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").

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None of the Joint Bookrunners and Joint Lead Managers (as defined in the attached Offering Circular) or the Issuer 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 US PERSONS 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 us (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 gave us and to which this e-mail has been delivered is not located in the US 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 authorized to, deliver or forward the Offering Circular, electronically or otherwise, or disclose the contents of the Offering Circular, to any other person.

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. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and any of the Joint Bookrunners and Joint Lead Managers or any affiliate of any of the Joint Bookrunners and Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by such Joint Bookrunner and Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

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 Joint Bookrunners and Joint Lead Managers 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 and Joint Lead Managers.

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 OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. 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.

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OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

VEDANTA RESOURCES PLC

(incorporated with limited liability in England and Wales)

$500,000,000 8.75% Bonds due 2014
$750,000,000 9.50% Bonds due 2018

This is an offering of $500,000,000 8.75% Bonds due 2014 (the "2014 Bonds") and $750,000,000 9.50% Bonds due 2018 (the "2018 Bonds", and together with the 2014 Bonds, the "Bonds") by Vedanta Resources plc ("Vedanta" or the "Company").

The 2014 Bonds will bear interest at the rate of 8.75% per annum and the 2018 Bonds will bear interest at the rate of 9.50% per annum. The 2014 Bonds will bear interest from the Closing Date, payable semi-annually in arrears on 15 January and 15 July of each year, commencing 15 January 2009. The 2018 Bonds will bear interest from the Closing Date, payable semi-annually in arrears on 18 January and 18 July of each year, commencing 18 January 2009. 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 2014 Bonds will mature on 15 January 2014 and the 2018 Bonds will mature on 18 July 2018. 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 as of, 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 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".

2014 Bonds Issue Price: 100%(1)

2018 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 2014 Bonds and the 2018 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 2014 Bonds and the 2018 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 2 July 2008 (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 2 July 2008 (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. The Bonds that are sold to QIBs in reliance on Rule 144A under the Securities Act will be eligible for trading in the PORTAL™ Market.

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 11.

The Bonds have been rated "Ba1" by Moody's Investors Service, Inc. ("Moody's"), "BB" by Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc. ("Standard & Poor's"), and "BB+" by Fitch Ratings Limited ("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.

Joint Global Coordinators

JPMorgan **Morgan Stanley**

Joint Bookrunners and Joint Lead Managers

Barclays Capital **Citi** **Deutsche Bank** **JPMorgan** **Morgan Stanley**

Offering Circular dated 25 June 2008

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This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company or J.P. Morgan Securities Ltd., Morgan Stanley & Co. International plc, Barclays Bank PLC, Citigroup Global Markets Limited and Deutsche Bank AG, London Branch (the "Joint Bookrunners and Joint Lead Managers") 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 and the Joint Bookrunners and Joint Lead Managers 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 or the Joint Bookrunners and Joint Lead Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Joint Bookrunners and Joint Lead Managers and the Trustee (as defined herein) have not separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Joint Bookrunners and Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Bookrunners and Joint Lead Managers or the Trustee in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own examination of the Company and the merits and risks involved in investing.

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 or the Joint Bookrunners and Joint Lead Managers 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.

Notwithstanding anything in this Offering Circular to the contrary, each prospective investor (and any employee, representative or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the US tax treatment and US tax structure of the transactions contemplated by this Offering Circular and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such US tax treatment and tax structure. However, any such information relating to the US tax treatment or tax structure is required to be kept confidential to the extent necessary to comply with any applicable securities law.

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 neither the Company nor the Joint Bookrunners and Joint Lead Managers make any representation as to the accuracy of that information.

In connection with this offering, Morgan Stanley & Co. International plc and J.P. Morgan Securities Ltd., acting as stabilising managers (the "Stabilising Managers") (or persons acting on behalf of any Stabilising Manager), may effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Managers (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 securities 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 persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

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 US 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. None of the Directors (as defined herein) or executive officers of the Company is a resident of the United States and most reside in the UK, and all or a substantial portion of the assets of the Company are located in India. 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 our current expectations, assumptions, estimates and projections about the Company and our 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 our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that, although we believe that the assumptions on which our 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:

- a decline or volatility in the prices of or demand for copper, zinc, aluminium or iron ore or an increase in the supply of copper, zinc, aluminium or iron ore;
- events that could cause a decrease in our production of copper, zinc, aluminium or iron ore;
- unavailability or increased costs of raw materials for our products;
- our actual economically recoverable copper ore, lead-zinc ore, bauxite or iron ore reserves being lower than we have estimated;
- our ability to expand our business, effectively manage our growth or implement our strategies, including our planned entry into the commercial power business;
- our ability to retain our senior management team and hire and retain sufficiently skilled labour to support our operations;
- regulatory, legislative and judicial developments and future regulatory actions and conditions in our operating areas;
- increasing competition in the copper, zinc, aluminium or iron ore industry;
- political or economic instability in India, Zambia or around the region;
- worldwide economic and business conditions;
- our ability to successfully consummate and integrate strategic acquisitions;

- the outcome of any pending or threatened litigation in which we are involved;
- our ability to maintain good relations with our trade unions and avoid strikes and lock-outs;
- our business' future capital requirements and the availability of financing on favourable terms;
- the continuation of tax holidays, exemptions and deferred tax schemes we enjoy;
- changes in tariffs, royalties, customs duties and government assistance; and
- terrorist attacks and other acts of violence, natural disasters and other environmental conditions and outbreaks of infectious diseases and other public health concerns in Zambia, India, Asia and elsewhere.

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

PRESENTATION OF INFORMATION

Presentation of Financial Information

The consolidated financial statements and related notes as of 31 March 2006, 2007 and 2008 and for the fiscal years ended 31 March 2006, 2007 and 2008, included elsewhere in this Offering Circular have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and audited in accordance with International Standards on Auditing (UK and Ireland).

Vedanta adopted IFRS for the first time in its financial statements for the fiscal year ended 31 March 2006, with comparative financial information for the fiscal year ended 31 March 2005. Vedanta had previously prepared its financial information in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP"). In accordance with the transitional provisions of IFRS 1, "First Time Adoption of International Financial Reporting Standards", standards that were effective on 31 March 2006 were applied to determine the opening IFRS balance sheet as of 1 April 2005 and the IFRS financial statements for the two years ended 31 March 2005 and 2006.

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

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 "$", "dollars" or "US dollars" are to the legal currency of the United States; references to "£" are to the legal currency of the United Kingdom; references to "Rs.", "Rupees" or "Indian Rupees" are to the legal currency of India; references to "AUD", "Australian dollars" or "A$" 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 kilogrammes or 2,204.6 lb.

Unless otherwise indicated, the financial information contained in this document 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 Indian Rupees as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") as of 31 March 2008, which was Rs. 40.02 = $1.00 and for cable transfer of Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York as of 31 March 2008, which was AUD 1.10 = $1.00. This Offering Circular presents translation of certain Indian Rupee and Australian dollar amounts into US dollars at the rates specified above solely for the convenience of the readers of this Offering Circular and should not be construed as a representation that the Indian Rupee and Australian dollar amounts could have been or could be converted into US dollars at such rate of exchange. 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

The financial information within this Offering Circular includes the presentation of certain measures that are not defined by IFRS, including EBITDA and earnings per share on underlying profit (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 by investors as an alternative to operating profit or profit on ordinary activities before taxation, or as an alternative to cash flow from operating activities.

EBITDA

We define EBITDA as operating profit before special items, depreciation and amortisation. Our EBITDA may not be comparable to similarly titled measures reported by other companies due to potential inconsistencies in the method of calculation. We have included our EBITDA because we believe it is an indicative measure of our operating performance and is used by investors and analysts to evaluate companies in our industry. Our 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. We believe that the inclusion of supplementary adjustments applied in our presentation of EBITDA are appropriate because we believe it is a more indicative measure of our baseline performance as it excludes certain charges that our management considers to be outside of our core operating results. In addition, our EBITDA is among the primary indicators that our management uses as a basis for planning and forecasting of future periods.

Earnings per Share on Underlying Profit

Earnings per share on underlying profit is defined by the Company as profit for the fiscal year after adding back special items and their resultant tax and minority interest effects divided by the weighted average number of outstanding shares of the Company. Earnings per share on underlying profit is presented as an additional measure of performance because the Company finds this a useful tool to provide a better understanding of the underlying business operational results and its recurring performance. Profit for the year is the closest IFRS measure to underlying profit.

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, profits on disposal of subsidiaries, losses on disposal of non-core business, profit on disposal of non-core assets and losses in respect of obligation on associate.

Basis of Presentation of Reserves

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, we have 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 our 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 Hindustan Zinc Limited's ("HZL") lead-zinc mines were audited by SRK Consulting (UK) Ltd as of the end of March 2008 whilst the ore reserves of Bharat Aluminium Company Limited's ("BALCO") bauxite mines were reviewed as of the end of March 2007 by Steffen Robertson and Kirsten (Australasia) Pty Ltd (collectively "SRK"). The reported ore reserves of Konkola Copper Mines plc's ("KCM") copper mines are derived following an audit of the reserve calculation methodologies used by KCM and interviews of various mine personnel by African Mining Consultants Ltd. ("AMC"), an independent consulting firm. The reported ore reserves of Sesa Goa Limited ("SGL") are derived following an audit of the results and the reserve methodologies by Scott Wilson Roscoe Postle Associates Inc. ("Scott Wilson RPA"), an independent consulting firm. The reported ore reserves of Madras Aluminium Company Limited's ("MALCO") bauxite mines and Copper Mines of Tasmania Pty Ltd's ("CMT") copper mines are derived from management estimates.

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.

We retained SRK to conduct independent reviews of our ore reserve estimates as of 31 March 2008 at the Rampura Agucha, Rajpura Dariba and Zawar lead-zinc mines, as of 31 March 2007 at the Mainpat and Bodai-Daldali bauxite mines, and as of 31 March 2004 at the Sheravoy and Koli Hills bauxite mines. We retained AMC to conduct independent reviews of our ore reserve estimates as of 31 March 2008 at the Konkola copper mine, the Nchanga open-pit ("NOP") and Nchanga underground copper mines and the Nampundwe underground pyrite mine. We retained Scott Wilson RPA to conduct independent reviews of our ore reserve estimates as of 31 March 2008 for iron ore at the Goa open-pit iron ore mines, the A.Narrain open-pit iron ore mine and the Thakurani open-pit iron ore mine. The ore reserve estimates as of 31 March 2008 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. SRK reviewed the ore reserve estimation procedures for Mt. Lyell as of 31 March 2008 while the last independent review of the ore reserve estimate was by SRK Consulting (South Africa) Pty Ltd as of 31 March 2006. The Company has assured SRK that the mine management followed the same procedures in deriving the ore reserve estimate for 31 March 2008 as was followed in 2006.

SRK noted that the geological information at Mt. Lyell and 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. AMC noted that the geological information at the Konkola copper mine is modelled on a proprietary resource model, the NOP copper mine is modelled on Datamine resource models, the Nchanga underground copper mines are modelled on block and computerized analysis and the Nampundwe underground pyrite mine is modelled on paper based sections. Scott Wilson RPA noted that the geological information at the Goa open-pit iron ore mines, the A.Narrain open-pit iron ore mine and the Thakurani open-pit iron ore mine is modelled on proprietary manual methods. SRK, AMC or Scott Wilson 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. Where the ore reserve estimate has been updated by the mine management, the results were not independently reviewed.

As part of the independent reviews, SRK, AMC or Scott Wilson 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, we have identified further mineral deposits as either extensions of or additions to our existing operations that are subject to ongoing exploration and evaluation.

Reserves and Production

In this document, 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. We do not wholly-own certain of our subsidiaries and therefore total reserves and total production include reserves and production, respectively, attributable to third-party interests in controlled subsidiaries.

Certain Conventions

We conduct our businesses through a consolidated group of companies that we have ownership interests in. See “Business — History and Development of the 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 “we”, “us”, “our”, “our consolidated group of companies” or “the Group” mean Vedanta, its consolidated subsidiaries and its predecessors, collectively, including KCM, Sterlite Industries (India) Limited (“Sterlite”), MALCO, BALCO, Monte Cello BV (“Monte Cello”), CMT, Thalanga Copper Mines Pty Ltd (“TCM”), Sterlite Energy Limited (“Sterlite Energy”), Sterlite Opportunities and Ventures Limited (“SOVL”), Vedanta Aluminium Limited (“Vedanta Aluminium”), HZL, SGL and Sesa Industries Limited (“SIL”).

All references to “Executive Directors” in this Offering Circular are to Messrs. Anil Agarwal, Navin Agarwal and Kuldip Kumar Kaura. All references to “Non-executive Directors” in this Offering Circular are to Messrs. Naresh Chandra, Euan R. Macdonald, Aman Mehta and Dr. Shailendra Kumar Tamotia. All references to “Directors” in this Offering Circular are to the Executive Directors and Non-executive directors of the Company.

All references to “our management” are to our Directors, executive officers and senior management team 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 our management.

In this Offering Circular, references to “copper business” are to the business of the Group comprising the copper operations as further described in “Business — Description of the Businesses — Copper Business”; references to “zinc business” are to the business of the Group comprising the zinc operations as further described in “Business — Description of the Businesses — Zinc Business”; references to “aluminium business” are to the business of the Group comprising the aluminium operations as further described in “Business — Description of the Businesses — Aluminium Business”; and references to “iron ore business” are to the business of the Group comprising the iron ore operations as further described in “Business — Description of the Businesses — Iron Ore Business”.

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, zinc or lead concentrate or alumina, as applicable, and do not include sales by producers of recycled metal or imports.

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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 our 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 "Special Note Regarding Forward-Looking Statements".

Summary of Businesses

Vedanta is an LSE-listed diversified FTSE 100 metals and mining company, and is India's largest non-ferrous metals and mining company based on revenue. Our business is principally located in India, one of the fastest growing large economies in the world with a 9.0% increase in real gross domestic product ("GDP") from fiscal 2007 to fiscal 2008, according to Central Statistical Organisation, Ministry of Statistics and Programme Implementation ("CSO"). In addition, we have additional assets and operations in Zambia and Australia. We are primarily engaged in copper, zinc, aluminium and iron ore businesses, and are also developing a commercial power generation business. We have experienced significant growth in recent years through various expansion projects for our copper, zinc and aluminium businesses and our acquisition of SGL in April 2007, which enabled us to enter the iron ore business. Revenue from our businesses increased from $3,701.8 million in fiscal 2006 to $8,203.7 million in fiscal 2008, representing a compound annual growth rate ("CAGR") of 48.9%. We believe our experience in operating and expanding our businesses in India will allow us 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. We believe we are 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 we expect will continue to create strong demand for metals.

Copper. Our copper business is comprised of operations in India, Zambia and Australia. Our Indian copper business is principally one of custom smelting and is operated by Sterlite, while our Zambian copper business is owned and operated by KCM. Brook Hunt projects that we will be the world's eighth largest refined copper producer on a production volume basis in 2008. We own 59.9% of the share capital of Sterlite through Twin Star and MALCO and 79.4% of the share capital of KCM. Sterlite was India's largest metals and mining company based on net sales in fiscal 2008. In addition, we own the Mt. Lyell copper mine in Tasmania, Australia, which provides a small percentage of Sterlite's copper concentrate requirements. Our Zambian operations are comprised of four mines, one at Konkola, two at Nchanga and one at Nampundwe, a tailings leach plant ("TLP") at Nchanga and a smelter at Nkana. Our copper cathode production increased from 436,827 tonnes in fiscal 2006 to 489,782 tonnes in fiscal 2008, representing a CAGR of 5.9%. The production increases, together with higher copper market prices, drove revenue of our copper business from $2,241.3 million in fiscal 2006 to $4,221.9 million in fiscal 2008, representing a CAGR of 37.2%.

Zinc. Our fully integrated zinc business is owned and operated by HZL, India's leading zinc producer with a 79.7% market share by volume of the Indian zinc market in fiscal 2008, according to ILZDA. HZL was the world's fifth largest zinc mining company in 2007 based on mine production and is also one of the top ten lead mining companies by production volume worldwide, according to Brook Hunt. Brook Hunt projects that HZL will be the world's largest integrated zinc mining and smelting company on a production volume basis in 2008. Sterlite indirectly owns 64.9% of the share capital of HZL.

HZL's operations include three lead-zinc mines, three hydrometallurgical zinc smelters, one lead smelter and one lead-zinc smelter in Northwest India and one hydrometallurgical zinc smelter in Southeast India. HZL's zinc production increased from 283,698 tonnes in fiscal 2006 to 426,323 tonnes in fiscal 2008, representing a CAGR of 22.6%. The production increases, together with higher zinc market prices, drove revenue of our zinc business from $875.5 million in fiscal 2006 to $1,941.5 million in fiscal 2008, representing a CAGR of 48.9%.

Aluminium. Our aluminium business is primarily owned and operated by BALCO. Sterlite owns 51.0% of the share capital of BALCO. MALCO and Vedanta Aluminium also contribute to our aluminium business.

We own 80.0% 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. BALCO and MALCO are two of the four primary producers of aluminium in India and together had a 31.0% primary market share by volume in India in fiscal 2008, according to Aluminum Association of India ("AAI"). BALCO increased its production of ingots, rods and rolled products from 173,743 tonnes in fiscal 2006 to 358,670 tonnes in fiscal 2008, representing a CAGR of 43.7%. MALCO's aluminium operations are comprised of two bauxite mines and the Mettur Dam alumina refining and aluminium smelting complex with a captive power plant and fabrication facility, all of which are located in the State of Tamil Nadu in Southern India. MALCO increased its production of ingots and rods from 36,718 tonnes in fiscal 2006 to 37,635 tonnes in fiscal 2008.

In addition, we are expanding our aluminium business through Vedanta Aluminium. In March 2007, Vedanta Aluminium began the progressive commissioning of a 1.0 mtpa greenfield alumina refinery project and an associated 75 MW captive power plant, expandable to 1.4 mtpa and 90 MW, respectively, subject to governmental approval, at Lanjigarh in the State of Orissa. Vedanta Aluminium is also building a greenfield 500,000 tpa aluminium smelter, together with an associated 1,215 MW captive power plant, in Jharsuguda in the State of Orissa, in two phases of 250,000 tpa each. Commissioning of the first phase commenced in May 2008, and we expect the second phase to begin commissioning by the end of 2010, subject to receipt of governmental approvals.

Iron ore. Our iron ore business is owned and operated by SGL, India's largest producer-exporter of iron ore in the private sector by volume in fiscal 2007, according to the Federation of Indian Mineral Industries. In April 2007, we acquired 51.2% of the share ownership in SGL, which owns 88.3% of the share capital of SIL. SGL is engaged in the exploration, mining and processing of iron ore. SGL owns or has the rights to proved and probable reserves which consist of an estimated 180.5 million tonnes of iron ore at an average grade of 61.1%. In fiscal 2008, SGL produced approximately 12.4 million tonnes of iron ore fines and lumps, of which 11.5 million tonnes was produced after our acquisition of SGL in April 2007. SGL's mining operations are carried out in the Indian States of Goa, Karnataka and Orissa. In addition, SGL manufactures pig iron and metallurgical coke. Revenue of our iron ore business for the post-acquisition period of eleven months ended 31 March 2008 was $888.9 million.

Commercial Power Generation Business. We are developing a commercial power generation business in India that leverages our experience in building and managing captive power plants that support our primary businesses. As of 31 March 2008, the total power generation capacity of our ten captive power plants and wind power plants was 1,383 MW, including four thermal coal-based captive power plants with a total power generation capacity of 849 MW that we built within the last four years.

The Group is headquartered in London and had approximately 28,400 employees worldwide as of 31 March 2008.

Key Strengths

We believe that we have the following competitive strengths:

- A leading diversified and the largest non-ferrous metals and mining company in India;
- High quality assets and resources making us a low-cost producer;
- Industry-leading growth profile;
- Ideally positioned to capitalise on India's growth and resource potential;
- Entrepreneurial management team with outstanding track record; and
- Ability and capacity to finance world-class projects through strong cash flow and prudent financial policies.

Strategy

Our strategic goal is to create a world-class metals and mining company and to generate strong financial returns. Our strategy is based on the following four key pillars:

- Continuing focus on asset optimisation and reducing the cost of production;
- Increasing our capacities through greenfield and brownfield projects;
- Consolidating our corporate structure and increasing our direct ownership of our underlying businesses to derive additional synergies as an integrated group; and
- Seeking further growth and acquisition opportunities where we can leverage our transactional, project execution and operational skills and experience.

Recent Developments

On 30 May 2008, Sterlite and Asarco LLC ("Asarco"), a US based mining, smelting and refining company, signed a definitive agreement for the sale to Sterlite of substantially all the operating assets of Asarco for $2.6 billion in cash following an auction process. The agreement is subject to the approval of the US Bankruptcy Court for the Southern District of Texas, Corpus Christi Division before which Asarco has been in reorganisation proceedings under Chapter 11 of the US Bankruptcy Code. There can, however, be no assurance that court approval will be obtained or that the proposed sale will be concluded.

Two parties that were also bidders in the auction process have filed petitions objecting to the proposed sale to Sterlite before the US Bankruptcy Court. On 12 and 13 June 2008, there were court hearings regarding the sale process. The Company is unable to predict the outcome of the petitions.

Asarco, formerly known as American Smelting and Refining Company, is over 100 years old and is currently the third largest copper producer in the United States. It produced 235,000 tonnes of refined copper in 2007. Asarco's mines currently have estimated reserves of approximately five million tonnes of contained copper. For the year ended 31 December 2007, Asarco had total revenues of approximately $1.9 billion. The integrated assets proposed to be acquired by Sterlite include three open-pit copper mines and a copper smelter in the state of Arizona in the US and a copper refinery, rod and cake plant and precious metals plant located in the state of Texas in the US. Sterlite will assume Asarco's operating liabilities, but not the legacy liabilities for asbestos and environmental claims for Asarco's ceased operations.

Sterlite plans to finance the acquisition through a mix of debt and existing cash resources.

We believe that Asarco will be a strategic fit with Sterlite's existing copper business by:

- leveraging Sterlite's operational and project execution skills to develop and optimise Asarco's mines and plants;
- providing access to attractive mining assets with a long life;
- providing geographic diversification through entry into the North American market; and
- providing a stable operating and financial platform for Asarco.

About Vedanta

The Company 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, the Company changed its name to Vedanta Resources Limited. On 20 November 2003, the Company 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 the Company operates is the Companies Act.

The registered office of the Company is Hill House, 1 Little New Street, London EC4A 3TR. The head office of the Company is at 16 Berkeley Street, Mayfair, London W1J 8DZ, telephone number +44 (020) 7499-5900. Our website address is www.vedantaresources.com. **Information on the Company's website does not constitute a part of this Offering Circular.**

Ratio of Earnings to Fixed Charges

The following table sets forth our ratio of earnings to fixed charges for the periods indicated.

Year Ended 31 March		
2006	2007	2008
5.73	12.77	12.87

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. This summary is derived from, and should be read in conjunction with, the full text of the Terms and Conditions of the Bonds (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.

Company	Vedanta Resources plc.
Issue	\$500,000,000 8.75% Bonds due 2014; and \$750,000,000 9.50% Bonds due 2018.
Issue Price	The 2014 Bonds will be issued at 100% of their principal amount, plus accrued interest, if any, from the Closing Date; and the 2018 Bonds will be issued at 100% of their principal amount, plus accrued interest, if any, from the Closing Date.
Maturity Date	The 2014 Bonds will mature on 15 January 2014; and the 2018 Bonds will mature on 18 July 2018.
Interest	The 2014 Bonds will bear interest at the rate of 8.75% per annum; and the 2018 Bonds will bear interest at the rate of 9.50% per annum. The 2014 Bonds will bear interest from the Closing Date, payable semi-annually in arrears on 15 January and 15 July of each year, commencing 15 January 2009. The 2018 Bonds will bear interest from the Closing Date, payable semi-annually in arrears on 18 January and 18 July of each year, commencing 18 January 2009.
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 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 held by Vedanta's subsidiaries".
Form and Denomination of the Bonds	The Bonds will be issued in registered form in the denomination of \$100,000 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.
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	The Bonds have been rated "Ba1" by Moody's, "BB" by Standard & Poor's and "BB+" by 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.
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 on 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".
Trust Deed	The Bonds will be issued under the trust deed to be dated on or about 2 July 2008 between the Company and the Trustee (as defined below).
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 herein) applicable to the Bonds of that series as of, plus accrued and unpaid interest, if any, to, the redemption 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.
Repurchase of Bonds upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event (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.
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".
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".
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 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.
Trustee	Deutsche Trustee Company Limited
Principal Agent	Deutsche Bank Trust Company Americas
Registrar	Deutsche Bank Trust Company Americas
Governing Law	The Bonds and the Trust Deed will be governed by, and construed in accordance with, English law.
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".
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 Bookrunners 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 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".	
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 approximately $1.24 billion. We intend to use the net proceeds from this offering for, among other things, capital expenditures, working capital, repayment or redemption of existing debt and other general corporate purposes. Pending their use, we intend to invest the net proceeds in high quality interest-bearing investments. See "Use of Proceeds."	
Identification Numbers for the Bonds	*Regulation S Bonds*	*Rule 144A Bonds*
2014 Bonds	CUSIP: G9328DAE0 ISIN: USG9328DAE07 Common Code: 037368571	CUSIP: 92241TAE2 ISIN: US92241TAE29 Common Code: 037368709
2018 Bonds	CUSIP: G9328DAD2 ISIN: USG9328DAD24 Common Code: 037368652	CUSIP: 92241TAD4 ISIN: US92241TAD46 Common Code: 037368750

Prospective purchasers should refer to the section entitled "Risk Factors" beginning on page 11 for a discussion of certain risks involved in investing in the Bonds.

Summary Consolidated Financial Information

The summary historical consolidated financial information for the Company as of 31 March 2006, 2007 and 2008 and for the fiscal years ended 31 March 2006, 2007 and 2008 has been derived from the consolidated financial statements of the Company included elsewhere in the Offering Circular and audited by Deloitte & Touche LLP of Hill House, 1 Little New Street, London EC4A 3TR, independent auditors. Our consolidated financial statements have been prepared and presented in accordance with IFRS. Our historical results do not necessarily indicate our expected results for any future period. You should read the following information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes thereto included elsewhere in this Offering Circular.

Consolidated Income Statement

	Year Ended 31 March		
	2006	2007	2008
		($ million)	
Continuing operations			
Revenue	$ 3,701.8	$ 6,502.2	$ 8,203.7
Cost of sales	(2,591.4)	(3,840.4)	(5,317.8)
Gross profit	**$ 1,110.4**	**$ 2,661.8**	**$ 2,885.9**
Other operating income	41.5	102.1	86.8
Distribution costs	(81.1)	(106.7)	(170.1)
Administrative expenses	(127.0)	(149.6)	(221.3)
Administrative expenses — special items	—	(1.7)	11.1
Operating profit	**$ 943.8**	**$ 2,505.9**	**$ 2,592.4**
Investment revenue	51.6	127.5	321.4
Finance costs	(59.3)	(147.7)	(150.6)
Share of loss of associate	(1.4)	(1.3)	—
Profit before taxation	**$ 934.7**	**$ 2,484.4**	**$ 2,763.2**
Tax expense	(280.4)	(672.7)	(757.7)
Profit for the year	**$ 654.3**	**$ 1,811.7**	**$ 2,005.5**
Attributable to:			
Equity holders of the parent	373.5	934.2	879.0
Minority interests	280.8	877.5	1,126.5
	$ 654.3	**$ 1,811.7**	**$ 2,005.5**
EBITDA[(1)]	$ 1,101.5	$ 2,703.0	$ 3,010.4

(1) We define EBITDA as operating profit before special items, depreciation and amortisation. Our EBITDA may not be comparable to similarly titled measures reported by other companies due to potential inconsistencies in the method of calculation. We have included our EBITDA because we believe it is an indicative measure of our operating performance and is used by investors and analysts to evaluate companies in our industry. Our 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. We believe that the inclusion of supplementary adjustments applied in our presentation of EBITDA are appropriate because we believe it is a more indicative measure of our baseline performance as it excludes certain charges that our management considers to be outside of our core operating results. In addition, our

EBITDA is among the primary indicators that our management uses as a basis for planning and forecasting of future periods. The following table reconciles operating profit to EBITDA:

	Year Ended 31 March		
	2006	2007	2008
		($ million)	
Operating profit	$ 943.8	$2,505.9	$2,592.4
Plus:			
Depreciation	157.7	195.4	429.1
Special items	—	1.7	(11.1)
EBITDA	**$1,101.5**	**$2,703.0**	**$3,010.4**

Consolidated Balance Sheet Data

	As of 31 March		
	2006	2007	2008
		($ million)	
Cash and cash equivalents	$ 1,847.3	$1,584.8	$ 458.2
Liquid investments	244.4	600.4	4,648.5
Total assets	6,235.1	8,071.7	16,036.1
Short-term borrowings	(239.8)	(249.1)	(1,417.2)
Medium and long-term borrowings	(1,236.0)	(879.3)	(956.0)
Convertible bonds	(600.4)	(598.4)	(600.9)
Total equity	2,338.8	4,151.4	9,207.7

Consolidated Cash Flow Data

	Year Ended 31 March		
	2006	2007	2008
		($ million)	
Net cash from operating activities	$ 632.2	$ 1,522.5	$ 2,232.9
Net cash used in investing activities	(671.0)	(1,534.1)	(6,315.7)
Net cash from/(used in) financing activities	727.2	(299.6)	2,919.8
Purchases of property, plant and equipment	(656.2)	(1,154.5)	(1,744.8)

RISK FACTORS

This Offering Circular contains forward-looking statements that involve risks and uncertainties. Our 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 us and our business before investing in the Bonds. If any of the following risks actually occur, our 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 Group

If our planned expansions and new projects are delayed, our results of operations and financial condition may be materially and adversely affected.

We have a number of significant expansions planned for our existing operations and plans for new greenfield projects, which involve significant capital expenditure. See "Business — Description of the Businesses". 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. We do not have all of the leases, licences, permits, consents and approvals that are or will be required for our planned expansions and new projects, including but not limited to, the second phase of the greenfield 500,000 tpa aluminium smelter, together with its associated captive power plant in Jharsuguda, and the bauxite mine in Orissa. See "Business — Description of the Businesses — Aluminium Business — Introduction"; "Business — Description of the Businesses — Iron Ore Business — Introduction"; "Business — Description of the Businesses — Aluminium Business — Projects and developments — Lanjigarh alumina refinery"; "Business — Description of the Businesses — Aluminium Business — Projects and developments — Jharsuguda aluminium smelter" and "Business — Description of the Businesses — Zinc Business — Projects and developments". Any delay in completing planned expansions, revocation of existing clearances, suspension of current projects or cost overruns or operational difficulties once the projects are commissioned may have a material adverse effect on our business, results of operations or financial condition. Any delay in completing planned expansions could also adversely affect our credit ratings.

Our planned and future expansions and acquisitions are dependent upon our ability to obtain funding.

We require capital for, among other purposes, expanding our operations, making acquisitions, managing acquired assets, acquiring new equipment, maintaining the condition of our existing equipment and maintaining compliance with environmental laws and regulations. To the extent that cash generated internally and cash available under our existing credit facilities are not sufficient to fund our capital requirements, we 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 our businesses and operations. In addition, future debt financing may limit our ability to withstand competitive pressures and render our businesses more vulnerable to economic downturns. If we fail to generate or obtain sufficient additional capital in the future, we could be forced to reduce or delay capital expenditures, sell assets or restructure or refinance our indebtedness.

Accordingly, our planned and any proposed future expansions and projects may be materially and adversely affected if we are 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 our existing facilities becoming repayable before their due dates. In addition, there can be no assurance that our planned or any proposed future expansions and projects will be completed on time or within budget, which may adversely affect our cash flow. See "Business — Our Strategy — Increasing our capacities through greenfield and brownfield projects".

We intend to develop a commercial power generation business, a line of business in which we have limited experience, from which we may never recover our investment or realise a profit and which may result in our management's focus being diverted from our core copper, zinc, aluminium and iron ore businesses.

Our indirectly owned subsidiary, Sterlite Energy, is investing approximately $1,900.0 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. Commissioning of this project will be carried out in stages and is expected to begin in December 2009.

BALCO entered into a memorandum of understanding in October 2006 with the Government of Chhattisgarh, India and the Chhattisgarh State Electricity Board ("CSEB") to build a thermal coal-based 1,200 MW power facility, along with an integrated coal mine, in the State of Chhattisgarh. The memorandum of understanding is valid up to 31 August 2008. BALCO has applied to the Government of Chhattisgarh, India for an amendment to the memorandum of understanding extending its validity and permitting its assignment to associates, affiliates and parent companies of BALCO. The application is pending. BALCO subsequently entered into engineering, procurement and construction contracts with SEPCO Electric Power Construction Corporation in relation to this project. See "Business — Description of the Businesses — Future Commercial Power Generation Business — Our plans for commercial power generation".

In addition, HZL's board of directors has approved the establishment of wind power plants with a combined capacity of up to 300 MW at an estimated cost of Rs. 16,000 million ($399.8 million). It has entered into contracts aggregating Rs. 6,006 million ($150.1 million) for the construction of wind power plants with a combined power generation capacity of 123.2 MW in the States of Gujarat and Karnataka in India. Wind power plants totalling 107.2 MW have been commissioned as of March 2008 and another 16 MW wind power plant is expected to be commissioned by mid-2008, increasing our total capacity to 123.2 MW.

Although we have some experience in building and managing captive power plants to provide a significant percentage of the power requirements of our copper, zinc and aluminium businesses and have commissioned wind power plants, we have limited experience in building, operating, managing and competing in the commercial power generation business. In addition to the significant capital investment, our management's focus will be required for this new business. Additionally, we will be competing with established commercial power generation companies.

In particular, our proposed commercial power generation business involves various risks, such as:

- We face many uncertainties, including regulatory requirements and restrictions which may change prior to completion of our planned power facilities. These may include a change in the tariff policy, which may have an adverse impact on our revenues and reduce our margins. We may also face delays in the development of our power plants and any coal mines we may seek to develop. Coal and power companies in India and Southeast Asia, including us, have recently experienced delays as a result of protests or other obstructive or delaying activities by displaced persons and others who may oppose such developments.

- We will be dependent upon 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 we generate, which will be beyond our control.

- We may not receive the coal block allocations that we expect or we may not be allowed to use such allocations for our commercial power generation business. Any coal block allocations that we receive may not be sufficient for our planned operations and, given recent shortages in coal supplies in India due to inadequate coal mining capacity, we may also not be successful at procuring sufficient supply of coal at economically attractive prices, or at all, for our power plants to operate and generate a return on our investment. For example, starting in April 2005, a shortage of coal led Coal India Limited ("Coal India") to reduce the amount of coal supplied to all of its non-utility customers, including BALCO. Additionally, the coal block allocation letters contain certain restrictive covenants which we are subject to, including specified end use, processing of middlings and submission of mining plan within a certain specified period. See "— Operating Risks — Our 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 our business, results of operations and financial condition".

There can be no assurance that we will recover our investment in this new business, that we will realise a profit from this new business or that diverting our management's attention to this new business will not have a material adverse effect on our existing copper, zinc, aluminium and iron ore businesses, any of which outcomes may have a material adverse effect on our business, results of operations, financial condition and prospects.

Our growth strategy to pursue business acquisitions entails numerous risks.

As part of our growth strategy, we intend to continue to pursue acquisitions to expand our business. There can be no assurance that we 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 our 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 the prior approval of the Reserve Bank of India ("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 our operating results, diversion of management's attention, 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 our business, results of operations or financial condition.

Third-party interests in our subsidiary companies and restrictions due to stock exchange listings of our subsidiary companies will restrict our ability to deal freely with our subsidiaries which may have a material adverse effect on our operations.

Vedanta does not wholly own any of its operating subsidiaries. Although Vedanta has direct or indirect management control of Sterlite, BALCO, MALCO, HZL, SGL, KCM, CMT and SIL and intends to increase its stake in certain of its subsidiaries, each of these companies has other shareholders who, in some cases, hold substantial interests in them. As a result of the minority interests in our subsidiaries and affiliates and the Indian and/or New York stock exchange listings of Sterlite, MALCO, HZL, India Foils Limited ("IFL") and SGL, these subsidiaries may be subject to additional legal or regulatory requirements, or we 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 (either under shareholders' agreements or by operation of law). The existence of minority or other interests in, and stock exchange listings of, our subsidiaries may limit our ability to increase our equity interests in these subsidiaries, combine similar operations, utilise synergies that may exist between the operations of different subsidiaries or reorganise the structure of our business in a tax efficient manner. For example, the Government of India, which is a minority shareholder in each of HZL and BALCO, has entered into shareholders' agreements for HZL and BALCO which restrict HZL and BALCO from granting loans to companies which are under the same management as HZL or BALCO, as the case may be, without the prior consent of the Government of India. In addition, the Government of India has the right to appoint directors and has veto power over certain management decisions. These restrictions on our ability to deal freely with our subsidiaries may have a material adverse effect on our operations or our ability to make payments of interest and principal on the Bonds as our ability to move funds among the different parts of our business will be restricted and we will be unable to access cash held in HZL or BALCO except through dividend payments by HZL and BALCO to all shareholders.

Further, pursuant to the requirements for the continued listing of the shares of HZL on the National Stock Exchange of India Limited ("NSE") and the Bombay Stock Exchange Limited ("BSE"), in the event Sterlite, through SOVL, exercises its call option to acquire the Government of India'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 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 adversely impact our financial condition and results of operations. See "Business — Options to Increase Interests in HZL, BALCO and KCM — HZL Call Options".

Additionally, we acquired an 80% interest in MALCO as part of MALCO's financial restructuring in 1995. However, pursuant to the circular issued by the Securities and Exchange Board of India ("SEBI") on 13 April 2006, MALCO is required to maintain a minimum public shareholding of 25.0% of the total paid up equity share capital on a continuous basis within two years from 1 May 2006, which may be extended by a further period of one year provided such extension has been granted by the stock exchanges pursuant to an application made. Though an application has been made to the BSE and the NSE for such extension, MALCO is yet to receive any such approval from the stock exchanges for the extension of the time period by one year. Failure to receive an extension, in time or at all, may result in the imposition of penalties. We may be required to dilute our interest to 75.0% of the total paid up equity share capital of MALCO or delist MALCO's shares from the BSE and the NSE by making an offer to purchase the equity shares held by the remaining MALCO shareholders at a price determined by way of a reverse book-build process, which could adversely impact our financial condition and results of operations.

If any power facilities we build and operate as part of our future commercial power generation business do not meet operating performance requirements and agreed norms as may be set out in our agreements, or otherwise do not operate as planned, we may incur increased costs and penalties and our results of operations may be adversely affected.

Operating power plants involves many operational risks, including the breakdown or failure of generation equipment or other equipment or processes, labour disputes, fuel interruption and operating performance below expected levels. However, the power purchase agreements and other agreements we have and we may enter into may require us to guarantee certain minimum performance standards, such as plant availability and generation capacity, to the power purchasers. If our facilities do not meet the required performance standards, the power purchasers may not reimburse us for any increased costs arising as a result of our plants' failure to operate within the agreed norms, which in turn may adversely affect our results of operations. In addition to the performance requirements specified in our power purchase and other agreements, national and state regulatory bodies and other statutory and government mandated authorities may from time to time impose minimum performance standards upon our facilities. Failure to meet these requirements could expose us to the risk of penalties.

We are subject to restrictive covenants under our credit facilities including term loans and working capital facilities that limit our flexibility in managing our business.

There are restrictive covenants in the agreements we have entered into with certain banks and financial institutions for our borrowings. These restrictive covenants require us to maintain certain financial ratios and seek the prior permission of these banks and financial institutions for various activities, including, among others, change in 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 our operations or ability to expand and may adversely affect our business.

Operating Risks

Our copper and aluminium businesses depend upon third-party suppliers for a substantial portion of our copper concentrate and alumina requirements, and our segment results and segment margins depend upon the market prices for those raw materials.

Our copper and aluminium businesses source a majority of their copper concentrate and alumina requirements from third parties. For example, in fiscal 2008, Sterlite sourced 92.3% of its copper requirements, and BALCO sourced 61.5% of its alumina requirements, from third parties. As a result, segment results and segment margins of our copper and aluminium businesses depend upon our 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 we sell.

We purchase copper concentrate at the LME price for copper metal for the relevant quotational period less a treatment charge and refining charge ("TcRc") that we negotiate with our suppliers, but which is influenced by the prevailing market rate for the TcRc. The TcRc has historically fluctuated independently and significantly from the copper LME price. We attempt to make the LME price a pass through for us as both our copper concentrate purchases and sales of finished products are based on LME prices. Nevertheless, we are exposed to differences in the LME price between the quotational periods for the purchase of copper concentrate and sale of the finished copper products, and any decline in the copper LME price between these periods will adversely affect us. We attempt to mitigate such risks by hedging against price fluctuations, but are still exposed to timing and quantity mismatches. In addition, some of our long-term copper concentrate supply agreements provide for a TcRc that is a percentage of the prevailing LME price, and hence would fluctuate with the LME price, or provide our third-party supplier with price participation terms linked to LME prices. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Results of Operations — Commodity Prices — Metal prices and copper TcRc".

We purchase alumina from third-party suppliers through short-term contracts and on the spot market. The market price for alumina has historically fluctuated independently and significantly from the market price of aluminium. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Results of Operations — Commodity Prices — Metal prices and copper TcRc — Zinc and aluminium".

Both the market prices of the copper concentrate and alumina that we purchase and the market prices of the copper and aluminium metals that we sell have experienced volatility in the past, and any increases in the market prices of those raw materials relative to the market prices of the metals that we sell would adversely affect the segment results and segment margins of our copper and aluminium businesses, which could have a material and adverse effect on our results of operations and financial condition.

Our 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 our business, results of operations and financial condition.

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

- *Disruptions in mining and production due to equipment failures, unexpected maintenance problems and other interruptions.* All of our operations are vulnerable to disruptions. Metal processing plants are especially vulnerable to interruptions, particularly where an event causes a stoppage which necessitates a shutdown in operations. Stoppages in certain types of our 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 our results of operations or financial condition. For example, power interruptions caused BALCO to partially suspend operations at its 245,000 tpa aluminium smelter at Korba in May 2006, and as a result of this interruption, the smelter did not become fully operational again until November 2006. KCM's production suffered a setback in January 2008 due to a power grid failure throughout the Southern African region, which took three weeks to progressively restore. The losses from such interruptions can include lost production, repair costs and other expenses.

