximately 8% to 9% of the requirement of the custom copper smelter at Tuticorin. Hence, TCRCs are a major source of income for the Indian copper smelting operations. Fluctuations in TCRCs are influenced by factors including demand and supply conditions prevailing in the market for mine output. The Group's copper business has a strategy of securing a majority of its concentrate feed requirement under long-term contracts with mines.

KCM is largely an integrated copper producer and hence the strategy to protect the company from price fluctuations in copper is to focus on controlling KCM's costs.

For the mining assets in Australia and Zambia, part of the production may be hedged to secure cash flows on a selective basis.

Aluminium

The requirement of the primary raw material, alumina, is partly met from own sources and the rest is purchased primarily on negotiated price terms. Sales prices are linked to the LME prices. At present the Group does not hedge any aluminium production.

Zinc and lead

Raw material is mined in India with sales prices linked to the LME prices. The Group has some long term volume contracts with some customers where the prices are linked to prevailing LME prices at the time of shipment. The Group hedged part of the exports from India through forward contracts or other instruments.

Iron ore

The Group sells some portion of its iron ore production on annual price contracts and the balance on the basis of prevailing market prices.

Provisionally priced financial instruments

On 31 March 2010, the value of net financial assets linked to commodities (excluding derivatives) accounted for on provisional prices was a liability of $274.8 million (2009: liability of $147.7 million). These instruments are subject to price movements at the time of final settlement and the final price of these instruments will be determined in the financial year beginning 1 April 2010.

Set out below is the impact of 10% increase in LME prices on profit for the year and total equity as a result of changes in value of the Group’s commodity financial instruments as at 31 March 2010:

Commodity price sensitivity	Closing LME as at 31 March 2010 $	Effect on profit of a 10% increase in the LME 31 March 2010 ($ million)	Effect on total equity of a 10% increase in th LME 31 March 2010 ($ million)
Copper	7,830	(6.1)	(6.1)
Zinc	2,360	0.3	0.3
Lead	2,120	0.1	0.1

Commodity price sensitivity	Closing LME as on 31 March 2009 $	Effect on profit of a 10% increase in the LME 31 March 2009 ($ million)	Effect on total equity of a 10% increase in th LME 31 March 2009 ($ million)
Copper	4,035	(1.1)	(1.1)
Zinc	1,301	0.2	0.2
Lead	1,272	0.1	0.1

The above sensitivities are based on volumes, costs, exchange rates and other variables and provide the estimated impact of a change in LME prices on profit and equity assuming that all other variables remain constant.

Further, the impact of a 10% increase in closing copper LME for provisionally priced copper concentrate purchase at Sterlite custom smelting operations is $25.5 million (2009: $14.2 million), which is pass through in nature and as such will not have any impact on the profitability.

Financial risk and sensitivities

The Group's Board approved financial risk policies comprise liquidity, currency, interest rate and counterparty risk. In principle, the Group does not engage in speculative treasury activity but seeks to manage risk and optimise interest and commodity pricing through proven financial instruments.

(a) Liquidity

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 and undrawn committed facilities of $3,204.8 million, together with cash and liquid investments of $7,239.4 million as at 31 March 2010, are expected to be sufficient to meet the ongoing capital investment programme and liquidity requirement of the Group in the near future.

The Group has a strong balance sheet that gives sufficient headroom to raise further debt should the need arise. The Group's current ratings from Standard & Poor's, Moody's & Fitch Ratings are BB and Ba1 respectively (2009: BB and Ba1 respectively). These ratings support the necessary financial leverage and access to debt or equity markets at competitive terms. The Group generally maintains a healthy net debt-equity ratio and retains flexibility in the financing structure to alter the ratio when the need arises.

The maturity profile of the Group's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Group (excludes interest) :

At 31 March 2010
(In $ million)

Payment due by period	**< 1 year**	**1-2 years**	**2-5 years**	**> 5 years**	**Total**
Trade and other payables	2,559.2	306.4	-	-	2,865.6
Bank and other borrowings	1,012.6	759.7	2,669.9	953.6	5,395.8
Convertible bonds	-	-	924.5	2,133.0	3,057.5
Derivative liabilities	38.5	-	44.7	-	83.2
Total	**3,610.3**	**1066.1**	**3,639.1**	**3,086.6**	**11,402.1**

At 31 March 2009
(In $ million)

Payment due by period	**< 1 year**	**1-2 years**	**2-5 years**	**> 5 years**	**Total**
Trade and other payables	1,967.7	76.4	-	-	2,044.1
Bank and other borrowings	1,284.8	173.9	1,626.2	1,412.2	4,497.1
Convertible bonds	-	-	722.4	-	722.4
Derivative liabilities	114.7	-	59.7	-	174.4
Total	**3,367.2**	**250.3**	**2,408.3**	**1,412.2**	**7,438.0**

At 31 March 2010, the Group had access to funding facilities of $11,378.4 million of which $3,204.8 million was not yet drawn, as set out below.

Funding facilities	Total facility ($ million)	Drawn ($ million)	Undrawn ($ million)
Less than 1 year	2,843.9	996.2	1,847.7
1-2 years	516.9	516.9	-
2-5 years and above	8,017.6	6,660.5	1,357.1
Total	**11,378.4**	**8,173.6**	**3,204.8**

At 31 March 2009, the Group had access to funding facilities of $7,024.3 million of which $1,909.4 million was not yet drawn, as set out below.

Funding facilities	Total facility ($ million)	Drawn ($ million)	Undrawn ($ million)
Less than 1 year	3,204.4	1,298.5	1,906.0
1-2 years	173.9	173.9	-
2-5 years and above	3,645.9	3,642.5	3.4
Total	**7,024.2**	**5,114.9**	**1,909.4**

(b) Foreign currency

The Group's presentation currency is the US dollar. The majority of the assets are located in India and the Indian Rupee is the functional currency for the Indian operating subsidiaries.

Foreign currency exposures are managed through the Group-wide hedging policy, which is reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. Natural hedges available in the business are identified at each entity level and hedges are placed only for the net exposure. Short-term net exposures are hedged progressively based on their maturity. A more conservative approach has been adopted for project expenditures to avoid budget overruns. Longer term exposures are unhedged. Stop losses and take profit triggers are implemented to protect entities from adverse market movements at the same time enabling them to encash in favourable market opportunities. Vedanta has hedged some of its US dollar borrowings into other foreign currency borrowings by entering into cross-currency swaps.

The carrying amount of the Group's financial assets and liabilities in different currencies are as follows:
(in $ million)

	At 31 March 2010		At 31 March 2009	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
USD	1,618.9	9,314.0	703.6	5,817.8
INR	6,508.4	1,690.6	4,956.0	1,412.2
Kwacha	59.2	22.8	41.9	36.3
JPY	-	(1.0)	70.1	29.8
AUD	15.7	14.3	23.4	11.8
CAD	169.0	-	70.3	-
EURO	0.9	71.0	1.9	13.4
Others	8.5	10.7	8.6	12.0
Total	**8,380.6**	**11,122.4**	**5,876.1**	**7,333.4**

The Group's exposure to foreign currency arises where a Group company holds monetary assets and liabilities denominated in a currency different to the functional currency of that entity with US dollar being the major foreign currency exposure of the Group's main operating subsidiaries. Set out below is the impact of a 10% change in the US dollar on profit and equity arising as a result of the revaluation of the Group's foreign currency financial instruments:

(in $ million)

$ million	**31 March 2010**		
	Closing exchange rate	**Effect of 10% strengthening of US dollar on net earnings**	**Effect of 10% strengthening of US dollar on total equity**
INR	45.14	(131.5)	(193.9)
Australian dollar	1.0922	1.4	1.4
Kwacha	4,820	3.3	3.3

(in $ million)

$ million	**31 March 2009**		
	Closing exchange rate	**Effect of 10% strengthening of US dollar on net earnings**	**Effect of 10% strengthening of US dollar on total equity**
INR	50.950	(54.5)	(75.2)
Australian dollar	1.455	3.4	3.4
Kwacha	5,622	0.5	0.5

The sensitivities are based on financial assets and liabilities held at 31 March 2010 where balances are not denominated in the functional currency of the respective subsidiaries. The sensitivities do not take into account the Group's sales and costs and the results of the sensitivities could change due to other factors such as changes in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

(c) Interest risk

At 31 March 2010, the Group's net debt of $947.1 million (2009: $200.8 million net debt) comprises of cash, cash equivalents and liquid investments of $7,239.4 million (2009: $4,912.6 million) offset by debt of $8,186.5million (2009: $5,113.4 million).

The Group is exposed to interest rate risk on short-term and long-term floating rate instruments and on the refinancing of fixed rate debt. The Group's policy is to maintain a balance of fixed and floating interest rate borrowings and the proportion of fixed and floating rate debt is determined by current market interest rates. As at 31 March 2010, 57.7% (2009: 49%) of the total debt was at a fixed rate and the balance was at a floating rate. The floating rate debt is largely linked to US dollar LIBOR. The Group also aims to minimise its average interest rates on borrowings by opting for a higher proportion of long-term debt to fund growth projects. The Group invests cash and liquid investments in short-term deposits and debt mutual funds, some of which generate a tax-free return, to achieve the Group's goal of maintaining liquidity, carrying manageable risk and achieving satisfactory returns.

Floating rate financial assets are largely mutual fund investments which have debt securities as underlying asset. The returns from these financial assets are linked to market interest rate movements; however the counterparty invests in the agreed securities with known maturity tenure and return and hence has manageable risk.

The exposure of the Group's financial assets to interest rate risk is as follows:

	At 31 March 2010				At 31 March 2009			
	Floating rate financial assets	**Fixed rate financial assets**	**Equity Investments**	**Non-interest bearing financial assets**	**Floating rate financial assets**	**Fixed rate financial assets**	**Equity Investments**	**Non-interest bearing financial assets**
Financial assets	5,783.7	1,235.2	201.2	1,106.4	4,282.2	583.2	91.6	784.3
Derivative assets	-	-	-	54.1	-	-	-	134.8
Total financial assets	**5,783.7**	**1,235.2**	**201.2**	**1,160.5**	**4,282.2**	**583.2**	**91.6**	**919.1**

The exposure of the Group's financial liabilities to interest rate risk is as follows:

($ million)

	At 31 March 2010			At 31 March 2009		
	Floating rate financial liabilities	**Fixed rate financial liabilities**	**Non-interest bearing financial liabilities**	**Floating rate financial liabilities**	**Fixed rate financial liabilities**	**Non-interest bearing financial liabilities**
Financial liabilities	4,339.6	4,890.2	1,809.4	2,715.2	3,160.2	1,283.6
Derivative liabilities	-	-	83.2	-	-	174.4
Total financial liabilities	**4,339.6**	**4,890.2**	**1,892.6**	**2,715.2**	**3,160.2**	**1,458.0**

The weighted average interest rate on the fixed rate financial liabilities is 6.7% (2009: 8.5%) and the weighted average period for which the rate is fixed is 5.6 years (2008: 5.4 years).

Considering the net debt position as at 31 March 2010 and the investment in bank deposits and debt mutual funds, any increase in interest rates would result in a net loss and any decrease in interest rates would result in a net gain. The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date.

The below table illustrates the impact of a 0.5% to 2.0% decrease in interest rate of borrowings on profit and equity and represents management's assessment of the possible change in interest rates.

At 31 March 2010
(in $ million)

Decrease in interest Rates	Effect on net earnings	Effect on total equity
	US dollar interest rate	US dollar interest rate
0.5%	10.9	10.9
1.0%	21.7	21.7
2.0%	43.4	43.4

At 31 March 2009
(in $ million)

Decrease in interest rates	Effect on net earnings	Effect on total equity
	US dollar interest rate	US dollar interest rate
0.5%	9.6	9.6
1.0%	19.2	19.2
2.0%	38.5	38.5

(d) Credit risk

The Group is exposed to credit risk from trade receivables, liquid investments and other financial instruments.

The Group has clearly defined policies to mitigate counterparty risks. Cash and liquid investments are held primarily in mutual funds and banks with good credit ratings. Defined limits are in place for exposure to individual counterparties in case of mutual fund houses and banks.

The large majority of receivables due from third parties are secured. Moreover, given the diverse nature of our businesses trade receivables are spread over a number of customers with no significant concentration of credit risk. No single customer accounted for 10% or more of the Group's net sales or for any of the Group's primary businesses during the year ended 31 March 2010 and in the previous year. The history of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, the Group does not expect any material risk on account of non-performance by any of our counterparties.

The Group's maximum exposure to credit risk at 31 March 2010 is $8,380.6 million (2009: $5,876.1 million).

Of the year end trade and other receivable balance the following were past due but not impaired as at 31 March 2010

$ million	**2010**	**2009**
Less than 1 month	200.2	58.1
Between 1 - 3 months	68.2	23.3
Between 3 - 12 months	31.3	6.1
Greater than 12 months	8.9	13.5
Total	**308.6**	**101.0**

Derivative financial instruments

The fair value of all derivatives is separately recorded on the balance sheet within other financial assets (derivatives) and other financial liabilities (derivatives), current and non current. In addition, the derivative component of certain convertible bonds is shown as part of the overall convertible bond liability (see Note 25). Derivatives that are designated as hedges are classified as current or non-current depending on the maturity of the derivative.

Embedded derivatives

Derivatives embedded in other financial instruments or other contracts are treated as separate derivative contracts, when their risks and characteristics are not closely related to those of their host contracts.

Cash flow hedges

The Group also enters into forward exchange and commodity price contracts for hedging highly probable forecast transactions and accounts for them as cash flow hedges and states them at fair value. Subsequent changes in fair value are recognised in equity until the hedged transactions occur, at which time the respective gains or losses are transferred to the income statement.

The fair value of the Group's open derivative positions at 31 March 2010 (excluding own use purchase and sale contracts), recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

	As at 31 March 2010 $ million		**As at 31 March 2009 $ million**	
	Liability	**Asset**	**Liability**	**Asset**
Current				
Cash flow hedges				
- Commodity contracts	-	-	-	-
- Forward foreign currency contracts	(10.2)	3.9	(14.2)	35.6
- Interest rate swap (floating to fixed)	-	-	-	1.3
Fair value hedges				
- Commodity contracts	(0.8)	-	(0.2)	-
- Forward foreign currency contracts	(6.3)	3.9	-	6.7
-Interest rate swap	-	-	-	13.6
- Others(Foreign Currency Swap)	(12.1)	-	(30.8)	24.3
Non Qualifying hedges				
- Commodity contracts	(1.0)	2.6	(41.8)	0.5
- Forward foreign currency contracts	(8.1)	-	(27.7)	-
Total	**(38.5)**	**10.4**	**(114.7)**	**82.0**
Non-current				
Fair value hedges				
- Forward foreign currency contracts	-	-	-	-
- Interest rate swap	-	-	-	-
- Others(Foreign Currency Swap)	(44.7)	43.7	(59.7)	52.8
Total	**(44.7)**	**43.7**	**(59.7)**	**52.8**
Grand Total	**(83.2)**	**54.1**	**(174.4)**	**134.8**

The majority of cash flow hedges taken out by the Group during the year comprise forward foreign currency contracts for firm future commitments.

Non-qualifying hedges

The majority of these derivatives comprise copper sale and purchase contracts at Sterlite custom smelting operations which are economic hedges but which do not fulfil the requirements for hedge accounting of IAS 39 Financial Instruments: Recognition and Measurement.

Fair value hedges

The fair value hedges relate to forward covers taken to hedge currency exposure on purchase of raw materials & capital imports.

Hedging reserves reconciliation

	Hedging reserves	**Minority Interests ***	**Total**
	$ million	**$ million**	**$ million**
At 1 April 2008	**(9.1)**	**(8.2)**	**(17.3)**
Amount recognised directly in equity	(21.5)	3.9	(17.6)
Amount charged to income statement	(13.6)	2.1	(11.5)
Exchange difference	4.6	0.9	5.5
At 1 April 2009	**(39.6)**	**(1.3)**	**(40.9)**
Amount recognised directly in equity	40.7	6.1	46.8
Amount charged to income statement	28.4	9.2	37.6
Exchange difference	(1.7)	0.9	(0.8)
At 31 March 2010	**27.8**	**14.9**	**42.7**

* Cash flow hedges attributable to minority interests.

27. Provisions

	Restoration, rehabilitation and environmental	Other	Total
	$ million	$ million	$ million
At 1 April 2008	**46.6**	**165.9**	**212.5**
(Credited)/charged to income statement	(7.1)	(1.5)	(8.6)
Unwinding of discount	-	4.2	4.2
Cash paid	(0.1)	(36.8)	(36.9)
Exchange differences	(2.4)	3.6	1.2
At 1 April 2009	**37.0**	**135.4**	**172.4**
(Credited)/charged to income statement	(14.9)	8.8	(6.1)
Unwinding of discount	0.2	4.1	4.3
Cash paid	0.6	(7.4)	(6.8)
Exchange differences	2.4	2.3	4.7
At 31 March 2010	**25.3**	**143.2**	**168.5**
Current 2010	-	0.9	0.9
Non-current 2010	25.3	142.3	167.6
	25.3	**143.2**	**168.5**
Current 2009	-	6.9	6.9
Non-current 2009	37.0	128.5	165.5
	37.0	**135.4**	**172.4**

Restoration, rehabilitation and environmental

The provisions for restoration, rehabilitation and environmental liabilities represent the Directors' best estimate of the costs which will be incurred in the future to meet the Group's obligations under existing Indian, Australian and Zambian law and the terms of the Group's mining and other licences and contractual arrangements. These amounts become payable on closure of mines and are expected to be incurred over a period of 3 to 20 years.

Other

Other provisions primarily comprise the Directors' best estimate of the costs which may be incurred in the future to settle certain legal and tax claims outstanding against the Group, which exist primarily in India. Other provisions also include a provision in respect of a price participation agreement in Zambia which requires KCM to pay ZCCM an agreed annual sum when copper prices exceed specified levels and other triggers, amounting to $111.9 million (2009: $94.4 million). The timing of the outflow of this provision is dependent on future copper prices as well as dividend and hence cannot be reasonably determined.

28. Deferred tax

The Group has accrued significant amounts of deferred tax. The majority of the deferred tax liability represents accelerated tax relief for the depreciation of capital expenditure and the depreciation on mining reserves, net of losses carried forward by KCM.

The amounts of deferred taxation on temporary differences, provided and not provided, in the accounts are as follows:

Provided – liabilities/(assets)

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Accelerated capital allowances	1,639.0	1,261.7
Unutilised tax losses	(406.9)	(332.2)
Other temporary differences	(31.7)	69.9
	1,200.4	**999.4**
Recognised as:		
Deferred tax liability provided	1,209.3	1,010.6
Deferred tax asset recognised	(8.9)	(11.2)
	1,200.4	**999.4**

Unrecognised deferred tax assets

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Unutilised tax losses	(128.4)	(22.2)

The above relates to the tax effect of $190.2 million of unutilised tax losses of the Company and VRHL which have no expiry period and $223.5 million of unutilised tax losses and capital allowances for VAL. No benefit has been recognised for these items on the grounds that their successful application against future profits is not probable in foreseeable future.

Deferred tax asset

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
At 1 April 2009	**11.2**	**15.1**
Charged to income statement	(2.2)	(5.4)
(Charged) / credited directly to equity	-	1.1
Foreign exchange differences	(0.1)	0.4
At 31 March 2010	**8.9**	**11.2**

The Group has $1,356.3 million of unutilised tax losses at KCM (2009: $1,107.5 million) which expire in the period 2016 to 2019 and have been offset against accelerated capital allowances at the same entity.

Deferred tax liability

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
At 1 April 2009	**1,010.6**	**1,380.8**
Addition due to acquisition	160.6	-
Credited to income statement	(101.2)	(104.0)
Charged/(credited) directly to equity	8.5	(3.7)
Foreign exchange differences	124.6	(262.5)
Prior year adjustments	6.2	-
At 31 March 2010	**1,209.3**	**1,010.6**

29. Share based payments

Employee share schemes

The Group aims to provide superior rewards for outstanding performance and a high proportion of 'at risk' remuneration for Executive Directors. Three employee share schemes were approved by shareholders on Listing. The Board has no present intention to introduce any further share schemes. Of the three employee share schemes which have been approved, only one is currently active.

The Vedanta Resources Long-Term Incentive Plan (the 'LTIP')

The LTIP is the primary arrangement under which share-based incentives are provided to the Executive Directors and the wider management group. The maximum value of shares that can be conditionally awarded to an Executive Director in a year is 100% of annual salary. In respect of Messrs Navin Agarwal and MS Mehta, salary means the aggregate of their salary payable by Vedanta and their gross salary payable by Sterlite. The maximum value of shares that can be awarded to members of the wider management group is calculated by reference to the base salary, share based remuneration already received and consistent with local market practice.

The performance condition attaching to outstanding awards under the LTIP is that the Company's performance, measured in terms of Total Shareholder Return ('TSR') (being the movement in a company's share price plus reinvested dividends), is compared over the performance period with the performance of the companies as defined in the scheme from the date of grant. The extent to which an award vests will depend on the Company's TSR rank against a group of peer companies ("Adapted Comparator Group") at the end of the performance period. The vesting schedule is shown in the table below, with adjusted straight-line vesting in between the points shown and rounding down to the nearest whole share.

Vedanta's TSR Performance against Adapted Comparator Group

	% of award vesting
Below median	-
At median	40
At or above upper quartile	100

As at 31 March 2010 all the outstanding options granted on 1 February 2006, were exercised and all the outstanding options granted on, 14 November 2007, 1st February 2009, 1st August 2009, and 1st January 2010 were exercisable.

The performance condition is measured by taking the Company's TSR over the four weeks immediately preceding the date of grant and over the four weeks immediately preceding the end of the performance period, and comparing its performance with that of the comparator group described above. The information to enable this calculation to be carried out on behalf of the Remuneration Committee ('the Committee') is provided by the Company's advisers. The Committee considers that this performance condition, which requires that the Company's total return has out-performed a group of companies chosen to represent the mining sector, provides a reasonable alignment of the interests of the Executive Directors and the wider management group with those of the shareholders.

No awards will vest unless the Committee is satisfied that the Company's TSR performance reasonably reflects the Company's underlying financial performance.

Initial awards under the LTIP were granted on 26 February 2004 with further awards being made on 11 June 2004, 23 November 2004, 1 February 2006, 1 February 2007, 14 November 2007, 1 February 2009, 1 August 2009 and 1 January 2010 . The exercise price of the awards is 10 US cents per share and the performance period is one year for the February 2007 awards and three years for all other awards, with no re-testing being allowed. The exercise period is six months from the date of vesting.

Year of Grant	Exercise Date	Exercise price US cents per share	Options outstanding 1 April 2009	Options granted during the year	Options lapsed during the year	Options lapsed during the year owing to performance conditions	Options exercised during the year	Options outstanding at 31 March, 2010
2006	1 February 2009 to 1 August 2009	10	372,180	-	-	-	372,180	-
2007	14 November 2010 to 14 May 2011	10	1,590,129	-	245,080	22,906	19,494	1,302,649
2009	1 February 2012 to 1 August 2012	10	11,200	-	-	-	-	11,200
2009	1 August 2012 to 1 February 2013	10	-	2,478,000	119,350	8,882	1,618	2,348,150
2010	1 January 2013 to 1 July 2013	10	-	14,000	-	-	-	14,000
			1,973,509	**2,492,000**	**364,430**	**31,788**	**393,292**	**3,675,999**

All share-based awards of the Group are equity-settled as defined by IFRS 2 "*Share Based Payment*". The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a Monte Carlo model with suitable modifications to allow for the specific performance conditions of the LTIP. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends and the risk free rate of interest. A progressive dividend growth policy is assumed in all fair value calculations. Expected volatility has been calculated using historical share prices over the period to date of grant that is commensurate with the performance period of the option. The share prices of the mining companies in the Adapted Comparator Group have been modelled based on historical price movements over the period to date of grant which is also commensurate with the performance period for the option. The history of share prices is used to determine the volatility and correlation of share prices for the companies in the Adapted Comparator Group and is needed for the Monte Carlo simulation of their future TSR performance relative to the Company's TSR performance. All options are assumed to be exercised six weeks after vesting.

The assumptions used in the calculations of the charge in respect of the LTIP awards granted during the year are set out below:

	LTIP August 2009	**LTIP January 2010**
Date of grant	1 August 2009	1 January 2010
Number of instruments	2,478,000	14,000
Exercise price	USD$0.10	USD $0.10
Share price at the date of grant	GBP £17.64	GBP £26.11
Contractual life	3 years	3 years
Expected volatility	70% pa	70% pa
Expected option life	3.2 years	3.2 years
Expected dividends	1.4% pa	1.4% pa
Risk free interest rate	2.3% pa	2.3% pa
Expected annual forfeitures	13.5% pa	13.5% pa
Fair value per option granted	GBP £12.026	GBP £17.80

The Group recognised total expenses of $15.6 million and $13.1 million related to equity settled share based payment transactions in the year ended 31 March 2010 and in the year ended 31 March 2009 respectively.

30. Retirement benefits

The Group operates pension schemes for the majority of its employees in India, Australia and Zambia.

(a) Defined contribution schemes

Indian pension schemes

Central Provident Fund

The Central Provident Fund relates to all full time Indian employees of the Group. The amount contributed by the Group is a designated percentage of 12% of basic salary less contributions made as part of the Pension Fund (see below), together with an additional contribution of 12% of salary made by the employee or maximum permissible percentage of basic salary as opted by the individual employees.

The benefit is paid to the employee on their retirement or resignation from the Group.

Superannuation

Superannuation, another pension scheme applicable in India, is applicable only to senior executives. Certain companies hold policies with the Life Insurance Corporation of India ("LIC"), to which they contribute a fixed amount relating to superannuation, and the pension annuity is met by the LIC as required, taking into consideration the contributions made. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

Pension Fund

The Pension Fund was established in 1995 (16/11/1995) and is managed by the Government. The employee makes no contribution to this fund but the employer makes a contribution of 8.33% of salary each month subject to a specified ceiling per employee. This must be provided for every permanent employee on the payroll.

At the age of superannuation, contributions cease and the individual receives a monthly payment based on the level of contributions through the years, and on their salary scale at the time they retire, subject to a maximum ceiling of salary level. The Government funds these payments, thus the Group has no additional liability beyond the contributions that it makes, regardless of whether the central fund is in surplus or deficit.

Australian Pension Scheme

The Group also operates defined contribution pension schemes in Australia. The contribution of a proportion of an employee's salary into a superannuation fund is a compulsory legal requirement in Australia. The employer contributes 9% of the employee's gross remuneration where the employee is covered by the industrial agreement and 12% of the basic remuneration for all other employees, into the employee's fund of choice. All employees have the option to make additional voluntary contributions.

Zambian Pension Scheme

The KCM Pension Scheme is applicable to full time permanent employees of KCM (subject to the fulfilment of certain eligibility criteria). The management of the scheme is vested in the trustees consisting of representatives of the employer and the members. The employer makes a monthly contribution to the KCM Pension Scheme of an amount equal to 11% of that month's pensionable salary and the member makes monthly contributions to the fund of an amount equal to 5% of that month's pensionable salary.

All contributions to the KCM Pension Scheme in respect of a member cease to be payable when the member attains normal retirement age of 55 years, or upon leaving the service of the employer, or when the member is permanently medically incapable of performing duties in the service of the employer. Upon such cessation of contribution on the grounds of normal retirement, or being rendered medically incapable of performing duties, or early voluntary retirement within five years of retirement, the member is entitled to receive an immediate annual pension equal to his accrued pension. The member is allowed to commute his/her accrued pension subject to certain rules and regulations. The trustees of the KCM Pension Scheme may also allow the purchase of an annuity for the benefit of members from a life assurance company or other providers of annuities, subject to statutory regulations.

The Group has no additional liability beyond the contributions that it makes, regardless of whether the KCM Pension Scheme is in surplus or deficit. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

(b) Defined benefit schemes

India

The Gratuity schemes are defined benefit schemes which are open to all Group employees in India who have a minimum of five years of service with their employing company. These schemes are funded by the Group in some subsidiaries. Based on actuarial valuation, a provision is recognised in full for the projected obligation over and above the funds held in scheme. In case where there is no funding held by the scheme, full provision is recognised in the balance sheet. Under these schemes, benefits are provided based on final pensionable pay.

The assets of the schemes are held in separate funds and a full actuarial valuation of the schemes is carried out on an annual basis.

MALCO

MALCO does not contribute to the LIC. Its Gratuity scheme is accounted for on a defined benefit basis. An actuarial valuation was performed as at 31 March 2010 using the projected unit actuarial method. At that date the fund was in deficit.

BALCO

Balco does not contribute to the LIC. Liabilities (as at 31 March 2010) with regard to the Gratuity scheme are fully provided in the Balance Sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2010 using the projected unit actuarial method. At that date the fund was in deficit.

HZL

HZL contributes to the LIC based on an actuarial valuation every year. HZL's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2010 using the projected unit actuarial method. At that date the fund was in deficit.

VAL

VAL contributes to the LIC, Mumbai through the Employee Gratuity Scheme based on an actuarial valuation obtained by LIC every year. The latest actuarial valuation was performed by LIC on 31 March 2009. In addition, we have another actuarial valuation from a third party for estimation of the gratuity liability using the projected unit actuarial method on a quarterly basis. The latest valuation was performed on 31st March 2010. As at 31st March 2010 the LIC fund was in deficit and the difference of valuation between LIC and third party is provided in the books of VAL as provision for gratuity.

Sterlite

Sterlite contributes to the LIC. Liabilities with regard to the Gratuity scheme are fully provided in the Balance Sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2010 using the projected unit actuarial method. At that date the fund was in deficit.

Sesa Goa

Sesa Goa contributes to the LIC and ICICI Prudential based on actuarial valuation every year. Sesa Goa's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2009 using the projected unit actuarial method. At that date the fund was in deficit.

Zambia

KCM

Specified permanent employees of KCM are entitled to receive medical and retirement severance benefits. This comprises two months' basic pay for every completed year of service with an earliest service start date of 1 July 2004. Under this scheme, benefits are provided based on final pensionable pay and a full actuarial valuation of the scheme is carried out on an annual basis. The accruals are not contributed to any fund and are in the form of provisions in KCM's accounts. At 31 March 2010 the fund was in deficit.

On the death of an employee during service, a lump sum amount is paid to his dependants. This amount is equal to sixty months' basic pay for employees who joined before 1 April 2000 and thirty months' basic pay for employees who joined on or after 1 April 2000. For fixed term contract employees, the benefit payable on death is thirty months' basic pay.

As at 31 March 2010, membership of pension schemes across MALCO, BALCO, HZL, VAL, Sterlite, Sesa and KCM stood at 29,637 employees (31 March 2009: 27,716). The deficits, principal actuarial assumptions and other aspects of these schemes are disclosed in further detail in notes (d) and (e) below.

(c) Pension scheme costs

Contributions of $36.7 million and $nil million in respect of defined benefit schemes were outstanding and prepaid respectively as at 31 March 2010 (2009: $3.0 million and $ nil million respectively)

Contributions to pension schemes in the year ending 31 March 2011 are expected to be around $7.0 million.

Pension Scheme Costs	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Defined contribution pension schemes	17.7	17.7
Defined benefit pension schemes	20.5	2.3
	38.2	**20.0**

(d) Principal actuarial assumptions.

Principal actuarial assumptions used to calculate the defined benefit schemes' liabilities are:

	MALCO		BALCO		Sterlite		HZL		KCM		VAL		Sesa Goa	
Particulars	**Mar-10**	**Mar-09**	**Mar-10**	**Mar-09**	**Mar-10**	**Mar-09**	**Mar-10**	**Mar-09**	**Mar-10**	**Mar-09**	**Mar-10**	**Mar-09**	**Mar-10**	**Mar-09**
Discount rate	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	18.6 %	19.5 %	7.5%	7.5%	8.0%	8.0%
Salary increases	6.0%	6.0%	5.0 % for office staff, 3.0 % Non office	5.0 % for office staff, 3.0 % Non office	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.5%	5.5%	5.0% - 7.0%	5.0%
Funding rate return	-	-	-	-	7.5%	7.5%	9.0%	9.5%	-	-	7.5%	7.5%	8.0% - 9.3%	9.3%
Number employees	133	351	4,843	5,167	1,839	1,801	6,805	6,306	9,790	9,882	3,180	2,316	3,047	1,893

Assumptions regarding mortality for Indian entities are based on mortality table of LIC (1994-96) as subsequently modified.

Assumptions regarding mortality for KCM are based on World Health Organisation Life Tables for 1999 applicable to Zambia which has been taken as a reference point. Based on this a mortality table which is appropriate for the workers of Konkola Copper Mines plc has been derived.

(e) Balance sheet recognition

The amounts included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes are as follows:

	31-Mar-10								31-Mar-09							
$ million	**MALCO**	**BALCO**	**Sterlite**	**HZL**	**KCM**	**VAL**	**Sesa Goa**	**Total**	**MALCO**	**BALCO**	**Sterlite**	**HZL**	**KCM**	**VAL**	**Sesa Goa**	**Total**
Fair value of pension scheme assets	-	-	1.9	22.9	-	0.3	7.5	32.6	-	-	1.3	18.1	-	0.1	4.1	23.6
Present value pension scheme liabilities	(0.2)	(13.3)	(3.2)	(27.5)	(16.1)	(0.4)	(8.6)	(69.3)	(0.6)	(12.0)	(2.0)	(19.3)	(13.8)	(0.2)	(5.0)	(52.9)
Deficit in pension scheme recognised in balance sheet	(0.2)	(13.3)	(1.3)	(4.5)	(16.1)	(0.1)	(1.1)	(36.6)	(0.6)	(12.0)	(0.7)	(1.2)	(13.8)	(0.1)	(0.9)	(29.3)
Deferred tax	0.1	4.5	0.4	1.5	5.5	-	0.4	12.4	0.2	4.1	0.2	0.4	4.7	-	0.3	9.9
	(0.1)	**(8.8)**	**(0.9)**	**(3.0)**	**(10.6)**	**(0.1)**	**(0.7)**	**(24.2)**	**(0.4)**	**(7.9)**	**(0.5)**	**(0.8)**	**(9.1)**	**(0.1)**	**(0.6)**	**(19.4)**

(f) Amounts recognised in income statement in respect of defined benefit pension schemes:

	31-Mar-10								31-Mar-09							
Particulars	**MALCO**	**BALCO**	**Sterlite**	**HZL**	**KCM**	**VAL**	**Sesa Goa**	**Total**	**MALCO**	**BALCO**	**Sterlite**	**HZL**	**KCM**	**VAL**	**Sesa Goa**	**Total**
Current service cost	-	0.5	0.3	1.2	2.5	0.2	0.4	5.1	-	0.5	0.3	1.0	2.2	0.1	0.3	4.4
Actuarial (gains)/losses	(0.1)	1.9	0.7	3.4	5.1	-	0.3	11.3	0.2	0.5	0.3	0.6	(10.1)	-	0.7	(7.8)
Expected return on scheme assets	-	-	(0.1)	(1.7)	-	-	-	(1.8)	-	-	(0.1)	(1.6)	-	-	(0.3)	(2.0)
Interest cost of scheme liabilities	-	0.8	0.2	1.6	2.7	-	0.6	5.9	0.1	0.9	0.1	1.4	4.8	-	0.4	7.7
Total charge/(credit) income statement	**(0.1)**	**3.2**	**1.1**	**4.5**	**10.3**	**0.2**	**1.3**	**20.5**	**0.3**	**1.9**	**0.6**	**1.4**	**(3.1)**	**0.1**	**1.1**	**2.3**

(g) Movements in the present value of defined benefit obligations

The movement during the year ended 31 March 2010 of the present value of the defined benefit obligation was as follows:

	31-Mar-10								31-Mar-09							
Particulars	**MALCO**	**BALCO**	**Sterlite**	**HZL**	**KCM**	**VAL**	**Sesa Goa**	**Total**	**MALCO**	**BALCO**	**Sterlite**	**HZL**	**KCM**	**VAL**	**Sesa Goa**	**Total**
At 1 April	**(0.5)**	**(12.0)**	**(2.0)**	**(19.3)**	**(13.9)**	**(0.2)**	**(5.0)**	**(52.9)**	(1.4)	(14.0)	(2.0)	(21.9)	(24.6)	(0.1)	(5.3)	(69.3)
At acquisition							(2.0)	(2.0)								
Current service cost	-	(0.5)	(0.3)	(1.2)	(2.5)	(0.2)	(0.4)	(5.1)	-	(0.5)	(0.3)	(1.0)	(2.2)	(0.1)	(0.3)	(4.4)
Gratuity benefits paid	0.3	3.3	0.3	0.8	8.0	-	0.5	13.2	0.9	0.9	0.2	0.7	7.6	-	0.4	10.7
Interest cost of scheme liabilities	-	(0.8)	(0.2)	(1.6)	(2.7)	-	(0.6)	(5.9)	(0.1)	(0.9)	(0.1)	(1.4)	(4.8)	-	(0.4)	(7.7)
Actuarial gains/(losses)	0.1	(1.9)	(0.7)	(3.4)	(5.1)	-	(0.3)	(11.3)	(0.2)	(0.5)	(0.3)	(0.6)	10.1		(0.7)	7.8
Exchange difference	(0.1)	(1.5)	(0.3)	(2.8)	-	-	(0.8)	(5.5)	0.3	3.0	0.5	4.9		-	1.3	10.0
At 31 March	**(0.2)**	**(13.3)**	**(3.2)**	**(27.5)**	**(16.1)**	**(0.4)**	**(8.6)**	**(69.3)**	**(0.5)**	**(12.0)**	**(2.0)**	**(19.3)**	**(13.9)**	**(0.2)**	**(5.0)**	**(52.9)**

(h) Movements in the fair value of scheme assets

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
At 1 April	**23.4**	**26.8**
At acquisition	2.4	-
Contributions received	15.5	11.4
Benefits paid	(13.2)	(10.7)
Expected return on plan asset	1.8	2.0
Foreign exchange differences	2.7	(6.1)
At 31 March	**32.6**	**23.4**

(i) Five year history

Defined benefit pension plan

	As at 31 Mar 1 $ millioı	As at 31 Mar 0 $ millior	As at 31 Mar ($ millio	As at 31 Mar 0 $ millior	As at 31 Mar 0 $ millior
Experience (losses)/gains arising on scheme liabilities	(11.3)	7.8	1.4	2.9	8.6
Difference between expected and actual return on plan assets	-	0.1	-	(0.1)	-
Fair value of pension scheme assets	32.6	23.6	26.8	17.0	14.0
Present value of pension scheme liabilities	(69.3)	(52.9)	(69.3)	(52.3)	(52.2)
Deficits in the schemes	(36.7)	(29.3)	(42.5)	(35.3)	(38.2)

31. Share capital

	At 31 March 2010		At 31 March 2009	
Authorised	**Number**	**$ million**	**Number**	**$ million**
Ordinary shares of 10 US cents each	400,000,000	40.0	400,000,000	40.0
Deferred shares of £1 each	50,000	0.0	50,000	0.0
	400,050,000	**40.1**	**400,050,000**	**40.1**

Ordinary shares issued and fully paid	**Number**	**$ million**	**Number**	**$ million**
Ordinary shares of 10 US cents each	296,101,246	29.6	288,878,266	28.9
Deferred shares of £1 each	50,000	-	50,000	-
	296,151,246	**29.6**	**288,928,266**	**28.9**

During the year ended 31 March 2010, the Company issued 418,532 shares to the employees pursuant to the LTIP scheme (2009: 705,129 shares). During the year ended 31 March 2010, the Company issued 6,804,628 shares represented by Global Depositary Receipts on conversion of the convertible bond (2009: 42,452). The holders of these shares are not entitled to exercise voting rights.

The holders of deferred shares do not have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting. The deferred shares have no rights to dividends and, on a winding-up or other return of capital, entitle the holder only to the payment of the amounts paid on such shares after repayment to the holders of Ordinary Shares of the nominal amount paid up on the Ordinary Shares plus the payment of £100,000 per Ordinary Share. Of the 50,000 deferred shares, one deferred share was issued at par and has been fully paid, and 49,999 deferred shares were each paid up as to one-quarter of their nominal value.

During the year ended 31 March 2010, the Company continued its share buy-back programme and purchased 11,502,873 of its own shares which are held in treasury. At 31 March 2010, the total number of shares held in treasury was 21,080,683 (2009: 9,577,810).

32. Business Combinations

On 11 June 2009, Sesa Goa signed a Share Purchase Agreement under which Sesa Goa acquired all the outstanding common shares of V S Dempo & Co. Private Limited ("Dempo"), which in turn, also holds 100% of the equity shares of Dempo Mining Corporation Private Limited and 50% of the equity shares of Goa Maritime Private Limited for a total consideration of $361.0 million, after a working capital adjustment of $39.0 million. The operating and financial results of Dempo have been consolidated effective from 11 June 2009, which was the date of acquisition. Dempo is mainly involved in iron ore mining.

The net assets of Dempo as acquired have been included in the results at fair value, as detailed in the table below:

$ million	Book value	Fair value adjustments	Fair value
Assets			
Non-current assets			
Property, plant and equipment	24.2	472.6	496.8
	24.2	**472.6**	**496.8**
Current assets			
Inventories	16.0	-	16.0
Trade and other receivables	10.0	-	10.0
Deferred tax assets	0.1	(0.1)	-
Cash and cash equivalents	34.6	-	34.6
	60.7	**(0.1)**	**60.6**
Liabilities			
Current liabilities			
Trade and other payables	(18.4)	-	(18.4)
Current tax liabilities	(3.2)	-	(3.2)
	(21.6)	**-**	**(21.6)**
Non-current liabilities			
Medium-term borrowing	(12.4)	-	(12.4)
Deferred tax liabilities	-	(160.7)	(160.7)
Provisions	(0.2)	(1.2)	(1.4)
	(12.6)	**(161.9)**	**(174.5)**
Net assets	**50.7**	**310.6**	**361.3**
Satisfied by:			
Cash consideration paid			335.1
Deferred Consideration			26.2

The Company has carried out a fair value assessment of the assets acquired during acquisition. Since the date of acquisition, Dempo has contributed $228.0 million to the revenue and $83.4 million to the net profit of the Group for the year ended 31 March 2010. If Dempo had been acquired at the beginning of the year, the revenue of the Group would have been $ 45.0 million higher and the net profit of the Group would have been $ 5.2 million higher.

33. Commitments, guarantees and contingencies

Commitments

The Group has a number of continuing operational and financial commitments in the normal course of business including:

- Exploratory mining commitments;
- Mining commitments arising under production sharing agreements; and
- Completion of the construction of certain assets.

	As at 31 March 2010 $ million	As at 31 March 2009 $ million
Capital commitments contracted but not provided	4,065.4	3,674.0

Commitments at 31 March 2010 primarily related to the expansion projects at HZL $85.6 million (2009: $281.0 million), KCM $ 180.0 million (2009: $143.7 million), VAL $1,013.6 million (2009: $2,166.3 million), SEL $258.6 million (2009: $536.6 million), BALCO $512.8 million (2009: $474.5 million) and Talwandi Sabo $ 1,589.4 million (2009: Nil).

Guarantees

Companies within the Group provide guarantees within the normal course of business. Guarantees have also been provided in respect of certain short-term and long-term borrowings.

A summary of the most significant guarantees is set out below:

As at 31 March 2010, $133.3 million of guarantees were advanced to banks in the normal course of business (2009: $252.7 million). The Group has also entered into guarantees advanced to the customs authorities in India of $908.3 million relating to the export of iron ore and payment of import duties on purchases of raw material (2009: $283.5 million).

Export obligations

The Indian entities of the Group have export obligations of $5,091.2 million (2009: $3,909.0 million) on account of concessional rates of import duty paid on capital goods under the Export Promotion Capital Goods Scheme and under Advance Licence Scheme for import of raw material laid down by the Government of India.

In the event of the Group's inability to meet its obligations, the Group's liability would be $723.0 million (2009: $556.5 million), reduced in proportion to actual exports. This liability is backed by bonds executed in favour of the customs department amounting to $958.2 million (2009: $515.5 million).

Guarantees to suppliers

The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was $170 million at 31 March 2010 (2009: $120.0 million).

Environmental and terminal benefits ('ETB') cash reserve account – KCM

Pursuant to the terms of the shareholders' agreement between VRHL and ZCI dated 5 November 2004, KCM is expected to contribute a minimum of $10 million (with a maximum of $18.0 million) in any financial year to ensure that the amount of ETB liabilities are covered by a cash reserve when the life of the Konkola Ore Body comes to an end. The ETB liabilities refer to KCM's obligations in relation to the environment and any terminal benefits payable to its employees. As at 31 March 2010, ETB liabilities provided for were $76.0 million (2009: $49.9 million), although these liabilities are likely to fluctuate at each future reporting date.

Shortfall Funding Commitment – KCM

Pursuant to the KCM acquisition agreement, Vedanta has agreed to fund capital expenditure in the period from the date of acquisition to the earlier of 5 November 2013, the exercise of certain call options previously held by ZCI and Vedanta's divestment of its interest in KCM (the earliest date of which was 1 January 2008), up to a limit of $220 million in the event that internally generated cash flows are insufficient to fund the capital expenditure programme set out in the acquisition agreement.

Contingencies

The Group has the following significant contingencies. With regard to the claims against Group companies included below, unless stated, no provision has been made in the financial statements as the Directors believe that it is more likely than not that the claims will not give rise to a material liability.

MALCO claims with Tamil Nadu Electricity Board ('TNEB')

TNEB is claiming $22.6 million from MALCO for an electricity self-generation levy for the period from May 1999 to June 2003. This claim has arisen since the commissioning of MALCO's captive power plant in 1999. The company has sought an exemption from the application of this levy from the Government of India. The application is under consideration. Meanwhile, the Madras High Court has granted an interim ruling in favour of MALCO pending a final decision.

HZL: Department of Mines and Geology

The Department of Mines and Geology of the State of Rajasthan issued several show cause notices in August, September and October 2006 to HZL, totalling $74 million. These notices alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at HZL's Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan during the period from July 1968 to March 2006. HZL believes that the likelihood of this claim becoming an obligation of the company is unlikely and thus no provision has been made in the financial statements. HZL has filed writ petitions in the High Court of Rajasthan in Jodhpur and has obtained a stay in respect of these demands.

VAL: Ministry of Environment and Forests ('MOEF') claim

In respect of bauxite mines at Lanjigarh, Orissa, public interest submissions were filed in 2004 by certain non-government organisations (NGOs) to the Honourable Supreme Court of India sub-committee regarding the potential environmental impact of the mines. After hearing various submissions, on 8 August 2008 the Supreme Court delivered its final order in favour of VAL. Final clearance from the environmental division of MOEF has been obtained whilst clearance from the Forestry division, which is expected to be received in the near term, remains outstanding.

Miscellaneous Disputes – Sterlite, HZL, MALCO and BALCO

The Indian excise and related indirect tax authorities have made several claims against the above companies for additional excise and indirect duties. The claims mostly relate either to the assessable values of sales and purchases or to incomplete documentation supporting the companies' returns.

The approximate value of claims against the companies total $380.4 million (2009: $221.3 million), of which $10.4 million (2009: $15.5 million) is included as a provision in the balance sheet as at 31 March 2010. In the view of the Directors, there are no significant unprovided liabilities arising from these claims.

34. Related party transactions

The information below sets out transactions and balances between the Group and various related parties in the normal course of business for the year ended 31 March 2010.

Sterlite Technologies Limited ("STL")

	31 March 2010 $ million	31 March 2009 $ million
Sales to STL	165.0	140.7
Reimbursement of expenses	0.1	0.2
Purchases	-	0.1
Net Interest Received	0.1	-
Net amounts receivable at year end	4.4	8.1

Sterlite Technologies Limited is related by virtue of having the same controlling party as the Group, namely Volcan. Pursuant to the terms of the Shared Services Agreement dated 5 December 2003 entered into by the Company, Sterlite and STL, the Company and Sterlite provide various commercial services in relation to STL's businesses on an arm's length basis and at normal commercial terms. For the year ended 31 March 2010, the commercial services provided to STL were performed by certain senior employees of the Group on terms set out in the Shared Services Agreement. The services provided to STL in this year amounted to $ XXX (2010: $27,154).

Twin Star Infrastructure Limited

Sterlite Energy had issued cumulative convertible preference shares to Twin Star Infrastructure Limited prior to Sterlite Energy's acquisition by the Group and an amount of $ Nil million was outstanding as at 31 March 2010 (2009: $5.5 million). During the year ended 31 March 2010, Sterlite Energy paid dividends on the cumulative convertible preference shares of $Nil (2009: $3,689) to Twin Star Infrastructure Limited. Twin Star Infrastructure Limited is a related party by virtue of having the same controlling party as the Group, namely Volcan.

Sterlite Foundation

During the year $1.1 million was paid to the Sterlite Foundation (2009: $0.9 million).

Sterlite Foundation is a registered not-for-profit entity engaged in computer education and other related social and charitable activities. The major activity of the Sterlite Foundation is providing computer education for disadvantaged students. The Sterlite Foundation is a related party as it is controlled by members of the Agarwal family who controls Volcan. Volcan is also the majority shareholder of Vedanta resources Plc.

Sesa Goa Community Foundation Limited

Following the acquisition of Sesa Goa, the Sesa Goa Community Foundation Limited, a charitable institution, became a related party of the Group on the basis that key management personnel of the Group have significant influence on Sesa Goa Community Foundation Limited. During the year ended 31 March 2010, $0.7 million (2009: $1.1 million) was paid to the Sesa Goa Community Foundation Limited.

The Anil Agarwal Foundation

During the year, $0.6 million (2009: $0.5 million) was received from the Anil Agarwal Foundation towards reimbursement of administrative expenses. The Anil Agarwal Foundation is a registered not-for-profit entity engaged in social and charitable activities. The Anil Agarwal Foundation is controlled by members of the Agarwal family.

VOLCAN

	31 March 2010 $ million	**31 March 2009 $ million**
Reimbursement of bank charges	-	(0.3)

In relation to the shares of Sterlite held by Twin Star, MALCO issued guarantees to the Income Tax Department of India, at the request of Volcan. The amount payable for the year ended 31 March 2010 as $0.0 million (2009: $0.3 million).

In addition, a limited number of employees are seconded from Sterlite to STL and similarly from STL to Sterlite. The company which benefits from the seconded employees bear their employment costs.

Henry Davis York

	31 March 2010 $ million	**31 March 2009 $ million**
Consultancy services	0.4	0.7

Henry Davis York provides consultancy services to a subsidiary of the group. The executive management of Henry Davis York hold a similar office at the said subsidiary

Sterlite Iron and Steel Limited

	31 March 2010 $ million	31 March 2009 $ million
Reimbursement of expenses	0.1	-

Sterlite Iron and Steel Limited is a related party by virtue of having the same controlling party as the Group, namely Volcan.

Sterlite Shipping Venture Limited

	31 March 2010 $ million	31 March 2009 $ million
Reimbursement of expenses	0.01	-

Sterlite Shipping Venture Limited is controlled by members of the Agarwal family.

Vedanta Medical Research Association

	31 March 2010 $ million	31 March 2009 $ million
Loan balance receivable	3.5	-
Other amount receivable at year end	4.5	-

Vedanta Medical Research Association is a related party of the Group on the basis that key management personnel of the Group exercise significant influence.

Vedanta University

	31 March 2010 $ million	31 March 2009 $ million
Reimbursement of expenses	(0.1)	-

Vedanta University is a related party of the Group on the basis that key management personnel of the Group exercise significant influence.

Remuneration of key management personnel

The remuneration of the directors and the key management personnel of the Group are set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 31 March 2010 $ million	Year ended 31 March 2009 $ million
Short-term employee benefits	8.7	8.4
Post employment benefits	0.5	0.5
Share based payments	9.4	1.0
	18.6	**9.9**

35. Share transactions

Call Options – HZL

The Company's wholly owned subsidiary, SOVL, was granted two call options to purchase all of the Government of Indian's shares in HZL at fair value, the first of which was successfully exercised in 2003. SOVL exercised the second call option on 21 July 2009 to which the Government has responded by stating that they do not believe the option can be validly exercised under company law. The company has therefore appointed an arbitrator under the terms of the shareholders' agreement but the Government of India is yet to do so. As a result, SOVL has filed an arbitration application pursuant to section 11(6) of the Arbitration and Conciliation Act 1996 in the Delhi High Court petitioning the court to constitute an arbitration tribunal. The hearing of the arbitration application is fixed for 18 May 2010.

Call option — BALCO

The Company purchased a 51.0% holding in BALCO from the Government of India on 2 March, 2001. Under the terms of this shareholder's agreement ("SHA") for BALCO, the Company has a call option that allows it to purchase the Government of India's remaining ownership interest in BALCO at any point from 2 March, 2004. The Company exercised this option on 19 March, 2004. However, the Government of India has contested the validity of the option and the valuation. The Company sought an interim order from the High Court of Delhi to restrain the Government of India from transferring or disposing of its shareholding pending resolution of the dispute. The High Court directed on 7 August, 2006 that the parties attempt to settle the dispute by way of a mediation process as provided for in the SHA. However, as the dispute could not be settled through mediation, it has been referred to arbitration as provided for in the SHA. Arbitration proceedings commenced on 16 February 2009 and after a few rounds of hearing, the next date for hearing is fixed between 27 August 2010 and 29 August 2010.

Share Purchases

During financial year 2010, the Group increased its holding in certain of its subsidiaries through open market purchases. The details of such purchases are as follows:

a) 1,868,792 shares of Sterlite Industries India Limited accounting for 0.24% of SIIL's total equity.

b) 28,675,642 shares of Sesa Goa accounting for 3.51% of Sesa's total equity.

c) 1,459,323 shares of Malco accounting for 1.30% of Malco's total equity.

The aggregate loss arising on these transactions of $96.8 million was recorded within equity.

36. Principal Subsidiaries

The consolidated financial statements comprise the financial statements of the following principal subsidiaries:

Subsidaries	Principal activites	The Company's economic percentage holding		Country of incorporation	Immediate holding company	Immediate percentage holding	
		31-Mar-2010	31-Mar-2009			31-Mar-2010	31-Mar-2009
Direct Subsidiaries of the Parent Company							
Vedanta Resources Holding Limited ('VRHL')	Holding company	100.00%	100.00%	Great Britain	VR plc	100.00%	100.00%
Vedanta Resources Jersey Limited('VRJL")	Financing company	100.00%	-	Jersey(CI)	VR plc	100.00%	-
Vedanta Resources Jersey II Limited('VRJ2")	Financing company	100.00%	-	Jersey(CI)	VR plc	100.00%	-
Vedanta Finance (Jersey) Limited ('VFJL')	Financing company	100.00%	100.00%	Jersey(CI)	VR plc	100.00%	100.00%
Vedanta Resources Investments Limited('VRIL")	Financing company	100.00%	100.00%	Mauritius	VR plc	100.00%	100.00%
Indirect Subsidiaries of the Parent Company							
Bharat Aluminium Company Limited ('BALCO')	Aluminium mining and smelting	29.01%	31.30%	India	Sterlite	51.00%	51.00%
Copper Mines Of Tasmania Pty Limited ('CMT')	Copper mining	56.88%	61.30%	Australia	MCBV	100.00%	100.00%
Fujariah Gold	Gold & Silver processing	56.88%	61.30%	UAE	CMT	100.00%	100.00%
Hindustan Zinc Limited ('HZL')	Zinc and mining and smelting	36.93%	39.80%	India	SOVL	64.92%	64.92%
The Madras Aluminium Company Limited ('MALCO')	Energy generation	94.54%	93.20%	India	Twin Star	94.54%	93.20%
Monte Cello BV ('MCBV')	Holding company	56.88%	61.30%	Netherlands	Sterlite	100.00%	100.00%
Monte Cello Corporation NV (MCNV')	Holding company	100.00%	100.00%	Netherlands	Twin Star	100.00%	100.00%
Konkola Copper Mines PLC ('KCM')	Copper mining and smelting	79.40%	79.40%	Zambia	VRHL	79.40%	79.40%
Sterlite Energy Limited ('SEL')	Energy generation	56.88%	61.30%	India	Sterlite	100%	100%
Sesa Goa Limited ('Sesa Goa')	Iron Ore	57.41%	52.70%	India	Finsider	48.32%	51.20%
Sesa Industries Limited	Iron Ore	50.64%	46.50%	India	Sesa Goa	88.25%	88.25%
V S Dempo Private Limited ('VSD')	Iron Ore	57.41%	-	India	Sesa Goa	100.00%	-
Dempo Mining Corporation Private Limited ('DMCL')	Iron Ore	57.41%	-	India	V S Dempo	100.00%	-

Goa Maritime Private Limited	Iron Ore	28.71%	-	India	V S Dempo	50.00%	-
Sterlite Industries (India) Limited ('Sterlite')	Copper smelting	56.88%	61.30%	India	Twin Star	54.00%	57.90%
Sterlite Opportunities and Venture Limited (SOVL')	Holding company	56.88%	61.30%	India	Sterlite	100.00%	100.00%
Sterlite Paper Limited ('SPL')	Non-trading	56.88%	61.30%	India	Sterlite	100.00%	100.00%
Thalanga Copper Mines Pty Limited ('TCM')	Copper mining	56.88%	61.30%	Australia	MCBV	100.00%	100.00%
Twin Star Holding Limited ('Twin Star')	Holding company	100.00%	100.00%	Mauritius	VRHL	100.00%	100.00%
Vedanta Aluminium Limited ('VAL')	Alumina mining, aluminium refining and smelting	87.28%	88.60%	India	Twin Star	45.50%	45.50%
Richter Holding Limited('Richter'), Cyprus	Financing company	100.00%	100.00%	Cyprus	VRCL	100.00%	100.00%
Westglobe Limited	Financing company	100.00%	100.00%	Mauritius	Richter	100.00%	100.00%
Finsider International Company Limited	Financing company	100.00%	100.00%	Great Britain	Richter	100.00%	100.00%
Vedanta Resources Finance Limited ('VRFL')	Financing company	100.00%	100.00%	Great Britain	VRHL	100.00%	100.00%
Vedanta Resources Cyprus Limited ('VRCL')	Financing company	100.00%	100.00%	Cyprus	VRFL	100.00%	100.00%
Welter Trading Limited	Financing company	100.00%	100.00%	Cyprus	Twinstar	100.00%	100.00%
Lakomasko BV	Financing company	100.00%	100.00%	Netherlands	VRHL	100.00%	100.00%
THL KCM Limited	Financing company	100.00%	100.00%	Mauritius	Twin Star	100.00%	100.00%
THL Aluminium Limited	Financing company	100.00%	100.00%	Mauritius	Twin Star	100.00%	100.00%
KCM Holding Limited	Financing company	100.00%	100.00%	Zambia	THL KCM	100.00%	100.00%
Sterlite (USA) Inc.	Financing company	56.88%	61.30%	USA	Sterlite	100.00%	100.00%
Talwandi Sabo Power Limited	Energy generation	56.88%	61.30%	India	SEL	100.00%	100.00%
Allied Port Services Pvt Ltd	Port Service	87.28%	-	India	VAL	100.00%	-

The Group owns directly or indirectly through subsidiaries, more than half of the voting power of all of its subsidiaries as mentioned in the list above, and the Group is able to govern its subsidiaries' financial and operating policies so as to benefit from their activities.

37. Ultimate controlling party

At 31 March 2010, the ultimate controlling party of the Group was Volcan, which is controlled by persons related to the Executive Chairman, Mr Anil Agarwal. Volcan, which is incorporated in the Bahamas, and does not produce Group accounts.

38. Company balance sheet

	Notes	31March 2010 $ million	31March 2009 $ million
Fixed assets			
Tangible assets	40	0.2	0.4
Investments in subsidiaries	41	713.3	713.3
Investment in preference shares of subsidiaries	42	178.9	2.6
Financial asset investment	43	0.5	0.2
Derivative asset		-	13.5
		892.9	**730.0**
Current assets			
Debtors due within one year	44	587.8	868.9
Debtors due after one year	44	3,350.6	2,027.9
Current asset investments	45	199.1	371.2
Cash at bank and in hand		1.4	2.7
		4,138.9	**3,270.7**
Creditors: amounts falling due within one year			
Trade and other creditors	46	(78.0)	(34.1)
Bonds	46	-	(614.7)
External Borrowings	46	(186.2)	-
Loan from Subsidiary	46	(180.4)	-
		(444.6)	**(648.8)**
Net current assets		**3,694.3**	**2,621.9**
Total assets less current liabilities		4,587.2	3,351.9
Creditors: amounts falling due after one year			
Amounts due to subsidiary undertakings	47	(1,224.9)	(632.5)
External Borrowings	47	(2,592.7)	(2,222.9)
Derivative liabilities	47	(12.1)	(30.9)
		(3,829.7)	**(2,886.2)**
Net assets		**757.5**	**465.6**
Capital and reserves			
Called up share capital	48	29.6	28.9
Share premium account	48	196.8	21.1
Share-based payment reserve	48	25.6	14.1
Convertible bond reserve	48	305.9	111.6
Other reserves	48	(1.8)	(2.1)
Treasury shares	48	(428.9)	(80.3)
Profit and loss account	48	630.3	372.3
Shareholders' funds	**48**	**757.5**	**465.6**

39. Company accounting policies

The Vedanta Resources plc ("the Company") balance sheet and related notes have been prepared in accordance with United Kingdom generally accepted accounting principles and UK company law ('UK GAAP'). The financial information has been prepared on an historical cost basis. As permitted by the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements.

Significant accounting policies

Investments in subsidiaries

Investments in subsidiaries represent equity holdings in subsidiaries valued at cost less any provision for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Investment in preference shares of subsidiaries

Investments in preference shares of subsidiaries are stated at fair value. The fair value is represented by the face value of the preference shares as the investments are redeemable at any time for their face value at the option of the Company.

Currency translation

Transactions in currencies other than the functional currency of the Company, being US dollars, are translated into US Dollars at the spot exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into US dollars at year end exchange rates, or at a contractual rate if applicable.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment.

Deferred taxation

Deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, subject to the recoverability of deferred tax assets. Deferred tax assets and liabilities are not discounted.

Share-based payments

The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions are determined by an external valuer and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised. Amounts recharged to subsidiaries in respect of awards granted to employees of subsidiaries are recognised as intercompany debtors until repaid.

Borrowings

Interest bearing loans are recorded at the net proceeds received i.e. net of direct transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on accruals basis and charged to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Convertible Bonds

The Convertible bonds issued by VRJL and VRJIIL (note 47) are accounted for as a compound instrument. The gross proceeds (net of issue costs) were lent to the Company by VRJL and VRJIIL. The equity component has been recognised in a separate reserve of the company and is not being subsequently remeasured. The recognition of the equity component by the company acts to reduce the payable to VRJL and VRJIIL which arises once the gross proceeds are borrowed. The liability component is held at amortised cost. The interest expensed on the liability component is calculated by applying an effective interest rate. The difference between this amount and interest paid is added to the carrying amount of the liability component.

The bonds are first convertible into preference shares of the issuer having a paid value of $100,000 per Preference share, which are exchanged immediately for ordinary shares of the Company.

Financial instruments

The Company has elected to take the exemption provided in paragraph 3C (b) of FRS 25 in respect of these parent company financial statements. Full disclosures are provided in note 26 to the consolidated financial statements of the Group for the period ended 31 March 2010.

Derivative financial instruments

Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are re-measured at their fair value at subsequent balance sheet dates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account. The hedged item is recorded at fair value and any gain or loss is recorded in the profit and loss account and is offset by the gain or loss from the change in the fair value of the derivative.

Derivative financial instruments that do not qualify for hedge accounting are marked to market at the balance sheet date and gains or losses are recognised in the profit and loss account immediately.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Cash flow statement

The Company's individual financial statements are outside the scope of FRS 1 Cash Flow Statements because the Company prepares publicly available consolidated financial statements, which include a consolidated cash flow statement. Accordingly, the Company does not present an individual company cash flow statement.

Related party disclosures

The Company's individual financial statements are exempt from the requirements of FRS 8 Related Party Disclosures because its individual financial statements are presented together with its consolidated financial statements. Accordingly, the individual financial statements do not include related party disclosures.

40. Company tangible fixed assets

	$ million
Cost	
At 1 April 2009	**1.2**
Additions	0.0
At 31 March 2010	**1.2**
Accumulated depreciation	
At 1 April 2009	**0.8**
Charge for the period	0.2
At 31 March 2010	**1.0**
Net book value	
At 1 April 2009	**0.4**
At 31 March 2010	**0.2**

41. Investments in subsidiaries

	$ million
Cost	
At 1 April 2009	**713.3**
At 31 March 2010	**713.3**

At 31 March 2010, the Company held 139,559,950 shares in VRHL (2009: 139,559,950 shares), being 100% of VRHL's issued equity share capital. The Company also held one deferred share in VRHL (2009: one). At 31 March 2010, the Company held 2 shares in Vedanta Finance Jersey Limited ("VFJL") being 100% of its issued equity share capital (2009: two).

Two new companies Vedanta Resources Jersey Limited ("VRJL") and Vedanta Resources Jersey II Limited ("VRJIIL") were also incorporated in the Year ending March 2010.

The company holds 2 shares in Vedanta Resources Jersey Limited ("VRJL") and 2 shares in Vedanta Resources Jersey II Limited ("VRJIIL"), being 100% of its equity share capital.

VRHL is an intermediary holding company incorporated in England and Wales. VFJL, VRJL and VRJ II L are companies established to raise funds for the Vedanta Group via convertible bond issue and are incorporated in Jersey.

42. Investment in preference shares of subsidiaries

	$million
Fair value	
At 1 April 2009	**2.6**
Additions	176.3
At 31 March 2010	**178.9**
At 1 April 2008	**1.5**
Additions	1.1
At 31 March 2009	**2.6**

As at 31 March 2010, the Company held 178,916,000 preference shares in VFJL (2009 : 2,601,000). These shares, issued in 2008 and 2009, entitle the holder to a dividend of 4.6% of their face value.

43. Financial asset investment

	$million
Fair value	
At 1 April 2009	**0.2**
Additions	-
Fair value movement in investment	0.3
At 31 March 2010	**0.5**
At 1 April 2008	**1.0**
Additions	-
Fair value movement in investment	(0.8)
At 31 March 2009	**0.2**

The investment relates to an equity investment in Victoria Gold Corporation. The investment in 2009 was in an equity investment in Strata Gold. During the year Strata Gold was merged with Victoria Gold, as a result of restructuring, the company received 624,500 shares in Victoria gold in exchange for its investment on 5,000,000 shares in Strata Gold.

At 31 March 2010, the investment in Victoria Gold Corporation was revalued and a gain of $0.3 million was recognised in equity.

44. Company debtors

	31 March 2010 $ million	31 March 2009 $ million
Amounts due from subsidiary undertakings	3,938.0	2,896.4
Prepayments and accrued income	0.2	0.3
Other taxes	0.2	0.1
Total	**3,938.4**	**2,896.8**
Debtors due within one year	587.8	868.9
Debtors due after one year	3,350.6	2,027.9
Total	**3,938.4**	**2,896.8**

Amounts due from subsidiary undertakings

At 31 March 2010, the Company had loans due from VRHL of $1,894.4 million (2009: $1,492.5 million) which represented the downstreaming of funds to the subsidiaries. Out of the total loan, amount of $579.3 million bears interest at US dollar six months LIBOR plus 350 basis points, $500 million bears at 5.8%, $250 million at 8.95% ,$200 million bears at 5.9%, $137.0 million at 9.7% $103.6 million at 8.95% and $76.7 million at 8.8%. In addition to the loans, the Company was owed $127.0 million of accrued interest (2009: $58.3 million).