- *Availability of raw materials for energy requirements.* Any shortage of or increase in the prices of the raw materials needed to satisfy our energy requirements may interrupt our operations or increase our cost of production. We are particularly dependent on coal which is used in many of our captive power plants. Our 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. A shortage of coal from April 2005 led Coal India to reduce the amount of coal supplied to all of its non-utility customers, including BALCO. As a result, BALCO was forced to utilise higher-priced imported coal, which resulted in higher power generation costs.

- *Availability of water.* The mining operations of our zinc and aluminium businesses and our captive power plants depend upon the supply of a significant amount of water. There is no assurance that the water required for our operations will continue to be available in sufficient quantities or that the cost of water will not increase. For example, BALCO is currently in a dispute with the National Thermal Power Corporation Limited ("NTPC") regarding the right of way for a water pipeline that provides one of BALCO's captive power plants access to a body of water adjacent to NTPC premises. An unfavourable resolution to this dispute may significantly increase BALCO's costs of obtaining water for that power plant.

- *Disruptions to or increased costs of transport services.* We depend upon seaborne freight, rail, trucking, overland conveyor and other systems to deliver bauxite, alumina, zinc concentrate, copper concentrate, coal and other supplies to our operations and to deliver our 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 our competitors or from other businesses, or any failure of these transport services to be expanded in a timely manner to support an expansion of our operations, could have a material adverse effect on our business, results of operations and financial condition.

- *Accidents at mines, smelters, refineries, cargo terminals and related facilities.* Any fires, flooding, explosions or other accidents causing personal injury, property damage or environmental damage at or to our 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. Risks associated with our open-pit mining operations include flooding of the open-pit, collapses of the open-pit wall and operation of large equipment for open-pit mining and rock transportation. Risks associated with our underground mining operations include underground fires and explosions (including those caused by flammable gas), cave-ins or ground falls, discharges of gases or toxic chemicals, flooding, sinkhole formation and ground subsidence. Injuries to and deaths of workers at our mines and facilities have occurred in the past and may occur in the future. In fiscal 2007, a few fatalities occurred at certain of the Group's subsidiaries. A number of initiatives were introduced to improve safety performance as a result of these fatalities. Nevertheless, a third-party safety audit report in February 2008 noted that the fire hydrant system at BALCO's Korba Plant I is not reliable or adequately equipped.

- *Strikes and industrial actions or disputes.* The majority of our 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 example, the trade unions of BALCO initiated a 67-day-long strike in May 2001 in opposition to the divestment of equity shares of BALCO by the Government of India. In the past we have also experienced short strikes and work stoppages. In addition, our businesses may be subject to union demands and litigation for pay raises and increased benefits, and existing arrangements with trade unions may not be renewed on terms favourable to us, or at all. The wage settlement agreements entered into by BALCO, MALCO and their respective unions will be due for renewal on 1 April 2009 and 31 January 2009, respectively. HZL is currently in negotiations to renew its wage settlement agreements with its unions and work is therefore ongoing at HZL without a collective agreement. KCM's current collective agreement runs from 1 July 2007 until 30 June 2008. KCM has commenced negotiations with a view to entering into a new collective agreement with the unionised workers after 30 June 2008. Generally, these collective agreements have historically been for one-year terms, and each year involves a process of negotiation during which time, although no current collective agreement is in effect, work is continued under the most recently expired collective agreement. Negotiations on collective agreements with unionised workers at KCM have been characterised by demands from the unions for high wage increases followed by settlement at a more reasonable (and predictable) wage increase level. In July 2005, there was a nine-day strike over wages accompanied by protests and destruction of KCM property. However, KCM subsequently signed collective bargaining agreements in 2005, 2006 and 2007 without further strikes by or disputes with the unions. SGL has employees in three different unions and two of its current wage settlements expired in March 2008 and are currently under negotiation for renewal, and the third is valid until February 2009. These unions have submitted their lists of demands and SGL is currently undergoing negotiations with them. SGL's wage settlements are generally good for a period of four to five years. There can be no assurance that work stoppages or other labour-related developments (including the introduction of new labour regulations in India, Australia or Zambia) will not adversely affect our results of operations or financial condition.

- *Operating risks and hazards.* Our businesses are subject to numerous operating risks which include: unexpected geological features or unexpected seismic activity; climatic conditions such as flooding or drought; industrial action or disputes; tribal action or protests; environmental hazards; and technical failures. These risks and hazards could result in damage to, or destruction of, properties or production facilities, may cause production to be reduced or cease at those properties or production facilities, may result in personal injury, environmental damage, business interruption and possible legal liability and may result in actual production differing from estimates of production, including those contained in this document (whether expressly or by implication).

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

Our zinc business is substantially dependent upon the Rampura Agucha lead-zinc mine, and any interruption in the operations at that mine could have a material adverse effect on our results of operations and financial condition.

The Rampura Agucha lead-zinc mine produced 88.8% of the total mined metal in zinc concentrate that we produced in fiscal 2008 and constituted 90.9% of our proved and probable zinc reserves as of 31 March 2008. Our zinc business provided 51.4% of our operating profit in fiscal 2008. Our 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 our results of operations and financial condition. See "Business — Litigation."

If we 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, our profitability and operating margins could decline.

If our existing copper, zinc and bauxite reserves cannot be mined at competitive costs or if we cannot secure additional reserves that can be mined at competitive costs, we may become more dependent upon third parties for copper concentrate, zinc concentrate and alumina. If our existing iron ore reserves cannot be mined at competitive costs, our iron ore business may become unprofitable. Because our mineral reserves decline as we mine the ore, our future segment results and segment margins depend upon our 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.

We may not be able to accurately assess the geological characteristics of any reserves that we acquire, which may adversely affect our results of operations and financial condition. Because the value of reserves depends on that part of our 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 we obtain 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 our operating results that is disproportionate to the percentage of overall production represented by such mines. Further, with depletion of reserves, we may face higher unit extraction costs per mine.

Our ability to obtain additional reserves in the future could be limited by restrictions under our existing or future debt agreements, competition from other copper, zinc, aluminium and iron ore companies, lack of suitable acquisition candidates, government regulatory and licensing 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, we are subject to various government limitations on our ability to mine. To increase production from our existing copper, bauxite, lead-zinc and iron ore mines, we must apply for governmental approvals which we may not be able to obtain in a timely manner, or at all.

Our insurance coverage may prove inadequate to satisfy future claims against us.

We maintain insurance which we believe is typical in our industries and in amounts which we believe to be commercially appropriate. Nevertheless, we may become subject to liabilities, including liabilities for pollution or other hazards, against which we have not insured adequately or at all, or cannot insure. Our insurance policies contain certain exclusions and limitations on coverage which may result in our claims not being honoured to the extent of the losses or damages suffered by us. In addition, our insurance policies may not continue to be available at economically acceptable premiums, or at all. Our insurance coverage may not cover the extent of any claims against us, including for environmental or industrial accidents or pollution. 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 our results of operations or financial condition. See "Business — Insurance".

Currency fluctuations among the Indian Rupee, the Australian dollar, the Zambian Kwacha and the US dollar could have a material adverse effect on our results of operations.

Although substantially all of our revenue is tied to commodity prices that are typically priced by reference to the US dollar, most of our expenses are incurred and paid in Indian Rupees and, to a lesser extent, the Australian dollar and Zambian Kwacha. In addition, in fiscal 2008, 53.7% of our revenue was derived from commodities that we sold to customers outside India. The exchange rates between the Indian 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. Our results of operations or financial condition could be adversely affected if the US dollar depreciates against the Indian Rupee, Australian dollar or Zambian Kwacha. We seek to mitigate the impact of short-term movements in currency on our businesses by hedging our short term exposures progressively based on their maturity. However, large or prolonged movements in exchange rates may have a material adverse effect on our results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations.

We depend on the experience and management skill of certain of our key employees.

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

Litigation

The validity of the Government of India's divestment of 64.9% of HZL to Sterlite is currently pending adjudication and Sterlite's option to purchase the Government of India's remaining shares in HZL may be challenged.

A public interest litigation was filed in 2003 against the Government of India, HZL, SOVL and others, challenging the Government of India's divestment of 64.9% of HZL to Sterlite. This public interest litigation proceeds on the same grounds as a prior decision of the Supreme Court of India, which held that the Government of India could not divest its shares in companies with assets vested pursuant to an Act of Parliament without first repealing or amending the applicable Act of Parliament.

The Supreme Court of India has directed that all pending challenges to divestments of government-owned companies be heard together by a larger bench of the Supreme Court of India. No date has been set for such a hearing.

There can be no assurance that Sterlite will successfully defend the challenge to the Government of India's divestment of shares in HZL or that a challenge will not be made to any future divestment of shares in HZL by the Government of India. Even if Sterlite seeks to exercise its call option to acquire the Government of India's remaining ownership interest in HZL subject to the transfer of 3.5% of the equity share capital to the employees of HZL, there can be no assurance that such an acquisition by Sterlite will not be challenged, including a challenge on the grounds of our existing litigation with respect to the Government of India's prior divestments of HZL to us or a challenge on the same grounds as those raised in respect of our exercise of the BALCO call option discussed below. Any adverse ruling may undermine Sterlite's ownership and control of HZL or preclude or delay Sterlite from exercising its option to increase its ownership interest in HZL, either of which outcomes would be likely to have a material adverse effect upon Sterlite's operational flexibility, results of operations and prospects. Alternatively, Sterlite may only be able to acquire the Government of India's remaining ownership interest in HZL at a price in excess of the market value or fair value of those shares, which could have a material adverse effect on our results of operations and financial condition. See "Business — Options to Increase Interests in HZL, BALCO and KCM — HZL Call Options".

In addition, there can be no assurance that the Government of India will not undertake a public offer of its shares, which it has the right to do, and complete the public offer before we exercise our call option.

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

Under the terms of the shareholders' agreement between Sterlite and the Government of India, Sterlite was granted an option to acquire the shares of BALCO held by the Government of India at the time of exercise. Sterlite exercised this option on 19 March 2004. However, the Government of India has contested the purchase price and validity of the option. Sterlite has 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. However, the court directed on 7 August 2006 that the parties attempt to settle the dispute by way of amicable negotiation. 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. As directed by the court, mediation proceedings have begun and both the

Government of India and Sterlite have appointed independent mediators. In the event that mediation fails, Sterlite can seek arbitration. Notwithstanding the outcome of the dispute, the Government of India retains the right and has expressed an intention to sell 5.0% of BALCO to BALCO employees. See "Business — Options to Increase Interests in HZL, BALCO and KCM".

There is no assurance that the outcome of the negotiations will be favourable to us. In the event of an unfavourable outcome, Sterlite may be unable to purchase the Government of India's remaining 49.0% stake in BALCO or may be required to pay a higher purchase price, which may adversely affect our operational flexibility, results of operations and prospects.

Appeal proceedings in the High Court of Bombay have been brought by SEBI to overrule a decision by the Securities Appellate Tribunal ("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 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.

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 the 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 we allegedly controlled to enable its associate to purchase Sterlite's shares, as part of a connected price manipulation exercise.

In the event the High Court of Bombay decides the above matters unfavourably against Sterlite, it may be prohibited from accessing the capital markets for a period of two years and/or may become liable to pay penalties. Further, certain of Sterlite's key officers and directors may be imprisoned, which would have an adverse effect on our business and operations.

In addition to the civil proceedings, SEBI also initiated criminal proceedings before the Court of the Metropolitan Magistrate, Mumbai, against Sterlite, our Non-Executive Chairman, Mr. Anil Agarwal, Sterlite's Director — 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 quash 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 at the stage of final arguments. The next date of hearing has not yet been notified. If Sterlite and the individuals named in the criminal proceedings do not prevail before the High Court of Bombay, our business and operations may be materially and adversely affected.

The Government of India may allege a breach of a covenant by our subsidiary SOVL which may result in substantial litigation and serious financial harm to our business, results of operations, financial condition and prospects.

Under the terms of the shareholders' agreement, SOVL agreed that it would ensure that HZL would implement a 100,000 tpa greenfield zinc smelter plant at Kapasan, State of Rajasthan (the "Kapasan Project"), within a period of five years from April 11, 2002. The shareholders' agreement further provided that if SOVL, within a period of one year from April 11, 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 obligated to ensure that HZL implement the Kapasan Project.

By a letter dated April 4, 2003, HZL notified the Government of India that the board of directors of HZL had approved a brownfield expansion of its smelting capacity at Chanderiya by setting up a new 170,000 tpa zinc smelter. Furthermore, 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 related to the Kapasan Project, and accordingly did not provide such a report to the Government of India. Although HZL and the Government of India corresponded regarding this issue after April 4, 2003, since December 7, 2005, we have not received any further communication from the Government of India in relation to the Kapasan Project or a notice asserting that SOVL has breached the covenant under the provisions of the shareholders' agreement between the Government of India and SOVL with respect to HZL.

If the Government claims that SOVL has breached the covenant related to the Kapasan Project under the shareholders' agreement between the Government of India and SOVL resulting in litigation, and it was determined that SOVL had breached such covenant triggering an event of default, the Government of India may become entitled to the right to either sell any or all of the shares of HZL held by the Government of India 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 Government of India were to assert that an event of default occurred and seek to exercise a put or call right with respect to shares of HZL, we may face expensive and time-consuming litigation over the matter, uncertainty as to the future of our zinc business, and the possibility of serious financial harm if we were unsuccessful in litigation, any of which may have a material adverse effect on our business, results of operations, financial condition and prospects.

We are involved in a number of litigation matters, both civil and criminal in nature, and any final judgments against us could have a material adverse effect on our business, results of operations, financial condition and prospects.

We are involved in a variety of litigation matters, including criminal matters, matters relating to alleged property disputes, labour disputes, alleged violations of environmental and tax laws, alleged violation of the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994, and alleged price manipulation of Sterlite's equity shares on the Indian stock exchanges. A final judgement against us or our directors in one or more of these disputes may result in damages or injunctions being awarded against us or criminal proceedings being instituted against us or our directors, which may require us to cease or limit certain of our operations and may have a material adverse effect on our business, results of operations, financial condition and prospects. The total claims on account of the disputes with sales tax, excise and related tax authorities amounted to $101.3 million, of which $9.0 million has been recorded as current liabilities, as of 31 March 2008. The claims by third-party claimants amounted to $139.6 million as of 31 March 2008, of which $23.9 million has been recorded as current liabilities. For a detailed discussion of material litigation matters pending against us, see "Business — Litigation".

Defects in title or loss of any leasehold interests in our properties could limit our ability to conduct operations on such properties or result in significant unanticipated costs.

Our ability to mine the land on which we have been granted mining lease rights is dependent on the surface rights that we acquire separately and subsequently to the grant of mining lease rights and generally over only part of the land leased. Additional surface rights may be negotiated separately with landowners, though there is no guarantee that these rights will be granted. Although we expect to be able to continue to obtain additional surface rights in the future in the ordinary course, any delay in obtaining or inability to obtain surface rights could negatively affect our financial condition and results of operations.

For example, the mining leases for MALCO's bauxite mines and SGL's iron ore mines in Goa have expired. These mines are being operated under deemed consent. Accordingly, MALCO and SGL may not operate the mines outside of the original mining plans submitted to the Indian Bureau of Mines ("IBM") and may not be entitled to operate in these mines in the event the leases are not renewed. In addition, as a result of delays caused by pending litigation, Sterlite and Vedanta Aluminium are not in compliance with certain conditions of the leases granted to Sterlite by the Orissa Infrastructure Development Corporation ("OIDC"), in respect of certain lands at Lanjigarh. These conditions require Sterlite and Vedanta Aluminium to commence operations within a specified period of taking possession of the land, with which Sterlite has not been able to comply. Vedanta Aluminium applied for an extension of the terms of the leases on 25 August 2006 and such extension has neither been approved nor denied. See "Business — 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 challenge to our title or leasehold interests could delay our mining operations and could ultimately result in the loss of some or all of our interests. Also, in any such case, the investigation and resolution of title issues would divert management's time from our various businesses and our results of operations could be adversely affected. Further, if we mine on property that we do not own or lease, we could incur liability for such mining.

We can also be subject to claims challenging title to our non-mine properties. For example, BALCO is currently engaged in a dispute with the State Government of Chhattisgarh regarding alleged encroachment on state-owned land at its Korba facility. See "Business — Litigation — BALCO is involved in various litigations in relation to the alleged encroachment of land on which the Korba facility is situated and the State Government of Chhattisgarh has issued notices to BALCO alleging that BALCO had encroached on state-owned land".

Regulatory, Environmental, and Health and Safety Risks

Our operations are subject to extensive governmental and environmental regulations which have in the past and could in the future cause us to incur significant costs or liabilities or interrupt or close our operations, any of which events may adversely affect our results of operations.

Numerous governmental permits, approvals and leases are required for our operations as the industries in which we operate and seek to operate are subject to numerous laws and extensive regulation by national, state and local authorities in India, Zambia, Australia and any other jurisdictions where we may operate in the future. Failure to comply with any laws or regulations or to obtain or renew the necessary permits, approvals and leases may result in the loss of the right to mine or operate our facilities, the assessment of administrative, civil or criminal penalties, the imposition of clean-up or site restoration costs and liens, the imposition of costly compliance procedures, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits, including our mining leases and exploration licenses, and other enforcement measures that could have the effect of closing or limiting production from our operations. BALCO's production for its Mainpat mine in fiscal 2007 was greater than the mine's bauxite extraction limit as 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. In addition, a significant number of approvals are required from government authorities in India for metals and mining and commercial power generation projects, and such approvals are subject to continuing compliance with safety and environmental standards and disclosure requirements. Our business, financial condition, results of operations and prospects may be materially and adversely affected by any of a number of significant legal and regulatory matters to which we are subject. See "Business — Description of the Businesses — Aluminium Business — Description of operations — Mines — Chhattisgarh"; "Business — Description of the Businesses — Aluminium Business — Introduction"; "Business — Description of the Businesses — Iron Ore Business — Introduction" and "Business — Litigation" and "Business — Indian Regulatory Matters".

Additionally, our listed subsidiaries, Sterlite, HZL, MALCO and SGL, are required to comply with various conditions mandated by the 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 our reputation.

The costs, liabilities and requirements associated with complying with existing and future laws and regulations may be substantial and time-consuming and may delay the commencement or continuation of exploration, mining or production activities. Environmental regulations may also subject us to substantial costs and liabilities or require closure of our mines or other facilities. For example, a gas leak at HZL's sulphuric acid plant in Chanderiya caused the Rajasthan State Pollution Control Board to shut down the entire plant for a period of 12 days in November 2005.

New legislation or regulations may be adopted in the future that may materially and adversely affect our operations, cost structure or customers' ability to use our products. For example, due to a recent change in the mining law in Zambia, KCM will be required to renew the mining leases for all its mines by March 2009 and renew the license for operating such mines, on an annual basis. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require us or our customers to change operations significantly or incur increased costs, which could have a material adverse effect on our results of operations or financial condition.

Tax Risks

Our tax treatment depends on the tax residence of our companies. 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 initiated a consultation on wide ranging reforms of the UK controlled foreign company rules which it is proposing be replaced by a new "controlled companies" regime, broad details of which are contained in a discussion document released by the UK Government on 21 June 2007. No specific legislation has been enacted or proposed to date. At present there is insufficient detail in respect of the proposals in order to determine whether the effective tax rate of the Group would be affected by the proposed replacement regime. The consultation process continues, and such a regime, if implemented, is currently anticipated to take effect in 2009 at the earliest. Should any new regime apply to controlled companies within the Group, then depending on the nature of that regime, it could have a material impact on the 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 28% (or higher if the UK corporation tax rate increases or if credit is not available for locally paid tax) by application of that regime to such subsidiaries' profits.

We may be liable for additional taxes if the tax holidays, exemptions and tax deferral schemes which we currently benefit from expire without renewal, and the benefits of the tax holidays, exemptions and tax deferral schemes may be limited by the minimum alternative tax.

We currently benefit from significant tax holidays, exemptions and tax deferral schemes. These tax holidays, exemptions and tax deferral schemes are for limited periods. For example, HZL's captive power plant at Debari benefits from tax exemptions on the profits generated from transfers of power to HZL's other units, which are expected to generate substantial savings through fiscal 2013. The captive power plants in our copper business benefit from tax exemptions on the profits generated from transfers of power to our Tuticorin smelter (calculated using estimated fair transfer prices, treating the captive power plants as entities independent from the smelter), which are expected to generate savings through fiscal 2014. These tax incentives resulted in a lower effective tax rate for the business receiving the incentive. The copper refinery and copper rod plant at Tuticorin have also been awarded the status of export oriented units, under which Sterlite is eligible for tax exemptions on raw materials and capital goods procured and finished goods sold until 31 March 2010. HZL's first Chanderiya hydrometallurgical zinc smelter was awarded the status of an export oriented unit in May 2008 under which HZL is eligible for certain tax exemptions, which are to remain in force until 31 March 2010, and two of SGL's plants were awarded the status of export oriented units in 2008, under which SGL is eligible for certain tax exemptions which are to remain in force until 31 March 2010. There can be no assurance that these and other tax holidays or exemptions will be renewed when they expire or that any applications we make 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 our tax obligations and any increase could have a material adverse effect on our results of operation, or financial condition.

In addition, certain members of the Group in India are subject to a minimum alternative tax which sets a minimum amount of tax that each such company must pay each year based on its profits. The effective minimum alternative tax rate is 11.3% as of the date of this Offering Circular. The minimum alternative tax may prevent members of the Group from taking full advantage of any available tax holidays, exemptions or tax deferral schemes.

The Zambian Government has introduced a new tax code that has increased the royalties and taxes paid by mining companies. While KCM is complying with the new tax code, it along with other Zambian companies have objected and are challenging the new levies on the basis that the Zambian Government has reneged on tax exemption deals covered by the development agreement entered into by KCM and the Government of Zambia ("GRZ") on 5 November 2004 (the "Development Agreement"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting our Results of Operations — Government Policy — Zambian Tax Regime".

Industry Risks

Commodity prices and the copper TcRc may be volatile, which would affect our 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 we directly serve 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. A decline in the prices we receive for our copper, zinc, aluminium or iron metals or in the market TcRc rate for copper would adversely affect our revenue and results of operations, and a sustained drop would have a material adverse effect on our revenue, results of operations and financial condition.

Our ore reserves are estimates based on a number of assumptions, any changes to which may require us to lower our estimated reserves.

The ore reserves stated in this Offering Circular are estimates and represent the quantities of copper, zinc, lead, bauxite and iron ore as of 31 March 2008 that we believed could be mined, processed, recovered and sold at prices sufficient to cover the estimated future total costs of production, remaining investment and anticipated additional capital expenditures. These estimates are subject to numerous uncertainties inherent in estimating quantities of reserves and could vary in the future as a result of actual exploration and production results, depletion, new information on geology and fluctuations in production, operating and other costs and economic parameters such as metal prices, smelter treatment charges and exchange rates, many of which are beyond our control. As a result, you should not place undue reliance on the ore reserve data contained in this Offering Circular. In the event that any of these assumptions turn out to be incorrect, we may need to revise our ore reserves downwards and this may adversely affect our life of mine plans and consequently the total value of our mining asset base, which could increase our costs and decrease our profitability.

Changes in tariffs, royalties, customs duties and government assistance may reduce the domestic premium that we receive, which would adversely affect our 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 2008, basic customs duties on imported copper, lead, alumina and aluminium decreased from 25.0% to 5.0% and basic custom duty on zinc decreased from 25.0% to 0.0% during the same period. In January 2004, the special additional duty of 4% which was also levied on imports of copper, zinc and aluminium was abolished, reducing the effective customs duties levied on all imports. The Government of India may reduce customs duties further in the future, although the timing and extent of such reductions cannot be predicted. As we sell the majority of the commodities we produce in India, any further reduction in Indian tariffs on imports will decrease the premiums we receive in respect of those sales. Our profitability depends in part on the continuation of import duties, any reduction of which would have an adverse effect on our results of operations and financial condition.

We pay royalties to the Indian State Governments of Rajasthan, Chhattisgarh, Goa, Karnataka, Orissa and Tamil Nadu and also to the GRZ and to the State Government of Tasmania in Australia for our mining activities. Most significant of these is the royalty that HZL is required to pay to the State Government of Rajasthan, where all of HZL's mines are located, at a rate of 6.6% of the LME zinc metal price payable on the zinc metal contained in the ore produced and 5.0% of the LME lead metal price payable on the lead metal contained in the ore produced. Additionally, the Department of Mines and Geology of the State of Rajasthan has raised additional demands for payment through several demand notices to HZL for mining minerals associated with lead and zinc such as cadmium and silver. KCM is required to pay royalties at a rate of 3.0% of the copper produced under the Zambian taxation regime. Any upward revision to the royalty rates being charged currently or payment of additional royalty for mining of associated minerals may adversely affect our profitability. See "Business — Litigation — Demands against HZL by the Department of Mines and Geology".

Indian exports of copper, alumina, aluminium and zinc receive assistance premiums from the Government of India, which have been reduced since 2002. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Results of Operations — Government Policy — Customs duties". These export assistance premiums have been reduced in recent years and may be further reduced in the future. Any reduction in these premiums will decrease the revenue we receive from export sales and may have an adverse effect on our results of operations or financial condition. On 13 June 2008, the Government of India changed the export duty on iron ore to 15% ad valorem on the Free on Board ("FOB") value of exports. Any increase in this export duty may have an adverse effect on our results of operations or financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Results of Operations — Government Policy".

Risks Relating to Investments in India

A substantial portion of our assets and operations are located in India and we are subject to regulatory, economic, social and political uncertainties in India.

A substantial portion of our assets and employees are located in India, and we intend to continue to develop and expand our facilities in India. Consequently, our financial performance will be affected by changes in exchange rates and controls, interest rates, changes in government policies, including taxation policies, social and civil unrest and other political, social and economic developments in or affecting India.

The Government of India 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 we cannot assure you that such liberalisation policies will continue. The present government, formed in May 2004, 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 privatisations, which had occurred in the past, could slow the pace of liberalisation and deregulation. For example, the present government changed the government's policy on divestments and stated a new divestment policy that profit-making public sector companies would generally not be privatised, and all privatisation will be considered on a transparent and consultative case-by-case basis. A significant change in India's policy of economic liberalisation and deregulation could adversely affect business and economic conditions in India generally and our 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 our revenue, a downturn in the rate of economic growth in India will be detrimental to our results of operations.

In fiscal 2008, 46.3% of our revenue was derived from commodities that we sold to customers in India. The performance and growth of our 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 or otherwise. 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 we produce and, as a result, on our financial condition and results of operations.

Terrorist attacks and other acts of violence involving India or other neighbouring countries could adversely affect our operations directly, or may result in a more general loss of customer confidence and reduced investment in these countries that reduces the demand for our products, which would have a material adverse effect on our 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 an adverse effect on our 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, we might not be able to continue our operations.

If natural disasters or environmental conditions in India, including floods and earthquakes, affect our mining and production facilities, our revenues could decline.

Our mines and production facilities are spread across India, and our sales force is spread throughout the country. Natural calamities such as floods, rains, heavy downpours (such as the rains in Mumbai and other parts of the State of Maharashtra in 2005 and other states in 2006) and earthquakes could disrupt our mining and production activities and distribution chains and damage our storage facilities. Other regions in India have also experienced floods, earthquakes, tsunamis and droughts in recent years. In December 2004, Southeast Asia, including the eastern coast of India, experienced a massive tsunami, and in October 2005, the State of Jammu and Kashmir experienced an earthquake, both of which events caused significant loss of life and property damage. Substantially all of our facilities and employees are located in India and there can be no assurance that we 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 our operations are located, the Government of India or local, state or other authorities may restrict water supplies to us and other industrial operations in order to maintain water supplies for drinking and other public necessities, which would cause us to reduce or close our operations.

If India's inflation worsens or the prices of oil or other raw materials continue to rise, we may not be able to pass the resulting increased costs to our customers and this may adversely affect our profitability or cause us 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 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 an increase in the price of thermal coal in particular, could cause our costs for raw material inputs required for production of our products to increase, which would adversely affect our results of operations and financial condition if we cannot pass these added costs on to customers.

Stringent labour laws in India may adversely affect our profitability.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and imposes financial obligations on employers upon employee layoffs. This makes it difficult for us to maintain flexible human resource policies, discharge employees or downsize, which may adversely affect our business and profitability.

Restrictions on foreign investment in India may prevent us from making future acquisitions or investments in India, which may adversely affect our results of operations, financial condition and cash flows.

India regulates ownership of Indian companies by foreigners, though restrictions on foreign investment have been relaxed significantly in recent years. These regulations and restrictions may apply to acquisitions by Vedanta, or other members of the 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 Group. There can be no assurance that we will be able to obtain any required approvals for future acquisitions or investments in India, or that we 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 our 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 our business.

Fuel shortages could result in a reduction in output, which may adversely affect our profitability.

Zambia continues to experience occasional nation-wide fuel shortages. Such shortages have required KCM to find alternative sources of fuel to operate its mines and smelters and, in 2005, a shortage caused a reduction in output due to reduced operating capacity. KCM has addressed these fuel shortages by entering into a light fuel supply agreement with BP Zambia Limited with a one-year term and a renewal provision that permits KCM to extend the contract on an indefinite basis on the same terms and conditions. The current agreement expired on 31 December 2007 and we are currently in negotiations to renew such agreement. In addition to the light fuel supply agreement with BP Zambia Limited, KCM is also party to heavy fuel oil supply agreements with each of BP Zambia Limited and Total Zambia Limited. The heavy oil supply agreements will both expire on 31 March 2009, but KCM has reserved the right to extend each contract on an indefinite basis on the same terms and conditions. While KCM has taken steps to deal with the fuel shortages, there can be no assurance that it will be able to find alternative supplies and no certainty as to how long shortages will last.

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 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 — 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 and which, together with the other taxes payable by the companies. 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 Government of India 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 our 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.

Our operations are principally conducted through our subsidiaries. Accordingly, we are and after this offering will continue to be dependent on our subsidiaries' operations and cash flows to service our 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 our subsidiaries, and to all of our 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 2008, the Group had total debt of $2,974.1 million of which $757.3 million existed at the Company's subsidiaries and will be structurally senior to the Bonds.

One of the covenants of our trust deed governing the terms of our 2004 Notes is ambiguous.

The trust deed (the "2004 Trust Deed") governing the terms of our outstanding $600 million 6.625% Bonds due 2010 issued in two tranches in December 2004 and January 2005 (collectively, the "2004 Notes") includes a covenant that requires us to control and own, directly or indirectly, more than 50% of the issued equity share capital of each of our material subsidiaries, which is defined in the 2004 Trust Deed as each of our subsidiaries which accounts for 10% or more of our consolidated total assets or consolidated gross revenues (each, a "Material Subsidiary") based on our latest audited consolidated financial statements. Under the terms of the 2004 Trust Deed for the 2004 Notes, compliance with this covenant is tested on an annual basis on 31 March of each year.

As of 31 March 2007, and on earlier dates that compliance with the covenant was tested, HZL was a Material Subsidiary within the meaning of the 2004 Trust Deed and we were required under the terms of the 2004 Trust Deed to control and own, directly or indirectly, more than 50% of the issued equity share capital of HZL. As of 31 March 2008, HZL ceased to be a Material Subsidiary as it did not satisfy the 2004 Trust Deed's definition of a Material Subsidiary as of that date. We believe that we were in compliance with this covenant as at all times we controlled HZL through Sterlite, which we also control and which always indirectly owned 64.9% of HZL.

However, one could argue as an alternative interpretation of the covenant that our proportionate interest in HZL must be tested. Under this alternative interpretation, we would not have been in compliance with such covenant during the period from 28 March 2006 until, but excluding, 31 March 2008 because our proportionate interest in HZL from 28 March 2006 until 18 June 2006 was 49.3% (i.e., 76.0%, our proportionate interest in Sterlite after its initial public offering, multiplied by 64.9%) and 38.9% of HZL from 18 June 2007 until 31 March 2008 (i.e., 59.9%, our proportionate interest in Sterlite accounting for the 20% minority interest in MALCO, multiplied by 64.9%). While we do not believe this alternative interpretation reflects the intent of the covenant, if such alternative interpretation were to prevail, we would, and we were found to have been in breach of such covenant during such period, such breach could lead to an event of default under the 2004 Trust Deed for such period.

HZL has not been a Material Subsidiary since 31 March 2008 and we do not expect HZL to become a Material Subsidiary as of 31 March 2009, the sole remaining time at which the covenant will be tested under the 2004 Trust Deed prior to the maturity of the 2004 Notes in February 2010. However, if HZL were to satisfy the definition of a Material Subsidiary as of 31 March 2009 and the alternative interpretation discussed above were to prevail, then we could be found to be in breach of this covenant which could result in an event of default under the 2004 Trust Deed for the period following 31 March 2009. Any such event of default could result in an acceleration of the aggregate principal amount of our 2004 Notes and, in turn, an event of default under the 2004 Trust Deed governing the notes offered hereby, which would have a material adverse effect on our business, financial condition and results of operations.

We believe that the intent of this covenant was to ensure our possession of control over our Material Subsidiaries and their capital structure and dividend policies in order to protect the interests of the holders of the 2004 Notes. Accordingly, we believe we were in compliance with the 2004 Trust Deed during the period in which HZL was a Material Subsidiary because Sterlite owned more than 50% of HZL.

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

Vedanta's current long-term debt as of 13 June 2008 is rated Ba1 with stable outlook, BB with positive outlook and BB+ with stable outlook as reported by Moody's, Standard & Poor's and Fitch, respectively. The debt ratings are based on, among others, the assumption that our 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 Vedanta's ability to access capital and would likely result in more stringent covenants and higher interest rates under the terms of any new indebtedness.

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

We have agreed in the Trust Deed that we 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 we are unable to repay (or cause to be repaid) all of the borrowings, if any, that would prohibit the repurchase of the Bonds or if we are 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, we would continue to be prohibited from purchasing the Bonds. In that case, our failure to purchase the tendered Bonds would constitute an event of default under the Trust Deed.

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 us 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 us 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 us. Our ability to pay cash to the bondholders following the occurrence of a change of control may be limited by our 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, our 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 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 Vedanta given by the rating agencies, as well as general economic and market conditions, such as recessions.

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 approximately $1.24 billion.

We intend to use the net proceeds from this offering for, among other things, capital expenditures, working capital, repayment or redemption of existing debt and other general corporate purposes. Pending their use, we intend to invest the net proceeds in high quality interest-bearing investments.

For a description of our capital expenditures and other commitments, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Expenditures and Commitments".

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the periods indicated.

Year Ended 31 March			
2005	2006	2007	2008
5.35	5.73	12.77	12.87

CAPITALISATION AND INDEBTEDNESS

The following table sets out the called-up share capital of Vedanta and the borrowing and indebtedness of the Group as of 31 March 2008, and as adjusted to give effect to the issue of the Bonds and the use of proceeds from the offering. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Use of Proceeds" and Vedanta's consolidated financial statements prepared in accordance with IFRS, the related notes and other financial information contained elsewhere in this Offering Circular.

	As of 31 March 2008	
	Actual	**As Adjusted for Issuance of the Bonds**
	($ million)	
Share Capital(1)	$ 28.8	$ 28.8
Share Premium and Reserve		
— Share premium account	20.0	20.0
— Share based payment reserve	15.6	15.6
— Convertible bond reserve	115.7	115.7
— Hedging reserve	(9.1)	(9.1)
— Other reserves	1,932.6	1,932.6
— Retained Earnings	1,743.5	1,743.5
Equity Minority Interest	5,360.6	5,360.6
Total Equity	**9,207.7**	**9,207.7**
Term loans — secured (repayable > 1 year)	328.2	328.2
Term loans — unsecured (repayable > 1 year)	627.8	627.8
Other borrowings and indebtedness — secured (repayable < 1 year)	369.6	369.6
Other borrowings and indebtedness — unsecured (repayable < 1 year)	1,047.6	1,047.6
Convertible bonds	600.9	600.9
Bonds offered hereby	—	1,250.0
Total Indebtedness(2)	**2,974.1**	**4,224.1**
Total Capitalisation(3)(4)	**$12,181.8**	**$13,431.8**

(1) Vedanta's authorised share capital as of 31 March 2008 was $40.0 million 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 $28.8 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) We had outstanding indemnities and guarantees in the amount of $799.6 million as of 31 March, 2008.

(3) As of 31 March 2008, we had cash and cash equivalent balances of $458.2 million and liquid investments of $4,648.5 million.

(4) There has been no material change in our authorised and issued share capital and no material change in our borrowings and indebtedness, including contingent liabilities and guarantees since 31 March 2008.

EXCHANGE RATES

Substantially all of our revenue is denominated or paid with reference to US dollars and most of our expenses are incurred and paid in Indian Rupees, Australia dollars and Zambian Kwacha. We report our 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 our 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 Noon Buying Rates for the periods indicated:

	Period End(1)	Average(1)(2)	High	Low
Fiscal Year:				
2004	Rs.43.40	Rs.45.78	Rs.47.46	Rs.43.40
2005	43.62	44.86	46.45	43.27
2006	44.48	44.20	46.26	43.05
2007	43.10	45.05	46.83	42.78
2008	40.02	40.00	43.05	38.48
2009 (through 23 June 2008)	42.97	41.30	42.97	39.73
Month:				
December 2007	Rs.39.41	Rs.39.38	Rs.39.55	Rs.39.29
January 2008	39.31	39.27	39.55	39.13
February 2008	39.96	39.67	40.11	39.12
March 2008	40.02	40.15	40.46	39.76
April 2008	40.45	39.97	40.45	39.73
May 2008	42.15	42.00	42.93	40.45
June 2008 (through 23 June 2008)	42.97	42.77	42.97	42.38

(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 we have 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 Noon Buying Rate on 31 March 2008, which was Rs. 40.02 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:				
2004	AUD1.31	AUD1.43	AUD1.68	AUD1.25
2005	1.29	1.35	1.46	1.25
2006	1.40	1.33	1.42	1.28
2007	1.23	1.30	1.39	1.23
2008	1.10	1.14	1.27	1.06
2009 (through 23 June 2008)	1.05	1.05	1.10	1.04
Month:				
December 2007	AUD1.14	AUD1.15	AUD1.17	AUD1.13
January 2008	1.12	1.13	1.16	1.11
February 2008	1.07	1.09	1.12	1.06
March 2008	1.10	1.08	1.12	1.06
April 2008	1.06	1.07	1.10	1.05
May 2008	1.05	1.05	1.07	1.04
June 2008 (through 23 June 2008)	1.05	1.05	1.07	1.04

(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 we have 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 2008, which was AUD 1.10 per $1.00.

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:				
2004	ZMK4,725	ZMK4,738	ZMK4,900	ZMK4,290
2005	4,652	4,740	4,935	4,477
2006	3,250	4,028	4,760	3,175
2007	4,230	3,894	4,428	3,020
2008	3,660	3,861	4,245	3,590
2009 (through 23 June 2008)	3,215	3,403	3,640	3,160
Month:				
December 2007	ZMK3,863	ZMK3,823	ZMK3,870	ZMK3,800
January 2008	3,795	3,792	3,865	3,725
February 2008	3,760	3,754	3,780	3,730
March 2008	3,660	3,666	3,740	3,590
April 2008	3,475	3,510	3,640	3,435
May 2008	3,415	3,403	3,475	3,310
June 2008 (through 23 June 2008)	3,215	3,257	3,365	3,160

(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 selected historical consolidated financial information for the Company as of 31 March 2006, 2007 and 2008 and for the fiscal years ended 31 March 2006, 2007 and 2008 has been derived from the consolidated financial statements of the Company included elsewhere in the Offering Circular and audited by Deloitte & Touche LLP of Hill House, 1 Little New Street, London EC4A 3TR, independent auditors. The selected historical consolidated financial information for the Company as of 31 March 2005 and for the fiscal year ended 31 March 2005 has been derived from the consolidated financial statements of the Company audited by Deloitte & Touche LLP of Hill House, 1 Little New Street, London EC4A 3TR, independent auditors, not included in the Offering Circular.

Our consolidated financial statements have been prepared and presented in accordance with IFRS. Our historical results do not necessarily indicate our expected results for any future period. Prior to fiscal 2005, our financial statements were prepared under UK GAAP.

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

Consolidated Income Statement

	Year Ended 31 March			
	2005	**2006**	**2007**	**2008**
	($ million)			
Continuing operations				
Revenue	$ 1,884.2	$ 3,701.8	$ 6,502.2	$ 8,203.7
Cost of sales	(1,415.7)	(2,591.4)	(3,840.4)	(5,317.8)
Gross profit	**$ 468.5**	**$ 1,110.4**	**$ 2,661.8**	**$ 2,885.9**
Other operating income	25.9	41.5	102.1	86.8
Distribution costs	(51.5)	(81.1)	(106.7)	(170.1)
Administrative expenses	(92.6)	(127.0)	(149.6)	(221.3)
Administrative expenses — special items	(22.3)	—	(1.7)	11.1
Operating profit	**$ 328.0**	**$ 943.8**	**$ 2,505.9**	**$ 2,592.4**
Investment revenue	37.5	51.6	127.5	321.4
Finance costs	(30.1)	(59.3)	(147.7)	(150.6)
Share of loss of associate	(5.6)	(1.4)	(1.3)	—
Special item — surplus on acquisition	56.5	—	—	—
Profit before taxation	**$ 386.3**	**$ 934.7**	**$ 2,484.4**	**$ 2,763.2**
Tax expense	(87.0)	(280.4)	(672.7)	(757.7)
Profit for the year	**$ 299.3**	**$ 654.3**	**$ 1,811.7**	**$ 2,005.5**
Attributable to:				
Equity holders of the parent	178.9	373.5	934.2	879.0
Minority interests	120.4	280.8	877.5	1,126.5
	$ 299.3	**$ 654.3**	**$ 1,811.7**	**$ 2,005.5**
Basic earnings per ordinary share (US cents)	62.5	130.2	325.6	305.4
Diluted earnings per ordinary share (US cents)	61.5	128.2	305.4	286.7

Consolidated Balance Sheet

	As of 31 March			
	2005	2006	2007	2008
	($ million)			
ASSETS				
Non-current assets				
Goodwill	$ 12.2	$ 12.1	$ 12.1	$ 13.3
Property, plant and equipment	2,288.6	2,763.0	3,838.0	8,354.5
Interest in associate	3.3	1.8	—	—
Financial asset investments	24.8	27.1	34.6	30.0
Other non-current assets	34.6	27.3	27.3	29.8
Other financial assets (derivatives)	—	63.2	72.1	95.0
Deferred tax assets	90.0	71.9	28.3	15.1
	$ 2,453.5	**$ 2,966.4**	**$ 4,012.4**	**$ 8,537.7**
Current assets				
Inventories	337.7	535.0	879.7	1,298.8
Trade and other receivables	339.6	593.0	942.9	1,048.0
Other current financial assets (derivatives)	—	49.0	51.5	44.9
Liquid investments	262.0	244.4	600.4	4,648.5
Cash and cash equivalents	1,185.6	1,847.3	1,584.8	458.2
	$ 2,124.9	**$ 3,268.7**	**$ 4,059.3**	**$ 7,498.4**
TOTAL ASSETS	**$ 4,578.4**	**$ 6,235.1**	**$ 8,071.7**	**$16,036.1**
LIABILITIES				
Current liabilities				
Short term borrowings	(194.7)	(239.8)	(249.1)	(1,417.2)
Convertible loan notes	(23.7)	—	—	—
Trade and other payables	(675.0)	(942.5)	(1,172.4)	(2,018.4)
Other current financial liabilities (derivatives)	—	(114.7)	(101.4)	(23.3)
Provisions	(37.0)	(12.2)	—	(27.3)
Current tax liabilities	(15.1)	(34.7)	(63.0)	(33.5)
	$ (945.5)	**$(1,343.9)**	**$(1,585.9)**	**$ (3,519.7)**
Net current assets	**$ 1,179.4**	**$ 1,924.8**	**$ 2,473.4**	**$ 3,978.7**
Non-current liabilities				
Medium and long-term borrowings	(1,303.5)	(1,236.0)	(879.3)	(956.0)
Convertible bonds	—	(600.4)	(598.4)	(600.9)
Trade and other payables	(41.2)	(15.6)	(11.6)	(0.2)
Other financial liabilities (derivatives)	—	(93.4)	(94.8)	(83.7)
Deferred tax liabilities	(234.9)	(286.9)	(425.3)	(1,380.8)
Retirement benefits	(38.6)	(38.2)	(35.3)	(42.5)
Provisions	(208.6)	(222.5)	(230.3)	(185.2)
Non equity minority interests	(59.4)	(59.4)	(59.4)	(59.4)
	$(1,886.2)	**$(2,552.4)**	**$(2,334.4)**	**$ (3,308.7)**
TOTAL LIABILITIES	**$(2,831.7)**	**$(3,896.3)**	**$(3,920.3)**	**$ (6,828.4)**
NET ASSETS	**$ 1,746.7**	**$ 2,338.8**	**$ 4,151.4**	**$ 9,207.7**
EQUITY				
Share capital	28.7	28.7	28.8	28.8
Share premium account	18.6	18.6	18.7	20.0
Share based payment reserves	2.5	4.1	7.3	15.6
Convertible bond reserve	—	123.3	119.5	115.7
Hedging reserves	—	(29.1)	(29.7)	(9.1)
Other reserves	43.9	213.1	661.0	1,932.6
Retained earnings	1,016.8	1,058.4	1,521.3	1,743.5
Equity attributable to equity holders of the parent	**1,110.5**	**1,417.1**	**2,326.9**	**3,847.1**
Minority interests	636.2	921.7	1,824.5	5,360.6
TOTAL EQUITY	**$ 1,746.7**	**$ 2,338.8**	**$ 4,151.4**	**$ 9,207.7**

Consolidated Cash Flow Statement

	Year Ended 31 March 2005	2006	2007	2008
	($ million)			
Operating activities				
Profit before taxation	$ 386.3	$ 934.7	$ 2,484.4	$ 2,763.2
Adjustments for:				
Depreciation	103.7	157.7	195.4	429.1
Investment revenues	(37.5)	(51.6)	(127.5)	(321.4)
Finance costs	30.1	59.3	147.7	150.6
Profit on disposal of property, plant and equipment	—	—	(21.0)	(0.3)
Profit on disposal of subsidiary	—	—	—	(29.8)
Share based payment charge	—	1.6	5.6	12.8
Loss on disposal of non core business	—	—	2.3	—
Share of loss of associate	5.6	1.4	1.3	—
Other non-cash items	(26.8)	6.9	(12.0)	(2.0)
Operating cash flows before movements in working capital	**$ 461.4**	**$1,110.0**	**$ 2,676.2**	**$ 3,002.2**
Increase in inventories	(61.0)	(190.1)	(361.8)	(276.0)
Increase in receivables	(79.1)	(236.8)	(410.4)	(64.7)
Increase in payables	(18.1)	231.6	222.5	287.4
Cash generated from operations	**$ 303.2**	**$ 914.7**	**$ 2,126.5**	**$ 2,948.9**
Dividends received	2.8	7.0	10.7	144.5
Interest income received	57.8	58.5	138.6	112.7
Interest paid	(64.1)	(112.1)	(193.4)	(213.7)
Income taxes paid	(65.8)	(186.5)	(475.6)	(655.2)
Dividends paid	(15.8)	(49.4)	(84.3)	(104.3)
Net cash from operating activities	**$ 218.1**	**$ 632.2**	**$ 1,522.5**	**$ 2,232.9**
Cash flows from investing activities				
Acquisition of subsidiary	(28.3)	—	(54.3)	(990.4)
Cash acquired with subsidiary	41.2	—	0.8	4.5
Net proceeds on disposal of subsidiary	—	—	—	83.4
Cash disposed of with subsidiary	—	—	—	(0.3)
Proceeds on disposal of non core business	—	—	32.3	—
Cash disposed of with non core business	—	—	(0.2)	—
Purchases of property, plant and equipment	(535.3)	(656.2)	(1,154.5)	(1,744.8)
Proceeds on disposal of property, plant and equipment	14.1	0.7	28.9	2.7
Dividends paid to minority interests of subsidiaries	(7.7)	(8.9)	(41.8)	(53.5)
Increase in liquid investments	(164.8)	12.8	(345.1)	(3,617.2)
Investment in associate	(6.2)	0.1	—	—
Purchase of financial asset investments	—	—	(0.2)	(0.1)
Deconsolidation of cash held by SIL Employee Welfare Trust (“SEWT”)	—	(19.5)	—	—
Buyback of Shares from minority interests of Subsidiaries	(2.3)	—	—	—
Net cash used in investing activities	**$ (688.5)**	**$ (671.0)**	**$(1,534.1)**	**$(6,315.7)**
Cash flows from financing activities				
Issue of ordinary shares	0.1	—	0.2	0.1
Proceeds from issue of convertible bonds	—	719.7	—	—
Increase in short-term borrowings	(96.6)	28.4	25.0	1,100.4
Decrease in long-term borrowings	607.0	(20.9)	(324.8)	(150.1)
Proceeds from issue of shares to minority interests of subsidiaries	1.7	—	—	1,969.4
Net cash from/(used in) financing activities	**$ 512.2**	**$ 727.2**	**$ (299.6)**	**$ 2,919.8**
Net (decrease)/ increase in cash and cash equivalents	41.8	688.4	(311.2)	(1,163.0)
Effect of foreign exchange rate changes	(3.5)	(26.7)	48.7	36.4
Cash and cash equivalents at beginning of year	1,147.3	1,185.6	1,847.3	1,584.8
Cash and cash equivalents at end of year	**$1,185.6**	**$1,847.3**	**$ 1,584.8**	**$ 458.2**

Consolidated Business Segments Data

	Year Ended 31 March			
	2005	2006	2007	2008
	($ million)			
Revenues:				
Copper				
— India/Australia	$ 765.5	$1,537.9	$2,553.4	$3,118.8
— Zambia	249.2	703.4	1,015.9	1,103.1
Zinc	486.4	875.5	1,888.1	1,941.4
Aluminium	281.7	453.0	993.4	1,140.2
Iron ore	—	—	—	888.9
Others	101.4	132.0	51.4	11.3
Total	**$1,884.2**	**$3,701.8**	**$6,502.2**	**$8,203.7**
Operating Profit:				
Copper				
— India/Australia	$ 62.3	$ 177.3	$ 333.3	$ 284.9
— Zambia	40.9	163.0	413.3	250.6
Zinc	190.6	489.5	1,402.8	1,333.0
Aluminium	57.4	102.8	358.4	307.0
Iron ore	—	—	—	420.0
Others	(23.2)	12.9	(0.3)	6.8
Unallocated corporate expenses[1]	—	(1.7)	(1.6)	(9.9)
Total	**$ 328.0**	**$ 943.8**	**$2,505.9**	**$2,592.4**
EBITDA[2]:				
Copper				
— India/Australia	$ 87.0	$ 219.0	$ 365.6	$ 327.2
— Zambia	76.0	206.3	468.3	340.1
Zinc	218.5	532.9	1,453.9	1,380.1
Aluminium	75.6	135.3	415.4	380.7
Iron ore	—	—	—	585.6
Others	(3.1)	8.0	(0.2)	(3.3)
Total	**$ 454.0**	**$1,101.5**	**$2,703.0**	**$3,010.4**

(1) Unallocated corporate expenses are expenses that cannot be allocated to a particular segment and have therefore not been apportioned to any single segment.

(2) We define EBITDA as operating profit before special items, depreciation and amortisation. Our EBITDA may not be comparable to similarly titled measures reported by other companies due to potential inconsistencies in the method of calculation. We have included our EBITDA because we believe it is an indicative measure of our operating performance and is used by investors and analysts to evaluate companies in our industry. Our 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. We believe that the inclusion of supplementary adjustments applied in our presentation of EBITDA are appropriate because we believe it is a more indicative measure of our baseline performance as it excludes certain charges that our management considers to be outside of our core operating results. In addition, our

EBITDA is among the primary indicators that our management uses as a basis for planning and forecasting of future periods. The following table reconciles operating profit to EBITDA:

	Year Ended 31 March			
	2005	**2006**	**2007**	**2008**
	($ million)			
Operating profit	$328.0	$ 943.8	$2,505.9	$2,592.4
Plus:				
Depreciation	103.7	157.7	195.4	429.1
Special items	22.3	—	1.7	(11.1)
EBITDA	**$454.0**	**$1,101.5**	**$2,703.0**	**$3,010.4**

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

The following discussion of the financial condition of the Group and its results of operations should be read in conjunction with the "Selected Consolidated Financial Information" and our consolidated financial statements and the related notes included elsewhere in this Offering Circular. The discussion includes forward-looking statements, which involve risks and uncertainties. See "Special Note Regarding Forward-Looking Statements". The actual results of the Group could differ materially from those contained in any forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Offering Circular, particularly in "Risk Factors". Investors should read the whole of this Offering Circular and not just rely upon summarised information.

Financial information for the Group has been prepared in accordance with IFRS as of and for the fiscal years ended 31 March 2006, 2007 and 2008.

Introduction

Overview

We are currently comprised of four major business segments: copper, zinc, aluminium and iron ore. In addition, we are developing a commercial power generation business. In India, through our subsidiaries, we are the largest custom copper smelter by production volume, the leading and only integrated zinc producer, the second largest aluminium producer by volume and the largest producer-exporter of iron ore in the private sector in fiscal 2007. Additionally, we have copper mining, smelting and refining operations in Zambia and copper mining operations in Australia. We have experienced significant growth in recent years through various expansion projects for our copper, zinc and aluminium businesses and our acquisition of SGL in April 2007 which enabled us to enter the iron ore business. We believe our experience in operating and expanding our business in India will allow us to capitalize on attractive growth opportunities arising from India's large mineral reserves, relatively low cost of operations and large and inexpensive labour and talent pools. We also believe we are well positioned to benefit from the significant growth in industrial production and investments in infrastructure in India, China, Southeast Asia and the Middle East, which we expect will continue to create strong demand for metals.

Our revenue and operating profit increased from $3,701.8 million and $943.8 million in fiscal 2006 to $8,203.7 million and $2,592.4 million in fiscal 2008, representing a CAGR of 48.9% and 65.7%, respectively.

The following table is derived from the selected consolidated financial information and sets forth:

- the revenue for each of our business segments as a percentage of our revenue on a consolidated basis;
- the segment result for each of our business segments as a percentage of our operating profit on a consolidated basis; and
- EBITDA for each of our business segments as a percentage of our EBITDA on a consolidated basis.

	Year Ended 31 March		
	2006	2007	2008
Revenue:			
Copper			
— India/Australia	41.5%	39.3%	38.0%
— Zambia	19.0	15.6	13.5
Zinc	23.7	29.0	23.7
Aluminium	12.2	15.3	13.9
Iron ore	—	—	10.8
Others	3.6	0.8	0.1
Total	**100.0%**	**100.0%**	**100.0%**

	Year Ended 31 March		
	2006	2007	2008
Segment result:			
Copper			
— India/Australia	18.8%	13.3%	11.0%
— Zambia	17.3	16.5	9.7
Zinc	51.9	56.0	51.4
Aluminium	10.9	14.3	11.8
Iron ore	—	—	16.2
Others	1.3	(0.0)	0.3
Unallocated corporate expenses[1]	(0.2)	(0.1)	(0.4)
Total	**100.0%**	**100.0%**	**100.0%**
EBITDA[2]:			
Copper			
— India/Australia	19.9%	13.5%	10.9%
— Zambia	18.7	17.3	11.3
Zinc	48.4	53.8	45.8
Aluminium	12.3	15.4	12.6
Iron ore	—	—	19.5
Others	0.7	(0.0)	(0.1)
Total	**100.0%**	**100.0%**	**100.0%**

(1) Unallocated corporate expenses are expenses that cannot be allocated to a particular segment and have therefore not been apportioned to any single segment.

(2) We define EBITDA as operating profit before special items, depreciation and amortisation. Our EBITDA may not be comparable to similarly titled measures reported by other companies due to potential inconsistencies in the method of calculation. We have included our EBITDA because we believe it is an indicative measure of our operating performance and is used by investors and analysts to evaluate companies in our industry. Our 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. We believe that the inclusion of supplementary adjustments applied in our presentation of EBITDA are appropriate because we believe it is a more indicative measure of our baseline performance as it excludes certain charges that our management considers to be outside of our core operating results. In addition, our EBITDA is among the primary indicators that our management uses as a basis for planning and forecasting of future periods. The following table reconciles operating profit to EBITDA:

	Year Ended 31 March		
	2006	2007	2008
		($ million)	
Operating profit	$ 943.8	$2,505.9	$2,592.4
Plus:			
Depreciation	157.7	195.4	429.1
Operating special items	—	1.7	(11.1)
EBITDA	**$1,101.5**	**$2,703.0**	**$3,010.4**

Copper

Overview

Our copper business is comprised of three major operations — Sterlite's custom smelting operations in India, CMT's mining operations in Australia and KCM's mining and smelting operations in Zambia. Our primary products are copper cathodes and copper rods.

India and Australia Copper Business

In India, through Sterlite, we are the largest custom copper smelter by production volume. Sterlite's copper operations include a smelter, refinery, phosphoric acid plant, sulphuric acid plant and copper rod plant at Tuticorin in the State of Tamil Nadu in Southern India and a refinery and two copper rod plants at Silvassa in Western India. We own 59.9% of Sterlite.

CMT owns a copper mine in Tasmania, Australia, which provides a small percentage of Sterlite's copper concentrate requirements. Sterlite owns 100.0% of the share capital of CMT.

The following table sets forth select performance data of our copper business in India and Australia for the years ended 31 March 2006, 2007 and 2008:

	Year Ended 31 March		
	2006	2007	2008
Production volumes (tonnes)			
— Mined metal content	33,701	28,378	27,952
— Cathode	273,048	312,720	339,294
— Rod	166,497	177,882	224,758
Average LME cash settlement prices ($ per tonne)	4,099	6,984	7,588
Cost of production(1)			
(US cents per lb)(2)	6.1	6.1	1.8
(Rs. per tonne)	5,957	6,090	1,563
Realised TcRc (US cents per lb)	23.1	31.1	15.7
Revenue ($ million)	**1,537.9**	**2,553.4**	**3,118.8**
Segment result ($ million)	**177.3**	**333.3**	**284.9**

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

(2) Exchange rates used in calculating cost of production were based on the daily RBI reference rates for the years ended 31 March 2006, 2007 and 2008 of Rs. 44.28 per $1.00, Rs. 45.29 per $1.00 and Rs. 40.24 per $1.00.

Zambia copper business

KCM is largely an integrated copper producer with three copper mines, a smelter, a refinery, two sulphuric acid plants and a TLP in Zambia. As of 31 March 2008, we owned 51.0% of the share capital of KCM. Following the exercise of our call option, we increased our ownership interest to 79.4% of KCM in April 2008. See "Business — Options to Increase Interests in HZL, BALCO and KCM — KCM Call Options".

The following table sets forth select performance data of our copper business in Zambia for the years ended 31 March 2006, 2007 and 2008:

	Year Ended 31 March		
	2006	2007	2008
Production volumes (tonnes)			
— Mined metal content	99,182	84,357	75,631
— Cathode	163,779	142,364	150,488
Average LME cash settlement prices ($ per tonne)	4,099	6,984	7,588
Cost of production (US cents per lb)(1)	127.9	173.6	191.5
Revenue ($ million)	**703.4**	**1,015.9**	**1,103.1**
Segment result ($ million)	**163.0**	**413.3**	**250.6**

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

Total copper business

Our total copper cathode production has increased from 436,827 tonnes in fiscal 2006 to 489,782 tonnes in fiscal 2008, representing a CAGR of 5.9%. The production increases, together with higher copper market prices, drove revenue of our copper business from $2,241.3 million in fiscal 2006 to $4,221.9 million in fiscal 2008, representing a CAGR of 37.2%.

Zinc

Our fully integrated zinc business is owned and operated by HZL, India's leading zinc producer with a 79.7% market share by volume of the Indian zinc market in fiscal 2008, according to India Lead Zinc Development Association ("ILZDA"). We control HZL through our 59.9% ownership interest in Sterlite. Sterlite indirectly owns 64.9% of the share capital in HZL. The remainder of HZL is owned by the Government of India (29.5%) and institutional and public shareholders (5.6%). HZL's operations include three lead-zinc mines, three hydrometallurgical zinc smelters, one lead smelter and one lead-zinc smelter in the State of Rajasthan in Northwest India and one hydrometallurgical zinc smelter in the State of Andhra Pradesh in Southeast India.

The following table sets forth select performance data of our zinc business for the years ended 31 March 2006, 2007 and 2008:

	Year Ended 31 March		
	2006	**2007**	**2008**
Production volumes — Zinc (tonnes)			
— Mined metal content	472,195	504,956	551,295
— Refined metal	283,698	348,317	426,323
Average zinc LME cash settlement prices ($ per tonne)	1,614	3,581	2,992
Cost of production(1)			
— Zinc			
($ per tonne)(2)	691	862	884
(Rs. per tonne)	30,599	39,023	35,590
— Zinc (excluding royalties)			
($ per tonne)(2)	575	606	686
(Rs. per tonne)	25,542	27,435	27,625
Production volumes — Lead (tonnes)			
— Mined metal content	59,677	67,364	77,724
— Refined metal	23,636	44,552	58,247
Average lead LME cash settlement prices ($ per tonne)	1,041	1,426	2,875
Revenue ($ million)	**875.5**	**1,888.1**	**1,941.4**
Segment result ($ million)	**489.5**	**1,402.8**	**1,333.0**

(1) Net of by-products.

(2) Exchange rates used in calculating cost of production were based on the daily RBI reference rates for the years ended 31 March 2006, 2007 and 2008 of Rs .44.28 per $1.00, Rs. 45.29 per $1.00 and Rs. 40.24 per $1.00.

HZL's zinc production has increased from 283,698 tonnes in fiscal 2006 to 426,323 tonnes in fiscal 2008, representing a CAGR of 22.6%. The production increases, together with higher zinc market prices, drove revenue of our zinc business from $875.5 million in fiscal 2006 to $1,941.4 million in fiscal 2008, representing a CAGR of 48.9%.

Aluminium

Our aluminium business is comprised of three companies, BALCO, MALCO and Vedanta Aluminium. Our primary products are aluminium ingots, rods and rolled products.

Our aluminium business is primarily owned and operated by BALCO which we control through our 59.9% ownership interest in Sterlite. Sterlite owns a 51.0% ownership interest in BALCO. The remainder of BALCO is owned by the Government of India. Sterlite has exercised its option to acquire the Government of India's remaining 49.0% ownership interest, though the exercise of this option has been contested by the Government of India and the Government of India retains the right and has expressed an intention to sell 5.0% of BALCO to BALCO employees. In fiscal 2006, 2007 and 2008, BALCO was a partially integrated aluminium producer with two bauxite mines and its Korba facility, which includes one alumina refinery, two aluminium smelters, two captive power plants and a fabrication facility, all of which are located in the State of Chhattisgarh in Central India. Going forward, we expect that substantially all of BALCO's alumina requirements will be sourced from its own facilities and from Vedanta Aluminum, making our Group on a consolidated basis a substantially fully integrated producer of aluminium with respect to alumina. BALCO has increased its aluminium production from 173,743 tonnes in fiscal 2006 to 358,671 tonnes in fiscal 2008, representing a CAGR of 43.7%.

MALCO, in which we have an 80.0% ownership interest through our wholly-owned subsidiaries, is a fully integrated aluminium producer with two bauxite mines, an alumina refinery, an aluminium smelter, a captive power plant and a fabrication facility located at Mettur in the State of Tamil Nadu in Southern India. MALCO has increased its aluminium production from 36,718 tonnes in fiscal 2006 to 37,635 tonnes in fiscal 2008, representing a CAGR of 1.2%.

Vedanta Aluminium, in which we have a 70.5% ownership interest through our wholly-owned subsidiaries and a 29.5% indirect ownership interest through our 59.9% ownership interest in Sterlite, is intended to be a fully integrated alumina and aluminium producer with a 1.0 mtpa, expandable to 1.4 mtpa, alumina refinery at Lanjigarh in the State of Orissa in Eastern India and a 500,000 tpa aluminium smelter at Jharsuguda in the State of Orissa, each with an associated captive power plant, under development. The Lanjigarh alumina refinery has started production from a single stream operation and produced 267,000 tonnes of alumina in fiscal 2008. Phase 1 and phase 2 of the Lanjigarh alumina refinery, are undergoing stability trials and are expected to fully stabilise by the end of fiscal 2009.

The following table sets forth select performance data of our aluminium business for the years ended 31 March 2006, 2007 and 2008:

	Year Ended 31 March		
	2006	2007	2008
Production volumes (tonnes)			
— Alumina — Korba and Mettur	296,272	299,278	291,205
— Alumina — Lanjigarh	—	—	267,000
— Aluminium	210,461	350,841	396,305
Average LME cash settlement prices ($ per tonne)	2,028	2,663	2,620
Cost of production(1)			
— Aluminium			
($ per tonne)(2)	1,710	1,630	1,771
(Rs. per tonne)	75,724	73,806	71,258
Revenue ($ million)	**453.0**	**993.4**	**1,140.2**
Segment result ($ million)	**102.8**	**358.4**	**307.0**

(1) Represents the weighted average between BALCO and MALCO. Net of by-products.

(2) Exchange rates used in calculating cost of production were based on the daily RBI reference rates for the years ended 31 March 2006, 2007 and 2008 of Rs. 44.28 per $1.00, Rs. 45.29 per $1.00 and Rs. 40.24 per $1.00.

Production increased from 210,461 tonnes of aluminium in fiscal 2006 to 396,305 tonnes of aluminium in fiscal 2008, representing a CAGR of 37.2%. The production increases, together with higher aluminium market prices, drove revenue of our aluminium business from $453.0 million in fiscal 2006 to $1,140.2 million in fiscal 2008, representing a CAGR of 58.7%.

Iron Ore

Our iron ore business is owned and operated by SGL, India's largest producer-exporter of iron ore in the private sector in fiscal 2007, which we acquired on 23 April 2007. We have a 51.2% ownership interest through our wholly-owned subsidiaries in SGL and SGL owns 88.3% of SIL. SGL is engaged in the exploration, mining and processing of iron ore. SGL's mining operations are carried out in the Indian states of Goa, Karnataka and Orissa. SIL operates a 250,000 tpa pig iron plant in the State of Goa in Western India. SGL operates a 280,000 tpa metallurgical coke plant and supplies most of the output from this plant to SIL's pig iron plant.

The following table sets forth select performance data of our iron ore business for the post acquisition period of 11 months through 31 March 2008:

	Eleven Months Ended 31 March 2008
Production volumes (tonnes)	
— Saleable ore	11,469,115
— Pig iron	248,147
Revenue ($ million)	**888.9**
Segment result ($ million)	**420.0**

The production for the eleven months ended 31 March 2008 was 11.5 million tonnes. The production for the full fiscal year 2008 was 12.4 million tonnes. Out of total sales for the eleven months ended 31 March 2008, exports accounted for 82%, with the remainder being sold in the domestic market. China accounted for 67% of total exports with the remainder going to Japan, Pakistan and other nearby markets.

Commercial Power Generation

We are developing a commercial power generation business in India that leverages our experience in building and managing captive power plants used to support our primary businesses. As of 31 March 2008, the total power generation capacity of our ten captive power plants and wind power plants was 1,383 MW, including four thermal coal-based captive power plants with a total power generation capacity of 849 MW that we built within the last four years. In addition, we are in the process of constructing a 2,400MW (600 MW x 4) coal based independent thermal power plant at Jharsuguda in the State of Orissa. In fiscal 2008, we obtained coal block allocations of 112.2 million tonnes from the Ministry of Coal of the Government of India. Wind power plants totalling 107.2 MW were progressively commissioned by HZL and generated revenue in fiscal 2008 and another 16 MW wind power plant is expected to be commissioned by mid-2008, increasing our total capacity to 123.2 MW. See "Business — Description of the Businesses — Future Commercial Power Generation Business".

Factors Affecting Our Results of Operations

Our results of operations are primarily affected by commodity prices, our cost of production and efficiency, our 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

Our results of operations are significantly affected by the commodity prices of the metals that we produce, which are based on LME prices, and the benchmark price of the iron ore that we produce. The commodity prices of the metals we produce 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 commodity production, temporary price reductions or other attempts to capture market share by individual metal producers or iron ore miners, including by our Group, may have an effect on market prices.

Moreover, the prices realised by us can, to some extent, be affected by the particular terms we are able to negotiate for the contractual arrangements we enter into with buyers. Price variations and market cycles, including recent volatility of LME prices and the benchmark price for iron ore, have historically influenced, and are expected to continue to influence, our financial performance.

Copper

The revenue of our copper business fluctuates based on the volume of our 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 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 92.3% of its copper concentrate requirements in fiscal 2008, is thus dependent upon the amount by which the TcRc Sterlite is able to negotiate exceeding 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 it 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 forth the average TcRc that Sterlite realised for each of the periods indicated:

	Year Ended 31 March		
	2006	**2007**	**2008**
	(US cents per lb)		
Copper TcRc	23.1¢/lb	31.1¢/lb	15.7¢/lb

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 7.7% of Sterlite's copper concentrate requirements in fiscal 2008 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 2010 and to the extent Sterlite seeks to increase its copper smelting and refining capacity. For these integrated portions of our copper business, our profitability is dependent upon the difference between the LME price of copper and our cost of production, which includes the costs of mining and smelting. The following table sets forth the daily average copper LME price for each of the periods indicated:

	Year Ended 31 March		
	2006	**2007**	**2008**
	(US dollars per tonne)		
Copper LME	$4,099	$6,984	$7,588

Zinc and aluminium

The revenue of our zinc and aluminium businesses fluctuates based on the volume of our sales and the respective LME prices of zinc and aluminium. Our zinc business is fully integrated, so its profitability is dependent upon the difference between the LME price of zinc and our cost of production, which includes the costs of mining and smelting. BALCO was a fully integrated aluminium producer in fiscal 2005 and prior years, with all of its alumina requirements being supplied by its own bauxite mines and alumina refinery. However, following the completion of a large expansion project at Korba to increase aluminium smelting capacity, BALCO sourced approximately 61.5% of its alumina requirements from the international markets in fiscal 2008. Once Vedanta Aluminium's 1.0 mtpa, expandable to 1.4 mtpa, alumina refinery and 500,000 tpa aluminium smelter are completed, which are expected to occur by the end of fiscal 2009 and the end of fiscal

2010, respectively, the Group's aluminium business on a consolidated basis will be effectively fully integrated across all of our subsidiaries. Where the alumina is sourced internally, profitability is dependent upon the LME price of aluminium less our cost of production, which includes the costs of bauxite mining, the refining of bauxite into alumina and the smelting of alumina into aluminium. Where alumina is sourced from third parties, profitability is dependent upon the LME price of aluminium less the cost of the sourced alumina and our cost of production. The following table sets forth the daily average zinc and aluminium LME prices for each of the periods indicated:

	Year Ended 31 March		
	2006	2007	2008
	(US dollars per tonne)		
Zinc LME	$1,614	$3,581	$2,992
Aluminium LME	$2,028	$2,663	$2,620

Iron ore

The revenue of our iron ore business fluctuates based on the volume of our sales and the market price of iron ore. We sell 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. According to CRU Strategies, the three largest iron ore mining companies are Vale Limited ("Vale"), Rio Tinto plc ("Rio Tinto") and BHP Billiton Limited ("BHP Billiton"), accounting for 71.0% of the supply of seaborne iron trade in 2007. Every year these three companies 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 we sell 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 Government of India, the costs to transport metals to India and regional market conditions. See "— Government Policy". As a result, we endeavour to sell as large a quantity of our products as possible in India.

Hedging

We have historically engaged in hedging strategies to a limited extent to partially mitigate our exposure to fluctuations in commodity prices, as further described in "— Market Risk Disclosure — Commodity Price Risk".

Production Costs and Efficiency

Our results of operations are, to a significant degree, dependent upon our ability to efficiently run our operations and maintain low costs of production. Efficiencies relating to recovery of metal from the ore, process improvements, by-product management and increasing productivity help drive our costs down. Costs associated with mining and metal production include energy costs, ore extraction and processing costs at our captive mines, labour costs and other manufacturing expenses. Cost of production also includes cost of alumina for our aluminium business, as described under "— Commodity Prices — Metal Prices and Copper TcRc — Zinc and aluminium". Cost of production does not include the cost of copper concentrate for our copper business, though such cost is included in our cost of sales.

Energy cost is a significant component of the cost of production of our metal production businesses. Most of our 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 our power plants, and metcoke, which is used in the zinc smelting process, are currently sourced from a combination of long-term and spot contracts. Our aluminium business has a high energy consumption due to the power-intensive nature of aluminium smelting. BALCO sources approximately 70% of its thermal coal requirement from a subsidiary of Coal India under a five-year supply agreement entered into in August 2006. Shortages of coal at Coal India may require that a greater amount of higher priced imported coal be utilised. For example, in April 2005, a shortage of coal led Coal India to reduce the amount of coal supplied to all its customers, except utilities, including BALCO, forcing BALCO to utilise higher priced imported coal. Any change in coal prices or the availability of domestic coal can affect the cost of generating power.

For our zinc and iron ore businesses and the portions of our copper and aluminium businesses where we source the ore from our own mines, ore extraction and processing costs affect our cost of production. In our zinc and portions of our copper businesses, the ore extraction and processing costs to produce concentrates are generally a small percentage of our overall cost of production of the finished metals. In our aluminium business, the bauxite ore extraction cost is not material but the refining cost to produce alumina from bauxite ore represents a substantial part of the cost of production of aluminium. In addition, a significant cost of production in our zinc business is the government royalty that HZL pays on the lead-zinc ore that is mined, which royalty is a function of the LME prices of zinc and lead. See "— Government Policy — Taxes and royalties". In our iron ore business, the principal activities are ore extraction, processing and sales. The cost of transporting ore from our 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. We outsource a 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 our copper, zinc and aluminium smelting operations 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 material portion of our costs of production.

Cost of production as reported for our metal products includes an offset for any amounts we receive upon the sale of the by-products from the refining or smelting processes. We divide our cost of production 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. Therefore, the Group's production levels are a key factor in determining its overall cost competitiveness. The Group has benefited from significant economies of scale as it has increased production volumes.

Costs of production in fiscal 2006, 2007 and 2008 are reflected in the following table:

	Year Ended 31 March		
	2006	**2007**	**2008**
Copper (India) (US cents per lb)(1)	6.1	6.1	1.8
Copper (Zambia) (US cents per lb)(2)	127.9	173.6	191.5
Zinc ($ per tonne)(3)(4)	691	862	884
Aluminium ($ per tonne)(3)(5)	1,710	1,630	1,771

(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 $116 per tonne, $256 per tonne and $198 per tonne in fiscal 2006, 2007 and 2008, respectively.

(5) Represents the weighted average between BALCO and MALCO.

Production Volume and Mix

Production volume has a substantial effect on our results of operations. We are generally able to sell all of the products we produce, so our revenue generally fluctuates as a result of changes in our production volume. Production volume is dependent on our production capacity, which has increased in recent years across all of our businesses. For our 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, our production levels are a key factor in determining our overall cost competitiveness. We have benefited from significant economies of scale as we have increased production volumes in recent years. The following table summarises our production volumes for our primary products in the last three fiscal years:

Segment	Product	Year Ended 31 March 2006	2007	2008
		(Tonnes)		
Copper				
— Sterlite	Copper cathode[(1)]	273,048	312,720	339,294
— KCM	Copper cathode	163,779	142,364	150,488
	Total copper cathode	436,827	455,084	489,782
— Sterlite	Copper rods	166,497	177,882	224,758
Zinc	Zinc[(2)(3)]	283,698	348,316	426,323
	Lead[(4)]	23,636	44,552	58,247
Aluminium				
— BALCO	Ingots[(5)]	58,750	182,921	195,794
	Rods[(6)]	64,602	72,981	101,183
	Rolled Products	50,391	57,287	61,693
	Subtotal	173,743	313,189	358,670
— MALCO	Ingots	690	2,719	2,963
	Rods	36,028	34,933	34,672
	Subtotal	36,718	37,652	37,635
	Total aluminium	210,461	350,841	396,305
Iron ore	Saleable ore[(7)]	—	—	11,469,115

(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.

(2) Includes production capitalised in fiscal 2006 and 2008 of 1,030 tonnes and 1,154 tonnes, respectively.

(3) Excludes tolled metal in fiscal 2006 and 2007 of 34,890 tonnes and 251 tonnes, respectively.

(4) Excludes production capitalised in fiscal 2006 of 153 tonnes.

(5) Includes production capitalised in fiscal 2006 of 12,288 tonnes.

(6) Includes production capitalised in fiscal 2006 of 1,300 tonnes.

(7) Represents post-acquisition production for the eleven months ended 31 March 2008.

In addition, the mix of products we produce can have a substantial impact on our results of operations as we have different segment margins in each of our businesses, and within each business our 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 our copper rod plant into copper rods, a value-added product which has a higher margin than copper cathodes. As copper rods have higher margins, we endeavour to sell as large a percentage of copper rods as possible. As the production volume of our various products fluctuate primarily based on market demand and our production capacity for such products, the percentage of our revenue from those products will also fluctuate between higher and lower margin products, which will in turn cause our operating profit and operating margins to fluctuate.

Periodically, our facilities are shut down for planned and unplanned repairs and maintenance which temporarily reduces our production volume.

Government Policy

India customs duties

We sell our products in India at a premium to the LME price, due in part to the customs duties payable on imported products. Our profitability is affected by the levels of customs duties as we price our products sold in India generally on an import-parity basis. We also pay a premium on certain raw materials that we import 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. The following table sets forth the customs duties that were applicable for the periods indicated:

	1 March 2005 to 28 February 2006	1 March 2006 to 21 January 2007	22 January 2007 to 28 April 2008	29 April 2008 to Present
Copper	10.0%	7.5%	5.0%	5.0%
Copper concentrate	5.0%	2.0%	2.0%	2.0%
Zinc	10.0%	7.5%	5.0%	0.0%
Aluminium	10.0%	7.5%	5.0%	5.0%

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. 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 imports. The Government of India may further reduce customs duties in the future, which would adversely affect our results of operations.

India export duties

The Government of India 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 Rs. 50 ($1.25) per tonne and iron ore fines and lumps with a ferrous content of more than 62% were taxed at a rate of Rs. 300 ($7.50) per tonne. On 13 June 2008, the Government of India changed the export duty on iron ore to 15% ad valorem on the FOB value of exports.

Indian export incentives

The Government of India provides a variety of export incentives to Indian companies. Indian exports of copper, zinc and aluminium receive assistance premiums from the Government of India, 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, we endeavour to sell as large a quantity of our products as possible domestically.

In fiscal 2006, 2007 and 2008, exports accounted for 74.0%, 72.2% and 66.6%, respectively, of Sterlite's copper business' revenue. The following table sets forth 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:

	Prior to 4 May 2005	5 May 2005 to 20 November 2005	21 November 2005 to 14 July 2006	15 July 2006 to Present
	(Per tonne of exports)	(percentage of FOB value in exports)		
Copper cathode	Rs. 6,500	4.5%(1)	5.0%(3)	2.2%(4)
Copper rods	Rs. 9,000	5.0%(2)	5.0%(2)	2.2%(5)

(1) Subject to a cap of Rs. 7,700 per tonne.

(2) Subject to a cap of Rs. 10,050 per tonne.

(3) Subject to a cap of Rs. 9,000 per tonne.

(4) Subject to a cap of Rs. 7,500 per tonne.

(5) Subject to a cap of Rs. 7,760 per tonne.

In fiscal 2006, 2007 and 2008, exports accounted for 23.4%, 50.0% and 31.3% respectively, of our zinc business' revenue. The following table sets forth 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:

	Prior to 26 May 2005	26 May 2005 to 2 July 2006	3 July 2006 to 31 March 2007	1 April 2007 to 8 October 2007	9 October 2007 to Present
	(percentage of FOB value of exports)				
Zinc concentrate	3.0%	2.0%	2.0%	5.0%	3.0%
Zinc ingots	9.0%	6.0%	4.0%	7.0%	5.0%
Lead concentrate	3.0%	2.0%	2.0%	5.0%	3.0%
Lead ingots	0.0%	0.0%	0.0%	4.0%(1)	4.0%(1)

(1) Subject to a cap of Rs. 2,160 per tonne, effective from 16 July 2007.

In fiscal 2006, 2007 and 2008, exports accounted for 7.2%, 25.3% and 22.3% respectively, of our aluminium business' revenue. The following table sets forth 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:

	Prior to 26 May 2005	26 May 2005 to 2 July 2006	3 July 2006 to 31 March 2007	1 April 2007 to 8 October 2007	9 October 2007 to Present
	(percentage of FOB value of exports)				
Aluminium ingots	3.0%	2.0%	2.0%	5.0%	3.0%
Aluminium rods	3.0%	2.0%	2.0%	5.0%	5.0%
Aluminium rolled products	7.0%	4.0%	3.0%	6.0%	4.0%

The Government of India may further reduce export incentives in the future, which would adversely affect our results of operations.

Taxes and royalties

Income tax on Indian companies is presently charged, and during fiscal 2008 was charged, at a statutory rate of 30.0% plus a surcharge of 10.0% on the tax and has an additional charge of 3.0% on the tax including surcharge, which results in an effective statutory tax rate of 34.0%. We have 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 alternative tax, whichever is greater. The minimum alternative tax rate is currently, and during fiscal 2008 was, 11.3% of the book profits as prepared under Indian GAAP. Amounts paid as minimum alternative tax may be applied towards regular income taxes payable in any of the succeeding seven years.

A tax on dividends declared and distributed by Indian companies is charged at an effective tax rate of 17.0%. This tax is payable by the company distributing the dividends. Dividends from our subsidiaries to us are also subject to this tax, though we do not pay income tax upon the receipt of any such dividends.

We currently pay an excise duty of 14.0% and an additional charge of 3.0% on the excise duty based on all of our domestic production intended for domestic sale and charge this excise duty and additional charge to our domestic customers.

We are also subject to government royalties. We pay royalties to the State Governments of Chhattisgarh, Rajasthan, Goa, Karnataka and Orissa in India, based on our 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 6.6% of the LME zinc metal price payable on the zinc metal contained in the ore processed and 5.0% of the LME lead metal price payable on the lead metal contained in the ore processed. The royalties paid by BALCO and SGL on extraction of bauxite and iron ore, respectively, are not material to our results of operations. We also pay royalties to the State Government of Tasmania in Australia based on the operations at 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 5.0% 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.

We have benefited from these tax incentives. Such benefits have resulted in lower effective tax rates in some of our operating subsidiaries such as BALCO, HZL and Sterlite. Sterlite has benefited from its 100% export unit status, where profits on export sales are exempt from tax for a specified period. BALCO and HZL have considerable investments in captive power plants enjoying tax exemptions, and HZL has also benefited from establishing wind energy generating projects. In addition, a large part of Sterlite's and HZL's investments of their surplus cash is in tax exempt instruments.

Currently, only a small portion of SGL's profits are exempt from tax. We are in the process of introducing tax planning measures aimed at reducing SGL's effective tax rate in the future.

Zambian tax regime

Effective April 2008, changes were made to the tax regime in Zambia whereby the tax rates applicable to mining companies were increased from 25% to 30%. The Zambian Government has also introduced a number of new taxes which will have a negative impact on the profitability of our Zambian operations. The new taxes applicable to KCM are in the form of a windfall tax or variable profit tax. Windfall tax becomes payable when copper is sold at prices above $5,512 per tonne. For the year ended 31 March 2008, the average LME cash settlement price was $7,588 per tonne. The tax is charged at rates ranging from 25% to 75% of the difference between the realised price and specific price thresholds starting from $5,512 per tonne. Windfall tax is not a deductible expense in the computation of income tax. Variable profit tax becomes payable 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. Though the new tax rates are effective 1 April 2008, the tax legislation was substantially enacted before the end of the year ended 31 March 2008 and accordingly our deferred tax liability was re-stated assuming the higher tax rate.

Exchange Rates

Our financial statements are presented in US dollars. However, our operating costs are influenced by the currencies of those countries where our Group's mines and plants are located. A majority of our mines and plants are located in India and, hence, the Indian Rupee is the currency in which most of our costs are incurred and whose fluctuation against the US dollar may have a significant impact on our financial results. We also have 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.

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

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

The average exchange rate of US dollar to Indian Rupees in fiscal years 2006, 2007 and 2008 were Rs. 44.17, Rs. 44.93 and Rs. 40.00, respectively. The US dollar appreciated by 1.7% against the Indian Rupee between fiscal 2006 and 2007 and depreciated by 11.0% between fiscal 2007 and 2008.

Investments

See "Business — History and Development of the Group" for a discussion of the principal acquisitions of Vedanta and its consolidated subsidiaries, as well as other major investments by Vedanta and its consolidated subsidiaries since inception.