At 31 March 2010 the Company had a loan of $892 million (2009: :$1,000 million), $500 million (2009:nil), $112 million (2009:nil), and $350 million (2009: $250 million), receivable from Richter, Welter, Twinstar and KCM respectively and $30.4 million of other amounts due from subsidiary undertakings (2009: $49.4 million).

45. Company current asset investments

	31 March 2010 $ million	31 March 2009 $ million
Bank term deposits	197.6	203.5
Short term unit trusts and liquidity funds	1.5	167.7
Total	**199.1**	**371.2**

46. Company creditors: amounts falling due within one year

	31 March 2010 $ million	31 March 2009 $ million
Trade creditors	(44.2)	(5.9)
Accruals and deferred income	(33.8)	(28.2)
Bond (Due 2010)	-	(614.7)
External Borrowings	(186.2)	-
Loan from Subsidiary	(180.4)	-
Total	**(444.6)**	**(648.8)**

The $600 million bond due in February 2010 was repaid on its due date.

The external borrowings above represent a loan taken out from ICICI Bank at an interest rate of 1 month USD Libor plus 350 basis points. The loan is short term and repayable in June 2010.

47. Company creditors: amounts falling due after one year

	31 March 2010	31 March 2009
	$ million	**$ million**
Loan from subsidiary	(1,224.9)	(632.5)
Bond & loans	(2,592.7)	(2,222.9)
Derivative liability	(12.1)	(30.8)
Total	**(3,829.7)**	**(2,886.2)**

Loans from subsidiaries include a loan from VJYL relating to its issue of $1.25 billion convertible bonds (bond issued in July 2009) and from VRJIIL related to its issue of $883 million convertible bond (bond issued in March 2010). During 2010, interest was charged at the effective interest rate of 11.17% and interest rate of 4.0% respectively. Loans from subsidiaries also include $ 0.01 million payable to Finsider International Limited in respect of funds received (2009: $22.1 million).

A loan of $373 million was also taken from Bank of Tokyo-Mitsubishi UFJ Ltd ("BTMU") in January 2010 at an interest rate of 1 month USD Libor plus 425 basis points. This amount is repayable in July 2011.

During the year the company also issued two convertible bonds for $1.25 billion in Vedanta Resources Jersey Limited ("VRJL") at a coupon rate of 5.5% and $883 million in Vedanta Resources Jersey II Limited ("VRJIIL") at a coupon rate of 4.0%, repayable in July 2016 and March 2017 respectively.

48. Company reconciliation of movement in equity shareholders' funds

	Share capital $million	Share premium account $ million	Share-based payment reserve $ million	Convertible bond reserve $ million	Treasury Shares $ million	Profit and loss account $ million	Other Reserves $ million	Total $ million
Equity shareholders' funds at 1 April 2009	**28.9**	**21.1**	**14.1**	**111.5**	**(80.3)**	**372.3**	**(2.1)**	**465.5**
Profit for the year	-	-	-	-	-	347.0	-	**347.0**
Dividends paid (note 13)	-	-	-	-	-	(117.9)	-	**(117.9)**
Issue of convertible bond	-	-	-	330.2	-	-	-	**330.2**
Exercise of LTIP awards	-	-	(4.1)	-	-	4.1	-	**-**
Recognition of share based payments	-	-	15.6	-	-	-	-	**15.6**
Conversion of convertible bond (note 25)	0.7	175.7	-	(109.5)	-	(1.6)	-	**65.3**
Convertible bond reserve transfer	-	-	-	(26.3)	-	26.3	-	**-**
Movement in fair value of financial investments (note 45)	-	-	-	-	-	-	0.3	**0.3**
Purchase of Treasury Shares	-	-	-	-	(348.6)	-	-	**(348.6)**
Equity shareholders' funds at 31 March 2010	**29.6**	**196.8**	**25.6**	**305.9**	**(428.9)**	**630.3**	**(1.8)**	**757.5**

49. Company contingent liabilities

a. The Company has guaranteed $1,250 million convertible bonds issued by VRJL (2009: $nil). See note 25 to the Group financial statements for further details on the convertible bonds.

b. The Company has given a corporate guarantee to Vedanta Aluminium Ltd for an amount of $837.4 million up to 31 March 2010.

c. The Company also has issued other guarantees of $170.0 million to concentrate suppliers.

d. . The Company has given a corporate guarantee to Konkola Copper Mines for an amount of $50 million up to 31 March 2010.

e. The Company has guaranteed $883 million convertible bonds issued by VRJIIL (2009: $nil). See note 25 to the Group financial statements for further details on the convertible bonds.

50. Company share based payment

The Company had certain LTIP awards outstanding as at 31 March 2010. See note 29 to the Group financial statements for further details on these share based payment awards.

We have audited the parent company financial statements of Vedanta Resources plc for the year ended 31 March 2010 which comprise the Parent Company Balance Sheet and the related notes 38 to 50. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 March 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the group financial statements of Vedanta Resources plc for the year ended 31 March 2010.

David Paterson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
5 May 2010

Summary consolidated income statement

	Year ended 31 March 10 $ million	Year ended 31 March 09 $ million	Year ended 31 March 08 $ million	Year ended 31 March 07 $ million	Year ended 31 March 06 $ million
Revenue	**7,930.5**	**6,578.9**	**8,203.7**	**6,502.2**	**3,701.8**
EBITDA	**2,295.9**	**1,612.2**	**3,010.4**	**2,703.0**	**1101.5**
Depreciation	(563.0)	(473.2)	(429.1)	(195.4)	(157.7)
Exceptional/special items	(67.3)	(31.9)	11.1	(1.7)	-
Operating profit	**1,665.6**	**1107.0**	**2,592.4**	**2,505.9**	**943.8**
Share of (loss)/profit in associate	-	-	-	(1.3)	(1.4)
Non-operating exceptional/special items	-	-	-	-	-
Profit before interest and taxation	**1,665.6**	**1,107.0**	**2,592.4**	**2,504.6**	**942.4**
Net finance (costs)/investment revenues	176.0	74.0	170.8	(20.2)	(7.7)
Profit before taxation	**1,841.6**	**1,181.0**	**2,763.2**	**2,484.4**	**934.7**
Taxation	(330.4)	(280.5)	(757.7)	(672.7)	(280.4)
Profit after taxation	**1,511.2**	**900.5**	**2,005.5**	**1,811.7**	**654.3**
Equity minority interests	908.9	681.1	1126.5	877.5	(280.8)
Profit attributable to equity shareholders in parent	**602.3**	**219.4**	**879.0**	**934.2**	**373.5**
Dividends	(117.9)	(118.8)	(104.3)	(84.3)	(49.4)
Retained profit	**484.4**	**100.6**	**774.7**	**849.9**	**324.1**
Basic earnings per share (US cents per share)					
Profit for the financial year	219.6	76.4	305.4	325.6	130.2
Underlying Profit for the financial year	199.2	109.3	303.9	327.0	130.2
Dividend per share (US cents per share)	45.0	41.5	36.5	29.3	17.25

Summary consolidated balance sheet

	31 March 2010 $ million	31 March 2009 $ million	31 March 2008 $ million	31 March 2007 $ million	31 March 2006 $ million
Goodwill	12.2	12.2	13.3	12.1	12.1
Property, plant and equipment	14,326.7	9,348.4	8,354.5	3,838	2,763.0
Fixed asset investments/associate	201.2	91.6	30.0	34.6	28.9
Total fixed assets	**14,540.1**	**9,452.2**	**8,397.8**	**3,884.7**	**2,804.0**
Stocks	1,260.6	909.3	1,298.8	879.7	535.0
Debtors	1,019.9	902.4	1,232.8	1,122.1	804.4
Cash & current financial asset investments	7,239.4	4,912.6	5,106.7	2,185.2	2,091.7
Total current assets	**9,519.9**	**6,724.3**	**7,638.3**	**4,187.0**	**3,431.1**
Short term borrowings	(1,012.6)	(1,298.5)	(1,417.2)	(249.1)	(239.8)
Other current liabilities	(2,670.3)	(2,136.8)	(2,102.5)	(1336.8)	(1,104.1)
Total current liabilities	**(3,682.9)**	**(3,435.3)**	**(3,519.7)**	**(1,585.9)**	**(1,343.9)**
Net current assets/(liabilities)	**5,837.0**	**3,289.0**	**4,118.6**	**2,601.1**	**2,087.2**
Total assets less current liabilities	**20,377.1**	**12,741.2**	**12,516.4**	**6,485.8**	**4,891.2**
Long term borrowings	(7,161.0)	(3,816.4)	(1,556.9)	(1,477.7)	(1,836.4)
Other long term liabilities	(351.1)	(136.1)	(83.9)	(106.4)	(109.0)
Provisions	(1,413.5)	(1,205.4)	(1,608.5)	(690.9)	(547.6)
Total long term liabilities	**(8,925.6)**	**(5,157.9)**	**(3,249.3)**	**(2,275.0)**	**(2,493.0)**
Equity minority interests	(6,729.1)	(4,458.7)	(5,360.6)	(1,824.5)	(921.7)
Non equity minority interest	(11.9)	(11.9)	(59.4)	(59.4)	(59.4)
Net assets attributable to the equity holders of the parent	**4,710.5**	**3,112.6**	**3,847.1**	**2,326.9**	**1,417.1**

Turnover	**2010 $ million**	**2009 $ million**	**2008 $ million**	**2007 $ million**	**2006 $ million**
Aluminium	914.2	906.6	1,140.2	993.4	453.0
Copper:-	3,812.2	3,311.0	4,221.9	3,569.3	2,241.3
India/Australia	2,741.4	2537.9	3,118.8	2,553.4	1,537.9
Zambia	1,070.8	773.1	1,103.1	1,015.9	703.4
Zinc	1,651.7	1,209.1	1,941.5	1,888.1	875.5
Iron ore	1,221.7	1,070.4	888.9	-	-
Energy	330.7	51.3			
Other	-	-	11.3	51.4	132.0
Group	7,930.5	**6,578.9**	**8,203.7**	**6,502.2**	**3,701.8**

EBITDA	**2010 $ million**	**2009 $ million**	**2008 $ million**	**2007 $ million**	**2006 $ million**
Aluminium	154.9	177.4	380.7	415.4	135.3
Copper	317.7	222.9	667.3	833.9	425.3
India/Australia	165.9	293.7	327.2	365.6	219.0
Zambia	151.8	(70.8)	340.1	468.3	206.3
Zinc	982.8	603.3	1380.1	1,453.9	532.9
Iron ore	673.0	557.1	585.6	-	-
Energy	170.7	53.3	-	-	-
Other	(3.2)	(1.8)	(3.3)	(0.2)	8.0
Group	**2,295.9**	**1,612.2**	**3,010.4**	**2,703.0**	**1,101.5**

EBITDA Margin	2010 %	2009 %	2008 %	2007 %	2006 %
Aluminium	16.9	20.9	33.4	42.4	29.9
Copper	13.8	6.7	15.8	23.3	18.7
India/Australia	6.1	11.6	10.5	36.9	14.2
Zambia	14.2	(9.2)	30.8	18.2	29.3
Zinc	59.5	50.1	71.1	78.1	60.9
Iron ore	55.1	52.1	65.9	-	-
Energy	51.6	-	-	-	-
Group	**29.0**	**24.5**	**36.7**	**41.8**	**29.8**

Production	2010 000's mt	2009 000's mt	2008 000's mt	2007 000's mt	2006 000's mt
Aluminium	533	462	396	351	211
BALCO	268	357	358	313	174
MALCO	-	23	38	38	37
VAL JHARSUGDA	264	82	-	-	-
Copper	507	446	489	455	437
Sterlite	334	313	339	313	273
KCM	173	133	150	142	164
Iron Ore (WMT)*	21,412	15,986	11,469	-	-
Zinc	578	552	426	348	284

Cash costs of production	2010 US cents/lb	2009 US cents/lb	2008 US cents/lb	2007 US cents/lb	2006 US cents/lb
Aluminium – BALCO Plant –I	-	85.6	82.7	68.5	67.9
Aluminium – BALCO Plant- II	69.6	73.6	75.9	76.5	-
BALCO (Other than Alumina)	39.1	39.0	36.5	33.6	-
Aluminium – MALCO	-	121.5	102.4	75.5	75.8
Aluminium-VAL JHARSUGDA	77.2	99.0	-	-	-
Copper – Sterlite*	10.4	3.1	1.8	6.1	6.1
Copper – KCM	184.4	258.4	191.5	173.6	127.9
Zinc including Royalty	38.6	32.2	40.1	39.1	31.3
Zinc without Royalty	31.7	27.6	31.1	27.5	26.1

*only smelting cost

Cash costs of production in INR	2010 INR/ mt	2009 INR/ mt	2008 INR/ mt	2007 INR/ mt	2006 INR/ mt
Aluminium – BALCO Plant –I	-	86,626	73,369	68,389	66,289
Aluminium – BALCO Plant- II	72,717	74,517	67,336	76,376	-
BALCO (Other than Alumina)	40,868	39,772	32,382	33,545	-
Aluminium – MALCO	-	123,001	90,846	75,378	74,001
Aluminium-VAL JHARSUGDA	80710	100,182	-	-	-
Copper – Sterlite**	10872	3,138	1,597	6,090	5,955
Zinc including Royalty	40,319	32,621	35,575	39,037	30,557
Zinc without Royalty	33,073	27,973	27,591	27,455	25,481

Capital expenditure	2010 $ million	2009 $ million	2008 $ million	2007 $ million	2006 $ million
Sustaining	184.4	306.3	256.9	259.9	76.7
Expansion	3,679.6	3,021.3	1,997.7	869.0	609.4
Total capital expenditure	**3,864.0**	**3,327.6**	**2,254.6**	**1128.9**	**686.1**

Net cash/(debt)	2010 $ million	2009 $ million	2008 $ million	2007 $ million	2006 $ million
Aluminium	(2,320.2)	(1,931.2)	(1,171.2)	(229.6)	(453.6)
Copper	996.9	1,341.4	1,934.4	179.4	253.1
India/Australia	1,288.2	1,545.9	1,976.2	106.4	136.6
Zambia	(291.3)	(204.5)	(41.6)	73.0	116.5
Zinc	2,628.6	1,891.6	1,925.2	1067.7	257.8
Iron Ore	96.6	(372.8)	(459.5)	-	-
Energy	(270.8)	-	-	-	
Other	(2,078.3)	(1,129.8)	(86.2)	(584.8)	(69.2)
Group	**(947.2)**	**(200.8)**	**2,142.7**	**432.7**	**(11.9)**

	2010 %	2009 %	2008 %	2007 %	2006 %
Gearing	7.5	2.6	-	-	0.5

	2010 $ million	2009 $ million	2008 $ million	2007 $ million	2006 $ million
Group Free Cash Flow	1,814.3	1,733.8	2,216.9	1,504.2	634.8

	2010 $ million	2009 $ million	2008 $ million	2007 $ million	2006 $ million
Capital Employed	12,373.6	7,772.1	7064.8	3,718.7	2,350.7

	2010 %	2009 %	2008 %	2007 %	2006 %
ROCE	19.9	24.4	26.5	49.1	28.1

GLOSSARY AND DEFINITIONS

5S

A Japanese concept laying emphasis on housekeeping and occupational safety in a sequential series of steps as Sort (Seiri); Set in Order (Seiton); Shine (Selso); Standardise (Seiketsu); and Sustain (Shitsuke)

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 3.00 PM, UK time, on the 28 July 2010

AE

Anode effects

AGRC

Ararat Gold Recovery Company incorporated in Armenia, engaged in gold mining and processing

AIDS

Acquired immune deficiency syndrome

Aluminium Business

The aluminium business of the Group, comprising its fully-integrated bauxite mining, alumina refining and aluminium smelting operations in India, and trading through the Bharat Aluminium Company Limited and The Madras Aluminium Company Limited, companies incorporated 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

Board or Vedanta Board

The board of directors of the Company

Board Committees

The committees reporting to the Board: Audit, Remuneration, Nominations, and Health, Safety and Environment, each with its own terms of reference

Businesses

The Aluminium Business, the Copper Business and the Zinc Business together

Capital Employed
Net assets before Net (Debt)/Cash

Capex
Capital expenditure

Cash Tax Rate
Current taxation as a percentage of profit before taxation

CEO
Chief executive officer

CII
Confederation of Indian Industries

CLZS
Chanderiya lead and zinc smelter

CO2
Carbon dioxide

CMT
Copper Mines of Tasmania Pty Limited, a company incorporated in Australia

Combined Code or the Code
The Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008

Company or Vedanta
Vedanta Resources plc

Company financial statements
The audited financial statements for the Company for the year ended 31 March 2010 as defined in the Independent Auditors' Report on the individual Company Financial Statements to the members of Vedanta Resources plc

Convertible Bonds
$725 million 4.60% guaranteed convertible bonds due 2026, issued by a wholly-owned subsidiary of the Company, Vedanta Finance (Jersey) Limited ('VFJL'), and guaranteed by the Company, the proceeds of which are to be applied towards re-financing subsidiary indebtedness, the Company's capital expenditure programme including the Jharasaguda aluminium smelter project and other general corporate purposes

$1,250 million 5.5% guaranteed convertible bonds due 2016, issued by a wholly owned subsidiary of the Company, Vedanta Resource Jersey Limited ("VRJL") and guaranteed by the Company, the proceeds of which are to be applied for to support its organic growth pipeline, to increase its ownership interest in its subsidiaries and for general corporate purposes.

$883 million 4.0% guaranteed convertible bonds due 2017, issued by a wholly owned subsidiary of the Company, Vedanta Resource Jersey II Limited ("VRJL-II") and guaranteed by the Company, the proceeds of which are to be applied for to refinance debt redemptions and for general corporate purposes.

$500 million 4.0% guaranteed convertible bonds due 2014, issued by a subsidiary of the Company, Sterlite Industries (India) Limited ("SIIL"), the proceeds of which are to be applied for to for expansion of copper business, acquisition of complementary businesses outside of India and any other permissible purpose under, and in compliance with, applicable laws and regulations in India, including the external commercial borrowing regulations specified by the RBI.
$500 million 5.0% guaranteed convertible bonds due 2014, issued by a subsidiary of the Company, Sesa Goa Limited ("Sesa"), the proceeds of which are to be applied for to expand the Issuer's mining operations, for exploration for new resources, and to further develop its pig iron and metallurgical coke operation

Copper Business

The copper business of the Group, comprising:

a copper smelter, two refineries and two copper rod plants in India, trading through Sterlite Industries (India) 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

CREP

Corporate responsibility for environmental protection

Cents/lb

US cents per pound

CRRI

Central Road Research Institute

CSR

Corporate social responsibility

CTC

Cost to company, the basic remuneration of executives in India, which represents an aggregate figure encompassing basic pay, pension contributions and allowances

CY

Calendar year

Deferred Shares

Deferred shares of £1.00 each in the Company

DGMS

Director General of Mine Safety in the Government of India

Directors

The Directors of the Company

Dollar or $

United States dollars, the currency of the United States of America

DRs

Depositary receipts of 10 US cents, issuable in relation to the $725 million 4.6% guaranteed convertible bonds due 2026

EBITDA

Earnings before interest, taxation, depreciation, goodwill amortisation/impairment and special items

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 delegates operational management and comprising the Executive Directors and the senior management within 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 2010 as defined in the Independent Auditors' Report to the members of Vedanta Resources plc

Free Cash Flow

Cash flow arising from EBITDA after net interest (including gains on liquid investments and adjusted for net interest capitalised), taxation, Sustaining Capital Expenditure and working capital movements

FY

Financial year

GAAP , including UK GAAP and Indian 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

HSE

Health, safety and environment

HZL

Hindustan Zinc Limited, a company incorporated in India

IAS

International Accounting Standards

ICMM

International Council on Mining and Metals

IFRI C

International Financial Reporting Interpretations Committee

IFRS

International Financial Reporting Standards

INR

Indian Rupees

Interest Cover

EBITDA divided by finance costs

ISO 9001

An international quality management system standard published by the International Organisation for Standardisation

ISO 14001

An international environmental management system standard published by the International Organisation for Standardisation

KCM or Konkola Copper Mines

Konkola Copper Mines PLC, a company incorporated in Zambia

KDMP

Konkola deep mining project

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

KLD

Kilo litres per day

KPI s

Key performance indicators

Kwh

Kilo-watt hour

Kwh/d

Kilo-watt hour per day

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

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

MAL CO
The Madras Aluminium Company Limited, a company incorporated in India

Management Assurance Services
The function through which the Group's internal audit activities are managed

MAT
Minimum alternative tax

MIS
Management information system

MOEF
The Ministry of Environment & Forests of the Government of the Republic of India

mt or tonnes
Metric tonnes

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 and liquid investments

NGO
Non-governmental organisation

NIHL
Noise induced hearing loss

Non-executive Directors
The Non-Executive Directors of the Company

OHSAS 18001
Occupational Health and Safety Assessment Series (standards for occupational health and safety management systems)

Ordinary Shares
Ordinary shares of 10 US cents each in the Company

PBT
Profit before tax

PF C
Per fluorocarbons

PH C
Primary health centre

PPE
Personal protective equipment

Provident Fund
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Recycled water
Water released during mining or processing and then used in operational activities

Relationship Agreement
The agreement dated 5 December 2003 between the Company, Volcan Investments Limited and members of the Agarwal family that regulates 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
Profit before interest, taxation, special items, tax effected at the Group's effective tax rate as a percentage of Capital Employed

The Reward Plan
The Vedanta Resources Share Reward Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted for the purpose of rewarding employees who contributed to the Company's development and growth over the period leading up to Listing in December 2003

RO
Reverse osmosis

SA 8000
Standard for Social Accountability based on international workplace norms in the International Labour Organisation ('ILO') conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child

Senior Management Group

For the purpose of the remuneration report, the key operational and functional heads within the Group

Sesa Goa

Sesa Goa Limited, a company incorporated in India engaged in the business of mining iron ore

SEWT

Sterlite Employee Welfare Trust, a long-term investment plan for Sterlite senior management

The Share Option Plan

The Vedanta Resources Share Option Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted to provide maximum flexibility in the design of incentive arrangements over the long term

SHGs

Self help groups

SID
Senior Independent Director

SO2
Sulphur dioxide

SBU
Strategic Business Unit

SOTL
Sterlite Optical Technologies Limited, a company incorporated in India

SOVL
Sterlite Opportunities and Ventures 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

SPM
Suspended particulate matter. Fine dust particles suspended in air

Sterling, GBP or £
The currency of the United Kingdom

Sterlite
Sterlite Industries (India) Limited, a company incorporated in India

Sterlite Energy Limited (SEL)
Sterlite Energy Limited, a company incorporated in India

Sterlite Gold
Sterlite Gold Limited, a company incorporated in Canada which has its main subsidiary in Armenia

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

TGS
Tail gas scrubber

TGT
Tail gas treatment

TLP
Tail Leaching Plant

tpa
Metric tonnes per annum

TPM
Tonne per month

TSR
Total shareholder return, being the movement in the Company's share price plus reinvested dividends

Turnbull Guidance
The revised guidance on internal control for directors on the Combined Code issued by the Turnbull Review Group in October 2005

Twin Star
Twin Star Holdings Limited, a company incorporated in Mauritius

Twin Star Holdings Group
Twin Star and its subsidiaries and associated undertaking

Underlying EPS
Underlying earnings per ordinary share

Underlying Profit
Profit for the year after adding back special items and other gains and lossed and their resultant tax and minority interest effects

US cents
United States cents

VAL
Vedanta Aluminium Limited, a company incorporated in India

VFD
Variable frequency drive

VFJL
Vedanta Finance (Jersey) Limited, a company incorporated in Jersey

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

VSS
Vertical Stud Söderberg

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

Zinc Business
The zinc-lead business of the Group, comprising its fully-integrated zinc-lead mining and smelting operations in India, and trading through the Hindustan Zinc Limited, a company incorporated in India

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VEDANTA RESOURCES PLC

We have audited the consolidated financial statements of Vedanta Resources plc for the year ended 31 March 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 40. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, contained within the Director's Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review;
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Vedanta Resources plc for the year ended 31 March 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Andrew Kelly (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

5 May 2011

Consolidated Financial Statements for the Year Ended 31 March 2011

CONSOLIDATED INCOME STATEMENT

$ million	Note	Year ended 31 March 2011	Year ended 31 March 2010
Continuing operations			
Revenue	3	11,427.2	7,930.5
Cost of sales		(8,107.0)	(5,761.1)
Gross profit		3,320.2	2,169.4
Other operating income		73.9	87.8
Distribution costs		(319.6)	(229.5)
Administrative expenses		(376.7)	(294.8)
Special items	5	(163.5)	(67.3)
Operating profit	9	2,534.3	1,665.6
Investment revenue	6	431.6	272.8
Finance costs	7	(534.7)	(236.6)
Other gains and losses (net)	8	252.1	139.8
Profit before taxation		**2,683.3**	**1,841.6**
Tax expense	12	(649.5)	(330.4)
Profit for the year		**2,033.8**	**1,511.2**
Attributable to:			
Equity holders of the parent		770.8	602.3
Non-controlling interests		1,263.0	908.9
		2,033.8	**1,511.2**
Basic earnings per ordinary share (US Cents)	13	283.2	219.6
Diluted earnings per ordinary share (US Cents)	13	270.2	203.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Profit for the year	**2,033.8**	**1,511.2**
Income and expenses recognised directly in equity:		
Exchange differences arising on translation of foreign operations	162.6	1,308.6
Gains in fair value of available-for-sale financial assets	59.1	111.0
Gains in fair value of cash flow hedges deferred in reserves	5.4	70.9
Tax effects arising on cash flow hedges deferred in reserves	(1.7)	(24.1)
Total income recognised in equity	**225.4**	**1,466.5**
(Losses)/ gains in fair value of cash flow hedges transferred to income statement	(1.6)	56.8
Tax effects arising on cash flow hedges transferred to income statement	0.5	(19.2)
Total transferred (from) / to the income statement	**(1.1)**	**37.6**
Total comprehensive income for the year	**2,258.1**	**3,015.3**
Attributable to:		
Equity holders of the parent	886.9	1,406.2
Non-controlling interests	1,371.2	1,609.1

CONSOLIDATED BALANCE SHEET

$ million	Note	As at 31 March 2011	As at 31 March 2010
ASSETS			
Non-current assets			
Goodwill	15	12.2	12.2
Intangible assets	16	162.1	-
Property, plant and equipment	17	17,189.5	14,326.7
Financial asset investments	18	304.2	201.2
Other non-current assets	19	24.6	18.3
Other financial assets (derivatives)	28	99.4	43.7
Deferred tax assets	30	18.2	8.9
		17,810.2	**14,611.0**
Current assets			
Inventories	20	1,924.6	1,260.6
Trade and other receivables	21	1,328.6	923.6
Other current financial assets (derivatives)	28	40.9	10.4
Liquid investments	22	6,865.4	6,849.4
Cash and cash equivalents	23	911.6	390.0
Current tax assets		18.6	15.0
		11,089.7	**9,449.0**
TOTAL ASSETS		**28,899.9**	**24,060.0**
LIABILITIES			
Current liabilities			
Short term borrowings	24	(3,045.1)	(1,012.6)
Trade and other payables	26a	(3,407.5)	(2,559.2)
Other current financial liabilities (derivatives)	28	(9.3)	(38.5)
Provisions	29	(22.8)	(0.9)
Current tax liabilities		(68.2)	(71.7)
		(6,552.9)	**(3,682.9)**
Net current assets		**4,536.8**	**5,766.1**
Non-current liabilities			
Medium and long term borrowings	24	(4,435.9)	(4,383.2)
Convertible bonds	27	(2,271.5)	(2,777.8)
Trade and other payables	26b	(148.1)	(306.4)
Other financial liabilities (derivatives)	28	(94.2)	(44.7)
Deferred tax liabilities	30	(1,348.1)	(1,209.3)
Retirement benefits	32	(56.8)	(36.6)
Provisions	29	(301.5)	(167.6)
Non equity Non-controlling interests	24	(11.9)	(11.9)
		(8,668.0)	**(8,937.5)**
TOTAL LIABILITIES		**(15,220.9)**	**(12,620.4)**
NET ASSETS		**13,679.0**	**11,439.6**
EQUITY			
Share capital	33	29.7	29.6
Share premium account		196.8	196.8
Share based payment reserves	31	20.5	25.5
Convertible bond reserve		453.3	305.9
Hedging reserves		38.2	27.8
Other reserves		1,452.4	2,463.8
Treasury shares		(556.9)	(428.9)
Retained earnings		4,014.9	2,090.0
Equity attributable to equity holders of the parent		**5,648.9**	**4,710.5**
Non-controlling interests		8,030.1	6,729.1
TOTAL EQUITY		**13,679.0**	**11,439.6**

Financial Statements of Vedanta Resources Plc, registration number 4740415 were approved by the Board on 4 May 2011

MS Mehta - Director

CONSOLIDATED CASH FLOW STATEMENT

$ million	Note	Year ended 31 March 2011	Year ended 31 March 2010
Operating activities			
Profit before taxation		**2,683.3**	**1,841.6**
Adjustments for:			
Depreciation		869.0	563.0
Investment revenues		(431.6)	(272.8)
Finance costs, including foreign exchange		282.6	96.8
Share based payment charge		18.4	15.6
Impairment of asset		118.3	2.7
Other non-cash items		(7.7)	41.3
Operating cash flows before movements in working capital		**3,532.3**	**2,288.2**
Increase in inventories		(534.5)	(249.4)
(Increase)/decrease in receivables		(398.5)	16.4
Increase in payables		585.7	205.2
Cash generated from operations		**3,185.0**	**2,260.4**
Dividends received		160.4	142.7
Interest income received		194.7	150.1
Interest paid		(625.7)	(455.3)
Income taxes paid		(756.5)	(407.8)
Dividends paid		(129.9)	(117.9)
Net cash from operating activities		**2,028.0**	**1,572.2**
Cash flows from investing activities			
Net cash on acquisition of subsidiary *	34	(1,124.4)	(300.4)
Purchases of property, plant and equipment		(2,491.4)	(2,362.1)
Proceeds on disposal of property, plant and equipment		28.3	12.1
Sale/ (Purchase) of liquid investments	25	178.4	(1,663.4)
(Purchase) / sale of financial asset investments		(25.9)	17.9
Net cash used in investing activities		**(3,435.0)**	**(4,295.9)**
Cash flows from financing activities			
Issue of ordinary shares		0.1	0.7
Issue of depository receipts by subsidiary		-	1,090.1
Dividends paid to Non-controlling interests of subsidiaries		(87.4)	(68.4)
Buyback of shares		(128.0)	(348.6)
Buy out of Non-controlling interest		(122.1)	(189.7)
Increase/ (decrease) in short term borrowings	25	1,863.2	(360.6)
Increase in long-term borrowings	25	161.6	2,859.0
Net cash from financing activities		**1,687.4**	**2,982.5**
Net increase in cash and cash equivalents	25	280.4	258.8
Effect of foreign exchange rate changes	25	241.2	(249.3)
Cash and cash equivalents at beginning of year		390.0	380.5
Cash and cash equivalents at end of year	**23**	**911.6**	**390.0**

* *Includes cash paid for acquisition $1,513.0 million, settlement of shareholder's loan $87.7 million and cash acquired on acquisition $476.3 million*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
$ million	Share capital	Share premium	Treasury Shares	Share based payment reserves	Convertible bond reserve	Hedging reserves	Other reserves[1]	Retained earnings	Total	Non-controlling interest	Total equity
At 1 April 2009	**28.9**	**21.1**	**(80.3)**	**14.0**	**111.5**	**(39.6)**	**1,168.9**	**1,888.1**	**3,112.6**	**4,458.7**	**7,571.3**
Total Comprehensive income for the period	-	-	-	-	-	67.4	736.5	602.3	1,406.2	1,609.1	**3,015.3**
Issue of convertible bond (note 27)	-	-	-	-	330.2	-	-	-	330.2	-	**330.2**
Issue of depository receipts by subsidiary[5]	-	-	-	-	-	-	-	300.1	300.1	790.0	**1,090.1**
Conversion of convertible bonds (note 27)	0.7	175.7	-	-	(109.5)	-	-	42.2	109.1	32.6	**141.7**
Convertible bond transfers	-	-	-	-	(26.3)	-	-	26.3	-	-	**-**
Transfers [2]	-	-	-	-	-	-	558.4	(558.4)	-	-	**-**
Dividends paid	-	-	-	-	-	-	-	(117.9)	(117.9)	(68.4)	**(186.3)**
Exercise of LTIP /STIP awards	-	-	-	(4.1)	-	-	-	4.1	-	-	**-**
Purchase of Treasury Shares[3]	-	-	(348.6)	-	-	-	-	-	(348.6)	-	**(348.6)**
Additional Investment in Subsidiaries	-	-	-	-	-	-	-	(96.8)	(96.8)	(92.9)	**(189.7)**
Recognition of share based payment (note 31)	-	-	-	15.6	-	-	-	-	15.6	-	**15.6**
At 31 March 2010	**29.6**	**196.8**	**(428.9)**	**25.5**	**305.9**	**27.8**	**2,463.8**	**2,090.0**	**4,710.5**	**6,729.1**	**11,439.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
$ million	**Share capital**	**Share premium**	**Treasury Shares**	**Share based payment reserves**	**Convertible bond reserve**	**Hedging reserves**	**Other reserves[1]**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
At 1 April 2010	**29.6**	**196.8**	**(428.9)**	**25.5**	**305.9**	**27.8**	**2,463.8**	**2,090.0**	**4,710.5**	**6,729.1**	**11,439.6**
Total Comprehensive income for the period	-	-	-	-	-	10.4	105.7	770.8	886.9	1,371.2	**2,258.12**
Issue of Convertible Bond [4]	-	-	-	-	211.6	-	-	-	211.6	-	**211.6**
Conversion of convertible bond (note 27)	-	-	-	-	-	-	-	163.6	163.6	55.0	**218.6**
Merger of subsidiaries	-	-	-	-	-	-	-	(21.4)	(21.4)	21.4	**-**
Convertible bond transfers	-	-	-	-	(64.2)	-	-	64.2	-	-	**-**
Transfers [2]	-	-	-	-	-	-	(1,117.1)	1,117.1	-	-	**-**
Dividends paid	-	-	-	-	-	-	-	(129.9)	(129.9)	(87.4)	**(217.3)**
Exercise of LTIP /STIP awards	0.1	-	-	(23.4)	-	-	-	23.4	0.1	-	**0.1**
Purchase of Treasury Shares [3]	-	-	(128.0)	-	-	-	-	-	(128.0)	-	**(128.0)**
Additional Investment in Subsidiaries	-	-	-	-	-	-	-	(62.9)	(62.9)	(59.2)	**(122.1)**
Recognition of share based payment (note 31)	-	-	-	18.4	-	-	-	-	18.4	-	**18.4**
At 31 March 2011	**29.7**	**196.8**	**(556.9)**	**20.5**	**453.3**	**38.2**	**1,452.4**	**4,014.9**	**5,648.9**	**8,030.1**	**13,679.0**

OTHER RESERVES[1] COMPRISE:

	Currency translation reserve	Merger reserve	Investment revaluation reserve	General reserves	Total
At 1 April 2009	**(746.2)**	**4.4**	**(12.6)**	**1,923.3**	**1,168.9**
Exchange differences on translation of foreign operations	625.5	-	-	-	625.5
Revaluation of available-for-sale investments	-	-	111.0	-	111.0
Transfer from retained earnings [2]	-	-	-	558.4	558.4
At 31 March 2010	**(120.7)**	**4.4**	**98.4**	**2,481.7**	**2,463.8**
Exchange differences on translation of foreign operations	46.6	-	-	-	46.6
Revaluation of available-for-sale investments	-	-	59.1	-	59.1
Transfer from retained earnings [2]	-	-	-	(1,117.1)	(1,117.1)
At 31 March 2011	**(74.1)**	**4.4**	**157.5**	**1,364.6**	**1,452.4**

(1) *Other reserves comprise the currency translation reserve, merger reserve, investment revaluation reserve and the general reserves established in the statutory accounts of the Group's Indian subsidiaries. General reserve also includes $44.3 million of debenture redemption reserve.*

(2) *Under Indian law, a general reserve is created through an annual transfer of net income at a specified percentage in accordance with applicable regulations. The purpose of these transfers is to ensure that if a dividend distribution in a given year is more than 10.0 % of the paid-up capital of the company for that year, then the total dividend distribution is less than the total distributable results for that year. The transfer is to reflect the general reserve at the cumulative amount attributable to the equity holder's of the parent, offset by the current period transfer of $ 596.0 million.*

(3) *Includes buy back of $ 66.4 million made by an independent company Gorey Investments Ltd., funded by a wholly owned subsidiary of Vedanta.*

(4) *This relates to the recognition of the equity component of the $ 883 million convertible bond on the removal of the cash settlement option on 28 July 2010.*

(5) *In June 2009, Sterlite raised US$ 1090.1 million via the issuance of American Depository Receipts. This resulted in a reduction of Vedanta's shareholding in Sterlite from 61.35% to 56.62%. This reduction has not resulted in any change in control and hence Sterlite continues to be consolidated in Vedanta's consolidated financial statements. This reduction has been accounted in Vedanta's consolidated financial statement as an equity transaction. The carrying amount of the minority interest has been adjusted to reflect the change in Vedanta's interest in Sterlite's net assets. The difference between the amount by which the minority interest is adjusted and the net consideration received of $298.2 million is recognised directly in equity and attributed to equity holders of Vedanta.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Presentation of financial statements

Compliance with applicable law and IFRS

The financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, Article 4 of the IAS Regulation and International Financial Reporting Standards (IFRS) as adopted by the European Union and related interpretations.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale financial assets, fixed rate bonds and defined benefit pension obligations that have been measured at fair value. The consolidated financial statements are presented in US dollars and all values are rounded to one decimal of the nearest million except where otherwise indicated.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 24 (amended) Related Party Disclosures

IFRIC 19 Extinguishing Financial Liabilites with Equity Instruments

IFRIC 14 (amended) Prepayments of a Minimum Funding Requirement

IFRS 9 Financial Instruments

IFRIC 13 Customer Loyalty Programmes

IFRIC 17 Distributions of Non-cash Assets to Owners

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for IFRS 9 Financial Instruments. We have not yet considered the quantitative impact of adoption of IFRS 9.

Going concern

The financial statements have been prepared in accordance with the going concern basis of accounting. The use of this basis of accounting takes into consideration the Group's current and forecast financing postion, additional details of which are provided in the Going Concern section of the Directors Report.

Parent company financial statements

The financial statements of the parent company, Vedanta Resources plc, have been prepared in accordance with UK GAAP, UK accounting presentation and UK company law. The Company balance sheet is presented in note 41.

2(a) Accounting policies

Basis of consolidation

The consolidated financial information incorporates the results of the Company and all its subsidiaries, being the companies that it controls. This control is normally evidenced when the Group is able to govern a company's financial and operating policies so as to benefit from its activities or where the Group owns, either directly or indirectly, the majority of a company's equity voting rights unless in exceptional circumstances it can be demonstrated that ownership does not constitute control.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Where necessary adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with accounting policies used by the Group.

For non-wholly owned subsidiaries, a share of the profit for the financial year and net assets is attributed to the minority interests as shown in the consolidated income statement and consolidated balance sheet.

For acquisitions of additional interests in subsidiaries, where there is no change in control, the group recognises a reduction to the non-controlling interest of the respective subsidiary with the difference between this figure and the cash paid, inclusive of transaction fees, being recognised in equity. In addition, upon dilution of non-controlling interests the difference between the cash received from sale or listing of the subsidiary shares and the increase to non-controlling interest is also recognised in equity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or upto the effective date of disposal, as appropriate.

All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

We have reclassified the prior year income statement to reflect the depreciation charge associated with administration and distribution activities that was previously included in cost of sales.

Adoption of new standards

In the current financial period the Group has adopted the following new standards:

The Group has adopted with effect from 1 April 2010, on a prospective basis, IFRS 3 (Revised) Business Combinations, and consequential amendments to IAS 27 (Revised) Consolidated and Separate Financial Statements.

IAS 27 (Revised) requires the effect of all transactions with non-controlling interests to be recognised in equity where there is no change in control.

The Company adopted an amendment to IAS 27 "Consolidated and Separate Financial Statements" on 1 April 2010. This requires that when a transaction occurs with non-controlling interests in company entities that do not result in a change in control, the difference between the consideration paid or received and the recorded non-controlling interest should be recognised in equity. Cash flows related to such transactions are to be reported within financing activities in the statement of cash flows. Previously these were presented as investing activities. Comparative information has been reclassified. In addition the amounts paid for the purchases of treasury shares previously presented in net cash used in investing activities are now presented in net cash from financing activities. Comparative information has been reclassified.

The adoption of the revised standard has resulted in reference to minority interests being amended to non-controlling interests. There has been no additional impact on the Group apart from the items described above.

Other amendments to accounting standards or new intepretations issued by International Accounting Standards Board, which were applicable from 1 April 2010, do not have an impact on the Group.

Revenue recognition

Revenue represents the net invoice value of goods and services provided to third parties after deducting discounts, volume rebates, outgoing sales taxes and duties, and are recognised when all significant risks and rewards of ownership of the asset sold are transferred to the customer. Revenues from sale of material by-products are included in revenue.

Dividend income is recognised when the shareholders' right to receive payment is established.

Interest income is recognised on an accrual basis in the income statement.

Certain of our sales contracts provide for provisional pricing based on the price on The London Metal Exchange Limited ("LME"), as specified in the contract, when shipped. Final settlement of the prices is based on the applicable price for a specified future period. The Company's provisionally priced sales are marked to market using the relevant forward prices for the future period specified in the contract with a corresponding adjustment to revenue.

Revenue from holding certificate contracts is recognised when goods have been delivered to a distribution warehouse or has been identified and kept separately, have been inspected by a nominee of the buyer and cash has been received. Under these arrangements, revenue is recognised once legal title has passed and all significant risks and rewards of ownership of the asset sold are transferred to the customer.

Special items

Special items are those items that management considers, by virtue of their size or incidence, should be disclosed separately to ensure that the financial information allows an understanding of the underlying performance of the business. The determination as to which items should be disclosed separately requires a degree of judgement.

Business combinations

The results of subsidiaries acquired or sold during the year are consolidated for the periods from, or to, the date on which control passed. Acquisitions are accounted for under the purchase method. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

To the extent that such excess purchase consideration relates to the acquisition of mining properties and leases, that amount is capitalised within property, plant and equipment as "mining properties and leases". Other excess purchase consideration relating to the acquisition of subsidiaries is capitalised as goodwill. Goodwill arising on acquisitions is reviewed for impairment annually.

Where the fair values of the identifiable assets and liabilities exceed the cost of acquisition, the surplus is credited to the income statement in the period of acquisition.

Where it is not possible to complete the determination of fair values by the date on which the first post-acquisition financial statements are approved, a provisional assessment of fair values is made and any adjustments required to those provisional fair values, and the corresponding adjustments to purchased goodwill, are finalised within 12 months of the acquisition date.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholder's proportion of the net assets or proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. This accounting choice is made on a transaction by transaction basis.

Acquisition expenses are charged to income statement in line with IFRS 3 (Revised).

Property, plant and equipment

Mining properties and leases

Exploration and evaluation expenditure is written off in the year in which it is incurred.

The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as property, plant and equipment under the heading 'Mining properties and leases' in the year in which they are incurred.

When a decision is taken that a mining property is viable for commercial production, all further pre-production primary development expenditure other than land, buildings, plant and equipment is capitalised as part of the cost of the mining property until the mining property is capable of commercial production. From that point, capitalised mining properties and lease costs are amortised on a unit-of-production basis over the total estimated remaining commercial reserves of each property or Group of properties.

Exploration and evaluation assets acquired are recognised as assets at their cost of acquisition subject to meeting the commercial production criteria mentioned above and are subject to impairment review.

Stripping costs and secondary development expenditure, mainly comprising of costs on blasting, haulage, excavation, etc incurred during the production stage of an ore body are charged to the income statement immediately.

In circumstances where a mining property is abandoned, the cumulative capitalised costs relating to the property are written off in the period.

Commercial reserves are proved and probable reserves as defined by the 'JORC' Code and 'SAMREC' Code. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Other property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use, including relevant borrowing costs and any expected costs of decommissioning. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are charged to the income statement in the period in which the costs are incurred. Major shut-down and overhaul expenditure is capitalised as the activities undertaken improve the economic benefits expected to arise from the asset.

Assets in the course of construction

Assets in the course of construction are capitalised in the assets under construction account. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs associated with the commissioning of an asset and any obligatory decommissioning costs are capitalised where the asset is available for use but incapable of operating at normal levels until a period of commissioning has been completed. Revenue generated from production during the trial period is capitalised. Borrowing costs and certain foreign exchange gains or losses are in certain circumstances capitalised in the cost of the asset under construction. This policy is set out under ' Borrowing Costs'.

Depreciation and amortisation

Mining properties and other assets in the course of development or construction, freehold land and goodwill are not depreciated or amortised. Capitalised mining properties and lease costs are amortised once commercial production commences, as described in "Property, plant and equipment – mining properties and leases". Leasehold land and buildings are depreciated over the period of the lease or if shorter their useful economic life.

Other buildings, plant and equipment, office equipment and fixtures, and motor vehicles are stated at cost less accumulated depreciation and any provision for impairment. Depreciation commences when the assets are ready for their intended use. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Buildings:

Operations - 30 years

Administration - 50 years

Plant and equipment - 10 – 20 years

Office equipment and fixtures - 3 – 20 years

Motor vehicles - 9 – 11 years

Major overhaul costs are depreciated over the estimated life of the economic benefit derived from the overhaul. The carrying amount of the remaining previous overhaul cost is charged to the income statement if the next overhaul is undertaken earlier than the previously estimated life of the economic benefit.

Property, plant and equipment held for sale or which is part of a disposal Group held for sale is not depreciated. Property, plant and equipment held for sale is carried at the lower of its carrying value and fair value less disposal cost and is presented separately on the face of the balance sheet.

Impairment

The carrying amounts of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value of an asset may not be recoverable and the carrying amount of goodwill is reviewed for impairment annually. If there are indicators of impairment, an assessment is made to determine whether the asset's carrying value exceeds its recoverable amount. Whenever the carrying value of an asset exceeds its recoverable amount, an impairment loss is charged to the income statement.

The Group reviews the residual value and useful life of an asset at least at each financial year-end and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

For mining properties and leases, other investments and goodwill, the recoverable amount of an asset is determined on the basis of its value in use, being the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life, discounted using a market-based, risk-adjusted, discount rate.

For other property, plant and equipment, the recoverable amount of an asset is also considered on the basis of its net selling price, where it is possible to assess the amount that could be obtained from the sale of an asset in an arm's length transaction, less the cost of disposal.

Recoverable amounts are estimated for individual assets or, if this is not possible, for the relevant cash-generating unit.

Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when a sale is highly probable from the date of classification, management are committed to the sale and the asset is available for immediate sale in its present condition. Non-current assets are classified as held for sale from the date these conditions are met and are measured at the lower of carrying amount and fair value (less costs to sell). Any resulting impairment loss is recognised in the income statement as a special item. On classification as held for sale the assets are no longer depreciated.

Government grants

Government grants relating to Property plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Other grants are credited to the income statement as and when the related expenditure is incurred.

Inventories

Inventories and work-in-progress are stated at the lower of cost and net realisable value, less any provision for obsolescence.

Cost is determined on the following bases:

- purchased copper concentrate is recorded at cost on a first-in, first-out ("FIFO") basis; all other materials including stores and spares are valued on weighted average basis;

- finished products are valued at raw material cost plus costs of conversion, comprising labour costs and an attributable proportion of manufacturing overheads based on normal levels of activity; and by-products and scrap are valued at net realisable value.

Net realisable value is determined based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Taxation

Tax expense represents the sum of tax currently payable and deferred tax.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Exceptions to this principle are:

- Tax payable on the future remittance of the past earnings of subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- Deferred income tax is not recognised on goodwill impairment which is not deductible for tax purposes or on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority upon a specific entity and the relevant Group entity intends to settle its current tax assets and liabilities on a net basis.

Retirement benefit schemes

The Group operates or participates in a number of defined benefits and contribution schemes, the assets of which are (where funded) held in separately administered funds.

For defined benefit schemes the cost of providing benefits under the plans is determined each year separately for each plan using the projected unit credit method by independent qualified actuaries. Actuarial gains and losses arising in the year are recognised in full in the income statement of the year.

For defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

Share based payments

Certain employees (including executive directors) of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions are determined by an external valuer and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Provisions for liabilities and charges

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in the income statement as a finance cost. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine. Costs arising from the installation of plant and other site preparation work, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the income statement over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the income statement.

Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present values and charged to the income statement as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Foreign currency translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. For all principal operating subsidiaries, the functional currency is the local currency of the country in which it operates, except KCM where the functional currency is US dollars, since that is the currency of the primary economic environment in which it operates. In the financial statements of individual Group companies, transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies are translated into functional currency at exchange rates prevailing on the balance sheet date. All exchange differences are included in the income statement, except, where the monetary item is designated as an effective hedging instrument of the currency risk of designated forecast sales, where exchange differences are recognised in equity exchange differences on foreign currency borrowings relating to assets under construction, for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purposes of consolidation, the income statement items of those entities for which the US dollar is not the functional currency are translated into US dollars at the average rates of exchange during the period. The related balance sheets are translated at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of such operations, and on foreign currency borrowings to the extent that they hedge the Group's investment in such operations, are reported in other comprehensive inward and accumulated in equity.

On disposal of entities with a different functional currency to the Company's functional currency, the deferred cumulative exchange differences recognised in equity relating to that particular operation would be recognised in the income statement.

Financial asset investments

Financial asset investments are classified as available for sale under IAS 39 and are initially recorded at cost and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses on financial asset investments are recognised directly in equity. On disposal or impairment of the investments, the gains and losses in equity are recycled to the income statement.

Investments in unquoted equity instruments that do not have a market price and whose fair value cannot be reliably measured are measured at cost.

Investments in equity instruments are recorded in non-current assets unless they are expected to be sold within one year.

Liquid investments

Liquid investments represent short term current asset investments that do not meet the definition of cash and cash equivalents for one or more of the following reasons:

- They have a maturity profile greater than 90 days;
- They may be subject to a greater risk of changes in value than cash;
- They are held for investment purposes.

The change in fair value of trading investments incorporates any dividend and interest earned on the held for trading investments.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, short-term deposits with banks and short-term highly liquid investments that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance for impairment for trade receivables is made where there is an event, which based on previous experience, is an indication of a reduction in the recoverability of the carrying value of the trade receivables.

Trade payables

Trade payables are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis and charged to the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Convertible bonds

Convertible bonds denominated in the functional currency of the issuing entity are accounted for as compound instruments. The equity components and the liability components are separated out on the date of the issue. The equity component is recognised in a separate reserve and is not subsequently remeasured. The liability component is held at amortised cost. The interest expense on the liability component is calculated by applying the effective interest rate, being the prevailing market interest rate for similar non convertible debt. The difference between this amount and interest paid is added to the carrying amount of the liability component.

Convertible bonds not denominated in the functional currency of the issuing entity or where a cash conversion option exists, are split into two components: a debt component and a component representing the embedded derivative in the convertible bond. The debt component represents a liability for future coupon payments and the redemption on the principal amount. The embedded derivative, a financial liability, represents the value of the option that bond holders have to convert into ordinary shares. At inception the embedded derivative is recorded at fair value and the remaining balance, after deducting a share of issue costs, is recorded as the debt component. Subsequently, the debt component is measured at amortised cost and the embedded derivative is measured at fair value at each balance sheet dates with the change in the fair value recognised in the income statement. The embedded derivative and the debt component are disclosed together and the current/non current classification follows the classification of the debt component which is the host contract.

The deferred tax effect arising on the movement in the fair value of the embedded derivative is provided in the income statement.

Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time that the assets are substantially ready for their intended use in accordance with the Group policy which is when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such short term investments is also capitalised to reduce the total capitalised borrowing cost.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Available for sale financial assets

Listed equity shares and debt instruments held by the Group that are traded in an active market are classified as being available for sale (AFS) financial assets and are stated at fair value. Unrealised gains and losses on financial asset investments are recognised directly in equity. On disposal or impairment of the investments, the gains and losses in equity are recycled to the income statement. Dividends received from investees accounted for as equity instruments are recognised in income statement when the Group receives the dividends.

Held for trading financial assets

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling in the near term. The change in fair value of trading investments incorporates any dividend and interest earned on the held for trading investments and is accounted for in the income statement.

Held-to-maturity financial assets

Financial instruments with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method.

Derivative financial instruments

In order to hedge its exposure to foreign exchange, interest rate and commodity price risks, the Group enters into forward, option, swap contracts and other derivative financial instruments. The Group does not hold derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are re-measured at their fair value at subsequent balance sheet dates.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement. The hedged item is recorded at fair value and any gain or loss is recorded in the income statement and is offset by the gain or loss from the change in the fair value of the derivative.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in equity. This includes certain non-derivative liabilities that are designated as instruments used to hedge the foreign currency risk on future, highly probable, forecast sales. Amounts deferred to equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement.

Derivative financial instruments that do not qualify for hedge accounting are marked to market at the balance sheet date and gains or losses are recognised in the income statement immediately.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

2(b) Critical accounting judgement and estimation uncertainty

In the course of applying the policies outlined in note 2(a), management made estimations and assumptions that impact the amounts recognised in the financial statements. Vedanta believes that judgement and estimation has been made in the following areas:

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 impact the depreciation rates, asset carrying values and environmental and restoration provisions.

Useful economic lives of assets and impairment

Property, plant and equipment other than mining properties and leases are depreciated over their useful economic lives. Management reviews the useful economic lives at least once a year and any changes could affect the depreciation rates prospectively and hence the asset carrying values. The Group also reviews its property, plant and equipment, including mining properties and leases, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. In assessing the property, plant and equipment for impairment, factors leading to significant reduction in profits such as changes in commodity prices, the Group's business plans and significant downward revision in the estimated mining reserves are taken into consideration. The carrying value of the assets of a cash generating unit (CGU) and associated mining reserves is compared with the recoverable amount of those assets, that is, the higher of net realisable value and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on commodity prices, market demand and supply, economic and regulatory climates, long term mine plan, discount rates and other factors. Any subsequent changes to cash flow due to changes in the abovementioned factors could impact on the carrying value of the assets.

Assessment of impairment at Lanjigarh Refinery

As set out in the risks and uncertainties section of this Annual Report, the planned operation of the Lanjigarh Refinery is subject to a number of legal proceedings. It has been assessed that there is no impairment of the Lanjigarh Refinery on 31 March 2011 based on the assumptions set out below-

- The State of Orissa has abundant bauxite reserves and under the terms of its MOU with the State Government of Orissa, management is confident that bauxite will be made available in the short to medium term.
- On the continued operation and planned refinery expansion, management is confident that all of the conditions for construction of the alumina refinery have been complied with, and expect the approval for the same in due course.

Should one or both of these assumptions not be borne out, a reassessment of the impairment of the Refinery would need to be made.

Assessment of impairment at Tuticorin

During the year ended 31 March 2011, the Group was ordered to close the Tuticorin smelter pursuant to an order from the Madras high Court. The Group has been successful in obtaining stay orders to allow the continued operation of the smelter while an appeal is heard in the Supreme Court.

The directors are confident that they have complied with the environmental regulations and that they will be permitted to continue operating the Tuticorin smelter in the long term. Accordingly, they have concluded that no impairment of the asset is required

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. The costs are estimated 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 when incurred reflecting our obligations at that time. A corresponding provision is created on the liability side. The capitalised asset is charged to the income statement over the life of the asset through depreciation over the life of the operation 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 such as the KCM acquisition agreement. 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.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate are added to or deducted from the cost of the related asset in the current period. If a change in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. Management uses its judgement and experience to provide for and amortise these estimated costs over the life of the mine.

As per local legislation, our Indian operations provide for restoration costs in accordance with statutory requirements. In Australia, appropriate provision has been made in accordance with local legal requirements and at KCM, a provision has been recognised with reference to a plan agreed with the Government of Zambia at the time of KCM's privatisation in April 2000 and pursuant to the KCM acquisition agreement. In Namibia, South Africa and Ireland appropriate provision has been made in accordance with the local regulatory requirements.

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. The actual cash outflows takes 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.

Management uses its judgement in estimating close down and restoration costs and the timing of expenditure, environmental clean up costs and the timing of expenditure, liabilities for retirement benefits costs and copper price participation (see note 29).

Contingencies and commitments:

In the normal course of business, contingent liabilities may arise from litigation and other claims against the company. Where it is management's assessement 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. Although there can be no assurance regarding the final outcome of the legal proceedings, we do not expect them to have a materially adverse impact on our financial position or profitability. These are set out in Note 35.

3. Segment informationa

The Group's primary format for segmental reporting is based on business segments. The business segments consist of aluminium, copper, zinc, iron ore and energy with residual components being reported as "Other". Business segment data includes an allocation of certain corporate costs, allocated on an appropriate basis. The risks and returns of the Group's operations are primarily determined by the nature of the different activities in which the Group is engaged. Inter-segment sales are charged based on prevailing market prices. The Group's activities are organised on a global basis.

The Group's reportable segments under IFRS 8 are as follows:

- Aluminium
- Copper-India/Australia
- Copper-Zambia
- Zinc- India
- Zinc-International
- Iron Ore
- Energy

The Energy segment includes the sales of and related costs of generating surplus power from Captive Power Plants for which the related asset carrying values are located within the other business segments.These sales and costs are allocated on a proportionate basis from the segment that owns the captive power plants.

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.

During the year ended 31 March 2011, the Zinc assets acquired from Anglo American Plc comprising the Skorpion mine in Namibia, the Black Mountain mine in South Africa and the Lisheen mine in Ireland. These assets are monitored together in one segment and therefore has been categorised as a separate reportable segment 'Zinc- International'.

(a) Reportable segments

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 2011 and 2010.

Period ended 31 March 2011					**Continuing Operation**				
US $ million	**Aluminium**	**Copper-India/ Australia**	**Copper-Zambia**	**Zinc-India**	**Zinc-International**	**Iron Ore**	**Energy**	**Elimination/ Others**	**Total Operations**
REVENUE									
Sales to external customers	1,570.1	3,428.2	1,741.3	2,152.8	218.9	1,977.9	338.0	-	11,427.2
Inter-segment sales	1.5	-	83.7	-	-	1.6	0.7	(87.5)	-
Segment revenue	**1,571.6**	**3,428.2**	**1,825.0**	**2,152.8**	**218.9**	**1,979.5**	**338.7**	**(87.5)**	**11,427.2**
RESULT									
EBITDA[1]	258.2	241.5	439.9	1,220.2	101.3	1,174.1	137.8	(6.2)	3,566.8
Depreciation	(219.2)	(45.0)	(130.8)	(97.8)	(54.1)	(298.2)	(25.7)	1.8	(869.0)
Segment result before special items	**39.0**	**196.5**	**309.1**	**1,122.4**	**47.2**	**875.9**	**112.1**	**(4.4)**	**2,697.8**
Special items (note 5)	(7.8)			(4.6)		(118.3)	(0.1)	(32.7)	(163.5)
Segment result after special items	**31.2**	**196.5**	**309.1**	**1,117.8**	**47.2**	**757.6**	**112.0**	**(37.1)**	**2,534.3**
Net finance income									149.0
PROFIT BEFORE TAXATION									**2,683.3**
Tax expense									(649.5)
PROFIT AFTER TAXATION									**2,033.8**
Segments Assets	8,776.5	2,859.3	2,243.5	5,641.0	1,906.0	4,709.5	2,259.4	-	28,395.2
Unallocated Assets									504.7
TOTAL ASSETS									**28,899.9**
Segment liabilities	(4,577.0)	(2,157.4)	(827.8)	(415.1)	(479.1)	(1,113.8)	(908.2)	-	(10,478.4)
Unallocated liabilities									(4,742.5)
TOTAL LIABILITIES									**(15,220.9)**
Other segment information									
Additions to property, plant and equipment	1,371.1	132.5	295.9	297.1	1,204.7	249.8	396.7	13.6	3,961.4
Depreciation	(219.2)	(45.0)	(130.8)	(97.8)	(54.1)	(298.2)	(25.7)	1.8	(869.0)

1. *EBITDA represents operating profit before special items, depreciation and amortisation*

Year ended 31 March 2010	Continuing Operations							
US $ million	**Aluminium**	**Copper-India/ Australia**	**Copper-Zambia**	**Zinc - India**	**Iron Ore**	**Energy**	**Elimination/ Others**	**Total Operations**
REVENUE								
Sales to external customers	914.2	2,741.4	1,070.8	1,651.7	1,221.7	330.7	-	7,930.5
Inter-segment sales	1.6	-	12.9	-	0.8	-	(15.3)	-
Segment revenue	**915.8**	**2,741.4**	**1,083.7**	**1,651.7**	**1,222.5**	**330.7**	**(15.3)**	**7,930.5**
RESULT								
EBITDA	154.9	165.9	151.8	982.8	673.0	170.7	(3.2)	2,295.9
Depreciation	(99.6)	(42.3)	(119.3)	(64.4)	(217.3)	(21.2)	1.1	(563.0)
Segment result before special items	**55.3**	**123.6**	**32.5**	**918.4**	**455.7**	**149.5**	**(2.1)**	**1,732.9**
Special items (note 5)	(4.9)	(57.7)	-	-	(2.7)	(2.0)	-	(67.3)
Segment result after special items	**50.4**	**65.9**	**32.5**	**918.4**	**453.0**	**147.5**	**(2.1)**	**1,665.6**
Net Finance Income								176.0
PROFIT BEFORE TAXATION								1,841.6
Tax expense								(330.4)
PROFIT AFTER TAXATION								**1,511.2**
Segments Assets	7,590.2	2,921.8	2,065.2	4,488.0	4,078.5	1,964.5		23,108.2
Unallocated Assets								951.8
TOTAL ASSETS								**24,060.0**
Segment liabilities	(3,603.9)	(1,550.5)	(828.1)	(433.2)	(2,425.1)	(729.9)	-	(9,570.7)
Unallocated liabilities								(3,049.4)
TOTAL LIABILITIES								**(12,620.1)**
Other segment information								
Additions to property, plant and equipment	2,385.9	87.6	307.4	505.6	32.0	546.0	-	3,864.5
Depreciation	(99.7)	(42.3)	(119.2)	(64.4)	(217.3)	(20.1)	-	(563.0)

3. Segmental information continued

(b) Segment result after special items

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Aluminium	258.2	154.9
Copper	681.4	317.7
- India/Australia	241.5	165.9
- Zambia	439.9	151.8
Zinc	1,321.5	982.8
-India	1,220.2	982.8
-International [(1)]	101.3	-
Iron Ore	1,174.1	673.0
Energy	137.8	170.7
Other	(6.1)	(3.2)
EBITDA	**3,566.8**	**2,295.9**
Depreciation	(869.0)	(563.0)
Special items	(163.5)	(67.3)
Segment result after special items	**2,534.3**	**1,665.6**

1. Acquired during the year ended 31 March 2011

(c) Geographical segmental analysis

The Group's operations are located in India, Zambia, Australia, Namibia, South Africa and Ireland. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

$ million	Year ended 31 March 2011	Year ended 31 March 2010
India	4,924.4	3,900.5
China	2,157.0	1,838.0
Far East Others	1,354.6	633.5
UK	23.8	119.5
Africa	172.3	108.7
Europe	1,047.3	378.9
Middle East	1,068.9	834.6
Asia Others	648.7	113.8
Other	30.2	3.0
Total	**11,427.2**	**7,930.5**

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

$ million	Carrying amount of non-current assets*		Additions to property, plant and equipment**	
	As at 31 March 2011	As at 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2010
Australia	15.3	14.6	1.7	4.4
India	14,278.1	12,701.4	2,309.2	3,540.2
Zambia	1,803.5	1,644.7	295.9	307.4
Namibia	578.0	-	628.2	-
Ireland	275.2	-	279.0	-
South Africa	476.7	-	297.5	-
Other	265.95	197.7	149.9	12.5
Total	**17,692.7**	**14,558.4**	**3,961.4**	**3,864.5**

**Non-current assets does not include deferred tax assets and derivative receivables.*

*** Includes acquired on acquisition of Zinc International*

4. Total Revenue

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Revenue from sales of goods	11,427.2	7,930.5
Other operating income	73.9	87.8
Investment revenue	431.6	272.8
Gains / (losses) in fair value of cash flow hedge transferred to income statement	(1.6)	56.8
	11,931.1	**8,347.9**

5. Special items

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Asarco transaction costs*	-	(57.7)
Voluntary retirement schemes	(12.5)	(6.9)
Acquistion related costs**	(32.7)	-
Impairment of mining reserves***	(118.3)	(2.7)
	(163.5)	**(67.3)**

* Asarco transaction costs include the loss of a $50 million deposit used as security for a letter of credit which has been encashed by the counterparty.

** Acquistion related costs include costs related to the acquisition of the Anglo Zinc assets and the proposed Cairn India acquisition.

*** The impairment of mining reserves relates to mines at Sesa Goa operated on a lease basis which have expired and have not been renewed during the year.

6. Investment revenue

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Interest income on loans and receivables	19.7	17.2
Interest income on cash and bank balances	131.6	75.5
Change in fair value of financial assets held for trading	78.8	27.7
Profit on disposal of financial assets held for trading	35.4	47.8
Profit on sale of available for sale investment	5.9	7.6
Dividend income on financial assets held for trading	160.4	142.7
Expected return on defined benefit arrangements (note 32)	2.1	1.8
Foreign exchange loss on cash and liquid investments	(0.5)	(42.7)
Capitalisation of interest income	(1.8)	(4.8)
	431.6	**272.8**

7. Finance costs

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Interest on bank loans and overdrafts	365.7	308.5
Coupon interest on convertible bonds (Note 27)	138.6	96.9
Accretive interest on convertible Bond	101.8	48.2
Interest on financial liability measured at fair value	-	21.7
Interest on other loans	97.3	52.3
Total interest cost	**703.4**	**527.6**
Unwinding of discount on provisions (Note 29)	7.9	4.4
Interest on defined benefit arrangements (Note 32)	6.7	5.9
Capitalisation of borrowing costs	(183.3)	(301.3)
	534.7	**236.6**

8. Other gains and losses (Net)

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Exchange gains on borrowings and capital creditors	75.9	260.2
Qualifying borrowing costs capitalised (note 17)	(11.0)	(46.4)
Change in fair value of financial liabilities measured at fair value	0.4	17.5
Change in fair value of embedded derivative on convertible bonds (note 27)	188.4	(35.7)
Loss arising on qualifying hedges and non-qualifying hedges	(1.6)	(55.8)
	252.1	**139.8**

9. Profit for the year has been stated after charging / (crediting):

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Depreciation on property, plant and equipment	869.0	563.0
Costs of inventories recognised as an expense	4,218.3	2,679.3
Auditors' remuneration for audit services	1.5	1.2
Research and development	0.7	1.4
Staff costs	446.9	464.5
Impairment of mining reserve	118.3	2.7
Net foreign exchange gains	(76.2)	(146.9)

10. Auditors' remuneration

The table below shows the fees payable globally to the Company's auditors, Deloitte LLP, for statutory external audit and audit related services, as well as fees paid to other accountancy firms for statutory external audit and audit related services in each of the two years ended 31 March 2011.