Results of Operations

Overview

Consolidated Income Statement

The following table is derived from the "Selected Consolidated Financial Information" section and sets forth our historical operating results as a percentage of revenue for the periods indicated:

	Year Ended 31 March		
Consolidated Income Statement:	2006	2007	2008
Revenue	**100%**	**100%**	**100%**
Cost of sales	(70.0)	(59.1)	(64.8)
Gross profit	30.0	40.9	35.2
Other operating income	1.1	1.6	1.1
Distribution costs	(2.2)	(1.7)	(2.1)
Administrative expenses	(3.4)	(2.3)	(2.7)
Administrative expenses — special items	—	(0.0)	0.1
Operating profit	25.5	38.5	31.6
Investment revenue	1.4	2.0	3.9
Finance costs	(1.6)	(2.3)	(1.8)
Share of loss of associate	(0.0)	(0.0)	—
Profit before taxation	**25.3**	**38.2**	**33.7**
Tax expense	(7.6)	(10.3)	(9.2)
Profit for the year	**17.7%**	**27.9%**	**24.4%**

Revenue by Geographic Location

The Group's operations are located in India, Zambia and Australia. The primary markets for our products are India, the Far East and the Middle East. We endeavour to sell as large a quantity of our products as possible in India due to the Indian market premium that we receive on sales in India. The following table sets forth our revenue from each of our primary markets for the periods indicated:

	Year Ended 31 March					
	2006	%	2007	%	2008	%
	($ million except for percentages)					
India	$1,762.3	47.6%	$2,670.9	41.1%	$3,796.2	46.3%
Far East[(1)]	963.8	26.0	2,056.5	31.6	2,702.1	32.9
Middle East	429.5	11.6	647.0	9.9	1,188.5	14.5
Europe	353.5	9.6	760.5	11.7	239.5	2.9
Africa	136.6	3.7	253.3	3.9	127.6	1.6
Other[(2)]	56.1	1.5	114.0	1.8	149.8	1.8
Total	**$3,701.8**	**100.0%**	**$6,502.2**	**100.0%**	**$8,203.7**	**100.0%**

(1) Far East includes a number of countries, primarily China, South Korea and Thailand.

(2) Other includes the United States, Australia, New Zealand and a number of countries in Asia excluding India, the Far East and the Middle East.

Fiscal 2008 Compared With Fiscal 2007

Revenue

- *Group.* The Group's revenue was $8,203.7 million in fiscal 2008, an increase of $1,701.5 million, or 26.2%, from $6,502.2 million in fiscal 2007. A significant portion of this increase was due to additional revenue of $888.9 million from the SGL iron ore business that we acquired in April 2007. It was also due to increased sales volumes enabled by increased production across all our businesses and higher daily average copper LME prices in fiscal 2008 compared to fiscal 2007, partially offset by lower daily average zinc LME prices in fiscal 2008 compared to fiscal 2007. Our iron ore, copper, aluminium and zinc businesses contributed 52.2%, 38.4%, 8.6% and 3.1% of our increase in revenue, respectively.

- *Copper (India/Australia).* Revenue from the copper business in India and Australia was $3,118.8 million in fiscal 2008, an increase of $565.4 million, or 22.1%, from $2,553.4 million in fiscal 2007. This increase was primarily due to an increase in sales volume enabled by increased production, higher daily average copper LME prices and a higher percentage of sales of copper rods. Specifically:

  - Copper cathode production increased from 312,720 tonnes in fiscal 2007 to 339,294 tonnes in fiscal 2008, an increase of 8.5%, as a result of a full year's contribution from the capacity expansion at our Tuticorin facility commissioned in the second half of fiscal 2007. Copper cathode sales decreased from 133,402 tonnes in fiscal 2007 to 112,410 tonnes in fiscal 2008, a decrease of 15.7%, as we converted a higher percentage of our copper cathode production into copper rods in fiscal 2008 as compared to fiscal 2007.

  - Production of copper rods increased from 177,882 tonnes in fiscal 2007 to 224,758 tonnes in fiscal 2008, an increase of 26.4%. This increase in production was enabled by the increase in rod plant capacity at Tuticorin in the second half of fiscal 2007. Copper rod sales increased from 177,746 tonnes in fiscal 2007 to 224,661 tonnes in fiscal 2008, an increase of 26.4%. The increase in sales was due to the increase in production.

  - The daily average copper cash settlement price on the LME increased from $6,984 per tonne in fiscal 2007 to $7,588 per tonne in fiscal 2008, an increase of 8.6%.

- Sales of copper in the Indian market increased from 116,522 tonnes in fiscal 2007 to 157,037 tonnes in fiscal 2008, an increase of 34.8%, and our exports decreased from 194,625 tonnes in fiscal 2007 to 180,035 tonnes in fiscal 2008, a decrease of 7.5%. We endeavour to sell as large a quantity of our products as possible domestically, where we receive an Indian market premium. Our domestic sales as a percentage of our total revenue increased from 37.4% in fiscal 2007 to 46.6% in fiscal 2008 as the demand in the domestic market increased more rapidly than our production volume growth.

- *Copper (Zambia).* Revenue from KCM in Zambia was $1,103.1 million in fiscal 2008, an increase of $87.2 million, or 8.6%, from $1,015.9 million in fiscal 2007. This increase was primarily due to an increase in sales volume and an increase in daily average copper LME prices. Specifically, copper cathode production increased from 142,364 tonnes in fiscal 2007 to 150,488 tonnes in fiscal 2008, an increase of 5.7%, as a result of increases in operational efficiencies and increased production from the tailings leach plant. Copper cathode sales increased from 141,100 tonnes in fiscal 2007 to 151,031 tonnes in fiscal 2008, an increase of 7.0%. These increases in production were notwithstanding an interruption in production in January 2008 caused by a power grid failure throughout the South African region that interrupted businesses across the country and which resulted in reduced production over a three week period as production was halted at the time of the failure and then progressively resumed and restored to normal levels.

- *Zinc.* Revenue from the zinc business was $1,941.4 million in fiscal 2008, an increase of $53.3 million, or 2.8%, from $1,888.1 million in fiscal 2007. This increase was primarily due to an increase in sales volume enabled by increased production, partially offset by a decrease in the daily average zinc LME prices, a decrease in the sales of zinc concentrates to third parties and a reduction in Indian customs duty from 7.5% to 5.0% in January 2007. The increase in revenue was also due to an increase in the sales volume of lead and an increase in the daily average lead LME prices. Specifically:

  - Zinc ingot production increased from 348,317 tonnes in fiscal 2007 to 426,323 tonnes in fiscal 2008, an increase of 22.4%, as a result of the contribution of a full year's production from HZL's first hydrometallurgical zinc smelter at Chanderiya and the contribution from HZL's second hydrometallurgical zinc smelter at Chanderiya which was commissioned in December 2007, in addition to marginal increases in production from other smelters.

  - Zinc ingot sales increased from 349,615 tonnes in fiscal 2007 to 425,531 tonnes in fiscal 2008, an increase of 21.7%, enabled by higher production.

  - Zinc ingot sales in the domestic market increased from 204,286 tonnes in fiscal 2007 to 337,672 tonnes in fiscal 2008, an increase of 65.3%. We endeavour to sell as large a quantity of our products as possible domestically, where we receive an Indian market premium. Our domestic sales as a percentage of total sales increased from 58.4% in fiscal 2007 to 79.4% in fiscal 2008 as the demand in the domestic market increased more rapidly than our production volume growth.

  - The daily average zinc cash settlement price on the LME decreased from $3,581 per tonne in fiscal 2007 to $2,992 per tonne in fiscal 2008, a decrease of 16.4%.

  - HZL also sold surplus zinc concentrate of 254,249 dry metric tonnes ("dmt") in fiscal 2007 and 231,797 dmt in fiscal 2008 to third parties, a decrease of 8.8%. The decrease was due to increased internal consumption of zinc concentrate with the commissioning of HZL's second hydrometallurgical zinc smelter at Chanderiya in December 2007. HZL sold surplus lead concentrate of 59,050 dmt in fiscal 2007 and 65,418 dmt in fiscal 2008 to third parties, an increase of 10.8%, which was enabled by higher mining output in fiscal 2008.

  - Lead ingot production increased from 44,552 tonnes in fiscal 2007 to 58,247 tonnes in fiscal 2008, an increase of 30.7%, as a result of increased production from the Ausmelt™ plant.

  - The daily average lead cash settlement price on the LME increased from $1,426 per tonne in fiscal 2007 to $2,875 per tonne in fiscal 2008, an increase of 101.6%.

- *Aluminium.* Revenue from the aluminium business was $1,140.2 million in fiscal 2008, an increase of $146.8 million, or 14.8%, from $993.4 million in fiscal 2007. This increase was primarily due to an increase in sales volume, partially offset by a marginal decline in the daily average aluminium LME price and a reduction in Indian customs duty from 7.5% to 5.0% in January 2007. Primary and contributing factors to the increase include the following:
  - Aluminium production increased from 350,841 tonnes in fiscal 2007 to 396,305 tonnes in fiscal 2008, an increase of 13.0%, as our new Korba smelter of 245,000 tpa capacity increased production from 207,643 tonnes in fiscal 2007 to 249,392 tonnes in fiscal 2008.
  - Aluminium sales increased from 352,531 tonnes in fiscal 2007 to 396,013 tonnes in fiscal 2008, an increase of 12.3%, enabled by higher production.
  - Aluminium sales in the domestic market increased from 260,701 tonnes in fiscal 2007 to 301,557 tonnes in fiscal 2008, an increase of 15.7%. Our aluminium exports increased from 91,830 tonnes in fiscal 2007 to 94,454 tonnes in fiscal 2008, an increase of 2.9%. Both increases were as a result of increased production from our new Korba smelter. We endeavour to sell as large a quantity of our products as possible domestically, where we receive an Indian market premium. Our domestic sales as a percentage of total revenue increased from 74.0% in fiscal 2007 to 76.1% in fiscal 2008 as the demand in the domestic market increased more rapidly than our production volume growth.
  - The daily average aluminium cash settlement price on the LME declined marginally from $2,663 per tonne in fiscal 2007 to $2,620 per tonne in fiscal 2008, a decrease of 1.6%.
- *Iron ore.* Revenue from the iron ore business was $888.9 million in fiscal 2008, which consisted of revenue from SGL which we acquired in April 2007. The production for the eleven months ended 31 March 2008 was 11,469,115 tonnes.
- *Other activities.* Revenue from the Group's other activities was $11.3 million in fiscal 2008, a decrease of $40.1 million, or 78.0%, from $51.4 million in fiscal 2007. This decrease was due to the sale of Sterlite Gold in August 2007. The Group's other activities following the sale of Sterlite Gold consisted of HZL's operation of wind power plants that were progressively commissioned and which generated revenue in fiscal 2008.

Operating profit

- *Group.* The Group's operating profit was $2,592.4 million in fiscal 2008, an increase of $86.5 million, or 3.5%, from $2,505.9 million in fiscal 2007. This increase was attributable to the addition of our iron ore business acquired in April 2007, higher sales volumes across all our businesses combined with stable cost of production in most of our businesses and an increase in the daily average copper LME price, partially offset by lower daily average zinc LME prices, appreciation of the Indian Rupee against the US dollar by 11.1% and lower TcRc rates for Sterlite's copper smelting business. Operating margin decreased to 31.6% in fiscal 2008 from 38.5% in fiscal 2007, including as a result of an increase in the cost of production at KCM, lower daily average zinc LME prices, appreciation of the Indian Rupee against the US dollar by 11.1% and lower TcRc rates for Sterlite's copper smelting business. Contributing factors to our consolidated operating profit were as follows:
  - Cost of sales increased to $5,317.8 million in fiscal 2008 from $3,840.4 million in fiscal 2007, an increase of $1,477.4 million, or 38.5%, primarily due to the acquisition of SGL, increases in production volumes across all our businesses and higher cost of purchased copper concentrate, resulting from higher daily average copper LME prices, partially offset by lower cost of production in most of our businesses. Cost of sales as a percentage of revenue increased from 59.1% in fiscal 2007 to 64.8% in fiscal 2008, primarily due to lower daily average zinc LME prices and higher cost of purchased copper concentrate.
  - Distribution costs increased from $106.7 million in fiscal 2007 to $170.1 million in fiscal 2008, an increase of $63.4 million, or 59.4%. This increase was primarily due to the addition of our iron ore

business acquired during fiscal 2008 and higher production volumes across all our businesses. As a percentage of revenue, distribution costs increased from 1.6% in fiscal 2007 to 2.1% in fiscal 2008, primarily as a result of the addition of our iron ore business in fiscal 2008, which has high distribution costs as it is a low price bulk commodity business where the majority of iron ore is exported from the nearest port. In addition, our distribution costs as a percentage of revenue increased across all our businesses due to higher transportation costs driven by higher fuel prices.

  - Administrative expenses increased from $149.6 million in fiscal 2007 to $221.3 million in fiscal 2008, an increase of $71.7 million, or 47.9%, primarily as a result of an increase in exploration and technical consultancy costs at HZL, an increase in salaries and other general costs as a result of the expansion of our business and the addition of the iron ore business during fiscal 2008. As a percentage of revenue, administrative expenses increased from 2.3% in fiscal 2007 to 2.7% in fiscal 2008.

  - Special items increased to a gain of $11.1 million in fiscal 2008 compared with a loss of $1.7 million in fiscal 2007. During fiscal 2008, we disposed of our entire interest in Sterlite Gold which resulted in a net gain of $29.8 million. We also entered into an agreement to sell our equity interest in IFL, an associate company, and recognised an estimated loss of $18.7 million on this transaction.

- *Copper (India and Australia).* The segment result for the copper business in India and Australia was $284.9 million in fiscal 2008, a decrease of $48.4 million, or 14.5%, from $333.3 million in fiscal 2007. Segment margin decreased to 9.1% in fiscal 2008 from 13.1% in fiscal 2007. The decrease in segment result was primarily attributable to significantly reduced TcRc rates and the 11.1% appreciation of the Indian Rupee against the US dollar between fiscal 2007 and fiscal 2008, partially offset by an increase in sales volume combined with a lower cost of production resulting from improved copper recovery, improved by-product management and higher realisation on the sale of sulphuric acid by-product and contribution from the phosphoric and precious metals businesses. In particular:

  - TcRc rates decreased from an average of 31.1 ¢/lb realised in fiscal 2007 to an average of 15.7¢/lb realised in fiscal 2008, consistent with the trend in market prices.

  - Cost of production, which consists of cost of smelting and refining costs, was reduced significantly in fiscal 2008 to 1.8¢/lb from 6.1¢/lb in fiscal 2007 primarily due to improved copper recovery, improved by-product management and higher realisation on the sale of sulphuric acid by-product.

- *Copper (Zambia).* KCM's segment result was $250.6 million in fiscal 2008, a decrease of $162.7 million, or 39.4%, from $413.3 million in fiscal 2007. Segment margin decreased from 40.7% in fiscal 2007 to 22.7% in fiscal 2008. The decrease in segment result was primarily due to an increase in the cost of production and a higher cost of copper concentrate as well as a higher percentage of copper concentrate purchased from third parties due to lower mining output from KCM's mines. In particular, cost of production, which consists of cost of smelting and refining costs, increased in fiscal 2008 to 191.5¢/lb from 173.6¢/lb in fiscal 2007 due to higher energy prices, higher labour costs, lower production volume and higher expenditure on refurbishment of equipment for improvements in mining and plant efficiencies. In addition, due to the sharp rise of the daily average copper LME price in April and May 2006, the segment result in fiscal 2007 benefitted from sales made at provisional prices in late fiscal 2006 that were settled in early fiscal 2007 at significantly higher final prices, with the difference in prices recorded as a gain in fiscal 2007. These factors were partially offset by an increase in sales volume and higher daily average copper LME prices.

- *Zinc.* The segment result for the zinc business was $1,333.0 million in fiscal 2008, a decrease of $69.8 million, or 5.0%, from $1,402.8 million in fiscal 2007. Segment margin decreased from 74.3% in fiscal 2007 to 68.7% in fiscal 2008. This decrease in segment result was primarily due to the reduction of 16.4% in the daily average zinc LME price between fiscal 2007 and fiscal 2008 and lower sales of zinc concentrate, partially offset by a 21.7% increase in sales volume from fiscal 2007 to fiscal 2008.

- *Aluminium.* The segment result for the aluminium business was $307.0 million in fiscal 2008, a decrease of $51.4 million, or 14.3%, from $358.4 million in fiscal 2007. Segment margin decreased from 36.1% in fiscal 2007 to 26.9% in fiscal 2008. This decrease in segment result was primarily due to the increased cost of production as a result of the appreciation of the Indian Rupee against the US dollar by 11.1% between fiscal 2007 and fiscal 2008 and higher cost of coal and a decrease in the daily average aluminium LME price.

- *Iron ore.* The segment result for the iron ore business was $420.0 million in the post acquisition period for the 11 months ended 31 March 2008.

Investment revenue and finance costs

The Group's investment revenue was $321.4 million in fiscal 2008, an increase of $193.9 million, or 152.1%, from $127.5 million in fiscal 2007. This increase was in part due to income earned from investment of the proceeds received by Sterlite from its $2.0 billion offering of equity shares represented by American Depositary Shares ("ADSs") in June 2007 pending the use of such proceeds. This increase was also due to higher income earned from surplus cash invested by HZL, income earned from the investment of cash generated during the year, fair value gains on investments and improvement in yield on the investment of our cash.

The Group's finance costs were $150.6 million in fiscal 2008, an increase of $2.9 million, or 2.0%, from $147.7 million in fiscal 2007. This increase was primarily due to higher average debt in fiscal 2008 of $3,198 million compared to $1,965 million in fiscal 2007 as we raised new debt of $1,239 million for financing the $1.0 billion acquisition of SGL in April 2007 and also to meet our project finance requirements, which was partially offset by the early repayment of some of the borrowings by our subsidiaries and reductions in interest rates in the second half of fiscal 2008.

Profit before taxation

The Group's profit before taxation in fiscal 2008 was $2,763.2 million, an increase of $278.8 million, or 11.2%, from $2,484.4 million in fiscal 2007.

Income tax expense and equity minority interests

Income tax expense was $757.7 million in fiscal 2008, an increase of $85.0 million, or 12.6%, from $672.7 million in fiscal 2007. The effective tax rate of the Group increased marginally to 27.4% in fiscal 2008 from 27.1% in fiscal 2007. Initiatives taken by us to improve our tax management and make effective use of tax benefits available to our operations in India resulted in lower effective tax rates in some of our major operating subsidiaries such as HZL and Sterlite. However, these initiatives were more than offset by the higher-than-average tax rate incurred at SGL, a large contributor to our profits in fiscal 2008, as compared to the rest of our businesses. Currently, only a small portion of SGL's profits are exempt from tax. In addition, although new tax rates in Zambia are effective from 1 April 2008, the tax legislation was enacted before the year end and hence the deferred tax liability was re-stated at the higher tax rate in fiscal 2008.

The cash tax rate increased to 22.6% in fiscal 2008 from 20.7% in fiscal 2007, mainly due to a change in the mix of profits from our various subsidiaries. The tax rate is sensitive to the availability of various tax incentives, which differ from subsidiary to subsidiary, and also due to differing tax rates in India, Australia and Zambia.

The profits attributable to equity minority interests in fiscal 2008 increased to $1,126.5 million from $877.5 million in fiscal 2007. The profit attributable to minority interests as a percentage of total profits increased to 56.2% in fiscal 2008 from 48.4% in fiscal 2007, in significant part due to the additional issue of 150 million equity shares by Sterlite in its $2.0 billion offering of equity shares represented by ADSs in June 2007, which increased minority interest and decreased Vedanta's ownership of Sterlite from 76.0% to 59.9%. The profit attributable to minority interests as a percentage of total profits also increased as a result of a change in our profit mix, with higher contributions to profits coming from SGL, HZL and BALCO, which have higher minority interests.

Fiscal 2007 Compared With Fiscal 2006

Revenue

- *Group.* The Group's revenue was $6,502.2 million in fiscal 2007, an increase of $2,800.4 million, or 75.6%, from $3,701.8 million in fiscal 2006. This increase was primarily due to higher metal prices across all our businesses and higher sales volumes driven principally by the commissioning of our new capacities at Tuticorin for copper smelting, at Chanderiya for zinc smelting and at Korba for aluminium smelting. Our copper, zinc and aluminium businesses contributed 47.4%, 36.2% and 19.3% of our increase in revenue, respectively.

- *Copper (India/Australia).* Revenue from the copper business in India and Australia was $2,553.4 million in fiscal 2007, an increase $1,015.5 million, or 66.0%, from $1,537.9 million in fiscal 2006. This increase was primarily due to an increase in sales enabled by increased production, a capacity expansion at our Tuticorin smelter which increased capacity to 400,000 tpa in November 2006 and higher LME copper prices in fiscal 2007 compared to fiscal 2006. Specifically:

  - Copper cathode production increased from 273,048 tonnes in fiscal 2006 to 312,720 tonnes in fiscal 2007, an increase of 14.5%, enabled by a capacity expansion at our Tuticorin smelter. Copper cathode sales increased from 105,268 tonnes in fiscal 2006 to 133,402 tonnes in fiscal 2007, an increase of 26.7%.

  - Production of copper rods increased from 166,497 tonnes in fiscal 2006 to 177,882 tonnes in fiscal 2007, an increase of 6.8%. This increase in production was enabled by our increase in rod plant capacity at Tuticorin. Copper rod sales increased from 166,356 tonnes in fiscal 2006 to 177,746 tonnes in fiscal 2007, an increase of 6.8%. The increase in sales was due to an increase in production.

  - The daily average copper cash settlement price on the LME increased from $4,099 per tonne in fiscal 2006 to $6,984 per tonne in fiscal 2007, an increase of 70.4%.

  - Sales of copper in the Indian market increased from 106,270 tonnes in fiscal 2006 to 116,522 tonnes in fiscal 2007, an increase of 9.6%, and our exports increased from 165,354 tonnes in fiscal 2006 to 194,626 tonnes in fiscal 2007, an increase of 17.7%. The increase in exports was enabled by our increased production levels and growth in export markets. While we endeavour to sell as large a quantity of our products as possible domestically, our domestic sales as a percentage of total sales declined from 39.1% in fiscal 2006 to 37.4% in fiscal 2007 as our production volume increased more rapidly than demand growth in the domestic market.

- *Copper (Zambia).* Revenue from KCM in Zambia was $1,015.9 million in fiscal 2007, an increase of $312.5 million, or 44.4%, from $703.4 million in fiscal 2006. This increase was primarily due to a 70.4% increase in the daily average copper LME price between fiscal 2006 and 2007, partially offset by a 16.9% decrease in copper cathode sales from 169,874 tonnes in fiscal 2006 to 141,100 tonnes in fiscal 2007 as a result of lower production volume. Production volume of copper cathode decreased from 163,779 tonnes in fiscal 2006 to 142,364 tonnes in fiscal 2007, a decrease of 13.1%, as a result of unstable plant operations due to a fire in July 2006 and a temporary work stoppage in November 2006 with time taken to re-stabilise the plant, as well as a planned plant shutdown in the second quarter of fiscal 2007 for the installation of new equipment to improve equipment availability.

- *Zinc.* Revenue of the zinc business was $1,888.1 million in fiscal 2007, an increase of $1,012.6 million, or 115.7%, from $875.5 million in fiscal 2006. This increase was primarily due to higher LME zinc prices, which more than doubled between fiscal 2006 and fiscal 2007, higher sales volume enabled by higher production volume, which in turn was driven by the progressive commissioning of HZL's first hydrometallurgical zinc smelter at Chanderiya, and increased sales of surplus zinc and lead concentrate in fiscal 2007. Specifically:

- The daily average zinc cash settlement price on the LME increased from $1,614 per tonne in fiscal 2006 to $3,581 per tonne in fiscal 2007, an increase of 121.8%.

- Zinc ingot production increased from 283,698 tonnes in fiscal 2006 to 348,316 tonnes in fiscal 2007, an increase of 22.8%, as a result of increased production from HZL's first hydrometallurgical zinc smelter at Chanderiya. The first hydrometallurgical zinc smelter at Chanderiya, which we began commissioning in May 2005 and was fully commissioned in May 2006, produced 135,673 tonnes of zinc in fiscal 2007 as compared to 71,049 tonnes in fiscal 2006.

- Zinc ingot sales increased from 322,744 tonnes in fiscal 2006 to 349,615 tonnes in fiscal 2007, an increase of 8.3%, enabled by higher production and higher exports as a result of strong demand primarily in Asia.

- Zinc ingot sales in the domestic market decreased from 309,128 tonnes in fiscal 2006 to 204,286 tonnes in fiscal 2007, a decrease of 33.9%. This decrease was primarily due to lower consumption in the domestic market by end users. Export sales increased from 13,616 tonnes in fiscal 2006 to 145,329 tonnes in fiscal 2007, due to lower consumption in the domestic market and development of new export markets.

- HZL also sold surplus zinc concentrate of 194,704 dmt in fiscal 2006 and 254,249 dmt in fiscal 2007, an increase of 30.6%, and surplus lead concentrate of zero in fiscal 2006 and 59,050 dmt in fiscal 2007, to third parties, which increases were enabled by higher mining output in fiscal 2007.

- HZL's sales were augmented in fiscal 2006 by the tolling of zinc concentrate. Our tolling arrangements involve sending surplus zinc concentrate from our mines to third party smelters who return the zinc metal post-conversion to us. We engage in tolling from time to time to take advantage of domestic demand. HZL tolled 34,890 tonnes of zinc in fiscal 2006 and 251 tonnes in fiscal 2007. The decrease in tolling was due to the increase in production from HZL's first hydrometallurgical zinc smelter at Chanderiya.

- Lead ingot production increased from 23,636 tonnes in fiscal 2006 to 44,552 tonnes in fiscal 2007, an increase of 88.5%, as a result of the commissioning of HZL's new lead smelter at Chanderiya. Sales of lead ingots increased from 26,928 tonnes in fiscal 2006 to 44,916 tonnes in fiscal 2007, an increase of 66.8%.

- *Aluminium.* Revenue from the aluminium business was $993.4 million in fiscal 2007, an increase of $540.4 million, or 119.3%, from $453.0 million in fiscal 2006. This increase was primarily due to an increase in sales volume enabled by higher production volume and higher daily average aluminium LME prices. Primary and contributing factors to the increase include the following:

  - Aluminium production increased from 210,461 tonnes in fiscal 2006 to 350,841 tonnes in fiscal 2007, an increase of 66.7%, as our new Korba smelter commenced phased and progressive commissioning in fiscal 2007 and was fully commissioned in November 2006. The new smelter at Korba produced 207,643 tonnes of aluminium in fiscal 2007 as compared to 69,014 tonnes in fiscal 2006.

  - Aluminium sales increased from 208,025 tonnes in fiscal 2006 to 352,532 tonnes in fiscal 2007, an increase of 69.5%, enabled by higher production volume.

  - Aluminium sales in the domestic market increased from 195,758 tonnes in fiscal 2006 to 260,701 tonnes in fiscal 2007, an increase of 33.2%. Our aluminium exports increased from 12,267 tonnes in fiscal 2006 to 91,830 tonnes in fiscal 2007. Both increases were as a result of increased production at our new Korba smelter. While we endeavour to sell as large a quantity of our products as possible domestically, our domestic sales as a percentage of total sales declined from 94.1% in fiscal 2006 and to 74.0% in fiscal 2007 as our production volume increased more rapidly than demand growth in the domestic market.

  - The daily average aluminium cash settlement price on the LME increased from $2,028 per tonne in fiscal 2006 to $2,663 per tonne in fiscal 2007, an increase of 31.3%.

- *Other activities.* Revenue from the Group's other activities was $51.4 million in fiscal 2007, a decrease of $80.6 million, or 61.1%, from $132.0 million in fiscal 2006. This decrease was primarily due to the sale of our aluminium conductor business in July 2006.

Operating profit

- *Group.* The Group's operating profit was $2,505.9 million in fiscal 2007, an increase of $1,562.1 million, or 165.5%, from $943.8 million in fiscal 2006. This increase was primarily due to higher sales volumes across all metals combined with stable cost of production in all of our businesses except KCM and higher metal prices realised across all of our businesses. Operating margin, however, increased to 38.5% in fiscal 2007 from 25.5% in fiscal 2006 as a result of higher prices realised across all of our businesses and stable cost of production in all of our businesses except KCM. Contributing factors to our consolidated operating profit were as follows:

  - Cost of sales increased to $3,840.4 million in fiscal 2007 from $2,591.4 million in fiscal 2006, an increase of $1,249.0 million, or 48.2%, due to increases in production volumes across all our businesses. Cost of sales increased in our copper business primarily as a result of higher copper concentrate prices and in our aluminium business primarily as a result of an increase in production volume. Cost of sales as a percentage of revenue decreased from 70.0% in fiscal 2006 to 59.1% in fiscal 2007, due to higher metal prices across all metals and stable cost of production in all of our businesses except KCM.

  - Distribution costs increased from $81.1 million in fiscal 2006 to $106.7 million in fiscal 2007, an increase of $25.6 million, or 31.6%. This increase was due to higher sales volumes across all metals. As a percentage of revenue, however, distribution costs decreased from 2.2% in fiscal 2006 to 1.6% in fiscal 2007 as a result of a larger percentage increase in metal prices as compared to distribution costs.

  - Administrative expenses increased from $127.0 million in fiscal 2006 to $149.6 million in fiscal 2007, an increase of $22.6 million, or 17.8%, primarily as a result of the expansion of our businesses. As a percentage of revenue, however, administrative expenses decreased from 3.4% in fiscal 2006 to 2.3% in fiscal 2007 as a result of a larger percentage increase in metal prices as compared to administrative costs.

  - Special items was a loss of $1.7 million in fiscal 2007 as compared to zero in fiscal 2006. During fiscal 2007, we recognised a provision for guarantees given on behalf of IFL, an associate company, of $17.3 million, recorded a gain of $21.8 million on sale of unused property, recognised a loss of $2.3 million on disposal of our aluminium conductor business and recognised other losses of $3.9 million.

- *Copper (India and Australia).* The segment result for our copper business in India and Australia was $333.3 million in fiscal 2007, an increase of $156.0 million, or 88.0%, from $177.3 million in fiscal 2006. This increase in segment result was primarily due to higher TcRc rates, higher sales volume combined with stable cost of production and increased contribution from CMT as a result of higher daily average copper LME prices, which was partially offset by the reduction in import tariff on copper from 10.0% to 7.5% which became effective from 1 March 2006 and a further reduction from 7.5% to 5.0% which became effective from 22 January 2007. Segment margin increased to 13.1% in fiscal 2007 from 11.5% in fiscal 2006, primarily as a result of an increase in TcRc rates. In particular:

  - TcRc rates increased from an average of 23.1¢/lb realised in fiscal 2006 to an average of 31.1¢/lb realised in fiscal 2007 as a result of favourable market conditions.

- Cost of production, which consists of cost of smelting and refining costs, remained stable at 6.1¢/lb in both fiscal 2006 and 2007. Higher energy prices which impacted costs were offset by higher credit for free metal due to higher daily average copper LME prices.

- *Copper (Zambia).* KCM's segment result was $413.3 million in fiscal 2007, an increase of $250.3 million, or 153.6%, from $163.0 million in fiscal 2006. This increase in segment result was primarily due to a significant increase in daily average copper LME prices, partially offset by higher cost of production. The cost of production increased due to a lower amount of mined metal and finished copper production resulting in the loss of volume efficiencies, an increase in wage costs and other operating expenditures resulting from unstable plant operations due to a fire in July 2006 and a temporary work stoppage in November 2006 with time taken to re-stabilise the plant and its operating performance during fiscal 2007. Segment margin increased to 40.7% in fiscal 2007 from 23.2% in fiscal 2006, primarily as a result of the significant increase in daily average copper LME prices, partially offset by higher cost of production.

- *Zinc.* The segment result for our zinc business was $1,402.8 million in fiscal 2007, an increase of $913.3 million, or 186.6%, from $489.5 million in fiscal 2006. This increase in segment result was primarily due to higher daily average zinc LME prices, which more than doubled from fiscal 2006 to fiscal 2007, and higher sales volume, partially offset by higher cost of production including royalties. The increase in sales volume was enabled by increased production volume primarily from HZL's first hydrometallurgical zinc smelter at Chanderiya. The segment result also increased due to the sale of 254,249 dmt of surplus zinc concentrate and 59,050 dmt of surplus lead concentrate in fiscal 2007 compared to 194,704 dmt of surplus zinc concentrate and zero surplus lead concentrate in fiscal 2006, respectively. Segment margin increased to 74.3% in fiscal 2007 from 55.9% in fiscal 2006, primarily due to higher daily average zinc LME prices, partially offset by higher cost of production including royalties. Cost of production excluding royalties was stable from fiscal 2006 to fiscal 2007. However, royalties, which are LME-linked, amounted to $256 per tonne in fiscal 2007 compared with $116 per tonne in fiscal 2006, an increase of 120.7%, leading to a cost of production including royalties of $862 per tonne in fiscal 2007 compared to $691 per tonne in fiscal 2006, an increase of 24.7%.

- *Aluminium.* The segment result for our aluminium business was $358.4 million in fiscal 2007, an increase of $255.6 million, or 248.6%, from $102.8 million in fiscal 2006. This increase in segment result was primarily due to higher sales volume combined with lower cost of production, higher daily average aluminium LME prices and a higher percentage of sales in India. The lower cost of production was primarily due to the improved operational efficiency at the new Korba smelter upon the full ramp-up of production from the smelter combined with lower alumina spot prices for the alumina purchased for the smelter. We sold 260,701 tonnes of aluminium in India in fiscal 2007 as compared to 195,758 tonnes in fiscal 2006, an increase of 33.2%. Segment margin increased from 22.7% in fiscal 2006 to 36.1% in fiscal 2007, an increase of 31.2%, primarily due to higher daily average aluminium LME prices, a higher percentage of sales in India and lower cost of production.

- *Other activities.* Operating loss from the Group's other activities was $0.3 million in fiscal 2007, a decrease of $13.2 million from a profit of $12.9 million in fiscal 2006, as a result of the sale of our aluminium conductor business in fiscal 2007.

Investment revenue and finance costs

The Group's investment revenue was $127.5 million in fiscal 2007, an increase of $75.9 million, or 147.1%, from $51.6 million in fiscal 2006. This increase resulted from the Group having a larger cash balance to invest in fiscal 2007 than in fiscal 2006. Income from investments increased mainly on account of investment of surplus cash from our operations.

The Group's finance costs were $147.7 million in fiscal 2007, an increase of $88.4 million from $59.3 million in fiscal 2006. The total interest payable increased as a result of the full year impact of the $725.0 million 4.6% convertible bonds due 2026 issued in the second half of fiscal 2006 by Vedanta Finance

(Jersey) Limited ("VFJL") and guaranteed by Vedanta, as well as a general increase in interest rates, partially offset by reductions of debt by HZL and BALCO.

Profit before taxation

The Group's profit before taxation in fiscal 2007 was $2,484.4 million, an increase of $1,549.7 million, or 165.8%, from $934.7 million in fiscal 2006.

Income tax expense and equity minority interests

Income tax expense was $672.7 million in fiscal 2007, an increase of $392.3 million, or 139.9%, from $280.4 million in fiscal 2006. The effective tax rate of the Group decreased to 27.1% in fiscal 2007 from 30.0% in fiscal 2006 as a result of various measures undertaken by us to improve efficiencies in tax management in general and specifically in some of our major Indian subsidiaries such as Sterlite and HZL. During fiscal 2007, Sterlite set up a 100% Export Oriented Unit at Tuticorin and HZL established wind energy generating projects which enjoy tax benefits. The tax rate is also sensitive to the availability of various tax incentives, which differ from subsidiary to subsidiary, and also to differing tax rates in India, Australia and Zambia.

The cash tax rate increased to 20.7% in fiscal 2007 from 19.9% in fiscal 2006, primarily due to an increase in an amount of minimum alternative tax payable and change in the mix of profits from our various subsidiaries.

The profits attributable to equity minority interests in fiscal 2007 increased to $877.5 million from $280.8 million in fiscal 2006 as a result of an increase in profits for the year. Despite no change in our shareholding in any of our subsidiaries, the effective rate of minority interest as a percentage of profits for the year increased to 48.4% in fiscal 2007 as compared to 42.9% in fiscal 2006 as a result of higher contribution to profits from HZL and BALCO, which have higher minority interests as compared to other entities in the Group.

Liquidity and Capital Resources

Capital Resources

Overview

The following table sets forth select cash flow data and our cash and cash equivalents for the periods indicated:

	Year Ended 31 March		
	2006	2007	2008
		($ million)	
Net cash from operating activities	$ 632.2	$ 1,522.5	$ 2,232.9
Net cash used in investing activities	(671.0)	(1,534.1)	(6,315.7)
Net cash from/(used in) financing activities	727.2	(299.6)	2,919.8
Cash and cash equivalents at end of year	1,847.3	1,584.8	458.2

Net Cash From Operating Activities

Operating cash flows before movements in working capital in fiscal 2008 increased by $326.0 million to $3,002.2 million, from $2,676.2 million in fiscal 2007, because of the addition of profits before tax from our iron ore business in fiscal 2008. Operating cash flows before movements in working capital in fiscal 2007 increased by $1,566.2 million from $1,110.0 million in fiscal 2006 as a result of higher profits across all our businesses. Cash generated from operations was $2,948.9 million in fiscal 2008 compared to $2,126.5 million in fiscal 2007 and $914.7 million in fiscal 2006. Cash deployed in working capital in fiscal 2008 was $53.3 million compared to cash deployed in working capital of $549.7 million in fiscal 2007 and cash deployed in working capital of $195.3 million in fiscal 2006. The working capital increase in fiscal 2008 was mainly on account of an increase in inventory of $276.0 million and an increase in receivables by $64.7 million, partially offset by an increase in payables by $287.4 million. In fiscal 2008, the increases in inventory and payables were a result of the rise in the price of copper concentrate and higher production volumes at Sterlite, BALCO and HZL. The working capital increase in fiscal 2007 was mainly on account of an increase in receivables of $410.4 million and an increase in inventory of $361.8 million, partially offset by an increase in payables of $222.5 million. In fiscal 2007, the increases in inventory and payables were a result of the rise in the price of copper concentrate and higher production volume at Sterlite and an increase in inventory at KCM. Cash deployed in working capital in fiscal 2006 was $195.3 million largely on account of an increase in inventory of $190.1 million which increased primarily at our copper and aluminium business as a result of higher production volumes and high daily average copper LME prices. Receivables also increased by $236.8 million primarily at HZL and KCM.

Net cash from operating activities was $2,232.9 million in fiscal 2008 compared to $1,522.5 million in fiscal 2007 and $632.2 million in fiscal 2006. Net interest and dividend received in fiscal 2008 was $43.5 million, an increase of $87.6 million as compared to net interest paid of $44.1 million in fiscal 2007, which was primarily due to higher investment revenue from our high cash position in fiscal 2008 resulting from the receipt of proceeds from Sterlite's ADS offering. Net interest paid in fiscal 2006 was $46.6 million. Income tax paid was $655.2 million in fiscal 2008, an increase of $179.6 million over income tax paid of $475.6 million in fiscal 2007, primarily as a result of higher profits. Income tax paid in fiscal 2007 was higher by $289.1 million than the income tax paid of $186.5 million in fiscal 2006, primarily as a result of higher profits across all our businesses.

Net Cash Used in Investing Activities

Net cash used in investing activities was $6,315.7 million in fiscal 2008, primarily on account of an increase in liquid investments of $3,617.2 million, capital expenditure of $1,744.8 million mainly towards various expansion projects and payment of $990.4 million for the acquisition of SGL.

Net cash used in investing activities was $1,534.1 million in fiscal 2007, primarily on account of capital expenditure of $1,154.5 million mainly towards various expansion projects and expenditure of $345.1 million towards an increase in liquid investments.

Net cash used in investing activities was $671.0 million in fiscal 2006, primarily on account of capital expenditure of $656.2 million mainly towards various expansion projects.

For capital expenditures, see "— Capital Expenditures and Commitments" below.

Net Cash From or Used in Financing Activities

Net cash provided by financing activities was $2,919.8 million in fiscal 2008, primarily as a result of an increase in short-term debt of $1,100.4 million, of which $1.0 billion was borrowed for financing the acquisition of SGL, and the receipt of proceeds from the issuance of ADSs by Sterlite of $1,969.4 million. In fiscal 2007, net cash used in financing activities was $299.6 million, primarily as a result of repayment of long-term borrowings. In fiscal 2006, net cash provided by financing activities was $727.2 million, which consisted primarily of proceeds of $719.7 million from the issuance of convertible bonds by us.

We had undrawn committed borrowing facilities of $1,426.5 million available to us as of 31 March 2008.

We tap both the Indian and offshore markets for our long-term funding needs. In addition, we have sizeable imports and exports, we access both import and export credits, based on cost effectiveness, both in Indian Rupee and in foreign currencies, to finance our short-term working capital requirements. We have in place both secured and unsecured borrowings, with our secured borrowings being generally Indian Rupee denominated bonds.

We have tapped different segments of borrowing resources, including banks and capital markets, both in India and overseas. We have corporate credit ratings of Baa3 from Moody's, BB from Standard & Poor's and

BBB- from Fitch. We have not had, and do not believe that we will have, difficulty in gaining access to short-term and long-term financing sufficient to meet our current requirements.

The following table shows the medium-term and long-term borrowings (excluding amounts falling due in one year or less) of the Group as of 31 March 2006, 2007 and 2008:

	As of 31 March		
	2006	2007	2008
		($ million)	
Group	$1,236.0	$879.3	$956.0(1)

(1) This amount does not include the $1.0 billion bridge loan taken in April 2007 to finance the acquisition of a 51.0% ownership interest in SGL, which was subsequently refinanced in April 2008 with an approximately five-year term loan.

In December 2004 and January 2005, Vedanta issued the 2004 Notes in an aggregate principal amount of $600.0 million. The 2004 Notes are unsecured and are currently rated Ba1 with stable outlook by Moody's, BB with positive outlook by Standard & Poor's, and BB+ by Fitch. The proceeds from the 2004 Notes were substantially remitted to the Group's Indian subsidiaries for the funding of the Group's projects.

In February 2006, Vedanta guaranteed a total of $725.0 million 4.6% convertible bonds due 2026 issued by VFJL. These bonds can be converted into one ordinary share of £14.54 each represented by a depository receipt. Bondholders' earliest redemption option is in February 2013. The proceeds from these bonds were substantially remitted to the Group's Indian subsidiaries for the funding of the Group's projects.

Vedanta borrowed $1.0 billion through a wholly-owned subsidiary under a syndicated bridge loan facility in April 2007 to finance the acquisition of a controlling stake in SGL. The bridge loan facility was refinanced in April 2008 with an approximately five-year term loan.

The Government of India holds significant minority interests in BALCO and HZL. Pursuant to shareholders' agreements with respect to both BALCO and HZL, BALCO and HZL may not make loans to other members of the Group without the prior approval of the Government of India. As a result, BALCO's and HZL's net cash balances are not available for borrowings by Sterlite, absent the approval of the Government of India. The Group does not currently intend to apply for this approval. If the Group were to apply for approval, there is no assurance that it would be granted. For further information regarding the impact of minority interests on the Group, see "Risk Factors — Risks Relating to the Group — Third-party interests in our subsidiary companies and restrictions due to stock exchange listings of our subsidiary companies will restrict our ability to deal freely with our subsidiaries which may have a material adverse effect on our operations".

We and our subsidiaries have various financial facilities that contain various financial covenants. As of 31 March 2008, other than as described herein we and our subsidiaries were in compliance with all of those covenants.

Capital Expenditures and Commitments

Our principal financing requirements primarily include:

- capital expenditures, towards expansion of capacities in existing businesses including modernisation of facilities;
- the establishment of our planned commercial power generation business;
- consolidation of our ownership in our various subsidiaries; and
- acquisitions of complementary businesses that we determine to be attractive opportunities.

We continue to consider increasing capacities of our existing businesses through greenfield and brownfield projects and through acquisitions as one of our major growth strategies. Historically, funding of this strategy came from cash flows from existing operations and external financing sources and we expect that these sources will continue to be our principal sources of cash in the next few years. Accordingly, in addition to the proceeds from this offering, we intend to continue to rely primarily on cash provided by operations and borrowings to meet our working capital and other capital requirements.

The following table shows the capital expenditures for the Group in fiscal 2006, 2007 and 2008:

	Year Ended 31 March		
	2006	2007	2008
	($ million)		
Capital expenditures	$686.1	$1,128.9	$2,254.6

As of 31 March 2008, all the expansion projects announced at the time of our initial public offering and listing on the London Stock Exchange plc ("LSE") in December 2003 have been largely completed. We announced in 2005 a second phase of expansion projects with an estimated cost of $5.3 billion. We have recently reviewed our project costs and we estimate that the cost of our Konkola Deep Mining Project ("KDMP") and Nchanga smelter expansion projects will be higher than the earlier estimates by $274.0 million and $92.0 million, respectively, due to increases in targeted output of the mine and production capacity of the smelter, general inflation, engineering changes and soil and earthquake rating increases. These increases may cause the total cost of our second phase of expansion projects to reach $5.6 billion, an increase of $0.4 billion over our original estimate.

The following table sets forth details regarding our existing first phase expansion projects, which have a total estimated cost of $2.2 billion:

Project	Estimated Cost	Amount Spent as of 31 March 2008	Committed but not Spent	Status
		($ million)		
Lanjigarh (Alumina)	$ 800.0	$ 734.5	$32.9	Under trial run
Korba Smelter and Power Plant (Aluminium)	900.0	768.6	—	Completed
Tuticorin Smelter (Alumina)	87.0	87.0	—	Completed
Chanderiya Smelter and Rampura Agucha Mine (Zinc)	425.0	312.9	—	Completed
Total phase I	**$2,212.0**	**$1,903.0**	**$32.9**	

The following table sets forth details regarding our second phase expansion projects, which have a total estimated cost of $5.6 billion:

Project	Location	Estimated Cost	Amount Spent as of 31 March 2008	Committed but not Spent	Status
			($ million)		
Jharsuguda Aluminium Smelter	Jharsuguda, Orissa	$2,100.0	$1,115.9	$ 947.5	Phase I nearing completion
Commercial Energy	Jharsuguda, Orissa	1,900.0	365.0	1,124.1	In progress
Konkola Deep Copper Mine	Chililabombwe, Zambia	674.0*	279.1	160.8	In progress
Nchanga Copper Smelter	Chingola, Zambia	372.0*	256.5	85.8	In progress
Chanderiya Zinc Smelter	Chanderiya, Rajasthan	300.0	304.9	3.8	Completed
Zinc De-bottlenecking	Chanderiya and Debari, Rajasthan	170.0	116.1	30.8	Completed
Wind Power Projects	Karnataka, Maharashtra and Gujarat	132.5	136.3	5.3	Partially complete
Total phase II		**$5,648.5**	**$2,573.8**	**$2,358.1**	

* *Revised project cost*

In addition, in April 2008 we announced brownfield expansion projects to increase HZL's zinc production capacity by 210,000 tpa and lead production capacity by 100,000 tpa, to add a 160 MW captive power plant and to increase mining output, which would increase HZL's zinc-lead production capacity to 1,065,000 tpa with fully integrated mining and captive power generation capacities. These projects will be undertaken at

HZL's Rajpura Dariba complex in the State of Rajasthan in Northwest India at an estimated cost of $900 million and are expected to be completed by mid-2010.

We expect capital expenditure of approximately $984.1 million over the next three years by Vedanta Aluminium for construction of a 500,000 tpa aluminium smelter and associated captive power plant of 1,215 MW at Jharsuguda, Orissa at a total cost of $2,100 million. We have commenced commissioning of the first phase of 250,000 tpa and the second phase is expected to be commissioned by 2010. At KCM we expect capital expenditure of approximately $510.4 million over the next three years for construction of a new smelter at Nchanga with an expected capacity of 300,000 tpa, which is expected to be commissioned in mid-2008, and the development of the KDMP, which is expected to increase the copper ore output of KCM's copper mines to 7.5 mtpa. With respect to the development of the KDMP, mid-shaft loading is expected to be commissioned in early 2009 and the entire project is expected to be complated in 2010. We expect capital expenditure of approximately $1,535.0 million over the next two years by Sterlite Energy for the first phase, totalling 2,400 MW, of a planned thermal coal-based power facility, which we expect to be commissioned in December 2009 at a total cost of $1,900.0 million. Our failure to complete the planned expansion projects could adversely affect our ability to maintain or enhance our competitive position and develop higher margin products.

On 19 August 2004, Vedanta entered into a subscription agreement to acquire a 51.0% stake in KCM. This acquisition was completed on 5 November 2004. Of the total acquisition price of $49.2 million, $27.3 million was paid on completion of the acquisition. The remainder of the acquisition price will be paid in fiscal 2009. Vedanta has also agreed to fund any cash flow shortfalls at KCM for up to $220.0 million after operating and project capital expenditures, should they arise. Vedanta is also required to provide or arrange for any and all financing necessary to implement the KDMP. See "Material Contracts — KCM Acquisition Agreements". On 9 April 2008, we acquired an additional 28.4% ownership interest in KCM by exercising our call option, increasing the Group's ownership interest to 79.4%.

Consistent with our strategy to consolidate our ownership interests in our key subsidiaries, we intend for Sterlite to exercise its call option to acquire the Government of India'a 29.5% ownership interest in HZL (or 26.0% if the Government of India exercises in full its right to sell 3.5% of HZL to HZL employees), which is exercisable so long as the Government of India has not sold its remaining interest pursuant to a public offer of its shares. See "Business — Options to Increase Interests in HZL, BALCO and KCM — HZL Call Options". The option value will be determined by an independent appraiser. Based solely on the market price of HZL's shares on the NSE on 13 June 2008 of Rs. 590.6 ($14.76) 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 Government of India's 124,795,059 shares of HZL would be Rs. 73,697.7 million ($1,871.5 million). If the Government of India sells its remaining ownership interest in HZL through a public offer, Sterlite may look into alternative means of increasing its ownership interest in HZL.

In addition, Sterlite has exercised its call option to acquire the Government of India's remaining 49.0% ownership interest of BALCO, though the exercise of this option has been contested by the Government of India and the Government of India retains the right and has expressed an intention to sell 5.0% of BALCO to BALCO employees. See "Business — Options to Increase Interests in HZL, BALCO and KCM — BALCO Call Option".

The Group may in the future make acquisitions of mines, plants or minerals and metals businesses that complement or enhance its existing businesses. For example, on 30 May 2008, Sterlite and Asarco, a Tucson based mining, smelting and refining company, announced that they have signed a definitive agreement for the sale to Sterlite of substantially all the operating assets of Asarco for $2.6 billion. Asarco, currently the third largest copper producer in the United States, produced 235,000 tonnes of refined copper in 2007 and had total revenue of approximately $1.9 billion for the year ended 31 December 2007. Asarco's mines currently have estimated reserves of approximately 5 million tonnes of contained copper. Sterlite will finance the asset acquisition through a mix of debt and existing cash resources. The asset acquisition is on a cash free and debt free basis. Sterlite will assume operating liabilities but not legacy liabilities for asbestos and environmental claims for ceased operations. The integrated assets to be acquired include three open-pit copper mines and a copper smelter in Arizona in the US and a copper refinery, rod and cake plant and precious metals plant in Texas. The agreement is subject to the approval of the US Bankruptcy Court for the Southern District of Texas, Corpus Christi Division before which Asarco has been in reorganisation proceedings under Chapter 11 of the US Bankruptcy Code. There can, however, be no assurance that court approval will be obtained or that the proposed sale will be concluded. See "Summary — Recent Developments".

Contractual Obligations

The following table sets out our total future commitments to settle contractual obligations as of 31 March 2008:

	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[(1)]	$2,368.9	$1,417.2	$ 104.6	$810.2	$36.9
Deferred consideration for KCM acquisition	5.2	5.2	—	—	—
Capital commitments	3,314.0	1,427.3	1,886.7	—	—
Total	**$5,688.1**	**$2,849.7**	**$1,991.3**	**$810.2**	**$36.9**

(1) Excludes our outstanding convertible bonds with respect to which $600.9 million in principal amount was outstanding as of 31 March 2008.

Our total future commitments to settle contractual obligations (excluding our convertible bond liability), as of 31 March 2008 were $5,688.1 million representing a $800.9 million increase as compared to our total future commitments to settle contractual obligations as of 31 March 2007, primarily due to the $1.0 billion bridge loan we obtained to finance the acquisition of SGL. We refinanced the bridge loan facility in April 2008 with an approximately five-year term loan. See "Description of Material Indebtedness".

We also have commitments to purchase copper concentrate for our copper custom smelting operations. These commitments are based on future LME copper prices which are not ascertainable as of the date of this document.

Off-Balance Sheet Arrangements

We have no off-balance sheet entities. In the normal course of business, we enter into certain commitments for capital and other expenditures and certain performance guarantees. The aggregate amount of indemnities and other guarantees was $799.6 million as of 31 March 2008.

Details of our indemnities and other guarantees are set out in "— Guarantees". Details of our capital commitments and contingencies are set forth below.

Capital Commitments

We have a number of continuing operational and financial commitments in the normal course of business, including completion of the construction and expansion of certain assets. Significant capital commitments as of 31 March 2008 amounted to $3.3 billion related primarily to capacity expansion projects, including the construction of new facilities and expansion of existing facilities, and entry into the commercial power business.

Contingencies

We are from time to time subject to litigation and other legal proceedings. Certain of our 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 our tax returns. We have 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 us 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 recognized, and in the event these disputes are not resolved in our 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. We have 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 $101.3 million as of 31 March 2008. We have evaluated these contingencies and estimate that it is probable that some of these claims may result in loss contingencies and hence have recorded $9.0 million as current liabilities as of 31 March 2008.

The claims by third-party claimants amounted to $139.6 million as of 31 March 2008, of which $23.9 million has been recorded as current liabilities based on our estimate that some of these claims would become our liabilities. We intend to vigorously defend these claims as necessary. Although the results of legal actions cannot be predicted with certainty, it is the opinion of our management, after taking appropriate legal advice, that the resolution of these actions will not have a material adverse effect, if any, on our business, financial condition or results of operations. Therefore, we have not recorded any additional liability in relation to litigation matters in the accompanying consolidated financial statements.

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.

Guarantees

As of 31 March 2008, $139.4 million of guarantees were advanced to banks in the normal course of business. The Group has also entered into guarantees advanced to the customs authorities in India of $154.6 million relating to the export of iron ore and payment of import duties on purchases of raw material.

Export obligations

The Indian entities of the Group have export obligations of $2,473.9 million as of 31 March 2008 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 Government of India.

In the event the Group fails to meet its obligations, the Group's liability would be $355.6 million, reduced in proportion to actual exports. This liability is backed by a bond executed in favour of the Indian customs department amounting to $325.7 million.

Guarantees to suppliers

The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was $150.0 million as of 31 March 2008.

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 $18.0 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 of 31 March 2008, ETB liabilities provided for were $61.7 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

We are 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 our 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 us from adverse market movements, while at the same time enabling us to take advantage of favourable market opportunities. We use 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 our 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, we hedge 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.

Hedging activities in India are governed by the RBI with whose policies we 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 we manage exchange rate risk.

We have in the past held or issued instruments such as options, swaps and other derivative instruments for purposes of mitigating our exposure to exchange rate risk. We do not enter into hedging instruments for speculative purposes.

The following table illustrates the effect on our EBITDA in fiscal 2008 of a 10.0% movement in exchange rates of the currencies listed below against the US dollar.

Currency	Closing US Dollar Exchange Rate as of 31 March 2008	Average US Dollar Exchange Rate in Fiscal 2008	Impact of a 10.0% Movement in Currency on EBITDA
			($ million)
Indian Rupee	39.970	40.241	325.7
Australian dollar	1.089	1.158	11.0
Zambian kwacha	3,765.700	3,960.400	34.8

The sensitivity data in the above table is based on fiscal 2008 production volumes, costs and prices and gives the estimated impact on EBITDA of changes in exchange rates assuming that all other variables remain constant.

Interest Rate Risk

We are exposed to the interest rate risk on short-term and long-term floating rate instruments and also on the refinancing of fixed rate debt. Our 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 2008, 29.3% of our $2,974.1 million of bank loans and other borrowings was at a fixed rate and the balance was at a floating rate.

Our 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. We have selectively used interest rate swaps, options and other derivative instruments to manage our exposure to interest rate movements. These exposures are reviewed by appropriate levels of management on a monthly basis. Based on our total debt as of 31 March 2008, with all other variables remaining constant, a one percentage point increase in the US dollar LIBOR would impact our profit before tax by $20.6 million.

Borrowing and interest rate hedging activities in India are governed by the RBI and we have to comply with its 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 we manage our interest rate risk.

The following table illustrates the effect on interest payable on loans in fiscal 2008 of a 0.5%, 1.0% and 2.0% movement in interest rates:

Movement in interest rates	US Dollar Interest Rates	Japanese Yen Interest Rates	Total
		($ million)	
0.5%	7.0	0.1	7.1
1.0%	14.0	0.2	14.2
2.0%	28.0	0.5	28.5

Counterparty and Concentration of Credit Risk

We are exposed to counterparty credit risks on our 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 Group given the large number of customers and the business diversity. Our history of collection of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, we do not expect any material risk on account of non-performance by any of the counterparties.

Commodity Price Risk

Our 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, we aim to sell our 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 our board and strictly defined internal controls and monitoring mechanisms.

We use commodity hedging instruments such as forwards, swaps, options and other derivative instruments to manage our commodity price risk in our copper and zinc businesses. Currently, we use commodity forward contracts to partially hedge against changes in the LME prices of copper, zinc and lead, and market prices of iron ore. We enter into these hedging instruments for the purpose of reducing the variability of our 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 we have 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 we manage commodity price risk.

We have in the past held or issued derivative instruments such as forwards, options and other derivative instruments for purposes of mitigating our exposure to commodity price risk. We do not enter into hedging instruments for speculative purposes.

We recognised losses of $134.2 million on hedging positions in fiscal 2008 arising from strategic hedging of certain quantities of copper and zinc compared with a loss of $59.0 million in fiscal 2007. As of 31 March 2008, our net outstanding positions on these strategic hedges amounted to $0.

The following table illustrates the impact on EBITDA for our copper, zinc and aluminium businesses of a $100.0 movement in LME prices based on fiscal 2008 sales volumes, costs and exchange rates:

	Average LME Price in Fiscal 2008	Effect on EBITDA of $100/Tonne Change in LME Prices
	($/tonne)	($ million)
Copper	$7,588	$15.5
Aluminium	2,620	41.1
Zinc	2,992	53.6

The sensitivity data in the above table is based on fiscal 2008 production volumes, costs and prices and gives the estimated impact on EBITDA of changes in exchange rates assuming that all other variables remain constant.

Management's Judgment and Estimation

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with IFRS. In the course of preparing these financial statements, our management has made estimates based on, and assumptions that impact, the amounts recognised in our consolidated financial statements. For a discussion of our significant accounting policies, see note 2(a) to our consolidated financial statements included elsewhere in this Offering Circular. We believe the critical accounting estimates described below are those that are both important to reflect our 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 our proved and probable 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 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 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.

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 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 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, our 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.

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 Group. Where the potential liabilities have a low probability of occurring or are very difficult to quantify reliably, we treat them as contingent liabilities. Such liabilities are disclosed in the notes to our 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, we do not expect them to have a material adverse impact on our financial position or results from operations.

OVERVIEW OF INDUSTRIES

Unless otherwise indicated, all data relating to the copper, zinc, aluminium and iron ore industries contained in this prospectus is primarily derived from Brook Hunt & Associates ("Brook Hunt"), CRU Strategies, Credit Rating Information Services of India Limited ("CRISIL"), CRISIL Research & Information Services Ltd. ("CRISIL Research"), and other industry sources.

Unless otherwise indicated, all financial and statistical data relating to the power industry in India in the following discussion is derived from the Ministry of Power's Annual Report (2005-06 and 2006-07), the Central Electricity Authority's ("CEA") General Review (2004-05), and the Ministry of Power website. The data may have been re-classified for the purpose of presentation. Unless otherwise indicated, the data presented excludes captive power generation capacity and captive power generation. The term "units" as used herein refers to kilowatt-hours (kWh).

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.

Copper consumption has three main product groups: copper wire rods, copper alloy products and other copper products. The predominant intermediate use of copper has been the production of copper wire rods, which accounted for approximately half of total copper production in 2007. Copper rods are used in wire and cable products such as energy cables, building wires and magnet wires. Copper alloy products were the next largest users of copper in 2007, followed by other copper products, which include non-electrical applications such as tubes for air conditioners and refrigerators, foils for printed circuit boards and other industrial and consumer applications.

In the global copper consumer market in 2007, the construction segment accounted for 35% of copper consumption, followed by the electronic products segment (32%), the industrial machinery segment (12%), the transportation equipment segment (11%) and the consumer products segment (10%). In the Indian copper market in fiscal 2007, the building and construction segment accounted for only 7.6% of copper consumption, while the electronics and power segment accounted for 34.7%, followed by the transportation segment (11.4%), the consumer durables segment (7.7%), engineering (6.0%) and other products (32.5%), according to "Copper Update — June 2007", a publication of CRISIL. In addition to direct applications, copper is also used in a number of alloys, including brass (copper and zinc), bronze (copper and tin), nickel silver, phosphor bronze and aluminium bronze.

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.

Refined copper consumption

Global copper consumption increased from 17.0 million tonnes in 2005 to 17.4 million tonnes in 2006, then increased to 18.0 million tonnes globally in 2007. The 2.7% increase from 2005 to 2006 was despite ongoing inventory de-stocking in China and a sharp downturn in US residential construction activity, the latter due in part to high copper prices. Renewed demand in 2006 in Western Europe and Japan, which increased by 9.6% and 4.1%, respectively, were the main drivers for the growth in global consumption in 2006. Growth in consumption continued in 2007 with an increase to 18.0 million tonnes, or 3.0% over 2006 consumption. The recovery in Chinese demand reflected re-stocking throughout the whole supply chain, and the country's ongoing urbanisation and infrastructure development as well as the continual demand for copper intensive products on the back of rising incomes. These last two factors were also responsible for supporting double digit growth in Indian demand during 2007. This consumption growth was slightly offset by a decline in demand growth in Western Europe by 6.3% and Japanese consumption by 3.0% due to a general slowdown in these economies.

Asia (including the Middle East), Western Europe and North America together accounted for 86% of global copper consumption in 2007. 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. With a CAGR of 6.5% between 2003 and 2007, Asia has been the fastest growing copper market in the world. Strong growth in Asia (including the Middle East), Russia and the Commonwealth of Independent States ("CIS") and Eastern European countries is expected to continue over the next five years.

The following table sets forth the regional consumption pattern of refined copper from 2004 to 2007 (estimated):

	Year Ended 31 December							
	2004		2005		2006		2007	
Region	**Volume**	**%**	**Volume**	**%**	**Volume**	**%**	**Volume**	**%**
	(Thousands of tonnes, except percentages)							
Rest of Asia[1]	4,310	25.3%	4,236	24.9%	4,288	24.6%	4,267	23.7%
Western Europe	3,797	22.3	3,565	21.0	3,907	22.4	3,661	20.4
China	3,565	20.9	3,815	22.5	3,967	22.7	4,600	25.6
North America	2,712	15.9	2,549	15.0	2,408	13.8	2,406	13.4
CEE[2] and CIS	1,001	5.9	1,066	6.3	1,169	6.7	1,216	6.8
Latin America	932	5.5	948	5.6	864	5.0	864	4.8
India	350	2.1	415	2.4	458	2.6	540	3.0
Africa	207	1.2	234	1.4	242	1.4	276	1.5
Oceania	168	0.9	155	0.9	143	0.8	143	0.8
Total	**17,042**	**100.0%**	**16,983**	**100.0%**	**17,446**	**100.0%**	**17,973**	**100.0%**

(1) Rest of Asia is Asia excluding China and India but including the Middle East.

(2) Central and Eastern Europe ("CEE").

Source: Brook Hunt Copper Metal Service Report, March 2008

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 (36.0%), the United States (7.8%), Peru (7.4%), China (6.0%) and Australia (5.5%), which together accounted for approximately 62.7% of the total copper mined worldwide in 2007. Less than 50% of global copper mine production is integrated, with the remainder sold in the custom smelting market. The five largest copper mining companies in 2007 were Corporación Nacional del Cobre, Chile ("Codelco"), Freeport-McMoran Copper and Gold Corporation ("Freeport-McMoran"), BHP Billiton, Xstrata AG ("Xstrata"), and Rio Tinto.

The major smelting locations include China (18.7%), Chile (11.4%), Japan (11.2%), Russia (5.3%) and India (5.1%), which together accounted for 51.7% of global production and thus are major importers of copper concentrate in 2007. The five largest copper producing countries were China (19.2%), Chile (16.2%), Japan (8.7%), the United States (7.7%) and Russia (5.2%), which together accounted for about 57.0% of the total copper produced worldwide in 2007. The five largest copper smelting companies in 2007 were Codelco, Xstrata, Nippon Mining and Metals Co. Ltd ("Nippon"), Jiangxi Copper Company and KGHM Polska Meidz while the five largest copper refining companies are Codelco, Freeport-McMoran, Xstrata, Nippon and Norddeutsche Affinerie AG.

Global copper production increased from 16.6 million tonnes in 2005 to 17.3 million tonnes in 2006, an increase of 4.3%, and then further increased to 18.2 million tonnes in 2007, an increase of 5.1% over 2006. Between 2005 and 2007, 2007 has been the only year to have had a production surplus over consumption.

The following table sets forth the regional production pattern of refined copper from 2004 to 2007 (estimated):

	Year Ended 31 December							
	2004		2005		2006		2007	
Region	**Volume**	**%**	**Volume**	**%**	**Volume**	**%**	**Volume**	**%**
	(thousands of tonnes, except percentages)							
Latin America	3,964	24.9%	3,986	24.0%	3,901	22.5%	3,958	21.8%
Rest of Asia[(1)]	2,570	16.1	2,769	16.7	2,991	17.3	3,095	17.0
China	2,199	13.8	2,600	15.7	3,003	17.4	3,500	19.2
CEE[(2)] and CIS	2,098	13.2	2,134	12.9	2,149	12.4	2,111	11.6
North America	1,845	11.6	1,775	10.7	1,758	10.2	1,849	10.2
Western Europe	1,817	11.4	1,841	11.1	1,877	10.8	1,849	10.2
Africa	518	3.2	528	3.2	566	3.3	658	3.6
Oceania	504	3.2	461	2.8	430	2.5	443	2.4
India	420	2.6	499	2.9	629	3.6	722	4.0
Total	**15,935**	**100.0%**	**16,594**	**100.0%**	**17,304**	**100.0%**	**18,185**	**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 Copper Metal Service Report, March 2008

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 2006 resulted from healthy demand growth and supply, due to limited ore availability and labour disruptions at several of the large mines. Strong imports into China due to increased domestic consumption in 2007 reduced international inventories and saw the price trade above $7,000 per tonne for most of the second and third quarters of 2007. The year finished weaker with the threat of a US recession. The following table sets forth the movement in copper prices from 1998 to 2007:

	Year Ended 31 December									
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
	($ per tonne, except percentages)									
LME Cash Price ($)	1,652	1,573	1,814	1,577	1,557	1,779	2,869	3,683	6,729	7,124
% Change	—	(4.8)	15.3	(13.1)	(1.3)	14.3	61.3	28.4	82.7	5.9

Source: LME.

The LME copper cash price was $8,510 per tonne as of 31 March 2008 and $8,025 per tonne as of 13 June 2008.

For custom smelters, treatment and refining charges ("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 is negotiated annually. The main aspects of the contract that are subject to negotiation are the TcRcs that are expressed in US dollars per dmt of concentrate (the Tc) and in cents per pound of payable copper (the 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 2007, the substantial percentage of the profits again went to the miners. Since 2006, treatment and refining charges have fallen significantly, reflecting a continuing tightening in the physical concentrate demand/supply balance. The annual negotiations for copper concentrate TcRc charges (excluding price participation, if any) between the Japanese smelters and BHP Billiton (which traditionally set the market benchmark) settled at $60.0 per tonne and $0.06 per pound in 2007, a significant drop from the $95.0 per tonne and $0.10 per pound terms agreed for 2006.

The following table sets forth the movement in copper TcRc(1) from 1998 to 2007:

	Year Ended 31 December									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	(US cents per lb, except percentages)									
TcRc	23.6	15.3	15.9	17.4	15.5	13.9	13.0	29.6	45.9	15.4
% Change	—	(35.2)	3.9	9.4	(10.9)	(10.3)	(6.5)	127.7	55.1	(66.4)

Source: Brook Hunt Copper Metal Service Report, March 2008

(1) Includes price participation, if any.

Indian Copper Market

Background

The Indian copper industry consists primarily of custom smelters as there are limited copper deposits in the country. The available deposits are owned by the government-owned Hindustan Copper Limited, which was the only producer in India until 1995. Since then, the industry has transformed significantly with our entry and the entry of Birla Copper, now owned by Hindalco Industries Limited ("Hindalco"). We, together with Hindalco, accounted for 87.8% of the primary market share by volume in fiscal 2008. Over the last three years, copper refining output in India has grown at a CAGR of 19.8% from a modest 420,000 tonnes in calendar year 2004 to 722,000 tonnes in 2007. Primary production accounts for around 96% of refined copper production, whereas recycling or secondary production accounts for the remaining 4%.

Consumption pattern

From 2004 to 2007, consumption in the Indian primary copper market increased at a CAGR of 15.6%. The consumption by the electronics and power segment witnessed growth at a CAGR of 8.1% during fiscal years 2002 to 2007. The total domestic demand for primary copper is estimated to have increased from 350,000 tonnes in 2004 to 540,000 tonnes in 2007, a CAGR of 15.6% over three years.

Pricing and tariff

Indian copper prices track global prices as the metal is priced on the basis of landed costs of imported metal. Copper imports in India are currently subject to a customs duty of 5.0% and an additional surcharge of 3.0% of the customs duty. The customs duty has been reduced in a series of steps from 25.0% in 2003 to 5.0% in January 2007. Indian producers are also able to charge a regional premium, which is market driven.

Market Outlook

Global copper outlook

The rapidly developing Asian market is expected to drive copper consumption growth. The countries from Asia that are contributing to this rapid growth are primarily China and India. Copper demand is expected to continue to be dominated by its use in electric wires and cables. Global refined consumption of copper is expected to increase from 18.0 million tonnes in 2007 to 18.8 million tonnes in 2008, an increase of 4.3%. Asia is expected to contribute 88.1% of this incremental growth. This would translate into a CAGR for consumption from 2005 to 2008 of 6.0% for Asia, compared to 3.4% for the world and 0.5% for the world excluding Asia.

Anticipated mine production capacity expansions are barely sufficient to match the forecast smelter and the world is expected to remain in a copper concentrate supply deficit for 2008 and 2009. China is rapidly expanding its copper smelting and refining capacities. However, its domestic mining supplies fall well short of its smelter demands and thus China will continue to remain a major importer of copper concentrate. Apart from China, major smelting and refining capacity expansions are expected in India, Zambia, Germany, Thailand and Kazakhstan.

To meet the forecast copper demand, copper smelting capacity is expected to grow until 2015. The major projects expected to contribute to copper smelting capacity include Olympic Dam (Australia), Ventanas (Chile), Oyu Tolgoi (Mongolia), Ilo (Chile) and El Sewedy (Egypt).

The catalyst for any meaningful recovery in long-term TcRcs will be a rationalisation, or at least restructuring of the custom smelting industry. Until then, TcRcs are likely to remain well below their previous long-term average.

Indian copper outlook

The Indian market outlook is expected to remain positive, with strong growth in key user segments such as power, construction and engineering. Domestic consumption is expected to increase at a rate exceeding 7.9% in 2008, primarily driven by rising living standards and the development of the domestic power sector. Growing industrialisation and regulatory reforms are attracting huge investments to the power sector and the transmission and distribution ("T&D") segments. CRISIL Research expects investments of Rs. 690 - 700 billion in the transmission sector during the Eleventh Plan (2007-2012). Increased residential and infrastructure development is also expected to generate demand for copper. Growth in domestic copper demand is expected to be lower than the historical averages, largely on account of negative growth in the telecom cable segment which continues to suffer from increasing penetration of the cellular telecommunication industry and low prices of optic fibres in the international markets.

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 49% of world consumption of zinc in 2007. 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 semis and castings (17%), die-casting alloys (13%) and oxides and chemicals (8%). Alloys are principally used in toys, vehicles and hardware.

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.

Most integrated producers are only partially integrated and therefore need to either buy or sell some concentrate. Only approximately one-third of total western world zinc production can be attributed to integrated producers.

Zinc consumption

Global zinc consumption increased from 10.6 million tonnes in 2005 to 11.2 million tonnes in 2006, an increase of 5.7%, and then further increased to 11.5 million tonnes in 2007, an increase of 2.7% over 2006. The key growth driver is demand from the steel galvanising market, which has been growing due to demand from the automotive and automotive parts industries. In both absolute and percentage terms, galvanizing is forecast to be the fastest growing end use with the principal applications being found in the construction and automotive industries. By 2020, it is expected to account for 55% of global zinc usage.

Asia, Europe and North America together accounted for approximately 89.9% of global zinc consumption in 2007. With a CAGR of 7.5% between 2004 and 2007, 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 2004 to 2007:

	Year Ended 31 December							
	2004		2005		2006		2007	
Region	**Volume**	**%**	**Volume**	**%**	**Volume**	**%**	**Volume**	**%**
	(thousands of tonnes, except percentages)							
Europe	2,846	27.6%	2,716	25.6%	2,843	25.5%	2,894	25.2%
China	2,417	23.5	2,853	26.9	3,166	28.4	3,531	30.8
Rest of Asia(1)	2,190	21.3	2,219	20.9	2,190	19.6	2,149	18.7
North America	1,435	13.9	1,365	12.9	1,409	12.6	1,275	11.1
Latin America	615	6.0	623	5.9	647	5.8	673	5.9
India	347	3.4	388	3.7	428	3.8	469	4.1
Oceania	269	2.6	262	2.5	273	2.4	284	2.5
Africa	176	1.7	185	1.7	193	1.7	198	1.7
Total	**10,295**	**100.0%**	**10,610**	**100.0%**	**11,150**	**100.0%**	**11,474**	**100.0%**

(1) Rest of Asia is Asia excluding China and India, but including the Middle East.

Source: Brook Hunt Zinc Metal Services, March 2008.

Zinc supply

There are zinc mining operations in approximately 50 countries. The five largest zinc mining countries are China (28.7%), Australia (12.8%), Peru (12.7%), the United States (6.8%) and Canada (5.6%), which together accounted for 66.6% of total zinc mined worldwide in 2007. India accounted for about 4.8% of the global mine output in 2007. 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 (8.2%), Teck Cominco Limited (5.8%), Glencore International AG (5.1%), Zinifex Limited ("Zinifex") (4.7%), and Sterlite's majority-owned subsidiary, HZL (4.7%).

Australia and Peru are the largest net exporters, and Peru is the world's largest supplier of zinc concentrate. Much of this is supplied through traders rather than sold directly to smelters. The largest importing region is Western Europe, followed by China, South Korea and Japan. The main custom smelters are located in these regions.

Zinc smelting is less geographically concentrated than zinc mining. With a production of 3.7 million tonnes of zinc in 2007, China is the largest single zinc-producing country in the world. The other major zinc producing countries and regions include Europe and Canada, which along with China account for approximately 66.3% of total global zinc production. The four largest zinc producing companies are Nyrstar NV ("Nyrstar") (9.4%), Korea Zinc Company Limited (7.4%), Xstrata (6.4%) and HZL (4.8%), which together accounted for about 28.1% of the total zinc produced worldwide in 2007.

The zinc manufacturing industry continues to exhibit a degree of fragmentation. The recent trend towards industry consolidation is expected to continue in the current favourable pricing environment, as evidenced by the recent merger of the smelting assets of Umicore SA and Zinifex to form Nyrstar and the acquisition of Falconbridge Ltd. by Xstrata.

World production of refined zinc has risen between 1998 and 2006 as new capacity has been added, though the increase in capacity has not always kept pace with world consumption, which has led to a supply/demand deficit that started in 2004 and is expected to persist until 2008.

The following table sets forth the regional production pattern of refined zinc from 2004 to 2007:

	Year Ended 31 December							
	2004		2005		2006		2007	
Region	**Volume**	**%**	**Volume**	**%**	**Volume**	**%**	**Volume**	**%**
	(thousands of tonnes, except percentages)							
Europe	3,103	30.6%	2,913	28.8%	2,863	27.2%	2,958	26.2%
China	2,522	24.9	2,761	27.3	3,163	30.0	3,716	32.9
Rest of Asia(1)	1,548	15.3	1,530	15.2	1,530	14.5	1,507	13.4
North America	1,139	11.2	1,056	10.5	1,079	10.2	1,050	9.3
Latin America	823	8.1	807	8.0	766	7.3	812	7.2
Australia	474	4.7	456	4.5	461	4.4	506	4.5
India	272	2.7	302	3.0	410	3.9	448	4.0
Africa	259	2.6	273	2.7	256	2.4	286	2.5
Total	**10,140**	**100.0%**	**10,097**	**100.0%**	**10,527**	**100.0%**	**11,283**	**100.0%**

(1) Rest of Asia is Asia excluding China and India, but including the Middle East.

Source: Brook Hunt Zinc Metal Services, March 2008.

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. A surge of large mine start-ups in the period from 1999 to 2000 led to substantial global zinc supply surpluses and a build-up of commercial stocks from 2002 to 2003. As a result, the refined zinc price slumped, reaching a low of $779 per tonne in 2002. The most vulnerable mines closed down during this period. However, China's consumption growth increased rapidly and in 2004, refined zinc consumption surpassed production. With strong consumption growth and rapidly falling commercial stocks, zinc prices appreciated strongly in 2004 and 2005. A fundamentally strong market in 2006, also fuelled by speculation as base metals, including zinc, were increasingly traded like financial instruments, saw a market deficit of 599,000 tonnes and prices reaching a peak of $4,620 per tonne in November 2006. A zinc supply surplus is expected to emerge during 2008.

The following table sets forth the movement in zinc prices from 1998 to 2007:

	Year Ended 31 December									
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
	($ per tonne, except percentages)									
Zinc Prices										
LME Cash Price	1,024	1,076	1,128	885	778	827	1,047	1,381	3,274	3,240
% Change		5.1	4.8	(21.5)	(12.1)	6.3	26.6	31.9	137.1	(1.0)

Source: LME.

The LME Zinc cash price was $2,293 per tonne as of 31 March 2008 and $1,851 per tonne as of 13 June 2008. This reflects the expectation of the concentrate market to move from a position of tightness to one of modest surplus in 2008 due to heavy investment in new mine and smelter capacity.

Indian Zinc Market

Background

The Indian zinc industry has only two producers. The leading producer is Sterlite's majority-owned subsidiary, HZL, which had a 79.7% market share by volume in India in fiscal 2008, according to ILZDA. HZL has a refining capacity of 669,000 tpa. The other producer Binani Zinc Limited ("Binani Zinc"), which has a refining capacity of 38,000 tpa.

Consumption pattern

Consumption of refined zinc in India reached 469,000 tonnes in 2007, an increase of 9.6% from the previous year. The principal use of zinc in the Indian market is in the galvanising sector, which currently accounts for an estimated 70% of total consumption. Galvanisation is primarily used for tube, sheet and structural products. The other significant end-user of zinc in India is the alloys sector. This contrasts with western world consumption trends, where galvanising, although still the most common use of zinc, is relatively less important and increased demand has been seen for die-casting alloys, and reflects the emphasis of the Government of India's current five-year economic programme on infrastructure. With continued infrastructure development such as roads, irrigation, construction, oil and gas and ports, there is a rising demand for steel, thus providing significant opportunities for zinc in India.

Pricing and tariff

Indian zinc prices track global prices as the metal is priced on the basis of the landed costs of imported metal. Zinc imports in India are not subject to a basic customs duty. The customs duty has been reduced in a series of steps from 25.0% in 2003 to 0.0% in 2008. Indian producers are also able to charge a regional premium, which is market driven.

Market Outlook

Global zinc outlook

China's zinc consumption will continue to drive the global zinc demand growth. The total consumption of zinc is expected to grow from 11.5 million tonnes in 2007 to 12.5 million tonnes in 2010, with China contributing 87.7% of that growth in consumption. That would translate to China consumption growth at a CAGR of 7.8% between 2007 and 2010, which compares to global consumption growth at a CAGR of 2.9% for the same period and to world excluding China consumption growth at an expected CAGR of 0.5% for the same period.

In 2006, several mining companies committed to mining projects that the strong resources sector and the high metals prices made feasible, but concentrate supply shortages are not expected to be fully eliminated until 2008 when these new projects reach full capacity. Smelter expansions have also continued worldwide, but major smelter expansions and construction of new smelters have been deferred, except in China and India. Global zinc production capability is expected to increase from 11.3 million tonnes in 2007 to 14.2 million tonnes in 2010, representing a CAGR of 8.0% for this period.

Indian zinc outlook

The Indian market outlook is expected to remain positive, with strong growth in key user segments such as sheet galvanising and zinc alloys for the construction segment. Domestic consumption increased by 9.5% to 469,000 tonnes in 2007 and consumption growth for the period from 2007 to 2009 is forecast to average 7.3% per annum.

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. According to CRISIL Research, four end-use sectors account for approximately 72% of aluminium consumption globally: construction, electricals, transport and packaging. The remaining 28% is accounted for by a wide variety of applications including power, machinery and equipment and consumer durables. Aluminium is also increasingly substituted for steel in the automobile industry to reduce weight and improve fuel economy.

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 increased from 32.0 million tonnes in 2005 to 34.4 million tonnes in 2006, an increase of 7.7%, and then further increased to 38.0 million tonnes in 2007, an increase of 10.5% over 2006. This growth was primarily due to increased demand in China, which between 2004 and 2007 saw demand increase at a CAGR of 27.5%, compared to a growth of 2.3% for world demand excluding China. The CAGR in demand in each of Western Europe and North America between 2004 and 2007 was 1.8% and −1.9%, respectively, which reflects the impact of a slowing economy in these regions.

The following table sets forth the regional consumption of primary aluminium from 2004 to 2007:

	Year Ended 31 December							
	2004		2005		2006		2007	
Region	Volume	%	Volume	%	Volume	%	Volume	%
	(thousands of tonnes, except percentages)							
North America	7,011	23.4%	7,175	22.5%	7,191	20.9%	6,629	17.4%
Western Europe	6,614	22.1	6,512	20.4	6,801	19.8	6,987	18.4
China	5,886	19.6	7,083	22.2	8,790	25.6	12,200	32.1
Rest of Asia(1)	5,822	19.4	6,174	19.3	6,296	18.3	6,457	17.0
East/Central Europe	1,744	5.8	1,802	5.6	1,974	5.7	2,141	5.6
Latin America	1,191	4.0	1,341	4.2	1,366	4.0	1,452	3.8
India	860	2.9	960	3.0	1,080	3.1	1,200	3.2
Oceania	435	1.5	450	1.4	425	1.2	443	1.2
Africa	400	1.3	414	1.3	460	1.3	483	1.3
Total	**29,964**	**100.0%**	**31,912**	**100.0%**	**34,382**	**100.0%**	**37,992**	**100.0%**

(1) Rest of Asia is Asia excluding China and India, but including the Middle East.

Source: Brook Hunt 2008.

Aluminium supply

Aluminium production has become increasingly more concentrated in recent years, with the leading ten producers accounting for 49.6% of world primary aluminium production as reported by the Brook Hunt Aluminium Metal Services March 2008 Report. The five largest refined aluminium producing companies are United Company RUSAL Ltd. ("UC RUSAL") (10.6%), Rio Tinto Alcan Ltd. ("Rio Tinto Alcan") (9.9%), Alcoa Inc. ("Alcoa") (9.8%), Aluminium Corporation of China Limited ("CHALCO") (5.1%) and Hydro Aluminium (3.9%), which together accounted for approximately 39.3% of the total refined aluminium produced worldwide in 2008. UC RUSAL and Rio Tinto Alcan were formed in a consolidation trend which has been a feature of this sector in recent times.

Global production of primary aluminium increased from 32.0 million tonnes in 2005 to 34.0 million tonnes in 2006, an increase of 6.2%, and then further increased to 38.2 million tonnes in 2007, an increase of 12.4% over 2006. In 2007, North America, Western Europe and China together accounted for approximately 59.1%, with China alone accounting for 33.0%, 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 32.1% of global primary aluminium consumption in 2007.