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Fees payable to the company's auditors for the audit of		
Vedanta Resources plc annual accounts	0.6	0.4
The audit of the company's subsidiaries pursuant to legislation	0.9	0.7
Total audit fees	**1.5**	**1.1**
Fees payable to the company's auditors and their associates for other services to the Group		
Other services pursuant to legislation*	0.7	0.8
Tax services****	0.1	0.1
Corporate finance services**	5.4	0.7
Other Services***	0.3	0.2
Total non-audit fees	**6.5**	**1.8**
Total audit fees paid to the Company's auditors	**8.0**	**2.9**
Audit fees payable to other auditors of the Group's subsidiaries	0.1	0.1
Non audit fees payable to other auditors of the Group's subsidiaries	0.1	0.1
Total fees paid to other auditors	**0.2**	**0.2**

* *Other services pursuant to legislation principally comprise further assurance services, being quarterly reviews of the Group's listed Indian subsidiaries and the half year review of the Group's results.*

** *Corporate finance services principally comprise reporting accountant services relating to the raising of equity and debt and the proposed Cairn India acquisition. These assurance-related services are ordinarily provided by the auditor.*

*** *Includes certification related services.*

**** *Tax services principally comprise of certification and assurance services as required by Indian income tax regulations.*

11. Employee numbers and costs

Average number of persons employed by the Group in the year

Class of business	Year ended 31 March 2011 Number	Year ended 31 March 2010 Number
Aluminium	8,168	8,022
Copper	10,976	11,518
- India/Australia	1,414	1,370
- Zambia	9,562	10,148
Zinc	7,341	6,907
- India	5,494	6,907
- International	1,847	-
Iron Ore	4,346	2,650
Energy	220	290
Other	120	210
	31,171	**29,597**

Costs incurred during the year in respect of Employees and Executive Directors	Year ended 31 March 2011 $ million	Year ended 31 March 2010 $ million
Salaries and wages	434.7	410.7
Defined contribution pension scheme costs (Note 32)	22.3	17.7
Defined benefit pension scheme costs (Note 32)	29.3	20.5
Share based payments charge	18.6	15.6
	504.9	**464.5**

12. Tax

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Current tax:		
UK Corporation tax	-	-
Foreign tax		
- India	689.4	404.1
- Zambia	-	0.1
- Australia	21.3	20.3
- Other	18.7	4.9
	729.4	**429.4**
Deferred tax: (Note 31)		
Current year movement in deferred tax	(79.9)	(99.0)
	(79.9)	**(99.0)**
Total tax expense	**649.5**	**330.4**
Effective tax rate	**24.2%**	**17.9%**

Deferred tax recycled from equity to income statement is a charge of $ 10.6 million (2010: charge of $8.5 million).

Deferred Tax in income statement:

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Accelerated capital allowances	(14.4)	(71.8)
Unutilised tax losses	(32.8)	(74.6)
Other temporary differences	(32.7)	47.4
	(79.9)	**(99.0)**

No deferred tax has been recognised in respect of temporary differences associated with investments in subsidiaries where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with such investments in subsidiaries is represented by the contribution of those investments to the Group's retained earnings and amounted to $3,966.1 million (2010: $3,076.6 million).

Overview of the Indian direct tax regime

The following is an overview of the salient features of the Indian direct tax regime relevant to the taxation of the Group:

- Companies are subject to Indian income tax on a standalone basis. There is no concept of tax consolidation or Group relief in India.
- Companies are charged tax on profits of a financial year i.e. from 1 April to 31 March, in the next year. A company's taxable profits will be subject to either regular income tax or Minimum Alternative Tax ("MAT"). Where MAT is greater than the tax on regular basis, MAT is levied.
- Regular income tax is charged on book profits (prepared under Indian GAAP) adjusted in accordance with the provisions of the (Indian) Income Tax Act, 1961. Typically the required adjustments generate significant timing differences in respect of the depreciation on fixed assets, relief for provisions and accruals, the use of tax losses brought forward and pension costs. For the financial year 2010-2011 regular income tax is charged at 30% (plus a surcharge of 7.5% in case income exceeds INR 10 million & education cess of 3% on tax and surcharge) taking the effective tax rate to 33.22%.. For the financial year 2011-12 the corporate tax rate will be 32.445 % (i.e. 30% corporate tax increased by surcharge of 5% in case income exceeds INR 10 million & education cess of 3% on tax and surcharge).
- MAT is charged on the book profits at 18% (plus a surcharge of 7.5% in case book profits exceeds INR 10 million & education cess of 3% on tax and surcharge). The effective rate of MAT is 19.93%. However, MAT paid during a year can be set off against normal tax payable in the subsequent years in the manner provided in the statute within a period of ten years succeeding the assessment year in which the MAT credit arose. The MAT rate for the financial year 2011-12 will be 18.5% (plus a surcharge of 5% in case book profits exceeds INR 10 million & education cess of 3% on tax and surcharge). The effective rate of MAT will be 20.01%.
- There are various tax exemptions or tax holidays available to companies in India subject to fulfilment of prescribed conditions. The most important ones applicable to the Group are:
  - Industrial undertakings' tax holiday: Profits of newly constructed industrial undertakings located in designated areas of India can benefit from a tax holiday. A typical tax holiday would exempt 100% of the undertaking's profits for five years, and 30% for the next five years;
  - Power plants' tax holiday: Profits on newly constructed power plants can benefit from a tax holiday. A typical holiday would exempt 100% of profits in ten consecutive years within the first 15 years of the power plants' operation. The start of the ten-year period can be chosen by a company. This exemption is available only for units set up until 31 March 2012.
  - Profits from units designated as Export Oriented Units (EOU), from where goods are exported out of India, are tax exempt up to financial year ending March 2011.
  - Profits from units located in Special Economic Zones are exempt from corporate tax to the extent of 100% of the profits for the first five years; 50% of the profits for the next five years; and for the next five years 50% of profits are exempt subject to creation of Special Economic Zone Reserve and utilisation of Special Economic Zone Reserve in the manner specified. MAT is not leviable on profits

of units located in Special Economic Zone upto financial year ending March 2011. MAT & DDT shall be applicable on SEZ developers and SEZ units w.e.f 01st April,2011.

- The Indian tax laws are subject to a thorough review and the Government has introduced draft Direct Taxes Code (DTC) for public debate. The DTC is expected to be presented again in a modified form later this year and, when enacted, is proposed to be operational from financial year 2012-13. At present there is significant uncertainty as to the form of the DTC and it is not currently considered to be substantively enacted.

- Tax returns submitted by companies are regularly subjected to a comprehensive review and challenge by the tax authorities. There is appeal procedures prescribed. Both the tax authorities and taxpayers can prefer appeals to the appellate forums (save and except the first appellate authority i.e. the Commissioner of Income Tax (Appeals) and it is not uncommon for significant or complex matters in dispute to remain outstanding for several years before they are finally resolved either in the High Court or in the Supreme Court.

Overview of the Zambian Tax Regime

The following is an overview of the salient features of the Zambian direct tax regime relevant to the taxation of the Group:

- The tax rate for income from mining operations is 30%.
- The 100% deduction for capital expenditure incurred on mining operations which had been removed in 2008-09 fiscal year was re-introduced with effect from 1 April 2009.
- Removal of windfall tax (see below) from 1 April 2009. However, a variable profits tax will still apply where income from mining activities exceeds 8% of gross sales at a rate determined according to a prescribed formula and payable only if windfall tax is not payable
- The requirement to treat hedging activities as a separate source of income from mining operations was removed.
- The period available to carry forward losses is 10 years.
- KCM must file tax returns in Zambian Kwacha. Tax losses are denominated in Kwacha but an indexation allowance applies to adjust for changes in the US dollar to Kwacha exchange rate

A windfall tax was introduced in fiscal year 2008-09 which became payable when copper is sold at prices above $ 5,512 per MT. The tax is charged at rates ranging from 25% to 75% depending on the difference between the realised price and a series of pricing thresholds ranging upward from $5,512 per MT. KCM received a letter from the Zambian Revenue Authority ("ZRA") during the year ended 31 March 2009 confirming an interim arrangement that the company would only be required to pay windfall tax at a rate of 25% at any price above US$5,512 per MT. The company has settled the windfall tax liability with ZRA at 25 % without any penal interest and penalty and agreed to pay the windfall tax liability in five progressive instalments commencing from February 2011.

Discussions about a new tax regime for mining companies are being held with Zambian government.

A reconciliation of income tax expense applicable to accounting profit before tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 March 2011 is as follows:

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Accounting profit before tax	**2,683.3**	**1,841.6**
At Indian statutory income tax rate of 33.22% (2010: 33.99%)	891.4	625.9
Unrecognised tax losses	141.4	25.4
Disallowable expenses	67.1	45.4
Non-taxable income	(83.7)	(99.1)
Impact relating to changes in tax rate *	(21.9)	(24.6)
Tax holiday and similar exemptions	(334.6)	(255.1)
Minimum Alternative Tax	7.0	26.9
Adjustments in respect of previous years	(17.2)	(14.4)
At effective income tax rate of 24.2 % (2010: 17.9 %)	**649.5**	**330.4**

* *Includes impact of change in effective tax rate from 33.22% to 32.445% (refer note on Overview of the Indian direct tax regime.)*

13. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and the Group's Convertible Bonds).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Net profit attributable to equity holders of the parent	**770.8**	**602.3**

	Year ended 31 March 2011	Year ended 31 March 2010
Weighted average number of ordinary shares for basic earnings per share (million)	272.2	274.3
Effect of dilution:		
Convertible bonds	34.3	46.7
Share options	2.2	3.7
Adjusted weighted average number of ordinary shares for diluted earnings per share	**308.7**	**324.7**

A) Earnings per share based on profit for the year

Basic earnings per share on the profit for the year	Year ended 31 March 2011	Year ended 31 March 2010
Profit for the year attributable to equity holders of the parent ($ million)	770.8	602.3
Weighted average number of shares of the Company in issue (million)	272.2	274.3
Earnings per share on profit for the year (US cents per share)	**283.2**	**219.6**

Diluted earnings per share on the profit for the year	Year ended 31 March 2011	Year ended 31 March 2010
Profit for the year attributable to equity holders of the parent ($ million)	770.8	602.3
Adjustment in respect of convertible bonds of Vedanta ($ million)	63.4	57.6
Profit for the year after dilutive adjustment ($ million)	834.3	659.9
Adjusted weighted average number of shares of the Company in issue (million)	308.7	324.7
Diluted earnings per share on profit for the year (US cents per share)	**270.2**	**203.2**

During the year ended 31 March 2011, 738,248 options issued under the Long Term Incentive Plan were converted to equity shares pursuant to vesting and exercise of the options (2010: 393,292 options).

Profit for the year would be increased if holders of the convertible bonds in Vedanta exercised their right to convert their bond holdings into Vedanta equity. The impact on profit for the year of this conversion would be the reduction in interest payable on the convertible bond net of any amount capitalised. This has been taken into account in determinig diluted EPS.

The outstanding awards under the LTIP are reflected in the diluted EPS figure through an increased number of weighted average shares.

Earnings per share based on Underlying Profit for the year

The Group’s Underlying Profit is the profit for the year after adding back special items, other gains and losses (see note 8) and their resultant tax and non-controlling interest effects, as shown in the table below:

$ million	Note	Year ended 31 March 2011	Year ended 31 March 2010
Profit for the year attributable to equity holders of the parent		770.8	602.3
Special items	4	163.5	67.3
Other gains		(252.1)	(139.9)
Non-controlling interest effect of special items and other losses		33.1	16.8
Underlying Profit for the year		**715.3**	**546.5**

Basic earnings per share on Underlying Profit for the year	Year ended 31 March 2011	Year ended 31 March 2010
Underlying profit for the year ($ million)	715.3	546.5
Weighted average number of shares of the Company in issue (million)	272.2	274.3
Earnings per share on Underlying Profit for the year (US cents per share)	**262.8**	**199.2**

Diluted earnings per share on Underlying Profit for the year	**Year ended 31 March 2011**	**Year ended 31 March 2010**
Underlying profit for the year ($ million)	715.3	546.5
Adjustment in respect of convertible bonds of Vedanta ($ million)	63.4	57.6
Underlying profit for the year after dilutive adjustment ($ million)	778.7	604.1
Adjusted weighted average number of shares of the Company (million)	308.7	324.7
Diluted earnings per share on Underlying Profit for the year (US cents per share)	**252.3**	**186.0**

14. Dividends

$ million	**Year ended 31 March 2011**	**Year ended 31 March 2010**
Amounts recognised as distributions to equity holders:		
Equity dividends on ordinary shares:		
Final dividend for 2009-10:27.5 US cents per share (2008-09:25 US cents per share)	75.2	70.2
Interim dividend paid during the year: 20US cents per share (2009-10:17.5 US cents per share)	54.7	47.7
	129.9	**117.9**
Proposed for approval at AGM		
Equity dividends on ordinary shares:		
Final dividend for 2010-11 32.5 US cents per share (2009-10: 27.5 US cents per share)	89.2	75.2

15. Goodwill

$ million	**Year ended 31 March 2011**	**Year ended 31 March 2010**
Cost (gross carrying amount)	16.9	16.9
Accumulated impairment losses	(4.7)	(4.7)
Net carrying amount at 31 March	**12.2**	**12.2**

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The company has undertaken an impairment review of goodwill of US$12.2 million as at 31 March 2011. The carrying amount of goodwill was evaluated using the discounted future cash flows of the entity to which the goodwill pertains (Sterlite) and comparing this to the total carrying value of the Sterlite cash generating unit.It was determined that the carrying amount of goodwill is not impaired.

16. Intangible assets

$ million	**Year ended 31 March 2011**	**Year ended 31 March 2010**
Exploration and evaluation acquired on acquisition	162.1	-
Net carrying amount at 31 March	**162.1**	**-**

The Intangible assets relate to the Gamsberg exploration project which was acquired during the year (refer note 34).

17. Property, plant and equipment

$ million	Mining property and leases	Leasehold land and buildings	Freehold land and buildings	Plant and equipment	Assets under construction	Other	Total
Cost							
At 1 April 2009	2,319.0	107.8	315.3	4,258.9	4,147.6	76.9	11,225.5
Additions	0.9	6.0	4.8	28.5	3,823.4	0.9	3,864.5
Transfers	76.5	2.1	269.0	2,535.0	(2,822.2)	(60.4)	-
Reclassification to accumulated depreciation	2.6	2.3	7.1	(8.2)	-	(2.0)	1.8
Additions due to acquisition	412.0	-	16.2	66.8	1.8	-	496.9
Disposals	-	(0.1)	(2.9)	(22.9)	(2.2)	(0.3)	(28.4)
Impairment of assets	(2.7)	-	-	-	-	-	(2.7)
Foreign exchange differences	310.0	4.0	55.5	538.9	513.2	7.5	1,429.1
At 1 April 2010	**3,118.3**	**122.1**	**665.0**	**7,397.0**	**5,661.7**	**22.6**	**16,986.7**
Additions	-	2.5	208.2	995.4	1,502.5	48.1	2,756.7
Transfers	72.4	-	39.1	565.3	(676.8)	-	-
Additions due to acquisition	538.5	-	121.0	530.4	14.8	-	1,204.7
Reclassification from accumulated depreciation	-	6.8	(1.8)	-	-	(0.6)	4.4
Disposals	-	(0.1)	(3.8)	(80.1)	-	(0.4)	(84.4)
Impairment of assets	(118.3)	-	-	-	-	-	(118.3)
Foreign exchange differences	5.4	-	-	13.3	8.4	-	27.1
At 31 March 2011	**3,616.3**	**131.3**	**1,027.7**	**9,421.3**	**6,510.6**	**69.7**	**20,776.9**
Accumulated depreciation and impairment							
At 1 April 2009	**513.2**	**34.3**	**64.4**	**1,212.0**	**17.8**	**35.4**	**1,877.0**
Charge for the year	208.1	7.1	4.5	348.1	-	0.9	568.7
Disposals	-	-	(0.1)	9.0	-	(25.1)	(16.2)
Reclassification to cost	2.6	2.3	7.1	(8.2)	-	(2.0)	1.8
Foreign exchange differences	81.3	0.8	8.9	134.5	-	3.2	228.7
At 1 April 2010	**805.2**	**44.5**	**84.8**	**1,695.3**	**17.8**	**12.4**	**2,660.0**
Charge for the year	289.1	0.5	29.6	543.6	-	6.2	869.0
Disposals	-	-	(3.3)	(52.5)	-	(0.2)	(56.0)
Reclassification to cost	-	6.8	(1.8)	-	-	(0.6)	4.4
Foreign exchange differences	45.2	0.1	1.3	62.9	-	0.5	110.0
At 31 March 2011	**1,139.5**	**51.9**	**110.6**	**2,249.3**	**17.8**	**18.3**	**3,587.4**
Net book value							
At 1 April 2009	1,805.8	73.4	250.9	3,046.9	4,129.9	41.5	9,348.4
At 1 April 2010	2,313.1	77.6	580.2	5,701.7	5,643.9	10.2	14,326.7
At 31 March 2011	2,476.8	79.4	917.1	7,172.0	6,492.8	51.4	17,189.5

At 31 March 2011, land having a carrying value of $ 144.3 million (31 March 2010: $37.0 million) was not depreciated. At 31 March 2011, cumulative capitalised interest and foreign exchange gains or losses included within the table above was $ 194.3 million (31 March 2010: $254.9 million). Plant and equipment include refineries, smelters, power plants and related facilities. Other tangible fixed assets include office equipment and fixtures, and light vehicles

18. Financial asset investments

Financial asset investments are required to be classified and accounted for as either available-for-sale or fair value through profit or loss.

Available-for-sale investments	Year ended 31 March 2011 $ million	Year ended 31 March 2010 $ million
At 1 April	**201.2**	**91.6**
Additions / (Disposals)	46.6	(4.5)
Movements in fair value	55.3	111.0
Exchange difference	1.1	3.1
At 31 March	**304.2**	**201.2**

Analysis of financial asset investments	As at 31 March 2011 $ million	As at 31 March 2010 $ million
Quoted	265.2	178.7
Unquoted	39.0	22.5

Quoted investments represent investments in equity securities that present the Group with opportunity for return through dividend income and gains in value. These securities are held at fair value based on market prices.

Unquoted investments include mainly an investment in the equity share capital of the Andhra Pradesh Gas Power Corporation Limited which is held at cost as it is not quoted. The increase is related to unquoted investments held by BMM and Skorpion.

19. Other non-current assets

$ million	As at 31 March 2011	As at 31 March 2010
Deposits, advances and other receivables due after one year	24.6	18.3
	24.6	**18.3**

20. Inventories

$ million	As at 31 March 2011	As at 31 March 2010
Raw materials and consumables	1,011.9	636.5
Work-in-progress	690.9	478.2
Finished goods	221.8	145.9
	1,924.6	**1,260.6**

Inventories with a carrying amount of $ 1,112.2 million (2010: $761.2 million) have been pledged as security against certain bank borrowings of the Group.

21. Trade and other receivables

$ million	As at 31 March 2011	As at 31 March 2010
Trade receivables	761.4	206.7
Amounts due from related parties (note 36)	13.6	4.4
Prepayments	93.4	55.9
Deposits with Government	141.9	189.8
Other receivables	318.3	466.8
	1,328.6	**923.6**

The credit period given to customers ranges from zero to 90 days. Other receivables primarily includes excise balances, customs balances, deposits with governments, advances to suppliers, claims receivables and other receivables.

22. Liquid investments

$ million	As at 31 March 2011	As at 31 March 2010
Bank deposits	1,929.0	1,301.4
Other investments	4,936.4	5,548.0
	6,865.4	**6,849.4**

Other investments include mutual fund investments and are fair valued through the income statement. 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 deposit rates.

These do not qualify for recognition as cash and cash equivalents due to their maturity period and risk of change in value of the investments.

23. Cash and Cash equivalents

$ million	As at 31 March 2011	As at 31 March 2010
Cash at bank and in hand	238.5	74.7
Short-term deposits*	673.1	315.3
	911.6	**390.0**

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.

* *Includes $96.3 million (2010: $2.5 million) of cash held in short-term deposit accounts that is restricted in use as it relates to unclaimed deposits, dividends, interest on debentures, share application money, closure costs and future redundancy payments.*

24. Borrowings

$ million	As at 31 March 2011	As at 31 March 2010
Bank loans	5,654.9	3,597.4
Bonds	1,244.7	1,243.7
Other loans	581.4	554.7
Total	**7,481.0**	**5,395.8**
Borrowings are repayable as:		
Within one year (shown as current liabilities)	3,045.1	1,012.6
In the second year	1,914.2	759.7
In two to five years	1,324.4	2,669.9
After five years	1,197.3	953.6
Total borrowings	**7,481.0**	**5,395.8**
Less: payable within one year	(3,045.1)	(1,012.6)
Medium and long term borrowings	**4,435.9**	**4,383.2**

At 31 March 2011, the Group had available US$3,407.6 million (2010: $3,204.8 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group also had secured $6,000.0 million acquisition facility to fund the proposed Cairn India acquisition in respect of which all conditions precedent had been met.

The principal loans held by Group companies at 31 March 2011 were as follows:

BALCO

Non convertible debentures

BALCO issued Non Convertible Debentures of $ 112.0 million to the Life Insurance Corporation of India @12.25% per annum. The Debentures are secured and have the pari passu charge on the movable and immovable properties, present and future tangible or intangible assets other than current assets of Balco to the extent of 1.33 times of the issued amount. The above loan is repayable in 3 yearly equal instalments starting November 2013.

Project Buyers' Credit

As at 31 March 2011, BALCO has extended credit terms relating to the purchase of property, plant and equipment for its project of $ 370.7 million at an average rate of LIBOR plus 247 basis points.

VAL

Rupee term Loan

VAL has taken an Indian rupee term loan of $224.0 million from ICICI Bank at an interest rate of 10.5%. The loan is not secured. Repayment is in eight equal quarterly instalments starting from July 2011.

VAL has taken an Indian rupee term loan of $168.0 million from Yes Bank at an interest rate of 11.5%. The loan is secured and has a subservient charge on present and future movable fixed asset already created.

Indian rupee term loan of $168.0 million from Bank of Baroda at an interest rate of 10.5% has been taken which is secured by first charge by way of hypothecation of all present & future movables fixed assets for the project including but not limited to plant & machinery spares, tools & accessories, base stock funded by the facility of the project. The loan is payable on December 2011.

VAL has obtained term loan of $1,119.8 million from State Bank of India at an interest rate of 7.5%. The loan is secured by the first pari passu charge on the moveable Plant & Machinery so as to provide fixed assets coverage ratio of 1.30. The loan is repayable in April 2011.

Non convertible debentures

VAL has issued Non Convertible Debentures of $89.6 million to the Life Insurance Corporation of India at a rate of 11.50% per annum. The Debentures are secured and have the first pari passu charge over the identified assets (including Land and Building) of the issuer to the extent of 1.33 times of the issued amount. Debentures are repayable in 3 yearly equal instalments starting October 2013.

External Commercial Borrowing

VAL has obtained External Commercial Borrowing loan from ICICI Bank, Singapore of $100.0 million at an interest rate of LIBOR plus 240 basis points secured by Negative Lien Undertaking on the assets of the Jharsuguda project of the company, both present and future, excluding assets already charged in favour of ICICI bank and other lenders. The repayment period is from February 2012 to August 2014.

Project Buyers' Credit

As at 31 March 2011, VAL had extended credit terms relating to purchases of property, plant and equipment for its projects amounting to $ 846.6 million. These loans bear average interest at LIBOR plus 243 basis points. These are secured by all of the fixed assets of VAL, immovable or movable, present and future, on a pari passu basis with other term lenders and with priority over other creditors.

Sterlite Energy

Project Buyers' Credit

As at 31 March 2011, SEL has extended credit terms relating to the purchase of property, plant and equipment for its project of $228.2 million at an average rate of LIBOR plus 199 basis points. The facility is unsecured.

Sterlite Industries

In February 2011 Sterlite Industries raised $291.1 million through commercial papers at an interest rate of 9.73% and repayable in June 2011. The amount outstanding as at March 2011 is $261.7 million.

Talwandi Sabo

Talwandi Sabo has issued Non Convertible Debentures of $335.9 million to ICICI Bank at a rate of 9.8% per annum. First tranche of $167.9 million was issued in December 2010 and second tranche of the balance amount was issued in January 2011. The Debentures are secured by first pari passu charge on the assets of the company both present and future, with a minimum asset cover of 1.25 times during the lifetime of the NCDs (including the Debt Service Reserve Account) and unconditional and irrevocable corporate guarantee by Sterlite Industries. Debentures have a tenure of 13 years repayable in twelve equal instalments after 10 years of allotment.

KCM

In 2009 KCM has obtained a loan of $100 million from the Development Bank of Southern Africa (5year term) and $ 191.7 million from Standard Chartered Bank (4 year term). The interest rate is 2.8% over 3 month Libor and 5.5% over 3 month LIBOR respectively. Both the loans are repayable in 12 quarterly instalments starting from the third and second year, respectively.

Vedanta Resources plc

Long-term Bonds

In July 2008, Vedanta issued $500.0 million, 8.75% bonds due January 2014, and $750.0 million, 9.50% bonds due July 2018 in the United States of America ('USA') pursuant to Rule 144A of US Securities Act of 1933 ('Securities Act') and outside of the USA in Compliance with Regulation S pursuant to the Securities Act. The bonds are unsecured and are currently rated BB by Standard & Poor's, Ba2 by Moody's and BB+ by Fitch Ratings Limited.

Syndicated Bridge Term Loan

In April 2008, the Group refinanced the short term syndicated bridge loan facility of $1,100.0 million taken out to acquire Sesa Goa. The new facility is for $1,000 million, fully drawn down at 31 March 2011, which bears interest at LIBOR plus 296 basis points. $250.0 million is repayable in April 2012 and the remaining $750 million is repayable in January 2013. The facility has been guaranteed by Vedanta and is subject to a pledge of the Group's shares in Sesa Goa Limited through its holding in Richter and Westglobe Limited.

Term Loan

In January 2010, the Group obtained a loan from Bank of Tokyo- Mitsubishi UFJ for $373 million repayable in July 2011 and bears interest at USD LIBOR plus 425 basis points.

In December 2010, the Group obtained a loan from ICICI Bank for $ 180 million repayable $90 million in December 2014 and the balance $90 million in December 2015 and bears interest rate 3 month GBP LIBOR plus 385 basis point.

In January 2011, the Group obtained a loan from ICICI Bank for $ 150 million repayable $75 million in January 2016 and the balance $75 million in January 2017 and bears interest rate 3 month USD LIBOR plus 389 basis point.

Non-equity non-controlling interests

As at 31 March 2011, non equity non-controlling interests remain of $11.9 million, being deferred shares in KCM held by ZCM. The deferred shares have no voting rights or rights to KCM's dividends, but are entitled on a winding up to a return of upto $0.99 per share once all of KCM's ordinary shares have received a distribution equal to their par value and any share premium created on their issue and which remains distributable to them.

The deferred shares are held at historic cost, being the fair value attributed to them at the time of initial acquisition of KCM in the year ended 31 March 2005. They are classified as non-current liabilities as they are repayable only on the winding up of the company, for an amount different than the pro rata share of net assets upon liquidation. The shares have been valued at $0.99 per share, which is the maximum amount payable to the deferred shareholders. These deferred shares have not been discounted as the effect would not be material.

25. Movement in Net Debt (1)

			Debt due within one year		Debt due after one year		
US$ million	**Cash and cash equivalents**	**Liquid investments**	**Debt carrying value**	**Debt- related derivatives (2)**	**Debt carrying value**	**Debt-related derivatives (2)**	**Total Net Debt**
At 1 April 2009	**380.5**	**4,532.1**	**(1,298.5)**	**8.4**	**(3,816.4)**	**(6.9)**	**(200.8)**
Cash flow	258.8	1,663.4	360.6	-	(2,859.0)	-	(576.2)
Acquisition of Subsidiaries	-	-	(12.4)	-	-	-	(12.4)
Other non-cash changes (3)	-	27.6	25.0	(9.3)	(351.7)	(5.1)	(313.5)
Foreign exchange differences	(249.3)	626.3	(87.3)	-	(133.9)	-	155.8
At 1 April 2010	**390.0**	**6,849.4**	**(1,012.6)**	**(0.9)**	**(7,161.0)**	**(12.1)**	**(947.2)**
Cash flow	(108.2)	(178.4)	(1,863.2)	-	(161.6)	-	(2,311.4)
Net cash flows arising on acquisition of a subsidiary	388.6	37.3	(29.4)	-	-	-	396.5
Other non-cash changes (3)		78.8	(96.1)	0.9	635.6	17.3	636.5
Foreign exchange differences	241.2	78.3	(43.8)	-	(20.4)	-	255.3
	911.6	**6,865.4**	**(3,045.1)**	**-**	**(6,707.4)**	**5.2**	**(1,970.3)**

(1) Net (debt)/ cash being 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 $462.4 million (2010: $326.7 million) of project buyers credit obtained from banks, for which there is no cash movement as it represents the refinancing of amounts previously owed to suppliers and excluded from debt. It also includes $ 59.1 million (2010 $ 27.6 million) of fair value movement in investments. A movement of $ 18.2 million (2010: $ 14.4 million) which pertains to fair value of debt related derivatives is also included in other non-cash changes.

26. Trade and other payables

(a) Current trade payables

$ million	As at 31 March 2011	As at 31 March 2010
Trade payables	1,969.0	1,390.1
Bills of exchange payable	816.6	771.7
Accruals and deferred income	272.5	72.7
Other trade payables	349.4	324.7
	3,407.5	**2,559.2**

Trade payables are non-interest bearing and are normally settled on 60 to 90-day terms. Bills of exchange are interest-bearing and are normally payable within 180 days. The fair value of trade and other payables is not materially different from the carrying values presented.

Bills of exchange payable comprise of credit availed from financial institutions for direct payment to suppliers for raw materials purchased. The arrangements are interest bearing and are normally payable within 180 days,

(b) Non-current trade payables

$ million	As at 31 March 2011	As at 31 March 2010
Other trade payables	148.1	306.4
	148.1	**306.4**

Other trade payables primarily comprise the amounts withheld as retentions, payable to suppliers of capital projects after satisfactory completion of contractual commissioning period, which are generally payable after a year.

27. Convertible bonds

$ million	Year ended 31 March 2011	Year ended 31 March 2010
A. VRJL	968.2	931.3
B. VRJL II	651.8	881.1
C. FCCB- SIIL & Sesa	651.5	965.4
	2,271.5	**2,777.8**

A. Vedanta Resource Jersey Limited (“VRJL”) issued 5.5% $1,250 million guaranteed convertible bonds on 13 July 2009. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VRJL, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc. The bondholders have the option to convert at any time from 24 August 2009 to 6 July 2016. The loan notes are convertible at US$ 36.48 per share at an average rate of GBP: USD of 1.6386

If the notes have not been converted, they will be redeemed at the option of the Company at any time on or after 28 July 2012 subject to certain conditions, or be redeemed at the option of the bondholders on or after 13 July 2014.

The net proceeds of the convertible issue have been split between the liability element and equity component, representing the fair value of the embedded option to convert the liability into equity of the Company, as follows:

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Opening liability	**931.3**	**1,234.8**
Equity Component	-	(327.9)
Imputed Liability on issue date	--	906.9
Unwinding of Effective Interest Rate	105.8	73.7
Coupon interest paid/ accrued	(68.9)	(49.3)
Closing liability	**968.2**	**931.3**

The interest charged for the year is calculated by applying an effective interest rate of 11.4% (March 2010: 11.2%).

The fair value of the convertible bond as at 31 March 2011 is $ 1,304.9 million.

B. Vedanta Resource Jersey II Limited ("VRJL - II") issued 4.0 % $883 million guaranteed convertible bonds on 30 March 2010. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VRJL-II, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc. The bondholders have the option to convert at any time from 10 May 2010 to 23 March 2017. The loan notes are convertible at US$51.9251 per share at an average rate of USD: GBP of 1.4965.

If the notes have not been converted, they will be redeemed at the option of the Company at any time on or after 14 April 2013 subject to certain conditions, or be redeemed at the option of the bondholders on or after 29 April 2013 to 30 March 2015.

At the inception the net proceeds of the convertible issue was split between the liability element and a derivative component, representing the fair value of the embedded option to convert the liability into equity of the Company. The latter was not been recorded within equity due to the existence of partial cash settlement terms within the bond which prevent the adoption of compound financial instrument accounting. During the period $ 44.8 million was debited to the value of the derivative liability with a corresponding credit taken to the income statement. This represents the movement in the fair value of the embedded option to convert to equity from the 1 April 2010 to 28 July 2010, the date of removal of cash settlement option. $211.6 million calculated as the fair value of the conversion option was reclassified to the convertible bond reserve at that date representing the value attributable to the right to convert the liability into equity of the Company.

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Opening liability	**881.1**	**875.8**
Equity Component	(211.6)	
Effective interest cost	62.4	0.2
Coupon Interest paid/accrued	(35.3)	(0.1)
(Decrease) / Increase in Fair Value of derivative component	(44.8)	5.2
Closing Liability	**651.8**	**881.1**

The interest charged for the year is calculated by applying an effective interest rate of 9.3 % (2010: 6.93 %).

The fair value of the convertible bond as at 31 March 2011 was $ 907.6 million.

C. Sterlite Industries (India) Limited ("SIIL") issued 4% $500 million convertible senior notes (denominated in US Dollars) on 29 October 2009 which are due on 30 October 2014. The bonds are convertible into American Depository Share ("ADS") to be issued by SIIL. The bondholders have the option to convert at any time before 29 October 2014 at a conversion ratio of 42.8688 for every $1000 of principal which is equal to a conversion price of USD 23.33 per ADS. SIIL has the option (subject to the terms of the bond) to redeem the convertible bond at any time after 4 November 2012.

Sesa Goa Limited ("Sesa") issued 5% $500 million convertible bonds (denominated in US Dollars) on 30 October 2009 and due 31 October 2014. The bonds are convertible into ordinary shares of Sesa. The bondholders have the option to convert at any time after 10 December 2009 and before 24 October 2014 at a conversion ratio of 13837.6384 for every $100,000 principal. Sesa has the option (subject to certain conditions) to redeem the convertible bond at any time after 30 October 2012

As the functional currency of SIIL and Sesa is INR, the conversion of the convertible bonds (which are denominated in US Dollars) would not result in the settlement and exchange of a fixed amount of cash in INR terms, for a fixed number of SIIL's and Sesa's shares respectively. Accordingly, the convertible bond must be separated into two component elements: a derivative component consisting of the conversion option (carried at fair value) and a liability component consisting of the debt element of the bonds. Further details of the accounting for such instruments are provided in the Group accounting policies (note 2a).

The following table shows the movements in the SIIL and Sesa bonds during the year on an aggregated basis:

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Opening Liability	**965.4**	**991.8**
Effective interest cost	71.6	39.4
Coupon Interest Paid	(34.4)	(19.3)
Conversion of bonds into equity of subsidiaries	(207.7)	(76.0)
Increase / (decrease) in Fair Value of derivative component	(143.4)	29.5
Closing Liability (including derivative component of $ 126.2 million, March 2010: $ 386.8 million)	**651.5**	**965.4**

The interest charged for the year is calculated by applying an effective interest rate of 9.9% (March 2010: 12.7%) for SIIL convertible notes and 10.1 % (March 2010: 23.4%) for Sesa convertible notes.

The fair value of the convertible bonds as at 31 March 2011 was $ 751.6 million (March 2010: 1,114 million).

28. Financial instruments

The accounting classification of each category of financial instruments, and their carrying amounts, are set out below:

$ million	As at 31 March 2011	As at 31 March 2010
Financial assets		
At fair value through profit or loss		
- Held for trading	6,865.4	6,849.4
- Other financial assets (derivatives)	140.3	54.1
Cash and cash equivalents	911.6	390.0
Loan and receivables		
- Trade and other receivables	1,328.6	867.7
- Other non-current assets	24.6	18.3
Available for sale investments		
- Financial asset investments held at fair value	265.2	178.7
- Financial asset investments held at cost	39.0	22.4
Total	**9,574.7**	**8,380.6**
Financial liabilities		
At fair value through profit or loss		
- Other financial liabilities (derivatives)	(103.5)	(83.2)
Designated into fair value hedge		
- Borrowings[1]	(126.2)	(643.0)
Financial liabilities at amortised cost		
- Trade and other payables	(3,555.6)	(2,865.6)
- Borrowings[2]	(9,626.3)	(7,530.6)
Total	**(13,411.6)**	**(11,122.4)**

1 *includes embedded derivative liability portion of convertible bonds $126.2 million (2010: $ 643.1 million)*
includes amortised cost liability portion of convertible bonds $ 2,145.3 million (2010: $ 2,134.6 million)

IFRS 7 requires additional information regarding the methodologies employed to measure the fair value of financial instruments which are recognised or disclosed in the accounts. These methodologies are categorised per the standard as:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The below table summarises the categories of financial assets and liabilities measured at fair value:

$ million	As at 31 March 2011 Level 1	Level 2
Financial assets		
At fair value through profit or loss		
- Held for trading	6,865.4	-
- Other financial assets (derivatives)	-	140.3
Available for sale investments	-	
- Financial asset investments held at fair value	265.2	-
Total	**7,130.6**	**140.3**
Financial liabilities		
At fair value through profit or loss		
- Other financial liabilities (derivatives)	-	(103.5)
Designated into fair value hedge		
- Borrowings	-	(126.2)
Total	**-**	**(229.7)**

There were no transfers between Level 1 and Level 2 during the year. No financial assets or liabilities were measured by Level 3 Fair Value Measurement.

The fair value of borrowings is $10,011.2 million (2010: $8,379.4 million). For all other financial instruments, the carrying amount is either the fair value, or approximates the fair value.

The fair value of financial asset investments represents the market value of the quoted investments and other traded instruments. For other financials assets the carrying value is considered to approximate fair value.

The fair value of financial liabilities is the market value of the traded instruments, where applicable. Otherwise fair value is calculated using a discounted cash flow model with market assumptions, unless the carrying value is considered to approximate fair value.

The fair value of the embedded derivative liability of convertible bond has been calculated using the binomial and Black Scholes models with market assumptions.

Derivatives instruments and risk management

The Group's businesses are subject to several risks and uncertainties including financial risks.

The Group's documented risk management policies act as an effective tool in mitigating the various financial risks to which the businesses are exposed to in the course of their daily operations. The risk management policies cover areas such as liquidity risk, commodity price risk, foreign exchange risk, interest rate risk, credit risk and capital management.

Risks are identified through a formal risk management programme with active involvement of senior management personnel and business managers at both the corporate and individual subsidiary level. Each operating subsidiary in the Group has in place risk management processes which are in line with the Group's policy. Each significant risk has a designated 'owner' within the Group at an appropriate senior level. The potential financial impact of the risk and its likelihood of a negative outcome are regularly updated. The risk management process is coordinated by the Management Assurance function and is regularly reviewed by the Group's Audit Committee. Key business decisions are discussed at the monthly meetings of the Executive Committee. The overall internal control environment and risk management programme including financial risk management is reviewed by the Audit Committee on behalf of the Board.

Treasury management

Treasury management focuses on capital protection, liquidity maintenance and yield maximisation. The treasury policies are approved by the Board and adherence to these policies is strictly monitored at the Executive Committee meetings. Day-to-day treasury operations of the subsidiary companies are managed by their respective finance teams within the framework of the overall Group treasury policies. Long term fund raising including strategic treasury initiatives are handled by a central team while short-term funding for routine working capital requirements is delegated to subsidiary companies. A monthly reporting system exists to inform senior management of investments, debt, currency, commodity and interest rate derivatives. The Group has a strong system of internal control which enables effective monitoring of adherence to Group policies. The internal control measures are effectively supplemented by regular internal audits.

The Group uses derivative instruments as part of its management of exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Group does not acquire or issue derivative financial instruments for trading or speculative purposes. The Group does not enter into complex derivative transactions to manage the treasury and commodity risks. Both treasury and commodities derivative transactions are normally in the form of forward contracts and interest rate and currency swaps and these are subject to the Group guidelines and policies. Interest rate swaps are taken to achieve a balance between fixed and floating rates (as described below under "Interest risk") and currency swaps are taken primarily to convert the Group's exposure to non-US dollar currencies to US dollar currencies.

Commodity risk

The Group is exposed to the movement of base metal commodity prices on the London Metal Exchange. Any decline in the prices of the base metals that the Group produces and sells will have an immediate and direct impact on the profitability of the businesses. As a general policy, the Group aims to sell the products at prevailing market prices. As much as possible, the Group tries to mitigate price risk through favourable contractual terms. The Group undertakes hedging activity in commodities to a limited degree. Hedging is used primarily as a risk management tool and, in some cases, to secure future cash flows in cases of high volatility by entering in to forward contracts or similar instruments. The hedging activities are subject to strict limits set out by the Board and to a strictly defined internal control and monitoring mechanism. Decisions relating to hedging of commodities are taken at the Executive Committee level and with clearly laid down guidelines for their implementation by the subsidiaries.

Whilst the Group aims to achieve average LME prices for a month or a year, average realised prices may not necessarily reflect the LME price movements because of a variety of reasons such as uneven sales during the year and timing of shipments.

Copper

The Group's custom smelting copper operations at Tuticorin is benefited by a natural hedge except to the extent of a possible mismatch in quotational periods between the purchase of concentrate and the sale of finished copper. The Group's policy on custom smelting is to generate margins from TCRCs, minimising conversion cost, generating a premium over LME on sale of finished copper, sale of by-products and from achieving import parity on domestic sales. Hence, mismatches in quotational periods are actively managed to ensure that the gains or losses are minimised. The Group hedges this variability of LME prices and tries to make the LME price a pass-through cost between purchases of copper concentrate and sales of finished products, both of which are linked to the LME price. The Company also benefits from the difference between the amounts paid for quantities of copper content received and recovered in the manufacturing process, also known as `free copper'. The Group hedges on a selective basis the free copper and revenue from variable margins on the purchases of copper concentrates by entering into future contracts.

The Group's Australian mines in Tasmania supply approximately 7% to 8% of the requirement of the custom copper smelter at Tuticorin. Hence, TCRCs are a major source of income for the Indian copper smelting operations. Fluctuations in TCRCs are influenced by factors including demand and supply conditions prevailing in the market for mine output. The Group's copper business has a strategy of securing a majority of its concentrate feed requirement under long-term contracts with mines.

KCM is largely an integrated copper producer and hence the strategy to protect the company from price fluctuations in copper is to focus on controlling KCM's costs.

For the mining assets in Australia and Zambia, part of the production may be hedged to secure cash flows on a selective basis.

Aluminium

The requirement of the primary raw material, alumina, is partly met from own sources and the rest is purchased primarily on negotiated price terms. Sales prices are linked to the LME prices. At present the Group does not hedge any aluminium production.

Zinc and lead

The sales prices are linked to the LME prices. The Group has some long term volume contracts with some customers where the prices are linked to prevailing LME prices at the time of shipment. The Group hedged part of the exports from India through forward contracts or other instruments.

Iron ore

The Group sells some portion of its iron ore production on quarterly price contracts and the balance on the basis of prevailing market prices.

Provisionally priced financial instruments

On 31 March 2011, the value of net financial liabilities linked to commodities (excluding derivatives) accounted for on provisional prices was a liability of $411.8 million (2010: liability of $274.8 million). These instruments are subject to price movements at the time of final settlement and the final price of these instruments will be determined in the financial year beginning 1 April 2011.

Set out below is the impact of 10% increase in LME prices on profit for the year and total equity as a result of changes in value of the Group's commodity financial instruments as at 31 March 2011:

Commodity price sensitivity	Closing LME as at 31 March 2011	Effect on profit of a 10% increase in the LME 31 March 2011	Effect on total equity of a 10% increase in the LME 31 March 2011
	$	($ million)	($ million)
Copper	9,400	4.6	4.6
Zinc	2,319	4.5	4.5
Lead	2,720	3.4	3.4

Commodity price sensitivity	Closing LME as at 31 March 2010	Effect on profit of a 10% increase in the LME 31 March 2010	Effect on total equity of a 10% increase in the LME 31 March 2010
	$	($ million)	($ million)
Copper	7,830	(6.1)	(6.1)
Zinc	2,360	0.3	0.3
Lead	2,120	0.1	0.1

The above sensitivities are based on volumes, costs, exchange rates and other variables and provide the estimated impact of a change in LME prices on profit and equity assuming that all other variables remain constant.

Further, the impact of a 10% increase in closing copper LME for provisionally priced copper concentrate purchase at Sterlite custom smelting operations is $37.3 million (2010: $25.5 million), which is pass through in nature and as such will not have any impact on the profitability.

Financial risk and sensitivities

The Group's Board approved financial risk policies comprise liquidity, currency, interest rate and counterparty risk. The Group does not engage in speculative treasury activity but seeks to manage risk and optimise interest and commodity pricing through proven financial instruments.

(a) Liquidity

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 and undrawn committed facilities of $9,407.6 million (including $6,000 million for Cairn Acquisition), together with cash and liquid investments of $7,777.0 million as at 31 March 2011, are expected to be sufficient to meet the ongoing capital investment programme and liquidity requirement of the Group in the near future.

The Group has a strong balance sheet that gives sufficient headroom to raise further debt should the need arise. The Group's current ratings from Standard & Poor's, Moody's & Fitch Ratings are BB and Ba1 respectively (2010: BB and Ba1 respectively). These ratings support the necessary financial leverage and access to debt or equity markets at competitive terms. The Group generally maintains a healthy net debt-equity ratio and retains flexibility in the financing structure to alter the ratio when the need arises.

The maturity profile of the Group's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Group (excludes interest)

At 31 March 2011

(In $ million)

At 31 March 2010

Payment due by period	< 1 year	1-2 years	2-5 years	> 5 years	Total
Trade and other payables	3,407.5	148.1	-	-	3,555.6
Bank and other borrowings	3,045.1	1,914.2	1,324.4	1,197.3	7,481.0
Convertible bonds	-	-	651.5	1,620.0	2,271.5
Derivative liabilities	9.3	-	94.2	-	103.5
Total	**6,461.9**	**2,062.3**	**2,070.1**	**2,817.3**	**13,411.6**

(In $ million)

Payment due by period	< 1 year	1-2 years	2-5 years	> 5 years	Total
Trade and other payables	2,559.2	306.4	-	-	2,865.6
Bank and other borrowings	1,012.6	759.7	2,669.9	953.6	5,395.8
Convertible bonds	-	-	924.5	2,133.0	3,057.5
Derivative liabilities	38.5	-	44.7	-	83.2
Total	**3,610.3**	**1,066.1**	**3,639.1**	**3,086.6**	**11,402.1**

At 31 March 2011, the Group had access to funding facilities of $19,160.1 million of which $9,407.6 million was not yet drawn, as set out below.

$ million Funding facilities	Total facility	Drawn	Undrawn
Less than 1 year *	10,946.8	3,045.1	7,901.7
1-2 years	3,336.3	1,914.2	1,422.1
2-5 years and above	4,877.0	4,793.2	83.8
Total	**19,160.1**	**9,752.5**	**9,407.6**

* Includes $6,000.0 million, which the group has secured as the acquisition facility for the proposed Cairn India acquisition in respect of which all conditions precedent had been met. This is repayable between 1 to 5 years in different tranches.

At 31st March 2010, the Group had access to funding facilities of $11,378.4 million of which $3,204.8 million was not yet drawn, as set out below.

$ million Funding facilities	Total facility	Drawn	Undrawn
Less than 1 year	2,843.9	996.2	1,847.7
1-2 years	516.9	516.9	-
2-5 years and above	8,017.6	6,660.5	1,357.1
Total	**11,378.4**	**8,173.6**	**3,204.8**

(b) Foreign currency

The Group's presentation currency is the US dollar. The majority of the assets are located in India and the Indian Rupee is the functional currency for the Indian operating subsidiaries.

Foreign currency exposures are managed through the Group-wide hedging policy, which is reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. Natural hedges available in the business are identified at each entity level and hedges are placed only for the net exposure. Short-term net exposures are hedged progressively based on their maturity. A more conservative approach has been adopted for project expenditures to avoid budget overruns. Longer term exposures are unhedged. Stop losses and take profit triggers are implemented to protect entities from adverse market movements at the same time enabling them to encash in favourable market opportunities. Vedanta has hedged some of its US dollar borrowings into other foreign currency borrowings by entering into cross-currency swaps.

The carrying amount of the Group's financial assets and liabilities in different currencies are as follows:

	At 31 March 2011		At 31 March 2010	
$ million	**Financial assets**	**Financial liabilities**	**Financial assets**	**Financial liabilities**
USD	884.6	8,849.2	1,618.9	9,314.0
INR	7,959.4	4,260.9	6,508.4	1,690.6
Kwacha	44.4	27.5	59.2	22.8
JPY	93.5	8.7	-	(1.0)
AUD	5.6	23.1	15.7	14.3
CAD	249.2	-	169.0	-
EURO	134.9	116.4	0.9	71.0
ZAR	62.3	63.5	-	-
NAD	129.3	45.7	-	-
Others	11.5	16.6	8.5	10.7
Total	**9,574.7**	**13,411.6**	**8,380.6**	**11,122.4**

The Group's exposure to foreign currency arises where a Group company holds monetary assets and liabilities denominated in a currency different to the functional currency of that entity with US dollar being the major foreign currency exposure of the Group's main operating subsidiaries. Set out below is the impact of a 10% change in the US dollar on profit and equity arising as a result of the revaluation of the Group's foreign currency financial instruments:

			31 March 2011
$ million	**Closing exchange rate**	**Effect of 10% strengthening of US dollar on net earnings**	**Effect of 10% strengthening of US dollar on total equity**
INR	44.65	(167.7)	(190.3)
Australian dollar	0.9680	0.9	0.9
Kwacha	4,770	1.5	1.5

	31 March 2010		
$ million	**Closing exchange rate**	**Effect of 10% strengthening of US dollar on net earnings**	**Effect of 10% strengthening of US dollar on total equity**
INR	45.14	(131.5)	(193.9)
Australian dollar	1.0922	1.4	1.4
Kwacha	4,820	3.3	3.3

The sensitivities are based on financial assets and liabilities held at 31 March 2011 where balances are not denominated in the functional currency of the respective subsidiaries. The sensitivities do not take into account the Group's sales and costs and the results of the sensitivities could change due to other factors such as changes in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

(c) Interest risk

At 31 March 2011, the Group's net debt of $1,970.3 million (2010: $947.1 million net debt) comprises of cash, cash equivalents and liquid investments of $7,777.0 million (2010: $7,239.4 million) offset by debt of $9,752.5 million (2010: $8,186.5 million).

The Group is exposed to interest rate risk on short-term and long-term floating rate instruments and on the refinancing of fixed rate debt. The Group's policy is to maintain a balance of fixed and floating interest rate borrowings and the proportion of fixed and floating rate debt is determined by current market interest rates. As at 31 March 2011, 59.3% (2010: 57.7%) of the total debt was at a fixed rate and the balance was at a floating rate. The floating rate debt is largely linked to US dollar LIBOR. The Group also aims to minimise its average interest rates on borrowings by opting for a higher proportion of long-term debt to fund growth projects. The Group invests cash and liquid investments in short-term deposits and debt mutual funds, some of which generate a tax-free return, to achieve the Group's goal of maintaining liquidity, carrying manageable risk and achieving satisfactory returns.

Floating rate financial assets are largely mutual fund investments which have debt securities as underlying asset. The returns from these financial assets are linked to market interest rate movements; however the counterparty invests in the agreed securities with known maturity tenure and return and hence has manageable risk.

The exposure of the Group's financial assets to interest rate risk is as follows:

	At 31 March 2011				At 31 March 2010			
	Floating rate financial assets	**Fixed rate financial assets**	**Equity Investments**	**Non-interest bearing financial assets**	**Floating rate financial assets**	**Fixed rate financial assets**	**Equity Investments**	**Non-interest bearing financial assets**
Financial assets	5,091.9	2,362.4	278.2	1,701.9	5,783.7	1,235.2	201.2	1,106.4
Derivative assets	-	-	-	140.3	-	-	-	54.1
Total financial assets	**5,091.9**	**2,362.4**	**278.2**	**1,842.2**	**5,783.7**	**1,235.2**	**201.2**	**1,160.5**

The exposure of the Group's financial liabilities to interest rate risk is as follows:

	At 31 March 2011			At 31 March 2010		
	Floating rate financial liabilities	**Fixed rate financial liabilities**	**Non-interest bearing financial liabilities**	**Floating rate financial liabilities**	**Fixed rate financial liabilities**	**Non-interest bearing financial liabilities**
Financial liabilities	3,820.6	6,363.4	3,124.1	4,339.6	4,890.2	1,809.4
Derivative liabilities	-	-	103.5	-	-	83.2
Total financial liabilities	**3,820.6**	**6,363.4**	**3,227.6**	**4,339.6**	**4,890.2**	**1,892.6**

The weighted average interest rate on the fixed rate financial liabilities is 7.4% (2010: 6.7%) and the weighted average period for which the rate is fixed is 3.4 years (2010: 5.6 years).

Considering the net debt position as at 31 March 2011 and the investment in bank deposits and debt mutual funds, any increase in interest rates would result in a net loss and any decrease in interest rates would result in a net gain. The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date.

The below table illustrates the impact of a 0.5% to 2.0% decrease in interest rate of borrowings on profit and equity and represents management's assessment of the possible change in interest rates.

At 31 March 2011

Decrease in interest Rates	Effect on net earnings (in $ million)	Effect on total equity (in $ million)
	US dollar interest rate	US dollar interest rate
0.5%	12.7	12.7
1.0%	25.3	25.3
2.0%	50.7	50.7

At 31 March 2010

Decrease in interest Rates	Effect on net earnings (in $ million)	Effect on total equity (in $ million)
	US dollar interest rate	US dollar interest rate
0.5%	10.9	10.9
1.0%	21.7	21.7
2.0%	43.4	43.4

(d) Credit risk

The Group is exposed to credit risk from trade receivables, liquid investments and other financial instruments.

The Group has clearly defined policies to mitigate counterparty risks. Cash and liquid investments are held primarily in mutual funds and banks with good credit ratings. Defined limits are in place for exposure to individual counterparties in case of mutual fund houses and banks.

The large majority of receivables due from third parties are secured. Moreover, given the diverse nature of our businesses trade receivables are spread over a number of customers with no significant concentration of credit risk. No single customer accounted for 10% or more of the Group's net sales or for any of the Group's primary businesses during the year ended 31 March 2011 and in the previous year. The history of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, the Group does not expect any material risk on account of non-performance by any of our counterparties.

The Group's maximum exposure to credit risk at 31 March 2011 is $9,574.7 million (2010: $8,380.6 million).

Of the year end trade and other receivable balance the following were past due but not impaired as at 31 March 2011

$ million	2011	2010
Less than 1 month	14.2	200.2
Between 1 - 3 months	6.1	68.2
Between 3 - 12 months	8.7	31.3
Greater than 12 months	17.0	8.9
Total	**46.0**	**308.6**

Derivative financial instruments

The fair value of all derivatives is separately recorded on the balance sheet within other financial assets (derivatives) and other financial liabilities (derivatives), current and non current. In addition, the derivative component of certain convertible bonds is shown as part of the overall convertible bond liability (see Note 27). Derivatives that are designated as hedges are classified as current or non-current depending on the maturity of the derivative.

Embedded derivatives

Derivatives embedded in other financial instruments or other contracts are treated as separate derivative contracts, when their risks and characteristics are not closely related to those of their host contracts.

Cash flow hedges

The Group also enters into forward exchange and commodity price contracts for hedging highly probable forecast transactions and accounts for them as cash flow hedges and states them at fair value. Subsequent changes in fair value are recognised in equity until the hedged transactions occur, at which time the respective gains or losses are transferred to the income statement.

The fair value of the Group's open derivative positions at 31 March 2011, recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

$ million	As at 31 March 2011		As at 31 March 2010	
	Liability	**Asset**	**Liability**	**Asset**
Current				
Cash flow hedges				
- Commodity contracts	-	-	-	-
- Forward foreign currency contracts	(0.2)	8.1	(10.2)	3.9
- Interest rate swap (floating to fixed)	-	-	-	-
Fair value hedges				
- Commodity contracts	(3.3)	0.2	(0.8)	-
- Forward foreign currency contracts	-	0.3	(6.3)	3.9
-Interest rate swap	-	-	-	-
- Others(Foreign Currency Swap)	-	-	(12.1)	-
Non Qualifying hedges				
- Commodity contracts	(5.0)	3.1	(1.0)	2.6
- Forward foreign currency contracts	(0.8)	29.2	(8.1)	-
Total	**(9.3)**	**40.9**	**(38.5)**	**10.4**
Non-current				
Fair value hedges				
- Forward foreign currency contracts	-	-	-	-
- Interest rate swap	-	-	-	-
- Others(Foreign Currency Swap)	(94.2)	99.4	(44.7)	43.7
Total	**(94.2)**	**99.4**	**(44.7)**	**43.7**
Grand Total	**(103.5)**	**140.3**	**(83.2)**	**54.1**

The majority of cash flow hedges taken out by the Group during the year comprise forward foreign currency contracts for firm future commitments.

Non-qualifying hedges

The majority of these derivatives comprise copper sale and purchase contracts at Sterlite custom smelting operations which are economic hedges but which do not fulfil the requirements for hedge accounting of IAS 39 Financial Instruments: Recognition and Measurement.

Fair value hedges

The fair value hedges relate to forward covers taken to hedge currency exposure on purchase of raw materials & capital imports.

Hedging reserves reconciliation

$ million	Hedging reserves	Non-controlling interests *	Total
At 1 April 2009	**(39.6)**	**(1.3)**	**(40.9)**
Amount recognised directly in equity	40.7	6.1	46.8
Amount charged to income statement	28.4	9.2	37.6
Exchange difference	(1.7)	0.9	(0.8)
At 1 April 2010	**27.8**	**14.9**	**42.7**
Amount recognised directly in equity	7.7	(3.9)	3.7
Amount charged to income statement	2.3	(3.3)	(1.1)
Exchange difference	0.4	0.0	0.4
At 31 March 2011	**38.2**	**7.7**	**45.7**

29. Provisions

$ million	Restoration, rehabilitation and environmental	KCM Copper Price Participation	Other	Total
At 1 April 2009	**37.0**	**115.7**	**19.7**	**172.4**
(Credited)/charged to income statement	(14.9)	13.7	(4.9)	(6.1)
Unwinding of discount	0.2	3.9	0.2	4.3
Cash paid	0.6	(7.9)	0.5	(6.8)
Exchange differences	2.4		2.3	4.7
At 1 April 2010	**25.3**	**125.4**	**17.8**	**168.5**
Acquisition	121.2	-	19.3	140.5
(Credited)/charged to income statement	2.2	(0.9)	1.1	2.4
Unwinding of discount	0.7	6.6	0.7	7.9
Cash paid	0.1	-	3.9	4.0
Exchange differences	0.9	-	-	0.9
At 31 March 2011	**150.4**	**131.1**	**42.8**	**324.3**
Current 2011	-	-	22.8	22.8
Non-current 2011	150.4	131.1	20.0	301.5
	150.4	**131.1**	**42.8**	**324.3**
Current 2010	-	-	0.9	0.9
Non-current 2010	25.3	125.4	16.9	167.6
	25.3	**125.4**	**17.8**	**168.5**

Restoration, rehabilitation and environmental

The provisions for restoration, rehabilitation and environmental liabilities represent the Directors' best estimate of the costs which will be incurred in the future to meet the Group's obligations under existing Indian, Australian,Zambian, Namibian, South African and Irish law and the terms of the Group's mining and other licences and contractual arrangements. These amounts become payable on closure of mines and are expected to be incurred over a period of 3 to 20 years.

KCM Copper Price Participation

KCM Copper Price Participation relates to provision in respect of a price participation agreement in Zambia which requires KCM to pay ZCCM an agreed annual sum when copper price exceeds specified levels and specific triggers. The timing of the outflow is dependent on future copper prices as well as dividends paid.

Other

Other includes provision on post retirement medical benefits and insurance claim receivables.

30. Deferred tax

The Group has accrued significant amounts of deferred tax. The majority of the deferred tax liability represents accelerated tax relief for the depreciation of capital expenditure and the depreciation on mining reserves created on acquisitions, net of losses carried forward by KCM

The amounts of deferred taxation on temporary differences, provided and not provided, in the accounts are as follows:

Provided – liabilities/ (assets)

$ million	As at 31 March 2011	As at 31 March 2010
Accelerated capital allowances	1,773.9	1,639.0
Unutilised tax losses	(377.3)	(406.9)
Other temporary differences	(66.7)	(31.7)
	1,329.9	**1,200.4**
Recognised as:		
Deferred tax liability provided	1,348.1	1,209.3
Deferred tax asset recognised	(18.2)	(8.9)
	1,329.9	**1,200.4**

Unrecognised deferred tax assets

$ million	As at 31 March 2011	As at 31 March 2010
Unutilised tax losses	(252.0)	(128.4)

The above relates to the tax effect of $ 356.9 million (2010: 190.2 million) of unutilised tax losses of the Company and VRHL which have no expiry period and $ 490.8 million (2010: 223.5 million) of unutilised tax losses and capital allowances for VAL. No benefit has been recognised for these items on the grounds that their successful application against future profits is not probable in foreseeable future.

Deferred tax asset

$ million	As at 31 March 2011	As at 31 March 2010
At 1 April	**8.9**	**11.2**
Credited / (Charged) to income statement	17.3	(2.2)
Charged directly to equity	(8.3)	-
Foreign exchange differences	0.3	(0.1)
At 31 March	**18.2**	**8.9**

The Group has $ 1,234.9 million of unutilised tax losses at KCM (2010: $1,356.3 million) which expire in the period 2016 to 2019 and have been offset against accelerated capital allowances at the same entity.

Deferred tax liability

$ million	As at 31 March 2011	As at 31 March 2010
At 1 April 2010	**1,209.3**	**1,010.6**
Addition due to acquisition	195.9	160.6
Credited to income statement	(62.6)	(101.2)
Charged directly to equity	2.3	8.5
Foreign exchange differences	14.1	124.6
Prior year adjustments	(10.9)	6.2
At 31 March 2011	**1,348.1**	**1,209.3**

No deferred tax has been recognised in respect of temporary differences associated with investments in subsidiaries where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with such investments in subsidiaries is represented by the contribution of those investments to the Group's retained earnings and amounted to $3,966.1 million (2010: $3,076.6 million).

31. Share based payments

Employee share schemes

The Group aims to provide superior rewards for outstanding performance and a high proportion of 'at risk' remuneration for Executive Directors. Three employee share schemes were approved by shareholders on Listing. The Board has no present intention to introduce any further share schemes.

The Vedanta Resources Long-Term Incentive Plan (the 'LTIP')

The LTIP is the primary arrangement under which share-based incentives are provided to the Executive Directors and the wider management group. The maximum value of shares that can be conditionally awarded to an Executive Director in a year is 100% of annual salary. In respect of Messrs Navin Agarwal and MS Mehta, salary means the aggregate of their salary payable by Vedanta and their gross salary payable by Sterlite. The maximum value of shares that can be awarded to members of the wider management group is calculated by reference to the base salary, share based remuneration already received and consistent with local market practice.

The performance condition attaching to outstanding awards under the LTIP is that the Company's performance, measured in terms of Total Shareholder Return ('TSR') (being the movement in a company's share price plus reinvested dividends), is compared over the performance period with the performance of the companies as defined in the scheme from the date of grant. The extent to which an award vests will depend on the Company's TSR rank against a group of peer companies ("Adapted Comparator Group") at the end of the performance period. The vesting schedule is shown in the table below, with adjusted straight-line vesting in between the points shown and rounding down to the nearest whole share.

Vedanta's TSR Performance against Adapted Comparator Group

	% of award vesting
Below median	-
At median	40
At or above upper quartile	100

The performance condition will be measured by taking the Company's TSR over the four weeks immediately preceding the date of grant and over the four weeks immediately preceding the end of the performance period, and comparing its performance with that of the comparator group described above. The information to enable this calculation to be carried out on behalf of the Remuneration Committee ('the Committee') will be provided by the Company's advisers. The Committee considers that this performance condition, which requires that the Company's total return has out-performed a group of companies chosen to represent the mining sector, provides a reasonable alignment of the interests of the Executive Directors and the wider management group with those of the shareholders.

No awards will vest unless the Committee is satisfied that the Company's TSR performance reasonably reflects the Company's underlying financial performance.

Initial awards under the LTIP were granted on 26 February 2004 with further awards being made on 11 June 2004, 23 November 2004, 1 February 2006, 1 February 2007, 14 November 2007,1 February 2009, 1 August 2009, 1 January 2010, 1 April 2010, 1 July 2010, 1 October 2010 and 1 January 2011. The exercise price of the awards is 10 US cents per share and the performance period is one year for the February 2007 awards and three years for all other awards, with no re-testing being allowed. The exercise period is six months from the date of vesting. Further details on the LTIP would be available in the Remuneration Report of the Annual Report for FY 2011.

Year of Grant	Exercise Date	Exercise price US cents per share	Options outstanding 1 April 2010	Options granted during the year	Options lapsed during the year	Options lapsed during the year owing to performance conditions	Options exercised during the year	Options outstanding at 31 March, 2011
2007	14 November 2010 to 14 May 2011	10	1,302,649		44,200	460,339	735,088	63,022
2009	1 February 2012 - 1 August 2012	10	11,200		11,200			
2009	1 August 2012 – 1 February 2013	10	2,348,150		189,800	21,027	3,160	2,134,163
2010	1 January 2013 – 1 July 2013	10	14,000					14,000
2010	1 April 2013 – 1 September 2013	10		4,000	4,000			
2010	1 July 2013 – 1 December 2013	10		7,500				7,500
2010	1 October 2013 – 1 March 2014	10		6,700				6,700
2011	1 January 2014 – 1 July 2014	10		2,700				2,700
			3,675,999	**20,900**	**249,200**	**481,366**	**738,248**	**2,228,085**

As at 31 March 2011 all the options granted on 1 February 2009 and 1 April 2010, were lapsed and all the remaining unexercised options granted on 14 November 2007, 1 August 2009, 1 January 2010, 1 July 2010, 1 October 2010 and 1 January 2011 remain unexercised. The Weighted average share price for the share options exercised during the £ 23.86.

All share-based awards of the Group are equity-settled as defined by IFRS 2 "Share Based Payment". The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using the Monte Carlo model with suitable modifications to allow for the specific performance conditions of the LTIP. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends and the risk free rate of interest. A progressive dividend growth policy is assumed in all fair value calculations. Expected volatility has been calculated using historical share prices over the period to date of grant that is commensurate with the performance period of the option. The share prices of the mining companies in the Adapted Comparator Group have been modelled based on historical price movements over the period to date of grant which is also commensurate with the performance period for the option. The history of share prices is used to determine the volatility and correlation of share prices for the companies in the Adapted Comparator Group and is needed for the Monte Carlo simulation of their future TSR performance relative to the Company's TSR performance. All options are assumed to be exercised six weeks after vesting.