The following table sets forth the actual and estimated regional production of primary aluminium from 2004 to 2007:

	Year Ended 31 December							
	2004		2005		2006		2007	
Region	Volume	%	Volume	%	Volume	%	Volume	%
	(thousands of tonnes, except percentages)							
China	6,689	22.4%	7,806	24.4%	9,349	27.5%	12,607	33.0%
North America	5,110	17.1	5,382	16.8	5,333	15.7	5,643	14.8
East/Central Europe	4,534	15.2	4,627	14.5	4,678	13.8	4,898	12.8
Western Europe	4,294	14.4	4,345	13.6	4,174	12.3	4,321	11.3
Latin America	2,356	7.9	2,390	7.5	2,494	7.3	2,559	6.7
Oceania	2,245	7.5	2,252	7.0	2,274	6.7	2,320	6.1
Rest of Asia(1)	2,128	7.1	2,446	7.7	2,661	7.8	2,775	7.3
Africa	1,711	5.7	1,753	5.5	1,865	5.5	1,815	4.8
India	851	2.7	965	3.0	1,115	3.4	1,223	3.2
Total	**29,918**	**100.0%**	**31,966**	**100.0%**	**33,943**	**100.0%**	**38,161**	**100.0%**

(1) Rest of Asia is Asia excluding China and India, but including the Middle East.

Source: Brook Hunt 2008.

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 3.3 million tonnes during 2007. During this period, China had a surplus of 0.4 million tonnes while the rest of Asia had a deficit of 3.7 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. The five largest alumina producing companies are UC RUSAL (12.4%), CHALCO (11.4%), Alcoa (10.4%), Rio Tinto Alcan (9.5%) and Alumina Limited (6.3%), which together accounted for approximately 50.0% of the total alumina produced worldwide in 2008.

The following table sets forth the regional production of alumina from 2004 to 2007:

	Year Ended 31 December							
	2004		2005		2006		2007	
Region	Volume	%	Volume	%	Volume	%	Volume	%
	(thousands of tonnes, except percentages)							
Oceania	16,974	26.8%	17,918	26.9%	18,607	25.1%	19,248	23.7%
Latin America	13,077	20.7	13,189	19.8	14,872	20.1	15,111	18.6
China	6,985	11.0	8,536	12.8	13,740	18.5	20,900	25.8
North America	6,886	10.9	6,929	10.4	6,799	9.2	6,104	7.5
Western Europe	6,376	10.1	6,560	9.8	6,748	9.1	6,809	8.4
East/Central Europe	6,355	10.0	6,779	10.2	6,848	9.2	6,128	7.6
India	2,973	4.7	3,065	4.6	2,991	4.0	3,134	3.9
Rest of Asia[1]	2,908	4.6	2,939	4.4	3,033	4.1	3,120	3.8
Africa	779	1.2	736	1.1	530	0.7	526	0.7
Total	**63,313**	**100.0%**	**66,651**	**100.0%**	**74,168**	**100.0%**	**81,080**	**100.0%**

(1) Rest of Asia is Asia excluding China and India.

Source: Brook Hunt 2008.

The sharp increase in alumina production in China in 2006 turned the global alumina market from a deficit in 2005 to a surplus in 2006. In 2007, Chinese alumina demand grew at 35.0%, pushing global demand growth up 12.8% for the year and relatively weaker supply during the year reduced the alumina surplus to 315,000 tonnes.

The following table sets forth the demand-supply balance for alumina from 2004 to 2007 (estimated):

	Year Ended 31 December			
	2004	2005	2006	2007
	(thousands of tonnes)			
Global Alumina Surplus/(Deficit)	(382)	(1,453)	1,865	315

Source: Brook Hunt Aluminium Metal Service, March 2008.

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 US Geological Survey ("USGS"), Guinea has the largest bauxite reserves in the world (31%), followed by Australia (23%), Brazil (8%), Jamaica (8%) and India (3%).

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 1998 to 2007:

	Year Ended 31 December									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	($ per tonne, except percentages)									
Aluminium[(1)]										
LME Cash Price	$1,356	$1,362	$1,549	$1,444	$1,349	$1,432	$1,716	$1,897	$2,566	$2,639
% Change	(15.2)	0.4	13.7	(6.8)	(6.6)	6.2	19.8	10.5	35.3	2.8
Alumina										
Spot Price[(2)]	$ 185	$ 203	$ 284	$ 149	$ 148	$ 283	$ 420	$ 468	$ 420	$ 353
% Change	(11.4)	9.7	39.9	(47.5)	(0.7)	91.2	48.4	11.4	(10.3)	(16.0)
Alumina/ Aluminium(%)	13.6%	14.9%	18.3%	10.3%	11.0%	19.8%	24.5%	24.7%	16.4%	13.4%

(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 $2,941 per tonne as of 31 March 2008 and $2,896 per tonne as of 13 June 2008.

While aluminium prices have risen by 95.6% from 2002 to 2007, alumina prices have risen by more than 139.3% during the same period. Rampant demand in China and the increasing exposure of commodities to fund activity in 2007 resulted in cash LME aluminium prices recording their highest annual average since 1893 at $2639/t. The global alumina market was relatively balanced in 2007.

Besides alumina, power is the other key cost of production for aluminium. Lack of sufficient power and a high cost of power resulted in curtailment of aluminium production in North America in 2002 and in China in 2004 and 2005.

Indian Aluminium Market

Background

The domestic Indian aluminium industry consists of four primary producers: Hindalco, National Aluminium Company Limited ("NALCO"), a Government of India enterprise, BALCO, controlled by Sterlite, and MALCO, controlled by us. We have a 31.0% market share in India following Hindalco (42.0%) and NALCO (27.0%).

According to CRISIL Research, India has the fifth largest reserves of bauxite ore in the world, with total recoverable reserves estimated at 2,600 million tonnes. These bauxite ore reserves are high grade and require less energy to refine, thus resulting in significant cost advantages for Indian aluminium producers.

Supply and demand

Primary aluminium production in India increased at a CAGR of 12.8% from 0.85 million tonnes in 2004 to 1.22 million tonnes in 2007. 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.

Indian demand for primary aluminium increased at a CAGR of 11.7% from 0.86 million tonnes in 2004 to 1.20 million tonnes in 2007.

The electrical segment, which accounts for 36% of total aluminium consumption, uses aluminium in overhead conductors, transformer coils, bus bars and foil wraps for power cables. With its low weight and price, aluminium has significant competitive advantages over copper in the manufacture of overhead conductors. For example, the low weight of aluminium leads to savings in the investments required in transmission line towers in terms of strength and cable span (distance between towers). As a result, conductors for overhead power transmission are made exclusively of aluminium. Transport is also a major consumer, contributing approximately 22% of demand in 2005 but average aluminium use in Indian-made automobiles is still approximately one-third of that in western-made automobiles. The underlying dynamics for these sectors are expected to be robust domestically, with the electrical, automobile and construction sections expected to grow at a CAGR of 5.2%, 11.0% and 14.0% between 2007 and 2011, respectively.

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.

Aluminium imports are currently subject to a basic customs duty of 5.0% and an educational cess of 2.0% and secondary and higher education cess of 1% of the customs duty. The customs duty has been reduced in a series of steps from 15.0% in 2003 to 5.0% in 2007.

Market Outlook

Global aluminium outlook

Primary aluminium production is expected to increase by CAGR of 8.4% between 2007 and 2010, led primarily by increases in production in China (CAGR of 15.6%), Russia (7.9%) and India (13.1%).

Global aluminium consumption is expected to increase by CAGR of 7.0% between 2007 and 2010, led primarily by a China (CAGR of 18.4%), India (7.5%) and Russia (4.2%). Due to the relatively faster growth in aluminium production as compared to demand, the aluminium market is expected to show a surplus supply of aluminium from 2009 through to 2013, after which it falls short of supply.

In comparison to the 8.4% increase in aluminium production, alumina production is expected to increase by 8.2% from 2007 to 2010. 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

According to CRISIL Research's September 2007 report, over the next four to five years, the domestic demand for the aluminium industry is expected to grow at a CAGR of 9%, primarily driven by expected growth in consumer demand as a result of higher disposable incomes and investment in infrastructure by the Government of India.

In addition, with the enactment of the Indian Electricity Act, 2003 and the opening up of power markets, the adequacy of transmission facilities has become a critical point for market efficiency and development. The Government of India's commitment to "Power for All" by 2012, capacity additions from 9,500 MW to 37,000 MW by 2012 in inter-regional T&D, and investments of Rs. 2 trillion ($50.0 billion) in T&D are all expected to translate into a higher consumption of aluminium.

Similarly, improving prospects for the domestic automotive industry will translate into higher aluminium demand. CRISIL Research expects the annual domestic sales for passenger cars and sport-utility vehicles to grow at 18% per year while growth in motorcycles and motor scooters is expected at 19% per year from fiscal 2007 to 2011.

The construction sector is also expected to see continued growth due to infrastructure in part to the opening up of the real estate sectors to foreign direct investment.

In addition, CRISIL Research also sees continued demand for aluminium in packaging and air conditioning.

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 supply of iron ore through long-term contracts, strategic investments directly in iron ore projects and acquisition of iron ore producers.

Iron ore consumption

Global iron ore demand has grown strongly in recent years driven by the increasing demand for steel particularly in developing economies. Crude steel production has increased from 1,069 million tonnes in 2004 to 1,344 million tonnes in 2007, representing a CAGR of 7.9% during that period. During this period, China has registered growth in production of 20.4% per annum, increasing from 281 million tonnes in 2004 to 290 million tonnes in 2007.

China has thus been a key driver of iron ore demand, with strong industrialization and infrastructure growth driving significant demand for steel products. According to CRU Strategies, China accounted for 56.6% of total global demand for iron ore in 2007. In addition, China has experienced very high growth in demand in recent years, and exhibited an average growth in demand for iron ore of 25.8% per annum between 2004 and 2007, compared to demand growth in the rest of the world of 1.7% per annum 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.

Apart from China, the other main demand growth areas include India, Russia, the Middle East and South America (particularly Brazil), underpinned by the steel industry growth in these countries supporting their industrialization and infrastructure growth.

The following table sets forth the regional consumption pattern of iron ore from 2004 to 2007:

	Year Ended 31 December							
	2004		2005		2006		2007	
Region	**Volume**	**%**	**Volume**	**%**	**Volume**	**%**	**Volume**	**%**
	(millions of tonnes, except percentages)							
China	539	40.8%	688	46.5%	898	52.6%	1,073	56.6%
Europe	309	23.4	309	20.8	314	18.4	317	16.7
Rest of Asia(1)	214	16.2	224	15.1	227	13.3	229	12.1
Latin America	87	6.6	88	5.9	85	5.0	88	4.6
India	52	3.9	59	4.0	68	4.0	75	4.0
North America	79	6.0	70	4.7	70	4.1	69	3.6
Africa	23	1.7	23	1.6	23	1.4	24	1.3
Oceania	19	1.4	21	1.4	20	1.2	20	1.1
Total	**1,322**	**100.0%**	**1,482**	**100.0%**	**1,705**	**100.0%**	**1,895**	**100.0%**

(1) Rest of Asia is Asia excluding China and India, but including the Middle East.

Source: CRU Strategies "Overview of the iron ore industry" Report June 2008

Iron ore supply

The key regions producing iron ore are Brazil, Australia, China, Russia and the CIS. In 2007, according to CRU Strategies, world iron ore production grew by 11.1% to 1,895 million tonnes in 2007, from 1,705 million tonnes in 2006. The output increased mainly in the iron ore rich regions, with China, Australia 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 2007, CRU Strategies estimated world exports had reached 827 million tonnes, an increase of 7.1% over the previous year, with the world seaborne iron ore trade market reaching 767 million tonnes, which represented growth of 7.4% from the previous year.

During 2007, Brazil exported approximately 270 million tonnes of iron ore, while Australian producers exported 286 million tonnes. These two countries together represented 72% of all seaborne exports of iron ore in 2007. 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 and South Africa are also significant exporters of iron ore.

The following table sets forth the regional production pattern of iron ore from 2004 to 2007 (estimated):

	Year Ended 31 December							
	2004		2005		2006		2007	
Region	**Volume**	**%**	**Volume**	**%**	**Volume**	**%**	**Volume**	**%**
	(millions of tonnes, except percentages)							
China	340	25.7%	427	28.8%	588	34.5%	707	37.3%
Latin America	279	21.1	295	19.9	312	18.3	335	17.7
Oceania	228	17.3	258	17.4	272	15.9	294	15.5
Europe	195	14.8	198	13.4	209	12.2	217	11.4
India	118	8.9	141	9.5	155	9.1	166	8.8
North America	88	6.7	83	5.6	86	5.0	85	4.5
Africa	53	4.0	55	3.7	55	3.2	59	3.1
Rest of Asia(1)	21	1.6	25	1.7	31	1.8	33	1.7
Total	**1,322**	**100.0%**	**1,482**	**100.0%**	**1,708**	**100.0%**	**1,896**	**100.0%**

(1) Rest of Asia is Asia excluding China and India, but including the Middle East.

Source: CRU Strategies "Overview of the iron ore industry" Report June 2008

The iron ore market is highly consolidated with a few producers accounting for the majority of supply. According to CRU Strategies, the five largest iron ore mining companies are Vale Limited ("Vale") (15.6% of global production in 2007), Rio Tinto (9.4%), BHP Billiton (5.9%), Metalloinvest Management Company LLC ("Metalloinvest") (2.2%), and Cleveland Cliffs Incorporated (1.8%). The top three companies accounted for 30.8% of global iron ore production and approximately 71% of the supply of seaborne iron ore trade in 2007. The strong pricing environment in recent years has driven consolidation and development and expansion of production among the major players in the industry.

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. Iron ore has seen significant price increases in recent years due to tight supply in the market. In February 2008, contracts were negotiated between Vale and customers with price increases in excess of 65% of last year's contract prices and so the strong price environment has continued.

Indian Iron Ore Market

Background

India is self-sufficient in iron ore, and produced an estimated 166 million tonnes in 2007, of which it exported 91.1 million tonnes. 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"), Kudremukh Iron Ore Co. ("KIOCL"), 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 ("POSCO") and Arcelor Mittal SA ("Arcelor Mittal") are in the process of constructing greenfield steel production plants integrated into iron ore mines.

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 Rs. 50 per tonne while the export duty on iron ore fines with an iron content of more than 62% and all grades of lumps is Rs. 300 per tonne. On 13 June 2008, the Government of India changed the export duty on iron ore to 15% ad valorem on the FOB value of exports.

Market Outlook

Global Iron Ore Outlook

Much of the strong demand and tight supply that characterized 2007 is expected to persist into 2008. Although China is expected to continue to drive global demand, there are concerns that a global economic slowdown will impact China's economic growth. Apart from China, the other main demand growth regions include India, the CIS, the Middle East and South America (mainly Brazil). Meanwhile, Asian demand (excluding China) will be underpinned by steel industry growth in India, Vietnam, Pakistan, Indonesia, Malaysia and Thailand.

On the supply side, 2008 will see several major projects come online. These include the start-up of Fortescue Metals Group's operations at Cloud Break, Rio Tinto's joint venture at Hope Downs, the expansion of Rio Tinto's Yandi operation, the integration by BHP Billiton of its Rapid Growth Project 3 improvements (all in Australia), and several significant Brazilian-based developments — such as Vale and MMX Mineraçao & Metalicos S.A.'s expansions.

Benchmark iron ore contract prices increased sharply in 2008, with Brazilian producers securing a 65% rising in the Hamersley fines benchmark. The iron ore price cycle is expected to peak in 2009; upside potential for prices is given by the risk of disruptions or delays to project start-ups.

Indian Iron Ore Outlook

Indian iron ore exports are expected to remain stable at 91.1 million tonnes in 2008, but to decline to 76.2 million tonnes in 2009, partly as a result of an increase in domestic ore consumption, with the addition of much steelmaking capacity, and partly owing to the fact that infrastructure limitations will constrain Indian iron ore export growth. Besides, Indian steel producers have repeatedly called on the government to slow India's iron ore exports in an effort to ensure that the country has sufficient iron ore reserves to satisfy future domestic steel production. CRU Strategies forecasts that iron ore production will grow steadily between 2007 and 2012, to 209 million tonnes, representing a CAGR of 4.7%.

According to CRU Strategies, demand for iron ore in India, China and globally is expected to grow from 75 million tonnes, 1,073 million tonnes and 1,896 million tonnes, respectively, in 2007, to 129 million tonnes, 1,323 million tonnes and 2,312 million tonnes in 2012. This represents a CAGR of 11.4%, 4.2% and 4.0%, respectively.

Commercial Power Generation Business

Industry Overview

The Indian Electricity Act was enacted in 2003 in order to eliminate the multiple legislation governing the electricity generation, transmission and distribution sectors and to enhance the scope of power sector reforms aimed at addressing systemic deficiencies in the Indian power industry. The key provisions of the Indian Electricity Act allowed for de-licensing of power generation, open access in power transmission and distribution, unbundling of State Electricity Boards ("SEBs"), compulsory metering of all consumers and more stringent penalties for the theft of electricity. It also included provisions to facilitate captive power plants. However, the pace of implementation of these reforms varies across states. The Indian Electricity Act read with the National Tariff Policy ("NTP") notified in January 2006 also mandates that all future power purchases by distribution licensees must be based on competitive bidding to obtain the benefits of reduced capital costs and efficiency of operations through competition.

Installed Capacities

As of April 30, 2008, India's power system had an installed generation capacity of approximately 143,061 MW. The Central Power Sector Utilities of India, accounted for approximately 33.8% of total power generation capacity as of April 30, 2008, while the various state entities and private sector companies accounted for approximately 52.2% and 14.0%, respectively.

MW	Central	State	Private	Total	Share of Total
			(MW)		
Thermal	35,649	46,486	9,772	91,907	64.2%
Hydro	8,592	26,087	1,230	35,909	25.1%
Nuclear	4,120	0	0	4,120	2.9%
Renewable Energy Source	0	2,116	9,009	11,125	7.8%
Total	48,361	74,689	20,011	143,061	100.0%

Source: Central Electricity Authority of India ("CEA")

Future Capacity Additions

To sustain the strong recent economic growth in India, the Ministry of Power of the Government of India 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.

CRISIL Research expects 49,805 MW of capacity additions during the Eleventh Plan (2007-12) and 69,647 MW in the Twelfth Plan (2012-17). In order to maintain its current rate of growth, India requires faster capacity additions in the Eleventh Plan. Further, additions to generation capacity will require concomitant capacity additions in T&D as well. Total investments of around Rs 3.5 trillion ($87.0 billion) in the power sector in the Eleventh Plan are expected. Of this, a major proportion, (Rs 2.2 trillion) ($55.0 billion) is expected to be towards generation followed by transmission (Rs. 0.9 trillion) ($22.0 billion) and distribution (Rs. 0.4 trillion) ($10.0 billion).

As part of the planned target of over 100,000 MW of capacity addition by 2012, the Government of India has proposed the setting up of nine Ultra Mega Power Projects ("UMPPs"). Each project will be 4,000 MW and will use coal as fuel. The government will ensure land and environmental clearances, fuel linkage, off-take agreements and a payment security mechanism to ensure smooth implementation. Each of these projects is expected to be commissioned from 2008 to 2012, three of which have already been awarded. Tata Power has been awarded the Mundra UMPP in Gujarat; Reliance Power has won two UMPPs, (Sasan in Madhya Pradesh and Krishnapatnam in Andhra Pradesh). The fourth UMPP i.e. Tilaiya in Jharkhand, is planned to be awarded in December 2008.

Transmission and Distribution

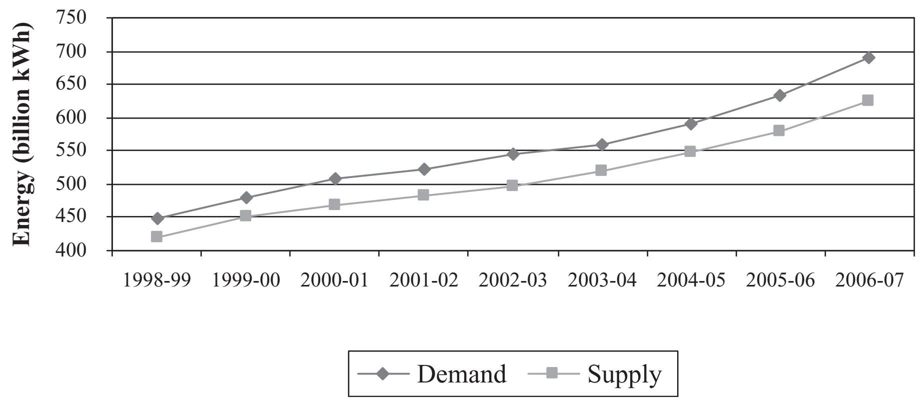
In India, the T&D system is comprised of state grids, regional grids (which are formed by interconnecting neighbouring state grids) and distribution networks. The distribution networks and the state grids are mostly owned and operated by the SEBs or state governments through SEBs, while most of the inter-state transmission links are owned and operated by the Power Grid Corporation of India Limited. These regional grids facilitate transfers of power from power-surplus states to a power-deficit states and gradually being integrated to form a national grid. The existing inter-regional power transfer capacity of 17,000 MW is expected to be enhanced to 37,150 MW by the end of the Eleventh Plan (2012).

With the enactment of the Indian Electricity Act and the recently notified guidelines for competitive bidding in transmission projects, private investment was permitted in power transmission which became recognized as an independent activity. Power distribution in the States of Delhi and Orissa has been privatized and distribution networks are now operated by private utilities companies such as Tata Power Company Limited, CESC Limited, Reliance Energy Limited, Torrent Power AEC & SEC and Noida Power Company Limited, and a number of other distribution companies.

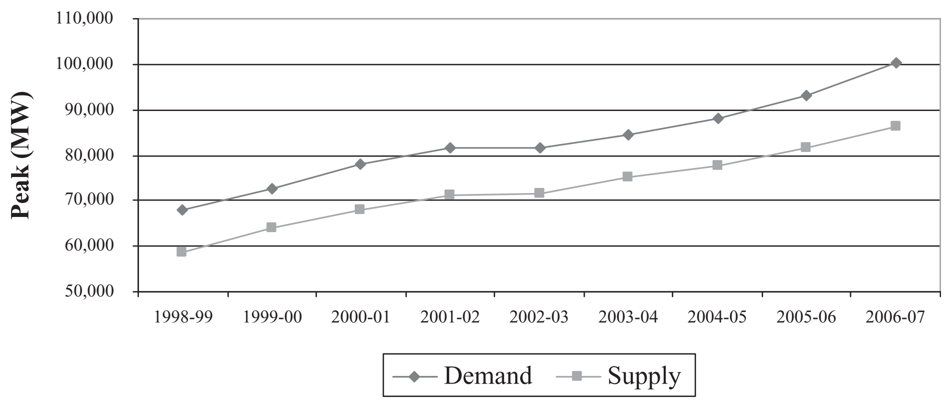
Consumption

Although electricity generation capacity has increased substantially in recent years, the demand for electricity in India still substantially exceeds available generation supply. The following charts show the gap between the total electricity required versus total electricity made available from fiscal 1999 to 2007.

Power: Demand and Supply



Power Demand and Supply

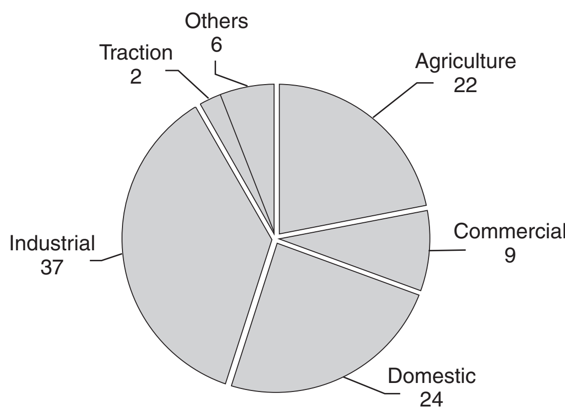


Source: Ministry of Power

The industrial, domestic and agriculture sectors are the main consumers of electrical energy, with the industrial sector consuming 44%, domestic consumption of 25% and agriculture consuming over 24% of total electrical energy in fiscal 2007.

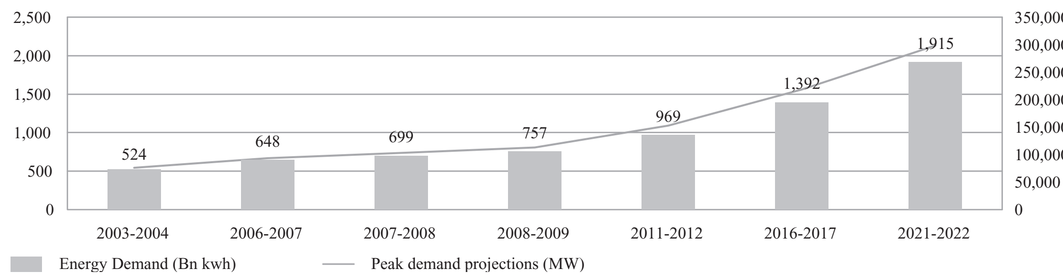
Overall power demand increased at a CAGR of around 5% in the last decade from 1996-97 to 2007-08. There has been a shift in the demand for electricity from various sectors — the share of the industrial sector has declined steadily, and agricultural consumption, after peaking at 31% in 1995-96, declined to 22% in 2005-06. On the other hand, domestic household demand witnessed a steady increase from 19% in 1995-96 to 24% in 2005-06. The following chart shows power consumption by sector in percentage terms, for the period 2005 to 2006.

Power: Category-wise Consumption (2005-06)



Source: CEA

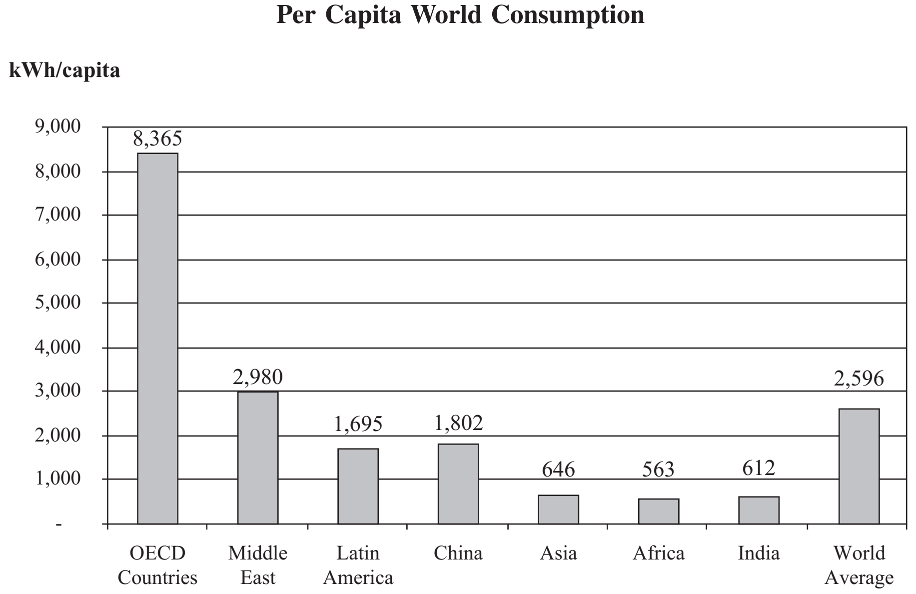
According to the forecasts of the Seventeenth Electric Power Survey (EPS), energy demand will increase at a CAGR of 8.5% to 964 billion Kwh, during the 10th Five-year plan period (2008-12). Peak demand is projected to increase at a CAGR of 9.6% to 167.1 billion Kwh over the same period. The Eleventh Five-year plan (2007-12) envisages energy demand to grow at a CAGR of 7%. The following graph shows the expected demand for power for the period 2003 to 2022.



Source: CEA (17th Electric Power Survey)

While per capita consumption in India has grown significantly, it continues to lag behind power consumption in other leading developed and emerging economies by a large margin. The Ministry of Power is projecting a per-capita consumption of over 1,000 kWh/year in 2012. The following charts compare per capita electricity consumption in India, other countries and the world average consumption.

Per Capita World Consumption (2005)

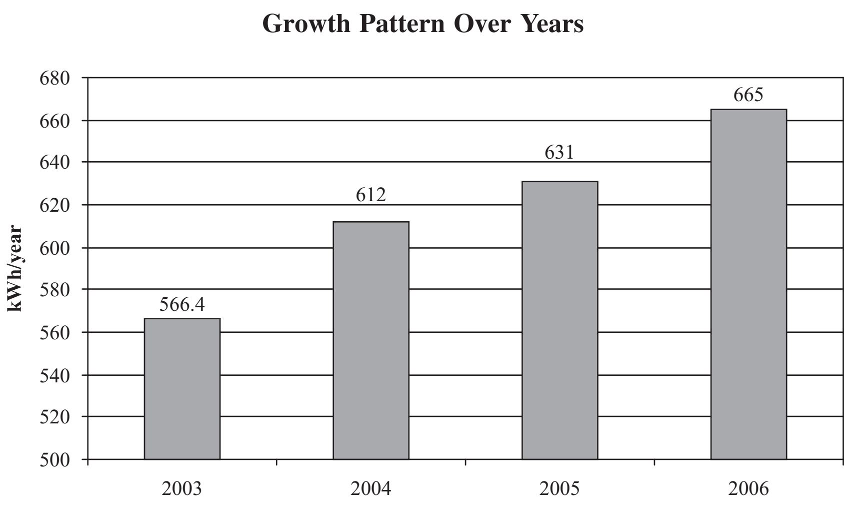


Note:

(1) Countries that are members of the Organization for Economic Co-operation and Development (http://www.oecd.org)

Source: Ministry of Power of the Government of India

India Growth Pattern Over Years



Source: Ministry of Power of the Government of India

Power Trading

Power trading takes place between suppliers with surplus capacity and areas with deficits. Recent regulatory developments include the announcement of rules and provisions for open access and licensing related to interstate trading in electricity to promote competition. Several entities, including PTC India Limited (formerly Power Trading Corporation of India Limited), NTPC's subsidiary, NTPC Vidyut Vyapar Nigam Limited and Tata Power Trading Company Private Limited have started trading operations or have applied for trading licenses.

Tariff Setting

Until the end of 2005, the tariff regime in India for all electricity generators was regulated and determined by either the Central Electricity Regulatory Commission, ("CERC"), or the State Electricity Regulatory Commissions, or SERCs, that set the tariff on a cost-plus basis consisting of a capacity charge, a variable energy charge and an unscheduled interchange charge. The tariff regime guaranteed a fixed return on equity to the generators and treated all costs as pass through in the tariff.

In order to improve efficiency and provide cheaper electricity cost to consumers and at the same time attract adequate investments and accelerate development in the power sector, the Government of India notified the NTP in January 2006 with the key objectives of:

- ensuring availability of electricity to consumers at reasonable and competitive rates;
- promoting transparency, consistency and predictability in regulatory approvals across jurisdictions and minimising the perception of regulatory risks; and
- promoting competition, efficiency in operations and improvement in quality of supply.

To achieve these objectives, the NTP mandated that power procurement for future requirements by all distribution licensees should be through a transparent competitive bidding mechanism using the Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees, dated 19 January 2005, issued by the Ministry of Power. Further, to facilitate merit order dispatch, an availability-based tariff mechanism has also been introduced whereby the electricity tariffs are split into two parts comprising a fixed capacity charge and a variable energy charge. The fixed cost elements like interest on loans, return on equity, depreciation, operations and maintenance expenses, insurance, taxes and interest on working capital are covered by the capacity charge. The variable cost (that is, fuel cost) of the power plant for generating energy is covered by the energy charge.

The NTP also provides that power purchase agreements should ensure adequate and bankable payment security arrangements like letters of credit and escrow of cash flows for the benefit of the generating companies. In case of persisting default, generating companies may sell power to other buyers.

Government Initiatives

Historically, management of the power sector by SEBs was driven by local populist politics that caused the financial health of central and state utilities to deteriorate, which led to under-investment, continued loss and theft and cash leakage. In response, the Government of India launched a combination of regulatory and development initiatives which, among other measures, made anti-theft laws more stringent, prohibited unfunded subsidies and required 100% metering in all states.

Initiatives have also been introduced to address poor T&D infrastructure and dilapidated metering systems. These initiatives include concessional loans from the Government of India to fund up to half the costs of state T&D projects and incentive payments to the states linked to the reduction in annual cash losses of the SEBs.

The Accelerated Power Development and Reform Programme ("APDRP") was implemented to accelerate reforms in distribution sector by giving incentives and loans to state utilities reduce Aggregate Technical and Commercial ("AT&C") losses and outage interruptions. The APDRP has not been as successful as was initially planned. The Finance Ministry has finalised a new APDRP for around Rs. 500 billion ($12.5 billion) and it has been sent to the cabinet for approval.

BUSINESS

Overview

Vedanta is an LSE-listed diversified FTSE 100 metals and mining company and is India's largest non-ferrous metals and mining company based on revenue. Our business is principally located in India, one of the fastest growing large economies in the world with a 9.0% increase in real GDP from fiscal 2007 to fiscal 2008, according to CSO. In addition, we have assets and operations in Zambia and Australia. We are primarily engaged in copper, zinc, aluminium and iron ore businesses and are also developing a commercial power generation business. We have experienced significant growth in recent years through various expansion projects for our copper, zinc and aluminium businesses and our acquisition of SGL in April 2007, which enabled us to enter the iron ore business. Revenue from our businesses increased from $3,701.8 million in fiscal 2006 to $8,203.7 million in fiscal 2008, representing a CAGR of 48.9%. We believe our experience in operating and expanding our businesses in India will allow us 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. We believe we are 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 we expect will continue to create strong demand for metals.

Copper. Our copper business is comprised of operations in India, Zambia and Australia. Our Indian copper business is principally one of custom smelting and is operated by Sterlite, while our Zambian copper business is owned and operated by KCM. We own 59.9% of the share capital of Sterlite through Twin Star and MALCO and 79.4% of the share capital of KCM. Sterlite was India's largest metals and mining company based on net sales in fiscal 2008. In addition, we own the Mt. Lyell copper mine in Tasmania, Australia, which provides a small percentage of Sterlite's copper concentrate requirements. Our Zambian operations are comprised of four mines, one at Konkola, two at Nchanga and one at Nampundwe, a TLP at Nchanga and a smelter at Nkana. Our copper cathode production increased from 436,827 tonnes in fiscal 2006 to 489,782 tonnes in fiscal 2008, representing a CAGR of 5.9%. The production increases, together with higher copper market prices, drove revenue of our copper business from $2,241.3 million in fiscal 2006 to $4,221.9 million in fiscal 2008, representing a CAGR of 37.2%.

Zinc. Our fully integrated zinc business is owned and operated by HZL, India's leading zinc producer with a 79.7% market share by volume of the Indian zinc market in fiscal 2008, according to ILZDA. HZL was the world's fifth largest zinc mining company in 2007 based on mine production and is also one of the top ten lead mining companies by production volume worldwide, according to Brook Hunt. Sterlite indirectly owns 64.9% of the share capital of HZL.

HZL's operations include three lead-zinc mines, three hydrometallurgical zinc smelters, one lead smelter and one lead-zinc smelter in Northwest India and one hydrometallurgical zinc smelter in Southeast India. HZL's zinc production increased from 283,698 tonnes in fiscal 2006 to 426,323 tonnes in fiscal 2008, representing a CAGR of 22.6%. The production increases, together with higher zinc market prices, drove revenue of our zinc business from $875.5 million in fiscal 2006 to $1,941.5 million in fiscal 2008, representing a CAGR of 48.9%.

Aluminium. Our aluminium business is primarily owned and operated by BALCO. Sterlite owns 51.0% of the share capital of BALCO. MALCO and Vedanta Aluminium also contribute to our aluminium business. We own 80.0% 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. BALCO and MALCO are two of the four primary producers of aluminium in India and together had a 31.0% primary market share by volume in India in fiscal 2008, according to AAI. BALCO increased its production of ingots, rods and rolled products from 173,743 tonnes in fiscal 2006 to 358,670 tonnes in fiscal 2008, representing a CAGR of 43.7%. BALCO recently received a coal block allocation of 211.0 million tonnes for use in its captive power plants. MALCO's aluminium operations are comprised of two bauxite mines and the Mettur Dam alumina refining and aluminium smelting complex with a captive power plant and fabrication facility, all of which are located in the

State of Tamil Nadu in Southern India. MALCO increased its production of ingots and rods from 36,718 tonnes in fiscal 2006 to 37,635 tonnes in fiscal 2008.

In addition, we are expanding our aluminium business through Vedanta Aluminium. In March 2007, Vedanta Aluminium began the progressive commissioning of a 1.0 mtpa greenfield alumina refinery project and an associated 75 MW captive power plant, expandable to 1.4 mtpa and 90 MW, respectively, subject to governmental approval, at Lanjigarh in the State of Orissa. Vedanta Aluminium is also building a greenfield 500,000 tpa aluminium smelter, together with an associated 1,215 MW captive power plant, in Jharsuguda in the State of Orissa, in two phases of 250,000 tpa each. Commissioning of the first phase commenced in May 2008, and we expect the second phase to begin commissioning in 2010, subject to receipt of governmental approvals.

Iron ore. Our iron ore business is owned and operated by SGL, India's largest producer-exporter of iron ore in the private sector by volume in fiscal 2007, according to the Federation of Indian Mineral Industries. In April 2007, we acquired a 51% ownership in SGL, which owns 88.3% of the share capital of SIL. SGL is engaged in the exploration, mining and processing of iron ore. SGL owns or has the rights to proved and probable reserves which consist of an estimated 180.5 million tonnes of iron ore at an average grade of 61.1%. In fiscal 2008, SGL produced approximately 12.4 million tonnes of iron ore fines and lumps, of which 11.5 million tonnes were produced after our acquisition of SGL in April 2007. SGL's mining operations are carried out in the Indian States of Goa, Karnataka and Orissa. In addition, SGL manufactures pig iron and metallurgical coke. Revenue of our iron ore business for the post-acquisition period of eleven months ended 31 March 2008 was $888.9 million.

Commercial Power Generation Business. We are developing a commercial power generation business in India that leverages our experience in building and managing captive power plants that support our primary businesses. As of 31 March 2008, the total power generation capacity of our ten captive power plants and wind power plants was 1,383 MW, including four thermal coal-based captive power plants with a total power generation capacity of 849 MW that we built within the last four years.

Competitive Strengths

We believe that we have the following competitive strengths:

A leading diversified and the largest non-ferrous metals and mining company in India

Vedanta is a leading diversified and the largest non-ferrous metals and mining company in India based on revenue. We have substantial market share across the copper, zinc and aluminium markets in India. We are India's largest iron ore producer-exporter by volume in the private sector. Specifically,

- Sterlite is the leading custom copper smelter in India based on production volume in fiscal 2008, and according to International Copper Promotion Council, India ("ICPCI") had a 42.6% primary market share by sales volume in India in fiscal 2008;

- HZL is India's only integrated zinc producer, had a 79.7% market share by volume in India in fiscal 2008, according to ILZDA, and was the world's fifth largest zinc mining company in 2007 based on mine production and is one of the top ten lead mining companies by production volumes worldwide, according to Brook Hunt;

- Vedanta, through its subsidiaries BALCO and MALCO, is the second largest primary producer of aluminium in India with a 31.0% primary market share by volume in India in fiscal 2008, according to AAI. BALCO was the fastest growing primary producer of aluminium in India in fiscal 2007 based on quantity of aluminium produced as a result of the ramp-up in production at its 245,000 tpa Korba aluminium smelter. BALCO's 245,000 tpa Korba smelter was in the lowest cost quartile in terms of all aluminium smelters operations worldwide in 2007, according to Brook Hunt; and

- SGL was India's largest producer-exporter of iron ore in the private sector by volume in fiscal 2007, according to the Federation of Indian Mineral Industries. SGL accounted for approximately 10.5% of

India's total iron ore exports and 1.4% of the world trade in iron ore in fiscal 2007, according to the Goa Mineral Ore Exporters' Association. It has operations in the States of Goa, Karnataka and Orissa and, being strategically located in India, is well positioned to benefit from the continued growth of the Asian economies, including China. Our acquisition of SGL has further diversified our business and allowed us to participate in the strong growth in the iron ore sector.

We believe that we have a diversified product portfolio with our copper, zinc, aluminium and iron ore businesses representing 51.5%, 23.7%, 13.9% and 10.8% of our revenue and 20.7%, 51.4%, 11.8% and 16.2% of our operating profit in fiscal 2008, respectively.

High quality assets and resources making us a low-cost producer

We believe that our business has assets of global size and scale. Our costs of production in our Indian copper, zinc and aluminium businesses are competitive with those of leading metals and mining companies in the world, which we believe is enabled by our high quality assets, operational skills and experience and the integrated nature of our operations. Specifically:

- Sterlite's Tuticorin smelter was one of the top ten custom copper smelters worldwide in 2007, according to Brook Hunt, and the largest in India by production volume in fiscal 2008. In 2007, Sterlite's Tuticorin smelter was also in the lowest cost quartile in terms of all copper smelting operations worldwide and its Tuticorin and Silvassa refineries had the seventh and eighth lowest costs of production, respectively, of all copper refining operations worldwide, according to Brook Hunt. Brook Hunt projects that we will be the world's eighth largest refined copper producer on a production volume basis in 2008.

- HZL's operations are fully integrated with its own mining and captive power generation capacities. HZL was the world's fifth largest zinc mining company in 2007 based on mine production and is also one of the top ten lead mining companies by production volume worldwide, according to Brook Hunt. HZL's largest zinc mine, Rampura Agucha, was ranked third in the world in 2007 in terms of contained zinc deposits on a production basis and the fourth largest on a reserve basis, according to Brook Hunt. HZL was in the lowest cost quartile in terms of all zinc mining operations worldwide in 2007 and the fourth largest producer of zinc worldwide and HZL's Chanderiya smelter was the third largest smelter on a production basis worldwide in 2007, according to Brook Hunt. Brook Hunt projects that HZL will be the world's largest integrated zinc mining and smelting company on a production volume basis in 2008.

- Our aluminium business' operations are fully integrated with respect to their power requirements through their captive power plants. BALCO's 245,000 tpa Korba smelter was in the lowest quartile in terms of all aluminium smelter operations in 2007, according to Brook Hunt. BALCO recently received a coal block allocation of 211.0 million tonnes for use in its captive power plants. In March 2007, Vedanta Aluminium began the progressive commissioning of a 1.0 mtpa greenfield Lanjigarh alumina refinery project and an associated 75 MW captive power plant, expandable to 1.4 mtpa and 90 MW, respectively, subject to governmental approvals. The Lanjigarh alumina refinery has started production from a single stream operation and produced 267,000 tonnes of alumina in fiscal 2008. Phase 1 and phase 2 of the Lanjigarh alumina refinery are undergoing stability trials and are expected to fully stabilise by the end of fiscal 2009.