The assumptions used in the calculations of the charge in respect of the LTIP awards granted during the year are set out below:

	LTIP April 2010	LTIP July 2010	LTIP October 2010	LTIP January 2011
Date of grant	1-Apr-10	1-Jul-10	1-Oct-10	1-Jan-11
Number of instruments	4,000	7,500	6,700	2,700
Exercise price	US $ 0.10	US $ 0.10	US $ 0.10	US $ 0.10
Share price at the date of grant	GBP £27.76	GBP £21.25	GBP £21.65	GBP £25.17
Contractual life	3 Years	3 Years	3 Years	3 Years
Expected volatility	70%	70%	70%	70%
Expected option life	3.2 Years	3.2 Years	3.2 Years	3.2 Years
Expected dividends	1.4% pa	1.4% pa	1.4% pa	1.4% pa
Risk free interest rate	2.3% pa	2.3% pa	2.3% pa	2.3% pa
Expected annual forfeitures	13.5% pa	13.5% pa	13.5% pa	13.5% pa
Fair value per option granted	GBP £18.925	GBP £14.487	GBP £14.760	GBP £17.160

The Group recognised total expenses of $18.4 million and $15.6 million related to equity settled share based payment transactions in the year ended 31 March 2011 and 31 March 2010 respectively.

32. Retirement benefits

The Group operates pension schemes for the majority of its employees in India, Australia, Africa and Ireland.

(a) Defined contribution schemes

Indian pension schemes

Central Provident Fund

The Central Provident Fund relates to all full time Indian employees of the Group. The amount contributed by the Group is a designated percentage of 12% of basic salary less contributions made as part of the Pension Fund (see below), together with an additional contribution of 12% of salary made by the employee.

The benefit is paid to the employee on their retirement or resignation from the Group.

Superannuation

Superannuation, another pension scheme applicable in India, is applicable only to senior executives. Certain companies hold policies with the Life Insurance Corporation of India ("LIC"), to which they contribute a fixed amount relating to superannuation, and the pension annuity is met by the LIC as required, taking into consideration the contributions made. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

Pension Fund

The Pension Fund was established in 1995 and is managed by the Government. The employee makes no contribution to this fund but the employer makes a contribution of 8.33% of salary each month subject to a specified ceiling per employee. This must be provided for every permanent employee on the payroll.

At the age of superannuation, contributions cease and the individual receives a monthly payment based on the level of contributions through the years, and on their salary scale at the time they retire, subject to a maximum ceiling of salary level. The Government funds these payments, thus the Group has no additional liability beyond the contributions that it makes, regardless of whether the central fund is in surplus or deficit.

Australian Pension Scheme

The Group also operates defined contribution pension schemes in Australia. The contribution of a proportion of an employee's salary into a superannuation fund is a compulsory legal requirement in Australia. The employer contributes 9% of the employee's gross remuneration where the employee is covered by the industrial agreement and 12% of the basic remuneration for all other employees, into the employee's fund of choice. All employees have the option to make additional voluntary contributions.

Zambian Pension Scheme

The KCM Pension Scheme is applicable to full time permanent employees of KCM (subject to the fulfilment of certain eligibility criteria). The management of the scheme is vested in the trustees consisting of representatives of the employer and the members. The employer makes a monthly contribution to the KCM Pension Scheme of an amount equal to 11% of that month's pensionable salary and the member makes monthly contributions to the fund of an amount equal to 5% of that month's pensionable salary.

All contributions to the KCM Pension Scheme in respect of a member cease to be payable when the member attains normal retirement age of 55 years, or upon leaving the service of the employer, or when the member is permanently medically incapable of performing duties in the service of the employer. Upon such cessation of contribution on the grounds of normal retirement, or being rendered medically incapable of performing duties, or early voluntary retirement within five years of retirement, the member is entitled to receive an immediate annual pension equal to his accrued pension. The member is allowed to commute his/her accrued pension subject to certain rules and regulations. The trustees of the KCM Pension Scheme may also allow the purchase of an annuity for the benefit of members from a life assurance company or other providers of annuities, subject to statutory regulations.

The Group has no additional liability beyond the contributions that it makes, regardless of whether the KCM Pension Scheme is in surplus or deficit. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

Skorpion Zinc, Namibia Provident Fund

The Skorpion Zinc Provident Fund is a defined contribution fund and is compulsory to all full time employees under the age of 60. Company contribution to the fund is a fixed percentage of 8% per month of pensionable salary, whilst the employee contribute 7% with the option of making additional contributions, over and above the normal contribution, up to a maximum of 12%.

Normal retirement age is 60 years and benefit payable is the members fund credit which is equal to all employer and employee contributions plus interest. The same applies when an employee resigns from the company. The Fund provides disability cover which is equal to the member's fund credit and a death cover of 2 times annual salary in the event of death before retirement. The latest actuarial value was performed at 28 February 2011. At that date the Fund was credit. Current membership total is 721.

Black Mountain (Pty) Limited, South Africa Pension & Provident Funds

Black Mountain Mining (Pty) Ltd has two retirement funds, both administered by Alexander Forbes, a registered financial service provider. Both funds form part of the Alexander Forbes umbrella fund and are defined contribution funds. The purpose of the funds is to provide retirement and death benefits to all eligible employees.

Lisheen Mine, Ireland Pension Funds

Lisheen Pension Plan is for all employees. Lisheen pays 5% and employees pays 5% with the option to contribute AVC's if desired. Executive contributions 15% by company and 15% by the employee with the option to contribute AVC's if desired. Death benefit is three times salary for employees and four times salary for executives. Pension and Life Cover ceases at 65.

(b) Defined benefit schemes

India

The Gratuity schemes are defined benefit schemes which are open to all Group employees in India who have a minimum of five years of service with their employing company. These schemes are funded by the Group in some subsidiaries. Based on actuarial valuation, a provision is recognised in full for the projected obligation over and above the funds held in scheme. In case where there is no funding held by the scheme, full provision is recognised in the balance sheet. Under these schemes, benefits are provided based on final pensionable pay.

The assets of the schemes are held in separate funds and a full actuarial valuation of the schemes is carried out on an annual basis.

MALCO

MALCO contributes to the LIC Fund based on an actuarial valuation every year. MALCO's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2011 using the projected unit credit actuarial method. At that date the fund was in deficit.

BALCO

At BALCO, all employees who are scheduled to retire on or before 31 March 2011 are covered by the LIC and remaining contributions to the LIC have been made upto 31 March 2013 and have been accounted for on a defined contribution basis. The Gratuity scheme is accounted for as a defined benefit scheme for all employees scheduled to retire after 31 March 2013 and who are not covered by the LIC. A provision is recognised based on the latest actuarial valuation which was performed as at 31 March 2011 using the projected unit actuarial method. At that date the fund was in deficit.

HZL

HZL contributes to the LIC based on an actuarial valuation every year. HZL's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2011 using the projected unit actuarial method. At that date the fund was in deficit.

VAL

VAL contributes to the LIC based on an actuarial valuation. Liabilities with regard to the Gratuity scheme are fully provided in the Balance Sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2011 using the projected unit actuarial method. At that date the fund was in deficit.

TSPL

TSPL contributes to the LIC based on an actuarial valuation. Liabilities with regard to the Gratuity scheme are fully provided in the Balance Sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2011 using the projected unit actuarial method.

Sterlite

Sterlite does not contribute to the LIC. Liabilities with regard to the Gratuity scheme are fully provided in the Balance Sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2011 using the projected unit actuarial method. At that date the fund was in deficit.

Sesa Goa

Sesa Goa contributes to the LIC based on actuarial valuation every year. Sesa Goa's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2011 using the projected unit actuarial method. At that date the fund was in deficit.

Zambia

Specified permanent employees of KCM are entitled to receive medical and retirement severance benefits. This comprises two months' basic pay for every completed year of service with an earliest service start date of 1 July 2004. Under this scheme, benefits are provided based on final pensionable pay and a full actuarial valuation of the scheme is carried out on an annual basis. The accruals are not contributed to any fund and are in the form of provisions in KCM's accounts.

On the death of an employee during service, a lump sum amount is paid to his dependants. This amount is equal to sixty months' basic pay for employees who joined before 1 April 2000 and thirty months' basic pay for employees who joined on or after 1 April 2000. For fixed term contract employees, the benefit payable on death is thirty months' basic pay

As at 31 March 2011, membership of pension schemes across MALCO, BALCO, HZL, VAL, Sterlite, Sesa and KCM stood at 28,905 employees (31 March 2010: 29,637). The deficits, principal actuarial assumptions and other aspects of these schemes are disclosed in further detail in notes (d) and (e) below.

(c) Pension scheme costs

Contributions of $41.2 million and $ nil million in respect of defined benefit schemes were outstanding and prepaid respectively as at 31 March 2011 (2010: $36.7 million and $ nil million respectively)

Contributions to pension schemes in the year ending 31 March 2012 are expected to be around $9.8 million.

$ million **Pension Scheme Costs**	**Year ended 31 March 2011**	**Year ended 31 March 2010**
Defined contribution pension schemes	22.3	17.7
Defined benefit pension schemes	29.3	20.5
	51.6	**38.2**

(d) Principal actuarial assumptions.

Principal actuarial assumptions used to calculate the defined benefit schemes' liabilities are:

	MALCO		BALCO		Sterlite		HZL		KCM		VAL		Sesa Goa	
Particulars	**Mar-11**	**Mar-10**	**Mar-11**	**Mar-10**	**Mar-11**	**Mar-10**	**Mar-11**	**Mar-10**	**Mar-11**	**Mar-10**	**Mar-11**	**Mar-10**	**Mar-11**	**Mar-10**
Discount rate	7.5%	7.5%	8.0%	7.5%	8.0%	7.5%	8.0%	7.5%	16.95 %	18.6 %	8.0%	7.5%	8.0%	8.0%
Salary increases	6.0%	6.0%	5.0 % for office staff, 3.0 % Non office	5.0 % for office staff, 3.0 % Non office	5.5%	5.0%	5.5%	5.0%	5.0%	5.0%	5.5%	5.5%	5.0%-7.0%	5.0% - 7.0%
Funding rate of return	-	-	9.4%	-	7.5%	7.5%	9.5%	9.0%	-	-	8.0%	7.5%	8.0%-9.4%	8.0% - 9.3%
Number of employees	78	133	4,167	4,843	1,765	1,839	6,642	6,805	9,366	9,790	3,395	3,180	3,277	3,047

Assumptions regarding mortality for Indian entities are based on mortality table of LIC (1994-96) as subsequently modified.

Assumptions regarding mortality for KCM are based on World Health Organisation Life Tables for 1999 applicable to Zambia which has been taken as a reference point. Based on this a mortality table which is appropriate for the workers of Konkola Copper Mines plc has been derived.

(e) Balance sheet recognition

The amounts included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes are as follows:

	31-Mar-11								31-Mar-10							
$ million	**MALCO**	**BALCO**	**Sterlite**	**HZL**	**KCM**	**VAL**	**Sesa Goa**	**Total**	**MALCO**	**BALCO**	**Sterlite**	**HZL**	**KCM**	**VAL**	**Sesa Goa**	**Total**
Fair value of pension scheme assets	0.2	1.7	2.3	25.8	-	1.3	8.0	39.3	-	-	1.9	22.9	-	0.3	7.5	32.6
Present value of pension scheme liabilities	-	(23.5)	(3.9)	(38.5)	(19.6)	(0.8)	(9.8)	(96.1)	(0.2)	(13.3)	(3.2)	(27.5)	(16.1)	(0.4)	(8.6)	(69.3)
Deficit in pension scheme recognised in balance sheet	**0.2**	**(21.8)**	**(1.6)**	**(12.7)**	**(19.6)**	**0.5**	**(1.8)**	**(56.8)**	**(0.2)**	**(13.3)**	**(1.3)**	**(4.6)**	**(16.1)**	**(0.1)**	**(1.1)**	**(36.7)**
Deferred tax	(0.1)	7.1	0.5	4.0	6.4	(0.1)	0.6	18.4	0.1	4.5	0.4	1.5	5.5	-	0.4	12.4
Net pension liability	**0.1**	**(14.7)**	**(1.1)**	**(8.7)**	**(13.2)**	**0.4**	**(1.2)**	**(38.4)**	**(0.1)**	**(8.8)**	**(0.9)**	**(3.1)**	**(10.6)**	**(0.1)**	**(0.7)**	**(24.3)**

(f) Amounts recognised in income statement in respect of defined benefit pension schemes:

	31-Mar-11								31-Mar-10							
Particulars	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total
Current service cost	0.1	0.5	0.4	1.6	1.6	0.2	0.5	4.9	-	0.5	0.3	1.2	2.5	0.2	0.4	5.1
Actuarial (gains)/losses	0.1	5.2	0.3	11.0	2.6	0.2	1.0	20.4	(0.1)	1.9	0.7	3.4	5.1	-	0.3	11.3
Expected return on scheme assets	-	(0.2)	(0.1)	(2.2)	-	-	-	(2.5)	-	-	(0.1)	(1.7)	-	-	-	(1.8)
Interest cost of scheme liabilities	-	0.8	0.3	2.2	2.7	-	0.7	6.7	-	0.8	0.2	1.6	2.7	-	0.6	5.9
Total charge/(credit) to income statement	**0.2**	**6.3**	**0.9**	**12.6**	**6.9**	**0.4**	**2.2**	**29.5**	**(0.1)**	**3.2**	**1.1**	**4.5**	**10.3**	**0.2**	**1.3**	**20.5**

(g) Movements in the present value of defined benefit obligations

The movement during the year ended 31 March 2011 of the present value of the defined benefit obligation was as follows:

	31-Mar-11								31-Mar-10							
Particulars	**MALCO**	**BALCO**	**Sterlite**	**HZL**	**KCM**	**VAL**	**Sesa Goa**	**Total**	**MALCO**	**BALCO**	**Sterlite**	**HZL**	**KCM**	**VAL**	**Sesa Goa**	**Total**
At 1 April 10	**(0.2)**	**(13.3)**	**(3.2)**	**(27.5)**	**(16.1)**	**(0.4)**	**(8.6)**	**(69.3)**	**(0.5)**	**(12.0)**	**(2.0)**	**(19.3)**	**(13.9)**	**(0.2)**	**(5.0)**	**(52.9)**
At acquisition							-	-							(2.0)	(2.0)
Current service cost	(0.1)	(0.5)	(0.4)	(1.6)	(1.6)	(0.2)	(0.5)	(4.9)	-	(0.5)	(0.3)	(1.2)	(2.5)	(0.2)	(0.4)	(5.1)
Gratuity benefits paid	0.2	5.6	0.3	4.2	3.4	-	1.0	14.7	0.3	3.3	0.3	0.8	8.0	-	0.5	13.2
Interest cost of scheme liabilities	-	(0.8)	(0.3)	(2.2)	(2.7)	-	(0.7)	(6.7)	-	(0.8)	(0.2)	(1.6)	(2.7)	-	(0.6)	(5.9)
Actuarial gains/(losses)	(0.1)	(5.2)	(0.3)	(11.0)	(2.6)	(0.2)	(1.0)	(20.4)	0.1	(1.9)	(0.7)	(3.4)	(5.1)	-	(0.3)	(11.3)
Exchange difference	0.2	(9.3)	-	(0.4)	-	-	-	(9.5)	(0.1)	(1.5)	(0.3)	(2.8)	-	-	(0.8)	(5.5)
At 31 March 11	**-**	**(23.5)**	**(3.9)**	**(38.5)**	**(19.6)**	**(0.8)**	**(9.8)**	**(96.1)**	**(0.2)**	**(13.3)**	**(3.2)**	**(27.5)**	**(16.1)**	**(0.4)**	**(8.6)**	**(69.3)**

(h) Movements in the fair value of scheme assets

$ million	As at 31 March 2011	As at 31 March 2010
At 1 April	**32.6**	**23.4**
Acquisition	-	2.4
Contributions received	11.5	15.5
Benefits paid	(14.7)	(13.2)
Expected return on plan asset	2.6	1.8
Foreign exchange differences	7.3	2.7
At 31 March	**39.3**	**32.6**

(i) Five year history

Defined benefit pension plan

$ million	As at 31 Mar 11	As at 31 Mar 10	As at 31 Mar 09	As at 31 Mar 08	As at 31 Mar 07
Experience (losses)/gains arising on scheme liabilities	(20.4)	(11.3)	7.8	1.4	2.9
Difference between expected and actual return on plan assets	-	-	0.1	-	(0.1)
Fair value of pension scheme assets	39.3	32.6	23.6	26.8	17.0
Present value of pension scheme liabilities	(96.1)	(69.3)	(52.9)	(69.3)	(52.3)
Deficits in the schemes	(56.8)	(36.7)	(29.3)	(42.5)	(35.3)

33. Share capital

	At 31 March 2011		At 31 March 2010	
Authorised	**Number**	**$ million**	**Number**	**$ million**
Ordinary shares of 10 US cents each	400,000,000	40.0	400,000,000	40.0
Deferred shares of £1 each	50,000	0.0	50,000	0.0
	400,050,000	**40.0**	**400,050,000**	**40.0**

Ordinary shares issued and fully paid	Number	$ million	Number	$ million
Ordinary shares of 10 US cents each	296,845,751	29.7	296,101,246	29.6
Deferred shares of £1 each	50,000	-	50,000	-
	296,895,751	**29.7**	**296,151,246**	**29.6**

During the year ended 31 March 2011, the Company issued 738,248 shares to the employees pursuant to the LTIP scheme (2010: 418,532 shares).

The holders of deferred shares do not have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting. The deferred shares have no rights to dividends and, on a winding-up or other return of capital, entitle the holder only to the payment of the amounts paid on such shares after repayment to the holders of Ordinary Shares of the nominal amount paid up on the Ordinary Shares plus the payment of £100,000 per Ordinary Share. Of the 50,000 deferred shares, one deferred share was issued at par and has been fully paid, and 49,999 deferred shares were each paid up as to one-quarter of their nominal value.

During the year ended 31 March 2011, the Company continued its share buy-back programme and purchased 3,126,133 of its own shares (2010: 11,502,873) which are held in treasury. At 31 March 2011, the total number of shares held in treasury was 24,206,816 (2010: 21,080,683).

34. Business Combinations

On 3 December 2010 Vedanta Resources plc through its subsidiary THL Zinc Limited, acquired 100% equity of Anglo Base Namibia Holdings (Pty) Ltd which is the holding co. of the Skorpion Namibian assets for a total consideration of $ 706.7 million. The operating and financial results of Skorpion Zinc, Namibia have been consolidated effective from 3 December 2010, which was the date of acquisition. Skorpion Zinc, Namibia is invloved in mining and smelting of zinc.

The fair values and business combination accounting set out in this annual report are provisional for the 12 month period from the date of acquisition.

The fair value of the identifiable assets and liabilities of Skorpion Zinc, Namibia as at the date of the acquisition were estimated as follows:

$ million	**Fair value**
Assets	
Non-current assets	
Property, plant and equipment	628.2
Financial assets investments	3.0
Current assets	
Inventories	53.3
Trade and other receivables	3.9
Cash and cash equivalents	119.5
	176.7
Liabilities	
Current liabilities	
Trade and other payables	(21.7)
Current tax liabilities	(0.2)
	(21.9)
Non-current liabilities	
Deferred tax liabilities	(30.6)
Provisions	(48.7)
	(79.3)
Net assets	**706.7**
Satisfied by:	
Cash consideration paid	706.7

Since the date of acquisition, Skorpion Zinc has contributed $112.2 million to the revenue and $18.6 million to the net profit of the Group for the year ended March 2011. If Skorpion Zinc had been acquired at the beginning of the year, the revenue of the Group would have been $342.2 million higher and the net profit of the Group would have been $80.4 million higher.

Acquistion costs related to Skorpion Zinc, charged to income statement is $1.93 million.

On 4 February 2011 Vedanta Resources plc through its subsidiary THL Zinc Limited, acquired 74% equity of Black Mountain Mining (Pty) Ltd for a total consideration of $ 260.2 million. Shareholder's loan from Anglo to Black Mountain Mines was taken over by Vedanta of amount $87.7 million.. The operating and financial results of Black Mountain Mines, South Africa have been consolidated effective from 4 February 2011, which was the date of acquisition. Black Mountain Mines, South Africa holds two key assets, which includes Black Mountain mine and the Gamsberg exploration project

The fair value of the identifiable assets and liabilities of Black Mountain Mines as at the date of the acquisition were provisionally estimated as follows:

$ million	**Fair value**
Assets	
Non-current assets	
Intangibles	162.1
Property, plant and equipment	297.5
Financial assets investments	10.8
	470.4
Current assets	
Inventories	34.8
Trade and other receivables	29.9
Cash and cash equivalents	31.6
	96.3
Liabilities	
Current liabilities	
Borrowings	(117.1)
Trade and other payables	(12.4)
Current tax liabilities	(8.9)
	(138.4)
Non-current liabilities	
Deferred tax liabilities	(124.8)
Provisions	(29.9)
	(154.7)
Net assets	**273.6**
Less: Non controlling recognised on acquisition -	(13.4)
	260.2
Satisfied by:	
Cash consideration paid	260.2

Since the date of acquisition, Black Mountain Mines has contributed $55.3 million to the revenue and $4.9 million to the net profit of the Group for the year ended March 2011. If Black Mountain Mines had been acquired at the beginning of the year, the revenue of the Group would have been $230.5 million higher and the net profit of the Group would have been $53.8 million higher.

Non controlling interest has been measured on a cost basis. Acquistion costs related to Black Mountain Mines, charged to income statement is $0.86 million.

On 15 February 2011 Vedanta Resources plc through its subsidiary THL Zinc Holding BV, acquired 100% equity of Anglo Americal Lisheen Finance Limited for a total consideration of $ 546.2 million. The operating and financial results of Lisheen Mines, Ireland have been consolidated effective from 15 February 2011, which was the date of acquisition. Lisheen Mines, Ireland is mainly invloved in mining and production of zinc concentrate.

The fair value of the identifiable assets and liabilities of Lisheen mines as at the date of the acquisition were estimated as follows:

$ million	Fair value
Assets	
Non-current assets	
Property, plant and equipment	278.9
	278.9
Current assets	
Inventories	18.2
Trade and other receivables	14.8
Cash and cash equivalents	325.2
Liquid investments	37.3
	395.5
Liabilities	
Current liabilities	
Trade and other payables	(22.8)
Current tax liabilities	(3.0)
	(25.8)
Non-current liabilities	
Deferred tax liabilities	(40.5)
Provisions	(61.9)
	(102.4)
Net assets	**546.2**
Satisfied by:	
Cash consideration paid	546.2

Since the date of acquisition, Lisheen Mines has contributed $51.4 million to the revenue and $11.2 million to the net profit of the Group for the year ended March 2011. If Lisheen Mines had been acquired at the beginning of the year, the revenue of the Group would have been $291.9 million higher and the net profit of the Group would have been $101.4 million higher.

Acquistion costs related to Lisheen mines, charged to income statement is $5.7 million.

35. Commitments, guarantees and contingencies

Commitments

The Group has a number of continuing operational and financial commitments in the normal course of business including:

- Exploratory mining commitments;
- Mining commitments arising under production sharing agreements; and
- Completion of the construction of certain assets.

$ million	As at 31 March 2011	As at 31 March 2010
Capital commitments contracted but not provided	3,737.1	4,065.4

Commitments at 31 March 2011 primarily related to the expansion projects at HZL $ 144.2 million (2010: $85.6 million), KCM $ 127.4 million (2010: $180.0 million), VAL $ 538.7 million (2010: $1,013.6 million), SEL $ 121.9 million (2010: $258.6 million), BALCO $516.6 million (2010: $512.8 million) and Talwandi Sabo $ 1,818.4 million (2010: $1,589.4 million).

Guarantees

Companies within the Group provide guarantees within the normal course of business. Guarantees have also been provided in respect of certain short-term and long-term borrowings.

A summary of the most significant guarantees is set out below:

As at 31 March 2011, $240.0 million of guarantees were advanced to banks in the normal course of business (2010: $133.3 million). The Group has also entered into guarantees advanced to the customs authorities in India of $1,077.2 million relating to the export of iron ore and payment of import duties on purchases of raw material (2010: $908.3 million).

Export obligations

The Indian entities of the Group have export obligations of $5,691.7 million (2010: $5,091.2 million) on account of concessional rates of import duty paid on capital goods under the Export Promotion Capital Goods Scheme and under Advance Licence Scheme for import of raw material laid down by the Government of India.

In the event of the Group's inability to meet its obligations, the Group's liability would be $711.6 million (2010: $723.0 million), reduced in proportion to actual exports. This liability is backed by bonds executed in favour of the customs department amounting to $ 1,710.5 million (2010: $958.2 million).

Guarantees to suppliers

The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was $120.0 million at 31 March 2011 (2010: $170.0 million).

Environmental and terminal benefits ('ETB') cash reserve account – KCM

Pursuant to the terms of the shareholders' agreement between VRHL and ZCI dated 5 November 2004, KCM is expected to contribute a minimum of $10 million (with a maximum of $18.0 million) in any financial year to ensure that the amount of ETB liabilities are covered by a cash reserve when the life of the Konkola Ore Body comes to an end. The ETB liabilities refer to KCM's obligations in relation to the environment and any terminal benefits payable to its employees. As at 31 March 2011, ETB liabilities provided for were $86.0 million (2010: $76.0 million), although these liabilities are likely to fluctuate at each future reporting date.

Contingencies

The Company has the following significant contingencies. With regard to the claims against Group companies included below, unless stated, no provision has been made in the financial statements as the Directors believe that it is not probable that the claim will give rise to a material liability.

MALCO claims with Tamil Nadu Electricity Board ('TNEB')

TNEB is claiming $22.6 million from MALCO for an electricity self-generation levy for the period from May 1999 to June 2003. This claim has arisen since the commissioning of MALCO's captive power plant in 1999. The company has sought an exemption from the application of this levy from the Government of Tamil Nadu. The application is under consideration. Meanwhile, the Madras High Court has in its recent Order, remitted back the case to the State of Tamil Nadu, to take a decision afresh on the representation for grant of tax exemption on consumption of electricity and directed to pass a detailed speaking order.

HZL: Department of Mines and Geology

The Department of Mines and Geology of the State of Rajasthan issued several show cause notices in August, September and October 2006 to HZL, totalling $74 million. These notices alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at HZL's Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan during the period from July 1968 to March 2006. HZL believes that the likelihood of this claim becoming an obligation of the company is unlikely and thus no provision has been made in the financial statements. HZL has filed writ petitions in the High Court of Rajasthan in Jodhpur and has obtained a stay in respect of these demands.

RICHTER: Income Tax

The Indian tax authorities have served a show cause notice on an indirect subsidiary of Vedanta Resources plc, Richter Holdings Ltd ('Richter'), for alleged failure to deduct withholding tax on capital gain on the alleged indirect acquisition of shares in Sesa Goa Ltd in April 2007. Richter has applied to the larger bench of the Karnataka High Court to seek to quash the notice in view of the established legal position. The Court has granted stay of proceedings for two months from 19 April 2011. Vedanta believes that neither Richter nor any other member of the Group is liable for such withholding tax and intends to defend this position vigorously.

Miscellaneous Disputes – Sterlite, HZL, MALCO and BALCO

The Indian excise and related indirect tax authorities have made several claims against the above companies for additional excise and indirect duties. The claims mostly relate either to the assessable values of sales and purchases or to incomplete documentation supporting the companies' returns.

The approximate value of claims against the companies total $583.5 million (2010: $380.4 million), of which $6.4 million (2010: $10.4 million) is included as a provision in the balance sheet as at 31 March 2011. In the view of the Directors, there are no significant unprovided liabilities arising from these claims.

36. Related party transactions

The information below sets out transactions and balances between the Group and various related parties in the normal course of business for the year ended 31 March 2011.

Sterlite Technologies Limited ('STL')

$ million	31 March 2011	31 March 2010
Sales to STL	137.8	165.0
Reimbursement of expenses	-	0.1
Purchases	5.3	-
Net Interest Received	0.2	0.1
Net amounts receivable at year end	13.3	4.4

Sterlite Technologies Limited is related by virtue of having the same controlling party as the Group, namely Volcan. Pursuant to the terms of the Shared Services Agreement dated 5 December 2003 entered into by the Company, Sterlite and STL, the Company and Sterlite provide various commercial services in relation to STL's businesses on an arm's length basis and at normal commercial terms. For the year ended 31 March 2011, the commercial services provided to STL were performed by certain senior employees of the Group on terms set out in the Shared Services Agreement. The services provided to STL in this year amounted to $nil (2010: $27,154).

Vedanta Foundation (formerly Sterlite Foundation)

During the year $ 1.7 million was paid to the Vedanta Foundation (2010: $1.1 million).

Vedanta Foundation is a registered not-for-profit entity engaged in computer education and other related social and charitable activities. The major activity of the Vedanta Foundation is providing computer education for disadvantaged students. The Vedanta Foundation is a related party as it is controlled by members of the Agarwal family who control Volcan. Volcan is also the majority shareholder of Vedanta Resources Plc.

Sesa Goa Community Foundation Limited

Following the acquisition of Sesa Goa, the Sesa Goa Community Foundation Limited, a charitable institution, became a related party of the Group on the basis that key management personnel of the Group have significant influence on the Sesa Goa Community Foundation Limited. During the year ended 31 March 2011, $0.7 million (2010: $0.7 million) was paid to the Sesa Goa Community Foundation Limited.

The Anil Agarwal Foundation

During the year, $0.4 million (2010: $0.6 million) was received from the Anil Agarwal Foundation towards reimbursement of administrative expenses. The Anil Agarwal Foundation is a registered not-for-profit entity engaged in social and charitable activities. The Anil Agarwal Foundation is controlled by members of the Agarwal family.

Henry Davis York

$ million	31 March 2011	31 March 2010
Consultancy services	1.2	0.4

Henry Davis York provides consultancy services to a subsidiary of the group. The executive management of Henry Davis York hold a similar office at the said subsidiary

Sterlite Iron and Steel Limited

$ million	31 March 2011	31 March 2010
Reimbursement of expenses	0.1	0.1
Receivable at year end	0.3	-

Sterlite Iron and Steel Limited is a related party by virtue of having the same controlling party as the Group, namely Volcan.

Sterlite Shipping Venture Limited

$ million	31 March 2011	31 March 2010
Reimbursement of expenses	-	0.01

Sterlite Shipping Venture Limited is controlled by members of the Agarwal family.

Vedanta Medical Research Foundation

$ million	31 March 2011	31 March 2010
Donation	9.5	-
Loan balance receivable	-	3.5
Other amount receivable at year end	-	4.5

Vedanta Medical Research Foundation (formerly Vedanta Medical Research Association) is a related party of the Group on the basis that key management personnel of the Group exercise significant influence.

Vedanta University

$ million	31 March 2011	31 March 2010
Reimbursement of expenses	-	(0.1)

Vedanta University is a related party of the Group on the basis that key management personnel of theGroup exercise significant influence.

Volcan Investments Limited

$ million	31 March 2011	31 March 2010
Reimbursement of expenses	0.2	-

Remuneration of key management personnel

The remuneration of the directors and the key management personnel of the Group are set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

$ million	Year ended 31 March 2011	Year ended 31 March 2010
Short-term employee benefits	8.8	8.7
Post employment benefits	0.6	0.5
Share based payments	5.0	9.4
	14.4	**18.6**

37. Share transactions

BALCO Option

The Company purchased a 51.0% holding in BALCO from the Government of India on 2 March, 2001. Under the terms of this shareholder's agreement ("SHA") for BALCO, the Company has a call option that allows it to purchase the Government of India's remaining ownership interest in BALCO at any point from 2 March, 2004. The Company exercised this option on 19 March, 2004. However, the Government of India has contested the validity of the option and the valuation. The Company sought an interim order from the High Court of Delhi to restrain the Government of India from transferring or disposing of its shareholding pending resolution of the dispute. The High Court directed on 7 August, 2006 that the parties attempt to settle the dispute by way of a mediation process as provided for in the SHA. However, as the dispute could not be settled through mediation, it has been referred to arbitration as provided for in the SHA. Arbitration proceedings commenced on 16 February 2009 and final hearing was held between 27 August 2010 and 29 August 2010. In view of the Judgement delivered by the Division Bench of the Bombay High Court on section 111A of the Companies Act, 1956, an additional hearing was held on 9 October 2010 giving opportunity to the parties to make their submissions on the same before the Arbitration Tribunal. The Arbitration Tribunal in its majority award dated 25th January 2011 has rejected the claims of Sterlite on the ground that clauses on call option, right of first refusal, tag along right, restriction on transfer of shares are violative of section 111A(2) of the Companies Act, 1956. Sterlite has on 23rd April 2011, filed an application under section 34 of the Arbitration and Conciliation Act, 1996 in the High Court of Delhi for setting aside the award dated 25th January, 2011 to the extent to which it holds that clause 5.8, 5.3, 5.4 and 5.1(a) of the SHA is void, ineffective and inoperative by virtue of being violative of sub-section (2) of 111A of the Companies Act, 1956. The listing of the application is awaited.

HZL Option

The Company's wholly-owned subsidiary, Sterlite Opportunities and Ventures Limited ("SOVL"), had two call options to purchase all of the Government of India's shares in HZL at fair market value. SOVL exercised the first call option on August 29, 2003 and acquired an additional 18.9% of HZL's issued share capital, increasing its shareholding to 64.9%. As of March 31, 2009 and 2010, the Government of India's holding in HZL was 29.5%. The second call option provides SOVL the right to acquire the Government of India's remaining 29.5% share in HZL. This call option is subject to the right of the Government of India to sell 3.5% of HZL to HZL employees. This call option is also subject to the Government of India's right, prior to the exercise of this call option, to sell its shares in HZL through a public offer. From April 11, 2007, SOVL has the right to exercise the second call option. The option has no expiry date. The Company has exercised the second call option in its letter dated July 21, 2009. The Government has stated that they are maintaining the same stand as in BALCO on the validity of the call option and has refused to act upon the second call option. The Company has invoked the Arbitration clause for referring the matter to arbitration and has appointed its arbitrator, and has requested the Government to nominate its arbitrator nominee so that Arbitral Tribunal is constituted. As the Government of India has not appointed its arbitrator, the Company had filed Arbitration application u/s 11(6) of the Arbitration and Conciliation Act 1996 in the Delhi High Court for constitution of arbitral tribunal. The Delhi High Court has in its order dated 18th May 2010 directed the parties to appoint mediators for mediation of the dispute and if mediation fails, arbitration will commence. The Government of India and SOVL has appointed mediators, respectively. Depending upon the outcome of the mediation process the arbitration would commence.

Share Purchases

During financial year 2011, the Group increased its holding in certain of its subsidiaries through open market purchases. The details of such purchases are as follows:

a) 5,344,702 shares of Sterlite Industries (India) Limited accounting for 0.64% of SIIL's total equity.

b) 2,045,000 shares of Sesa Goa accounting for 0.25% of Sesa's total equity.

c) 250,364 shares of MALCO accounting for 0.22% of MALCO's total equity.

The aggregate amount on these transactions of $62.9million was recorded within equity.

38. Subsequent events

Subsequent to the balance sheet date of 31 March 2011 the Group through its subsidiary Sesa Goa acquired 200 million shares amounting to 10.4% stake in Cairn India Limited from Petronas International Corporation Ltd ("Petronas") at a price of INR 331 per share, resulting in total cash consideration of approximately $1.5 billion

On 30 April 2011, the Open Offer by Sesa Goa Limited with respect to the acquisition of shares in Cairn India Limited closed. Sesa Goa Limited received acceptances for circa 8.1% of the total shares of Cairn India Limited, at a total cost of $1.2 billion.

39. Principal Subsidiaries

The consolidated financial statements comprise the financial statements of the following principal subsidiaries:

Subsidaries	Principal activites	The Company's economic percentage holding		Country of incorporation	Immediate holding company	Immediate percentage holding	
		31-Mar-2011	31-Mar-2010			31-Mar-2011	31-Mar-2010
Direct Subsidiaries of the Parent Company							
Vedanta Resources Holding Limited ('VRHL')	Holding company	100.00%	100.00%	Great Britain	VR plc	100.00%	100.00%
Vedanta Resources Jersey Limited('VRJL")	Financing company	100.00%	100.00%	Jersey(CI)	VR plc	100.00%	100.00%
Vedanta Resources Jersey II Limited('VRJL-II')	Financing company	100.00%	100.00%	Jersey(CI)	VR plc	100.00%	100.00%
Vedanta Finance (Jersey) Limited ('VFJL')	Financing company	100.00%	100.00%	Jersey(CI)	VR plc	100.00%	100.00%
Vedanta Resources Investments Limited('VRIL")	Financing company	100.00%	100.00%	Great Britain	VR plc	100.00%	100.00%
Vedanta Jersey Investments Limited	Financing company	100.00%	100.00%	Jersey(CI)	VR plc	100.00%	100.00%
Indirect Subsidiaries of the Parent Company							
Bharat Aluminium Company Limited ('BALCO')	Aluminium mining and smelting	29.34%	29.01%	India	Sterlite	51.00%	51.00%
Copper Mines Of Tasmania Pty Limited ('CMT')	Copper mining	57.53%	56.88%	Australia	MCBV	100.00%	100.00%
Fujariah Gold	Gold & Silver processing	57.53%	56.88%	UAE	CMT	100.00%	100.00%
Hindustan Zinc Limited ('HZL')	Zinc and mining and smelting	37.35%	36.93%	India	SOVL	64.92%	64.92%
The Madras Aluminium Company Limited ('MALCO')	Energy generation	94.76%	94.54%	India	Twin Star	78.76%	94.54%
Monte Cello BV ('MCBV')	Holding company	57.53%	56.88%	Netherlands	Sterlite	100.00%	100.00%
Monte Cello Corporation NV (MCNV')	Holding company	100.00%	100.00%	Netherlands	Twin Star	100.00%	100.00%
Konkola Copper Mines PLC ('KCM')	Copper mining and smelting	79.40%	79.40%	Zambia	VRHL	79.40%	79.40%
Sterlite Energy Limited ('SEL')	Energy generation	57.53%	56.88%	India	Sterlite	100.00%	100.00%
Sesa Goa Limited ('Sesa Goa')	Iron Ore	55.13%	57.41%	India	Finsider	46.20%	48.32%
Sesa Industries Limited *	Iron Ore	-	50.64%	India	Sesa Goa	-	88.25%
Sesa Resources Limited (Formerly V S Dempo)	Iron Ore	55.13%	57.41%	India	Sesa Goa	100.00%	100.00%
Sesa Mining Corporation Private Limited (Formerly DMCL)	Iron Ore	55.13%	57.41%	India	Sesa Resources	100.00%	100.00%

Subsidaries	Principal activites	The Company's economic percentage holding		Country of incorporation	Immediate holding company	Immediate percentage holding	
		31-Mar-2011	31-Mar-2010			31-Mar-2011	31-Mar-2010
					Limited		
Goa Maritime Private Limited	Iron Ore	27.56%	28.71%	India	Sesa Resources Limited	50.00%	50.00%
Sterlite Industries (India) Limited ('Sterlite')	Copper smelting	57.53%	56.88%	India	Twin Star	54.64%	54.00%
Sterlite Opportunities and Venture Limited (SOVL')	Holding company	57.53%	56.88%	India	Sterlite	100.00%	100.00%
Sterlite Infra Limited ('SIL') (Earlier Sterlite Paper Limited)	Non-trading	57.53%	56.88%	India	Sterlite	100.00%	100.00%
Thalanga Copper Mines Pty Limited ('TCM')	Copper mining	57.53%	56.88%	Australia	MCBV	100.00%	100.00%
Twin Star Holdings Limited ('Twin Star')	Holding company	100.00%	100.00%	Mauritius	VRHL	100.00%	100.00%
Vedanta Aluminium Limited ('VAL')	Alumina mining, aluminium refining and smelting	87.47%	87.28%	India	Twin Star	45.50%	45.50%
Richter Holding Limited('Richter')	Financing company	100.00%	100.00%	Cyprus	VRCL	100.00%	100.00%
Westglobe Limited	Financing company	100.00%	100.00%	Mauritius	Richter	100.00%	100.00%
Finsider International Company Limited	Financing company	100.00%	100.00%	Great Britain	Richter	100.00%	100.00%
Vedanta Resources Finance Limited ('VRFL')	Financing company	100.00%	100.00%	Great Britain	VRHL	100.00%	100.00%
Vedanta Resources Cyprus Limited ('VRCL')	Financing company	100.00%	100.00%	Cyprus	VRFL	100.00%	100.00%
Welter Trading Limited	Financing company	100.00%	100.00%	Cyprus	VRCL	100.00%	100.00%
Lakomasko BV	Financing company	100.00%	100.00%	Netherlands	VRHL	100.00%	100.00%
THL Zinc Ventures Limited (Former THL KCM Limited)	Financing company	100.00%	100.00%	Mauritius	Sterlite Infra	100.00%	100.00%
Twin Star Energy Holdings Limited (Former THL Aluminium)	Financing company	100.00%	100.00%	Mauritius	VRHL	100.00%	100.00%
THL Zinc Limited (Former KCM Holdings Limited)	Financing company	100.00%	100.00%	Mauritius	THL Zinc Ventures Ltd	100.00%	100.00%
Sterlite (USA) Inc.	Financing company	57.53%	56.88%	USA	Sterlite	100.00%	100.00%
Talwandi Sabo Power Limited	Energy generation	57.53%	56.88%	India	SEL	100.00%	100.00%
Allied Port Services Pvt Ltd	Port Service	87.47%	87.28%	India	VAL	100.00%	100.00%
Konkola Resources Plc	Holding company	100.00%	-	Great Britain	VRHL	100.00%	-
Vizag General Cargo Berth Pvt. Limited	Infrastructure	42.58%	-	India	Sterlite	74.00%	-

Subsidaries	Principal activites	The Company's economic percentage holding		Country of incorporation	Immediate holding company	Immediate percentage holding	
		31-Mar-2011	31-Mar-2010			31-Mar-2011	31-Mar-2010
Twin Star Mauritius Holdings Limited ('TMHL')	Holding company	100.00%	-	Mauritius	Twin Star Energy Holdings Ltd.	100.00%	-
THL Namibia Holdings (Pty) Limited ('VNHL)	Mining and Exploration	57.53%	-	Namibia	Sterlite Infra	100.00%	-
Skorpion Zinc (Pty) Limited ('SZPL')	Acquisition of immovable and movable properties	57.53%	-	Namibia	VNHL	100.00%	-
Namzinc (Pty) Limited ('SZ')	Mining	57.53%	-	Namibia	SZPL	100.00%	-
Skorpion Mining Company (Pty) Limited ('NZ')	Mining	57.53%	-	Namibia	SZPL	100.00%	-
Amica Guesthouse (Pty) Ltd	Accomodation and catering services	57.53%	-	Namibia	SZPL	100.00%	-
Roshkor Township (Pty) Limited	Development of town and delivering of utilities	28.77%	-	Namibia	SZPL	50.00%	-
Rosh Pinah Healthcare (Pty) Ltd	Leasing out of medical equipment and building and conducting services related thereto	36.82%	-	Namibia	SZPL	64.00%	-
Black Mountain Mining (Pty) Ltd	Mining	42.58%	-	South Africa	THL Zinc Ltd	74.00%	-
THL Zinc Holding BV	Financing company	57.53%	-	Netherlands	Sterlite Infra	100.00%	-
Lisheen Mine Partnership	Mining Partnership Firm	57.53%	-	Ireland	Vedanta Base Metals (Ireland) Ltd	100.00%	-
THL Zinc Holding Cooperative U.A	Non-Trading Company	57.53%	-	Netherlands	THL Zinc Ltd	100.00%	-
Pecvest 17 Properietory. Ltd.	Investment Company	57.53%	-	South Africa	THL Zinc Ltd	100.00%	-
Vedanta Lisheen Finance Limited ('VLFL')	Investment Company	57.53%	-	Ireland	THL Zinc Holding BV	100.00%	-
Vedanta Base Metals (Ireland) Limited	No Operations	57.53%	-	Ireland	VLFL	100.00%	-
Vedanta Lisheen Mining Limited	Mining	57.53%	-	Ireland	VLFL	100.00%	-
Killoran Lisheen Mining Limited	Mining	57.53%	-	Ireland	VLFL	100.00%	-
Killoran Lisheen Finance Limited	Investment Company	57.53%	-	Ireland	VLFL	100.00%	-
Lisheen Milling Limited	Manufacturing	57.53%	-	Ireland	VLFL	100.00%	-

Subsidaries	Principal activites	The Company's economic percentage holding 31-Mar-2011	The Company's economic percentage holding 31-Mar-2010	Country of incorporation	Immediate holding company	Immediate percentage holding 31-Mar-2011	Immediate percentage holding 31-Mar-2010
Killoran Concentrates Limited	No Operations	57.53%	-	Ireland	VLFL	100.00%	-
Killoran Lisheen Limited	No Operations	57.53%	-	Ireland	VLFL	100.00%	-
Killoran Lisheen Holdings Limited	No Operations	57.53%	-	Ireland	Killoran Lisheen ltd.	100.00%	-
Azela Limited	No Operations	57.53%	-	Ireland	Killoran Lisheen ltd.	100.00%	-
Paradip Port Services Pvt Limited	Infrastructure	42.58%	-	India	Sterlite	74.00%	-
MALCO Power Company Limited	Investment Company	57.53%	-	India	Sterlite	100.00%	-
Malco Industries Limited	Investment Company	57.53%	-	India	Sterlite	100.00%	-

than half of the voting power of all of its subsidiaries as mentioned in the list above, and the Group is able to govern its subsidiaries' financial and operating policies so as to benefit from their activities.

* Now merged with Sesa Goa Ltd.

40. Ultimate controlling party

At 31 March 2011, the ultimate controlling party of the Group was Volcan, which is controlled by persons related to the Executive Chairman, Mr Anil Agarwal. Volcan is incorporated in the Bahamas, and does not produce Group accounts.

41. Company balance sheet

$ million	Note	31March 2011	31March 2010
Fixed assets			
Tangible assets	43	0.1	0.2
Investments in subsidiaries	44	1,061.8	713.3
Investment in preference shares of subsidiaries	45	178.9	178.9
Financial asset investment	46	0.5	0.5
Derivative asset		6.0	0.0
		1,247.3	**892.9**
Current Assets			
Debtors due within one year	47	323.2	587.8
Debtors due after one year	47	3,857.7	3,350.6
Current asset investments	48	262.0	199.1
Cash at bank and in hand		1.0	1.4
		4,443.9	**4,138.9**
Creditors: amounts falling due within one year			
Trade and other creditors	49	(33.7)	(78.0)
External borrowings	49	(370.6)	(186.2)
Loan from subsidiary	49	(188.4)	(180.4)
		(592.7)	**(444.6)**
Net current assets		**3,851.2**	**3,694.3**
Total assets less current liabilities		5,098.5	4,587.2
Creditors: amounts falling due after one year			
Loan from subsidiary	50	(1,669.4)	(1,224.9)
External borrowings	50	(2,420.4)	(2,592.7)
Derivative liabilities	50	-	(12.1)
		(4,089.8)	**(3,829.7)**
Net assets		**1,008.7**	**757.5**
Capital and reserves			
Called up share capital	51	29.7	29.6
Share premium account	51	196.8	196.8
Share-based payment reserve	51	20.5	25.6
Convertible bond reserve	51	453.3	305.9
Other reserves	51	(1.8)	(1.8)
Treasury shares	51	(490.6)	(428.9)
Profit and loss account	51	800.8	630.3
Shareholders' funds	**51**	**1,008.7**	**757.5**

42. Company accounting policies

The Vedanta Resources plc ('the Company') balance sheet and related notes have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles and UK company law ('UK GAAP'). The financial information has been prepared on an historical cost basis. As permitted by the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements.

Significant accounting policies

Investments in subsidiaries

Investments in subsidiaries represent equity holdings in subsidiaries valued at cost less any provision for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Investment in preference shares of subsidiaries

Investments in preference shares of subsidiaries are stated at fair value. The fair value is represented by the face value of the preference shares as the investments are redeemable at any time for their face value at the option of the Company.

Currency translation

Transactions in currencies other than the functional currency of the Company, being US dollars, are translated into US Dollars at the spot exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into US dollars at year end exchange rates, or at a contractual rate if applicable.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment.

Deferred taxation

Deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, subject to the recoverability of deferred tax assets. Deferred tax assets and liabilities are not discounted.

Share-based payments

The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions are determined by an external valuer and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised. Amounts recharged to subsidiaries in respect of awards granted to employees of subsidiaries are recognised as intercompany debtors until repaid.

Borrowings

Interest bearing loans are recorded at the net proceeds received i.e. net of direct transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on accruals basis and charged to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Convertible Bonds

The Convertible bonds issued by VRJL and VRJL-II (note 50) are accounted for as a compound instrument. The gross proceeds (net of issue costs) were lent to the Company by VRJL and VRJL-II. The equity component has been recognised in a separate reserve of the company and is not subsequently remeasured. The recognition of the equity component by the company acts to reduce the payable to VRJL and VRJL-II which arises once the gross proceeds are borrowed. The liability component is held at amortised cost. The interest expensed on the liability component is calculated by applying an effective interest rate. The difference between this amount and interest paid is added to the carrying amount of the liability component.

The bonds are first convertible into preference shares of the issuer having a paid value of $100,000 per Preference share, which are exchanged immediately for ordinary shares of the Company.

Financial instruments

The Company has elected to take the exemption provided in paragraph 3C (b) of FRS 25 in respect of these parent company financial statements. Full disclosures are provided in note 28 to the consolidated financial statements of the Group for the period ended 31 March 2011.

Derivative financial instruments

Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are re-measured at their fair value at subsequent balance sheet dates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account. The hedged item is recorded at fair value and any gain or loss is recorded in the profit and loss account and is offset by the gain or loss from the change in the fair value of the derivative.

Derivative financial instruments that do not qualify for hedge accounting are marked to market at the balance sheet date and gains or losses are recognised in the profit and loss account immediately.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Cash flow statement

The Company's individual financial statements are outside the scope of FRS 1 Cash Flow Statements because the Company prepares publicly available consolidated financial statements, which include a consolidated cash flow statement. Accordingly, the Company does not present an individual company cash flow statement.

Related party disclosures

The Company's individual financial statements are exempt from the requirements of FRS 8 Related Party Disclosures because its individual financial statements are presented together with its consolidated financial statements. Accordingly, the individual financial statements do not include related party disclosures.

Financial guarantees

Guarantees issued by the Company on behalf of other Group companies are designated as 'Insurance Contracts'. Accordingly these are shown as contingent liabilities. (Note 52)

43. Company tangible fixed assets

	US$million
Cost	
At 1 April 2010	**1.2**
Additions	**0.0**
At 31 March 2011	1.2
Accumulated depreciation	
At 1 April 2010	**1.0**
Charge for the period	**0.1**
At 31 March 2011	1.1
Net book value	
At 1 April 2010	0.2
At 31 March 2011	0.1

44. Investments in subsidiaries

	US$million
Cost	
At 1 April 2010	**713.3**
Additions	**348.5**
At 31 March 2011	1,061.8

At 31 March 2011, the Company held 144,538,524 shares in VRHL (2010: 139,559,950 shares), being 100% of VRHL's issued equity share capital. During the year the Company invested $348.5 million to acquire 4,978,572 ordinary shares issued by VRHL for $1 each at a premium of $69 each. The Company also held one deferred share in VRHL (2010: one). At 31 March 2011, the Company held 2 shares in Vedanta Finance Jersey Limited ('VFJL') (2010: two), 2 shares in Vedanta Resources Jersey Limited ('VRJL') (2010: two), 2 shares in Vedanta Resources Jersey II Limited ('VRJL-II') (2010: two), 2 shares in Vedanta Jersey Investment Limited ('VJIL') (2010: two), being 100% of its issued equity share capital.

VRHL is an intermediary holding company incorporated in England and Wales. VFJL, VRJL and VRJL-II are companies established to raise funds for the Vedanta Group via convertible bond issue and are incorporated in Jersey.

A detailed list of subsidiary investments held indirectly by the Company can be seen in Note 39.

	US$million
Fair value	
At 1 April 2010	**178.9**
Additions	**-**
At 31 March 2011	**178.9**
As 1 April 2009	**2.6**
Additions	176.3
At 31 March 2010	**178.9**

As at 31 March 2011, the Company held 178,916,000 preference shares in VFJL (2010: 178,916,000). These shares entitle the holder to a dividend of 4.6% of their face value.

46. Financial asset investment

	US$ million
Fair value	
At 1 April 2010	**0.5**
Fair value movement in investment	**0.0**
At 31 March 2011	**0.5**
At 1 April 2009	**0.2**
Fair value movement in investment	0.3
At 31 March 2010	**0.5**

The investment relates to an equity investment of shares in Victoria Gold Corporation. At 31 March 2011, the investment in Victoria Gold Corporation was revalued.

47. Company debtors

$ million	**31 March 2011**	**31 March 2010**
Amounts due from subsidiary undertakings	4,176.2	3,938.0
Prepayments and accrued income	4.3	0.2
Other taxes	0.4	0.2
Total	**4,180.9**	**3,938.4**
Debtors due within one year	323.2	587.8
Debtors due after one year	3,857.7	3,350.6
Total	**4,180.9**	**3,938.4**

Amounts due from subsidiary undertakings

At 31 March 2011, the Company had loans due from VRHL of US$1,965.8 million (2010: US$1,894.4 million) which represented the downstreaming of funds to the subsidiaries. Out of the total loan, amount of US$579.3 million bears interest at US dollar six months LIBOR plus 350 basis points, US$500 million at 5.8%, US$250 million at 8.95%, US$200 million at 5.9%, US$182.0 million at 9.7%, US$156.4 million at 8.95% and US$98.1 million at 8.8%. In addition to the loans, the Company was owed US$269.4 million of accrued interest (2010: US$127.0 million).

At 31 March 2011, the Company had loan of US$ 892 million (2010: US$892 million), US$500 million (2010: US$500 million), US$500 million (2010: US$350 million) and US$16.3 million (2010: nil) receivable from Richter, Welter, KCM and TMHL respectively and US$32.3 million of other amounts due from subsidiary undertakings (2010: US$ 30.4 million).

48. Company current asset investments

$ million	**31 March 2011**	**31 March 2010**
Bank term deposits	261.0	197.6
Short term unit trusts and liquid funds	1.0	1.5
Total	**262.0**	**199.1**

49. Company creditors: amounts falling due within one year

$ million	31 March 2011	31 March 2010
Trade creditors	(1.7)	(44.2)
Accruals and deferred income	(32.0)	(33.8)
External Borrowings	(370.6)	(186.2)
Loan from Subsidiary	(188.4)	(180.4)
Total	**(592.7)**	**(444.6)**

The Loan from ICICI Bank of US$186.2 million was repaid on its due date in June 2010.

The external borrowings above represent a loan taken from Bank of Tokyo-Mitsubishi UFJ Ltd ('BTMU') at an interest rate of USD LIBOR plus 425 basis points. The loan is short-term and repayable in July 2011.

50. Company creditors: amounts falling due after one year

$ million	31 March 2011	31 March 2010
Loan from subsidiary	(1,669.4)	(1,224.9)
Bond & Loans	(2,420.4)	(2,592.7)
Derivative liability	-	(12.1)
Total	**(4,089.8)**	**(3,829.7)**

Loans from subsidiaries include a loan of US$981.2 million from VRJL relating to its issue of US$1.25 billion convertible bonds (bond issued in July 2009) and of US$688.2 million from VRJL-II related to its issue of US$883 million convertible bond (bond issued in March 2010). During 2011, interest was charged at the effective interest rate of 11.22% and interest rate of 9.79% respectively.

In December 2010 the Company obtained a loan from ICICI bank for US$ 180 million at an interest rate of 3 month GBP LIBOR plus 385 basis points. Out of this US$90 million is repayable in December 2014 and remaining US$90 million is repayable in December 2015.

51. Company reconciliation of movement in equity shareholders' funds

	Share capital	Share premium account	Share-based payment reserve	Convertible bond reserve	Treasury Shares	Profit and loss account	Other Reserves	Total
Equity shareholders' funds at 1 April 2010	**29.6**	**196.8**	**25.6**	**305.9**	**(428.9)**	**630.3**	**(1.8)**	**757.5**
Profit for the year	-	-	-	-	-	212.7	-	212.7
Dividends paid	-	-	-	-	-	(129.9)	-	(129.9)
Issue of convertible bond	-	-		211.6	-	-	-	211.6
Exercise of LTIP awards	0.1	-	(23.5)	-	-	23.5	-	0.1
Recognition of share based payments	-	-	18.4	-	-	-	-	18.4
Convertible bond reserve transfer	-	-	-	(64.2)	-	64.2	-	-
Movement in fair value of financial investments (note 43)	-	-	-	-	-	-	-	-
Purchase of Treasury Shares	-	-	-	-	(61.7)	-	-	(61.7)
Equity shareholders' funds at 31 March 2011	**29.7**	**196.8**	**20.5**	**453.3**	**(490.6)**	**800.8**	**(1.8)**	**1,008.7**

52. Company contingent liabilities

a. The Company has guaranteed US$ 1,250 million convertible bonds issued by VRJL (2010: US$: 1,250 million). See note 27 to the Group financial statements for further details on the convertible bonds.

b. The Company has given corporate guarantee to Vedanta Aluminium Ltd for an amount of

US$ 3,310 million up to 31 March 2011.

c. The Company also has issued other guarantees of US$ 220 million supplied to concentrate suppliers.

d. The Company has given corporate guarantee to Konkola Copper Mines for an amount of US$400 million up to 31 March 2011.

e. The Company has guaranteed US$ 883 million convertible bonds issued by VRJL-II (2010: US$883 million). See note 27 to the Group financial statements for further details on the convertible bonds.

53. Company Share-Based payment

The Company had certain LTIP awards outstanding as at 31 March 2011. See note 31 to the Group financial statements for further details on these share-based payments.

Independent Auditor's Report to the Members of Vedanta Resources plc

We have audited the financial statements of Vedanta Resources plc for the year ended 31 March 2011 which comprise the company balance sheet and the related Notes 41 to 53. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent Company financial statements for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of Directors and Auditor

In our opinion the parent company financial statements:

- give a true and fair view of the parent Company's affairs as at 31 March 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other Matter

We have reported separately on the Group financial statements of Vedanta Resources plc for the year ended 31 March 2011.

Andrew Kelly (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

Summary consolidated income statement

$ million	Year ended 31 March 11	Year ended 31 March 10	Year ended 31 March 09	Year ended 31 March 08	Year ended 31 March 07
Revenue	**11,427.2**	**7,930.5**	**6,578.9**	**8,203.7**	**6,502.2**
EBITDA	**3,566.8**	**2,295.9**	**1,612.2**	**3,010.4**	**2,703.0**
Depreciation	(869.0)	(563.0)	(473.2)	(429.1)	(195.4)
Exceptional/special items	(163.5)	(67.3)	(31.9)	11.1	(1.7)
Operating profit	**2,534.3**	**1,665.6**	**1,107.0**	**2,592.4**	**2,505.9**
Share of (loss)/profit in associate	-	-	-	-	(1.3)
Non-operating exceptional/special items	-	-	-	-	-
Profit before interest and taxation	**2,534.3**	**1,665.6**	**1,107.0**	**2,592.4**	**2,504.6**
Net finance (costs)/investment revenues	**149.0**	**176.0**	**74.0**	**170.8**	**(20.2)**
Profit before taxation	**2,683.3**	**1,841.6**	**1,181.0**	**2,763.2**	**2,484.4**
Taxation	(649.5)	(330.4)	(280.5)	(757.7)	(672.7)
Profit after taxation	**2,033.8**	**1,511.2**	**900.5**	**2,005.5**	**1,811.7**
Equity Non-controlling interests	1,263.0	908.9	681.1	1126.5	877.5
Profit attributable to equity shareholders in parent	**770.8**	**602.3**	**219.4**	**879.0**	**934.2**
Dividends	(129.9)	(117.9)	(118.8)	(104.3)	(84.3)
Retained profit	**640.9**	**484.4**	**100.6**	**774.7**	**849.9**
Basic earnings per share (US cents per share)					
Profit for the financial year	283.2	219.6	76.4	305.4	325.6
Underlying Profit for the financial year	262.8	199.2	109.3	303.9	327.0
Dividend per share (US cents per share)	52.5	45.0	41.5	36.5	29.3

$ million	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Goodwill	12.2	12.2	12.2	13.3	12.1
Intangible assets	162.1	-	-	-	-
Property, plant and equipment	17,189.5	14,326.7	9,348.4	8,354.5	3,838.0
Fixed asset investments/associate	304.2	201.2	91.6	30.0	34.6
Total fixed assets	**17,668.0**	**14,540.1**	**9,452.2**	**8,397.8**	**3,884.7**
Stocks	1,924.6	1,260.6	909.3	1,298.8	879.7
Debtors	1,328.6	1,019.9	902.4	1,232.8	1,122.1
Cash & Liquid Investments	7,777.0	7,239.4	4,912.6	5,106.7	2,185.2
Total current assets	**11,030.2**	**9,519.9**	**6,724.3**	**7,638.3**	**4,187.0**
Short term borrowings	(3,045.1)	(1,012.6)	(1,298.5)	(1,417.2)	(249.1)
Other current liabilities	(3,485.0)	(2,670.3)	(2,136.8)	(2,102.5)	(1,336.8)
Total current liabilities	**(6,530.1)**	**(3,682.9)**	**(3,435.3)**	**(3,519.7)**	**(1,585.9)**
Net current assets/(liabilities)	**4,515.4**	**5,837.0**	**3,289.0**	**4,118.6**	**2,601.1**
Total assets less current liabilities	**22,168.1**	**20,377.1**	**12,741.2**	**12,516.4**	**6,485.8**
Long term borrowings	(6,707.4)	(7,161.0)	(3,816.4)	(1,556.9)	(1,477.7)
Other long term liabilities	(247.3)	(351.1)	(136.1)	(83.9)	(106.4)
Provisions	(1,706.4)	(1,413.5)	(1,205.4)	(1,608.5)	(690.9)
Total long term liabilities	**(8,656.1)**	**(8,925.6)**	**(5,157.9)**	**(3,249.3)**	**(2,275.0)**
Equity Non-controlling interests	(8,030.1)	(6,729.1)	(4,458.7)	(5,360.6)	(1,824.5)
Non equity Non-controlling interest	(11.9)	(11.9)	(11.9)	(59.4)	(59.4)
Net assets attributable to the equity holders of the parent	**5,648.9**	**4,710.5**	**3,112.6**	**3,847.1**	**2,326.9**

Turnover	**2011 $ million**	**2010 $ million**	**2009 $ million**	**2008 $ million**	**2007 $ million**
Aluminium	1,570.1	914.2	906.6	1,140.2	993.4
Copper:-	5,169.5	3,812.2	3,311.0	4,221.9	3,569.3
India/Australia	3,428.2	2,741.4	2,537.9	3,118.8	2,553.4
Zambia	1,741.3	1,070.8	773.1	1,103.1	1,015.9
Zinc-	2,371.7	1,651.7	1,209.1	1,941.5	1,888.1
India	2,152.8	1,651.7	1,209.1	1,941.5	1,888.1
International	218.9	-	-	-	-
Iron ore	1,977.9	1,221.7	1,070.4	888.9	-
Energy	338.0	330.7	51.3		
Other	-	-	-	11.3	51.4
Group	**11,427.2**	**7,930.5**	**6,548.4**	**8,203.7**	**6,502.2**

EBITDA	**2011 $ million**	**2010 $ million**	**2009 $ million**	**2008 $ million**	**2007 $ million**
Aluminium	258.2	154.9	177.4	380.7	415.4
Copper	681.4	317.7	222.9	667.3	833.9
India/Australia	241.5	165.9	293.7	327.2	365.6
Zambia	439.9	151.8	(70.8)	340.1	468.3
Zinc	1,321.5	982.8	603.3	1380.1	1,453.9
India	1,220.2	982.8	603.3	1380.1	1,453.9
International	101.3	-	-	-	-
Iron ore	1,174.1	673.0	557.1	585.6	-
Energy	137.8	170.7	53.3	-	-
Other	(6.2)	(3.2)	(1.8)	(3.3)	(0.2)
Group	**3,566.8**	**2,295.9**	**1,612.2**	**3,010.4**	**2,703.0**
	2011	**2010**	**2009**	**2008**	**2007**

EBITDA Margin	%	%	%	%	%
Aluminium	16.4	16.9	20.9	33.4	42.4
Copper	13.2	13.8	6.7	15.8	23.3
India/Australia	7.0	6.1	11.6	10.5	36.9
Zambia	25.3	14.2	(9.2)	30.8	18.2
Zinc	55.7	59.5	50.1	71.1	78.1
India	56.7	59.5	50.1	71.1	78.1
International	46.3	-	-	-	-
Iron ore	59.4	55.1	52.1	65.9	-
Energy	40.8	51.6	-	-	-
Group	**31.2**	**29.0**	**24.5**	**36.7**	**41.8**

Production	2011 000's mt	2010 000's mt	2009 000's mt	2008 000's mt	2007 000's mt
Aluminium	641	533	462	396	351
BALCO	255	268	357	358	313
MALCO	-	-	23	38	38
VAL JHARSUGDA	386	264	82	-	-
Copper	521	507	446	489	455
Sterlite	304	334	313	339	313
KCM	217	173	133	150	142
Iron Ore (WMT)	21,075	21,412	15,986	11,469	-
Zinc	712	578	552	426	348

Cash costs of production	2011 US cents/lb	2010 US cents/lb	2009 US cents/lb	2008 US cents/lb	2007 US cents/lb
Aluminium – BALCO Plant –I	-	-	85.6	82.7	68.5
Aluminium – BALCO Plant- II	80.9	69.6	73.6	75.9	76.5
BALCO (Other than Alumina)	45.7	39.1	39.0	36.5	33.6
Aluminium – MALCO	-	-	121.5	102.4	75.5
Aluminium-VAL JHARSUGDA	82.6	77.2	99.0	-	-
Copper – Sterlite*	4.0	10.4	3.1	1.8	6.1
Copper – KCM	197.5	184.4	258.4	191.5	173.6
Zinc including Royalty	44.9	38.6	32.2	40.1	39.1
Zinc without Royalty	36.7	31.7	27.6	31.1	27.5

Cash costs of production in INR	2011 INR/ mt	2010 INR/ mt	2009 INR/ mt	2008 INR/ mt	2007 INR/ mt
Aluminium – BALCO Plant –I	-	-	86,626	73,369	68,389
Aluminium – BALCO Plant- II	81,299	72,717	74,517	67,336	76,376
BALCO (Other than Alumina)	45,898	40,868	39,772	32,382	33,545
Aluminium – MALCO	-	-	123,001	90,846	75,378
Aluminium-VAL JHARSUGDA	82,958	80,710	100,182	-	-
Copper – Sterlite*	4,062	10872	3,138	1,597	6,090
Zinc including Royalty	45,119	40,319	32,621	35,575	39,037
Zinc without Royalty	36,831	33,073	27,973	27,591	27,455

*only smelting cost

Capital expenditure	2011 $ million	2010 $ million	2009 $ million	2008 $ million	2007 $ million
Sustaining	239.5	184.4	306.3	256.9	259.9

Expansion	2,471.3	3,679.6	3,021.3	1,997.7	869.0
Total capital expenditure	**2,710.8**	**3,864.0**	**3,327.6**	**2,254.6**	**1128.9**

Net cash/(debt)	**2011 $ million**	**2010 $ million**	**2009 $ million**	**2008 $ million**	**2007 $ million**
Aluminium	(3,145.3)	(2,320.2)	(1,931.2)	(1,171.2)	(229.6)
Copper	146.3	996.9	1,341.4	1,934.4	179.4
India/Australia	396.0	1,288.2	1,545.9	1,976.2	106.4
Zambia	(249.7)	(291.3)	(204.5)	(41.6)	73.0
Zinc	3,779.5	2,628.6	1,891.6	1,925.2	1067.7
India	3,403.4	2,628.6	1,891.6	1,925.2	1067.7
International	376.1	-	-	-	-
Iron Ore	1,983.2	96.6	(372.8)	(459.5)	-
Energy	(433.5)	(270.8)	-	-	-
Other	(4,300.4)	(2,078.3)	(1,129.8)	(86.2)	(584.8)
Group	**(1,970.3)**	**(947.2)**	**(200.8)**	**2,142.7**	**432.7**

	2011 %	**2010 %**	**2009 %**	**2008 %**	**2007 %**
Gearing	12.6	7.5	.6	-	-

	2011 $ million	**2010 $ million**	**2009 $ million**	**2008 $ million**	**2007 $ million**
Group Free Cash Flow	2,423.2	1,814.3	1,733.8	2,216.9	1,504.2

	2011 $ million	**2010 $ million**	**2009 $ million**	**2008 $ million**	**2007 $ million**
Capital Employed	15,649.3	12,373.6	7,772.1	7,064.8	3,718.7

	2011 %	**2010 %**	**2009 %**	**2008 %**	**2007 %**
ROCE	21.0	19.9	24.4	45.6	78.5

GLOSSARY AND DEFINITIONS

5S

A Japanese concept laying emphasis on housekeeping and occupational safety in a sequential series of steps as Sort (Seiri); Set in Order (Seiton); Shine (Selso); Standardise (Seiketsu); and Sustain (Shitsuke)

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 27 July 2011.

AE

Anode effects

AGRC

Ararat Gold Recovery Company incorporated in Armenia, engaged in gold mining and processing

AIDS

Acquired Immune Deficiency Syndrome

Aluminium Business

The aluminium business of the Group, comprising its fully-integrated bauxite mining, alumina refining and aluminium smelting operations in India, and trading through the Bharat Aluminium Company Limited and The Madras Aluminium Company Limited, companies incorporated 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 Health, Safety and Environment, each with its own terms of reference

Businesses

The Aluminium Business, the Copper Business and the Zinc Business together

Capital Employed

Net assets before Net (Debt)/Cash

Capex

Capital expenditure

Cash Tax Rate

Current taxation as a percentage of profit before taxation

CEO

Chief executive officer

CII

Confederation of Indian Industries

CLZS

Chanderiya lead and zinc smelter

CO2

Carbon dioxide

CMT

Copper Mines of Tasmania Pty Limited, a company incorporated in Australia

Combined Code or the Code

The Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008

Company or Vedanta

Vedanta Resources plc

Company financial statements

The audited financial statements for the Company for the year ended 31 March 2011 as defined in the Independent Auditors' Report on the individual Company Financial Statements to the members of Vedanta Resources plc

Convertible Bonds

$725 million 4.60% guaranteed convertible bonds due 2026, issued by a wholly-owned subsidiary of the Company, Vedanta Finance (Jersey) Limited ('VFJL'), and guaranteed by the Company, the proceeds of which are to be applied towards re-financing subsidiary indebtedness, the Company's capital expenditure programme including the Jharasaguda aluminium smelter project and other general corporate purposes

$1,250 million 5.5% guaranteed convertible bonds due 2016, issued by a wholly owned subsidiary of the Company, Vedanta Resource Jersey Limited ("VRJL") and guaranteed by the Company, the proceeds of which are to be applied for to support its organic growth pipeline, to increase its ownership interest in its subsidiaries and for general corporate purposes.

$883 million 4.0% guaranteed convertible bonds due 2017, issued by a wholly owned subsidiary of the Company, Vedanta Resource Jersey II Limited ("VRJL-II") and guaranteed by the Company, the proceeds of which are to be applied for to refinance debt redemptions and for general corporate purposes.

$500 million 4.0% guaranteed convertible bonds due 2014, issued by a subsidiary of the Company, Sterlite Industries (India) Limited ("SIIL"), the proceeds of which are to be applied for to for expansion of copper business, acquisition of complementary businesses outside of India and any other permissible purpose under, and in compliance with, applicable laws and regulations in India, including the external commercial borrowing regulations specified by the RBI.

$500 million 5.0% guaranteed convertible bonds due 2014, issued by a subsidiary of the Company, Sesa Goa Limited ("Sesa"), the proceeds of which are to be applied for to expand the Issuer's mining operations, for exploration for new resources, and to further develop its pig iron and metallurgical coke operation

Copper Business

The copper business of the Group, comprising:

- a copper smelter, two refineries and two copper rod plants in India, trading through Sterlite Industries (India) 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

CREP

Corporate responsibility for environmental protection

Cents/lb

US cents per pound

CRRI

Central Road Research Institute

CSR

Corporate social responsibility

CTC

Cost to company, the basic remuneration of executives in India, which represents an aggregate figure encompassing basic pay, pension contributions and allowances

CY

Calendar year

Deferred Shares

Deferred shares of £1.00 each in the Company

DGMS

Director General of Mine Safety in the Government of India

Directors

The Directors of the Company

Dollar or $

United States dollars, the currency of the United States of America

DRs

Depositary receipts of 10 US cents, issuable in relation to the $725 million 4.6% guaranteed convertible bonds due 2026

EBITDA

Earnings before interest, taxation, depreciation, goodwill amortisation/impairment and special items

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&OHSEnvironment 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 delegates operational management and comprising the Executive Directors and the senior management within 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 2011 as defined in the Independent Auditors' Report to the members of Vedanta Resources plc

Free Cash Flow

Cash flow arising from EBITDA after net interest (including gains on liquid investments and adjusted for net interest capitalised), taxation, Sustaining Capital Expenditure and working capital movements

FY

Financial year

GAAP , including UK GAAP and Indian 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

HSE

Health, safety and environment

HZL

Hindustan Zinc Limited, a company incorporated in India

IAS

International Accounting Standards

ICMM

International Council on Mining and Metals

IFRI C

International Financial Reporting Interpretations Committee

IFRS

International Financial Reporting Standards

INR

Indian Rupees

Interest Cover

EBITDA divided by finance costs

ISO 9001

An international quality management system standard published by the International Organisation for Standardisation

ISO 14001

An international environmental management system standard published by the International Organisation for Standardisation

KCM or Konkola Copper Mines

Konkola Copper Mines PLC, a company incorporated in Zambia

KDMP

Konkola deep mining project

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

KLD

Kilo litres per day

KPI s

Key performance indicators

Kwh

Kilo-watt hour

Kwh/d

Kilo-watt hour per day

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

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

MAL CO

The Madras Aluminium Company Limited, a company incorporated in India

Management Assurance Services

The function through which the Group's internal audit activities are managed

MAT

Minimum alternative tax

MIS

Management information system

MOEF

The Ministry of Environment & Forests 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 and liquid investments

NGO

Non-governmental organisation

NIHL

Noise induced hearing loss

Non-executive Directors

The Non-Executive Directors of the Company

OHSAS 18001

Occupational Health and Safety Assessment Series (standards for occupational health and safety management systems)

Ordinary Shares

Ordinary shares of 10 US cents each in the Company

PBT

Profit before tax

PF C

Per fluorocarbons

PH C

Primary health centre

PPE

Personal protective equipment

Provident Fund

A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Recycled water

Water released during mining or processing and then used in operational activities

Relationship Agreement

The agreement dated 5 December 2003 between the Company, Volcan Investments Limited and members of the Agarwal family that regulates 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

Profit before interest, taxation, special items, tax effected at the Group's effective tax rate as a percentage of Capital Employed

The Reward Plan

The Vedanta Resources Share Reward Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted for the purpose of rewarding employees who contributed to the Company's development and growth over the period leading up to Listing in December 2003

RO

Reverse osmosis

SA 8000

Standard for Social Accountability based on international workplace norms in the International Labour Organisation ('ILO') conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child

Senior Management Group

For the purpose of the remuneration report, the key operational and functional heads within the Group

Sesa Goa

Sesa Goa Limited, a company incorporated in India engaged in the business of mining iron ore

SEWT

Sterlite Employee Welfare Trust, a long-term investment plan for Sterlite senior management

The Share Option Plan

The Vedanta Resources Share Option Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted to provide maximum flexibility in the design of incentive arrangements over the long term

SHGs

Self help groups

SID

Senior Independent Director

SO2

Sulphur dioxide

SBU

Strategic Business Unit

SOTL

Sterlite Optical Technologies Limited, a company incorporated in India

SOVL

Sterlite Opportunities and Ventures 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

SPM

Suspended particulate matter. Fine dust particles suspended in air

Sterling, GBP or £

The currency of the United Kingdom

Sterlite

Sterlite Industries (India) Limited, a company incorporated in India

Sterlite Energy Limited (SEL)

Sterlite Energy Limited, a company incorporated in India

Sterlite Gold

Sterlite Gold Limited, a company incorporated in Canada which has its main subsidiary in Armenia

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

TGS

Tail gas scrubber

TGT

Tail gas treatment

TLP

Tail Leaching Plan

tpa

Metric tonnes per annum

TPM

Tonne per month

TSR

Total shareholder return, being the movement in the Company's share price plus reinvested dividends

Turnbull Guidance

The revised guidance on internal control for directors on the Combined Code issued by the Turnbull Review Group in October 2005

Twin Star

Twin Star Holdings Limited, a company incorporated in Mauritius

Twin Star Holdings Group

Twin Star and its subsidiaries and associated undertaking

Underlying EPS

Underlying earnings per ordinary share

Underlying Profit

Profit for the year after adding back special items and other gains and lossed and their resultant tax and Non-controlling interest effects

US cents

United States cents

VAL

Vedanta Aluminium Limited, a company incorporated in India

VFD

Variable frequency drive

VFJL

Vedanta Finance (Jersey) Limited, a company incorporated in Jersey

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

VSS

Vertical Stud Söderberg

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

Vedanta Resources plc
Reg. No. 4740415

Consolidated financial statements for the nine months ended 31 December 2010

CONDENSED CONSOLIDATED INCOME STATEMENT
For the period ended 31 December 2010

(US $ million except as stated)	Notes	Nine months ended 31 December 2010 "Unaudited"	Nine months ended 31 December 2009 "Unaudited"	Year ended 31 March 2010 "Audited"
Revenue	3	7,649.5	5,150.3	**7,930.5**
Cost of sales		(5,569.2)	(3,830.2)	(5,761.1)
Gross profit		**2,080.3**	**1,320.1**	**2,143.8**
Other operating income		40.2	55.9	87.8
Distribution costs		(180.2)	(105.3)	(229.5)
Administrative expenses		(272.4)	(246.1)	(294.8)
Special items	4	(123.6)	(63.9)	(67.3)
Operating profit	3	**1,544.3**	**960.7**	**1,665.6**
Investment revenues		299.1	193.8	272.8
Finance costs		(371.2)	(169.6)	(236.6)
Other gains		171.5	28.7	139.8
Profit before taxation	3	**1,643.7**	**1,013.6**	**1,841.6**
Tax expense	5	(359.4)	(181.1)	(330.4)
Profit for the period/year from continuing activities		**1,284.3**	**832.5**	**1,511.2**
Attributable to:				
Equity holders of the parent		488.4	323.7	602.3
Non-controlling interests		795.9	508.8	908.9
		1,284.3	**832.5**	**1,511.2**
Earnings per share				
Basic (US Cents) - Continuing operations	6a	179.4	118.1	219.6
Diluted (US Cents) – Continuing operations	6a	173.2	115.1	203.2

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2010

(US $ million except as stated)	Nine months ended 31 December 2010 "Unaudited"	Nine months ended 31 December 2009 "Unaudited"	Year ended 31 March 2010 "Audited"
Profit for the period/year	**1,284.3**	**832.5**	**1,511.2**
Income and expenses recognised directly in equity:			
Exchange differences arising on translation of foreign operations	145.6	855.0	1,308.6
Gain in fair value of available-for-sale financial assets	84.6	108.5	111.1
Gain in fair value of cash flow hedges deferred in reserves	22.3	22.3	70.9
Tax effects arising on cash flow hedges deferred in reserves	(7.4)	(7.7)	(24.1)
Total income recognised in equity	**245.1**	**978.1**	**1,466.5**
Losses in fair value of cash flow hedges transferred to income statement	3.8	35.5	56.8
Tax effects arising on cash flow hedges transferred to income statement	(1.2)	(12.5)	(19.2)
Total transferred to the income statement	**2.6**	**23.0**	**37.6**
Total comprehensive income for the period/year	**1,532.0**	**1,833.6**	**3,015.3**
Attributable to:			
Equity holders of the parent	670.2	863.6	1,406.2
Non-controlling interests	861.8	970.0	1,609.1

CONDENSED CONSOLIDATED BALANCE SHEET
At 31 December 2010

US $ million	Notes	At 31 December 2010 "Unaudited"	At 31 December 2009 "Unaudited"	At 31 March 2010 "Audited"
Assets				
Non-current assets				
Goodwill		12.2	12.2	12.2
Property, plant and equipment		16,234.8	13,182.2	14,326.7
Financial asset investments		320.2	159.9	201.2
Other non-current assets		24.6	22.9	18.3
Other financial assets (derivatives)		100.2	93.0	43.7
Deferred tax assets		69.7	8.6	8.9
		16,761.7	**13,478.8**	**14,611.0**
Current assets				
Inventories		1,960.2	1,284.8	1,260.6
Trade and other receivables		1,313.7	920.0	923.6
Other current financial assets (derivatives)		18.0	156.5	10.4
Liquid investments	8	6,722.3	6,292.2	6,849.4
Cash and cash equivalents	8	273.4	545.1	390.0
Current tax assets		-	36.5	15.0
		10,287.6	**9,235.1**	**9,449.0**
Total assets		**27,049.3**	**22,713.9**	**24,060.0**
Liabilities				
Current liabilities				
Short-term borrowings	8	(2,340.6)	(1,907.3)	(1,012.6)
Trade and other payables		(3,177.7)	(2,293.7)	(2,559.2)
Other current financial liabilities (derivatives)		(42.8)	(193.6)	(38.5)
Provisions		(16.2)	(24.7)	(0.9)
Current tax liabilities		(1.3)	-	(71.7)
		(5,578.6)	**(4,419.3)**	**(3,682.9)**
Net current assets		**4,709.0**	**4,815.8**	**5,766.1**
Non-current liabilities				
Medium and long-term borrowings	8	(4,455.6)	(3,665.0)	(4,383.2)
Convertible loan notes	8	(2,291.8)	(2,623.2)	(2,777.8)
Trade and other payables		(178.3)	(158.0)	(306.4)
Other financial liabilities (derivatives)		(80.8)	(75.8)	(44.7)
Deferred tax liabilities		(1,203.7)	(1,190.7)	(1,209.3)
Retirement benefits		(50.3)	(22.4)	(36.6)
Provisions		(192.6)	(147.4)	(167.6)
Non-equity Non-controlling interests		(11.9)	(11.9)	(11.9)
		(8,465.0)	**(7,894.4)**	**(8,937.5)**
Total liabilities		**(14,043.6)**	**(12,313.7)**	**(12,620.4)**
Net assets		**13,005.7**	**10,400.2**	**11,439.6**
Equity				
Share capital		29.6	28.9	29.6
Share premium account		196.8	22.2	196.8
Share-based payment reserves		38.9	23.8	25.5
Convertible bond reserve		470.0	423.0	305.9
Hedging reserve		44.5	(13.7)	27.8
Other reserves		1,506.0	2,185.3	2,463.8
Treasury shares		(556.9)	(242.7)	(428.9)
Retained earnings		3,777.7	1,905.5	2,090.0
Equity attributable to equity holders of the parent		**5,506.6**	**4,332.3**	**4,710.5**
Non-controlling interests		7,499.1	6,067.9	6,729.1
Total equity		**13,005.7**	**10,400.2**	**11,439.6**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the period ended 31 December 2010

US $ million	Notes	Nine months ended 31 December 2010 "Unaudited"	Nine months ended 31 December 2009 "Unaudited"	Year ended 31 March 2010 "Audited"
Operating activities				
Profit before taxation		1,643.7	**1,013.6**	**1,841.6**
Adjustments for:				
Depreciation		571.0	384.1	563.0
Investment revenues		(299.1)	(193.8)	(272.9)
Finance costs, including foreign exchange		199.8	140.9	96.8
Share-based payment charge		13.4	9.8	15.6
Impairment of Assets		118.0	-	2.7
Other non-cash items		33.2	233.2	43.1
Operating cash flows before movements in working capital		2,280.0	**1,587.8**	**2,288.2**
(Increase) in inventories		(640.2)	(288.9)	(249.4)
(Increase) /decrease in receivables		(381.7)	(71.7)	16.4
(Decrease)/increase in payables		350.5	(87.4)	205.2
Cash generated from operations		1,608.6	**1,139.8**	**2,260.4**
Dividend received		117.9	102.9	142.7
Interest income received		142.8	106.1	150.1
Interest paid		(476.0)	(414.1)	(455.3)
Income taxes paid		(521.8)	(586.2)	(407.8)
Dividends paid		(75.1)	(70.5)	(117.9)
Net cash from operating activities		796.4	**278.0**	**1,572.2**
Cash flows from investing activities				
Net Cash on Acquisition of subsidiary		(587.2)	(300.5)	(300.4)
Purchases of property, plant and equipment		(1,498.0)	(1,785.2)	(2,362.1)
Proceeds on disposal of property, plant and equipment		8.4	-	12.1
(Purchases)/Sale of liquid investments	8	215.1	(1,299.9)	(1,663.4)
(Purchase)/Sale of financial asset investments		(27.7)	50.1	17.9
Net cash used in investing activities		(1,889.4)	**(3,335.5)**	**(4,295.9)**
Cash flows from financing activities				
Issue of ordinary shares		-	-	0.7
Issue of depository receipts by subsidiary		-	1,081.8	1,090.1
Dividends paid to Non-controlling interests of subsidiaries		(86.8)	(66.7)	(68.4)
Purchases of treasury shares		(128.0)	(162.4)	(348.6)
Buyout of Non-controlling interest		(119.3)	(127.8)	(189.7)
Increase /(decrease) in short term borrowings	8	1,277.9	544.4	(360.6)
(Decrease)/ increase in long-term borrowings	8	(32.5)	2,050.8	2,859.0
Net cash from financing activities		911.3	**3,320.1**	**2,982.5**
Net (decrease)/increase in cash and cash equivalents	8	(181.7)	262.6	258.8
Effect of foreign exchange rate changes	8	65.1	(98.0)	(249.3)
Cash and cash equivalents at beginning of period/year	8	390.0	380.5	380.5
Cash and cash equivalents at end of period/year	**8**	**273.4**	**545.1**	**390.0**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2010 ("Unaudited")

	Attributable to equity holders of the Company										
US $ million	**Share capital**	**Share premium**	**Treasury Shares**	**Share based payment reserves**	**Convertible bond reserve**	**Hedging reserve**	**Other reserves***	**Retained earnings**	**Total**	**Non-controlling Interests**	**Total equity**
At 1 April 2010	**29.6**	**196.8**	**(428.9)**	**25.5**	**305.9**	**27.8**	**2,463.8**	**2,090.0**	**4,710.5**	**6,729.1**	**11,439.6**
Total Comprehensive income for the period	-	-	-	-	-	16.7	165.1	488.4	670.2	861.8	1,532.0
Issue of Convertible Bond****	-	-	-	-	211.6	-	-	-	211.6	-	211.6
Convertible Bond Transfer	-	-	-	-	(47.5)	-	-	47.5	-	-	-
Conversion of convertible bond	-	-	-	-	-	-	-	164.9	164.9	53.3	218.2
Transfers **	-	-	-	-	-	-	(1,122.9)	1,122.9	-	-	-
Dividends paid	-	-	-	-	-	-	-	(75.1)	(75.1)	(86.8)	(161.9)
Purchase of Treasury Shares***	-	-	(128.0)	-	-	-	-	-	(128.0)	-	(128.0)
Additional Investment in Subsidiaries	-	-	-	-	-	-	-	(60.9)	(60.9)	(58.3)	(119.2)
Recognition of share based payment	-	-	-	13.4	-	-	-	-	13.4	-	13.4
At 31 December 2010	**29.6**	**196.8**	**(556.9)**	**38.9**	**470.0**	**44.5**	**1,506.0**	**3,777.7**	**5,506.6**	**7,499.1**	**13,005.7**

* Other reserves comprise the currency translation reserve, merger reserve, investment revaluation reserve and the general reserves established in the statutory accounts of the Group's Indian subsidiaries.

** Under Indian law, a general reserve is created through a year-on-year transfer from the income statement. The purpose of these transfers is to ensure that distributions in a year are less than the total distributable results for that year. This general reserve becomes fully distributable in future periods. The transfer is to reflect the general reserve at the cumulative amount attributable to the equity holder's of the parent, offset by the current period transfer of $305.0 million.

***Includes buy back of $ 66.4 million made by an independent company Gorey Investments Ltd., funded by a wholly owned subsidiary of Vedanta.

****This relates to the recognition of the equity component of the $ 883 million convertible bond on the removal of the cash settlement option of 28 July 2010.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the period ended 31 December 2009 ("Unaudited")

US $ million	Share capital	Share premium	Treasury Shares	Share based payment reserves	Convertible bond reserve	Hedging reserve	Other reserves*	Retained earnings	Total	Non-controlling Interests	Total equity
	Attributable to equity holders of the Company										
At 1 April 2009	**28.9**	**21.1**	**(80.3)**	**14.0**	**111.5**	**(39.6)**	**1,168.9**	**1,888.1**	**3,112.6**	**4,458.7**	**7,571.3**
Total Comprehensive income for the period	-	-	-	-	-	25.9	514.0	323.7	863.6	970.0	1,833.6
Issue of depository receipts by subsidiary***	-	-	-	-	-	-	-	298.2	298.2	783.6	1,081.8
Issue of Convertible Bond	-	1.1	-	-	330.2	-	-	-	331.3	-	331.3
Conversion of convertible bond	-	-	-	-	(0.2)	-	-	-	(0.2)	-	(0.2)
Convertible bond transfer	-	-	-	-	(18.5)	-	-	18.5	-	-	-
Transfers **	-	-	-	-	-	-	502.4	(502.4)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(70.5)	(70.5)	(66.7)	(137.2)
Purchase of Treasury Shares	-	-	(162.4)	-	-	-	-	-	(162.4)	-	(162.4)
Additional Investment in Subsidiaries	-	-	-	-	-	-	-	(50.1)	(50.1)	(77.7)	(127.8)
Recognition of share based payment	-	-	-	9.8		-	-	-	9.8	-	9.8
At 31 December 2009	**28.9**	**22.2**	**(242.7)**	**23.8**	**423.0**	**(13.7)**	**2,185.3**	**1,905.5**	**4,332.3**	**6,067.9**	**10,400.2**

* Other reserves comprise the currency translation reserve, merger reserve, investment revaluation reserve and the general reserves established in the statutory accounts of the Group's Indian subsidiaries.

** Under Indian law, a general reserve is created through a year-on-year transfer from the income statement. The purpose of these transfers is to ensure that distributions in a year are less than the total distributable results for that year. This general reserve becomes fully distributable in future periods.

***In June 2009, Sterlite raised US$ 1081.8 million via the issuance of American Depository Receipts. This resulted in a reduction of Vedanta's shareholding in Sterlite from 61.35% to 56.62%. This reduction has not resulted in any change in control and hence Sterlite continues to be consolidated in Vedanta's consolidated financial statements. This reduction has been accounted in Vedanta's consolidated financial statement as an equity transaction. The carrying amount of the Non-controlling interest has been adjusted to reflect the change in Vedanta's interest in Sterlite's net assets. The difference between the amount by which the Non-controlling interest is adjusted and the net consideration received of $ 298.2 million is recognised directly in equity and attributed to equity holders of Vedanta.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 March 2010 ("Audited")

	Attributable to equity holders of the Company										
US $ million	Share capital	Share premium	Treasury Shares	Share based payment reserves	Convertible bond reserve	Hedging reserve	Other reserves*	Retained earnings	Total	Non-controlling interests	Total equity
At 1 April 2009	**28.9**	**21.1**	**(80.3)**	**14.0**	**111.5**	**(39.6)**	**1,168.9**	**1,888.1**	**3,112.6**	**4,458.7**	**7,571.3**
Total Comprehensive income for the period	-	-	-	-	-	67.4	736.5	602.3	1,406.2	1,609.1	3,015.3
Issue of depository receipts by subsidiary***	-	-	-	-	-	-	-	300.1	300.1	790.0	1,090.1
Issue of Convertible Bond	-	-	-	-	330.2	-	-	-	330.2	-	330.2
Conversion of convertible bond	0.7	175.7	-	-	(109.5)	-	-	42.2	109.1	32.6	141.7
Exercise of LTIP /STIP awards	-	-	-	(4.1)	-	-	-	4.1	-	-	-
Convertible bond transfer	-	-	-	-	(26.3)	-	-	26.3	-	-	-
Transfers **	-	-	-	-	-	-	558.4	(558.4)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(117.9)	(117.9)	(68.4)	(186.3)
Purchase of Treasury Shares	-	-	(348.6)	-	-	-	-	-	(348.6)	-	(348.6)
Additional Investment in Subsidiaries	-	-	-	-	-	-	-	(96.8)	(96.8)	(92.9)	(189.7)
Recognition of share based payment	-	-	-	15.6	-	-	-	-	15.6	-	15.6
At 31 March 2010	**29.6**	**196.8**	**(428.9)**	**25.5**	**305.9**	**27.8**	**2,463.8**	**2,090.0**	**4,710.5**	**6,729.1**	**11,439.6**

* Other reserves comprise the currency translation reserve, merger reserve, investment revaluation reserve and the general reserves established in the statutory accounts of the Group's Indian subsidiaries.

** Under Indian law, a general reserve is created through a year-on-year transfer from the income statement. The purpose of these transfers is to ensure that distributions in a year are less than the total distributable results for that year. This general reserve becomes fully distributable in future periods.

*****In June 2009, Sterlite raised US$ 1081.8 million via the issuance of American Depository Receipts. This resulted in a reduction of Vedanta's shareholding in Sterlite from 61.35% to 56.62%. This reduction has not resulted in any change in control and hence Sterlite continues to be consolidated in Vedanta's consolidated financial statements. This reduction has been accounted in Vedanta's consolidated financial statement as an equity transaction. The carrying amount of the Non-controlling interest has been adjusted to reflect the change in Vedanta's interest in Sterlite's net assets. The difference between the amount by which the Non-controlling interest is adjusted and the net consideration received of $ 298.2 million is recognised directly in equity and attributed to equity holders of Vedanta.**

Notes to the financial information

1. Basis of preparation

The financial information in this interim financial report is prepared under International Financial Reporting Standards ('IFRS') as adopted by the European Union. The interim condensed consolidated financial information for the period ended 31 December 2010 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The financial information for the full preceding financial year has been derived from the statutory accounts for the financial year ended 31 March 2010 as filed with the Registrar of Companies. The auditors' report on the statutory accounts for the year ended 31 March 2010 was unqualified, did not draw attention by way of emphasis of matter and did not contain statements under section 498(2) (regarding adequacy of accounting records and returns) or under section 498(3) (regarding provision of necessary information and explanations) of the Companies Act 2006.

The financial information prepared under IFRS in respect of the nine months ended 31 December 2010 is unaudited but has been reviewed by the auditor and their report is set out on page 25.

This interim financial report for the nine months ended 31 December 2010 is unaudited and has been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as adopted by the EU.

The financial statements represent a "condensed set of financial statements" as referred to in the UK Disclosure and Transparency Rules issued by the Financial Services Authority. Accordingly, they do not include all of the information required for a full annual report and are to be read in conjunction with the most recent annual financial report.

The Company published full financial statements that comply with IFRS as adopted by the European Union for the year ended 31 March 2010.

The condensed set of financial statements included in the interim financial report has been prepared using the going concern basis of accounting.

2. Accounting policies

This interim financial report, including all comparatives, has been prepared using the same accounting policies and methods of computation as followed in the annual financial statements for the year ended 31 March 2010 as published by the Company.

The accounting policies applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 March 2010 with the exception of adoption of IAS 27 (Revised) Consolidated and Separate Financial Statements.

We have reclassified the prior year income statement to reflect the depreciation charge associated with administration and distribution activities that was previously included in cost of sales.

Adoption of New Standards
In the current financial period Group has adopted the following new standards:

IAS 27 (Revised) – Consolidated and Separate financial statements. IAS 27 (Revised) requires the effect of all transactions with non-controlling interests to be recognised in equity where there is no change in control.

The Company adopted an amendment to IAS 27 "Consolidated and Separate Financial Statements" on 1 April 2010. This requires that when a transaction occurs with non-controlling interests in company entities that do not result in a change in control, the difference between the consideration paid or received and the recorded non-controlling interest should be recognised in equity. Cash flows related to such transactions are to be reported within financing activities in the statement of cash flows. Previously these were presented as investing activities. Comparative information has been reclassified. In addition the amounts paid for the purchases of treasury shares previously presented in net cash used in investing activities are now presented in net cash from financing activities. Comparative information has been reclassified.

The adoption of the revised standard has resulted in reference to minority interests being amended to non-controlling interests. There has been no additional impact on the Group apart from the items described above.

Other amendments to accounting standards or new intepretations issued by International Accounting Standards Board, which were applicable from 1 April 2010, do not have an impact on the Group.

Foreign Exchange Rates

The following exchange rates to US dollar ($) have been applied:

	Average rate for nine months ended 31 December 2010	**Average rate for nine months ended 31 December 2009**	**Average rate for year ended 31 March 2010**	**As at 31 December 2010**	**As at 31 December 2009**	**As at 31 March 2010**
Indian rupee	45.68	47.90	47.42	44.81	46.68	45.14
Australian dollar	1.10	1.20	1.17	0.98	1.11	1.09

3. Segmental Reporting

The Group's primary format for segmental reporting is based on business segments. The business segments consist of aluminium, copper, zinc, iron ore and energy with residual components being reported as "Other". Business segment data includes an allocation of certain corporate costs, allocated on an appropriate basis. The risks and returns of the Group's operations are primarily determined by the nature of the different activities in which the Group is engaged. Inter-segment sales are charged based on prevailing market prices. The Group's activities are organised on a global basis.

The Group's reportable segments under IFRS 8 are as follows:

- Aluminium
- Copper-India/Australia
- Copper-Zambia
- Zinc
- Iron Ore
- Energy

The Energy segment includes the sales of surplus power from Captive Power Plants for which the related asset carrying values are located within the other business segments.

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.

The following tables present revenue and profit information and certain asset and liability information regarding the Group's reportable segments for the nine months ended 31 December 2010 and 31 December 2009 and for the year ended 31 March 2010. Items after operating profit are not allocated by segment.

(a) Reportable segments

Period ended 31 December 2010	Continuing Operations							
US $ million	**Aluminium**	**Copper-India/ Australia**	**Copper-Zambia**	**Zinc**	**Iron Ore**	**Energy**	**Elimination /Others**	**Total Operations**
REVENUE								
Sales to external customers	1,092.1	2,345.5	1,275.5	1,483.4	1,196.7	256.3	-	7,649.5
Inter-segment sales	1.4	0.0	60.8	-	0.9	-	(63.1)	-
Segment revenue	**1,093.5**	**2,345.5**	**1,336.3**	**1,483.4**	**1,197.6**	**256.3**	**(63.1)**	**7,649.5**
RESULT								
EBITDA (1)	155.0	160.4	317.3	797.4	712.9	108.1	(12.2)	**2,238.9**
Depreciation	(166.3)	(32.9)	(99.5)	(82.6)	(176.1)	(15.0)	1.4	(571.0)
Segment result before special items	(11.3)	127.5	217.8	714.8	536.8	93.1	(10.8)	1,667.9
Special items (note 4)	(0.9)	-	-	(4.7)	(118.0)	-	-	(123.6)
Segment result after special items	(12.2)	127.5	217.8	710.1	418.8	93.1	(10.8)	1,544.3
Net finance income								99.4
PROFIT BEFORE TAXATION								1,643.7
Tax expense								(359.4)
PROFIT AFTER TAXATION								**1,284.3**
Segments Assets	8,621.8	3,125.7	2,235.4	6,043.0	4,358.4	2,081.0	-	26,465.3
Unallocated Assets								584.0
TOTAL ASSETS								**27,049.3**

(1) EBITDA being Earnings before interest, taxation, depreciation and amortisation, and special items.

3. Segmental Reporting (continued)

Period ended 31 December 2009			**Continuing Operations**					
US $ million	**Aluminium**	**Copper-India/ Australia**	**Copper-Zambia**	**Zinc**	**Iron Ore**	**Energy**	**Elimination/ Others**	**Total Operations**
REVENUE								
Sales to external customers	461.1	1,960.5	675.3	1,120.2	704.6	228.6	-	5,150.3
Inter-segment sales	1.4	-	19.2	-	0.8	-	(21.4)	-
Segment revenue	**462.5**	**1,960.5**	**694.5**	**1,120.2**	**705.4**	**228.6**	**(21.4)**	**5,150.3**
RESULT								
EBITDA	69.3	108.7	103.9	654.9	346.1	127.4	(1.6)	**1,408.7**
Depreciation	(57.3)	(32.7)	(86.8)	(44.2)	(149.5)	(14.3)	0.7	(384.1)
Segment result before special items	12.0	76.0	17.1	610.7	196.6	113.1	(0.9)	1,024.6
Special items (note 4)	(4.9)	(57.0)	-	-	-	(2.0)	-	(63.9)
Segment result after special items	7.1	19.0	17.1	610.7	196.6	111.1	(0.9)	960.7
Net finance income								52.9
PROFIT BEFORE TAXATION								1,013.6
Tax expense								(181.1)
PROFIT AFTER TAXATION								**832.5**
Segments Assets	6,951.4	3,847.2	2,036.5	4,144.8	3,680.3	1,713.0	-	22,373.2
Unallocated Assets								340.7
TOTAL ASSETS								22,713.9

3. Segmental Reporting (continued)

Year ended 31 March 2010			Continuing Operations					
US $ million	**Aluminium**	**Copper-India/ Australia**	**Copper-Zambia**	**Zinc**	**Iron Ore**	**Energy**	**Elimination/ Others**	**Total Operations**
REVENUE								
Sales to external customers	914.2	2,741.4	1,070.8	1,651.7	1,221.7	330.7	-	7,930.5
Inter-segment sales	1.6	-	12.9	-	0.8	-	(15.3)	-
Segment revenue	**915.8**	**2,741.4**	**1,083.7**	**1,651.7**	**1,222.5**	**330.7**	**(15.3)**	**7,930.5**
RESULT								
EBITDA	154.9	165.9	151.8	982.8	673.0	170.7	(3.2)	**2,295.9**
Depreciation	(99.6)	(42.3)	(119.3)	(64.4)	(217.3)	(21.2)	1.1	(563.0)
Segment result before special items	55.3	123.6	32.5	918.4	455.7	149.5	(2.1)	1,732.9
Special items (note 4)	(4.9)	(57.7)	-	-	(2.7)	(2.0)	-	(67.3)
Segment result after special items	50.4	65.9	32.5	918.4	453.0	147.5	(2.1)	1,665.6
Net Finance Income								176.0
PROFIT BEFORE TAXATION								1,841.6
Tax expense								(330.4)
PROFIT AFTER TAXATION								**1,511.2**
Segments Assets	7,590.2	2,921.8	2,065.2	4,488.0	4,078.5	1,964.5		23,108.2
Unallocated Assets								951.8
TOTAL ASSETS								**24,060.0**

Segment result after special items

US $ million	**Nine months ended 31 December 2010**	**Nine months ended 31 December 2009**	**Year ended 31 March 2010**
Aluminium	155.0	69.3	154.9
Copper	**477.7**	**212.6**	**317.7**
- India/Australia	160.4	108.7	165.9
- Zambia	317.3	103.9	151.8
Zinc	797.4	654.9	982.8
Iron Ore	712.9	346.1	673.0
Energy	108.1	127.4	170.7
Other	(12.2)	(1.6)	(3.2)
EBITDA	**2,238.9**	**1,408.7**	**2,295.9**
Depreciation	(571.0)	(384.1)	(563.0)
Special items	(123.6)	(63.9)	(67.3)
Segment result after special items	**1,544.3**	**960.7**	**1,665.6**

4. Special items

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Voluntary retirement schemes	(5.5)	(6.8)	(6.9)
Asarco transaction costs*	-	(57.1)	(57.7)
Impairment of mining reserves**	(118.1)	-	(2.7)
	(123.6)	**(63.9)**	**(67.3)**

*** Asarco transaction costs include the loss of a $50 million deposit used as security for a letter of credit which has been encashed by the counterparty.**
** The impairment of mining reserves relates to mines at Sesa Goa operated on a lease basis which have expired and have not been renewed.

5. Income tax expense

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Current tax:			
Foreign tax:			
- India	419.8	227.0	404.1
- Zambia	-	-	0.1
- Australia	19.0	10.6	20.3
- Others	20.9	15.2	4.9
	459.7	**252.8**	**429.4**
Deferred tax:			
Current-year movement in deferred tax	**(100.3)**	**(71.7)**	**(99.0)**
	(100.3)	**(71.7)**	**(99.0)**
Total income tax expense	**359.4**	**181.1**	**330.4**
Effective tax rate	**21.8%**	**18.0%**	**17.9%**

6. Earnings per share

(a) Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the period (adjusted for the effects of dilutive options and convertible loan notes).

The following reflects the income and share data used in the basic and diluted earning per share computations:

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Net profit attributable to equity holders of the parent	488.4	323.7	602.3

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Weighted average number of Ordinary Shares for basic earnings per share	272.2	274.0	274.3
Effect of dilution:			
Convertible bonds	34.2	27.8	46.7
Share options	2.9	3.8	3.7
Adjusted weighted average number of Ordinary Shares for diluted earnings per share	**309.3**	**305.6**	**324.7**

Basic earnings per share on the profit for the period/year

	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Profit for the period/year attributable to equity holders of the parent ($ million)	488.4	323.7	602.3
Weighted average number of Ordinary Shares of the Company in issue (million)	272.2	274.0	274.3
Earnings per share on profit for the period/year (US cents per share)	**179.4**	**118.1**	**219.6**

Diluted earnings per share on the profit for the period/year

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Profit for the period/year attributable to equity holders of the parent ($ million)	488.4	323.7	602.3
Adjustment in respect of convertible bonds of Vedanta ($ million)	47.3	28.2	57.6
Profit for the period/year after dilutive adjustment	**535.7**	**351.9**	**659.9**
Adjusted weighted average number of Ordinary Shares of the Company in issue for basic EPS (million)	309.3	305.6	324.7
Diluted earnings per share on profit for the period/year (US cents per share)	**173.2**	**115.1**	**203.2**

Profit for the period would be diluted if holders of the convertible bonds in Vedanta exercised their right to convert their bond holdings into Vedanta equity. The impact on profit for the period of this conversion would be the interest payable on the convertible bond.

The outstanding awards under the Long-Term Incentive Plan ('LTIP') are reflected in the diluted EPS figure through an increased number of weighted average shares.

There have been no other transactions involving Ordinary Shares or potential Ordinary Shares since the reporting date and before the completion of this financial information.

(b) Earnings per Share Based on Underlying Profit for the period/year

The Group's Underlying Profit is the attributable profit for the period/year after adding back special items, exchange (gains)/losses on borrowings and capital creditors and their resultant tax and Non-controlling interest effects:

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Profit for the period/year attributable to equity holders of the parent	488.4	323.7	602.3
Special items	123.6	51.1	67.3
Other (gains)– net of tax	(171.5)	(37.6)	(139.9)
Non-controlling interest effect of special items and exchange losses	27.0	(23.8)	16.8
Underlying Profit for the period/year	**413.5**	**313.4**	**546.5**

Basic earnings per share on Underlying Profit for the period/year

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Underlying profit for the period/year ($ million)	413.5	313.4	546.5
Weighted average number of Ordinary Shares of the Company in issue (million)	272.2	274.0	274.3
Earnings per share on Underlying Profit for the period/year (US cents per share)	**151.9**	**114.4**	**199.2**

Diluted earnings per share on Underlying Profit for the period/year

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Underlying profit for the period/year ($ million)	413.5	313.6	546.5
Adjustment in respect of convertible bonds of Vedanta ($ million)	47.3	28.2	57.6
Underlying profit for the year after dilutive adjustment ($ million)	460.8	341.8	604.1
Adjusted weighted average number of shares of the Company (million)	309.3	305.6	324.7
Diluted earnings per share on Underlying Profit for the year (US cents per share)	**149.0**	**111.8**	**186.0**

7. Dividends

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Amounts paid as distributions to equity holders:			
Final dividend paid			
Final dividend 2009-10 : 27.5 US cents per share	75.1	-	-
Final Dividend 2008-09 : 25.0 US cents per share	-	70.2	70.2
Interim dividend paid			
Interim Dividend 2009-10 : 17.5 US cents per share	-	-	47.7
Total	**75.1**	**70.2**	**117.9**

8. Movement in net debt [1]

			Debt due within one year		Debt due after one year		
US $ million	**Cash and cash equivalents**	**Liquid investments**	**Debt carrying value**	**Debt-related derivatives[2]**	**Debt carrying value**	**Debt-related derivatives[2]**	**Total net (debt)/cash**
At 1 April 2010	**390.0**	**6,849.4**	**(1,012.6)**	**(0.9)**	**(7,161.0)**	**(12.1)**	**(947.2)**
Cash flow	(181.7)	(215.1)	(1,277.9)		32.5		(1,642.2)
Acquisition of Subsidiaries	-	-	-	-	-	-	-
Reclassification due to covenant test	-	-	-	-	-	-	-
Other non-cash changes[3]		40.6	(23.0)	0.3	397.5	12.1	427.5
Foreign exchange differences	65.1	47.4	(27.1)		(16.4)		69.0
As at 31 December 2010	**273.4**	**6,722.3**	**(2,340.6)**	**(0.6)**	**(6,747.4)**	**-**	**(2,092.9)**

			Debt due within one year		Debt due after one year		
US $ million	**Cash and cash equivalents**	**Liquid investments**	**Debt carrying value**	**Debt-related derivatives[2]**	**Debt carrying value**	**Debt-related derivatives[2]**	**Total net (debt)/cash**
At 1 April 2009	**380.5**	**4,532.1**	**(1,298.5)**	**8.4**	**(3,816.4)**	**(6.9)**	**(200.8)**
Cash flow	262.6	1,299.9	(544.4)	-	(2,050.8)		(1,032.6)
Other non-cash changes[3]	-	25.1			(321.0)		(295.9)
Foreign exchange differences	(98.0)	435.1	(64.4)		(100.0)		172.7
As at 31 December 2009	**545.1**	**6,292.2**	**(1,907.3)**	**8.4**	**(6,288.2)**	**(6.9)**	**(1,356.6)**

			Debt due within one year		Debt due after one year		
US $ million	**Cash and cash equivalents**	**Liquid investments**	**Debt carrying value**	**Debt-related derivatives[2]**	**Debt carrying value**	**Debt-related derivatives[2]**	**Total Net (Debt)/ Cash**
At 1 April 2009	**380.5**	**4,532.1**	**(1,298.5)**	**8.4**	**(3,816.4)**	**(6.9)**	**(200.8)**
Cash flow	258.8	1,663.4	360.6	-	(2,859.0)	-	(576.2)
Acquisition of Subsidiaries	-	-	(12.4)	-	-	-	(12.4)
Other non-cash changes[3]	-	27.6	25.0	(9.3)	(351.7)	(5.1)	(313.5)
Foreign exchange differences	(249.3)	626.3	(87.3)	-	(133.9)	-	155.8
At 31 March 2010	**390.0**	**6,849.4**	**(1,012.6)**	**(0.9)**	**(7,161.0)**	**(12.0)**	**(947.1)**

[1] Net debt being 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 commodity-related derivative financial assets and liabilities.

[3] Other non-cash changes comprised $ 104.0 million (March 2010: $ 326.7 million, December 2009: $ 628.5 million) of project buyers credit obtained from banks , for which there is no cash movement as it represents the re-financing of amounts previously owed to suppliers. It also includes $ 211.6 million of non cash movement relating to the equity portion of the $ 883 million convertible bond. It also includes $40.6 million (March 2010 : $ 27.6 million, December 2009 : $ 25.1 million) of fair value movement in liquid investments. A movement of $ 12.1 million (March 2010 : $ 14.4 million, December 2009 : $ Nil million) which pertains to fair value of debt related derivatives is also included in other non-cash changes.

9. Business Combinations

On 3 December 2010 Vedanta Resources plc through its subsidiary THL Zinc Limited, acquired 100% equity of Anglo Base Namibia Holdings (Pty) Ltd which is the holding co. of the Skorpion Namibian assets for a total consideration of $ 706.7 million. The operating and financial results of Skorpion Zinc, Namibia have been consolidated effective from 3 December 2010, which was the date of acquisition. Skorpion Zinc, Namibia is invloved in mining and smelting of zinc.

The fair value of the identifiable assets and liabilities of Skorpion Zinc, Namibia as at the date of the acquisition were provisionally estimated as follows:

$ million	Book value	Fair value adjustments	Provisional Fair value
Assets			
Non-current assets			
Property, plant and equipment	301.8	313.3	615.1
Financial assets investments	5.0	(2.0)	3.0
	306.8	**311.3**	**618.1**
Current assets			
Inventories	48.3	5.0	53.3
Trade and other receivables	3.9	-	3.9
Cash and cash equivalents	119.5	-	119.5
	171.7	**5.0**	**176.7**
Liabilities			
Current liabilities			
Trade and other payables	(21.6)	-	(21.6)
	(21.6)	**-**	**(21.6)**
Non-current liabilities			
Deferred tax liabilities	(14.6)	(19.8)	(34.4)
Provisions	(32.1)	-	(32.1)
	(46.7)	**(19.8)**	**(66.5)**
Net assets	**410.2**	**296.5**	**706.7**
Satisfied by:			
Cash consideration paid			706.7

Since the date of acquisition, Skorpion Zinc has contributed $29.2 million to the revenue and $2.2 million to the net profit of the Group for the nine months ended 31 December 2010. If Skorpion Zinc had been acquired at the beginning of the year, the revenue of the Group would have been $228.3 million higher and the net profit of the Group would have been $61.8 million higher.

10. Other disclosures

Capital commitments

Contractual commitments to acquire fixed assets were $4,552.6 million at 31 December 2010 (31 March 2010: $4,065.4 million, 31 December 2009: $3,937.3 million).

Contingent liabilities and guarantees

A summary of the most significant matters is set out below:

Guarantees

As at 31 December 2010, $201.6 million of guarantees had been issued to banks in the normal course of business (31 March 2010: $133.3 million, 31 December 2009: $173.2 million). The Group has also entered into guarantees advanced to the customs authorities in India of $1255.3 million (31 March 2010: $908.3 million, 31 December 2009: $861.4 million) relating to payment of import duty.

Export Obligations

The Indian entities of the Group have export obligations of $6,361.9 million (31 March 2010: $5,091.2 million, 31 December 2009: $3,766.5 million) over eight years, on account of concessional rates of import duty paid on capital goods under the Export Promotion Capital Goods Scheme laid down by the Government of India. In the event of the Group's inability to meet its obligations, the Group's liability would be $895.2 million (31 March 2010: $723.0 million, 31 December 2009: $532.7 million) reduced in proportion to actual exports.

This liability is backed by a bond executed in favour of the customs department amounting to $1,635.2 million (31 March 2010: $958.2 million, 31 December 2009: $904.1 million).

Guarantees to Suppliers

The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was $120.0 million at 31 December 2010 (31 March 2010: $170.0 million, 31 December 2009: $170.0 million).

Miscellaneous Disputes

The Indian excise and related indirect tax authorities have made several claims against the Group companies for additional excise and indirect duties. The claims mostly relate either to the assessable values of sales and purchases or to incomplete documentation supporting the companies' returns.

The approximate value of claims against these companies total $563.3 million (31 March 2010: $380.4 million, 31 December 2009: $364.2 million) of which $5.6 million (31 March 2010: $10.4 million, 31 December 2009: $5.4 million) is included as a provision in the balance sheet as at 31 December 2010. In the view of the Directors, there are no significant unprovided liabilities arising from these claims.

Related party transactions

The information below sets out transactions and balances between the Group and various related parties for the period. These related parties include Sterlite Technologies Limited ('STL'), which is related by virtue of having the same controlling party as the Group, namely Volcan.

The tables below set out transactions with related parties that occurred in the normal course of trading.

10. Other disclosures (continued)

Related party transactions (continued)

STL

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Sales to STL	102.2	105.8	165.0
Reimbursement of expenses	0.1	0.1	0.1
Net Interest Received	-	-	0.1
Amounts receivable at period/year end	13.0	15.3	4.4

Other transactions with STL

Pursuant to the terms of the Shared Services Agreement dated 5 December 2003 entered into by the Company, Sterlite and STL, the Company and Sterlite provided various commercial services in relation to STL's businesses on an arm's length basis and at normal commercial terms. For the nine months ended 31 December 2010, the commercial services provided to STL were performed by certain senior employees of the Group on terms set out in the Shared Services Agreement. The services provided to STL during the nine months ended 31 December 2010 amounted to NIL (31 March 2010: $ 27,154, 31 December 2009: $20,770.2).

Sterlite Foundation

During the period ended 31 December 2010, $1.4 million was paid to Sterlite Foundation (31 December 2009: $0.4 million, 31 March 2010: $1.1 million).

The Sterlite Foundation is a registered not-for-profit entity engaged in computer education and other related social and charitable activities. The major activity of the Sterlite Foundation is providing computer education for disadvantaged students. The Sterlite Foundation is a related party as it is controlled by members of the family of the Chairman, Mr. Anil Agarwal.

Sesa Community Foundation Limited

During the period, $0.5 million (31 December 2009: $0.5 million, 31 March 2010: $0.7 million) was paid to the Sesa Community Foundation Limited. The Sesa Community Foundation Limited is controlled by the directors of Sesa Goa.

The Anil Agarwal Foundation (formerly the Vedanta Foundation)

During the period, $0.1 million was received from the Anil Agarwal Foundation towards reimbursement of expenses (31 December 2009: $0.4 million; 31 March 2010: $0.6 million).

The Anil Agarwal Foundation is a registered not-for-profit entity engaged in social and charitable activities. The Anil Agarwal Foundation is controlled by members of the family of the Chairman, Mr. Anil Agarwal.

10. Other Disclosures (continued)

Henry Davis York

	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Consultancy services	0.4	0.4	0.4

Henry Davis York provides consultancy services to a subsidiary of the Group. The executive management of Henry Davis York hold office at CMT & TCM. CMT & TCM are both subsidiaries of Vedanta Resources Plc and hence related parties.

Volcan

In relation to the shares of Sterlite held by Twin Star, MALCO issued guarantees to the Income Tax Department of India, at the request of Volcan. Volcan is the majority shareholder of the Group.

Sterlite Iron and Steel Limited

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Reimbursement of bank charges	0.1	0.1	0.1

Sterlite Iron and Steel Limited is a related party by virtue of having the same controlling party as the Group, namely Volcan.

Sterlite Shipping Venture Limited

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Reimbursement of bank charges	-	-	0.01

Sterlite Shipping Venture Limited is controlled by members of the family of the Chairman, Mr. Anil Agarwal.

10. Other Disclosures (continued)

Vedanta Medical Research Association

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Loan balance receivable	-	2.4	3.5
Other amount receivable at year end	-	-	4.5
Reimbursement of expenses	8.3	1.4	-

Vedanta Medical Research Association is a related party of the Group on the basis that key management personnel of the Group exercise significant influence.

The Vedanta Medical Research Association is a registered not-for-profit entity under which the cancer hospital is being constructed to support social health infrastructure in India.

Vedanta University

US $ million	Nine months ended 31 December 2010	Nine months ended 31 December 2009	Year ended 31 March 2010
Reimbursement of bank charges	-	-	(0.1)

Vedanta University is a related party of the Group on the basis that key management personnel of the Group exercise significant influence.

11. Share Transactions

BALCO Option

The Company purchased a 51.0% holding in BALCO from the Government of India on 2 March, 2001. Under the terms of this shareholder's agreement ("SHA") for BALCO, the Company has a call option that allows it to purchase the Government of India's remaining ownership interest in BALCO at any point from 2 March, 2004. The Company exercised this option on 19 March, 2004. However, the Government of India has contested the validity of the option and the valuation. The Company sought an interim order from the High Court of Delhi to restrain the Government of India from transferring or disposing of its shareholding pending resolution of the dispute. The High Court directed on 7 August, 2006 that the parties attempt to settle the dispute by way of a mediation process as provided for in the SHA. However, as the dispute could not be settled through mediation, it has been referred to arbitration as provided for in the SHA. Arbitration proceedings commenced on 16 February 2009 and final hearing was held between 27 August 2010 and 29 August 2010. In view of the Judgement delivered by the Division Bench of the Bombay High Court on section 111A of the Companies Act, 1956, an additional hearing was held on 9 October 2010 giving opportunity to the parties to make their submissions on the same before the Arbitration Tribunal. The Arbitration Tribunal in its majority award dated 25th January 2011 has rejected the claims of Sterlite on the ground that clauses on call option, right of first refusal, tag along right, restriction on transfer of shares are violative of section 111A(2) of the Companies Act, 1956. Sterlite has the option to challenge the award under section 34 of the Arbitration and Conciliation Act, 1996 within a period of 90 days from the date of the award and Sterlite is exploring the same.

HZL Option

The Company's wholly-owned subsidiary, Sterlite Opportunities and Ventures Limited ("SOVL"), had two call options to purchase all of the Government of India's shares in HZL at fair market value. SOVL exercised the first call option on August 29, 2003 and acquired an additional 18.9% of HZL's issued share capital, increasing its shareholding to 64.9%. As of March 31, 2009 and 2010, the Government of India's holding in HZL was 29.5%. The second call option provides SOVL the right to acquire the Government of India's remaining 29.5% share in HZL. This call option is subject to the right of the Government of India to sell 3.5% of HZL to HZL employees. This call option is also subject to the Government of India's right, prior to the exercise of this call option, to sell its shares in HZL through a public offer. From April 11, 2007, SOVL has the right to exercise the second call option. The option has no expiry date. The Company has exercised the second call option in its letter dated July 21, 2009. The Government has stated that they are maintaining the same stand as in BALCO on the validity of the call option and has refused to act upon the second call option .The Company has invoked the Arbitration clause for referring the matter to arbitration and has appointed its arbitrator, and has requested the Government to nominate its arbitrator nominee so that Arbitral Tribunal is constituted. As Government of India has not appointed its arbitrator, the Company had filed Arbitration application u/s 11(6) of the arbitration and conciliation act 1996 in the Delhi High Court for constitution of arbitral tribunal. The Delhi High Court has in its order dated 18th May 2010 directed the parties to appoint mediators for mediation of the dispute and if mediation fails, arbitration will commence. The Government of India and SOVL has appointed mediators, respectively. Depending upon the outcome of the mediation process the arbitration would commence.

Share Purchases

During the nine months ended 31 December 2010, the Group increased its holding in certain of its subsidiaries through open market purchases. The details of such purchases are as follows:

a) 5,344,702 shares of Sterlite Industries India Limited accounting for 0.64% of SIIL's total equity.

b) 2,045,000 shares of Sesa Goa accounting for 0.25% of Sesa's total equity.

c) 82,369 shares of Malco accounting for 0.07% of Malco's total equity.

The aggregate loss arising on these transactions of $63.8 million was recorded within equity.

3,126,133 shares of Vedanta Resources Plc purchased as treasury shares for 1.1% of total equity.

Glossary and definitions

5S
A Japanese concept laying emphasis on housekeeping and occupational safety in a sequential series of steps as Sort (Seiri); Set in Order (Seiton); Shine (Selso); Standardise (Seiketsu); and Sustain (Shitsuke)

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 3.00 pm, UK time, on the 28 July 2010

AE
Anode effects

AGRC
Ararat Gold Recovery Company incorporated in Armenia, engaged in gold mining and processing

AIDS
Acquired immune deficiency syndrome

Aluminium Business
The aluminium business of the Group, comprising its fully-integrated bauxite mining, alumina refining and aluminium smelting operations in India, and trading through the Bharat Aluminium Company Limited and The Madras Aluminium Company Limited, companies incorporated 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

Board or Vedanta Board
The board of directors of the Company

Board Committees
The committees reporting to the Board: Audit, Remuneration, Nominations, and Health, Safety and Environment, each with its own terms of reference

Businesses
The Aluminium Business, the Copper Business and the Zinc Business together

Capital Employed
Net assets before Net (Debt)/Cash

Capex
Capital expenditure

Cash Tax Rate

Current taxation as a percentage of profit before taxation

CEO
Chief executive officer

CII
Confederation of Indian Industries

CLZS
Chanderiya lead and zinc smelter

CO2
Carbon dioxide

CMT
Copper Mines of Tasmania Pty Limited, a company incorporated in Australia

Combined Code or the Code
The Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008

Company or Vedanta
Vedanta Resources plc

Company financial statements
The audited financial statements for the Company for the year ended 31 March 2010 as defined in the Independent Auditors' Report on the individual Company Financial Statements to the members of Vedanta Resources plc

Convertible Bonds
$725 million 4.60% guaranteed convertible bonds due 2026, issued by a wholly-owned subsidiary of the Company, Vedanta Finance (Jersey) Limited ('VFJL'), and guaranteed by the Company, the proceeds of which are to be applied towards re-financing subsidiary indebtedness, the Company's capital expenditure programme including the Jharsuguda Aluminium smelter project and other general corporate purposes

$1,250 million 5.5% guaranteed convertible bonds due 2016, issued by a wholly-owned subsidiary of the Company, Vedanta Resource Jersey Limited ("VRJL") and guaranteed by the Company, the proceeds of which are to be applied for to support its organic growth pipeline, to increase its ownership interest in its subsidiaries and for general corporate purposes.

$883 million 4.0% guaranteed convertible bonds due 2017, issued by a wholly-owned subsidiary of the Company, Vedanta Resource Jersey II Limited ("VRJL-II") and guaranteed by the Company, the proceeds of which are to be applied for to refinance debt redemptions and for general corporate purposes.

$500 million 4.0% guaranteed convertible bonds due 2014, issued by a subsidiary of the Company, Sterlite Industries (India) Limited ("SIIL"), the proceeds of which are to be applied for the expansion of copper business, acquisition of complementary businesses outside of India and any other permissible purpose under, and in compliance with, applicable laws and regulations in India, including the external commercial borrowing regulations specified by the RBI.
$500 million 5.0% guaranteed convertible bonds due 2014, issued by a subsidiary of the Company, Sesa Goa Limited ("Sesa"), the proceeds of which are to be applied for to expand the Issuer's mining operations, for exploration for new resources, and to further develop its pig iron and metallurgical coke operation

Copper Business
The copper business of the Group, comprising:

a copper smelter, two refineries and two copper rod plants in India, trading through Sterlite Industries (India) 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

CREP
Corporate responsibility for environmental protection

Cents/lb
US cents per pound

CRISIL
Credit rating information services of India limited

CRRI
Central Road Research Institute

CSR
Corporate social responsibility

CTC
Cost to company, the basic remuneration of executives in India, which represents an aggregate figure encompassing basic pay, pension contributions and allowances

CY
Calendar year

Deferred Shares
Deferred shares of £1.00 each in the Company

DGMS
Director General of Mine Safety in the Government of India

Directors
The Directors of the Company

Dollar or $
United States dollars, the currency of the United States of America

DRs
Depositary receipts of 10 US cents, issuable in relation to the $725 million 4.6% guaranteed convertible bonds due 2026

EBITDA
Earnings before interest, taxation, depreciation, goodwill amortisation/impairment and special items

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 delegates operational management and comprising the Executive Directors and the senior management within 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 2010 as defined in the Independent Auditors' Report to the members of Vedanta Resources plc

Free Cash Flow
Cash flow arising from EBITDA after net interest (including gains on liquid investments and adjusted for net interest capitalised), taxation, Sustaining Capital Expenditure and working capital movements

FY
Financial year

GAAP, including UK GAAP and Indian 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

HSE

Health, safety and environment

HZL
Hindustan Zinc Limited, a company incorporated in India

IAS
International Accounting Standards

ICMM
International Council on Mining and Metals

IFRI C
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

INR
Indian Rupees

Interest Cover
EBITDA divided by finance costs

IPP
Independent power producer

ISO 9001
An international quality management system standard published by the International Organisation for Standardisation

ISO 14001
An international environmental management system standard published by the International Organisation for Standardisation

KCM or Konkola Copper Mines
Konkola Copper Mines PLC, a company incorporated in Zambia

KDMP
Konkola deep mining project

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

KLD
Kilo litres per day

KPI s
Key performance indicators

Kwh
Kilo-watt hour

Kwh/d
Kilo-watt hour per day

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

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

MAL CO
The Madras Aluminium Company Limited, a company incorporated in India

Management Assurance Services
The function through which the Group's internal audit activities are managed

MAT
Minimum alternative tax

MIS
Management information system

MOEF
The Ministry of Environment & Forests of the Government of the Republic of India

mt or tonnes
Metric tonnes

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 and liquid investments

NGO
Non-governmental organisation

NIHL
Noise induced hearing loss
Non-executive Directors
The Non-Executive Directors of the Company

OHSAS 18001
Occupational Health and Safety Assessment Series (standards for occupational health and safety management systems)

Ordinary Shares
Ordinary shares of 10 US cents each in the Company
PBT
Profit before tax

PF C
Per fluorocarbons

PH C
Primary health centre

PPE
Personal protective equipment

Provident Fund
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Recycled water
Water released during mining or processing and then used in operational activities

Relationship Agreement
The agreement dated 5 December 2003 between the Company, Volcan Investments Limited and members of the Agarwal family that regulates 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
Profit before interest, taxation, special items, tax effected at the Group's effective tax rate as a percentage of Capital Employed

The Reward Plan
The Vedanta Resources Share Reward Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted for the purpose of rewarding employees who contributed to the Company's development and growth over the period leading up to Listing in December 2003

RO
Reverse osmosis

SA 8000
Standard for Social Accountability based on international workplace norms in the International Labour Organisation ('ILO') conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child

Senior Management Group

For the purpose of the remuneration report, the key operational and functional heads within the Group

Sesa Goa
Sesa Goa Limited, a company incorporated in India engaged in the business of mining iron ore

SEWT
Sterlite Employee Welfare Trust, a long-term investment plan for Sterlite senior management

The Share Option Plan
The Vedanta Resources Share Option Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted to provide maximum flexibility in the design of incentive arrangements over the long term

SHGs
Self help groups

SID
Senior Independent Director

SO2
Sulphur dioxide

SBU
Strategic Business Unit

SOTL
Sterlite Optical Technologies Limited, a company incorporated in India

SOVL
Sterlite Opportunities and Ventures 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

SPM
Suspended particulate matter. Fine dust particles suspended in air

Sterling, GBP or £
The currency of the United Kingdom

Sterlite
Sterlite Industries (India) Limited, a company incorporated in India

Sterlite Energy Limited (SEL)
Sterlite Energy Limited, a company incorporated in India

Sterlite Gold
Sterlite Gold Limited, a company incorporated in Canada which has its main subsidiary in Armenia

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

TGS
Tail gas scrubber

TGT
Tail gas treatment

TLP
Tail Leaching Plant

tpa
Metric tonnes per annum

TPM
Tonne per month

TSR
Total shareholder return, being the movement in the Company's share price plus reinvested dividends

Turnbull Guidance
The revised guidance on internal control for directors on the Combined Code issued by the Turnbull Review Group in October 2005

Twin Star
Twin Star Holdings Limited, a company incorporated in Mauritius

Twin Star Holdings Group
Twin Star and its subsidiaries and associated undertaking

Underlying EPS
Underlying earnings per ordinary share

Underlying Profit
Profit for the year after adding back special items and other gains and lossed and their resultant tax and Non-controlling interest effects

US cents
United States cents

VAL
Vedanta Aluminium Limited, a company incorporated in India

VFD
Variable frequency drive

VFJL
Vedanta Finance (Jersey) Limited, a company incorporated in Jersey

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
VSS
Vertical Stud Söderberg

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

Zinc Business
The zinc-lead business of the Group, comprising its fully-integrated zinc-lead mining and smelting operations in India, and trading through the Hindustan Zinc Limited, a company incorporated in India

auditor's report

To the Board of Directors of Cairn India Limited

1. We have audited the attached consolidated balance sheet of Cairn India Limited (the Company) and its subsidiaries (collectively called 'the Cairn India Group') as at December 31, 2007 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended December 31, 2007, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures notified under the Companies (Accounting Standard) Rules, 2006.