We are seeking to further lower our costs across all of our operations. Factors contributing to our success in lowering our costs of production include:

- our focus on continually reducing manufacturing costs and seeking operational efficiency improvements;

- our building and managing captive power plants to supply a substantial majority of the power requirements of our operations; and

- our access to relatively large and inexpensive labour and talent pools in India and Zambia.

We view strict cost management and increases in productivity as fundamental aspects of our day-to-day operations and continually seek to improve efficiency.

Industry-leading growth profile

We possess a strong portfolio of greenfield and brownfield projects that we intend to pursue:

- *Copper segment:* KCM is expanding its smelting and mining capacities. KCM is constructing a new 300,000 tpa smelter at Nchanga, which we expect to commission in mid-2008. KCM is developing the KDMP, which is expected to increase KCM's Konkola mine copper ore output to 7.5 mtpa and be completed in 2010.
- *Zinc segment:* In April 2008, HZL announced $900 million of expansion projects to increase its total lead-zinc capacity to 1,065,000 tpa with fully integrated mining and captive power generation capacities. These projects include:
  - establishing two brownfield smelters which are expected to increase the production capacities of zinc and lead by approximately 210,000 tonnes and 100,000 tonnes, respectively, at Rajpura Dariba in the State of Rajasthan, both of which are expected to be completed by mid-2010;
  - expanding ore production capacity at the Rampura Agucha mine from approximately 5 mtpa to 6 mtpa and at the Sindesar Khurd mine from approximately 0.3 mtpa to 1.5 mtpa. HZL is expected to start mining activity at the Kayar mine, which is expected to have a production capacity of approximately 0.3 mtpa. These projects are expected to be completed by early 2012;
  - setting up a captive power plant with a capacity of 160 MW at Rajpura Dariba, which is expected to be completed by mid-2010; and
  - increasing silver production from the current levels of approximately 100 to 120 tpa to approximately 500 tpa, primarily from the Sindesar Khurd mine where silver occurs at approximately 200 parts per million ("ppm").
- *Aluminium segment:* Vedanta Aluminium is building a greenfield 500,000 tpa aluminium smelter, together with an associated 1,215 MW captive power plant, in Jharsuguda in the State of Orissa, in two phases of 250,000 tpa each. Commissioning of the first phase commenced in May 2008, a year ahead of schedule, and will be progressively commissioned during fiscal 2009. Work has commenced on the second phase and we expect it to begin commissioning in 2010, subject to the receipt of governmental approvals.
- *Power segment:* We are executing our plan to enter the commercial power generation business with Sterlite Energy's construction of a 2,400 MW thermal coal-based power facility (comprising four units of 600 MW each) in Jharsuguda in the State of Orissa. The project is expected to be progressively commissioned from December 2009. We have obtained coal block allocations of 112.2 million tonnes from the Ministry of Coal to support this facility. In addition, BALCO entered into a memorandum of understanding in October 2006 with the Government of Chhattisgarh, India and the CSEB to build a thermal coal-based 1,200 MW power facility, along with an integrated coal mine, in the State of Chhattisgarh. The memorandum of understanding is valid up to 31 August 2008. BALCO has applied to the Government of Chhattisgarh, India for an amendment to the memorandum of understanding extending its validity and permitting its assignment to associates, affiliates and parent companies of BALCO.

Ideally positioned to capitalise on India's growth and resource potential

We believe that our experience operating and expanding our business in India will allow us to capitalise on attractive growth opportunities arising from factors including:

- *India's large mineral reserves.* According to the IBM 2005, the total copper ore, lead-zinc ore, bauxite and iron ore resources of India are estimated at 1.4 billion tonnes, 0.6 billion tonnes, 3.3 billion tonnes and 25.2 billion tonnes, respectively. According to the Geological Survey of India 2008, the total coal resources of India are 264.5 billion tonnes as of 1 April 2008. According to CRISIL Research, India's bauxite reserves are the fifth largest in the world with total recoverable reserves estimated at 2,600 million tonnes, and according to the Energy Information Administration, a statistical agency of the United States government, India has the fourth largest coal reserves in the world as of 2007. In addition, according to Indian Steel Alliance, India has the sixth largest iron ore reserves in the world.

- *India's economic growth and proximity to other growing economies.* India is one of the fastest growing large economies in the world with a 9.6% increase in real GDP from fiscal 2006 to 2007 and a 9.0% increase in real GDP from fiscal 2007 to 2008, according to the Central Statistical Organisation Ministry of Statistics and Programme Implementation. This growth has been driven primarily by significant increases in industrial production and investments in infrastructure. We believe that our focus on the metals and power segments will allow us to directly benefit from this growth. In addition, India is strategically located close to other growing economies in China, Southeast Asia and the Middle East.

- *India's large and inexpensive labour and talent pools.* India has, compared to other industrialised nations, low labour costs and a large and skilled labour pool, including many well-educated professionals.

According to Brook Hunt, the demand for copper, zinc and aluminium in India is expected to grow from 458,000 tonnes, 428,000 tonnes and 1.1 million tonnes in 2006 to 982,000 tonnes, 824,000 tonnes and 2.5 million tonnes in 2015, representing CAGR of 8.8%, 7.5% and 9.6%, respectively. According to CRU, demand for iron ore in India is expected to grow from 71.2 million tonnes in 2007 to 129.0 million tonnes in 2012, representing a CAGR of 11.4%.

Entrepreneurial management team with outstanding track record

Our senior management has significant experience in all aspects of our business and has transformed Vedanta into a leading metals and mining company that is listed on the LSE and included in the FTSE 100 Index. Mr. Anil Agarwal, our founder, remains involved in overseeing our business as our Executive Chairman. Our experienced and focused management and dedicated project execution teams have a proven track record of:

- successfully implementing capital-intensive projects to increase our production capacities:

  - increasing the lead metal capacity of HZL's lead-zinc smelter at Chanderiya from 35,000 tpa to 85,000 tpa in February 2006;

  - increasing the copper anode 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;

  - completing brownfield expansions with the addition of HZL's 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 both smelters were increased to 210,000 tpa through de-bottlenecking in April 2008;

  - increasing the capacity of the Rampura Agucha lead-zinc mine and processing plant from 2.4 mtpa to 5.0 mtpa of ore to supply the brownfield zinc smelter expansion at Chanderiya in the State of Rajasthan between 2003 and 2008; and

  - expanding the Korba facility by adding a 245,000 tpa aluminium smelter to bring the total installed capacity to 345,000 tpa of aluminium in November 2006;

- selecting attractive acquisition opportunities and successfully improving the operations and profitability of acquired businesses:
  - on 5 November 2004, we acquired a 51.0% ownership interest in KCM through our wholly-owned subsidiary, VRHL, and on 9 April 2008, we acquired an additional 28.4% ownership interest in KCM following the exercise of our call option, increasing the Group's ownership interest to 79.4%; and
  - on 23 April 2007, we acquired a 51.0% ownership interest in SGL through our acquisition of Finsider International Company Limited ("Finco") and further acquired a 0.2% ownership interest in SGL through an open offer in September 2007, increasing the Group's ownership interest to 51.2%.

We utilise project monitoring and assurance systems to facilitate timely execution of our projects. In addition, we have established relationships with leading domestic and international vendors that support our expansion projects. Since the listing of Vedanta's ordinary shares, par value $0.10 per share ("Ordinary Shares"), on the Official List (as defined herein) and admission to trading on the LSE's main market for listed securities on 10 December 2003 (the "Listing"), we have spent $4,476.8 million through fiscal 2008 on our expansion projects in our copper, zinc, aluminium and commercial power generation businesses.

We acquired our zinc business through our acquisition of HZL and our main aluminium business through our acquisition of BALCO. In both instances, we have been 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 172,140 tonnes of zinc ingots and 214,447 tonnes of zinc mined metal content when we acquired HZL in 2002 to 218,862 tonnes of zinc ingots and 551,295 tonnes of zinc mined metal content in fiscal 2008, representing an increase of 27.1% and 157.1%, respectively, by increasing the production of HZL's original two hydrometallurgical zinc smelters, one lead-zinc smelter and three lead-zinc mines; and
- increasing the production of BALCO's original aluminium smelter from 89,164 tpa when we acquired management control of BALCO in 2001 to 109,279 tpa in fiscal 2008, representing an increase of 22.6%.

Ability and capacity to finance world-class projects through strong cash flow and prudent financial policies

We have generated strong cash flows in recent years due to our substantial volume growth, robust commodity prices and our cost reduction measures as illustrated by our improved cash flow from operating activities of $2,232.9 million in fiscal 2008 compared with $632.2 million in fiscal 2006. Moreover, we have a strong balance sheet which will enable us to finance future expansion projects.

We believe that holding substantial cash and current assets and maintaining low leverage are important for providing sufficient liquidity and meeting the cash outflow requirements of our capacity expansion projects.

Our Strategy

Our strategic goal is to create a world-class metals and mining company and to generate strong financial returns. Our strategy is based on the following four key pillars:

Continuing focus on asset optimisation and reducing the cost of production

We are currently in the lowest cost quartile in terms of cost of production in our Indian copper smelting and refining business and our zinc mining operations, and we intend to continue to improve our production processes and methods and increase operational efficiencies to further reduce our costs of production in all our businesses. Our current initiatives include:

- seeking improvements in operations to maximise throughput and plant availability to achieve production increases at our existing facilities with minimum capital expenditures to optimise our asset utilisation;
- 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;
- increasing automation to reduce the manpower required for a given level of production volume;
- a strong exploration effort seeking to increase the reserves, particularly in our zinc and iron ore businesses;
- 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 for use in power plants, such as the coal block allocation of 211.0 million tonnes we recently received for use in BALCO's captive power plants;
- 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 our core metals; and
- reducing greenhouse gas emissions from our operations through various projects, including for example our recent installation of a back pressure turbine for utilising waste gases of the roaster plant at one of our zinc smelters at Chanderiya, a project from which we have received 22,744 voluntary emission reduction credits as of 31 March 2008.

Recent successes as a result of these initiatives include:

- increased production volume in all of our metal businesses from fiscal 2007 to fiscal 2008, particularly in BALCO;
- a 17.0% year-over-year increase in production at SGL in our first year of ownership of the company;
- an increase in reserves at HZL's Rampura Agucha mine of 23.5 million tonnes to 63.6 million tonnes as of 31 March 2008; and
- stable cost of production in most of our businesses notwithstanding inflationary cost pressures across the mining and metal industry generally, particularly with respect to logistics and energy costs.

Increasing our capacities through greenfield and brownfield projects

We are continuing to increase our capacities through the construction of new facilities. We believe that increasing our capacities is critical to our ability to continue to capitalise upon the growing demand for metals in India and abroad, particularly in China, Southeast Asia and the Middle East. We seek to expeditiously and efficiently implement our expansion projects with the minimum necessary capital costs in order to generate a high internal rate of return on the projects.

As of 31 March 2008, we had total production capacities of 650,000 tpa of copper cathodes, 754,000 tpa of zinc and lead and 385,000 tpa of aluminium. Of our $8.8 billion in expansion projects that we have announced since the time of Vedanta's initial public offering and listing on the LSE in 2003, we have delivered on $1.9 billion of projects which are included in our production capacities as of 31 March 2008 and we expect the remaining $6.9 billion of projects to increase our total production capacities to 950,000 tpa of copper cathodes, 1,065,000 tpa of zinc and lead and 885,000 tpa of aluminium.

Our goal is to achieve 1.0 million tpa of total production capacity in each of our base metals through our existing and future expansion projects, while implementing our expansion projects at industry leading benchmark capital costs, within budget and ahead of schedule. We believe we have made significant progress towards achieving this goal, though there can be no assurance that we will be able to achieve such production capacity for each of our businesses. See "— Competitive Strengths — Strong pipeline of growth projects" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Expenditures and Commitments" for details on our ongoing projects to increase our production capacities.

Consolidating our corporate structure and increasing our direct ownership of our underlying businesses to derive additional synergies as an integrated group

We have and are continuing to seek to increase the Group's direct ownership of our underlying businesses to simplify and derive additional synergies as an integrated group by consolidating our corporate structure and integrating our operations. For example, in April 2008, we acquired an additional 28.4% ownership interest in KCM by exercising our call option, increasing the Group's ownership interest to 79.4%. In addition, we have outstanding options to increase our ownership interests in BALCO and HZL. See "— Options to Increase Interests in HZL, BALCO and KCM".

Seeking further growth and acquisition opportunities where we can leverage our transactional, project execution and operational skills and experience

Our successful acquisitions of HZL, BALCO, KCM and SGL have contributed substantially to our growth. We continually seek new growth and acquisition opportunities in the metals and mining and related businesses in India and elsewhere, including through government privatisation programmes, where we can leverage our skills and experience. We continue to closely monitor the resource markets in our 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 our skills and experience, we seek to continue to expand our business while maintaining a strong balance sheet and investment grade credit profile. Our recent actions in pursuing this strategy include the following:

- In April 2007, we acquired a 51% ownership interest in SGL, India's largest producer-exporter of iron ore in the private sector. We believe this business is complementary to our existing mining businesses and provides us a leading strategic position in a business we believe has attractive long-term fundamentals. In our first year of ownership, SGL achieved a 17.0% year-over-year increase in production. We are undertaking feasibility studies for further increases in production capacity through additional debottlenecking and expansion initiatives, which we believe will enable SGL to achieve 25.0 million tpa of production capacity in the next few years.
- On 30 May 2008, Sterlite and Asarco, a US based mining, smelting and refining company, signed a definitive agreement for the sale to Sterlite of substantially all the operating assets of Asarco for $2.6 billion in cash. We believe that Asarco will be a good strategic fit with Sterlite's existing copper business. The agreement is subject to approval of the US bankruptcy court overseeing Asarco's Chapter 11 proceedings. See "Summary — Recent Developments".

History and Development of the Group

In 1979, Mr. Anil Agarwal acquired, through a family firm, 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. As part of its strategy to concentrate on businesses with high growth potential, Sterlite discontinued production of polyvinyl chloride power and control cables and enamelled copper wires in 1990 and in 1991 commissioned a continuous cast copper rod plant.

In 1993, Sterlite commissioned a plant for the manufacture of aluminium sheets and foils, which is currently non-operational. In the same year, Sterlite Communications Limited, which was merged with Sterlite in 1996, established a plant for the manufacture of optical fibre at Aurangabad. We entered the aluminium production business in 1995 by acquiring an 80.0% interest in MALCO as part of MALCO's financial restructuring.

In 1997, in order to obtain captive sources of copper for its copper rod plant, Sterlite commissioned the first privately developed copper smelter in India at Tuticorin.

In April 1999, to source copper concentrate for the Tuticorin copper smelter, Monte Cello (a subsidiary of Monte Cello Corporation NV which was wholly-owned by Twin Star Holdings Limited ("Twin Star") at that time) acquired CMT which owned the Mt. Lyell copper mine in Australia. In October 1999, Monte Cello acquired TCM, which owns 70.0% of the Highway Reward copper mine in Australia which closed in July 2005. Monte Cello Corporation NV subsequently sold Monte Cello to Sterlite in 2000.

In March 2000, to increase its interests in aluminium, MALCO acquired a 38.8% interest in IFL.

In July 2000, Sterlite's telecommunications cables and optical fibre business was spun-off into a new company, Sterlite Technologies Limited ("STL"). The Agarwal family has substantial interests in STL. STL is not a part of the Group.

Sterlite acquired a 51.0% interest in BALCO from the Government of India on 2 March 2001. On 19 March 2004, Sterlite gave notice to exercise its call option to purchase the Government of India's remaining 49.0% shareholding in BALCO at a price determined in accordance with the shareholders' agreement entered into by Sterlite and the Government of India. The exercise of this option has been contested by the Government of India. Further, the Government of India retains the right and has expressed an intention to sell 5.0% of BALCO to BALCO employees. See "— Options to Increase Interests in HZL, BALCO and KCM".

In April 2002, Sterlite, through its wholly-owned subsidiary, SOVL, acquired a 26.0% interest in HZL from the Government of India. Sterlite, through SOVL, subsequently purchased a further 20% interest in HZL in July 2002 through an open market offer, bringing its total ownership of HZL to 46.0%. The total cash consideration paid was Rs. 7,776 million ($160.4 million as at the date of the acquisition). On 29 August 2003, SOVL exercised the first call option granted by the Government of India to acquire a further 18.9% interest in HZL for Rs. 3,239 million ($70.5 million as at the date of the acquisition), taking its interest in HZL to 64.9%. In addition, SOVL has a call option, which became exercisable beginning 11 April 2007, to acquire the Government of India's remaining ownership interest in HZL subject to the right of the Government of India to transfer up to 3.5% of the issued share capital to employees. As of the date of this Offering Circular, this option has not been exercised.

In September 2002, Sterlite completed a share buy-back for total consideration of Rs. 3,010 million ($61.8 million as at the date of completion), which resulted in the repurchase of 20,068,004 shares (representing 36.0% of Sterlite's issued share capital at that time) for a consideration of Rs. 150 ($3.08 as of the date of completion) per share which comprised of Rs. 100 ($2.05 as of the date of completion) per share in cash and Rs. 50 ($1.03 as of the date of completion) per share in the form of a debenture with a final maturity in August 2008. Sterlite exercised its call option on these debentures in February 2004. As a result of the share buy-back, Twin Star's direct interest in Sterlite increased to 55.1%.

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.

Immediately prior to the global offering of Ordinary Shares in December 2003, Sterlite divested a number of subsidiaries and associated undertakings, including STL (save for nominal interests held by MALCO and Sterlite) and Sterlite Gold. These companies were transferred to Twin Star International Limited, a wholly-owned subsidiary of Volcan. At the same time, Vedanta and VRHL, Vedanta's wholly-owned subsidiary which was newly incorporated for the purpose of the global offering, acquired the entire issued share capital of Twin Star, and Vedanta became the new holding company of the Group.

During the first half of 2004, Vedanta, through Twin Star, increased its ownership interest in Sterlite by 7.5% to 71.6% by purchasing shares of Sterlite held by the SEWT. Further, in September 2004, Sterlite completed a rights issue and Twin Star's ownership interest in Sterlite increased to 81.3%. In 2005, Twin Star's ownership interest in Sterlite was reduced to 78.2% following the partial conversion of certain convertible bonds issued by Sterlite.

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 $49.2 million. VRHL subscribed for $25.0 million of new ordinary shares of KCM, representing 51.0% of the enlarged issued share capital of KCM. Additionally, Vedanta agreed to pay $23.2 million to ZCI Holdings S.A. ("ZCIH"), a minority shareholder in KCM, comprising an initial payment of $2.3 million at the date of acquisition, with the remaining $20.9 million payable in equal instalments over four years beginning on 31 December 2005. As of 31 March 2008, one instalment in the amount of $5.2 million was outstanding.

In July 2006, our power transmission conductor business was sold to STL as a going concern together with its associated liabilities.

In August 2006, through our wholly-owned subsidiary, Welter Trading Limited, we acquired 100% of Twin Star International Limited (which held 55.1% of Sterlite Gold as of the date of acquisition) from Volcan. With a subsequent open offer we acquired a further 28.6% of Sterlite Gold raising our total ownership interest to 83.7%. In September 2007, Twin Star International Limited was divested along with its ownership interest in Sterlite Gold.

On 3 October 2006, Sterlite acquired 100% of Sterlite Energy from Twin Star Infrastructure Limited.

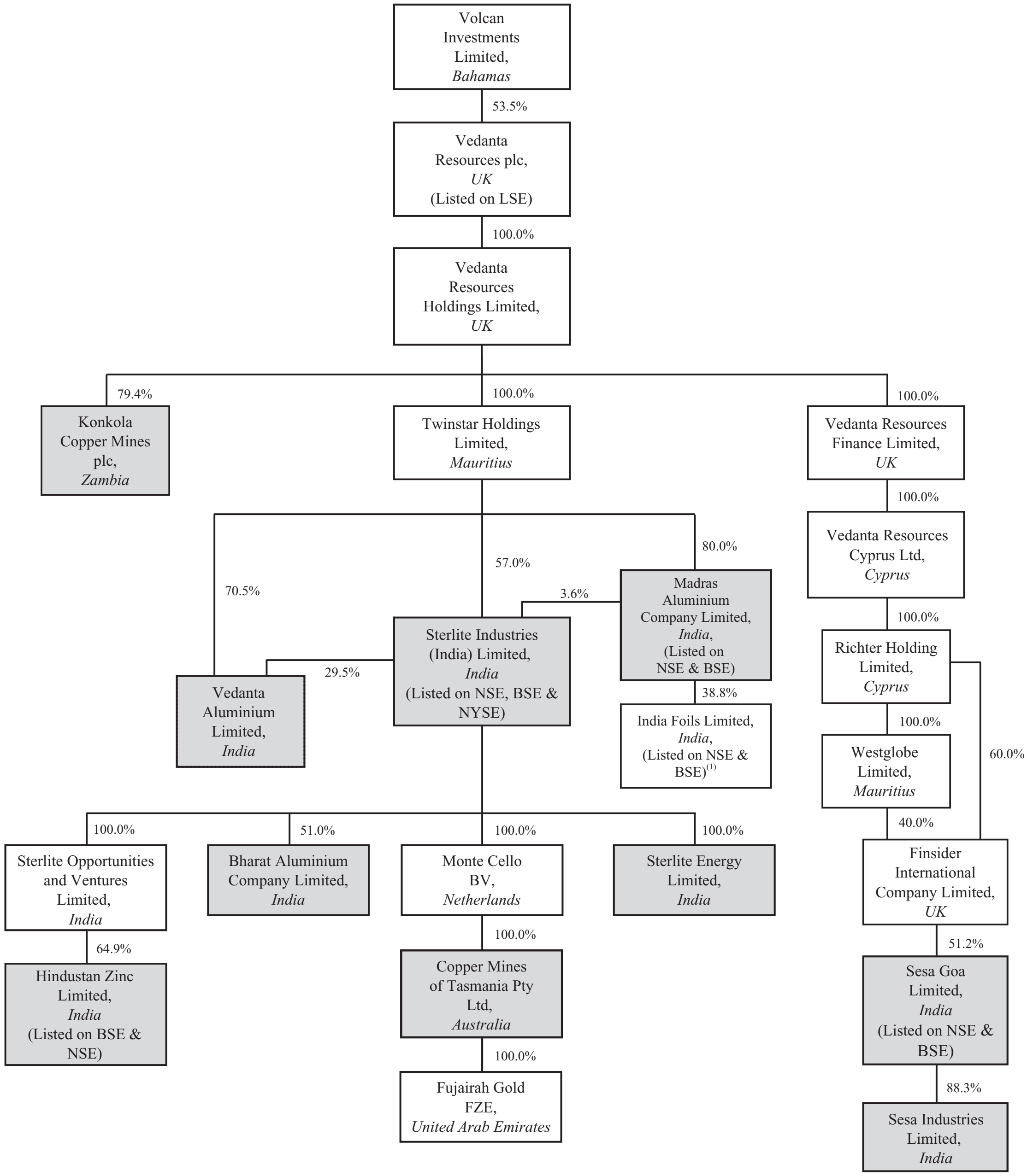
We acquired our iron ore business on 23 April 2007 through the acquisitions by our wholly-owned subsidiaries, Richter Holding Ltd ("Richter"), a 100% subsidiary of Vedanta Resources Cyprus Limited ("VRCL"), and Westglobe Limited ("Westglobe"), a 100% subsidiary of Richter, of all of the outstanding shares of Finco, a company organised in the United Kingdom, for $981.0 million. Finco held Mitsui & Co.'s ("Mitsui") 51.0% interest in SGL. Under the Substantial Acquisition of Shares and Takeover 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 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, Vedanta, through the exercise of its call option, purchased an additional 312,244,138 ordinary shares and 48,000,000 deferred shares of KCM for cash consideration of $213.2 million, increasing its ownership to 79.4%.

Current Group Structure

The following diagram summarises the corporate structure of our consolidated group of companies showing our operating subsidiaries, those non-operating subsidiaries that own directly or indirectly such operating subsidiaries and certain affiliates as of 31 May 2008. We also own certain other non-operating subsidiaries that are not material and are not shown in the organisational chart below.



Shading indicates operating companies.

(1) We have entered into an agreement to dispose of our interest in IFL and the transaction is expected to close in fiscal 2009.

The principal members of our consolidated group of companies are as follows:

Copper Business

- *Sterlite Industries (India) Ltd.* Sterlite was incorporated in Kolkata, India and is headquartered in Mumbai. Sterlite has been a public listed company in India since 1988, and its equity 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. We, through Twin Star and MALCO, own 59.9% of Sterlite and have management control of the company. The remainder of Sterlite's share capital is held by SEWT (2.5%), Life Insurance Corporation of India (1.6%) and other institutional and public shareholders (35.3%).

- *Konkola Copper Mines.* KCM was incorporated in Lusaka, Zambia and has its registered office in Chingola. We own 79.4% of KCM's share capital through our wholly-owned subsidiary, VRHL, and have management control of the company. KCM's other shareholder is ZCCM Investment Holdings Plc. The GRZ 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 100.0% 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 BSE. Sterlite indirectly owns 64.9% of the share capital in HZL and has management control. The remainder of HZL's share capital is owned by the Government of India (29.5%) and institutional and public shareholders and employees of HZL (5.6%). Through SOVL, Sterlite has a call option to acquire the Government of India's remaining ownership interest at a fair market value to be determined by an independent appraiser subject to the right of the Government of India to transfer up to 3.5% of the issued share capital to employees. As of the date of this Offering Circular, the call option has not been exercised. See "— Options to Increase Interests in HZL, BALCO and KCM — HZL Call Options".

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 Government of India owns the remaining 49.0%. Sterlite exercised an option to acquire the Government of India's remaining ownership interest in BALCO in March 2004, which has been contested by the Government of India. Further, the Government of India retains the right and has expressed an intention to sell 5.0% of BALCO to BALCO's employees. See "— Options to Increase Interests in HZL, BALCO and KCM — BALCO Call Option".

- *Madras Aluminium Company Ltd.* MALCO was incorporated in Mettur, India, where it is also headquartered. MALCO's equity shares are listed and traded on the NSE and BSE. We, through Twin Star, own 80.0% of MALCO's share capital and have management control of the company. The remaining 20.0% ownership interest in MALCO is held by public shareholders. MALCO also owns 38.8% of IFL which owns an aluminium foil business. We have entered into an agreement to dispose of our interest in IFL and the transaction is expected to close in fiscal 2009. See "— Description of the Businesses — Other Activities".

- *Vedanta Aluminium Ltd.* Vedanta Aluminium was incorporated in Mumbai, India, and is headquartered in Lanjigarh, State of Orissa. Vedanta Aluminium's shareholders approved a move of the company's registered office to Tuticorin in October 2007. We, through Twin Star, own 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, and its equity shares are listed and traded on the NSE and BSE. We own, through various wholly-owned subsidiaries, 51.2% of SGL and have management control of the company. The remaining 48.8% is owned by public shareholders.

- *Sesa Industries Limited.* SIL was incorporated in Panaji, India, where it is also headquartered. SGL owns 88.3% of the share capital of SIL.

Commercial Power Generation Business

- *Sterlite Energy Limited.* Sterlite Energy was incorporated in Mumbai, India, and is headquartered in Mumbai. Sterlite owns 100.0% of Sterlite Energy and has management control of the company.

Description of the Businesses

Copper Business

Introduction

Our Indian copper business is owned and operated by Sterlite. It is principally a custom smelting business, which includes a smelter, refinery, phosphoric acid plant, sulphuric acid plant and copper rod plant at Tuticorin in Southern India, and a refinery and two copper rod plants at Silvassa in Western India. 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 the domestic and export markets. Sterlite receives a discount from its suppliers in the form of TcRc, which is influenced by 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, In 2007, Sterlite's Tuticorin smelter was one of the top ten custom copper smelters worldwide and the largest in India by production volume according to Brook Hunt. In 2007, Sterlite's Tuticorin smelter was also in the lowest cost quartile in terms of all copper smelting operations worldwide and its Tuticorin and Silvassa refineries had the seventh and eighth lowest costs of production, respectively, of all copper refining operations worldwide, according to Brook Hunt. Sterlite intends to further improve its operating performance by continuing to reduce unit operating costs through improvements in recovery rates, lowering power and transport costs, achieving economies of scale and the achievement of other operational efficiencies.

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 and a sulphuric acid plant. At Konkola, KCM operates a large underground mine with two shafts and a concentrator on the site. KCM's underground mine at Nampundwe produces pyrite concentrate. At Nkana, in Kitwe, KCM operates a smelter, a refinery and a sulphuric acid plant with copper concentrate supplied from its Nchanga and Konkola mines and pyrite concentrate supplied from its Nampundwe mine. The KCM mines provide approximately 85% of KCM's copper concentrate requirements, with the remainder of KCM's copper concentrate requirements obtained through various domestic sources in Zambia.

Vedanta acquired a 51.0% interest in KCM in November 2004, and increased its ownership to 79.4% in April 2008 through the exercise of its call option. Since the acquisition of KCM in 2004, we have implemented or are in the process of implementing various projects and expansions to improve KCM's operating performance. These include:

- a 182,500 tpa sulphuric acid plant at Nchanga to supply additional sulphuric acid requirements for the tailings leach facilities;
- a 300,000 tpa flash smelter with 657,000 tpa sulphuric acid plant at Nchanga to increase the existing smelting capacity, which is scheduled for commissioning in mid-2008; and
- accessing the large copper ore body at deeper levels to increase output from approximately 2.0 mtpa to 7.5 mpta and constructing a number of shafts and a new concentrator facility. This project is scheduled for completion in 2010.

KCM intends to improve its operating performance by:

- reducing operating costs through more stable production, increasing capacity utilisation of the facility, improving recovery rates and capitalising on economies of scale;
- reducing operating costs by improving the efficiency of the existing sulphuric acid plant and by capturing sulphur dioxide efficiently, reducing the purchase of sulphuric acid from external sources;
- expanding capacity at the existing Konkola mine by improving the underground infrastructure by upgrading existing equipment and investing in new equipment and deepening the mine to access ore below the level for which the shaft was originally designed; and
- implementing the KDMP, described in more detail in "— Projects and developments".

Brook Hunt projects that we will be the world's eighth largest refined copper producer on a production volume basis in 2008.

Principal products

Copper cathode

Our copper cathodes from the Tuticorin and Nkana 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. The copper cathode produced from the Nkana smelter is marketed as "REC". 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 defence and construction.

Copper rods

Our copper continuous cast rods meet international quality standards. Our copper rods are currently used primarily for power and communication cables, transformers and magnet wires.

Sulphuric acid

We produce sulphuric acid at our sulphuric acid plants through conversion of sulphur dioxide gas that is generated from our copper smelters. A significant amount of the sulphuric acid is consumed internally, including consumption by our phosphoric acid plant in the production of phosphoric acid, and the remainder of the sulphuric acid is sold to fertiliser manufacturers and other industries. Sulphuric acid produced at the sulphuric acid plants at Nkana and Nchanga is used in the tailings leach plant to extract oxide copper minerals from the current and old tailings.

Phosphoric acid

We produce phosphoric acid at our phosphoric acid plant by chemical reaction of sulphuric acid and rock phosphate, which we import. Phosphoric acid is sold to fertiliser manufacturers and other industries.

Other by-products

Other by-products of our copper smelting operations are gypsum and anode slimes, which we sell to third parties. Cobalt concentrate is a by-product of our copper mining operations, which we also sell to third parties.

Production

The table below sets out our total production from Tuticorin, Silvassa, Nkana, Nchanga and Nampundwe for the three years ended 31 March 2008[(1)]:

Facility	Product	Year Ended 31 March 2006	2007	2008
			(tonnes)	
Tuticorin	Copper anode[(2)]	273,049	313,117	335,652
	Sulphuric acid[(3)]	844,122	946,539	1,027,771
	Phosphoric acid[(3)]	171,892	172,125	152,401
	Copper cathode[(4)]	98,796	150,565	162,940
	Copper rods[(4)]	30,180	53,660	81,698
Silvassa	Copper cathode[(4)]	174,252	162,155	176,354
	Copper rods[(4)]	136,317	124,222	143,060
Nkana	Copper cathode[(4)]	109,779	100,979	88,796
	Sulphuric acid[(3)]	103,344	91,260	88,207
Nchanga	Copper cathode	54,000	41,385	61,692
	Sulphuric acid[(3)]	7,017	108,143	116,797
Nampundwe	Pyrite concentrate[(5)]	37,525	72,991	65,858
Total	**Copper anode[(2)]**	**273,049**	**313,117**	**335,652**
	Copper cathode[(4)]	**436,827**	**455,084**	**489,782**
	Copper rods[(4)]	**166,497**	**177,882**	**224,758**
	Sulphuric acid[(3)]	**954,483**	**1,145,942**	**1,232,775**
	Phosphoric acid[(3)]	**171,892**	**172,125**	**152,401**
	Pyrite concentrate	**37,525**	**72,991**	**65,858**

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) 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.

(3) 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. All of the sulphuric acid produced by the Nkana and Nchanga facilities is consumed internally unless production exceeds storage capacity.

(4) 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.

(5) Pyrite concentrate from the Nampundwe mine is transported to the Nkana smelter and used in the production of copper cathode at Nkana, as KCM's copper concentrate is iron deficient.

The table below sets out CMT's, TCM's and KCM's total mine production for the three years ended 31 March 2008[1]:

Mine (Type of Mine)	Product	Year Ended 31 March 2006	2007	2008
			(tonnes)	
Mt. Lyell (Underground)	Ore mined	2,605,969	2,486,525	2,545,504
	Copper concentrate	105,690	100,966	99,388
	Copper in concentrate	29,770	28,378	27,952
Highway Reward[2] (Underground)	Ore mined	147,917	—	—
	Copper concentrate	21,506	—	—
	Copper in concentrate	5,616	—	—
Nchanga (Open-Pit and Underground)	Ore mined	7,079,546	6,594,515	5,691,382
	Copper concentrate	145,270	123,766	124,853
	Copper in concentrate	48,285	42,893	33,791
Konkola Mine (Underground)	Ore mined	1,993,374	1,628,733	1,621,606
	Copper concentrate	133,037	105,843	108,905
	Copper in concentrate	50,897	41,464	41,840
Nampundwe Mine (Underground)	Ore mined[3]	151,483	282,001	261,481
Total	**Copper ore mined**	**11,826,806**	**10,709,773**	**9,858,492**
	Copper concentrate	**405,503**	**330,575**	**333,147**
	Copper in concentrate	**134,568**	**112,735**	**103,583**
	Pyrite ore mined	**151,483**	**282,001**	**261,481**

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) TCM, an indirect wholly-owned subsidiary of Sterlite, has a 70.0% ownership interest in the Highway Reward mine, which was closed in July 2005. The figures shown represent total mine production at the Highway Reward underground mine, including the portion attributable to TCM's joint venture partner, BML Holdings Pty Limited, a company incorporated in Australia, during the times when the mine was open, which was used in our business.

(3) Pyrite ore.

Reserve base

The figures for Mt. Lyell 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, we believe that this allowance can be sustained for the forecast life of the reserves.

The table below sets out the proved and probable copper reserves at Mt. Lyell as of 31 March 2008[1]:

	Source	Proved Reserve Quantity (million tonnes)	Proved Reserve Copper Grade (%)	Probable Reserve Quantity (million tonnes)	Probable Reserve Copper Grade (%)	Total Proved and Probable Reserves Quantity (million tonnes)	Total Proved and Probable Reserves Copper Grade (%)
Mt. Lyell	In-situ ore	3.6	1.5%	0.6	1.5%	4.2	1.5%
	Secondary ore	0	0	5.4	1.2	5.4	1.2
	Surface Stock-pile	0.1	1.3	—	—	0.1	1.3
	Total	**3.6**	**1.5%**	**6.1**	**1.2%**	**9.7**	**1.3%**

(1) See "Presentation of Information — Basis of Presentation of Reserves".

The table below sets out the proved and probable copper reserves[1], as applicable at Konkola, Nchanga and Nampundwe as of 31 March 2008[2][3]:

	Proved Reserve Quantity (million tonnes)	Proved Reserve Copper Grade (%)	Probable Reserve Quantity (million tonnes)	Probable Reserve Copper Grade (%)	Total Proved and Probable Reserves Quantity (million tonnes)	Total Proved and Probable Reserves Copper Grade (%)
Konkola	4.2	3.2%	99.2	3.6%	103.3	3.6%
Nchanga (Open Pit and Underground)	2.6	1.7	44.5	1.6	47.1	1.6
Total	**6.8**	**2.6%**	**143.7**	**3.0%**	**150.5**	**3.0%**

(1) The pyrite reserves at the Nampundwe mine include 2.4 million tonnes of total proved and probable reserves. Pyrite concentrate from the Nampundwe mine is transported to the Nkana smelter and used in the production of copper cathode at Nkana, as KCM's copper concentrate is iron deficient.

(2) See "Presentation of Information — Basis of Presentation of Reserves".

(3) The total reserves do not include 81.3 million tonnes of copper ore at an average grade of 0.7% copper that can be recovered from our production processes.

Description of operations

Smelters and Refineries

The table below sets out our total capacities from the Tuticorin, Silvassa, Nkana and Nchanga facilities as of 31 March 2008:

	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	180,000	46.5
Silvassa	—	195,000	150,000	—	—	—
Nkana	150,000	150,000	—	365,000	—	—
Nchanga	100,000	100,000	—	182,500	—	—
Total	**650,000**	**650,000**	**240,000**	**1,847,500**	**180,000**	**46.5**

(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.

- *Tuticorin complex.* The Tuticorin facility, commissioned by Sterlite in 1997, is located approximately 17 kilometres inland from the port of Tuticorin in Tamil Nadu in Southern India. Tuticorin is one of India's two largest copper smelters based on production volume. The Tuticorin facility consists of a smelter, a refinery, a copper rod plant, a sulphuric acid plant, a phosphoric acid plant and two captive power plants.

  The captive power plant of 22.5 MW installed as part of the expansion in 2005, the existing 24.0 MW captive power plant and 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 21.4% of its total power requirements in fiscal 2008, are obtained from the state power grid. Our captive power plants at Tuticorin operate on low sulphur heavy stock.

  The smelter at the Tuticorin facility utilises IsaSmelt™ furnace technology. The refinery uses IsaProcess™ 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. to produce copper rods.

- *Silvassa refinery.* The Silvassa facility, commissioned in 1997, comprises a refinery and two copper rod plants and is located approximately 140 kilometres from Mumbai in the union territory of Dadra and Nagar Haveli in Western India. Its refinery uses IsaProcess™ 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.

- *Nkana facility.* The Nkana facility, commissioned in 1932, is comprised of a smelter, a refinery and sulphuric acid plant. The Nkana operations are located in Kitwe approximately 400 kilometres from Lusaka in the Copperbelt Province of Zambia and approximately 55 kilometres from Chingola where the Nchanga facilities are located. The Nkana smelter is currently the largest primary copper production plant in Zambia. It carries out primary smelting, converting, fire refining and anode production, and processes copper concentrate and pyrite concentrate to produce copper anodes. Copper concentrate, in various blends to optimise performance, is supplied from our Nchanga and Konkola mines as well as from third-party mines such as the Chibuluma mine in Kalulushi and the Kansanshi mine in Solwezi. Pyrite concentrate is supplied from our Nampundwe mine and is utilised in KCM's smelting process.

  Primary smelting is done in two reverberatory furnaces. These furnaces produce matte (50%-55% copper), which is processed in the Teniente Converter, together with fresh concentrate to produce white metal (75% copper). The white metal is then processed in the Pierce-Smith converters to produce blister copper. The blister copper is fire refined in the anode furnaces to produce anode copper which is cast into appropriate shapes and sent to the refinery tankhouse for electrolytic refining. The Nkana smelter and refinery each have an installed capacity of 150,000 tpa of finished copper.

  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 99.99% pure copper, including cathode starter sheets.

  The Nkana acid plant produces sulphuric acid from off-gases derived from the roasting, smelting and converting processes. The total sulphuric acid production capacity is approximately 365,000 tpa that is generally all consumed at the TLP in Nchanga. The residue material in the form of slag is disposed of in specific slag dumps located nearby.

- *Nchanga facility.* The Nchanga facility, commissioned in 1971, comprises of a TLP and associated SX-EW facility. 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 Nchanga sulphuric acid plant has an installed capacity of 182,500 tpa which is generally all consumed at the TLP.

The TLP is comprised of an acid leach solvent extraction electrowinning circuit which treats both reclaimed tailings and mine tailings from the copper flotation circuits at the west mill.

Mines

- *Mt. Lyell*. The Mt. Lyell mine is located at Queenstown on the west coast of Tasmania, Australia, approximately 164 kilometres south of Burnie and approximately 260 kilometres 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 town of Queenstown, originally established to service the mines, continues to provide a range of mining services which are supplemented from Burnie and Hobart. Mt. Lyell is connected by paved public road to Burnie and Hobart. There is a rail connection to the port of Burnie.

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 Leases are renewable and are subject to the terms and conditions specified in the Mineral Resources Development Act 1995, as amended. 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. 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 2.5 mtpa in fiscal 2008. 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 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 decant system. 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 our 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 112 GW per house with rates fixed until 10 October 2010. There is a plentiful supply of water from storm water captured in storage dams.

The gross value of fixed assets including capital works in progress is $87.5 million as of 31 March 2008.

In fiscal 2008, Mt. Lyell mined and processed 2.5 million tonnes of ore at a grade of 1.2% copper to produce 99,388 tonnes of copper concentrate, which also contained 15,822 ounces of gold and 134,408 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 2008 and anticipated production, the estimated mine life at Mt. Lyell is approximately four years from 1 April 2008.

The economic cut-off grade is defined using the metal prices of $3,750 per tonne of copper and $500 per ounce of gold which are consistent with the average metal prices over the three-year period ended 30 September 2006. 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 1.0% copper and have an average grade that exceeds 1.0% copper. The revenue derivation of the cut-off grade includes the gold credit. The break-even cut-off grade of 0.75% 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 1.0% copper. CMT operates on a 1.0% copper operational cut-off grade in practice, preferring to take a higher revenue at the expense of a longer mine life. A stope drawpoint is drawn until the average grade of the broken material drops below the operational cut-off grade of 1.0% copper.

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.

For fiscal 2008, the metallurgical recovery was 90.9% for copper, 66.1% for gold and 64.8% for silver. For fiscal 2008, the contract mining and milling (mining, mine — fixed plant, metallurgy, metallurgy — fixed plant) cost was AUD 2,630 ($2,271) per tonne, administration (administration and environment) was at AUD 272 ($235) per tonne and transportation cost was at AUD 421 ($363) per tonne. Correspondingly the TcRc was at AUD 323 ($279) per tonne.