4. In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of the Cairn India Group as at December 31, 2007;

   (b) in the case of the consolidated profit and loss account, of the loss of the Cairn India Group for the year ended December 31, 2007; and

   (c) in the case of the consolidated cash flow statement, of the cash flows of the Cairn India Group for the year ended December 31, 2007.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Per Raj Agrawal
Partner
Membership No.: 82028

PLACE : GURGAON
DATE : MARCH 31, 2008

consolidated balance sheet
AS AT DECEMBER 31, 2007

(All amounts are in Indian Rupees, unless otherwise stated)

	Schedules		As at December 31, 2007		As at December 31, 2006
SOURCES OF FUNDS					
Shareholders' funds					
Share capital	1		17,783,994,200		17,653,143,790
Stock options outstanding	2		947,083,827		345,058,813
Reserves and surplus	3		276,084,115,059		275,017,836,642
			294,815,193,086		293,016,039,245
Loan funds					
Secured Loans (Finance lease liability)			169,361,168		194,144,882
Unsecured loans	4		2,955,000,000		4,984,787,562
			3,124,361,168		5,178,932,444
Deferred tax liability (net)	5		4,916,494,278		4,152,300,349
			302,856,048,532		**302,347,272,038**
APPLICATION OF FUNDS					
Fixed assets	6				
Gross cost		1,092,631,918		1,326,837,080	
Less: Accumulated depreciation/amortisation		606,125,938		831,386,968	
Net book value			486,505,980		495,450,112
Exploration, Development and Site-restoration costs	7				
Cost of producing facilities (net)		4,389,517,286		2,976,131,767	
Exploratory & development wells in progress		24,670,263,942		17,122,353,160	
Net book value			29,059,781,228		20,098,484,927
Goodwill			253,192,674,502		253,192,674,502
Investments	8		7,128,908,794		105,333,750
Current assets, loans and advances					
Inventories	9	1,216,047,411		1,251,108,962	
Sundry debtors	10	1,348,577,861		1,917,478,708	
Cash and bank balances	11	13,317,907,346		61,347,832,957	
Other current assets	12	134,533,631		12,752,137	
Loans and advances	13	4,515,721,140		2,761,686,514	
		20,532,787,389		67,290,859,278	
Less: Current liabilities and provisions					
Current liabilities	14A	4,691,797,528		36,742,756,514	
Provisions	14B	3,680,149,718		2,811,126,380	
		8,371,947,246		39,553,882,894	
Net Current assets			12,160,840,143		27,736,976,384
Miscellaneous expenditure (to the extent not written off or adjusted)	15		370,153,749		506,610,126
Profit & Loss account (Debit Balance)			457,184,136		211,742,237
			302,856,048,532		**302,347,272,038**
NOTES TO ACCOUNTS	23				

The schedules referred to above are an integral part of the consolidated balance sheet.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

per Raj Agrawal
Partner
Membership No. 82028

Rahul Dhir
Managing Director and
Chief Executive Officer

Aman Mehta
Director

Indrajit Banerjee
Executive Director and
Chief Financial Officer

Marshall Mendonza
Company Secretary

PLACE : GURGAON
DATE : MARCH 31, 2008

consolidated profit and loss account

FOR THE YEAR ENDED DECEMBER 31, 2007

(All amounts are in Indian Rupees, unless otherwise stated)

	Schedules		Year ended December 31, 2007		Period from August 21, 2006 to December 31, 2006
INCOME					
Income from Operations	16		10,122,626,751		387,417,401
Other income	17		1,324,089,441		62,214,649
			11,446,716,192		**449,632,050**
EXPENDITURE					
Operating expenses	18		1,945,812,072		53,119,541
Depletion and site restoration costs	7		1,906,378,894		54,706,398
Unsuccessful exploration costs	7		2,512,282,298		59,480,772
Administrative expenses	19		3,737,004,724		374,292,581
(Increase)/decrease in inventories	20		(111,714,347)		28,897,849
Depreciation and amortisation	6		170,676,931		6,519,123
Finance costs	21		27,048,858		2,746,503
			10,187,489,430		**579,762,767**
Profit/(Loss) before taxation			**1,259,226,762**		**(130,130,717)**
Current tax		387,755,986		11,777,168	-
Deferred tax		764,193,929		43,860,662	-
Fringe Benefit Tax		352,718,746		789,130	-
			1,504,668,661		56,426,960
Profit/(Loss) for the year/period			**(245,441,899)**		**(186,557,677)**
Less: Profit/(Loss) attributable to minority interest			-		25,184,560
Profit/(Loss) for the period attributable to equity shareholders			**(245,441,899)**		**(211,742,237)**
Deficit brought forward from the previous period			(211,742,237)		-
Deficit Carried to Balance sheet			**(457,184,136)**		**(211,742,237)**
Loss per share	22				
Basic		0.14			0.68
Diluted (considered anti-dilutive)		0.14			0.68
[Nominal value of shares Rs. 10]					
NOTES TO ACCOUNTS	23				

The schedules referred to above are an integral part of the consolidated profit and loss account.
As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

per Raj Agrawal
Partner
Membership No. 82028

Rahul Dhir
Managing Director and
Chief Executive Officer

Aman Mehta
Director

Indrajit Banerjee
Executive Director and
Chief Financial Officer

Marshall Mendonza
Company Secretary

PLACE : GURGAON
DATE : MARCH 31, 2008

consolidated statement of cash flows

FOR THE YEAR ENDED DECEMBER 31, 2007

(All amounts are in Indian Rupees, unless otherwise stated)

Particulars	Year ended December 31, 2007	Period from August 21, 2006 to December 31, 2006
Cash flow from operating activities		
Profit/Loss before taxation for the year/period	1,259,226,762	(130,130,717)
Adjustments for		
- Employee compensation expense (stock options)	780,364,594	345,058,813
- Depreciation, depletion and site restoration costs	2,077,055,825	61,225,521
- Loss on sale/discard of fixed assets	10,054,922	-
- Unsuccessful exploration costs	2,512,282,298	59,480,772
- Unrealised (gain) on restatement of assets and liabilities (net)	1,844,459,634	-
- Interest expense	8,255,626	-
- Interest income	(727,431,156)	-
- Premium on forward exchange contracts amortised	63,010,080	-
- Income from investments	(595,663,088)	-
Operating profit before working capital changes	**7,231,615,497**	**335,634,389**
Movements in working capital:		
(Increase)/decrease in inventories	35,061,551	28,897,849
(Increase)/decrease in debtors	406,420,067	(181,453,156)
(Increase)/decrease in loans and advances and other current assets	(1,998,425,930)	(26,232,571)
Increase/(decrease) in current liabilities and provisions	649,254,778	(757,832,226)
Cash from/(used in) operations	6,323,925,963	(600,985,715)
Current tax/FBT paid (net of refunds)	(819,797,420)	-
Net cash from/(used in) operating activities (A)	**5,504,128,543**	**(600,985,715)**
Cash flow from investing activities		
Payments made for acquisition of subsidiaries	(32,763,069,551)	(96,173,257,709)
Payment made for exploration and development activities	(11,566,912,947)	-
Purchase of fixed assets	(176,058,218)	-
Mutual funds purchased	(15,295,380,222)	-
Fixed deposits made	(14,076,538,177)	-
Mutual funds sold	8,271,805,178	-
Proceeds from sale of fixed assets	4,270,497	-
Interest received	710,969,467	-
Dividend from investments received	587,403,172	-
Net cash used in investing activities (B)	**(64,303,510,801)**	**(96,173,257,709)**
Cash flow from financing activities		
Issue of equity shares for cash (including securities premium)	2,093,606,560	155,511,284,700
Share issue expenses	(1,422,256,654)	(722,687,148)
Proceeds/(Repayment) of short term loans (net)	(204,707,562)	204,707,562
Proceeds from long term borrowings	31,216,617	-
Repayment of long term borrowings	(1,517,999,332)	1,017,980,000
Interest paid	(24,502,982)	-
Net cash from/(used in) financing activities (C)	**(1,044,643,353)**	**156,011,285,114**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(59,844,025,611)**	**59,237,041,690**
Cash and cash equivalents at the beginning of the year/period	61,347,832,957	-
Cash and cash equivalents resulting from the acquisition of subsidiaries on December 20, 2006	-	2,110,791,267
Cash and cash equivalents at the end of the year/period	**1,503,807,346**	**61,347,832,957**
Components of cash and cash equivalents as at	**December 31, 2007**	**December 31, 2006**
Cash in hand	108,192	84,349
Balances with scheduled banks		
on current accounts	609,095,761	53,823,876,384
on deposit accounts	12,708,703,393	7,523,872,224
Less: Deposits having maturity of over 90 days	(11,814,100,000)	-
	1,503,807,346	**61,347,832,957**

Notes:
1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements".
2. Figures in brackets indicate a cash outflow or deduction.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

per Raj Agrawal
Partner
Membership No. 82028

Rahul Dhir
Managing Director and
Chief Executive Officer

Aman Mehta
Director

Indrajit Banerjee
Executive Director and
Chief Financial Officer

Marshall Mendonza
Company Secretary

PLACE : GURGAON
DATE : MARCH 31, 2008

(All amounts are in Indian Rupees, unless otherwise stated)

	As at December 31, 2007	As at December 31, 2006
Schedule - 1		
Share capital		
Authorised:		
2,250,000,000 equity shares (previous period : 2,250,000,000 equity shares) of Rs. 10 each	**22,500,000,000**	**22,500,000,000**
Issued, subscribed and paid up:		
1,778,399,420 (previous period 1,765,314,379) equity shares of Rs.10 each * (refer note 7(a) under schedule 23)	17,783,994,200	17,653,143,790
	17,783,994,200	**17,653,143,790**

*Of the above, 1,239,928,832 equity shares (previous period - 1,226,843,791 equity shares) of Rs. 10 each are held by Cairn UK Holdings Limited, the Holding Company together with its nominees including 861,764,893 equity shares (previous period - 861,764,893 equity shares) of Rs.10 each, which are allotted as fully paid up pursuant to contracts for consideration other than cash.

	As at December 31, 2007	As at December 31, 2006
Schedule - 2		
Stock options outstanding		
Employee stock options outstanding	2,496,094,791	1,091,273,035
Less: Deferred employee compensation outstanding	(1,549,010,964)	(746,214,222)
Closing Balance	**947,083,827**	**345,058,813**

	As at December 31, 2007	As at December 31, 2006
Schedule - 3		
Reserves and surplus		
Securities premium account		
Opening balance	275,017,836,642	-
Add: Additions during the year	1,962,756,150	275,740,523,790
Less: Adjustment against share preliminary expenses/share issue expenses	(896,477,733)	(722,687,148)
Closing Balance	**276,084,115,059**	**275,017,836,642**

	As at December 31, 2007	As at December 31, 2006
Schedule - 4		
Unsecured Loans		
Short term loan - overdraft from bank	–	204,707,562
Long Term Loans*		
- from International Finance Corporation	521,470,584	717,012,000
- from banks	2,433,529,416	4,063,068,000
	2,955,000,000	**4,984,787,562**

* Cairn India Holding Limited (a 100% subsidiary of the Cairn India Limited) along with certain of its subsidiaries signed a USD 850 million hybrid unsecured syndicate revolving credit facility on 22 November 2006 principally to finance development activities in Rajasthan

This facility is provided by a consortium of 10 International banks (expiry date 31 December 2011) and the International Finance Corporation (expiry date 31 December 2015). Interest is charged at floating rates determined by LIBOR plus an applicable margin. The maximum that can be drawn at any point in time is determined by reference to the net present value of the Rajasthan developments. The Group may cancel and repay the facility at any time.

	As at December 31, 2007	As at December 31, 2006
Schedule - 5		
Deferred tax liability (net)		
Differences in block of fixed assets as per tax books and financial books	4,624,026,263	4,481,109,703
Gross deferred tax liabilities	**4,624,026,263**	**4,481,109,703**
Effect of lease accounting	8,971,745	8,884,640
Tax losses carried forward	-	107,294,918
Expenditure debited to profit and loss but allowed for tax purposes in following years	283,496,270	212,629,796
Gross deferred tax assets	**292,468,015**	**328,809,354**
Net Deferred tax liability	**4,916,494,278**	**4,152,300,349**

(All amounts are in Indian Rupees, unless otherwise stated)

Schedule - 6

Fixed Assets

Description	Gross Block				Accumulated Depreciation				Net Block	
	As on 01.01.2007	Additions	Deletions/ Adjustments	As on 31.12.2007	As on 01.01.2007	For the year	Deletions / Adjustments	As on 31.12.2007	As on 01.01.2007	As on 31.12.2007
A) Tangible Assets										
Freehold land	43,582,293	-	-	43,582,293	-	-	-	-	43,582,293	43,582,293
Buildings	5,041,343	205,405	-	5,246,748	608,325	500,758	-	1,109,083	4,433,018	4,137,665
Office equipments	512,328,182	72,659,215	(220,235,164)	364,752,233	397,688,125	48,342,906	(212,264,815)	233,766,216	114,640,057	130,986,017
Furniture and fittings	228,998,984	20,163,096	(48,199,725)	200,962,355	96,928,719	23,605,809	(44,440,070)	76,094,458	132,070,265	124,867,897
Vehicles	945,367	-	-	945,367	910,273	4,386	-	914,659	35,094	30,708
B) Intangible Assets										
Computer software	535,940,911	83,030,502	(141,828,491)	477,142,922	335,251,526	98,223,072	(139,233,076)	294,241,522	200,689,385	182,901,400
Grand Total	**1,326,837,080**	**176,058,218**	**(410,263,380)**	**1,092,631,918**	**831,386,968**	**170,676,931**	**(395,937,961)**	**606,125,938**	**495,450,112**	**486,505,980**
Previous period	**-**	**1,326,837,080**	**-**	**1,326,837,080**	**-**	**831,386,968**	**-**	**831,386,968**	**-**	**495,450,112**

Notes:

1 Furniture and fittings includes Leasehold improvements of Rs. 165,013,414 (Previous period Rs. 148,181,492), accumulated depreciation thereon Rs. 49,881,923 (Previous period Rs. 24,765,335).

2 Leasehold improvements and Office equipments of Rs. 164,388,911 (Previous period Rs. 147,556,988) and Rs. 135,539,217 (Previous period Rs. 119,905,556) respectively; Accumulated depreciation thereon Rs.49,786,166 (Previous period Rs.24,690,395) and Rs. 78,741,101 (Previous period Rs.54,560,406) respectively; have been acquired under finance lease.

3 Additions to gross block and depreciation for the peiod ended December 31, 2006 include Rs. 1,326,837,080 and Rs. 824,867,845 respectively representing assets and accumulated depreciation thereon acquired on acquisition of subsidiary.

Schedule - 7

Exploration, Development and Site restoration Costs

	As at December 31, 2007	As at December 31, 2006
Opening balance of producing properties	2,976,131,767	-
Cost of producing properties resulting on acquisition of subsidiaries	-	12,043,993,143
Additions/Deletions/Transfer for the year/period	3,319,764,413	188,931,228
	6,295,896,180	12,232,924,371
Less: Depletion and site restoration costs		
- Depletion and site restoration costs resulting on acquisition of subsidiaries	-	9,202,086,206
- Depletion and site restoration costs for the year/period	1,906,378,894	54,706,398
	1,906,378,894	9,256,792,604
Net producing properties	**4,389,517,286**	**2,976,131,767**
Opening Balance of exploratory & devlopment wells in progress	17,122,353,160	-
Cost of exploration and development wells in progress resulting on acquisition of subsidiaries	-	16,953,717,426
Additions/Deletions/Transfer for the year/period	10,060,193,080	228,116,506
Less: Unsuccessful exploration costs for the year / period	2,512,282,298	59,480,772
Exploration and Development wells in progress	**24,670,263,942**	**17,122,353,160**
Net book value at December 31, 2007	**29,059,781,228**	**20,098,484,927**

Note: Additions for the year includes borrowing costs aggregating to Rs.573,983,377 (Previous period Rs 120,906,091)

Schedule - 8

Investments

Long term investments (at cost)		
Quoted and non-trade		
755,275 equity shares of Rs 10/- each fully paid up in Videocon Industries Limited*	105,333,750	105,333,750
Current Investments (at lower of cost and market value)		
Unquoted and non trade		
Mutual Funds (Refer note no.10 in schedule 23)	7,023,575,044	–
	7,128,908,794	**105,333,750**
Aggregate amount of unquoted investments	7,023,575,044	–
Repurchase price of mutual fund units, represented by Net Asset Value	7,084,005,617	–

* Market value Rs. 626,651,668 (Previous period Rs. 348,257,303)

(All amounts are in Indian Rupees, unless otherwise stated)

	As at December 31, 2007	As at December 31, 2006
Schedule - 9		
Inventories		
Stores and spares	906,671,765	1,053,447,663
Finished goods	309,375,646	197,661,299
	1,216,047,411	**1,251,108,962**
Schedule - 10		
Sundry Debtors		
Debts - Unsecured and outstanding for a period exceeding six months :		
- Considered Good	8,587,051	41,031,604
- Considered doubtful	62,025,406	22,130,000
Other unsecured debts :		
- Considered Good	1,339,990,810	1,876,447,104
	1,410,603,267	**1,939,608,708**
Less: Provision for doubtful debts	(62,025,406)	(22,130,000)
	1,348,577,861	**1,917,478,708**
Schedule - 11		
Cash and bank balances		
Cash in hand	108,192	84,349
Balances with Scheduled & Other Banks:		
- on current accounts	609,095,761	53,823,876,384
- on deposit accounts (including deposits more than 3 months)	12,708,703,393	7,523,872,224
	13,317,907,346	**61,347,832,957**
Schedule - 12		
Other Current Assets		
Interest accrued on bank deposits	28,614,472	12,752,137
Dividend receivable	8,259,916	-
Unamortized premium on forward exchange contracts	97,659,243	-
	134,533,631	**12,752,137**
Schedule - 13		
Loans and advances		
Unsecured and considered good:		
Advances recoverable in cash or kind or for value to be received	3,923,190,698	2,538,525,795
Deposits	25,169,475	48,635,938
Advance tax and tax deducted at source (net of tax provisions Rs 3,011,025,874 previous period Rs 2,496,051,247)	565,441,465	174,524,781
Fringe benefit tax paid (net of provisions Rs 60,00,000 previous period 8,119,502)	1,919,502	-
	4,515,721,140	**2,761,686,514**
Schedule - 14A		
Current liabilities		
Amounts payable to:		
- Cairn UK Holdings Limited, the Holding Company *	-	32,763,069,551
- Cairn Energy PLC, the ultimate Holding Company	700,350,531	726,303,141
Sundry creditors	3,921,412,846	3,210,603,096
Other liabilities	48,651,496	3,793,851
Interest accrued but not due	21,382,655	38,986,875
	4,691,797,528	**36,742,756,514**

* payable towards acquisition of shares in Cairn India Holdings Limited

(All amounts are in Indian Rupees, unless otherwise stated)

	As at December 31, 2007	As at December 31, 2006
Schedule - 14B		
Provisions		
Provision for taxation (net of advance tax -Nil previous period Rs.113,052,449)	222,901,032	250,341,190
Provision for Fringe Benefit Tax (net of advance tax payments, Rs.258,000 previous period - Nil)	339,034,153	-
Site restoration provision *	2,714,913,092	2,232,263,722
Provision for Government share of profit petroleum **	362,381,517	306,211,340
Provision for leave encashment	3,941,000	6,796,019
Provision for gratuity	36,978,924	15,514,109
	3,680,149,718	**2,811,126,380**
* Site restoration provision		
Opening balance	2,232,263,722	-
Arising on acquisition of subsidiaries	-	2,232,263,722
Additions for the year/period	482,649,370	-
Closing balance	**2,714,913,092**	**2,232,263,722**
** Provision for Government share of profit petroleum		
Opening Balance	306,211,340	-
Arising on acquisition of subsidiaries	-	291,110,020
Additions for the year / period	6,438,550,299	249,532,130
Payments during the year / period	(6,382,380,122)	(234,430,810)
Closing Balance	**362,381,517**	**306,211,340**
Schedule - 15		
Miscellaneous expenditure (to the extent not written off or adjusted)		
Loan Facility Fee		
Opening balance	506,610,126	-
Additions during the year / period	15,353,045	536,804,814
Less: Amortized during the year / period	151,809,422	30,194,688
	370,153,749	**506,610,126**

	Year ended December 31, 2007	Period from August 21, 2006 to December 31, 2006
Schedule - 16		
Income From Operations		
Revenue from sale of oil, gas and condensate	16,287,378,942	635,909,405
Less: Government share of Profit Petroleum	(6,438,550,299)	(249,532,130)
	9,848,828,643	386,377,275
Tolling income	31,994,955	1,040,126
Income received as Operator from Joint Venture	241,803,153	-
	10,122,626,751	**387,417,401**
Schedule - 17		
Other income		
Interest on bank deposits	727,431,156	60,495,709
Profit on sale of unquoted current investments	27,631,832	-
Dividend income from non trade current investments	568,031,256	1,718,940
Miscellaneous income	995,197	-
	1,324,089,441	**62,214,649**

(All amounts are in Indian Rupees, unless otherwise stated)

	Year ended December 31, 2007	Period from August 21, 2006 to December 31, 2006
Schedule - 18		
Operating expenses		
Production expenses	976,746,878	22,366,285
Insurance	39,629,819	1,592,677
Royalty	342,907,284	10,803,848
Cess	487,569,103	14,897,560
Production bonus	98,958,988	3,459,171
	1,945,812,072	**53,119,541**
Schedule - 19		
Administrative expenses		
Salaries and wages	2,325,513,344	22,717,090
Employee compensation expense (stock options)	780,364,594	345,058,813
Contribution to Provident fund	35,490,197	1,762,069
Contribution to Superannuation fund	30,865,466	-
Leave encashment expenses	1,041,191	6,796,019
Gratuity expenses	33,137,083	27,404,533
Staff welfare expenses	32,518,554	2,723,024
Contract employee charges	1,534,541,453	33,858,595
Legal and professional expenses	464,776,352	36,951,929
Repair and maintenance	206,778,694	5,250,135
Premises rental	212,806,428	4,724,376
Travel expenses	192,504,763	7,029,192
Communication expenses	56,944,154	1,422,604
Exchange Fluctuation (Net)	2,057,000,631	4,588,020
Insurance	6,463,591	396,506
Directors' sitting fees	700,000	500,000
Loss on sale / discard of fixed assets (Net)	10,054,922	-
Premium on forward exchange contracts amortised	63,010,080	-
Miscellaneous expenses	246,297,973	3,056,624
	8,290,809,470	**504,239,529**
Less: Cost allocated to joint ventures, exploration, development, production, etc.	(4,553,804,746)	(129,946,948)
	3,737,004,724	**374,292,581**
Schedule - 20		
(Increase) / Decrease in inventories		
Inventories at the beginning of the year		
Finished goods	197,661,299	226,559,148
Inventories at the end of the year		
Finished goods	309,375,646	197,661,299
	(111,714,347)	**28,897,849**
Schedule - 21		
Finance costs		
Interest on bank overdraft	199,347	1,355,772
Finance lease charges	7,523,921	358,725
Bank charges	19,325,590	1,032,006
	27,048,858	**2,746,503**

(All amounts are in Indian Rupees, unless otherwise stated)

	Year ended December 31, 2007	Period from August 21, 2006 to December 31, 2006
Schedule - 22		
Loss Per Share		
Loss for the year/period as per profit and loss account	245,441,899	211,742,237
Weighted average number of equity shares in calculating basic loss per share	1,777,001,292	312,260,009
Add: Number of equity shares arising on grant of stock options	11,017,255	6,550,797
Weighted average number of equity shares in calculating diluted loss per share	1,788,018,547	318,810,806
Loss per share		
Basic	0.14	0.68
Diluted (considered anti-dilutive)	0.14	0.68

Schedule 23 - Notes to Accounts

1. Nature of Operations

Cairn India Limited ('the Company') was incorporated in India on August 21, 2006 and is a subsidiary of Cairn UK Holdings Limited, which in turn is a wholly owned subsidiary of Cairn Energy PLC, UK which is listed on London Stock Exchange.

The Company was incorporated primarily to engage in the business of surveying, prospecting, drilling and exploring for, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals, oils, petroleum, gas and related by-products and other activities incidental to the above. As part of its business activities, the Company also holds interests in its subsidiary companies which have been granted rights to explore and develop oil exploration blocks in India.

The Company along with its subsidiaries are herein referred to as 'Cairn India Group'. The entities under the Cairn India Group are participants (together with other venturers) in Blocks/Oil and Gas field permits granted by the Government of India ('GoI'). In terms of the Production Sharing Contract ('PSC') entered into between the GoI and entities within Cairn India Group together with other venture partners, in respect of each of these blocks, there are joint operating arrangements amongst the venturers {Unincorporated Joint Ventures ('UJVs')}.

2. The Consolidated Financial Statements represent consolidation of accounts of the Company and its subsidiaries as detailed below:

Name of the Subsidiaries	Country of Incorporation
Cairn India Holdings Limited ('CIHL')	Jersey
Cairn Energy Australia Pty Limited	Australia
Cairn Energy Group Holdings BV	The Netherlands
Cairn Energy Holdings Limited	Scotland
Cairn Energy Discovery Limited	Scotland
Cairn Exploration (No. 2) Limited	Scotland
Cairn Exploration (No. 6) Limited	Scotland
Cairn Energy India Pty Limited	Australia
Cairn Energy India West BV	The Netherlands
Cairn Energy India West Holdings BV	The Netherlands
Cairn Energy Gujarat Holdings BV	The Netherlands
CEH Australia Pty Limited	Australia
Cairn Energy Asia Pty Limited	Australia
Sydney Oil Company Pty Limited	Australia
Cairn Energy Hydrocarbons Limited	Scotland
Cairn Energy India Holdings BV	The Netherlands
Cairn Energy Netherlands Holdings BV	The Netherlands
Cairn Petroleum India Limited	Scotland
Cairn Energy Gujarat Block 1 Limited	Scotland
Cairn Exploration (No. 4) Limited	Scotland
Cairn Exploration (No. 7) Limited	Scotland
Cairn Energy Gujarat BV	The Netherlands
Cairn Energy Cambay BV	The Netherlands
Cairn Energy Cambay Holdings BV	The Netherlands
CEH Australia Limited	British Virgin Islands
Cairn Energy Investments Australia Pty Limited	Australia
Wessington Investments Pty Limited	Australia
Command Petroleum (PPL 56) Limited	Australia

CIHL is a wholly owned subsidiary of the Company. All other abovementioned companies are direct or indirect wholly owned subsidiaries of CIHL.

Schedule 23 - Notes to Accounts

Cairn India Group has entered into Production Sharing Contracts (PSCs) and Joint Ventures (JVs) in respect of certain Blocks / Oil and Gas fields. Details of these PSCs/JVs are as follows:

Block/Oil and Gas Field	Area	Participating Interest
Operated block		
Ravva	Krishna Godavari	22.5%
CB-OS/2 – Exploration area	Cambay Offshore	60%
CB-OS/2 - Development area	Cambay Offshore	40%
RJ-ON-90/1 – Exploration area	Rajasthan Onshore	100%
RJ-ON-90/1 – Development area	Rajasthan Onshore	70%
GV-ONN-2002/1	Ganga Valley Onshore	50%
GV-ONN-2003/1	Ganga Valley Onshore	24%
VN-ONN-2003/1	Vindhyan Onshore	49%
KG-ONN-2003/1	Krishna Godavari Onshore	49%
PR-OSN-2004	Palar Basin Offshore	35%
Non – operated block		
KG-DWN-98/2	Krishna Godavari Deep water	10%
GV-ONN-97/1	Ganga Valley Onshore	15%
CB-ONN-2001/1	Cambay Onshore	30%
CB-ONN-2002/1	Cambay Onshore	30%
RJ-ONN-2003/1	Rajasthan Onshore	30%
GS-OSN-2003/1	Gujarat Saurashtra Onshore	49%
KK-DWN-2004	Kerala Konkan Basin Offshore	40%

3. Statement of Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by Cairn India Group and are consistent with those used in the previous period.

Principles of consolidation:

The Consolidated Financial Statements relate to the Cairn India Group. In the preparation of these Consolidated Financial Statements, investments in Subsidiaries and Joint Venture entities have been accounted for in accordance with the provisions of AS 21 (Accounting for Consolidated Financial Statements) and AS 27 (Financial Reporting of Interests in Joint Ventures) respectively. The Consolidated Financial Statements are prepared on the following basis:-

(i) The financial statements of the Company and its subsidiary companies are consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances and intra-group transactions and also unrealised profits or losses in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements".

(ii) The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements. The financial statements of the foreign subsidiaries are adjusted for the accounting principles and policies followed by the Company.

(iii) The difference between the cost to the Company of its investment in Subsidiaries and its proportionate share in the equity of the investee company at the time of acquisition of shares in the Subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve, as the case may be. Goodwill is tested for impairment by the management on an annual basis.

(b) Oil and gas assets

Cairn India Group follows a successful efforts method for accounting for oil and gas assets as set out by the Guidance Note issued by the Institute of Chartered Accountants of India (ICAI) on "Accounting for Oil and Gas Producing Activities".

Expenditure incurred on the acquisition of a license interest is initially capitalised on a license by license basis. Costs are held, undepleted, within exploratory & development wells in progress until the exploration phase relating to the license area is complete or commercial oil and gas reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets which cannot be directly related to individual exploration wells is expensed in the period in which it is incurred.

Exploration/appraisal drilling costs are initially capitalised within exploratory & development wells in progress on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that oil and gas reserves exist and there is a reasonable prospect that these reserves are commercial.

Schedule 23 - Notes to Accounts

Where results of exploration drilling indicate the presence of oil and gas reserves which are ultimately not considered commercially viable, all related costs are written off to the profit and loss account. Following appraisal of successful exploration wells, when a well is ready for commencement of commercial production, the related exploratory and development wells in progress are transferred into a single field cost centre within producing properties, after testing for impairment.

Where costs are incurred after technical feasibility and commercial viability of producing oil and gas is demonstrated and it has been determined that the wells are ready for commencement of commercial production, they are capitalised within producing properties for each cost centre. Subsequent expenditure is capitalised when it enhances the economic benefits of the producing properties or replaces part of the existing producing properties. Any costs remaining associated with such part replaced are expensed in the financial statements.Net proceeds from any disposal of an exploration asset within exploratory & development wells in progress are initially credited against the previously capitalised costs and any surplus proceeds are credited to the profit and loss account.

Net proceeds from any disposal of producing properties are credited against the previously capitalised cost and any gain or loss on disposal of producing properties is recognised in the profit and loss account, to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

(c) Depletion

The expenditure on producing properties is depleted within each cost centre.

Depletion is charged on a unit of production basis, based on proved reserves for acquisition costs and proved and developed reserves for other costs.

(d) Site restoration costs

At the end of the producing life of a field, costs are incurred in restoring the site of production facilities. Cairn India Group recognises the full cost of site restoration as an asset and liability when the obligation to rectify environmental damage arises. The site restoration asset is included within producing properties of the related asset. The amortisation of the asset, calculated on a unit of production basis based on proved and developed reserves, is included in the "depletion and site restoration costs" in the profit and loss account.

(e) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

iii. Where there has been a charge for impairment in an earlier period, that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

(f) Tangible fixed assets, depreciation and amortisation

Tangible assets, other than oil and gas assets, are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act 1956, whichever is higher. The expected useful economic lives are as follows:

Vehicles	2 to 4 years
Freehold buildings	10 years
Computers	2 to 4 years
Furniture and fixtures	2 to 4 years
Office equipments	2 to 4 years
Plant and Equipment	2 to 4 years

Leasehold improvements are amortised over the remaining period of the primary lease or useful life, whichever is shorter.

(g) Intangible fixed assets and amortization

Intangible assets, other than oil and gas assets, have finite useful lives and are measured at cost and amortised over their expected useful economic lives as follows:

Computer software	2 to 4 years

Goodwill arising on acquisition is capitalised and is subject to annual review for impairment.

Schedule 23 - Notes to Accounts

(h) Leases

Finance leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that Cairn India Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

(i) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. Current investments are measured at cost or market value, whichever is lower, determined on an individual investment basis. All other investments are classified as long-term investments. Long-term investments are measured at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(j) Inventory

Inventories of oil and condensate held at the balance sheet date are valued at net realisable value based on the estimated selling price. Inventory of stores and spares related to exploration and development activities are stated at cost, determined on First In First Out (FIFO) basis, whereas, stores and spares related to production activities are treated as routine expenses and charged to the profit and loss account, as and when purchased.

(k) Joint Ventures

Cairn India Group participates in several Joint Ventures which involve the joint control of assets used in the oil and gas exploration, development and producing activities. It accounts for its share of the assets and liabilities of Joint Ventures along with attributable income and expenses in such Joint Ventures, in which it holds a participating interest. Joint venture cash and cash equivalent balances are considered by the Cairn India Group to be the amounts contributed in excess of the Cairn India Group's obligations to the joint ventures and are, therefore, disclosed within Loans and Advances.

(i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Cairn India Group and the revenue can be reliably measured.

Revenue from operating activities

Revenue represents the Cairn India Group's share of oil, gas and condensate production, recognised on a direct entitlement basis and tariff income received for third party use of operating facilities and pipelines in accordance with agreements.

Interest income

Interest income is recognised on a time proportion basis.

(m) Borrowing costs

Borrowing costs include interest and commitment charges on borrowings, amortisation of costs incurred in connection with the arrangement of borrowings and finance charges under leases. Costs incurred on borrowings directly attributable to development projects, which take a substantial period of time to complete, are capitalised within the development/producing asset for each cost-centre.

All other borrowing costs are recognised in the Profit and Loss account in the period in which they are incurred.

(n) Foreign currency transactions and translations

Cairn India Group translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the balance sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting the Cairn India Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

All transactions of integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the Company itself.

In translating the financial statements of a non-integral foreign operation for incorporating in financial statements, the Cairn India Group translates the assets and liabilities at the rate of exchange prevailing at the balance sheet date. Income and expenses of non-integral operations are translated using rates at the date of transactions. Resulting exchange differences are disclosed under the foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

Schedule 23 - Notes to Accounts

(o) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax assets and liabilities are measured, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various subsidiaries or countries of operation are not set off against each other as Cairn India Group does not have a legal right to do so. Current and deferred tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If Cairn India Group has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty, supported by convincing evidence, that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(p) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

(q) Provisions

A provision is recognised when Cairn India Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(r) Cash and Cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short-term investments, with an original maturity of 90 days or less.

(s) Employee Benefits

Retirement and Gratuity benefits

Retirement benefits in the form of Provident Fund and Superannuation Scheme are defined contribution schemes and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective authorities.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The scheme is maintained and administered by an insurer to which the trustees make periodic contributions.

Short-term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation made at the end of each financial year. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

Employee Stock Compensation Cost

The cost of awards to employees under the Company's ultimate parent entity's Long Term Incentive Plans ("the LTIP") and share option plans are recognised over the three years period to which the performance relates. The amount recognised is based on the fair value of the shares as measured at the date of the award. The awards under the LTIP are valued at the market price at grant date while the shares issued under share options are valued using options pricing model.

The costs of awards to employees in the form of cash but based on share performance (phantom options) are recognised over the period to which the performance relates. The amount recognised is based on the fair value of the liability arising from the transaction.

Measurement and disclosure of the employee share-based payment plans of the Company is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. Cairn India Group measures compensation cost relating to employee stock options using the fair value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

(t) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(u) Segment Reporting Policies

Identification of segments:

The Company's operating businesses are organized and managed according to the nature of products and services provided to offer similar products and serving similar markets.

Schedule 23 - Notes to Accounts

(v) Miscellaneous Expenditure (to the extent not written off)

Expenditure incurred in connection with the arrangement of borrowings are deferred and are written off on a straight line basis over the loan period.

4. Segmental Reporting

Business segments

The primary reporting of Cairn India Group has been prepared on the basis of business segments. Cairn India Group has only one business segment, which is the exploration, development and production of oil and gas and operates in a single business segment based on the nature of the products, the risks and returns, the organisation structure and the internal financial reporting systems. Accordingly, the figures appearing in these financial statements relate to the Cairn India Group's single business segment.

Geographical segments

Secondary segmental reporting is prepared on the basis of the geographical location of customers. The operating interests of the Cairn India Group are confined to India in terms of oil and gas blocks and customers. Accordingly, the figures appearing in these financial statements relate to the Cairn India Group's single geographical segment being operations in India.

5. Related party disclosure

a) Name of related parties:

Holding company — Cairn UK Holdings Limited, UK

Ultimate holding company — Cairn Energy PLC, UK

Key managerial personnel
(Effective August 22, 2006)

Non Executive Directors

- Sir William Gammell, Director
- Hamish Grossart, Director - upto September 20, 2007
- Norman Murray, Director
- Malcolm Thoms, Director – from September 20, 2007

Executive Directors

- Rahul Dhir, Managing Director and Chief Executive Officer
- Indrajit Banerjee, Executive Director and Chief Financial Officer – effective February 28, 2007
- Lawrence Smyth, Director – Executive Director from March 1, 2007
- Jann Brown, Director – upto February 28, 2007

b) Transactions during the year/period

Nature of the Transactions	Related Party	Current year Amount in Rs.	Previous period Amount in Rs.
Reimbursement of expenses	Cairn Energy PLC	25,952,610	25,000,200
Shares issued during the period (share capital and securities premium)	Cairn UK Holding Ltd	2,093,606,560	207,237,873,500
Remuneration	Rahul Dhir	165,579,341	2,981,418
	Lawrence Smyth	113,677,176	1,797,274
	Indrajit Banerjee	15,592,932	Nil
	Total	**294,849,449**	**4,778,692**

c) Balances outstanding:

Nature of transactions	Current year Amount in Rs.	Previous period Amount in Rs.
Accounts payable		
- Cairn Energy PLC	700,350,531	726,303,141
- Cairn UK Holdings Ltd	Nil	32,763,069,551
	700,350,531	**33,489,372,692**
Remuneration payable		
- Rahul Dhir	3,261,370	861,370
- Lawrence Smyth	1,800,000	Nil
- Indrajit Banerjee	1,500,000	Nil
	6,561,370	**861,370**

Note: The salaries to the key managerial personnel does not include gratuity and leave encashment benefits, as they are determined for Cairn India Group as a whole.

Schedule 23 - Notes to Accounts

6. The Company, during the previous period, has relied on a legal opinion from an expert confirming that the preliminary expenses and share issue expenses can be set-off against the securities premium account as per provisions of Section 78 of the Companies Act, 1956. Accordingly, preliminary/issue expenses amounting to Rs. 1,619,164,881 (previous period 722,687,148) have been adjusted against securities premium.

7. Till December 31, 2007, the Company has entered into the following transactions:

(a) Share capital movement in Cairn India Limited in current year and previous period-

Date	Number of Shares	Description	Issued at Rs. per Share (including securities preium)	Amount (including securities premium)Rs.
August 21, 2006	50,000	Initial share capital	10	500,000
October 12, 2006, November 22, 2006, December 8, 2006	365,028,898	Issued to its holding company, Cairn UK Holdings Limited, a body corporate, at a securities premium of Rs. 180 per equity share, being the higher end of the price band at which the equity shares were being marketed in relation to the initial public offering (IPO)	190	69,355,490,620
December 20, 2006	861,764,893	Issued to its holding company, Cairn UK Holdings Limited by way of share swap arrangement for acquiring 135,267,264 ordinary shares of the Company's subsidiary, Cairn India Holdings Limited.	160	137,882,382,880
December 29, 2006	538,470,588	IPO and pre-IPO placement	160	86,155,294,080
Total as on December 31, 2006	**1,765,314,379**			**293,393,667,580**
February 8, 2007	13,085,041	Issued to its holding company, Cairn UK Holdings Limited under Green Shoe Option	160	2,093,606,560
Total as on December 31, 2007	**1,778,399,420**			**295,487,274,140**

(b) During the year, the Company acquired from Cairn UK Holdings Limited 21,164,448 shares (previous period – 251,224,744 shares) in Cairn India Holdings Limited for total purchase consideration of Rs. 22,265,000,000 (previous year - Rs. 266,818,710,140).

The above transactions (except for the initial share capital) upto December 31, 2006 are based on the terms and conditions prescribed by the Share Purchase Agreement executed between Cairn Energy PLC, Cairn UK Holdings Limited, Cairn India Holdings Limited and the Company dated October 12, 2006 and in accordance with the approvals in this behalf received from the Foreign Investment Promotion Board, Government of India and from other relevant regulatory authorities in India and as per applicable valuation norms. This strategic investment has been made to acquire the oil and gas assets of CIHL and its subsidiaries.

8. (a) The Company has issued 328,799,675 equity shares pursuant to its Initial Public Offer ('IPO') in December 2006 and allotted these shares on December 29, 2006 after filing prospectus dated December 22, 2006 with the Registrar of Companies. The Company has also allotted 209,670,913 equity shares on December 29, 2006 to certain investors as part of pre-IPO placement in November 2006.

(b) The Company received approval of listing from National Stock Exchange and Bombay Stock Exchange on January 4, 2007 and January 6, 2007 respectively. The equity shares, allotted to the investors based on its prospectus filed with Registrar of Companies on December 22, 2006, were listed in National Stock Exchange and Bombay Stock Exchange on January 9, 2007.

(c) Details of utilisation of proceeds raised through the public issue:
As on December 31, 2007, the Company (along with its subsidiaries) has utilised Rs. 71,682,135,044 (previous period Rs. Nil) for the purposes listed in the Prospectus out of the issue proceeds of Rs. 88,248,900,640. Till December 31, 2006, the Company had received amounts aggregating Rs. 52,607,948,000 out of such total funds received, which were lying in the Company's bank accounts. The funds utilised by the Company and its subsidiaries as on December 31, 2007, as against the stated objectives in the Prospectus is tabulated as under:

		Amount in Rs.
i)	Acquisition of shares of Cairn India Holdings Limited from Cairn UK Holdings Limited	59,580,836,640
ii)	Exploration/Development expenses	10,411,239,436
iii)	Issue expenses	90,439,780
iv)	General corporate expenses	1,599,619,188

Schedule 23 - Notes to Accounts

The unutilized monies out of the public issue being Rs. 16,566,765,596 is lying in following accounts of the Company and its subsidiaries as at the year end:

	As at December 31, 2007 (in Rs.)	As at December 31, 2006 (in Rs.)
- Mutual funds*	7,337,855,617	-
- Balances with banks	9,228,909,979	552,607,948,000

*includes unrealized gain of Rs.60,430,573 on account of appreciation in the net asset value of the units and does not include unrealized exchange loss of Rs. 253,850,000

9. The shareholders of the Company have approved Cairn India Senior Management Plan (CISMP), Cairn India Performance Option Plan (CIPOP) and Cairn India Employee Stock Option Plan (CIESOP) at an extra ordinary general meeting held on November 17, 2006, such plans being adopted by the Board of Directors of the Company on the same day.

(a) Under the CISMP scheme, the Company has granted options, under equity settlement method, to two directors on November 24, 2006 at exercise price of Rs.33.70 per equity share. Based on the fair value of options, an amount of Rs.687,903,804 (excluding options expired) has been considered as total charge, out of which an amount of Rs.342,844,991 pertaining to the year ended December 31, 2007 has been charged to the Profit and Loss Account.

The options are subject to performance conditions as under:

Description		
Names of the eligible employees	Rahul Dhir, Managing Director	Lawrence Smyth, Director
Number of options granted	6,714,233	1,584,480
Lock in period	12 months from the date of allotment of equity shares under this scheme	
Vesting Schedule	1/3rd of the options will vest on the day following the date on which the equity shares have been admitted to listing on the Stock Exchanges ('admission date').	1/2 of the options will vest on the day following the date on which the equity shares have been admitted to listing on the Stock Exchanges.
	1/3rd of the options will vest 18 months after the admission date.	*1/4th of the options will vest on the date on which all major equipment for the start-up of the Mangala field is delivered to site.
	1/3rd of the options will vest on achieving 30 days' consecutive production of over 150,000 bopd from the Rajasthan Block.	*1/4th of the options will vest on achieving 100,000 boepd from the Mangala Field.

*792,240 options have expired due to resignation of Mr. Lawrence Smyth, which is effective from April 2008.

The following table details the number of share options for the CISMP:

	Current year	Previous period
Outstanding at the beginning of the year	8,298,713	-
Granted during the year	-	8,298,713
Lapsed during the year	(792,240)	-
Exercised during the year	-	-
Outstanding at the end of the year	7,506,473	8,298,713

The Share Options under CISMP have been valued using an Option Pricing Model (Black Scholes Model). The main inputs to the model and the Fair Value of the options, based on an independent valuation, are as under:

Variables	Rahul Dhir			Lawrence Smyth		
Stock Price – fair value of the equity shares on the date of grant (Rs.)	160	160	160	160	160	160
Vesting Date	January 9, 2007	July 9, 2008	April 1, 2010	January 9, 2007	July 9, 2008	December 31, 2009
Vesting %	33 1/3%	33 1/3%	33 1/3 %	50%	25%	25%
Volatility	45.99%	41.49%	39.67%	45.99%	41.49%	39.67%
Risk free rate	6.82%	7.22%	7.46%	6.82%	7.22%	7.44%
Time to maturity (years)	0.88	2.37	4.10	0.88	2.37	3.85
Fair Value of the options (Rs.)	128.21	131.55	135.31	128.21	131.55	134.79

Schedule 23 - Notes to Accounts

(b) (i) Under the CIPOP scheme, the Company has granted options equivalent to 1,708,195 equity shares of the face value of Rs.10 each, under equity settlement method, to each of the eligible employees of the Company on January 1, 2007 at an exercise price of Rs.10 each. Based on the fair value of options, an amount of Rs. 231,123,603 (excluding the expired options) has been considered as total charge, out of which an amount of Rs. 77,041,201 pertaining to the year ended December 31, 2007 has been charged to the profit and loss account.

The Share Options under CIPOP have been valued using an Option Pricing Model (Black Scholes Model). The main inputs to the model and the Fair Value of the options, based on an independent valuation, are as under:

Variables	
Stock Price – fair value of the equity shares on the date of grant (Rs.)	160
Vesting date	January 1, 2010
Vesting %	100%
Volatility	41.61%
Risk free rate	7.33%
Time to maturity (years)	3.12
Fair Value of the options (Rs.)	152.05

(ii) Under the CIPOP scheme, the Company again granted options equivalent to 3,235,194 equity shares of the face value of Rs.10 each, under equity settlement method, to each of the eligible employees of the Company on September 20, 2007 at an exercise price of Rs.10 each. Based on the fair value of options, an amount of Rs.514,298,790 (excluding the expired options)has been considered as total charge, out of which an amount of Rs.47,620,258 pertaining to the year ended December 31, 2007 has been charged to the Profit and Loss Account.

The Share Options under CIPOP have been valued using an Option Pricing Model (Black Scholes Model). The main inputs to the model and the Fair Value of the options, based on an independent valuation, are as under:

Variables	
Stock Price – fair value of the equity shares on the date of grant (Rs.)	166.95
Vesting date	September 20, 2010
Vesting %	100%
Volatility	36.40%
Risk free rate	7.23%
Time to maturity (years)	3.12
Fair Value of the options (Rs.)	158.97

The following table details the number of share options for the CIPOP (2006):

	Current year	Previous period
Outstanding at the beginning of the year	-	-
Granted during the year	4,943,389	-
Lapsed during the year	(188,145)	-
Exercised during the year	-	-
Outstanding at the end of the year	4,755,244	-

(c) (i) Under the CIESOP scheme, the Company has granted options equivalent to 3,467,702 equity shares of the face value of Rs.10 each, under equity settlement method, to each of the eligible employees of the Company on January 1, 2007 at an exercise price of Rs.160 each. Based on the fair value of options, an amount of Rs.264,576,356 (excluding the expired options) has been considered as total charge, out of which an amount of Rs.88,192,119 pertaining to the year ended December 31, 2007 has been charged to the Profit and Loss Account.

The Share Options under CIESOP have been valued using an Option Pricing Model (Black Scholes Model). The main inputs to the model and the Fair Value of the options, based on an independent valuation, are as under:

Variables	
Stock Price – fair value of the equity shares on the date of grant (Rs.)	160
Vesting date	January 1, 2010
Vesting %	100%
Volatility	41.04%
Risk free rate	7.50%
Time to maturity (years)	6.50
Fair Value of the options (Rs.)	87.30

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(ii) Under the CIESOP scheme, the Company again granted options equivalent to 5,515,053 equity shares of the face value of Rs.10 each, under equity settlement method, to each of the eligible employees of the Company on September 20, 2007 at an exercise price of Rs.166.95 each. Based on the fair value of options, an amount of Rs.500,325,608 (excluding the expired options) has been considered as total charge, out of which an amount of Rs.46,326,445 pertaining to the year ended December 31, 2007 has been charged to the Profit and Loss Account.

The Share Options under CIPOP have been valued using an Option Pricing Model (Black Scholes Model). The main inputs to the model and the Fair Value of the options, based on an independent valuation, are as under:

Variables	
Stock Price – fair value of the equity shares on the date of grant (Rs.)	166.95
Vesting date	September 20, 2010
Vesting %	100%
Volatility	40.24%
Risk free rate	7.65%
Time to maturity (years)	6.50
Fair Value of the options (Rs.)	90.72

The following table details the number of share options for the CIESOP:

	Current year	Previous period
Outstanding at the beginning of the year	-	-
Granted during the year	8,982,755	-
Lapsed during the year	(437,045)	-
Exercised during the year	-	-
Outstanding at the end of the year	8,545,710	-

10. Current investments - unquoted and non trade:

The details of investments in mutual fund units are as tabulated under:

Sr. No.	Particulars	As at December 31, 2007	As at December 31, 2006
		(Amount in Rs.)	(Amount in Rs.)
1	20,594,145.28 units (previous period: nil), face value Rs 10 each, of ABN AMRO Mutual Fund of ABN AMRO Money Plus Fund-Institutional Plan-Growth Option	238,366,935	-
2	51,971,029.11 units (previous period: nil), face value Rs 10 each, of Birla Sun Life Mutual Fund under Birla Sun Life Liquid Plus-Institutional Plan – Growth Option	763,906,605	-
3	225,723.55 units (previous period: nil), face value Rs 1,000 each, of DSP Merrill Lynch Mutual Fund under DSP Merrill Lynch Liquid Plus Fund - Institutional Plan – Growth Option	250,000,000	-
4	28,699,826.62 units (previous period: nil), face value Rs 10 each, of HDFC Mutual Fund under HDFC Floating Rate Income Fund-Short Term Plan - Wholesale Option – Growth	380,692,465	-
5	17,009,296.46 units (previous period: nil), face value Rs 10 each, of HDFC Mutual Fund under HDFC Cash Management Savings Plus - Wholesale Plan Growth Option	290,000,000	-
6	23,353,354.94 units (previous period: nil), face value Rs 10 each, of HDFC Mutual Fund under HDFC Quarterly Interval Fund-Plan A Wholesale Growth	250,000,000	-
7	43,733,776.21 units(previous period: nil), face value Rs 10 each, of ICICI Prudential Mutual Fund under ICICI Prudential Floating Plan D – Growth	502,627,917	-
8	19,998,847.30 units (previous period: nil), face value Rs 10 each, of ICICI Prudential Mutual Fund under ICICI Prudential Flexible Income Plan – Growth	290,047,282	-
9	47,430,680.06 units (previous period: nil), face value Rs 10 each, of ING Mutual Fund under ING Liquid Plus Fund – Institutional Growth Option	500,000,000	-
10	242,823.20 units (previous period: nil), face value Rs 10 each, of Reliance Mutual Fund under Reliance Liquid Plus Fund – Institutional Option – Growth Plan	255,450,472	-
11	23,960,359.98 units (previous period: nil), face value Rs 10 each, of Reliance Mutual Fund under Reliance Quarterly Interval Fund-Series III -Institutional Growth Plan	250,000,000	-
12	20,000,000.00 units (previous period: nil), face value Rs 10 each, of SBI Mutual Fund under SBI Debt Fund Series - 90 Days - November 2007 – Growth	200,000,000	-

Schedule 23 - Notes to Accounts

Sr. No.	Particulars	As at December 31, 2007	As at December 31, 2006
		(Amount in Rs.)	(Amount in Rs.)
13	55,482,327.99 units (previous period: nil), face value Rs 10 each, of Tata Mutual Fund under Tata Floater Fund - Growth	639,783,369	-
14	20,898,812.55 units (previous period: nil), face value Rs 10 each, of Franklin Templeton Mutual Fund under Templeton Floating Rate Income Fund Short Term Plan Institutional Option - Growth	242,700,000	-
15	50,000,000 units (previous period: nil), face value 1 USD each, of ABN AMRO Mutual Fund under ABN AMRO Global Liquidity Funds Monthly Dividend Plan	1,970,000,000	-
	TOTAL	7,023,575,044	-

11. Lease obligations disclosures

Finance Lease:

The Group has taken finance leases for various items of leaseholds improvements and office equipments all of which provide the specific entity, which holds the lease with the option to purchase. The lease obligations are secured against assets acquired under the lease. The lease term is 3 to 6 years. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements and there are no subleases.

Current Year	December 31, 2007		
	Minimum lease payments	Present value of minimum lease payments	Lease finance charges
Within one year of the balance sheet date	86,165,931	74,764,061	11,401,870
Due in a period betweenone year and five years	104,095,661	94,597,107	9,498,554
Due after five years	Nil	Nil	Nil

Previous period	December 31, 2006		
	Minimum lease payments	Present value of minimum lease payments	Lease finance charges
Within one year of the balance sheet date	78,545,551	61,068,740	17,476,811
Due in a period betweenone year and five years	152,797,268	136,830,471	15,966,797
Due after five years	Nil	Nil	Nil

Note: The interest rate on finance lease ranges from 3.77 % to 10.26 %

Operating Lease:

Group entities have entered into commercial leases for Office premises. The leases have a life of 3 to 6 years. There is no escalation clause in the lease agreement for the primary lease period. There are no restrictions imposed by lease arrangements and there are no subleases.

	December 31, 2007	December 31, 2006
Lease rentals recognised during the period	40,199,460	1,168,113
Minimum lease payments in case of non-cancelable operating leases		
Within one year of the balance sheet date	117,469,547	39,503,460
Due in a period between one year and five years	264,796,997	157,181,021
Due after five years	Nil	327,813

12. Contingent liabilities

Claims against Cairn India Group, not acknowledged as debts (net) are as follows:

(i) Arbitration proceedings under the Ravva PSC

In 2002, two of the joint venture parties to the Ravva Production Sharing Contract ("PSC"), Cairn Energy India Pty Limited ("CEI") and Ravva Oil (Singapore) Pte. Limited (collectively the "Respondents") initiated arbitration proceedings against the Government of India ("GoI") in respect of a number of disputes relating to the recoverability of certain costs and the validity of those costs for the purposes of calculating the post-tax rate of return ("PTRR") for production sharing purposes. On 12 October, 2004, the international arbitral panel ruled in favour of the GoI on some of the issues in dispute and in favour of the Respondents on others.

The GoI has filed an appeal in the Malaysian courts, as Kuala Lumpur was the seat of the arbitration, in respect of one element of the award on which the international arbitral panel ruled in favour of the Respondents, namely the "ONGC Carry", which is the Respondents' proportionate share of the entire

Schedule 23 - Notes to Accounts

exploration, development, production and contract costs incurred by ONGC prior to the date of the Ravva PSC. The issue is whether the Respondents are entitled to include in their accounts for the purposes of calculating the PTRR certain costs paid by the Respondents in consideration for ONGC having paid 100% of costs prior to the signing of the Ravva PSC in October 1994. The Respondents are challenging the appeal on the ground that under Malaysian law, an international arbitral award can only be remitted or set aside on the grounds of misconduct or failure in law on the part of the arbitral panel. However, in the event that the GoI's appeal succeeds and the initial arbitration award is reversed on this issue in a way that is enforceable against CEI, then CEI would be liable to make an additional payment of approximately Rs. 2,518 million (USD63.9 million).

In a separate dispute in respect of profit petroleum calculations under the Ravva PSC, CEI has received a claim from the DGH for Rs. 1,474 million net to CEI (USD37.4 million) of alleged underpayments of profit petroleum to the GoI, together with interest on that amount of Rs. 268 million net to CEI (USD6.8 million). This claim relates to the GoI's allegation that the Ravva joint venture has recovered cost in excess of the Base Development Costs ("BDC") cap imposed in the Ravva PSC and that the Ravva joint venture has allowed these excess costs in the calculation of the PTTR calculation.

CEI, and the other parties to the Ravva PSC, have rejected this claim on the basis that, amongst others, the BDC cap only applies to the initial development of the Ravva field and not to subsequent development activities under the Ravva PSC. In addition, the Ravva joint venture has also contested the basis of the calculation.

However, based on the facts of the case and discussions held with the solicitors' of the CEI, the management believes that it has good case in the above matters and no provision is considered necessary.

(ii) Central Excise and Service tax demands

CEI has filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal, New Delhi, against an order of the Commissioner of Central Excise, Jaipur, dated February 28, 2006. The Commissioner has upheld a demand of Rs. 31.26 million made against CEI in respect of cess payable on pit oil produced from the Rajasthan Block pursuant to the Oil Industry (Development) Act, 1974. The total demand sum of Rs. 31.26 million is split between a demand for loss for Rs. 30.42 million and a demand for National Calamity Contingent Duty ('NCCD') of Rs. 0.84 million. The total demand sum was remitted by CEI under protest in November 2004. CEIL has also remitted Rs. 0.15 million (representing interest) and Rs. 2.1 million (representing a penalty) in relation to the non-payment of NCCD, as stated in the order of the Commissioner of Central Excise. In this matter, CEI has filed another appeal before the Commissioner of Central Excise, Jaipur which is directed against an order of the Deputy Commissioner of Central Excise, Jodhpur, dated March 23, 2006, disallowing a refund of the same sum of Rs. 31.26 million paid under protest. The appeals filed by CEI are pending adjudication. CEI has been legally advised that it has a good case and its appeals should succeed. Accordingly, no provision has been considered necessary there against in these financial statements

During the year, CEI has received two show cause notices ('SCN') for non payment of service tax and education cess as recipient of services from Foreign Service providers for the period August 16, 2002 to March 31, 2006 for Rs. 474.69 million and for the period from April 1, 2006 to March 31, 2007 for Rs. 136.59 million. A writ petition challenging the applicability of the service tax on recipient of services has been filed with Honorable High Court in Chennai, India in respect of first notice. Accordingly, if SCN is adjudicated against Cairn India Group, it might be liable to pay its share out of total gross demand of Rs. 611.28 million. Based on internal assessment of the issues involved in this matter, the management is of the view that CEI's stand is likely to be accepted by the authorities and does no expect these notices to succeed.

13. Capital Commitments

a) In respect of Cairn India Group's share of Joint Ventures' Exploration activities – Rs. 23,442 million (previous period - Rs. 4,542 million).

b) In respect of the Cairn India Group's share of Joint Ventures' Development activities – Rs. 3,351 million (previous period - Rs. 1,843 million).

14. For Northern Appraisal Area under Rajasthan block, the Contractor was granted a six month extension for the exploration license with effect from May 8, 2007. The Declaration of Commerciality for three oil discoveries along with request for retaining the demarcated Development Area has been approved by the Operating Committee on November 5, 2007 and has been submitted for approval of the Management Committee. The Company's management, at this stage is confident that Management Committee would grant above approvals and accordingly, no adjustment has been made in these financial statements for the costs incurred in respect of the Northern Appraisal Area and carried in the balance sheet as exploration cost.

15. One of the subsidiaries of the Company ("CIHL") is currently availing a debt facility amounting to US$ 850 million, for which agreement was entered into in the year 2006 and the amount drawn against the above facilities as at December 31, 2007 was US$ 75 million. Subsequent to the period end, the management is exploring the opportunity for restructuring the existing debt facility of US$ 850 million as one of several other funding options for meeting additional funds requirement with better terms and conditions. Since currently the management is exploring other funding options and at the same time, the existing debt facility is retained, no adjustment has been made in these financial statements for the unamortized facility fee of approximately Rs. 374 million.

16. The goodwill of Cairn India Group amounting to Rs. 253,192,674,502 has arisen on consolidation of financial statements of the Company with its subsidiaries and represents the difference between the cost to the Company of its investment in Cairn India Holdings Limited (which largely represent Cairn India Group's operations in India through its subsidiaries) and its proportionate share in the net book value of Cairn India Holdings Limited on consolidated basis at the time of acquisition of shares in Cairn India Holdings Limited. The management has carried out the tests for impairment of goodwill at the year-end as per requirements of AS 28 (Impairment of Assets) by computing the value in use of the assets and comparing the same with the carrying amount of the net assets. Value is use is based on the discounted future net cash flows of the oil and gas assets held by the Cairn India Group. For all blocks in the exploration stage, valuation has been carried out using risked NPV/boe. The result of the impairment tests indicate that the value in use is higher than the carrying amounts and no impairment provision is required to be created at the year-end.

17. Derivative instruments and Unhedged Foreign Currency Exposure

Particulars of Derivatives	Purpose
Options outstanding at the balance sheet date	
USD put/INR call options	Hedge of expected future capital expenditure for Rajasthan block
US$ 210,000,000	

Schedule 23 - Notes to Accounts

The above financial instruments have been taken to hedge the risks associated with foreign currency fluctuations. The same were initially recognized at fair value on the dates on which the contracts were entered into and were subsequently remeasured at fair value at the balance sheet date. Movements in fair value during the year have been taken to the profit and loss account.

Particulars of Unhedged Foreign Currency Exposure at the Balance Sheet date

Unsecured Loans	Sundry Debtors	Cash and Bank	Current Assets	Current Liability
2,955,000,000	1,335,753,514	11,304,311,139	4,843,437,328	4,168,593,850

18. Cairn India Group has a defined contribution gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy. Unavailed leaves can be carried forward upto a maximum of 5 days. Leave balances outstanding can be encashed by the employees at the time of separation, only on the employee leaving the Cairn India Group.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

	Gratuity
Current service cost	10,846,000
Interest cost on benefit obligation	2,863,410
Expected return on plan assets	1,798,253
Net actuarial (gain) / loss recognised in the year	21,225,926
Past service cost	Nil
Net benefit expense	33,137,083
Actual return on plan assets	2,974,911

Balance sheet

Details of Provision for Gratuity

	Gratuity
Defined benefit obligation	66,142,000
Fair value of plan assets	29,163,076
Less: Unrecognized past service cost	Nil
Plan asset / (liability)	(36,978,924)

Changes in the present value of the defined benefit obligation are as follows:

	Gratuity
Opening defined benefit obligation	41,207,084
Current service cost	10,846,000
Interest cost	2,515,247
Benefits paid	10,828,915
Actuarial (gains)/losses on obligation	22,402,584
Closing defined benefit obligation	66,142,000

Changes in the fair value of plan assets are as follows:

	Gratuity
Opening fair value of plan assets	25,692,975
Expected return	1,798,253
Contributions by employer	11,324,105
Benefits paid	10,828,915
Actuarial gains/(losses)	1,176,658
Closing fair value of plan assets	29,163,076

Note: The Group's expected contribution to the fund in the next year is not presently ascertainable.

Schedule 23 - Notes to Accounts

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Gratuity
Investments with insurer	100%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity liability for the Group's plans are shown below:

Discount rate	8%
Expected rate of return on assets	9.1%
Employee turnover	13.13%
Mortality Rate	LIC (1994-96) Ultimate Table

Note: The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Gratuity liability as at the year end is as follows:

	Gratuity
Defined benefit obligation	66,142,000
Plan assets	29,163,076
Surplus/(deficit)	(36,978,924)

Notes:

a) The Group has adopted of AS 15 (Revised 2005) Employee Benefits for the first time during the year. Hence comparative valuations for the immediately preceding period have not been furnished.

b) The ICAI has issued a limited revision to AS-15 (Revised 2005) which allows an entity to make disclosures required by paragraph 120 (n) of AS-15 (Revised 2005) prospectively from the date of transition. The limited revision has not yet been incorporated in AS-15 notified under the Companies (Accounting Standard) Rules, 2006. The Company expects that limited revision will be incorporated in notified standards shortly.

c) The Group is maintaining a fund with the Life Insurance Corporation of India (LIC) to meet its gratuity liability. The present value of the plan assets represents the balance available with the LIC as at the end of the period. The total value of plan assets amounting to Rs. 29,163,076, as certified by the LIC.

19. Subsequent to the year end, in the meeting of the Board of Directors held on March 17, 2008, the Company has proposed issue of 113,000,000 equity shares of Rs. 10 each at an issue price of Rs. 224.30 per share on preferential basis to two parties, subject to the approval of the shareholders of the Company.

20. Prior period comparatives

These financial statements of Cairn India Group are for the year ended December 31, 2007, whereas previous period figures relate to the period from August 21, 2006 to December 31, 2006 and are as per the revised financial statements of Cairn India Group. Accordingly, previous period figures in the profit and loss account and cash flow statement are not comparable. Previous period's figures have been regrouped where necessary to confirm to this year's classification.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

per Raj Agrawal
Partner
Membership No. 82028

Rahul Dhir
Managing Director and
Chief Executive Officer

Aman Mehta
Director

Indrajit Banerjee
Executive Director and
Chief Financial Officer

Marshall Mendonza
Company Secretary

PLACE : GURGAON
DATE : MARCH 31, 2008

Auditors' Report on Consolidated Financial Statements

TO
THE BOARD OF DIRECTORS OF CAIRN INDIA LIMITED

1. We have audited the attached consolidated balance sheet of Cairn India Limited (the Company) and its subsidiaries (collectively called 'the Cairn India Group') as at March 31, 2009 and also the consolidated profit and loss account and the consolidated cash flow statement for the fifteen months period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements notified under the Companies (Accounting Standard) Rules, 2006.
4. In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   (a) in the case of the consolidated balance sheet, of the state of affairs of the Cairn India Group as at March 31, 2009;
   (b) in the case of the consolidated profit and loss account, of the profit of the Cairn India Group for the fifteen months period ended on that date; and
   (c) in the case of the consolidated cash flow statement, of the cash flows of the Cairn India Group for the fifteen months period ended on that date.

For S. R. Batliboi & Associates
Chartered Accountants

per Raj Agrawal
Partner
Membership No.: 82028

Place : Gurgaon
Date : 27th May, 2009

Consolidated Balance Sheet
AS AT MARCH 31, 2009

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Schedules		As at March 31, 2009		As at December 31, 2007
SOURCES OF FUNDS					
Shareholders' funds					
Share capital	1		18,966,678		17,783,994
Stock options outstanding	2		388,978		947,084
Reserves and surplus	3		308,667,596		276,084,115
			328,023,252		294,815,193
Loan funds					
Secured loans (Finance lease liabilities)			222,402		169,361
Unsecured loans	4		43,341,500		2,955,000
			43,563,902		3,124,361
Deferred tax liabilities (net)	5		5,623,782		4,916,494
			377,210,936		**302,856,048**
APPLICATION OF FUNDS					
Fixed assets	6				
Gross cost		1,434,686		1,092,632	
Less: Accumulated depreciation / amortisation		801,843		606,126	
Net book value			632,843		486,506
Exploration, Development and Site-restoration costs	7				
Cost of producing facilities (net)		3,013,742		4,389,517	
Exploratory and development work in progress		62,027,323		24,670,264	
Net book value			65,041,065		29,059,781
Goodwill			253,192,675		253,192,675
Investments	8		1,712,806		7,128,909
Deferred tax assets (net)	5		83,935		–
Current assets, loans and advances					
Inventories	9	1,682,808		1,216,048	
Sundry debtors	10	1,516,418		1,348,578	
Cash and bank balances	11	65,270,674		13,317,907	
Other current assets	12	704,244		134,533	
Loans and advances	13	3,505,102		4,867,071	
		72,679,246		20,884,137	
Less: Current liabilities and provisions					
Current liabilities	14	11,794,353		4,691,797	
Provisions	15	4,337,281		3,661,347	
		16,131,634		8,353,144	
Net current assets			56,547,612		12,530,993
Profit & Loss account			–		457,184
			377,210,936		**302,856,048**
Notes to accounts	23				

The schedules referred to above are an integral part of the consolidated balance sheet.
As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors
Rahul Dhir Managing Director and Chief Executive Officer
Aman Mehta Director
Indrajit Banerjee Executive Director and Chief Financial Officer
Neerja Sharma Company Secretary

Place : Gurgaon
Date : 27th May, 2009

Consolidated Profit and Loss Account

FOR THE PERIOD ENDED MARCH 31, 2009

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Schedules		Fifteen months ended March 31, 2009		Twelve months ended December 31, 2007
INCOME					
Income from operations	16		14,326,716		10,122,627
Other income	17		5,944,652		1,324,089
			20,271,368		11,446,716
EXPENDITURE					
Operating expenses	18		2,129,743		1,945,812
Depletion and site restoration costs	7		2,635,431		1,906,379
Unsuccessful exploration costs	7		1,683,851		2,512,282
Administrative expenses	19		3,311,407		3,884,855
(Increase)/decrease in inventories	20		222,342		(111,715)
Prior period exchange difference			283,045		–
Depreciation and amortisation	6		62,593		33,701
Finance costs	21		64,090		16,174
			10,392,502		10,187,488
Profit before taxation			**9,878,866**		**1,259,228**
Current tax (net of INR 225,490 thousand, previous year Nil of MAT credit availed during the period)		1,110,792		387,756	
Deferred tax		623,354		764,194	
Fringe Benefit Tax		110,214		352,719	
			1,844,360		1,504,669
Profit/(Loss) for the period / year			**8,034,506**		**(245,441)**
Surplus / (Deficit) brought forward from the previous year			(457,184)		(211,743)
Surplus / (Deficit) carried to Balance sheet			**7,577,322**		**(457,184)**
Earnings / (Loss) per share in INR	22				
Basic			4.31		(0.14)
Diluted (previous year considered anti-dilutive) (Nominal value of shares INR 10)			4.28		(0.14)
Notes to accounts	23				

The schedules referred to above are an integral part of the consolidated profit and loss account.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors
Rahul Dhir Managing Director and Chief Executive Officer
Aman Mehta Director
Indrajit Banerjee Executive Director and Chief Financial Officer
Neerja Sharma Company Secretary

Place : Gurgaon
Date : 27th May, 2009

Consolidated Statement of Cash Flows

FOR THE PERIOD ENDED MARCH 31, 2009

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
Cash flow from operating activities		
Profit / (Loss) before taxation for the period / year	9,878,866	1,259,228
Adjustments for		
– Employee compensation expense (equity settled stock options) - net of exceptional gains	107,292	780,365
– Depreciation, depletion and site restoration costs	2,949,665	2,077,055
– Loss on sale / discard of fixed assets (net)	1,835	10,055
– Unsuccessful exploration costs	1,683,851	2,512,281
– Share issue expenses	208,410	–
– Unrealised exchange loss / (gain) on restatement of assets and liabilities (net)	(1,710,406)	1,844,459
– Interest expense	819,258	8,256
– Profit on sale of non trade current investments (net)	(1,245,686)	(595,663)
– Interest income	(1,920,273)	(727,431)
– Dividend from investments	(221,876)	–
– Unrealised loss on option contracts	112,973	63,010
– Provisions written-back	(60,351)	–
Operating profit before working capital changes	**10,603,558**	**7,231,615**
Movements in working capital:		
(Increase)/decrease in inventories	(466,761)	35,062
(Increase)/decrease in debtors	(108,344)	406,420
(Increase)/decrease in loans and advances and other current assets	186,699	(1,998,426)
Increase/(decrease) in current liabilities and provisions	1,601,491	649,255
Cash generated from operations	**11,816,643**	**6,323,926**
Current tax/FBT paid (net of refunds)	(1,457,679)	(819,797)
Net cash from operating activities (A)	**10,358,964**	**5,504,129**
Cash flow from investing activities		
Payments made for acquisition of subsidiaries	–	(32,763,069)
Payments made for exploration and development activities	(31,150,183)	(11,566,913)
Payments made for purchase of fixed assets	(462,608)	(176,058)
Mutual funds purchased	(43,293,242)	(15,295,380)
Fixed deposits made	(43,410,755)	(14,076,538)
Proceeds from matured fixed deposits	11,686,817	–
Proceeds from sale of mutual funds	49,955,033	8,271,805
Proceeds from sale of fixed assets	202	4,270
Interest received	1,293,614	710,969
Dividend from investments received	224,849	587,403
Net cash used in investing activities (B)	**(55,156,273)**	**(64,303,511)**
Cash flow from financing activities		
Proceeds from issue of equity shares	25,523,445	2,093,607
Payments made for share issue expenses	(208,410)	(1,422,257)
Finance lease taken	175,645	(204,708)
Repayment of finance lease	(124,838)	–
Proceeds from long term borrowings	37,620,170	31,217
Repayment of long term borrowings	–	(1,517,999)
Interest paid	(724,779)	(24,503)
Net cash from/(used in) financing activities (C)	**62,261,233**	**(1,044,643)**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**17,463,924**	**(59,844,025)**
Cash and cash equivalents at the beginning of the period / year	1,503,807	61,347,832
Cash and cash equivalents at the end of the period / year	18,967,731	1,503,807
Unrealised exchange differences on closing cash and cash equivalents	2,764,904	–
Cash and cash equivalents as per financial statements	**21,732,635**	**1,503,807**
Components of cash and cash equivalents as at	**March 31, 2009**	**December 31, 2007**
Cash in hand	626	108
Balances with banks		
– on current accounts	228,024	609,096
– on deposit accounts	65,042,024	12,708,703
Less: Deposits having maturity of over 90 days	(43,538,039)	(11,814,100)
	21,732,635	**1,503,807**

Notes:

1) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements".
2) Amounts in bracket indicate a cash outflow or reduction.
3) Bank balance in deposit accounts includes INR 3,312,342 thousand, previous year INR 1,717,840 thousand, pledged with the banks.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors
Rahul Dhir Managing Director and Chief Executive Officer
Aman Mehta Director
Indrajit Banerjee Executive Director and Chief Financial Officer
Neerja Sharma Company Secretary

Place : Gurgaon
Date : 27th May, 2009

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	AS at March 31, 2009	As at December 31, 2007
SCHEDULE - 1		
Share capital		
Authorised:		
2,250,000,000 (previous year 2,250,000,000) equity shares of INR 10 each	**22,500,000**	**22,500,000**
Issued, subscribed and paid up:		
1,896,667,816 (previous year 1,778,399,420) equity shares of INR 10 each	18,966,678	17,783,994
	18,966,678	**17,783,994**

Note:

1) Issued, subscribed and fully paid up share capital includes 1,226,843,791 equity shares (previous year - 1,226,843,791 equity shares) of INR 10 each held by Cairn UK Holdings Limited, the holding company together with its nominees.
2) Shares held by the holding company includes 861,764,893 equity shares (previous year - 861,764,893 equity shares) of INR 10 each, allotted as fully paid up pursuant to contracts for consideration other than cash.
3) For stock options outstanding refer note no. 7 in schedule 23.

SCHEDULE - 2		
Stock Options Outstanding		
Employee stock options outstanding	782,548	2,496,095
Less: Deferred employee compensation outstanding	(393,570)	(1,549,011)
Closing Balance	**388,978**	**947,084**

SCHEDULE - 3		
Reserves and Surplus		
Securities premium account		
Opening Balance	276,084,115	275,017,837
Add:- Additions during the period / year	25,006,159	1,962,756
Less:- Adjustment against preliminary expenses / share issue expenses	–	(896,478)
Closing Balance	301,090,274	276,084,115
Profit and Loss Account	7,577,322	–
	308,667,596	**276,084,115**

SCHEDULE - 4		
Unsecured Loans		
Long term loans		
– from International Finance Corporation	7,648,500	521,471
– from banks	35,693,000	2,433,529
	43,341,500	**2,955,000**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 5		
Deferred tax asset / liabilities (net)		
Effect of differences in block of fixed assets as per tax books and financial books	6,178,716	5,208,962
Gross deferred tax liabilities	**6,178,716**	**5,208,962**
Effect of lease accounting	8,972	8,972
Expenditure debited to profit and loss but allowed for tax purposes in following years	629,897	283,496
Gross deferred tax assets	**638,869**	**292,468**
Net Deferred tax liabilities *	**5,539,847**	**4,916,494**

* After setting off net deferred tax assets aggregating to INR 83,935 thousand, previous year Nil in respect of certain group companies

SCHEDULE - 6

Fixed Assets

Description	Gross Block				Accumulated Depreciation / Amortisation				Net Block	
	As on 01.01.2008	Additions	Deletions/ Adjustments	As on 31.03.2009	As on 01.01.2008	For the period	Deletions/ Adjustments	As on 31.03.2009	As on 31.03.2009	As on 31.12.2007
A) Tangible Assets										
Freehold land	43,583	–	–	43,583	–	–	–	–	43,583	43,583
Buildings	5,247	–	–	5,247	1,109	1,224	–	2,333	2,914	4,138
Office equipments	364,752	182,623	(35,353)	512,022	233,766	145,535	(34,862)	344,439	167,583	130,986
Furniture and fittings	200,962	116,416	(17,508)	299,870	76,094	66,627	(15,961)	126,760	173,110	124,868
Vehicles	945	10,038	–	10,983	915	1,745	–	2,660	8,323	30
B) Intangible Assets										
Computer software	477,143	153,531	(67,693)	562,981	294,242	99,102	(67,693)	325,651	237,330	182,901
Grand Total	**1,092,632**	**462,608**	**(120,554)**	**1,434,686**	**606,126**	**314,233**	**(118,516)**	**801,843**	**632,843**	**486,506**
Previous period	**1,326,837**	**176,058**	**(410,263)**	**1,092,632**	**831,387**	**170,677**	**(395,938)**	**606,126**	**486,506**	**495,450**

Notes:

1. Furniture and fittings includes Leasehold improvements of INR 278,895 thousand (previous year INR 165,013 thousand), accumulated depreciation thereon INR 110,482 thousand (previous year INR 49,882 thousand).
2. Leasehold improvements and Office equipments of INR 278,271 thousand (previous year INR 164,389 thousand) and INR 210,192 thousand (previous year INR 135,539 thousand) respectively have been acquired under finance lease. The depreciation charge for the period on these assets is INR 60,569 thousand (previous year INR 25,096 thousand) and INR 61,040 thousand (previous year INR 24,181 thousand) respectively and the accumulated depreciation thereon is INR 110,355 thousand (previous year INR 49,786 thousand) and INR 139,781 thousand (previous year INR 78,741 thousand) respectively.
3. Depreciation charge for the period includes INR 251,640 thousand (previous year INR 136,976 thousand) allocated to joint ventures.
4. Fixed assets include INR 176,798 thousand (previous year INR 120,805 thousand) jointly owned with the joint venture partners. Accumulated depreciation on these assets is INR 82,643 thousand (previous year INR 60,932 thousand) and net book value is INR 94,155 thousand (previous year INR 59,873 thousand).

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 7		
Exploration, Development and Site restoration costs		
Opening balance of producing properties	4,389,517	2,976,132
Additions / Deletions / Transfer for the period / year	1,259,656	3,319,764
	5,649,173	**6,295,896**
Less: Depletion and site restoration costs	2,635,431	1,906,379
Net producing properties	**3,013,742**	**4,389,517**
Opening balance of exploratory & development work in progress	24,670,264	17,122,353
Additions / Deletions / Transfer for the period / year	39,040,910	10,060,193
Less: Unsuccessful exploration costs for the period / year	1,683,851	2,512,282
Exploration and Development work in progress	**62,027,323**	**24,670,264**
Net book value	**65,041,065**	**29,059,781**

Note: Additions for the period includes borrowing costs (net of income on temporary investments INR 241,350 thousand, previous year Nil) aggregating to INR 1,620,043 thousand (previous year INR 573,983 thousand)

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 8		
Investments		
Long term investments (at cost)		
Quoted and non-trade		
755,275 (previous year 755,275) equity shares of INR 10 each fully paid up in Videocon Industries Limited	105,334	105,334
Current Investments (at lower of cost and market value)		
Unquoted and non trade		
Mutual Funds	1,607,472	7,023,575
	1,712,806	**7,128,909**

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 9		
Inventories		
Stores and spares	1,595,774	906,672
Finished goods	87,034	309,376
	1,682,808	**1,216,048**

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 10		
Sundry Debtors		
Debts - Unsecured and outstanding for a period exceeding six months :		
– Considered Good	94,261	8,587
– Considered doubtful	–	62,025
Other unsecured debts :		
– Considered Good	1,422,157	1,339,991
	1,516,418	**1,410,603**
Less: Provision for doubtful debts	–	(62,025)
	1,516,418	**1,348,578**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 11		
Cash and bank balances		
Cash in hand	626	108
Balances with banks:		
– on current accounts	228,024	609,096
– on deposit accounts (including deposits more than 3 months)*	65,042,024	12,708,703
	65,270,674	**13,317,907**

* includes INR 3,312,342 thousand, previous year INR 1,717,840 thousand, pledged with the banks

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 12		
Other Current Assets		
Interest accrued on bank deposits	660,639	28,614
Dividend receivable	–	8,260
Outstanding option contracts	43,605	97,659
	704,244	**134,533**

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 13		
Loans and advances		
Unsecured and considered good, unless otherwise stated:		
Advances recoverable in cash or kind or for value to be received*	5,789,515	5,921,540
Deposits	169,469	25,169
Advance tax and tax deducted at source (net of tax provisions INR 1,921,505 thousand, (previous year INR 3,011,025 thousand)	599,367	565,441
Fringe benefit tax paid (net of provisions INR 266, 883 thousand, previous year INR 6,000 thousand)	13,290	1,920
	6,571,641	6,514,070
Less: Provision for doubtful advances	(3,066,539)	(1,646,999)
	3,505,102	**4,867,071**

*Includes doubtful balances INR 3,066,539 thousand (previous year INR 1,646,999 thousand)

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 14		
Current liabilities		
Amount payable to Cairn Energy Plc., the ultimate holding company	1,296,164	1,033,919
Sundry creditors	8,647,926	3,587,844
Lease equalisation liability	9,279	–
Interest accrued but not due	94,471	21,383
Other liabilities	1,746,513	48,651
	11,794,353	**4,691,797**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 15		
Provisions		
Provision for taxation (net of advance tax - INR 356,794 thousand, previous year Nil)	250,643	222,901
Provision for fringe benefit tax (net of advance tax payments, INR 127,956 thousand, previous year - INR 258 thousand)	105,235	320,231
Site restoration provision *	3,886,882	2,714,913
Provision for Government share of profit petroleum **	11,444	362,382
Provision for leave encashment	16,305	3,941
Provision for gratuity	39,571	36,979
Provision for employee stock options (cash settled) ***	27,201	–
	4,337,281	**3,661,347**
* Site restoration provision		
Opening balance	2,714,913	2,232,264
Additions for the period / year	1,388,000	482,649
Reversed during the period / year	(216,031)	–
Closing balance	3,886,882	2,714,913
** Provision for Government share of profit petroleum		
Opening balance	362,382	306,211
Additions for the period / year	26,453	56,171
Payments during the period / year	(377,391)	–
Closing balance	11,444	362,382
*** Provision for employee stock options (cash settled)		
Opening balance	–	–
Additions for the period / year	27,201	–
Payments during the period / year	–	–
Closing balance	27,201	–

	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
SCHEDULE - 16		
Income from operations		
Revenue from sale of oil, gas and condensate	24,476,702	16,287,379
Less: Government share of Profit Petroleum	(10,829,219)	(6,438,550)
	13,647,483	**9,848,829**
Tolling income	50,391	31,995
Income received as operator from joint venture	628,842	241,803
	14,326,716	**10,122,627**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
SCHEDULE - 17		
Other income		
Interest on bank deposits	1,858,924	727,431
Profit on sale of non trade current investments (net)	1,245,686	27,632
Dividend income from non trade current investments	216,589	568,031
Dividend income from non trade long term investments	5,287	–
Exchange fluctuation (net)	2,319,158	–
Miscellaneous income	143,285	995
Exceptional gain (refer note no. 8 in schedule 23)	155,723	–
	5,944,652	**1,324,089**
SCHEDULE - 18		
Operating expenses		
Production expenses	952,510	943,863
Data acquisition and analysis	66,266	32,884
Insurance	56,677	39,630
Royalty	393,787	342,907
Cess	546,365	487,569
Production bonus	114,138	98,959
	2,129,743	**1,945,812**
SCHEDULE - 19		
Administrative expenses		
Salaries, wages and bonus	3,408,323	2,325,513
Employee compensation expense (stock options)	454,546	780,365
Contribution to Provident fund	97,356	35,490
Contribution to Superannuation fund	53,226	30,865
Leave encashment expenses	29,916	1,041
Gratuity expenses	40,888	33,137
Staff welfare expenses	280,312	32,519
Contract employee charges	1,295,828	1,534,541
Legal and professional expenses	1,488,580	464,776
Share issue expenses (refer note no. 15 in schedule 23)	208,410	–
Repair and maintenance	260,933	206,779
Rent	455,648	212,806
Travelling and conveyance expenses	511,320	192,505
Communication expenses	150,906	56,944
Exchange Fluctuation (net)	–	2,057,001
Insurance	3,127	6,464
Directors' sitting fees	1,320	700
Loss on sale / discard of fixed assets (net)	1,835	10,055
Loss on derivative contracts	434,328	63,010
Miscellaneous expenses	357,706	246,298
	9,534,508	8,290,809
Less: Cost allocated to joint ventures	(6,223,101)	(4,405,954)
	3,311,407	**3,884,855**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
SCHEDULE - 20		
(Increase) / Decrease in inventories		
Inventories at the beginning of the period / year		
Finished goods	309,376	197,661
Inventories at the end of the period / year		
Finished goods	87,034	309,376
	222,342	**(111,715)**
SCHEDULE - 21		
Finance costs		
Interest on bank overdraft	–	199
Other interest	38,581	–
Finance lease charges	40,855	7,524
Bank charges	20,734	19,326
	100,170	**27,049**
Less: Cost allocated to joint ventures	(36,080)	(10,875)
	64,090	**16,174**
SCHEDULE - 22		
Earnings / (Loss) Per Share		
Profit / (Loss) for the period / year as per profit and loss account	8,034,506	(245,441)
Weighted average number of equity shares in calculating basic earnings / (loss) per share	1,866,146,993	1,777,001,292
Add: Number of equity shares arising on grant of stock options	10,052,076	11,017,255
Weighted average number of equity shares in calculating diluted earnings / (loss) per share	1,876,199,069	1,788,018,547
Earnings / (Loss) per share in INR		
Basic	4.31	(0.14)
Diluted (previous year considered anti-dilutive)	4.28	(0.14)

(All amounts are in thousand Indian Rupees, unless otherwise stated)

1. NATURE OF OPERATIONS

Cairn India Limited ('the Company') was incorporated in India on August 21, 2006 and is a subsidiary of Cairn UK Holdings Limited, which in turn is a wholly owned subsidiary of Cairn Energy Plc., UK which is listed on London Stock Exchange.

The Company is primarily engaged in the business of surveying, prospecting, drilling, exploring, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals, oils, petroleum, gas and related by-products and other activities incidental to the above. As part of its business activities, the Company also holds interests in its subsidiary companies which have been granted rights to explore and develop oil exploration blocks in the Indian sub-continent. The Company along with its subsidiaries are herein referred to as 'Cairn India Group'. The entities under the Cairn India Group are participants in various Oil and Gas blocks/fields granted by the Government of India/Sri Lanka through Production Sharing Contract ('PSC')/Production Resources Agreement ('PRA') entered into between these entities and Government of India/Sri Lanka and other venture partners.

2. COMPONENTS OF THE CAIRN INDIA GROUP

The Consolidated Financial Statements represent consolidation of accounts of the Company and its subsidiaries as detailed below:

S. No.	Name of the Subsidiaries	Country of Incorporation
i	Cairn Energy Australia Pty Limited	Australia
ii	Cairn Energy India Pty Limited	Australia
iii	CEH Australia Pty Limited	Australia
iv	Cairn Energy Asia Pty Limited	Australia
v	Sydney Oil Company Pty Limited	Australia
vi	Cairn Energy Investments Australia Pty Limited	Australia
vii	Wessington Investments Pty Limited	Australia
viii	CEH Australia Limited	British Virgin Islands
ix	Cairn India Holdings Limited ('CIHL')	Jersey
x	CIG Mauritius Holding Private Limited ('CMHPL') - with effect from 1st July 2008	Mauritius
xi	CIG Mauritius Private Limited - with effect from 1st July 2008	Mauritius
xii	Cairn Energy Holdings Limited	Scotland
xiii	Cairn Energy Discovery Limited	Scotland
xiv	Cairn Exploration (No. 2) Limited	Scotland
xv	Cairn Exploration (No. 6) Limited	Scotland
xvi	Cairn Energy Hydrocarbons Limited	Scotland
xvii	Cairn Petroleum India Limited	Scotland
xviii	Cairn Energy Gujarat Block 1 Limited	Scotland
xix	Cairn Exploration (No. 4) Limited	Scotland
xx	Cairn Exploration (No. 7) Limited	Scotland
xxi	Cairn Energy Development Pte Limited - with effect from 16th July 2008	Singapore
xxii	Cairn Lanka Private Limited - with effect from 3rd July 2008	Sri Lanka
xxiii	Cairn Energy Group Holdings BV	Netherlands
xxiv	Cairn Energy India West BV	Netherlands
xxv	Cairn Energy India West Holding BV	Netherlands
xxvi	Cairn Energy Gujarat Holding BV	Netherlands
xxvii	Cairn Energy India Holdings BV	Netherlands
xxviii	Cairn Energy Netherlands Holdings BV	Netherlands
xxix	Cairn Energy Gujarat BV	Netherlands
xxx	Cairn Energy Cambay BV	Netherlands
xxxi	Cairn Energy Cambay Holding BV	Netherlands

CIHL and CMHPL are wholly owned subsidiaries of the Company. All other above mentioned companies are direct or indirect wholly owned subsidiaries of either CIHL or CMHPL.

(All amounts are in thousand Indian Rupees, unless otherwise stated)

Cairn India Group has interest in the following Oil and Gas blocks/fields-

S. No.	Oil and Gas blocks/fields	Area	Participating Interest
	Operated block		
i	Ravva	Krishna Godavari	22.50%
ii	CB-OS/2 - Exploration area	Cambay Offshore	60%
	CB-OS/2 - Development area	Cambay Offshore	40%
iii	RJ-ON-90/1 - Exploration area	Rajasthan Onshore	100%
	RJ-ON-90/1 - Development area	Rajasthan Onshore	70%
iv	GV-ONN-2003/1	Ganga Valley Onshore	24%
v	VN-ONN-2003/1	Vindhyan Onshore	49%
vi	PR-OSN-2004	Palar Basin Offshore	35%
vii	SL 2007-01-001	North West Sri Lanka Offshore	100%
viii	KG-ONN-2003/1	Krishna Godavari Onshore	49%
ix	GV-ONN-2002/1	Ganga Valley Onshore	50%
	Non - operated block		
x	KG-DWN-98/2	Krishna Godavari Deep water	10%
xi	RJ-ONN-2003/1	Rajasthan Onshore	30%
xii	GS-OSN-2003/1	Gujarat Saurashtra Onshore	49%
xiii	KK-DWN-2004	Kerala Konkan Basin Offshore	40%
xiv	CB-ONN-2002/1 (proposed to be relinquished)	Cambay Onshore	30%
xv	GV-ONN-97/1 (relinquished in 2008)	Ganga Valley Onshore	15%
xvi	CB-ONN-2001/1 (relinquished in 2007)	Cambay Onshore	30%

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by Cairn India Group and are consistent with those used in the previous period, except to the extent stated in note no. 8 below.

Principles of consolidation:

The consolidated financial statements relate to the Cairn India Group. In the preparation of these consolidated financial statements, investments in subsidiaries have been accounted for in accordance with the provisions of AS 21 (Accounting for Consolidated Financial Statements). The financial statements of the subsidiaries have been drawn up to the same reporting date as of Cairn India Limited. The consolidated financial statements are prepared on the following basis:

i. The financial statements of the Company and its subsidiary companies are consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances and intra-group transactions and also unrealised profits or losses in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements".

ii. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements. The financial statements of the subsidiaries are adjusted for the accounting principles and policies followed by the Company.

iii. The difference between the cost to the Company of its investment in subsidiaries and its proportionate share in the equity of the investee company at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be. Goodwill is tested for impairment by the management on each reporting date.

(b) Oil and gas assets

Cairn India Group follows a successful efforts method for accounting for oil and gas assets as set out by the Guidance Note issued by the Institute of Chartered Accountants of India (ICAI) on "Accounting for Oil and Gas Producing Activities".

Expenditure incurred on the acquisition of a license interest is initially capitalised on a license by license basis. Costs are held, undepleted, within exploratory and development work in progress until the exploration phase relating to the license area is complete or commercial oil and gas reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets which cannot be directly related to individual exploration

(All amounts are in thousand Indian Rupees, unless otherwise stated)

wells is expensed in the period in which it is incurred.

Exploration/appraisal drilling costs are initially capitalised within exploratory and development work in progress on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that oil and gas reserves exist and there is a reasonable prospect that these reserves are commercial.

Where results of exploration drilling indicate the presence of oil and gas reserves which are ultimately not considered commercially viable, all related costs are written off to the profit and loss account. Following appraisal of successful exploration wells, when a well is ready for commencement of commercial production, the related exploratory and development wells in progress are transferred into a single field cost centre within producing properties, after testing for impairment.

Where costs are incurred after technical feasibility and commercial viability of producing oil and gas is demonstrated and it has been determined that the wells are ready for commencement of commercial production, they are capitalised within producing properties for each cost centre. Subsequent expenditure is capitalised when it enhances the economic benefits of the producing properties or replaces part of the existing producing properties. Any costs remaining associated with such part replaced are expensed in the financial statements.

Net proceeds from any disposal of an exploration asset within exploratory and development work in progress are initially credited against the previously capitalised costs and any surplus proceeds are credited to the profit and loss account. Net proceeds from any disposal of producing properties are credited against the previously capitalised cost and any gain or loss on disposal of producing properties is recognised in the profit and loss account, to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

(c) Depletion

The expenditure on producing properties is depleted within each cost centre.

Depletion is charged on a unit of production basis, based on proved reserves for acquisition costs and proved and developed reserves for other costs.

(d) Site restoration costs

At the end of the producing life of a field, costs are incurred in restoring the site of production facilities. Cairn India Group recognizes the full cost of site restoration as a liability when the obligation to rectify environmental damage arises. The site restoration expense forms part of the cost of producing properties of the related asset. The amortization of the asset, calculated on a unit of production basis based on proved and developed reserves, is included in the "depletion and site restoration costs" in the profit and loss account.

(e) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

(f) Tangible Fixed Assets, depreciation and amortization

Tangible assets, other than oil and gas assets, are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act 1956, whichever is higher. The expected useful economic lives are as follows:

Vehicles	2 to 5 years
Freehold buildings	10 years
Computers	2 to 5 years
Furniture and fixtures	2 to 5 years
Office equipments	2 to 5 years
Plant and Equipment	2 to 5 years

Leasehold improvements are amortized over the remaining period of the primary lease or expected useful lives, whichever is shorter.

(g) Intangible fixed assets and amortization

Intangible assets, other than oil and gas assets, have finite useful lives and are measured at cost and amortized over their expected useful economic lives as follows:

Computer software	2 to 4 years

Goodwill arising on acquisition is capitalized and is subject to review for impairment.

(h) Leases

Finance leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease

(All amounts are in thousand Indian Rupees, unless otherwise stated)

payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that Cairn India Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

(i) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. Current investments are measured at cost or market value, whichever is lower, determined on an individual investment basis. All other investments are classified as long-term investments. Long term investments are measured at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(j) Inventory

Inventories of oil and condensate held at the balance sheet date are valued at net realizable value based on the estimated selling price. Inventory of stores and spares related to exploration, development and production activities are stated at cost, determined on First in First out (FIFO) basis.

(k) Joint Ventures

Cairn India Group participates in several Joint Ventures which involve the joint control of assets used in the oil and gas exploration, development and producing activities. It accounts for its share of the assets and liabilities of Joint Ventures along with attributable income and expenses in such Joint Ventures, in which it holds a participating interest. Joint venture cash and cash equivalent balances are considered by the Cairn India Group to be the amounts contributed in excess of the Cairn India Group's obligations to the joint ventures and are, therefore, disclosed within Loans and Advances.

(l) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Cairn India Group and the revenue can be reliably measured.

Revenue from operating activities

From sale of oil, gas and condensate

Revenue represents the Cairn India Group's share of oil, gas and condensate production, recognised on a direct entitlement basis, when significant risks and rewards of ownership are transferred to the buyers.

As operator from the joint venture

Cairn India Group recognizes operators fees as revenue from joint ventures based on the provisions of respective PSCs.

Tolling income

Tolling income represents Cairn India Group's share of revenues from Pilotage and Oil Transfer Services from the respective joint ventures, which is recognized based on the rates agreed with the customers, as and when the services are rendered.

Interest income

Interest income is recognised on a time proportion basis.

Dividend income

Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognized even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI of the Companies Act, 1956.

(m) Borrowing costs

Borrowing costs include interest and commitment charges on borrowings, amortisation of costs incurred in connection with the arrangement of borrowings, exchange differences to the extent they are considered a substitute to the interest cost and finance charges under leases. Costs incurred on borrowings directly attributable to development projects, which take a substantial period of time to complete, are capitalised within the development/producing asset for each cost centre.

All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

(n) Foreign currency transactions and translations

Cairn India Group translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting the Cairn India Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

All transactions of integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the group itself. In translating the financial statements of a non-integral foreign operation for incorporating in the group's financial statements, the Cairn India Group translates the assets and liabilities at the rate of exchange prevailing at the balance sheet date. Income and expenses of non-

(All amounts are in thousand Indian Rupees, unless otherwise stated)

integral operations are translated using rates at the date of transactions. Resulting exchange differences are disclosed under the foreign currency translation reserve until the disposal of the net investment in non-integral operations.

(o) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Fringe benefit tax also includes the proportionate amount of tax likely to be paid by Cairn India Group, on the exercise of share options of the Company. Deferred income tax reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier period.

Deferred tax assets and liabilities are measured, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various subsidiaries or countries of operation are not set off against each other as Cairn India Group does not have a legal right to do so. Current and deferred tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If Cairn India Group has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty, supported by convincing evidence, that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier periods are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(p) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

(q) Provisions

A provision is recognised when Cairn India Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(r) Cash and Cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short-term investments, with an original maturity of 90 days or less.

(s) Employee Benefits

Retirement and Gratuity benefits

Retirement benefits in the form of provident fund and superannuation scheme are defined contribution schemes and the contributions are charged to the profit and loss account of the period when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective funds.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The scheme is maintained and administered by an insurer to which the trustees make periodic contributions.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation made at the end of each financial year. The actuarial valuation is done as per projected unit credit method.

Actuarial gains / losses are immediately taken to profit and loss account and are not deferred.

Employee Stock Compensation Cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. Cairn India Group measures compensation cost relating to employee stock options using the intrinsic

(All amounts are in thousand Indian Rupees, unless otherwise stated)

value method. Compensation expense is amortized over the vesting period of the option on a straight line basis. The cost of awards to employees under the Company's ultimate parent entity's Long Term Incentive Plans ("the LTIP") is recognised based on the amount cross charged by the parent entity.

(t) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(u) Segment Reporting Policies

Identification of segments:

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

(v) Derivative Instruments

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, is done on marked to market on a portfolio basis, and the net loss is charged to the income statement. Net gains are ignored.

4. SEGMENTAL REPORTING

Business segments

The primary reporting of Cairn India Group has been prepared on the basis of business segments. Cairn India Group has only one business segment, which is the exploration, development and production of oil and gas and operates in a single business segment based on the nature of the products, the risks and returns, the organisation structure and the internal financial reporting systems. Accordingly, the figures appearing in these financial statements relate to the Cairn India Group's single business segment.

Geographical segments

Secondary segmental reporting is prepared on the basis of the geographical location of customers. The operating interests of the Cairn India Group are confined to the Indian sub-continent in terms of oil and gas blocks and customers. Accordingly, the figures appearing in these financial statements relate to Cairn India Group's single geographical segment being operations in the Indian sub-continent.

5. RELATED PARTY TRANSACTIONS

(a) Names of related parties:

Companies having control

- Cairn UK Holdings Limited, UK
  Holding Company
- Cairn Energy Plc., UK
  Ultimate holding company

Key Managerial Personnel

- Rahul Dhir
  Managing Director and Chief Executive Officer
- Indrajit Banerjee
  Executive Director and Chief Financial Officer
  (Appointed on 1st March 2007)
- Lawrence Smyth
  Executive Director and Chief Operating Officer
  (Appointed on 1st March 2007 and resigned on 21st January 2008)
- Winston Frederick Bott Jr.
  Executive Director and Chief Operating Officer
  (Appointed on 29th April 2008)
- Philip Tracy
  Alternate Director
  (Appointed on 18th March 2009)

(b) Transactions during the period/year:

Nature of the Transactions	Related Party	Current period	Previous year
Reimbursement of expenses	Cairn Energy Plc.	279,725	197,600
Shares issued including premium and stock option charge	Rahul Dhir	716,185	Nil
	Lawrence Smyth	126,758	Nil
	Total	**842,943**	**Nil**
Remuneration (including bonus on cash basis)	Rahul Dhir	125,460	165,579
	Winston Frederick Bott Jr.	182,488	Nil
	Indrajit Banerjee	26,123	15,593
	Philip Tracy	1,354	Nil
	Lawrence Smyth	39,336	113,677
	Total	**374,761**	**294,849**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

(c) **Balances outstanding as at the end of the period/year:**

Nature of the Balance	Related Party	31st March 2009	31st December 2007
Accounts payable	Cairn Energy Plc.	1,296,164	1,033,919
Remuneration payable	Rahul Dhir	Nil	3,261
	Indrajit Banerjee	Nil	1,500
	Lawrence Smyth	Nil	1,800
	Total	**Nil**	**6,561**

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave encashment benefits, as they are determined on an actuarial basis for the Cairn India Group as a whole.

6. As at 31st March 2009, the Company and its subsidiaries together have utilized INR 82,563,170 thousand for the purposes listed in the prospectus issued for the Initial Public Offer. The details of utilization of funds is as follows-

Particulars	Upto 31st March 2009	Upto 31st December 2007
Acquisition of shares of Cairn India Holdings Limited from Cairn UK Holdings Limited	59,580,837	59,580,837
Exploration and Development expenses	21,152,714	10,411,239
General corporate purposes	230,000	90,440
Issue expenses	1,599,619	1,599,619
Total	**82,563,170**	**71,682,135**

The details of the unutilized monies out of the public issue proceeds is as follows-

Particulars	31st March 2009	31st December 2007
Mutual funds	718,277	7,337,856
Balances with banks	4,967,454	9,228,910
Total	**5,685,731**	**16,566,766**

7. EMPLOYEES STOCK OPTION PLANS

The Company has provided various share-based payment schemes to its employees. During the period ended 31st March 2009, the following schemes were in operation:

Particulars	CISMP	CIPOP	CIESOP	CIPOP Phantom	CIESOP Phantom
Date of Board Approval	17th Nov 2006	17th Nov 2006	17th Nov 2006	Not applicable	Not applicable
Date of Shareholder's approval	17th Nov 2006	17th Nov 2006	17th Nov 2006	Not applicable	Not applicable
Number of options granted till March 2009	8,298,713	5,732,956	12,792,651	822,867	362,556
Method of Settlement	Equity	Equity	Equity	Cash	Cash
Vesting Period	Refer vesting conditions below	3 years from grant date	3 years from grant date	3 years from grant date	3 years from grant date
Exercise Period	18 months from vesting	3 months from vesting date	7 years from vesting date	Immediately upon vesting	Immediately upon vesting
Number of options granted till March 2009					
24th Nov 2006	8,298,713	–	–	–	–
1st Jan 2007	–	1,708,195	3,467,702	–	–
20th Sept 2007	–	3,235,194	5,515,053	–	–
29th July 2008	–	789,567	3,773,856	822,867	324,548
10th Dec 2008	–	–	36,040	–	38,008
Total	**8,298,713**	**5,732,956**	**12,792,651**	**822,867**	**362,556**

The vesting conditions of the above plans are as under-

CISMP plan

(a) 6,714,233 options are to be vested in the following manner-

– 1/3rd of the options will vest on the day following the date on which the equity shares have been admitted to listing on the Stock Exchanges ('admission date'). Listing date was 9th Jan 2007.

– 1/3rd of the options will vest 18 months after the admission date.

– 1/3rd of the options will vest on achieving 30 days' consecutive production of over 150,000 bopd from the Rajasthan Block.

(All amounts are in thousand Indian Rupees, unless otherwise stated)

(b) 1,584,480 options are to be vested in the following manner-

- 1/2 of the options will vest on the day following the date on which the equity shares have been admitted to listing on the Stock Exchanges.
- 1/4th of the options will vest on the date on which all major equipment for the start-up of the Mangala field is delivered to site.
- 1/4th of the options will vest on achieving 100,000 boepd from the Mangala Field.

CIPOP plan (including phantom options)

Options will vest (i.e become exercisable) at the end of a "performance period" which will be set by the remuneration committee at the time of grant (although such period will not be less than three years). However, the percentage of an option which vests on this date will be determined by the extent to which pre-determined performance conditions have been satisfied.

CIESOP plan (including phantom options)

There are no specific vesting conditions under CIESOP plan.

Details of Activities under Employees Stock Option Plans

CISMP Plan	Current period		Previous year	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	8,298,713	33.70	8,298,713	33.70
Granted during the year	Nil	NA	Nil	NA
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	5,268,396	33.70	Nil	NA
Expired during the year	792,240	33.70	Nil	NA
Outstanding at the end of the year	2,238,077	33.70	8,298,713	33.70
Exercisable at the end of the year	Nil	NA	Nil	NA
Weighted average fair value of options granted on the date of grant (INR)	131.50	NA	131.50	NA

The weighted average share price on the dates of exercise of stock options was INR 220.09

CIPOP Plan	Current period		Previous year	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	4,755,244	10.00	Nil	NA
Granted during the year	789,567	10.00	4,943,389	10.00
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	Nil	NA
Expired during the year	2,344,715	10.00	188,145	10.00
Outstanding at the end of the year	3,200,096	10.00	4,755,244	10.00
Exercisable at the end of the year	Nil	NA	Nil	NA
Weighted average fair value of options granted on the date of grant (INR)	165.46	NA	165.46	NA

CIESOP Plan	Current period		Previous year	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	8,545,710	164.49	Nil	NA
Granted during the year	3,809,896	226.21	8,982,755	164.27
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	Nil	NA
Expired during the year	1,441,362	169.33	437,045	160.00
Outstanding at the end of the year	10,914,244	185.39	8,545,710	164.49
Exercisable at the end of the year	Nil	NA	Nil	NA
Weighted average fair value of options granted on the date of grant (INR)	101.47	NA	89.40	NA

(All amounts are in thousand Indian Rupees, unless otherwise stated)

CIPOP Plan - Phantom options	Current period		Previous year	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	Nil	NA	Nil	NA
Granted during the year	822,867	10.00	Nil	NA
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	Nil	NA
Expired during the year	38,008	10.00	Nil	NA
Outstanding at the end of the year	784,859	10.00	Nil	NA
Exercisable at the end of the year	Nil	NA	Nil	NA
Weighted average fair value of options granted on reporting date (INR)	175.40	NA	Nil	NA

CIESOP Plan - Phantom options	Current period		Previous year	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	Nil	NA	Nil	NA
Granted during the year	362,556	218.19	Nil	NA
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	Nil	NA
Expired during the year	Nil	NA	Nil	NA
Outstanding at the end of the year	362,556	218.19	Nil	NA
Exercisable at the end of the year	Nil	NA	Nil	NA
Weighted average fair value of options granted on reporting date (INR)	48.13	NA	Nil	NA

The details of exercise price for stock options outstanding as at March 31, 2009 are:

Scheme	Range of exercise price (INR)	No. of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (INR)
CISMP Plan	33.70	2,238,077	2.08	33.70
CIPOP Plan	10.00	3,200,096	1.51	10.00
CIESOP Plan	143-227	10,914,244	1.60	185.39
CIPOP Plan - Phantom options*	10.00	784,859	2.33	10.00
CIESOP Plan - Phantom options*	143-227	362,556	2.37	218.19
The details of exercise price for stock options outstanding as at December 31, 2007 are:				
CISMP Plan	33.70	8,298,713	1.04	33.70
CIPOP Plan	10.00	4,755,244	2.49	10.00
CIESOP Plan	160-166.95	8,545,710	2.47	164.49

*Introduced during the current period

(All amounts are in thousand Indian Rupees, unless otherwise stated)

Effect of Employees Stock Option Plans on Financial Position

Effect of the employee share-based payment plans on the profit and loss account and on its financial position:

Particulars	Current Period	Previous Year
Total Employee Compensation Cost pertaining to share-based payment plans (including exceptional gain of INR 155,723 thousand in the current period-refer note no. 8 below)	134,493	602,025
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	107,292	602,025
Compensation Cost pertaining to cash-settled employee share-based payment plan included above	27,201	Nil
Liability for equity-settled employee stock options outstanding as at period / year end	388,978	947,084
Liability for cash-settled employee stock options outstanding as at period / year end	27,201	Nil
Deferred compensation cost of equity-settled options	393,570	1,549,011
Deferred compensation cost of cash-settled options	94,719	Nil

Inputs for Fair valuation of Employees Stock Option Plans

The Share Options have been fair valued using an Option Pricing Model (Black Scholes Model). The main inputs to the model and the Fair Value of the options, based on an independent valuation, are as under:

Variables - CISMP	A	B
Grant date	24th Nov 2006	24th Nov 2006
Stock Price / fair value of the equity shares on the date of grant (INR)	160.00	160.00
Vesting date	Refer vesting conditions	Refer vesting conditions
Vesting %	Refer vesting conditions	Refer vesting conditions
Volatility (Weighted average)	44.08%	46.59%
Risk free rate (Weighted average)	7.05%	6.94%
Time to maturity in years (Weighted average)	2.45	2.00
Exercise price - INR	33.70	33.70
Fair Value of the options (Weighted average) - INR	131.69	130.69

Variables - CIESOP				
Grant date	1st Jan 2007	20th Sept 2007	29th July 2008	10th Dec 2008
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00	166.95	228.55	150.10
Vesting date	1st Jan 2010	20th Sept 2010	29th July 2011	10th Dec 2011
Vesting %	100%	100%	100%	100%
Volatility	41.04%	40.24%	39.43%	38.19%
Risk free rate	7.50%	7.65%	9.20%	6.94%
Time to maturity (years)	6.50	6.50	6.50	6.50
Exercise price (INR)	160.00	166.95	227.00	143.00
Fair Value of the options (INR)	87.30	90.72	130.42	79.80

Variables - CIPOP			
Grant date	1st Jan 2007	20th Sept 2007	29th July 2008
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00	166.95	228.55
Vesting date	1st Jan 2010	20th Sept 2010	29th July 2011
Vesting %	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions
Volatility	41.61%	36.40%	37.49%
Risk free rate	7.33%	7.23%	9.37%
Time to maturity (years)	3.12	3.12	3.12
Exercise price (INR)	10.00	10.00	10.00
Fair Value of the options (INR)	152.05	158.97	221.09

(All amounts are in thousand Indian Rupees, unless otherwise stated)

Variables - CIPOP Phantom	
Grant date	29th July 2008
Stock Price of the equity shares on the reporting date (INR)	184.10
Vesting date	29th July 2011
Vesting %	Refer vesting conditions
Volatility	44.64%
Risk free rate	5.97%
Time to maturity (years)	2.33
Exercise price (INR)	10.00
Fair Value of the options (INR)	175.40

Variables - CIESOP Phantom		
Grant date	29th July 2008	10th Dec 2008
Stock Price of the equity shares on the reporting date (INR)	184.10	184.10
Vesting date	29th July 2011	10th Dec 2011
Vesting %	100%	100%
Volatility	44.64%	42.35%
Risk free rate	5.97%	6.18%
Time to maturity (years)	2.33	2.70
Exercise price (INR)	227.00	143.00
Fair Value of the options (INR)	44.41	79.91

Volatility is the measure of the amount by which the price has fluctuated or is expected to fluctuate during the period. The measure of volatility used in Black-Scholes option-pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time. Time to maturity /expected life of options is the period for which the Company expects the options to be live. The time to maturity has been calculated as an average of the minimum and maximum life of the options.

Impact of Fair Valuation Method on net profits and EPS

In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share would be as follows:

Particulars	Current Period
Profit as reported	8,034,506
Add: Employee stock compensation under intrinsic value method (including exceptional gain of INR 155,723 thousand-refer note no. 8 below)	134,493
Less: Employee stock compensation under fair value method	622,866
Proforma profit	**7,546,133**
Earnings Per Share	
Basic	
– As reported	4.31
– Proforma	4.04
Diluted	
– As reported	4.28
– Proforma	4.02

8. During the current period, Cairn India Group decided to retrospectively account for stock options using the Intrinsic Value Method as against the Fair Value Method (Black Scholes) followed till the financial year ended 31st December 2007. Accordingly, the excess stock option provision up to 31st December 2007 was reversed during the current period ended 31st March 2009, resulting in an exceptional gain of INR 155,723 thousand. Further, the stock option charge for the current period is lower and the profit after tax is higher by INR 488,373 thousand (including exceptional gain of INR 155,723 thousand) due to this change.

(All amounts are in thousand Indian Rupees, unless otherwise stated)

9. LEASE OBLIGATIONS DISCLOSURES

Finance Lease:

Fixed assets include office equipments and leasehold improvements obtained under finance lease. The lease is secured by way of hypothecation of the respective assets acquired under them. The lease term is for 3 to 6 years and renewable for further period/years at the option of the Cairn India Group. There is no escalation clause in the lease agreements. There are no restrictions imposed by lease arrangements and there are no subleases.

Current Period	Minimum lease payments	Principal amount due	Interest due
Within one year of the balance sheet date	97,740	80,366	17,374
Due in a period between one year and five years	160,059	142,037	18,022
Due after five years	Nil	Nil	Nil
Total	**257,799**	**222,403**	**35,396**

Previous Year	Minimum lease payments	Principal amount due	Interest due
Within one year of the balance sheet date	86,166	74,764	11,402
Due in a period between one year and five years	104,096	94,597	9,499
Due after five years	Nil	Nil	Nil
Total	**190,262**	**169,361**	**20,901**

Note: The interest rate on finance lease ranges from 3.77% to 14.64%

Operating Lease:

Cairn India Group has entered into operating leases for office premises and office equipments. The leases have a life of 3 to 6 years. There is an escalation clause in the lease agreement for the primary lease period. There are no restrictions imposed by lease arrangements and there are no subleases. There are no contingent rents.

Particulars	31st March 2009	31st December 2007
Lease payments made during the period	120,173	40,199
Minimum lease payments in case of non-cancellable operating leases		
Within one year of the balance sheet date	124,628	117,470
Due in a period between one year and five years	150,536	264,797
Due after five years	Nil	Nil

10. CONTINGENT LIABILITIES

Ravva Joint Venture Arbitration proceedings : ONGC Carry

Ravva is an unincorporated Joint Venture (JV) in which Cairn India Group has an interest. The calculation of the Government of India's (GoI) share of petroleum produced from the Ravva oil field has been a matter of disagreement for some years.

An arbitration panel opined in October 2004 and Cairn has been willing to be bound by the award, although it was not as favourable as had been hoped. The GoI, however, had lodged an appeal in the Malaysian courts in respect of one element of the award which was in Cairn's favour, namely the "ONGC Carry" issue. The "ONGC Carry" issue relates to whether Contractor Parties under Ravva PSC are entitled to include in their accounts for the purposes of calculating the PTRR certain costs paid by Contractor Parties in consideration for ONGC having paid 100% of costs prior to the signing of the Ravva PSC in 1994.

Cairn India Group challenged both the GoI's right to appeal and the grounds of that appeal.

A judgement was delivered by the Malaysian High Court on 12th January 2009, ruling in favour of the GoI and setting the arbitration award aside. This has the effect of negating the original award in favour of Cairn India Group. This judgement is subject to appeal to the Malaysian Court of Appeal and, potentially, the Malaysian Federal Court. Cairn has appealed to the Malaysian Court of Appeal.

Should Cairn finally lose the argument through the Malaysian courts, given the terms of the High Court's award itself, this will require the matter to be arbitrated afresh under the terms of the PSC for dispute resolution.

Cairn India Group has received advice from their Malaysian legal counsel to the effect that there are strong grounds for appeal through the Malaysian courts but, even if this proved unsuccessful, given there was one arbitration award in Cairn India Group's favour on this issue and a similar award was made in favour of one of Cairn India Group's joint venture partners on the same issue in a separate arbitration with GoI, Cairn India Group believes it has a good chance of any new arbitration panel coming to the same conclusion.

The GoI has challenged Cairn's understanding of the effect of a set-aside claiming that this would not entitle Cairn to a fresh arbitration should we ultimately lose in Malaysia. This dispute is currently before the courts in India although Cairn has received clear and consistent advice from Malaysian lawyers that a set-aside under Malaysian law does not constitute a judgement in favour of GoI.

In addition, consistent with GoI's view that the set-aside meant they now have a binding judgement in their favour, GoI has demanded and

(All amounts are in thousand Indian Rupees, unless otherwise stated)

commenced recovery from Cairn's buyers, of revenues from sale proceeds to set-off against the sums they claim are now due as a result of the Malaysian judgement being in their favour. This recovery action is currently being contested by Cairn in the Indian courts.

In the event that the GoI's appeal ultimately succeeded in a manner which resulted in a ruling which Cairn India Group accepted as binding, then Cairn India Group would be required to pay an additional USD 64 million (approximately INR 3,265,000 thousand). Cairn India Group would also be potentially liable for interest on this sum currently estimated at approximately USD 30 million (INR 1,536,000 thousand) though the calculation of interest would require further agreement.

Ravva Joint Venture Arbitration proceedings : Base Development Cost

In a separate and unrelated dispute related to the profit petroleum calculations under the Ravva PSC, the Ravva joint venture received a claim from the Director General of Hydrocarbons (DGH) for the period from 2000-2005 for USD 166.4 million for an alleged underpayment of profit petroleum to the Indian Government, out of which Cairn India Group's share will be USD 37.4 million (approximately INR 1,909,000 thousand) plus potential interest at applicable rate (LIBOR plus 2% as per PSC).

This claim relates to the Indian Government's allegation that the Ravva JV has recovered costs in excess of the Base Development Costs ("BDC") cap imposed in the PSC and that the Ravva JV has also allowed these excess costs in the calculation of the Post Tax Rate of Return (PTRR). Cairn believes that such a claim is unsustainable under the terms of the PSC because, amongst other reasons, the BDC cap only applies to the initial development of the Ravva field and not to subsequent development activities under the PSC. Additionally the Ravva JV has also contested the basis of the calculation in the above claim from the DGH. Even if upheld, Cairn believes that the DGH has miscalculated the sums that would be due to the Indian Government in such circumstances. Companies have initiated the arbitration proceedings with appointment of an arbitrator. Government of India has also appointed its arbitrator. Presiding arbitrator is yet to be appointed.

Service tax

One of the subsidiary companies of the Cairn India Group has received three show cause notices from the tax authorities in India for non payment of service tax as a recipient of services from foreign suppliers. These notices cover periods from 16th August 2002 to 31st March 2008. A writ petition(s) challenging the liability to pay service tax as recipient of services in respect of first show cause notice (16th August 2002 to 31st March 2006) and challenging the scope of some services in respect of second show cause notice (1st April 2006 to 31st March 2007), has been filed with the Chennai High Court. The reply for second and third show cause notice has also been filed before the authorities. Should the adjudication go against Cairn India Group, it will be liable to pay the service tax of approximately INR 978,000 thousand plus potential interest of approximately INR 395,000 thousand, although this could be recovered in part where it relates to services provided to Joint Venture of which Cairn India is operator.

Tax holiday on gas production

Section 80-IB(9) of the Income Tax Act, 1961 allows the deduction of 100% of profits from the commercial production or refining of mineral oil. The term 'mineral oil' is not defined but has always been understood to refer to both oil and gas, either separately and collectively.

The 2008 Finance Bill appeared to remove this deduction by stating [without amending section 80-IB(9)] that "for the purpose of section 80-IB(9), the term 'mineral oil' does not include petroleum and natural gas, unlike in other sections of the Act". Subsequent announcements by the Finance Minister and the Ministry of Petroleum and Natural Gas have confirmed that tax holiday would be available on production of crude oil but have continued to exclude gas.

Cairn India Group filed a writ petition to the Gujarat High Court in December 2008 challenging the restriction of section 80-IB to the production of oil. In the event this challenge is unsuccessful, the potential liability for tax and related interest on tax holiday claimed on gas production for all periods to 31st March 2009 is approximately INR 2,370,000 thousand.

Based on the legal opinions received, the management is of the view that the liability in these cases is not probable and accordingly no provision has been made in the financial statements.

11. CAPITAL COMMITMENTS (NET OF ADVANCES)

a. In respect of Cairn India Group's share of Joint Ventures' Exploration activities - INR 11,324,140 thousand (previous year - INR 23,442,498 thousand).
b. In respect of the Cairn India Group's share of Joint Ventures' Development activities - INR 34,536,062 thousand (previous year - INR 3,351,442 thousand).

12. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

Cairn India Group has taken USD put/INR call options to hedge the risk of foreign currency exposure. The aggregate amount of outstanding options as at 31st March 2009 aggregated to USD 214,000 thousand (previous year USD 210,000 thousand)

Particulars of Unhedged Foreign Currency Exposure at the Balance Sheet date

Particulars	31st March 2009	31st December 2007
Unsecured Loans	43,341,500	2,955,000
Sundry Debtors	1,516,418	1,335,754
Cash and Bank	31,366,364	11,304,311
Current Assets	2,266,955	4,843,437
Current Liabilities	5,623,077	4,168,594

(All amounts are in thousand Indian Rupees, unless otherwise stated)

13. Cairn India Group has a defined contribution gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the gratuity plans.

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

Particulars	31st March 2009	31st December 2007
Current service cost	23,529	10,846
Interest cost on benefit obligation	6,051	2,863
Expected return on plan assets	(3,666)	(1,798)
Net actuarial (gain) / loss recognised in the year	14,974	21,226
Past service cost	Nil	Nil
Net benefit expense	40,888	33,137
Actual return on plan assets	6,700	2,975

Balance sheet

Details of Provision for Gratuity

Particulars	31st March 2009	31st December 2007
Defined benefit obligation	108,425	66,142
Fair value of plan assets	68,854	29,163
Less: Unrecognized past service cost	Nil	Nil
Plan asset / (liability)	(39,571)	(36,979)

Changes in the present value of the defined benefit obligation are as follows:

Particulars	31st March 2009	31st December 2007
Opening defined benefit obligation	66,142	41,207
Current service cost	23,529	10,846
Interest cost	6,051	2,515
Benefits paid	(5,306)	(10,829)
Actuarial (gains) / losses on obligation	18,009	22,403
Closing defined benefit obligation	108,425	66,142

Changes in the fair value of plan assets are as follows:

Particulars	31st March 2009	31st December 2007
Opening fair value of plan assets	29,163	25,693
Expected return	3,666	1,798
Contributions by employer	38,296	11,324
Benefits paid	(5,306)	(10,829)
Actuarial gains / (losses)	3,035	1,177
Closing fair value of plan assets	68,854	29,163

Note: The Group's expected contribution to the fund in the next year is INR 34,725 thousand.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	31st March 2009	31st December 2007
Investments with insurer	100%	100%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

(All amounts are in thousand Indian Rupees, unless otherwise stated)

The principal assumptions used in determining gratuity liability for the Group's plans are shown below:

Particulars	31st March 2009	31st December 2007
Discount rate	7%	8%
Future salary increase	10%	10%
Expected rate of return on assets	9.35%	9.1%
Employee turnover	13.13%	13.13%
Mortality Rate	LIC (1994-96) Ultimate Table	LIC (1994-96) Ultimate Table

Note: The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Gratuity liabilities for the current and previous period are as follows:

Particulars	31st March 2009	31st December 2007
Defined benefit obligation	108,425	66,142
Plan assets	68,854	29,163
Surplus / (deficit)	(39,571)	(36,979)
Experience adjustments on plan assets (loss)/gain	3,132	2,970
Experience adjustments on plan liabilities (loss)/gain	(11,964)	(6,960)

Notes:

a) The Group has adopted AS 15 (Revised 2005) Employee Benefits for the first time during the previous year. Disclosures required by paragraph 120 (n) of AS-15 (Revised 2005) are required to be furnished prospectively from the date of transition and hence have been furnished for the current and the previous year only.

b) The Group is maintaining a fund with the Life Insurance Corporation of India (LIC) to meet its gratuity liability. The present value of the plan assets represents the balance available with the LIC as at the end of the period. The total value of plan assets amounts to INR 68,854 thousand as certified by the LIC.

14. DETAILS OF MOVEMENT IN SHARE CAPITAL IS AS UNDER

Date	Number of equity shares of INR 10 each	Description	Issue price in INR	Share capital	Securities premium
31st December 2006	**1,765,314,379**	Closing balance		**17,653,144**	**275,017,837**
8th February 2007	13,085,041	Issued under Green Shoe Option	160.00	130,850	1,962,756
		Less: Share issue expenses adjusted against premium			(896,478)
31st December 2007	**1,778,399,420**			**17,783,994**	**276,084,115**
7th March 2008	792,240	Exercise of stock options	33.70	7,922	18,776
22nd April 2008	113,000,000	Preferential allotment of shares to non promoter investors	224.30	1,130,000	24,215,900
7th May 2008	525,000	Exercise of share options	33.70	5,250	12,443
27th May 2008	1,713,078	Exercise of share options	33.70	17,131	40,600
8th December 2008	1,600,000	Exercise of share options	33.70	16,000	37,920
19th December 2008	638,078	Exercise of share options	33.70	6,381	15,122
		Add : Share options liability transferred to securities premium upon exercise of the options			665,398
31st March 2009	**1,896,667,816**			**18,966,678**	**301,090,274**

15. The share issue expenses of INR 208,410 thousand incurred on the preferential allotment of 113,000,000 equity shares have been charged to the profit and loss account and not adjusted from the securities premium account on conservative basis.

16. Cairn India Group supplies gas from its Ravva and Cambay blocks to various customers. The price contracts with two customers are due for revision with effect from December 2008 and currently the same are under negotiation. Pending finalization of the price contracts, revenue has been recognised based on the last agreed prices on a conservative basis, as the management is expecting an upward price revision.

(All amounts are in thousand Indian Rupees, unless otherwise stated)

17. The goodwill of Cairn India Group amounting to INR 253,192,675 thousand has arisen on consolidation of financial statements of the Company with its subsidiaries and represents the difference between the cost to the Company of its investment in Cairn India Holdings Limited (which largely represent Cairn India Group's operations in India through its subsidiaries) and its proportionate share in the net book value of Cairn India Holdings Limited on consolidated basis at the time of acquisition of shares in Cairn India Holdings Limited. The management has carried out the tests for impairment of goodwill at the year-end as per requirements of AS 28 (Impairment of Assets) by computing the value in use of the assets and comparing the same with the carrying amount of the net assets. Value in use is based on the discounted future net cash flows of the oil and gas assets held by the Cairn India Group. For all blocks in the exploration stage, valuation has been carried out using risked NPV / boe. The result of the impairment tests indicate that the value in use is higher than the carrying amounts and no impairment provision is required to be created at the reporting date.

18. The management committee for the Rajasthan block has recently approved the declaration of commerciality and has granted an area of 822 square kilometers for future development. This includes an additional area of 238 square kilometers where the approval of the Ministry of Petroleum and Natural Gas is awaited.

19. Long term investment represents shares of Videocon Industries Limited held by Cairn Energy India Pty Limited (CEIPL) by virtue of its holdings in erstwhile Videocon Petroleum Limited, which subsequently merged with Videocon Industries Limited. CEIPL is yet to receive the share certificates of the merged entity and the matter is being pursued with the company.

20. The current tax and deferred tax provisions have been computed on the basis of the standalone financial statements of the Company's subsidiaries, i.e. not based on the consolidated financial statements of Cairn India Limited and its subsidiaries. There was a reversal of deferred tax liability amounting to INR 237,884 thousand during the current period due to changes in assumptions for computing the timing differences in relation to certain assets of Rajasthan project during the tax holiday period.

21. Cairn India Holdings Limited (CIHL), a wholly owned subsidiary of the Company along with some of its subsidiaries has entered into a loan facility agreement for USD 850 million with a consortium of banks. For the purposes of securing this facility, CIHL along with some of its subsidiaries has created a negative pledge on its assets and those of its subsidiaries, whereby it has undertaken not to dispose any of the said assets or create any charge on the same without the prior consent of the lenders. Further, the entire shares of Cairn Energy Hydrocarbons Limited a wholly owned subsidiary of CIHL, has been pledged with the lenders.

22. Cairn India Group's estimate of hydrocarbon reserves and resources at the period/year end is as follows-

Particulars	Gross proved and probable hydrocarbons initially in place (mmboe)		Gross proved and probable reserves and resources (mmboe)		Net proved and probable reserves and resources (mmboe)	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Rajasthan MBA Fields	2,054	2,054	685	685	479	479
Rajasthan MBA EOR	–	–	308	308	216	216
Rajasthan Block Other Fields	1,708	1,697	86	84	61	60
Ravva Fields	625	584	72	82	16	18
CBOS/2 Fields	156	116	20	25	8	10
KG-DWN-98/2	650	650	353	353	35	35
Total	**5,193**	**5,101**	**1,524**	**1,537**	**815**	**818**

Cairn India Group's net working interest in proved and probable reserves is as follows-

Particulars	Proved and probable Reserves		Proved and probable reserves (developed)	
	Oil (mmstb)	Gas (bscf)	Oil (mmstb)	Gas (bscf)
Reserves as at 1st January 2007*	**207.15**	**53.19**	**18.10**	**53.19**
Additions / revision during the year	44.47	4.21	3.63	4.21
Production during the year	4.59	13.40	4.59	13.40
Reserves as at 31st December 2007**	**247.03**	**44.00**	**17.14**	**44.00**
Additions / revision during the fifteen months period	98.35	(1.66)	2.64	(1.66)
Production during the fifteen months period	5.58	13.74	5.58	13.74
Reserves as at 31st March 2009***	**339.80**	**28.60**	**14.20**	**28.60**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

* Includes probable oil reserves of 35.81 mmstb (of which 3.24 mmstb is developed) and probable gas reserves of 16.73 bscf (of which 16.73 bscf is developed)

** Includes probable oil reserves of 41.78 mmstb (of which 4.17 mmstb is developed) and probable gas reserves of 16.57 bscf (of which 16.57 bscf is developed)

*** Includes probable oil reserves of 57.70 mmstb (of which 5.7 mmstb is developed) and probable gas reserves of 12.80 bscf (of which 12.80 bscf is developed)

mmboe = million barrels of oil equivalent
mmstb = million stock tank barrels
bscf = billion standard cubic feet
1 million metric tonnes = 7.4 mmstb
1 standard cubic meter = 35.315 standard cubic feet
MBA = Mangala, Bhagyam & Aishwarya
EOR = Enhanced Oil Recovery

23. CHANGE IN FINANCIAL YEAR AND PRIOR YEAR COMPARATIVES

Shareholders of the Company have approved the change of financial year end from 31st December to 31st March. Therefore, the current financial year consists of fifteen month period from 1st January 2008 to 31st March 2009. Subsequent financial years would be for twelve months period ending 31st March every year. Accordingly, previous year figures in the profit and loss account and cash flow statement are not comparable with current extended financial year.

Previous year's figures have been regrouped where necessary to confirm to current period's classification.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Raj Agrawal
Partner
Membership No.: 82028

For and on behalf of the Board of Directors
Rahul Dhir Managing Director and Chief Executive Officer
Aman Mehta Director
Indrajit Banerjee Executive Director and Chief Financial Officer
Neerja Sharma Company Secretary

Place : Gurgaon
Date : 27th May, 2009

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Auditor's Report on Consolidated Financial Statements

To
The Board of Directors of Cairn India Limited

1. We have audited the attached Consolidated Balance Sheet of Cairn India Group, as at 31 March, 2010, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Cairn India Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The attached financial statements include Cairn India Group's share of net assets, expenses and cash flows aggregating to Rs. 799,846 thousand, Rs. 692,124 thousand and Rs. 9 thousand respectively in the unincorporated joint ventures not operated by the Company or its subsidiaries, the accounts of which have been audited by the auditors of the respective unincorporated joint ventures and relied upon by us.

4. We report that the consolidated financial statements have been prepared by the Cairn India Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).

5. In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of the Cairn India Group as at 31 March, 2010;
   (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
   (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants
per Sanjay Vij
Partner
Membership No.:95169

Place Gurgaon Date 27 May, 2010

Consolidated Balance Sheet

AS AT MARCH 31, 2010

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Schedules		As at March 31, 2010		As at March 31, 2009
Sources of Funds					
Shareholders' Funds					
Share capital	1		18,969,741		18,966,678
Stock options outstanding	2		463,978		388,978
Reserves and surplus	3		319,249,603		308,667,596
			338,683,322		**328,023,252**
Loan funds					
Secured loans	4		34,007,131		222,402
Unsecured loans	5		-		43,341,500
			34,007,131		**43,563,902**
Deferred tax liabilities (net)	6		4,619,418		5,623,782
			377,309,871		**377,210,936**
Application of Funds					
Fixed assets	7				
Gross cost		2,227,578		1,434,686	
Less: Accumulated depreciation / amortisation		958,067		801,843	
Net book value			**1,269,511**		**632,843**
Exploration, Development and Site-restoration costs	8				
Cost of producing facilities (net)		4,994,770		3,013,742	
Exploratory & development work in progress		91,634,579		62,027,323	
Net book value			**96,629,349**		**65,041,065**
Goodwill			253,192,675		253,192,675
Investments	9		17,124,133		1,712,806
Deferred tax assets (net)	6		166,215		83,935
Current assets, loans and advances					
Inventories	10	2,909,438		1,682,808	
Sundry debtors	11	3,067,474		1,516,418	
Cash and bank balances	12	9,294,240		65,270,674	
Other current assets	13	144,586		704,244	
Loans and advances	14	8,317,866		3,505,102	
		23,733,604		**72,679,246**	
Less: Current liabilities and provisions					
Current liabilities	15	9,868,645		11,794,353	
Provisions	16	4,936,971		4,337,281	
		14,805,616		**16,131,634**	
Net Current assets			8,927,988		56,547,612
			377,309,871		**377,210,936**
Notes to accounts	25				

The schedules referred to above are an integral part of the consolidated balance sheet.

As per our report of even date

For S. R. Batliboi & Associates
Firm Registration No.:101049W
Chartered Accountants
per Sanjay Vij
Partner
Membership No. 95169

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer
Indrajit Banerjee Executive Director and Chief Financial Officer
Omkar Goswami Director
Neerja Sharma Company Secretary

Place Gurgaon Date 27 May, 2010

Consolidated Profit and Loss Account

FOR THE YEAR ENDED MARCH 31, 2010

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Schedules	Year ended March 31, 2010	Fifteen months ended March 31, 2009
Income			
Income from operations	17	16,230,261	14,326,716
Other income	18	4,076,616	5,510,324
		20,306,877	**19,837,040**
Expenditure			
Operating expenses	19	4,248,252	2,129,743
Depletion	8	1,376,477	2,635,431
Unsuccessful exploration costs	8	2,085,346	1,683,851
Staff Costs	20	1,101,635	1,150,010
Administrative expenses	21	1,372,497	1,727,069
(Increase) / decrease in inventories	22	(366,021)	222,342
Prior period items (Refer note no. 22 in schedule 25)		68,716	283,045
Depreciation and amortisation	7	108,588	62,593
Finance costs	23	148,031	64,090
		10,143,521	**9,958,174**
Profit before taxation		**10,163,356**	**9,878,866**
Current tax		2,216,325	1,336,282
MAT credit entitlement		(1,372,228)	(225,490)
Deferred tax (credit)/ charge		(1,086,649)	623,354
Fringe Benefit Tax (refer note no. 23 in schedule 25)		(105,218)	110,214
Wealth tax		67	-
		(347,703)	**1,844,360**
Profit for the year / period		**10,511,059**	**8,034,506**
Surplus / (Deficit) brought forward from the previous period		7,577,322	(457,184)
Surplus carried to Balance sheet		**18,088,381**	**7,577,322**
Earnings per share in INR	24		
Basic		5.54	4.31
Diluted		5.52	4.28
(Nominal value of shares INR 10)			
Notes to accounts	25		

The schedules referred to above are an integral part of the consolidated profit and loss account.

As per our report of even date

For S. R. Batliboi & Associates
Firm Registration No.:101049W
Chartered Accountants
per Sanjay Vij
Partner
Membership No. 95169

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer
Indrajit Banerjee Executive Director and Chief Financial Officer
Omkar Goswami Director
Neerja Sharma Company Secretary

Place Gurgaon Date 27 May, 2010

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2010

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Year ended March 31, 2010	Fifteen months ended March 31, 2009
Cash flow from operating activities		
Profit before taxation for the year / period	10,163,356	9,878,866
Adjustments for		
- Employee compensation expense (equity settled stock options) - net of exceptional gains	89,175	107,292
- Depreciation and depletion	1,780,276	2,949,665
- Loss / (Profit) on sale / discard of fixed assets (net)	(313)	1,835
- Unsuccessful exploration costs	2,085,346	1,683,851
- Share issue expenses	-	208,410
- Unrealised exchange loss / (gain) on restatement of assets and liabilities (net)	(2,604,018)	(1,710,402)
- Interest expense	59,518	79,436
- Profit on sale of non trade current investments (net)	(2,385)	(1,245,686)
- Interest income	(1,375,578)	(1,858,924)
- Dividend from investments	(224,461)	(221,876)
- Loan facility and management fees	103,834	-
- Unrealised loss on option contracts	-	112,973
- Balances written back (net)	(143,360)	(143,285)
Operating profit before working capital changes	9,931,390	9,842,155
Movements in working capital:		
(Increase)/decrease in inventories	(1,226,630)	(466,761)
(Increase)/decrease in debtors	(1,598,096)	(108,344)
(Increase)/decrease in loans and advances and other current assets	(3,050,580)	186,699
Increase/(decrease) in current liabilities and provisions	(1,206,652)	1,684,424
Cash generated from operations	**2,849,432**	**11,138,173**
Current tax/FBT paid (net of refunds)	(1,752,558)	(1,457,679)
Net cash from operating activities (A)	**1,096,874**	**9,680,494**
Cash flow from investing activities		
Payments made for exploration, development activities and purchase of fixed assets	(33,662,150)	(30,133,147)
Short term investments in mutual funds (net)	(15,416,641)	6,661,791
Fixed deposits made	(16,716,524)	(43,410,755)
Proceeds from matured fixed deposits	57,327,022	11,686,817
Proceeds from sale of fixed assets	313	202
Interest received	2,138,135	1,240,524
Dividend from short term investments received	222,195	-
Dividend from long term investments received	-	216,589
Net cash used in investing activities (B)	**(6,107,650)**	**(53,737,979)**
Cash flow from financing activities		
Proceeds from issue of equity shares (including securities premium)	20,363	25,523,445
Payments made for share issue expenses	-	(208,410)
Finance lease taken	9,406	175,645
Repayment of finance lease	(91,483)	(124,838)
Proceeds from long term borrowings	34,604,616	37,620,170
Repayment of long term borrowings	(41,409,564)	-
Loan facility and management fees paid	(1,908,255)	-

Consolidated Statement of Cash Flows Continued

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Year ended March 31, 2010	Fifteen months ended March 31, 2009
Interest paid	(1,678,228)	(1,464,603)
Net cash from/(used in) financing activities (C)	**(10,453,145)**	**61,521,409**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(15,463,921)**	**17,463,924**
Cash and cash equivalents at the beginning of the year/ period	21,732,635	1,503,807
Cash and cash equivalents at the end of the year/ period	6,268,714	18,967,731
Unrealised exchange differences on closing cash and cash equivalents	97,984	2,764,904
Cash and cash equivalents as per cash flow statement	**6,366,698**	**21,732,635**
Components of cash and cash equivalents as at	**March 31, 2010**	**March 31, 2009**
Cash in hand	452	626
Balances with banks		
on current accounts	390,057	228,024
on site restoration fund	143,703	-
on deposit accounts	8,760,028	65,042,024
Less: Deposits having maturity of over 90 days	(2,927,542)	(43,538,039)
	6,366,698	**21,732,635**

Notes

i) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements".

ii) Amounts in bracket indicate a cash outflow or reduction.

iii) Bank balance in deposit accounts includes INR 1,955,866 thousand, previous period INR 3,312,342 thousand, pledged with the banks.

As per our report of even date

For S. R. Batliboi & Associates
Firm Registration No.:101049W
Chartered Accountants
per Sanjay Vij
Partner
Membership No. 95169

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer
Indrajit Banerjee Executive Director and Chief Financial Officer
Omkar Goswami Director
Neerja Sharma Company Secretary

Place Gurgaon Date 27 May, 2010

Schedules to the Consolidated Financial Statements

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2010	As at March 31, 2009
Schedule 1		
Share capital		
Authorised:		
2,250,000,000 (previous period 2,250,000,000) equity shares of INR 10 each	22,500,000	22,500,000
Issued, Subscribed and Paid up:		
1,896,974,132 (previous period 1,896,667,816) equity shares of INR 10 each	18,969,741	18,966,678
	18,969,741	**18,966,678**

Notes

i) Issued, subscribed and fully paid up share capital includes 1,183,243,791 equity shares (previous period - 1,226,843,791 equity shares) of INR 10 each held by Cairn UK Holdings Limited, the holding company, together with its nominees.

ii) Shares held by the holding company include 861,764,893 equity shares (previous period - 861,764,893 equity shares) of INR 10 each, allotted as fully paid up pursuant to contracts for consideration other than cash.

iii) For stock options outstanding, refer note no. 7 in schedule 25.

	As at March 31, 2010	As at March 31, 2009
Schedule 2		
Stock options outstanding		
Employee stock options outstanding	768,120	782,548
Less: Deferred employee compensation outstanding	(304,142)	(393,570)
Closing Balance	**463,978**	**388,978**
Schedule 3		
Reserves and surplus		
Securities premium account		
Opening Balance	301,090,274	276,084,115
Add: Additions during the year/ period (refer note no. 14 in schedule 25)	70,948	25,006,159
Closing Balance	301,161,222	301,090,274
Profit and Loss Account	18,088,381	7,577,322
	319,249,603	**308,667,596**
Schedule 4		
Secured loans		
Finance lease liabilities (refer note no. 8 in schedule 25)	140,325	222,402
Long term loans (refer note no. 18 in schedule 25)		
- from financial institutions	5,092,111	-
- from banks	28,774,695	-
	34,007,131	**222,402**
Schedule 5		
Unsecured loans		
Long term loans		
- from financial institutions	-	7,648,500
- from banks	-	35,693,000
	-	**43,341,500**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2010	As at March 31, 2009
Schedule 6		
Deferred tax asset / liabilities (net)		
Effect of differences in block of fixed assets/exploration and development assets as per tax books and financial books	5,005,074	6,178,716
Gross deferred tax liabilities	**5,005,074**	**6,178,716**
Effect of lease accounting	7,877	8,972
Expenditure debited to profit and loss account but allowed for tax purposes in following years	543,994	629,897
Gross deferred tax assets	**551,871**	**638,869**
Net deferred tax liabilities *	**4,453,203**	**5,539,847**

* After setting off net deferred tax assets aggregating to INR 166,215 thousand, previous period INR 83,935 thousand in respect of certain group companies

Schedule 7

Fixed Assets

Description	Gross Block				Accumulated Depreciation / Amortisation				Net Block	
	As on 01.04.2009	Additions	Deletions	As on 31.03.2010	As on 01.04.2009	For the year/period	Deletions	As on 31.03.2010	As on 31.03.2010	As on 31.03.2009
A) Tangible Assets										
Freehold land	43,583	-	-	43,583	-	-	-	-	43,583	43,583
Buildings	5,247	5,042	-	10,289	2,333	782	-	3,115	7,174	2,914
Plant and machinery	-	777,549	-	777,549	-	21,845	-	21,845	755,704	-
Office equipments	512,022	122,898	(165,296)	469,624	344,439	112,124	(165,165)	291,398	178,226	167,583
Furniture and fittings	299,870	13,080	(1,454)	311,496	126,760	61,319	(1,454)	186,625	124,871	173,110
Vehicles	10,983	582	-	11,565	2,660	2,608	-	5,268	6,297	8,323
B) Intangible Assets										
Computer software	562,981	121,447	(80,956)	603,472	325,651	205,121	(80,956)	449,816	153,656	237,330
Grand Total	**1,434,686**	**1,040,598**	**(247,706)**	**2,227,578**	**801,843**	**403,799**	**(247,575)**	**958,067**	**1,269,511**	**632,843**
Previous period	**1,092,632**	**462,608**	**(120,554)**	**1,434,686**	**606,126**	**314,233**	**(118,516)**	**801,843**	**632,843**	**486,506**

Notes

i) Furniture and fittings includes Leasehold improvements of INR 282,259 thousand (previous period INR 278,895 thousand), accumulated depreciation thereon INR 168,063 thousand (previous period INR 110,482 thousand).

ii) Furniture and fittings and Office equipments of INR 281,634 thousand (previous period INR 278,271 thousand) and INR 100,733 thousand (previous period INR 210,192 thousand) respectively have been acquired under finance lease. The depreciation charge for the year/ period on these assets is INR 57,556 thousand (previous period INR 60,569 thousand) and INR 27,197 thousand (previous period INR 61,040 thousand) respectively and the accumulated depreciation thereon is INR 167,910 thousand (previous period INR 110,355 thousand) and INR 43,514 thousand (previous period INR 139,781 thousand) respectively.

iii) Depreciation charge for the year/period includes INR 295,211 thousand (previous period INR 251,640 thousand) allocated to joint ventures.

iv) Fixed assets include INR 996,883 thousand (previous period INR 169,471 thousand) jointly owned with the joint venture partners. Accumulated depreciation on these assets is INR 131,109 thousand (previous period INR 78,560 thousand) and net book value is INR 865,773 thousand (previous period INR 90,911 thousand).

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2010	As at March 31, 2009
Schedule 8		
Exploration, Development and Site restoration costs		
Opening balance of producing properties	3,013,742	4,389,517
Additions / deletions / transfer for the year / period	3,357,505	1,259,656
	6,371,247	5,649,173
Less: Depletion	1,376,477	2,635,431
Net producing properties	4,994,770	3,013,742
Opening balance of exploratory & development work in progress	62,027,323	24,670,264
Additions / deletions / transfer for the year / period	31,692,602	39,040,910
Less: Unsuccessful exploration costs for the year/ period	2,085,346	1,683,851
Exploration and Development work in progress	91,634,579	62,027,323
Net book value	**96,629,349**	**65,041,065**

Note Additions for the year includes borrowing costs (net of income on temporary investments INR 125,203 thousand, previous period INR 241,350 thousand) aggregating to INR 2,442,547 thousand (previous period INR 1,620,043 thousand).

Schedule 9		
Investments		
Long term investments (at cost)		
Quoted and non-trade		
Nil (previous period 755,275) equity shares of INR 10/- each fully paid up in Videocon Industries Limited	-	105,334
Current Investments (at lower of cost and market value)		
Quoted and non-trade		
755,275 (previous period Nil) equity shares of INR 10/- each fully paid up in Videocon Industries Limited	105,334	-
Unquoted and non trade		
Mutual Funds	17,018,799	1,607,472
	17,124,133	**1,712,806**

Schedule 10		
Inventories		
Stores and spares	2,456,383	1,595,774
Finished goods	453,055	87,034
	2,909,438	**1,682,808**

Schedule 11		
Sundry Debtors		
Debts - Unsecured and outstanding for a period exceeding six months :		
- Considered good	78,687	94,261
Other unsecured debts :		
- Considered good	2,988,787	1,422,157
	3,067,474	**1,516,418**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2010	As at March 31, 2009
Schedule 12		
Cash and bank balances		
Cash in hand	452	626
Balances with banks:		
- on current accounts	390,057	228,024
- on deposit accounts (including deposits with maturity of more than 3 months)*	8,760,028	65,042,024
- on site restoration fund	143,703	-
	9,294,240	**65,270,674**

* includes INR 1,955,866 thousand, previous period INR 3,312,342 thousand, pledged with the banks

	As at March 31, 2010	As at March 31, 2009
Schedule 13		
Other Current Assets		
Interest accrued on bank deposits	23,285	660,639
Dividend receivable	7,553	-
Outstanding option contracts	113,748	43,605
	144,586	**704,244**

	As at March 31, 2010	As at March 31, 2009
Schedule 14		
Loans and advances		
Unsecured and considered good, unless otherwise stated:		
Advances recoverable in cash or in kind or for value to be received*	10,463,960	5,789,515
Deposits	197,740	169,469
Advance tax and tax deducted at source, net of tax provisions INR 3,697,411 thousand (previous period INR 1,921,505 thousand)	365,392	599,367
MAT credit entitlement	950,733	-
Fringe benefit tax paid (net of provisions INR 394,040 thousand, previous period INR 266,883 thousand)	4,329	13,290
	11,982,154	**6,571,641**
Less: Provision for doubtful advances	(3,664,288)	(3,066,539)
	8,317,866	**3,505,102**

*includes doubtful balances INR 3,664,288 thousand (previous period INR 3,066,539 thousand) and also capital advances INR 549,799 thousand (previous period INR 835,486 thousand)

	As at March 31, 2010	As at March 31, 2009
Schedule 15		
Current liabilities		
Amount payable to Cairn Energy Plc., the ultimate holding company	1,773	1,296,164
Sundry creditors	8,652,475	8,647,926
Lease equalisation liability	12,250	9,279
Interest accrued but not due	7,838	94,471
Other liabilities	1,194,309	1,746,513
	9,868,645	**11,794,353**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2010	As at March 31, 2009
Schedule 16		
Provisions		
Provision for taxation (net of advance tax - INR 576,716 thousand, previous period INR 356,794 thousand)	52,031	250,643
Provision for fringe benefit tax (net of advance tax payments INR Nil, previous period - INR 127,956 thousand)	-	105,235
Site restoration provision *	4,466,429	3,886,882
Provision for Government share of profit petroleum **	-	11,444
Provision for leave encashment	22,840	16,305
Provision for gratuity	64,879	39,571
Provision for employee stock options (cash settled) ***	330,792	27,201
	4,936,971	**4,337,281**
*** Site restoration provision**		
Opening balance	3,886,882	2,714,913
Additions for the year /period	579,547	1,388,000
Reversed during the year /period	-	(216,031)
Closing balance	**4,466,429**	**3,886,882**
**** Provision for Government share of profit petroleum**		
Opening Balance	11,444	362,382
Additions for the year /period	-	26,453
Written back during the year /period	(11,444)	-
Payments during the year /period	-	(377,391)
Closing Balance	**-**	**11,444**
***** Provision for employee stock options (cash settled)**		
Opening Balance	27,201	-
Additions for the year /period	451,596	27,201
Payments during the year /period	(144,762)	-
Reversed during the year /period	(3,243)	-
Closing Balance	**330,792**	**27,201**

Schedule 17	Year Ended March 31, 2010	Fifteen Months ended March 31, 2009
Income from operations		
Revenue from sale of oil, gas and condensate	22,018,998	24,476,702
Less: Government share of Profit Petroleum	(6,396,752)	(10,829,219)
	15,622,246	13,647,483
Tolling income	41,406	50,391
Income received as operator from joint venture	566,609	628,842
	16,230,261	**14,326,716**

Schedule 18		
Other income		
Interest on bank deposits	1,375,578	1,858,924
Profit on sale of non trade current investments (net)	2,385	1,245,686
Dividend income from non trade current investments	222,195	216,589

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Year Ended March 31, 2010	Fifteen Months ended March 31, 2009
Dividend income from non trade long term investments	2,266	5,287
Exchange fluctuation (net)*	2,325,709	1,884,830
Miscellaneous income	4,810	-
Profit on sale of fixed assets (net)	313	-
Balances written back (net)	143,360	143,285
Exceptional gain (refer note no. 24 in schedule 25)	-	155,723
	4,076,616	**5,510,324**

* Includes net gain on derivative contracts INR 450,547 thousand (previous period after setting off loss of INR 434,328 thousand).

Schedule 19

Operating expenses		
Production expenses	1,130,815	821,016
Arbitration costs	71,431	7,582
Transportation expenses	1,198,660	123,912
Data acquisition and analysis	328,887	66,266
Insurance	52,164	56,677
Royalty	241,351	393,787
Cess	1,148,496	546,365
Production bonus	76,448	114,138
	4,248,252	**2,129,743**

Schedule 20

Staff costs		
Salaries, wages and bonus	3,763,973	3,359,347
Employee compensation expense (stock options)	537,529	454,546
Contribution to provident fund	177,970	97,356
Contribution to superannuation fund	68,753	53,226
Compensated absences	7,895	29,916
Gratuity expenses	53,570	40,888
Staff welfare expenses	325,567	329,288
	4,935,257	**4,364,567**
Less: Cost allocated to joint ventures	(3,833,622)	(3,214,557)
	1,101,635	**1,150,010**

Schedule 21

Administrative expenses		
Contract employee charges	439,319	1,295,828
Legal and professional expenses	1,345,401	1,489,900
Share issue expenses	-	208,410
Repairs and maintenance	275,984	260,933
Rent	305,214	455,648
Travelling and conveyance expenses	357,480	511,320
Communication expenses	158,900	150,906
Insurance	860	3,127
Inauguration expenses	93,149	-
Loss on sale / discard of fixed assets (net)	-	1,835
Miscellaneous expenses	334,943	357,706
	3,311,250	**4,735,613**
Less: Cost allocated to joint ventures	(1,938,753)	(3,008,544)
	1,372,497	**1,727,069**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Year Ended March 31, 2010	Fifteen Months ended March 31, 2009
Schedule 22		
(Increase) / Decrease in inventories		
Inventories at the beginning of the year/ period		
Finished goods	87,034	309,376
Inventories at the end of the year/period		
Finished goods	453,055	87,034
	(366,021)	**222,342**
Schedule 23		
Finance costs		
Interest		
-on term loan	17,807	-
-others	11,681	38,581
-finance lease charges	30,030	40,855
Loan facility and management fees	103,834	-
Bank charges	12,153	20,734
	175,505	**100,170**
Less: Cost allocated to joint ventures	(27,474)	(36,080)
	148,031	**64,090**
Schedule 24		
Earnings Per Share		
Profit for the year/period as per profit and loss account	10,511,059	8,034,506
Weighted average number of equity shares in calculating basic earnings per share	1,896,696,475	1,866,146,993
Add: Number of equity shares arising on grant of stock options	8,321,392	10,052,076
Weighted average number of equity shares in calculating diluted earnings per share	1,905,017,867	1,876,199,069
Earnings per share in INR		
Basic	5.54	4.31
Diluted	5.52	4.28

(All amounts are in INR thousand unless, otherwise stated)

1. NATURE OF OPERATIONS

Cairn India Limited ('the Company') was incorporated in India on August 21, 2006 and is a subsidiary of Cairn UK Holdings Limited, which in turn is a wholly owned subsidiary of Cairn Energy Plc., UK which is listed on London Stock Exchange.

The Company is primarily engaged in the business of surveying, prospecting, drilling, exploring, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals, oils, petroleum, gas and related by-products and other activities incidental to the above. As part of its business activities, the Company also holds interests in its subsidiary companies which have been granted rights to explore and develop oil exploration blocks in the Indian sub-continent.

The Company along with its subsidiaries is hereinafter collectively referred to as 'Cairn India Group'. The entities under the Cairn India Group are participants in various Oil and Gas blocks/fields (which are in the nature of jointly controlled assets), granted by the Government of India/Sri Lanka through Production Sharing Contract ('PSC')/Production Resources Agreement ('PRA') entered into between these entities and Government of India/Sri Lanka and other venture partners.

2. COMPONENTS OF THE CAIRN INDIA GROUP

The Consolidated Financial Statements represent consolidation of accounts of the Company and its subsidiaries as detailed below:

S. No.	Name of the Subsidiaries	Country of Incorporation
1	Cairn Energy Australia Pty Limited	Australia
2	Cairn Energy India Pty Limited	Australia
3	CEH Australia Pty Limited	Australia
4	Cairn Energy Asia Pty Limited	Australia
5	Sydney Oil Company Pty Limited	Australia
6	Cairn Energy Investments Australia Pty Limited	Australia
7	Wessington Investments Pty Limited	Australia
8	CEH Australia Limited	British Virgin Islands
9	Cairn India Holdings Limited ('CIHL')	Jersey
10	CIG Mauritius Holding Private Limited ('CMHPL')	Mauritius
11	CIG Mauritius Private Limited	Mauritius
12	Cairn Energy Holdings Limited	United Kingdom
13	Cairn Energy Discovery Limited	United Kingdom
14	Cairn Exploration (No. 2) Limited	United Kingdom
15	Cairn Exploration (No. 6) Limited	United Kingdom
16	Cairn Energy Hydrocarbons Limited	United Kingdom
17	Cairn Petroleum India Limited	United Kingdom
18	Cairn Energy Gujarat Block 1 Limited	United Kingdom
19	Cairn Exploration (No. 4) Limited	United Kingdom
20	Cairn Exploration (No. 7) Limited	United Kingdom
21	Cairn Energy Development Pte Limited	Singapore
22	Cairn Lanka (Pvt) Limited	Sri Lanka
23	Cairn Energy Group Holdings BV	Netherlands
24	Cairn Energy India West BV	Netherlands
25	Cairn Energy India West Holding BV	Netherlands
26	Cairn Energy Gujarat Holding BV	Netherlands
27	Cairn Energy India Holdings BV	Netherlands
28	Cairn Energy Netherlands Holdings BV	Netherlands
29	Cairn Energy Gujarat BV	Netherlands
30	Cairn Energy Cambay BV	Netherlands
31	Cairn Energy Cambay Holding BV	Netherlands

(All amounts are in INR thousand unless, otherwise stated)

CIHL and CMHPL are wholly owned subsidiaries of the Company. All other abovementioned companies are direct or indirect wholly owned subsidiaries of either CIHL or CMHPL.

Cairn India Group has interest in the following Oil & Gas blocks/fields:

Oil & Gas blocks/fields	Area	Participating Interest
Operated block		
Ravva block	Krishna Godavari	22.50%
CB-OS/2 – Exploration	Cambay Offshore	60%
CB-OS/2 - Development & production	Cambay Offshore	40%
RJ-ON-90/1 – Exploration	Rajasthan Onshore	100%
RJ-ON-90/1 – Development & production	Rajasthan Onshore	70%
PR-OSN-2004	Palar Basin offshore	35%
SL 2007-01-001	North West Sri Lanka offshore	100%
KG-ONN-2003/1	Krishna Godavari Onshore	49%
Following blocks have been relinquished		
GV-ONN-2002/1 in July 2009	Ganga Valley Onshore	50%
VN-ONN-2003/1 in Aug 2009	Vindhyan Onshore	49%
GV-ONN-2003/1 in Feb 2010	Ganga Valley Onshore	24%
Non – operated block		
KG-DWN-98/2	Krishna Godavari Deep water	10%
GS-OSN-2003/1	Gujarat Saurashtra Onshore	49%
KK-DWN-2004	Kerala Konkan Basin offshore	40%
Following blocks have been relinquished		
GV-ONN-97/1 in 2008	Ganga Valley Onshore	15%
CB-ONN-2002/1 in Jan 2009	Cambay Onshore	30%
RJ-ONN-2003/1 in Jan 2010	Rajasthan Onshore	30%

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by Cairn India Group and are consistent with those used in the previous period.

Principles of consolidation:

The consolidated financial statements relate to the Cairn India Group. In the preparation of these consolidated financial statements, investments in subsidiaries have been accounted for in accordance with the provisions of Accounting Standard-21 (Consolidated Financial Statements). The financial statements of the subsidiaries have been drawn up to the same reporting date as of Cairn India Limited. The Consolidated Financial Statements are prepared on the following basis:

1 The financial statements of the Company and its subsidiary companies are consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances and intra-group transactions and also unrealised profits or losses in accordance with Accounting Standard-21 (Consolidated Financial Statements).

2 The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements. The financial statements of the subsidiaries are adjusted for the accounting principles and policies followed by the Company.

3 The difference between the cost to the Company of its investment in subsidiaries and its proportionate share in the equity of the investee company at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be. Goodwill is tested for impairment by the management on each reporting date.

(B) Oil and gas assets

Cairn India Group follows the successful efforts method of accounting for oil and gas assets as set out by the Guidance Note issued by the Institute of Chartered Accountants of India (ICAI) on "Accounting for Oil and Gas Producing Activities".

Expenditure incurred on the acquisition of a license interest is initially capitalised on a license by license basis. Costs are held, undepleted, within exploratory & development work in progress until the exploration phase relating to the license area is complete or commercial oil and gas reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets which cannot be directly related to individual exploration wells is expensed in the period in which it is incurred.

Exploration/appraisal drilling costs are initially capitalised within exploratory and development work in progress on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that oil and gas reserves exist and there is a reasonable prospect that these reserves are commercial.

Where results of exploration drilling indicate the presence of oil and gas reserves which are ultimately not considered commercially viable, all related costs are written off to the profit and loss account. Following appraisal of successful exploration wells, when a well is ready for commencement of commercial production, the related exploratory and development work in progress are transferred into a single field cost centre within producing properties, after testing for impairment.

Where costs are incurred after technical feasibility and commercial viability of producing oil and gas is demonstrated and it has been determined that the wells are ready for commencement of commercial production, they are capitalised within producing properties for each cost centre. Subsequent expenditure is capitalised when it enhances the economic benefits of the producing properties or replaces part of the existing producing properties. Any costs remaining associated with such part replaced are expensed in the financial statements.

Net proceeds from any disposal of an exploration asset within exploratory and development work in progress are initially credited against the previously capitalised costs and any surplus proceeds are credited to the profit and loss account. Net proceeds from any disposal of producing properties are credited against the previously capitalised cost and any gain or loss on disposal of producing properties is recognised in the profit and loss account, to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

(C) Depletion

The expenditure on producing properties is depleted within each cost centre

Depletion is charged on a unit of production basis, based on proved reserves for acquisition costs and proved and developed reserves for other costs.

(D) Site restoration costs

At the end of the producing life of a field, costs are incurred in restoring the site of production facilities. Cairn India Group recognizes the full cost of site restoration as a liability when the obligation to rectify environmental damage arises. The site restoration expenses form part of the exploration & development work in progress or cost of producing properties, as the case may be, of the related asset. The amortization of the asset, calculated on a unit of production basis based on proved and developed reserves, is included in the depletion cost in the profit and loss account.

(E) Impairment

1 The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

2 After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

(F) Tangible fixed assets, depreciation and amortization

Tangible assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act 1956, whichever is higher. The expected useful economic lives are as follows:

Vehicles	2 to 5 years
Freehold buildings	10 years
Computers	2 to 5 years
Furniture and fixtures	2 to 5 years
Office equipments	2 to 5 years
Plant and Equipment	2 to 10 years
Leasehold land	Lease period

Leasehold improvements are amortized over the remaining period of the primary lease or expected useful economic lives, whichever is shorter.

(G) Intangible fixed assets and amortization

Intangible assets, other than oil and gas assets, have finite useful lives and are measured at cost and amortized over their expected useful economic lives as follows:

Computer software	2 to 4 years

Goodwill arising on acquisition is capitalized and is tested for impairment.

(H) Leases

Finance leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that Cairn India Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

(I) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are measured at cost or market value, whichever is lower, determined on an individual investment basis. Long term investments are measured at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(J) Inventory

Inventories of oil and condensate held at the balance sheet date are valued at net realizable value based on the estimated selling price. Inventories of stores and spares related to exploration, development and production activities are stated at cost, determined on first in first out (FIFO) basis. However, inventories of stores and spares, which are not likely to be consumed, are written down to their net realizable value.

(K) Joint Ventures

Cairn India Group participates in several Joint Ventures involving joint control of assets for carrying out oil and gas exploration, development and producing activities. Cairn India Group accounts for its share of the assets and liabilities of Joint Ventures along with attributable income and expenses in such Joint Ventures, in which it holds a participating interest. Joint venture cash and cash equivalent balances are considered by the Cairn India Group to be the amounts contributed in excess of the Cairn India Group's obligations to the joint ventures and are, therefore, disclosed within Loans and Advances.

(L) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Cairn India Group and the revenue can be reliably measured.

Revenue from operating activities

From sale of oil, gas and condensate

Revenue represents the Cairn India Group's share of oil, gas and condensate production, recognised on a direct entitlement basis, when significant risks and rewards of ownership are transferred to the buyers.

As operator from the joint venture

Cairn India Group recognizes parent company overhead as revenue from joint ventures based on the provisions of respective PSCs.

Tolling income

Tolling income represents Cairn India Group's share of revenues from Pilotage and Oil Transfer Services from the respective joint ventures, which is recognized based on the rates agreed with the customers, as and when the services are rendered.

Interest income

Interest income is recognised on a time proportion basis.

Dividend income

Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognized even if same are declared after the balance sheet date but pertains to the period on or before the date of balance sheet as per the requirement of schedule VI of the Companies Act, 1956.

(M) Borrowing costs

Borrowing costs include interest and commitment charges on borrowings, amortisation of costs incurred in connection with the arrangement of borrowings, exchange differences to the extent they are considered a substitute to the interest cost and finance charges under leases. Costs incurred on borrowings directly attributable to development projects, which take a substantial period of time to complete, are capitalised within the development/producing asset for each cost-centre

All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

(N) Foreign currency transactions and translations

Cairn India Group translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting Cairn India Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise except those arising from investments in non-integral operations.

All transactions of integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the group itself. In translating the financial statements of a non-integral foreign operation for incorporating in the consolidated financial statements, Cairn

India Group translates the assets and liabilities at the rate of exchange prevailing at the balance sheet date. Income and expenses of non-integral operations are translated using rates at the date of transactions. Resulting exchange differences are disclosed under the foreign currency translation reserve until the disposal of the net investment in non-integral operations.

(O) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the income tax laws. Deferred income tax reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier period.

Deferred tax assets and liabilities are measured, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various subsidiaries or countries of operation are not set off against each other as Cairn India Group does not have a legal right to do so. Current and deferred tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If Cairn India Group has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty, supported by convincing evidence, that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier periods are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be, that future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay income tax under the normal provisions during the specified period, resulting in utilization of MAT credit. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. Cairn India Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the individual company will utilize MAT credit during the specified period.

(P) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

(Q) Provisions

A provision is recognised when Cairn India Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(R) Cash and Cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short-term investments, with an original maturity of 90 days or less.

(S) Employee Benefits

Retirement and Gratuity benefits

Retirement benefits in the form of provident fund and superannuation scheme are defined contribution schemes and the contributions are charged to the profit and loss account of the period when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective funds.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The scheme is maintained and administered by an insurer to which the trustees make periodic contributions.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation made at the end of each financial year. The actuarial valuation is done as per projected unit credit method.

Actuarial gains / losses are immediately taken to profit and loss account and are not deferred.

Employee Stock Compensation Cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. Cairn India Group measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis. The cost of awards to employees under the Company's ultimate parent entity's

(All amounts are in INR thousand unless, otherwise stated)

Long Term Incentive Plans ("the LTIP") is recognised based on the amount cross charged by the parent entity.

(T) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(U) Segment Reporting Policies

Identification of segments:

Cairn India Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of Cairn India Group operate.

(V) Derivative Instruments

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, is done on marked to market on a portfolio basis, and the net loss is charged to the income statement. Net gains are ignored.

4. SEGMENTAL REPORTING

Business segments

The primary reporting of Cairn India Group has been prepared on the basis of business segments. Cairn India Group has only one business segment, which is the exploration, development and production of oil and gas and operates in a single business segment based on the nature of the products, the risks and returns, the organisation structure and the internal financial reporting systems. Accordingly, the figures appearing in these financial statements relate to the Cairn India Group's single business segment.

Geographical segments

Secondary segmental reporting is prepared on the basis of the geographical location of customers. The operating interests of the Cairn India Group are confined to the Indian sub-continent in terms of oil and gas blocks and customers. Accordingly, the figures appearing in these financial statements relate to Cairn India Group's single geographical segment, being operations in the Indian sub-continent.

5. RELATED PARTY TRANSACTIONS

(A) Names of related parties:

Companies having control

- Cairn UK Holdings Limited, UK
  Holding Company
- Cairn Energy Plc., UK
  Ultimate holding company

Key Management Personnel

- Rahul Dhir
  Managing Director and Chief Executive Officer
- Winston Frederick Bott Jr.
  Executive Director and Chief Operating Officer
  (appointed on 29th April, 2008)
- Indrajit Banerjee
  Executive Director and Chief Finacial Officer
- Philip Tracy
  Alternate Director (from 18th March, 2009 till 26th May, 2009)
- Lawrence Smyth
  Executive Director and Chief Operating Officer (resigned on 21st January, 2008)

(B) Transactions during the year / period

Nature of the Transactions	Related Party	Current year	Previous period
Reimbursement of expenses to parent company	Cairn Energy Plc.	39,919	279,725
Waiver of outstanding balance by the parent company	Cairn Energy Plc.	1,083,654	Nil
Shares issued including premium and stock option charge	Rahul Dhir	Nil	716,185
	Lawrence Smyth	Nil	126,758
	Total	**Nil**	**842,943**

(All amounts are in INR thousand unless, otherwise stated)

Nature of the Transactions	Related Party	Current year	Previous period
Remuneration	Rahul Dhir	106,814	112,036
	Winston Frederick Bott Jr.	95,593	95,890
	Indrajit Banerjee	14,633	18,024
	Lawrence Smyth	Nil	25,195
	Philip Tracy	3,865	1,354
	Total	**220,905**	**252,499**

In addition to the above remuneration, incentives and bonus of INR 28,813 thousand (previous period INR 13,424 thousand), INR 69,151 thousand (previous period INR 86,598 thousand), INR 38,123 thousand (previous period INR 8,099 thousand) and INR Nil (previous period INR 14,141 thousand) were paid to Rahul Dhir, Winston Frederick Bott Jr., Indrajit Banerjee and Lawrence Smyth respectively. Further, the remuneration does not include provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Cairn India Group as a whole.

(C) Balances outstanding as at the end of the year / period:

Nature of the Balance	Related Party	31st March 2010	31st March 2009
Accounts payable	Cairn Energy Plc.	1,773	1,296,164

6. The shareholders of the Company in their meeting dated August 18, 2009 had revised the allocation of Initial Public Offer (IPO) proceeds within the existing heads under the prospectus. As at 31st March 2010, the Company and its subsidiaries together have utilized the entire IPO proceeds aggregating to INR 88,248,901 thousand in accordance with the revised approval received from the shareholders. The details of the revised approval and utilization of funds is as follows:

Particulars	Upto, 31st March 2010	Upto, 31st March 2009
Acquisition of shares of Cairn India Holdings Limited from Cairn UK Holdings Limited	59,580,837	59,580,837
Exploration and Development expenses	26,838,445	21,152,714
General corporate purposes	230,000	230,000
Issue expenses	1,599,619	1,599,619
Total	**88,248,901**	**82,563,170**

The details of the unutilized monies out of the public issue proceeds is as follows:

Particulars	31st March 2010	31st March 2009
Mutual funds	Nil	718,277
Balances with banks	Nil	4,967,454
Total	**Nil**	**5,685,731**

7. EMPLOYEES STOCK OPTION PLANS

Cairn India Group has provided various share based payment schemes to its employees. During the period ended 31st March 2010, the following schemes were in operation:

Particulars	CISMP	CIPOP	CIESOP	CIPOP Phantom	CIESOP Phantom
Date of Board Approval	17th Nov 2006	17th Nov 2006	17th Nov 2006	Not applicable	Not applicable
Date of Shareholder's approval	17th Nov 2006	17th Nov 2006	17th Nov 2006	Not applicable	Not applicable
Number of options granted till March 2010	8,298,713	6,727,724	18,197,795	1,883,339	573,918
Method of Settlement	Equity	Equity	Equity	Cash	Cash
Vesting Period	Refer vesting conditions below	3 years from grant date	3 years from grant date	3 years from grant date	3 years from grant date
Exercise Period	18 months from vesting date	3 months from vesting date	7 years from vesting date	Immediately upon vesting	Immediately upon vesting
Number of options granted till 31st March 2010					
24th Nov 2006	8,298,713	-	-	-	-
1st Jan 2007	-	1,708,195	3,467,702	-	-
20th Sept 2007	-	3,235,194	5,515,053	-	-
29th July 2008	-	789,567	3,773,856	822,867	324,548

(All amounts are in INR thousand unless, otherwise stated)

Particulars	CISMP	CIPOP	CIESOP	CIPOP Phantom	CIESOP Phantom
10th Dec 2008	-	-	36,040	-	38,008
29th July 2009	-	994,768	5,405,144	1,060,472	211,362
Total	**8,298,713**	**6,727,724**	**18,197,795**	**1,883,339**	**573,918**

The Vesting conditions of the above plans are as under:

CISMP Plan

(A) 6,714,233 options are to be vested in the following manner-

- 1/3rd of the options will vest on the day following the date on which the equity shares have been admitted to listing on the Stock Exchanges ('admission date'). Listing date was 9th Jan 2007.
- 1/3rd of the options will vest 18 months after the admission date.
- 1/3rd of the options will vest on achieving 30 days' consecutive production of over 150,000 bopd from the Rajasthan Block.

(B) 1,584,480 options are to be vested in the following manner-

- 1/2 of the options will vest on the day following the date on which the equity shares have been admitted to listing on the Stock Exchanges.
- 1/4th of the options will vest on the date on which all major equipment for the start-up of the Mangala field is delivered to site.
- 1/4th of the options will vest on achieving 100,000 bopd from the Mangala Field.

CIPOP plan (including phantom options)

Options will vest (i.e., become exercisable) at the end of a "performance period" which will be set by the remuneration committee at the time of grant (although such period will not be less than three years). However, the percentage of an option which vests on this date will be determined by the extent to which pre-determined performance conditions have been satisfied. Phantom options are exercisable proportionate to the period of service rendered by the employee subject to completion of one year.

CIESOP plan (including phantom options)

There are no specific vesting conditions under CIESOP plan. Phantom options are exercisable proportionate to the period of service rendered by the employee subject to completion of one year.

Details of activities under employees stock option plans

CISMP Plan	Current year		Previous period	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	2,238,077	33.70	8,298,713	33.70
Granted during the year	Nil	NA	Nil	NA
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	5,268,396	33.70
Expired during the year	Nil	NA	792,240	33.70
Outstanding at the end of the year	2,238,077	33.70	2,238,077	33.70
Exercisable at the end of the year	Nil	NA	Nil	NA
Weighted average fair value of options granted on the date of grant (INR)	131.50	NA	131.50	NA

CIPOP Plan	Current year		Previous period	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	3,200,096	10.00	4,755,244	10.00
Granted during the year	994,768	10.00	789,567	10.00
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	190,983	10.00	Nil	NA
Expired during the year	1,377,051	10.00	2,344,715	10.00
Outstanding at the end of the year	2,626,830	10.00	3,200,096	10.00
Exercisable at the end of the year	168,382	10.00	Nil	NA
Weighted average fair value of options granted on the date of grant (INR)	174.47	NA	165.46	NA

(All amounts are in INR thousand unless, otherwise stated)

CIESOP Plan	Current year		Previous period	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	10,914,244	185.39	8,545,710	164.49
Granted during the year	5,405,144	240.05	3,809,896	226.21
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	115,333	160.00	Nil	NA
Expired during the year	1,557,846	179.09	1,441,362	169.33
Outstanding at the end of the year	14,646,209	206.43	10,914,244	185.39
Exercisable at the end of the year	1,981,770	160.00	Nil	NA
Weighted average fair value of options granted on the date of grant (INR)	107.64	NA	101 .47	NA

CIPOP Plan – Phantom options	Current year		Previous period	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	784,859	10.00	Nil	NA
Granted during the year	1,977,426	10.00	822,867	10.00
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	795,230	10.00	Nil	NA
Expired during the year	238,414	10.00	38,008	10.00
Outstanding at the end of the year	1,728,641	10.00	784,859	10.00
Exercisable at the end of the year, subject to vesting conditions	812,543	10.00	Nil	NA
Weighted average fair value of options granted on reporting date (INR)	296.39	NA	175.40	NA

CIESOP Plan – Phantom options	Current year		Previous period	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	362,556	218.19	Nil	NA
Granted during the year	936,862	181 .98	362,556	218.19
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	392,977	178.22	Nil	NA
Expired during the year	61,753	240.05	Nil	NA
Outstanding at the end of the year	844,688	195.03	362,556	218.19
Exercisable at the end of the year, subject to vesting conditions	695,079	185.34	Nil	NA
Weighted average fair value of options granted on reporting date (INR)	136.51	NA	48.13	NA

The details of exercise price for stock options outstanding as at March 31, 2010 are:

Scheme	Range of exercise price (INR)	No. of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise Price in INR
CISMP Plan	33.70	2,238,077	1.08	33.70
CIPOP Plan	10.00	2,626,830	1.36	10.00
CIESOP Plan	143-240	14,646,209	1.28	206.43
CIPOP Plan – Phantom options	10.00	1,728,641	1.71	10.00
CIESOP Plan – Phantom options	143-240	844,688	1.09	195.03

(All amounts are in INR thousand unless, otherwise stated)

The details of exercise price for stock options outstanding as at March 31, 2009 are:

CISMP Plan	33.70	2,238,077	2.08	33.70
CIPOP Plan	10.00	3,200,096	1.51	10.00
CIESOP Plan	143-227	10,914,244	1.60	185.39
CIPOP Plan – Phantom options	10.00	784,859	2.33	10.00
CIESOP Plan – Phantom options	143-227	362,556	2.37	218.19

Effect of Employees Stock Option Plans on Financial Position

Effect of the employee share-based payment plans on the profit and loss account and on its financial position:

Particulars	Current year	Previous period
Total Employee Compensation Cost pertaining to share-based payment plans (including exceptional gain of INR 155,723 thousand in the previous period)	552,002	134,493
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	103,649	107,292
Compensation Cost pertaining to cash-settled employee share-based payment plan included above	448,353	27,201
Liability for equity settled employee stock options outstanding as at year / period end	463,978	388,978
Liability for cash settled employee stock options outstanding as at year / period end (current year amount excludes INR 46,381 thousand payable towards options vested but not exercised)	284,411	27,201
Deferred compensation cost of equity settled options	304,142	393,570
Deferred compensation cost of cash settled options	315,490	94,719

Inputs for Fair valuation of Employees Stock Option Plans

The Share Options have been fair valued using an Option Pricing Model (Black Scholes Model). The main inputs to the model and the Fair Value of the options, based on an independent valuation, are as under:

Variables - CISMP	A	B
Grant date	24th Nov 2006	24th Nov 2006
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00	160.00
Vesting date	Refer vesting conditions	Refer vesting conditions
Vesting %	Refer vesting conditions	Refer vesting conditions
Volatility (Weighted average)	44.08%	46.59%
Risk free rate (Weighted average)	7.05%	6.94%
Time to maturity in years (Weighted average)	2.45	2.00
Exercise price – INR	33.70	33.70
Fair Value of the options (Weighted average) - INR	131.69	130.69

Variables – CIESOP					
Grant date	1st Jan 2007	20th Sept 2007	29th July 2008	10th Dec 2008	29th July 2009
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00	166.95	228.55	150.10	234.75
Vesting date	1st Jan 2010	20th Sept 2010	29th July 2011	10th Dec 2011	29th July 2012
Vesting %	100%	100%	100%	100%	100%
Volatility	41.04%	40.24%	39.43%	38.19%	39.97%
Risk free rate	7.50%	7.65%	9.20%	6.94%	6.91%
Time to maturity (years)	6.50	6.50	6.50	6.50	6.50
Exercise price (INR)	160.00	166.95	227.00	143.00	240.05
Fair Value of the options (INR)	87.30	90.72	130.42	79.80	122.24

SCHEDULE 25–NOTES TO ACCOUNTS

(All amounts are in INR thousand unless, otherwise stated)

Variables – CIPOP				
Grant date	**1st Jan 2007**	**20th Sept 2007**	**29th July 2008**	**29th July 2009**
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00	166.95	228.55	234.75
Vesting date	1st Jan 2010	20th Sept 2010	29th July 2011	29th July 2012
Vesting %	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions
Volatility	41.61%	36.40%	37.49%	43.72%
Risk free rate	7.33%	7.23%	9.37%	5.78%
Time to maturity (years)	3.12	3.12	3.12	3.13
Exercise price (INR)	10.00	10.00	10.00	10.00
Fair Value of the options (INR)	152.05	158.97	221.09	226.40

Variables – CIPOP Phantom			
Grant date	**20th Sept 2007 (effective grant date)**	**29th July 2008**	**29th July 2009**
Stock Price of the equity shares on the reporting date (INR)	305.65	305.65	305.65
Vesting date	20th Sept 2010	29th July 2011	29th July 2012
Vesting %	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions
Volatility	28.90%	45.06%	58.06%
Risk free rate	3.76%	5.10%	6.12%
Time to maturity (years)	0.47	1.33	2.33
Exercise price (INR)	10.00	10.00	10.00
Fair Value of the options (INR)	295.83	296.31	296.98

Variables – CIESOP Phantom				
Grant date	**20th Sept 2007 (effective grant date)**	**29th July 2008**	**10th Dec 2008**	**29th July 2009**
Stock Price of the equity shares on the reporting date (INR)	305.65	305.65	305.65	305.65
Vesting date	20th Sept 2010	29th July 2011	10th Dec 2011	29th July 2012
Vesting %	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions
Volatility	28.90%	45.06%	57.16%	58.06%
Risk free rate	3.76%	5.10%	5.53%	6.12%
Time to maturity (years)	0.47	1.33	1.70	2.33
Exercise price (INR)	166.95	227.00	143.00	240.05
Fair Value of the options (INR)	141.66	111.96	184.32	144.23

Volatility is the measure of the amount by which the price has fluctuated or is expected to fluctuate during the period. The measure of volatility used in Black-Scholes option-pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time. Time to maturity /expected life of options is the period for which the Cairn India Group expects the options to be live. Time to maturity has been calculated as an average of the minimum and maximum life of the options.

Impact of Fair Valuation Method on net profits and EPS

In March 2005, the Institute of Chartered Accountants of India has issued a guidance note on “Accounting for Employees Share Based Payments” applicable to employee based share plan, the grant date in respect of which falls on or after April1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share would be as follows:

(All amounts are in INR thousand unless, otherwise stated)

	Current year	Previous period
Profit as reported	10,511,060	8,034,506
Add: Employee stock compensation under intrinsic value method (net of exceptional gain of INR 155,723 thousand in the previous period)	552,002	134,493
Less: Employee stock compensation under fair value method	948,058	622,866
Proforma profit	10,115,004	7,546,133
Earnings Per Share (in INR)		
Basic		
- As reported	5.54	4.31
- As reported	5.33	4.04
Diluted		
- As reported	5.52	4.28
- Proforma	5.31	4.02

8. **LEASE OBLIGATIONS DISCLOSURES**

Finance Lease:

Fixed assets include office equipments and leaseholds improvements obtained under finance lease. The lease is secured by way of hypothecation of the respective assets acquired under lease. The lease term is for 3 to 6 years and renewable for further period/years at the option of the Cairn India Group. There is no escalation clause in the lease agreements. There are no restrictions imposed by lease arrangements and there are no subleases.

Current Year	Minimum lease payments	Principal amount due	Interest due
Within one year of the balance sheet date	72,047	60,928	11,119
Due in a period between one year and five years	85,391	79,397	5,994
Due after five years	Nil	Nil	Nil
Total	**157,438**	**140,325**	**17,113**

Previous Period	Minimum lease payments	Principal amount due	Interest due
Within one year of the balance sheet date	97,740	80,366	17,374
Due in a period between one year and five years	160,058	142,036	18,022
Due after five years	Nil	Nil	Nil
Total	**257,798**	**222,402**	**35,396**

Note The interest rate on finance lease ranges from 3.77 % to 14.61%

Operating Lease:

Cairn India Group has entered into operating leases for office premises and office equipments, some of which are cancellable and some are non-cancellable. The leases have a life of 3 to 6 years. There is an escalation clause in the lease agreement during the primary lease period. There are no restrictions imposed by lease arrangements and there are no subleases. There are no contingent rents.

Particulars	31st March 2010	31st March 2009
Lease payments made during the period	132,390	120,173
Within one year of the balance sheet date	140,321	124,628
Due in a period between one year and five years	34,536	150,536
Due after five years	Nil	Nil

9. **CONTINGENT LIABILITIES**

(A) Ravva Joint Venture Arbitration proceedings : ONGC Carry

Ravva is an unincorporated Joint Venture (JV) in which Cairn India Group has an interest. The calculation of the Government of India's (GoI) share of petroleum produced from the Ravva oil field has been a matter of disagreement for some years. An arbitration panel opined in October 2004 and Cairn has been willing to be bound by the award, although it was not as favourable as had been hoped. The GoI, however, had lodged an appeal in the Malaysian courts in respect of one element of the award which was in Cairn's favour, namely the "ONGC Carry" issue. The "ONGC Carry" issue relates to whether Contractor Parties under Ravva PSC are entitled to include in their accounts for the purposes of calculating the PTRR certain costs paid by Contractor Parties in consideration for ONGC having paid 100% of costs prior to the signing of the Ravva PSC in 1994. Cairn India Group challenged both the GoI's right to appeal and the grounds of that appeal.

A judgment was delivered by the Malaysian High Court on 12th January 2009, ruling in favour of the GoI and setting the arbitration award aside. This had the effect of negating the original award in favour of Cairn India Group.

Cairn India Group appealed against above judgment to the Malaysian Court of Appeal. A judgment was delivered by the Malaysian Court of Appeal on 15th September 2009, which reversed the ruling of the High Court in Malaysia of 12th January 2009 and had the effect of reinstating the original award in favour of Cairn India Group. The Government of India has applied for leave to appeal this judgment to the Federal Court of Malaysia (the apex court).

In addition, consistent with GoI's view that the set-aside meant they have a binding judgment in their favour, GoI has demanded and commenced recovery from Cairn's buyers, of revenues from sale proceeds to set-off against the sums they claim are due as a result of the Malaysian judgment being in their favour. This recovery action was contested by Cairn in the Indian courts, pursuant to which, the Government has given an undertaking to stop recoveries post January 2010. The amounts recovered by the Government aggregate to approximately INR 7,230,000 thousand (USD 160 million). The net effective deduction as on 31st March 2010, after adjusting the current year's profit petroleum, amounts to approximately INR 2,291,000 thousand (USD 51 million).

In the event that the GoI's appeal is successful, then Cairn India Group would be required to pay approximately INR 2,888,000 thousand (USD 64 million) and potential interest of INR 1,398,000 thousand (USD 31 million). The same dispute existed at the end of the previous period.

(B) Ravva Joint Venture Arbitration Proceedings : Base Development Cost

Ravva joint venture had received a claim from the Director General of Hydrocarbons (DGH) for the period from 2000-2005 for USD 166.4 million for an alleged underpayment of profit petroleum to the Indian Government, out of which, Cairn India Group's share will be USD 37.4 million (approximately INR 1,688,000 thousand) plus potential interest at applicable rate (LIBOR plus 2% as per PSC).

This claim relates to the Indian Government's allegation that the Ravva JV has recovered costs in excess of the Base Development Costs ("BDC") cap imposed in the PSC and that the Ravva JV has also allowed these excess costs in the calculation of the Post Tax Rate of Return (PTRR). Cairn believes that such a claim is unsustainable under the terms of the PSC because, amongst other reasons, the BDC cap only applies to the initial development of the Ravva field and not to subsequent development activities under the PSC. Additionally the Ravva JV has also contested the basis of the calculation in the above claim from the DGH. Even if upheld, Cairn believes that the DGH has miscalculated the sums that would be due to the Indian Government in such circumstances. Companies have initiated the arbitration proceedings, the arbitration panel has been fully constituted and one hearing has taken place. A further hearing has been scheduled for oral closing arguments. The same dispute existed at the end of the previous period.

(C) Service Tax

One of the subsidiary companies of the Cairn India Group has received four show cause notices from the tax authorities in India for nonpayment of service tax as a recipient of services from foreign suppliers.

These notices cover periods from 16th August 2002 to 31st March 2009. A writ petition(s) has been filed with Chennai High Court challenging the liability to pay service tax as recipient of services in respect of first show cause notice (16th August 2002 to 31st March 2006) and challenging the scope of some services in respect of second show cause notice (1st April 2006 to 31st March 2007). The reply for second and third show cause notice has also been filed before the authorities.

Should the adjudication go against Cairn India Group, it will be liable to pay the service tax of approximately INR 1,679,000 thousand (previous period INR 978,000 thousand) plus potential interest of approximately INR 634,000 thousand (previous period INR 395,000 thousand), although this could be recovered in part, where it relates to services provided to Joint Venture of which Cairn India is operator.

(D) Tax holiday on gas production

Section 80-IB (9) of the Income Tax Act, 1961 allows the deduction of 100% of profits from the commercial production or refining of mineral oil. The term 'mineral oil' is not defined but has always been understood to refer to both oil and gas, either separately or collectively.

The 2008 Indian Finance Bill appeared to remove this deduction by stating [without amending section 80-IB (9)] that "for the purpose of section 80-IB (9), the term 'mineral oil' does not include petroleum and natural gas, unlike in other sections of the Act". Subsequent announcements by the Finance Minister and the Ministry of Petroleum and Natural Gas have confirmed that tax holiday would be available on production of crude oil but have continued to exclude gas.

Cairn India Group filed a writ petition to the Gujarat High Court in December 2008 challenging the restriction of section 80-IB to the production of oil. Gujarat High Court did not admit the writ petition on the ground that the matter needs to be first decided by lower tax authorities. A Special Leave Petition has been filed before Supreme Court against the decision of Gujarat High court.

In the event this challenge is unsuccessful, the potential liability for tax and related interest on tax holiday claimed on gas production for all periods to 31st March 2010 is approximately INR 2,321,000 thousand (previous period INR 2,370,000 thousand).

Based on the legal opinions received, the management is of the view that the liability in the cases mentioned in (A) to (D) above are not probable and accordingly no provision has been considered necessary there against.

10. Balances written back are net of INR 450,217 thousand, being the adjustment arising on account of reconciliation of certain working capital balances pertaining to joint ventures, in which Cairn India Group has participating interest.

(All amounts are in INR thousand unless, otherwise stated)

11. CAPITAL COMMITMENTS (NET OF ADVANCES)

1 In respect of Cairn India Group's share of Joint Ventures' Exploration activities – INR 11,688,763 thousand (previous period – INR 11,324,140 thousand).

2 In respect of the Cairn India Group's share of Joint Ventures' Development activities – INR 28,096,949 thousand (previous year – INR 34,536,062 thousand).

12. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

Cairn India Group has taken USD put/INR call options to hedge the risk of foreign currency exposure. The amount of outstanding options as at 31st March 2010 aggregated to USD 233,000 thousand (previous period USD 214,000 thousand)

Particulars of Unhedged Foreign Currency Exposure at the Balance Sheet date

Particulars	31st March 2010	31st March 2009
Loan	20,416,806	43,341,500
Sundry Debtors	3,067,474	1,516,418
Investments	201,923	Nil
Cash and Bank	3,894,233	31,366,364
Other current Assets	13,543,767	2,266,955
Current Liabilities	4,545,666	5,623,077

13. Cairn India Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognised in the profit and loss account, the funded status and amounts recognised in the balance sheet for the gratuity plans.

Profit and Loss account

Net employee benefit expense (recognised in staff cost)

Particulars	31st March 2010	31st March 2009
Current service cost	31,030	23,529
Interest cost on benefit obligation	8,674	6,051
Expected return on plan assets	(3,598)	(3,666)
Net actuarial (gain) / loss recognised in the year	17,464	14,974
Past service cost	Nil	Nil
Net benefit expense	53,570	40,888
Actual return on plan assets	6,604	6,700

Balance sheet

Details of Provision for Gratuity

Particulars	31st March 2010	31st March 2009
Defined benefit obligation	161,887	108,425
Fair value of plan assets	97,008	68,854
Less: Unrecognized past service cost	Nil	Nil
Plan asset / (liability)	(64,879)	(39,571)

Changes in the present value of the defined benefit obligation are as follows:

Particulars	31st March 2010	31st March 2009
Opening defined benefit obligation	108,425	66,142
Current service cost	31,030	23,529
Interest cost	8,674	6,051
Benefits paid	(4,038)	(5,306)
Actuarial (gains) / losses on obligation	17,796	18,009
Closing defined benefit obligation	161,887	108,425

(All amounts are in INR thousand unless, otherwise stated)

Changes in the fair value of plan assets are as follows:

Particulars	31st March 2010	31st March 2009
Opening fair value of plan assets	68,854	29,163
Expected return	3,598	3,666
Contributions by employer	28,262	38,296
Benefits paid	(4,038)	(5,306)
Actuarial gains / (losses)	332	3,035
Closing fair value of plan assets	97,008	68,854

Note The Group's expected contribution to the fund in the next year is INR 40,582 thousand (previous period INR 34,725 thousand).

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	31st March 2010	31st March 2009

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity liability for the Group's plans are shown below:

Particulars	31st March 2010	31st March 2009
Discount rate	8.00%	7.00%
Future salary increase	10.00%	10.00%
Expected rate of return on assets	9.40%	9.35%
Employee turnover	5.00%	13.13%
Mortality Rate	LIC (1994-96)	LIC (1994-96)
	Ultimate Table	Ultimate Table

Note The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Gratuity liabilities for the current and previous period are as follows:

Particulars	31st March 2010	31st March 2009	31st December 2007
Defined benefit obligation	161,887	108,425	66,142
Plan assets	97,008	68,854	29,163
Surplus / (deficit)	(64,879)	(39,571)	(36,979)
Experience adjustments on plan assets (loss)/gain	365	3,132	2,970
Experience adjustments on plan liabilities (loss)/gain	(13,839)	(11,964)	(6,960)

Notes

i) The Group has adopted AS 15 (Revised 2005) Employee Benefits for the first time during the year ended December 31, 2007. Disclosures required by paragraph 120 (n) of AS-15 (Revised 2005) are required to be furnished prospectively from the date of transition and hence have been furnished for year/period ended December 31, 2007 onwards.

ii) The Group is maintaining a fund with the Life Insurance Corporation of India (LIC) to meet its gratuity liability. The present value of the plan assets represents the balance available with the LIC as at the end of the year. The total value of plan assets amounts to INR 97,008 thousand (Previous period INR 68,854 thousand) is as certified by the LIC.

(All amounts are in INR thousand unless, otherwise stated)

14. DETAILS OF MOVEMENT IN SHARE CAPITAL AND SECURITIES PREMIUM IS AS UNDER

Description	No. of equity shares	Issue price in INR	Share capital	Securities premium
Balance as on 1st January 2008	**1,778,399,420**		**17,783,994**	**276,084,115**
Exercise of stock options-CISMP	792,240	33.70	7,922	18,776
Preferential allotment of shares to non promoter investors on 22nd April 2008	113,000,000	224.30	1,130,000	24,215,900
Exercise of share options -CISMP	525,000	33.70	5,250	12,443
Exercise of share options-CISMP	1,713,078	33.70	17,131	40,600
Exercise of share options-CISMP	1,600,000	33.70	16,000	37,920
Exercise of share options-CISMP	638,078	33.70	6,381	15,122
Share options liability transferred to securities premium upon exercise of the options				665,398
Balance as on 31st March 2009	**1,896,667,816**		**18,966,678**	**301,090,274**
Exercise of share options-CIPOP	190,983	10.00	1,910	Nil
Exercise of share options-CIESOP	115,333	160.00	1,153	17,300
Share options liability transferred to securities premium upon exercise of the options				28,648
Waiver of parent company outstanding balance, pertaining to share issue expenses paid by parent company, which had earlier been adjusted from securities premium				25,000
Balance as on 31st March 2010	**1,896,974,132**		**18,969,741**	**301,161,222**

15. The price contract for sale of gas with one customer is due for revision with effect from December 2008 and currently the same is under negotiation. Pending finalization of the price contract, revenue has been recognised based on the last agreed prices on a conservative basis, as the management is expecting an upward price revision.

16. The goodwill of Cairn India Group amounting to INR 253,192,675 thousand has arisen on consolidation of financial statements of the Company with its subsidiaries and represents the difference between the cost of its investment in Cairn India Holdings Limited (which largely represent Cairn India Group's operations in India through its subsidiaries) and consolidated net book value of assets in Cairn India Holdings Limited, at the time of acquisition of shares in Cairn India Holdings Limited. The management has carried out the tests for impairment of goodwill at the year-end as per requirements of AS 28 (Impairment of Assets) by computing the value in use of the assets and comparing the same with the carrying amount of the net assets. Value in use is based on the discounted future net cash flows of the oil and gas assets held by the Cairn India Group. For all blocks in the exploration stage, valuation has been carried out using risked net present value per barrel of oil equivalent. The result of the impairment tests indicate that the value in use is higher than the carrying amounts and no impairment provision is required to be created at the reporting date.

17. The current tax and deferred tax provisions have been computed on the basis of the standalone financial statements of the Company's subsidiaries, i.e. not based on the consolidated financial statements of Cairn India Limited and its subsidiaries. For computing deferred tax liability in relation to the Rajasthan field, Cairn India Group has considered field life as stipulated in the Production Sharing Contract instead of the economic useful life of the field considered in earlier years. This change has resulted in reversal of opening deferred tax liability by INR 1,760,519 thousand.

18. The Company and its wholly owned subsidiary Cairn Energy Hydrocarbons Limited ("CEHyL") have entered into a loan facility for INR 40,000 million (available to the Company) and USD 750 million (available to CEHyL) with a consortium of banks. The purpose of the loan facility is to finance the RJ-ON-90/1 block expenditure and also the repayment of the earlier loan facility of USD 850 million. The main security for the INR loan facility is the hypothecation of the 35% participating interest in RJ-ON-90/1 block held by Cairn Energy India Pty Limited, a wholly owned subsidiary of the Company whereas for the USD loan facility, the entire shares of CEHyL has been provided as the main security.

19. The shareholders of the Company have approved a Scheme of Arrangement between the Company and some of its wholly owned subsidiaries, to be effective from 1st January 2010. The Scheme of Arrangement has been approved by the Hon'ble High Court of Madras. However, it is pending for approval from the Hon'ble High Court of Bombay and other regulatory authorities. Pending receipt of such approvals, no accounting impact of the scheme has been given in these financial statements. After the implementation of the scheme, the Company will directly own the Indian businesses, which are currently owned by some of its wholly owned subsidiaries and as contemplated in the scheme, any goodwill arising in the Company pursuant to the scheme, shall be adjusted against the securities premium account.

(All amounts are in INR thousand unless, otherwise stated)

20. Operating expenses include cess on crude oil produced from Rajasthan block. The Group has initiated arbitration proceedings against the Government of India and its joint venture partner for recovery of the same.

21. Cairn India Group's estimate of hydrocarbon reserves and resources at the year/period end is as follows:

Particulars	Gross proved and probable hydrocarbons initially in place (mmboe)		Gross proved and probable reserves and resources (mmboe)		Net proved and probable reserves and resources (mmboe)	
	Current Year	Previous Period	Current Year	Previous Period	Current Year	Previous Period
Rajasthan MBA Fields	2,054	2,054	694	685	486	479
Rajasthan MBA EOR	-	-	308	308	216	216
Rajasthan Block Other Fields	1,976	1,708	152	86	107	61
Ravva Fields	708	625	100	72	23	16
CBOS/2 Fields	175	156	16	20	7	8
KG-DWN-98/2	650	650	353	353	35	35
Total	**5,563**	**5,193**	**1,623**	**1,524**	**874**	**815**

Cairn India Group's net working interest in proved and probable reserves is as follows:

Particulars	Proved and probable reserves		Proved and probable reserves (developed)	
	Oil	Gas	Oil	Gas
	(mmstb)	(bscf)	(mmstb)	(bscf)
Reserves as at 1st January 2008*	**247.03**	**44.00**	**17.14**	**44.00**
Additions / revision during the period	98.35	(1.66)	2.64	(1.66)
Production during the period	5.58	13.74	5.58	13.74
Reserves as at 31st March 2009**	**339.80**	**28.60**	**14.20**	**28.60**
Additions / revision during the year	2.37	5.93	54.12	5.93
Production during the year	6.26	7.85	6.26	7.85
Reserves as at 31st March 2010***	**335.91**	**26.68**	**62.06**	**26.68**

* Includes probable oil reserves of 41.78 mmstb (of which 4.17 mmstb is developed) and probable gas reserves of 16.57 bscf (of which 16.57 bscf is developed)

** Includes probable oil reserves of 57.70 mmstb (of which 5.7 mmstb is developed) and probable gas reserves of 12.80 bscf (of which 12.80 bscf is developed)

*** Includes probable oil reserves of 57.61 mmstb (of which 14.75 mmstb is developed) and probable gas reserves of 11.13 bscf (of which 11.13 bscf is developed)

mmboe = million barrels of oil equivalent
mmstb = million stock tank barrels
bscf = billion standard cubic feet
1 million metric tonnes = 7.4 mmstb
1 standard cubic meter =35.315 standard cubic feet
MBA = Mangala, Bhagyam & Aishwarya
EOR = Enhanced Oil Recovery

22. Prior period items represent miscellaneous expenses in the current year and exchange difference in the previous period.

23. The reversal in fringe benefit tax (FBT) is on account of the abolishment of FBT with effect from 1st April 2009, as Cairn India Group was accounting for FBT liability on stock options on a pro-rata basis over the vesting period.

24. During the previous period, Cairn India Group had decided to retrospectively account for stock options using the Intrinsic Value Method as against the Fair Value Method (Black Scholes) followed till the financial year ended 31st December 2007. Accordingly, the excess stock option provision up to 31st December 2007 was reversed during the previous period, resulting in an exceptional gain of INR 155,723 thousand.

25. Change in financial year and previous period comparatives

The previous financial period consisted of fifteen months from 1st January 2008 to 31st March 2009, while the current financial year is for a twelve months period. Accordingly, previous period figures in the profit and loss account and cash flow statement are not comparable with current financial year. Previous period's figures have been regrouped where necessary to confirm to current year's classification.

As per our report of even date

For S. R. Batliboi & Associates
Firm Registration No.:101049W
Chartered Accountants
per Sanjay Vij
Partner
Membership No. 95169

Place Gurgaon Date 27 May, 2010

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer
Indrajit Banerjee Executive Director and Chief Financial Officer
Omkar Goswami Director
Neerja Sharma Company Secretary

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