- *KCM Mines.* KCM's mining operations are located in the Copperbelt Province of Zambia and consist of the NOP and underground mines, concentrator and TLP, the Konkola underground copper mine and concentrator, and the Nkana smelter, refinery and sulphuric acid plant. The Zambian Copperbelt ore deposits lie along a 50-kilometre wide strip of country that extends for 150 kilometres from Kirila Bombwe in the northwest to Luanshya in the southeast. The area is 1,300 metres above sea level with a savannah-type climate and a rainy season between November and March. The mining operations are accessed via the principal road serving the Copperbelt. The Nampundwe mine and the concentrator are located in the Central Province approximately 50 kilometres 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 85% and a grade factor of 82% 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 percent of ore drawn and forecasts the grade to be mined. Optimization of open-pit mines is carried out using Whittle 4X multi-element optimization 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 kilometres 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 are 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").

    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 35 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. However, due to a recent change in the mining law in Zambia, KCM will be required to renew the mining lease for the mine by March 2009 and renew the license for operating the mine on an annual basis.

    As of 31 March 2008, the Konkola mine has three main operating units employing a total of approximately 8,900 people, out of whom 5,600 are contractors. The operating units at the Konkola mine are the underground mine (No. 1 shaft and No. 3 shaft) and the Konkola concentrator.

    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 9 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 between 3 and 6 metres. The dips at the No. 3 shaft generally range from 10 degrees to 40 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 dewatering purposes. The separate treatment of the two mines was due to their ore reserves being physically divided by the presence of barren gap in the ore body that has extended from the surface down to about 720 metres. Below that level the ore body is continuous along a strike length of approximately 10 kilometres 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, 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 300,000 m^3 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.

Cut and fill, post pillar cut and fill and sublevel open stoping mechanical mining methods are practiced at the Konkola mine. The total rock hoisting capacity at the Konkola mine is 357 ktpm which comprises 174 ktpm from the No. 1 shaft and 183 ktpm from the No. 3 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 RoM ore from the No. 3 shaft is transported 3 kilometres to the Konkola concentrator using 85 tonne off-highway trucks.

Commissioned in 1957, the Konkola concentrator processes RoM ore sourced from the Konkola mine to produce copper concentrate. The Konkola concentrator utilises conventional comminution and beneficiation flotation process technology and has a RoM operating capacity of 250 ktpm. The milled ore and the slimes from the washing plant are floated in separate circuits. The concentrates are thickened, blended, filtered and dried to produce a final concentrate with a grade of 42%. The concentrates are transported 70 kilometres southwest of Kirila Bombwe by road and rail to the Nkana smelter in Kitwe. The residual tailings are thickened and pumped to the Lubengele tailings dam situated approximately 4.5 kilometres north of the plant.

For fiscal 2008, Konkola mined and processed 1,621,606 tonnes of ore at a grade of 2.9% copper to produce 108,905 tonnes of copper concentrate. Based on reserves as of 31 March 2008 and anticipated production, the estimated mine life at the Konkola mine is approximately 27 years from 1 April 2008.

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 79 MW. On site emergency power is available from two 10 MW gas turbine units. This power is mainly utilised for running the dewatering pumps underground. Water pumped from underground is utilised for the plant. Mine water as well as water from the nearby Kafue river is utilised for the domestic requirements. Mulonga Water and Sewerage Company handles the domestic water supply.

The gross value of fixed assets including capital works-in-progress is $245.0 million as of 31 March 2008.

- *Nchanga.* The Nchanga mine is situated in the Copperbelt Province of Zambia, in the vicinity of the town of Chingola. As of 31 March 2008, Nchanga has four main operating units employing approximately 7,200 people, of whom 1,870 are contractors. Nchanga's operating units are comprised of three open-pits, NOP, COPF and Fitwaola and the Nchanga underground mine. At Nchanga, KCM holds LML number 34 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. However, due to a recent change in the mining law in Zambia, KCM will be required to renew the mining lease for the mine by March 2009 and renew the license for operating the mine on an annual basis.

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. There has been no ore mining activity at NOP since April 2006, however, waste stripping processes are ongoing.

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 dewatering 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 154 million tonnes 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.

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 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 Block 'A', River Lode, Luano and Chingola Ore Bodies. The mining operations are heavily mechanised using surface drilling techniques, electric shovel loading and 120 tonnes/190 tonnes off-highway rear dump trucks.

The Nchanga concentrator comprises of two main processing units; the east mill and the west mill. The east mill is a conventional comminution circuit with a RoM capacity of 425 ktpm which treats copper ore from the open-pits to produce a thickened product which is pumped to the west mill situated approximately 2 kilometres away for further processing. The west mill is comprised of 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 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 225 ktpm. 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 around approximately 22 ktpm. 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 69 ktpm. The concentrates are transported to the Nkana smelter by road and rail.

In fiscal 2008, the Nchanga underground mine mined and processed approximately 2.1 million tonnes of ore at a grade of 1.7% copper to produce 54,807 tonnes of copper concentrate and the Nchanga open-pit mines mined and processed approximately 3.6 million tonnes of ore at a grade of 1.7% copper to produce 70,046 tonnes of copper concentrate.

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 33.0% increase in the tariff under its agreement with CEC. This increase became effective on 1 January 2008 and will remain fixed for a period of three years. Nchanga's maximum demand is 97 MW.

Based on reserves as of 31 March 2008 and anticipated production, the estimated mine life for the Nchanga underground mine and open-pits is approximately five to six years and 14 years from 1 April 2008, respectively. The development of the UOB is expected to extend the life of Nchanga underground mine by 15 years.

The gross value of fixed assets including capital work-in-progress is $346.8 million as of 31 March 2008.

• *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 kilometres 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 2008, the Nampundwe operating unit employed approximately 580 people, of whom 240 are contractors.

Following early exploration and brief production of iron pyrite in the 1910s, commercial scale mining at Nampundwe was re-established by ZCCM in 1970. KCM acquired the mine in April 2000 from ZCCM. KCM holds LML number 33 for its operations at Nampundwe, which expires on 31 March 2025. The licence allows KCM to mine copper, gold, silver, iron and sulphur within the leasehold area. However, due to a recent change in the mining law in Zambia, KCM will be required to renew the mining lease for the mine by March 2009 and renew the license for operating the mine on an annual basis.

Mining operations currently exploit the steeply dipping ore bodies by conventional underground mining methods that are accessed via two vertical shafts, the No. 1 and the No. 2 shaft that provide access to a maximum depth of 300 metres below the surface. The mining method employed at the Nampundwe mine is conventional sub level open stoping with fan drilling. RoM ore from underground is hoisted directly onto the concentrator shaft bin for primary crushing before it is conveyed through the 120-tonnes/hour belt for secondary crushing.

The stope limits are precisely defined by the ore body limits. The current acceptable external cut off is at 10% total sulphur. The ore body is defined by either chip sampling along cut out crosscuts or evaluation drilling at the stope pillars. The drill holes are sited and drilled on a 40 metres by 38 metres pattern. However the chip sampling locations are on a 40 metres by 15 metres pattern.

Dilution is normally controlled at the stope definition stage by ensuring that the cut off limits are correctly outlined and that blast holes are within the stope limits as they can be a major cause of over breaking. The stope designs for blast holes are also checked to ensure correct fragmentation of the ground. Once the stopes are blasted, sampling is done to control waste over breaking and peeling from the hanging wall. These measures generally minimize dilution to between 10% and 25%.

The concentrator comprises conventional crushing-flotation-filtration circuits with RoM operating capacity of 30 ktpm. Pyrite concentrate grades of 40% sulphur are currently produced at a rate of 7 ktpm and transported to the Nkana smelter to assist in the metallurgical characteristics, as KCM's copper concentrate is iron deficient. Some pyrite is sold to Chambishi Metals and Mopani Copper Mines Plc.

Mine tailings are thickened and pumped to a nearby dam for disposal.

Power at the mine is supplied by Zambia Electricity Supply Corporation Limited ("ZESCO") with fixed rates subject to index adjustment based on the US Producer Price Indices until 2020. A 35% increase in the tariff under KCM's agreement with ZESCO has been proposed, but no such amendment has been made to this agreement. Nampundwe has a maximum power demand of 2.6 MW.

In fiscal 2008, Nampundwe mined and processed approximately 261,481 tonnes of ore at a grade of 11.1% sulphur to produce approximately 65,858 tonnes of sulphur concentrate.

The TLP was commissioned in 1971 when it commenced processing reclaimed tailings sourced from Nchanga SSO and the Nchanga concentrator, respectively, for the production of copper cathode. The TLP is comprised of an acid leach solvent extraction electro winning circuit which treats both reclaimed tailings and mine tailings from the copper flotation circuits at the west mill.

The mine tailings from the TLP and the cobalt milling flotation circuit are pumped to the Muntimpa Tailings Dam, which is located south of Chingola through three pipelines each measuring nine kilometres in length and 600 mm in diameter.

The gross value of fixed assets including capital works-in-progress is $11.3 million as of 31 March 2008.

Principal raw materials

The principal inputs of our copper business are copper concentrate, rock phosphate, power, fuel, oxide ore and sulphuric acid. We have in the past been able to secure an adequate supply of the principal inputs for our copper production.

Copper concentrate

Copper concentrate is the principal raw material of our copper smelters. In fiscal 2008, Sterlite sourced 92.3% of its copper concentrate requirements from third-party suppliers, either through long-term contracts or on spot markets, and sourced only 7.7% of its copper concentrate requirements from its mine in Australia. We purchase copper concentrate at the LME price less a TcRc that we negotiate with our suppliers but which is influenced by the worldwide prevailing market rate for the TcRc. We expect the percentage that Sterlite will purchase from third-party suppliers to increase in future periods as the Highway Reward mine closed in July 2005 and the reserves of Mt. Lyell are expected to be exhausted by fiscal 2012.

In fiscal 2008, KCM sourced 14.5% of its copper concentrates requirements from third-party suppliers pursuant to long-term contracts and sourced 85.5% of its copper concentrates requirements from its own mines in Zambia. KCM purchases copper concentrate at the LME price less a TcRc that we negotiate with our 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, we estimate that the reserves from the Konkola mine, Nchanga underground mine and NOP will be exhausted in 2035, 2029 and 2022, respectively.

We expect the percentage of copper concentrate that we purchase from third-party suppliers to also increase in future periods to the extent we seek to increase our 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. In fiscal 2008, Sterlite and KCM sourced approximately 56.6% and 14.5%, respectively, of its 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. In fiscal 2008, Sterlite sourced approximately 34.2% of its copper concentrate requirements through spot purchases.

Rock phosphate

Sterlite's rock phosphate is currently sourced from Jordan pursuant to contracts renewed on an annual basis, with pricing fixed for the year. These contracts provide for minimum supply quantities with an option to increase if required.

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 low sulphur heavy stock. 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, 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.

KCM agreed to a 33.0% 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 three years. 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 and Zambia continues to experience occasional nationwide fuel shortages. KCM has addressed these fuel shortages by entering into a light fuel supply agreement with BP Zambia Limited with a one-year term and a renewal provision that permits KCM to extend the contract on indefinite basis on the same terms and conditions. The current agreement expired on 31 December 2007 and we are currently negotiating to renew the agreement. In addition to the light fuel supply agreement with BP Zambia Limited, KCM is also party to heavy fuel oil supply agreements with each of BP Zambia Limited and Total Zambia Limited. The heavy oil supply agreements are both set to expire on 31 March 2009 and KCM reserves the right to extend each such contract on indefinite basis on the same terms and conditions.

Sulphuric acid

The sulphuric acid for KCM's TLP is largely supplied by the Nchanga and Nkana sulphuric acid plants.

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. Approximately 80% of the total copper cathode exports go through Dar-es-Salaam, of which 70% of total exports is transported by road from plants to Kapiri Mposhi and then to Dar-es-Salaam by rail (TAZARA) and 10% of total exports is transported by road from KCM's operations straight to Dar-es-Salaam. The remaining 20% of exported copper cathodes sent to Durban are transported both by road and rail.

Sales and marketing

The ten largest customers of our copper business accounted for approximately 36.7%, 38.7% and 37.3% of our copper business revenue in fiscal 2006, 2007 and 2008, respectively. No customer accounted for greater than 10% of our copper business revenue in any of 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. We sell our copper rods and cathodes in both the domestic and export markets. In fiscal 2006, 2007 and 2008, exports accounted for approximately 74.0%, 72.2%, and 66.6% of the revenue of our copper business, respectively. Our 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 the domestic and export markets. Our 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 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. Domestic sales in Zambia form an insignificant portion of KCM sales.

Sterlite's export sales of copper are made on the basis of both long-term sales agreements and spot sales. The sales 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. All of KCM's sales are through annual contracts priced on the monthly average LME plus a premium.

Market share and competition

Sterlite is one of the two custom copper smelters in India and had a 42.6% primary market share by volume in India in fiscal 2008, according to ICPCI. The other custom copper smelter in India is Hindalco, which had a primary market share by volume in India of approximately 45.2% in fiscal 2008. The remainder of the primary copper market in India was served by Hindustan Copper Limited in fiscal 2008.

In Zambia, the major copper producers, other than KCM, of similar status are Mopani Copper Mines Plc (majority owned by Glencore International AG, Switzerland) and First Quantum Minerals Ltd. from Canada. KCM intends to increase its copper production in Zambia to a level of greater than 500,000 tpa.

Copper is a commodity product and we compete primarily on the basis of price and service, with price being the most important consideration when supplies of copper are abundant. Our metal products also compete with other materials, including aluminum 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 we are able to charge a premium to the LME price which reflects the cost of obtaining the metal from an alternative source.

Projects and developments

KDMP

The KDMP was approved by KCM's board of directors in July 2005, at a total initial capital outlay of approximately $400 million. This project is expected to contribute to the productivity of KCM's underground copper deposit. All government approvals for the KDMP have been received. Mid-shaft loading is expected to be commissioned in early 2009 and the entire KDMP is scheduled for completion in 2010. The project is expected to be financed substantially from KCM's internal resources, supplemented with additional debt as required. The KDMP was originally planned to increase the ore production of the Konkola mine from 2.0 mtpa to 6.0 mtpa, and its scope and configuration was subsequently revised. This revised scope and configuration plans an increase in target output from 2.0 mtpa to 7.5 mtpa, 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 $400 million to $674 million.

Work on the KDMP, including the sinking of the main hoisting shaft and other auxiliary shafts, is progressing on schedule.

Nchanga smelter

KCM is also installing a new smelter at Nchanga, which is scheduled for commissioning in mid-2008. The smelter, with a total capital outlay of approximately $372 million, is expected to have a capacity to produce 300,000 tpa of copper anode and 1,850 tonnes per day of sulphuric acid. Feed concentrates are expected to be primarily from KCM's own mines.

These projects are expected to be financed by internal sources and future debt financing.

Zinc Business

Introduction

Our fully integrated zinc business is owned and operated by HZL, India's leading zinc producer with approximately 79.7% market share by volume of the Indian zinc market in fiscal 2008, according to ILZDA. HZL was the world's fifth largest zinc mining company in 2007 based on mine production and is also one of the top ten lead mining companies by production volume worldwide, according to Brook Hunt. HZL's largest zinc mine, Rampura Agucha, was ranked third in the world in 2007 in terms of contained zinc deposits on a production basis and the fourth largest on a reserve basis, according to Brook Hunt. HZL was in the lowest cost quartile in terms of all zinc mining operations worldwide in 2007, the fourth largest producer of zinc worldwide and HZL's Chanderiya smelter was the third largest smelter on production basis worldwide in 2007, according to Brook Hunt. Brook Hunt projects that HZL will be the world's largest integrated zinc mining and smelting company on a production volume basis in 2008.

HZL's fully integrated zinc operations include three lead-zinc mines, three hydrometallurgical zinc smelters, one lead smelter and one lead-zinc smelter in the State of Rajasthan in Northwest India and one hydrometallurgical zinc smelter in the State of Andhra Pradesh in Southeast India. HZL's mines supply all of its concentrate requirements and allows 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 enhancing operational efficiencies and reducing unit costs. HZL intends to improve 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;
- increasing the total zinc smelting production capacity;
- 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;
- reducing the size of its workforce including through a voluntary retirement plan; and
- increasing productivity and upgrading existing technology.

Principal products

Zinc

HZL produces and sells zinc ingots in all three international standard grades: Special High Grade (99.995)% ("SHG"), High Grade (99.95%) ("HG") and Prime Western (98%) ("PW"). HZL sells most of its zinc ingots to Indian steel producers for galvanizing 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.

Sulphuric acid

HZL sells sulphuric acid to fertiliser manufacturers and other industries.

Silver

HZL produces and sell silver ingots primarily to industrial users of silver.

Production

The following table sets out HZL's total production from its Chanderiya, Debari and Vizag facilities for each of the three years ended 31 March 2008[(1)]:

Facility	Product	Year Ended 31 March 2006	2007	2008
		(tonnes, except for silver which is in kgs)		
Chanderiya				
ISP™ pyrometallurgical lead-zinc smelter	Zinc	82,610	88,183	86,080
	Lead	19,070	16,630	16,265
Silver refinery	Silver	24,098	51296	80,405
Hydrometallurgical zinc smelters[(2)]	Zinc	71,049	135,673	207,461
Ausmelt™ lead smelter	Lead	4,566	27,922	41,982
Sulphuric acid plant	Sulphuric acid	324,657	413,222	576,493
Debari				
Hydrometallurgical zinc smelter	Zinc	77,487	74,353	78,511
Sulphuric acid plant	Sulphuric acid	105,943	106,814	105,485
Vizag				
Hydrometallurgical zinc smelter	Zinc	52,552	50,107	54,271
Sulphuric acid plant	Sulphuric acid	71,356	71,405	71989
Total	**Zinc**	**283,698**	**348,316**	**426,323**
	Lead	**23,636**	**44,552**	**58,247**
	Silver	**24,098**	**51,296**	**80,405**
	Sulphuric acid	**501,956**	**591,441**	**753,967**

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) Includes production capitalised in fiscal 2006 and 2008 of 1,030 tonnes and 1,154 tonnes, respectively.

The following table sets out HZL's total ore, zinc concentrate and lead concentrate production for each of the three years ended 31 March 2008[1]:

Mine (Type of Mine)	Product	Year Ended 31 March 2006	2007	2008
		(tonnes, except percentages)		
Rampura Agucha (Open-pit)	Ore mined	3,496,000	3,748,840	4,068,215
	Ore grade — Zinc	13.1%	13.3%	13.0%
	Lead	2.0%	2.0%	1.9%
	Recovery — Zinc	91.2%	91.7%	92.2%
	Lead	59.6%	60.4%	61.2%
	Zinc concentrate	790,050	851,089	914,917
	Lead concentrate	65,194	69,905	74,874
Zawar (Underground)	Ore mined	807,500	812,000	901,635
	Ore grade — Zinc	4.1%	3.5%	3.7%
	Lead	2.1%	2.4%	2.4%
	Recovery — Zinc	88.9%	88.7%	89.0%
	Lead	83.9%	84.3%	85.2%
	Zinc concentrate	52,975	46,654	54,676
	Lead concentrate	21,299	25,219	27,175
Rajpura Dariba (Underground)	Ore mined	491,624	579,075	813,249
	Ore grade — Zinc	5.7%	5.1%	4.9%
	Lead	1.4%	1.5%	2.1%
	Recovery — Zinc	80.6%	80.6%	81.4%
	Lead	64.4%	67.6%	71.7%
	Zinc concentrate	45,982	49,644	66,235
	Lead concentrate	9,245	12,210	23,706
Total	**Ore mined**	**4,795,124**	**5,139,915**	**5,783,099**
	Zinc concentrate	**889,007**	**947,387**	**1,035,828**
	Lead concentrate	**95,738**	**107,334**	**125,755**

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

Reserve base

The following table sets out HZL's proved and probable zinc and lead reserves as of 31 March 2008:[1]

	Proved Reserves			Probable Reserves			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	11.7	13.5%	2.1%	51.9	12.8%	1.9%	63.6	13.0%	1.9%
Rajpura Dariba	5.2	5.8%	1.5%	3.8	6.3%	1.8%	9.0	6.2%	1.6%
Zawar	3.9	4.2%	2.0%	3.3	3.5%	2.2%	7.2	3.9%	2.1%
Total	**20.8**	**9.8%**	**2.0%**	**59.0**	**11.9%**	**1.9%**	**79.8**	**11.4%**	**1.9%**

(1) See "Presentation of Information — Basis of Presentation of Reserves".

Description of operations

Smelters and refineries

The following table sets forth the total capacities as of 31 March 2008(1) at HZL's Chanderiya, Debari and Vizag facilities:

Facility	Capacity: Zinc	Lead	Silver	Sulphuric Acid(3)	Captive Power Plant
		(tpa)			(MW)
Chanderiya	445,000	85,000	120	755,000	234
Debari	80,000	—	—	419,000	29
Vizag	56,000	—	—	90,996	—
Total(2)	**581,000**	**85,000**	**120**	**1,264,996**	**263**

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) Excludes debottlenecking of 80,000 tpa at the Chanderiya zinc smelter and of 8,000 tpa at the Debari zinc smelter which were completed in April 2008.

(3) Excludes debottlenecking of 96,000 tpa at the Chanderiya sulphuric acid plant which was completed in April 2008.

- *Chanderiya.* The Chanderiya facility is located approximately 120 kilometres east of Udaipur in the State of Rajasthan in Northwest India. The facility contains four smelters, two sulphuric acid plants and one silver refinery:
  - An ISP™ 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;
  - Two hydrometallurgical zinc smelters with 210,000 tpa capacity each and an associated 154 MW and an 80 MW coal-based captive power plant;
  - An Ausmelt™ lead smelter with a capacity of 50,000 tpa that was commissioned in February 2006;
  - Two sulphuric acid plants with a total capacity of 851,000 tpa sulphuric acid; and
  - A silver refinery with a capacity of 120 tpa silver ingots.

The RLE hydrometallurgical zinc smelter and the Ausmelt™ lead smelter were completed at a cost of $307.6 million, including the cost of a coal-based 154 MW captive power plant commissioned in 2005. In 2008, an 80 MW captive power plant was also commissioned. These power plants provide all of the power for the Chanderiya facilities. The captive power plant requires approximately 75,000 tonnes of coal per month which we procure through tenders, with contracts made on the basis of one to three shipments of 50,000 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 Government of India, 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 Government of India, are proved reserves with ash content ranging from 28.7% to 47.0% 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 Government of India approved the consortium's plan for mining the coal block. HZL has also been awarded 1.64 million tonnes of coal linkage by the Ministry of Coal, which will enable to source coal from mines of Coal India Limited.

- *Debari.* The Debari hydrometallurgical zinc smelter is located approximately 12 kilometres 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 29 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 zinc smelter is located approximately 17 kilometres 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 90,996 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 8.0% equity interest. The remaining power requirements are obtained from the Transmission Corporation of Andhra Pradesh Limited, a government-owned enterprise.

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 kilometres to the south, and Jaipur, the capital of the State of Rajasthan, which lies approximately 200 kilometres to the north. The nearest railway to the mine lies approximately five kilometres 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 was ranked third in the world in 2007 in terms of contained zinc deposits on a production basis and the fourth largest on a reserve basis, 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 kilometres long and has a width ranging from five metres to 120 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 ore body is mined by open-pit methods. The capacity of the mine and concentrator was expanded between 2003 and 2008 from 2.4 mtpa to 5.0 mtpa at a cost of $107.3 million through upgrades to the truck fleet, improvements to the operational efficiency of the plant and the installation of a new semi-autogenous mill, and ball mill circuit.

  The 12 square kilometres mining lease was granted by the State Government of Rajasthan and will run until March 2020. HZL recently applied for a new prospecting permit 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. HZL commenced production at the mine in 1991, since which time, approximately 30 million tonnes of ore, with an ore grade of 12.8% zinc and 1.9% lead, respectively, have been extracted from the open-pit mine.

  Mining at Rampura Agucha is a drill and blast, load and haul sequence using 95 tonne trucks and nine and 15 cubic metre excavators. Ore is trucked to the primary crusher at the mill and waste is trucked to the waste dump. The processing facility is a conventional crushing, milling and differential lead-zinc flotation 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 streams for ore beneficiation. One comprises a rod mill and ball mill for fine grinding, whereas the other two streams comprise sag mill and ball mill combinations. 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.

Exploration at Rampura Agucha since 2004 has resulted in significant increases in the reserves at the mine. As of 31 March 2008, the reserve at Rampura Agucha was 63.6 million tonnes with an average ore grade of 13.0% zinc and 1.9% lead, respectively. Following an extensive drilling programme (150 holes, approximately 66,500 metres) to convert resources to reserves, better define the boundaries of the ore body and add resources, the reserve was increased by 23.5 million tonnes to 63.6 million tonnes as of 31 March 2008 with an average ore grade of 13.0% zinc and 2.0% lead, respectively, 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.

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 us. 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 2008, approximately 4,068,215 tonnes of ore at a grade of 13.0% zinc and 1.9% lead was mined from Rampura Agucha which produced 914,917 tonnes of zinc concentrate at 53.5% zinc and 74,874 tonnes of lead concentrate at 63.5% lead and 869 grams per tonne silver. Some 26,400,000 tonnes of waste were removed giving a strip ratio of 6.5 tonnes of waste per tonne of ore mined. Some 92.2% of the zinc was recovered to the zinc concentrate, while 61.2% of the lead and 62.5% of the silver was recovered to the lead concentrate. The mining costs were $1.1 per tonne mined, while the processing costs were $11.5 per tonne milled and general and administration costs were $0.5 per tonne milled.

The gross book value of the Rampura Agucha mine's fixed assets and mining equipment was $184.9 million as of 31 March 2008.

Power is supplied from a 234 MW captive power plant at Chanderiya with two backup 5 MW generators on-site. Water to the site is pumped 57 kilometres from radial wells in the Banas River. A water extraction permit has been granted which provides sufficient water for a production rate of approximately 5.0 mtpa.

HZL estimates the remaining mine life at Rampura Agucha based on reserves as of 31 March 2008 and current and anticipated production to be approximately 20 years from 1 April 2008. In 2004, HZL commissioned the first exploration programme since the mine opened and over the four years before 31 March 2008 increased the reserves at Rampura Agucha by approximately 58.5% after depletion. HZL also believes that additional mineralisation exists at depth below the established reserves. Exploration drilling is continuing to evaluate the potential of this deeper mineralisation.

The economic feasibility was tested using the widely used pit optimising software "NPV Scheduler". The metal prices used were $1,300 per tonne for zinc and $500 per tonne for lead, and the TCs considered were $130 per tonne of zinc concentrate, while the operating costs and process recoveries were based on fiscal 2006 results.

A dilution factor of 1.5% and a mining recovery factor of 97% were also applied in estimation of the reserves, while a dilution factor of 5% and a mining recovery factor of 95% were applied in pit optimisation. Additionally, for the pit optimisation, the mining costs were adjusted by depth and a capital charge was added to reflect the cost of increasing the mining fleet to cope with increasing depth and an increased strip ratio. The cut-off grade was calculated automatically by the software and varies with depth and stripping ratio. The optimisation analysis was manually constrained to a maximum pit depth of 440 metres.

In fiscal 2008, 160,493 dmt of zinc concentrate at a grade of 53.0% was sold to third parties from the Rampura Agucha mine. The revenue realised from zinc concentrate sales was $144.4 million. In fiscal 2008, 60,477 dmt of lead concentrate at a grade of 57.3% was sold to third parties from the Rampura Agucha mine. The revenue realised from lead concentrate sales was $98.2 million.

- *Rajpura Dariba.* Rajpura Dariba is a medium-sized underground lead-zinc mine and processing facility located approximately 75 kilometres 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 25 to 50 metres thick, are conformable with the stratigraphy and dip approximately 60 degrees to the east. The lenses have strike lengths of over 1,200 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.

  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 1.0 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. 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 2008, approximately 813,249 tonnes of ore at a grade of 4.9% zinc and 2.1% lead ore (percentages are for ore mined at the main Raipura Dariba and Sindesar Khurd mines) was mined which produced 66,235 tonnes of zinc concentrate at 48.2% zinc and 23,706 tonnes of lead concentrate at 51.0% lead and 2,245 grams per tonne silver, with 81.4% of the zinc being recovered in the zinc concentrate and 71.7% of the lead (percentages are for ore mined at the main Rajpura Dariba and Sindesar Khurd mines) and 57.6% of the silver being recovered in the lead concentrate. The actual mining costs were $31.2 per tonne mined (including royalties and depreciation), while the processing costs were $11.03 per tonne milled and the administration costs were $2.76 per tonne milled.

  The gross book value of the Rajpura Dariba mine's fixed assets and mining equipment was $37.5 million as of 31 March 2008.

  Power for the mine is supplied largely from HZL's 234 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-kilometre long pipeline from the Matri Kundia Dam on the seasonal Banas River.

HZL estimates the remaining life of the mine, based on reserves as of 31 March 2008 and current production to be approximately 14 years from 1 April 2008. 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, TCs 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 10 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.

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 kilometres 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 2008 consist of 2.0 million tonnes at 5.3% zinc and 2.1% 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 kilometres 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 the south part of Sindesar Khurd has been ongoing since March 2005 with a drilling programme aimed at increasing the size of the resource. As of 31 March 2008, a total of 45 holes have been drilled, the deepest being 700 metres below surface.

In fiscal 2008, 71,304 dmt of zinc concentrate at a grade of 47.9% was sold to third-parties from the Rajpura Dariba mines. The revenue realised from zinc concentrate sales was $52.7 million. In fiscal 2008, 4,941 dmt of lead concentrate at a grade of 47.4% was sold to third-parties from the Rajpura Dariba mines. The revenue realised from lead concentrate sales was approximately $11.9 million.

- *Zawar*. Zawar consists of four separate mines: Baroi, Zawarmala, Mochia and Balaria. The deposit is located approximately 45 kilometres south of the city of Udaipur in the district of Udaipur in Rajasthan in Northwest India. It is accessed by paved road from Udaipur in the north and Ahmedabad, the capital of the State of Gujarat, to the south. All of the deposits lie within a 36.2 square kilometres mining lease granted by the State Government of Rajasthan, India, which is due for renewal in 2010. The Mochia and Balaria mines are pre-dated and are not governed by current environmental clearance regulations, though HZL has consents to operate the mines under the Air and Water Acts, renewed through 30 September 2009 by the Rajasthan State Pollution Control Board.

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 open stoping mining method for the majority of its production.

Ore processing is carried out in a conventional comminution and differential lead-zinc flotation plant that comprises two separate circuits. The first was commissioned in 1971, the second in 1977 and then the first was refurbished in 2001. The ore is crushed underground and then hoisted to the surface before being crushed and milled to 74 microns. 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 smelters. Lead flotation tails proceed to two zinc flotation circuits comprising roughing, scavenging and cleaning. Zinc concentrates are thickened and filtered, then stored and dispatched to the Debari and Chanderiya zinc smelters. Zinc flotation tails in slurry form are disposed of in a valley fill type earthen tailings dam.

In fiscal 2008 approximately 901,635 tonnes of ore at 3.7% zinc and 2.4% lead was mined which produced 54,676 tonnes of zinc concentrate at 54.5% zinc and 27,175 tonnes of lead concentrate at 66.6% lead and 840 grams per tonne silver, with 89.0% of the zinc being recovered in the zinc concentrate and 85.2% of the lead and 73.5% of the silver being recovered in the lead concentrate. The actual mining costs were $18.59 per tonne mined, while the processing costs were $5.75 per tonne milled and the administration costs were $4.37 per tonne milled.

The gross book value of the Zawar fixed assets and mining equipment was $29.9 million as of 31 March 2008.

Power is supplied through a combination of a 6 MW captive power plant and a contract with the Rajasthan State Electricity Board to supply an additional 8.5 MW. HZL is constructing a 80 MW coal based captive power plant in Zawar. Water consumption is controlled by an active water conservation programme with supplementary 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 programme is in place.

Based on reserves as of 31 March 2008 and annual production levels, HZL estimates the remaining life of the Zawar operation to be approximately eight years from 1 April 2008. The focus of exploration at Zawar has been maintenance of reserves following mining depletion. Drilling is carried out on a grid of between 25 metres and 30 metres which is then in-filled to 12 metres and 15 metres immediately prior to stope delineation for blasting. This 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 reserves 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% 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, TCs 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% 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.

In fiscal 2008, no zinc or lead 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. With the recent expansion of the Rampura Agucha mine, we expect 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.

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 Government of India, 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 Government of India, are proved reserves with ash content ranging from 28.7% to 47.0% 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 Government of India approved the consortium's plan for mining the coal block. Production from the mine is anticipated to commence in 2011 or 2012. If the Government of India were to terminate the award, HZL would continue to import coal from third-party suppliers as it currently does or pursue alternative sources. HZL has also been awarded 1.64 million tonnes of coal linkage by the Ministry of Coal, which will enable to source coal from mines of Coal India Limited.

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 kilometres 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 27.5%, 47.2% and 36.4% of its revenue in fiscal 2006, 2007 and 2008, respectively. No customer accounted for greater than 10% of HZL's revenue in fiscal 2006, 2007 or 2008.

HZL's marketing office is located in Mumbai, and it has field sales and marketing offices in most major metropolitan centres in India. HZL sells substantially all the zinc and lead metal it produces in the Indian market. HZL expects to export some of the zinc metal it produces from the expanded capacity of Chanderiya. HZL has in the past also sold some surplus zinc concentrate to third-party smelters, primarily outside of India.

Approximately 95.5% of the zinc metal that HZL produced in fiscal 2008 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 is constructing a new 80 MW thermal coal-based captive power plant at its Zawar mine for an amount of approximately Rs. 3,200 million ($80.0 million). The new power plant is scheduled for completion by mid-2008 and is expected to be financed by internal sources. HZL is also establishing a 210,000 tpa zinc ingot melting and casting unit in the State of Uttarakhand at a budgeted cost of Rs. 920.0 million ($23.0 million). The project is expected to be commissioned by mid-2008 and is expected to be financed by internal sources.

In April 2008, HZL announced expansion projects in the amount of approximately $900 million to increase its total integrated lead-zinc capacity to 1,065,000 tpa with fully integrated mining and captive power generation capacities. These projects include:

- Establishing two brownfield smelters which are expected to increase the production capacities of zinc and lead by approximately 210,000 tonnes and 100,000 tonnes, respectively, at HZL's Rajpura Dariba complex in the State of Rajasthan in Northwest India, and which are expected to be completed by mid-2010;
- Expanding its ore production capacity at the Rampura Agucha mine from approximately 5.0 mtpa to 6.0 mtpa and at the Sindesar Khurd mine from approximately 0.3 mtpa to 1.5 mtpa. HZL is expected to start mining activity at the Kayar mine which is expected to have a production capacity of approximately 0.3 mtpa. These projects are expected to be completed by early 2012;
- Setting up a captive thermal power plant with a capacity of 160 MW at Rajpura Dariba which is expected to be completed by mid-2010; and
- Increasing its silver production from the current levels of approximately 100 to 120 tpa to approximately 500 tpa in large part from additional production at the Sindesar Khurd mine.

These projects are expected to be financed by internal sources and debt financing.

Market share and competition

HZL is the only integrated zinc producer in India and, according to ILZDA, had a market share by volume of the Indian zinc market of 79.7% in fiscal 2008. Binani Zinc is the only other zinc producer in India, but it is not integrated and depends on imports of zinc concentrate. In fiscal 2008, Binani Zinc had an Indian market share of 7.0% of zinc production in India, according to ILZDA. Imports and secondary sources accounted for the remaining 13.3% market share.

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.

Aluminium Business

Introduction

Our aluminium business is primarily owned and operated by BALCO; however, MALCO and Vedanta Aluminium also contribute to our aluminium business. In fiscal 2008, the combined domestic market share of BALCO and MALCO was approximately 31.0% of the primary market share by volume in India, according to AAI.

BALCO's partially integrated aluminium operations consist of two bauxite mines and the Korba facility which includes one alumina refinery, two aluminium smelters, two captive power plants and a fabrication facility, all of which are located in the State of Chhattisgarh in central India.

Sterlite acquired its interest in BALCO in 2001. Since we have worked to improve BALCO's operating performance through expansions and by improving operational efficiencies and reducing unit costs of production. In November 2006, BALCO completed a large expansion project at Korba to increase aluminium smelting capacity by adding a 245,000 tpa aluminium smelter and associated coal-based captive power plant. Prior to the Korba expansion, BALCO was a fully integrated producer with its alumina requirements being supplied by its bauxite mines and alumina refinery. Following the Korba expansion, BALCO operates primarily as an aluminium smelter and sources a majority of its alumina requirements from third-party suppliers in India and international markets. BALCO's operations benefit from relatively cost effective access to power, the most significant cost component in aluminium smelting due to the energy-intensive nature of the process. This is to a considerable extent due to BALCO being an energy-integrated aluminium producer. 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.

Since we acquired our 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 is currently undergoing several large projects which, once completed, will add to our 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. BALCO produces primary aluminium in the form of ingots and wire rods for sale. MALCO produces primary aluminium in the form of ingots, wire rods, alloy wire rods and alloy ingots 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.

Rolled products

Rolled products, namely coils and sheets, are value-added products that BALCO produces 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 primarily used in the manufacture of vanadium-based ferrous alloys.

Production

The following table sets out our total production from our Korba and Mettur Dam facilities for the three years ended 31 March 2008[(1)]:

Facility	Product	Year Ended 31 March 2006	2007	2008
			(tonnes)	
Korba	Alumina[(2)]	219,485	222,395	217,185
	Ingots[(3)]	58,750	182,921	195,794
	Rods[(4)]	64,602	72,981	101,183
	Rolled products	50,391	57,287	61,693
Mettur Dam	Alumina[(2)]	76,787	76,883	74,020
	Ingots	690	2,719	2,963
	Rods	36,028	34,933	34,672
Total	**Alumina[(2)]**	**296,272**	**299,278**	**291,205**
	Ingots	**59,440**	**185,640**	**198,757**
	Rods	**100,630**	**107,914**	**135,855**
	Rolled products	**50,391**	**57,287**	**61,693**

(1) See "Presentation of Information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) Alumina is used for 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 production of aluminium is purchased from third parties and not reflected in alumina production numbers.

(3) Includes production capitalised in fiscal 2006 of 12,288 tonnes.

(4) Includes production capitalised in fiscal 2006 of 1,300 tonnes.

The following table sets out the total bauxite ore production for each of our mines for the three years ended 31 March 2008[(1)]:

Mine (Type of Mine)	Product	Year Ended 31 March 2006	2007	2008
			(tonnes, except percentages)	
Mainpat (Open-pit)	Bauxite ore mined	565,301	665,495	628,925
	Ore grade	45.7%	45.6%	45.2%
Bodai-Daldali (Open-pit)	Bauxite ore mined	65,821	331,950	520,109
	Ore grade	48.6%	50.0%	49.5%
Shevaroy (Open-pit)	Bauxite ore mined	203,683	147,359	130,048
	Ore grade	43.5%	43.0%	41.3%
Koli Hills (Open-pit)	Bauxite ore mined	96,621	194,345	212,997
	Ore grade	43.5%	43.0%	41.3%
Total	**Bauxite ore mined**	**931,426**	**1,339,149**	**1,492,079**

(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 as of 31 March 2008[(1)]:

		Proved Reserves		Probable Reserves		Total Proved and Probable Reserves	
		Quantity (million tonnes)	Oxide (%)	Quantity (million tonnes)	Oxide (%)	Quantity (million tonnes)	Oxide (%)
BALCO.	Mainpat	4.0	48.3%	—	—	4.0	48.3%
	Bodai-Daldali	—	—	5.5	48.3%	5.5	48.3
MALCO	Shevaroy	0.1	42.0	—	—	0.1	42.0
	Koli Hills	0.3	44.0	—	—	0.3	44.0
Total		**4.4**	**47.9%**	**5.5**	**48.3%**	**9.9**	**48.1%**

(1) See "Presentation of Information — Basis of Presentation of Reserves.

Description of operations

Smelters and refineries

The following table sets forth the total capacities as of 31 March 2008 at BALCO's Korba and MALCO's Mettur Dam facilities:

	Capacity		
	Alumina[(1)] (tpa)	Aluminium (tpa)	Captive Power Plant (MW)
Korba	200,000	345,000	810
Mettur Dam	120,000	40,000	75
Total	**320,000**	**385,000**	**885**

(1) Alumina is used for production of aluminium and rolled products. Approximately two tonnes of alumina is required for the production of one tonne of aluminium.

- *Korba aluminium complex.* BALCO's aluminium complex is located at Korba in the State of Chhatisgarh 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. The older smelter was commissioned in 1975, which uses the Vertical Stud Soderberg ("VSS") technology to produce aluminium from alumina and has a capacity of 100,000 tpa. The newer aluminium smelter, which uses pre-baked Guiyarg Aluminum Magnesium Design Research Institute ("GAMI") technology and has a capacity of 245,000 tpa, was fully commissioned in November 2006 at a cost of $543.2 million. 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 convert it into cold-rolled sheets or coils.

  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, which represents approximately 70% of its thermal coal requirements, with the remainder obtained through open market purchases and imports of coal.

- *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 aluminium smelter, a 75 MW captive power plant and a fabrication facility. The Mettur Dam complex has an installed capacity of approximately 120,000 tpa of alumina and approximately 40,000 tpa of aluminium. MALCO produces both primary metal, in the form of ingots, and finished products, in the form of rods for domestic sale.

Mines

- *Chhattisgarh.* The Chhattisgarh mines and deposits comprise the operating mines at Mainpat and Bodai-Daldali. Mainpat is an open-pit bauxite mine located approximately 170 kilometres from the Korba complex in the Surguja district of the State of Chhattisgarh in central India. The Mainpat mine was commissioned in 1993 and lies within a mining lease granted by the Government of India which is due for renewal on 8 July 2012. The mining lease covers an area of 6.39 square kilometres. The bauxite extraction limit for the Mainpat mine approved by the IBM is 750,000 tpa. The Bodai-Daldali deposits are located approximately 260 kilometres from Korba in the Kawardhha district of the State of Chhattisgarh. Bodai-Daldali was commissioned in 2004 by BALCO and lies within a 6.3 square kilometres renewable mining lease that is valid until March 2017. The bauxite extraction limit for the Bodai-Daldali mine approved by the IBM is 1,250,000 tpa.

  The Chhattisgarh bauxite deposits are situated on a series of steep sided plateau at an elevation of approximately 1,100 metres, for Mainpat, and approximately 1,000 metres, for Bodai-Daldali, above the surrounding land. The bauxite generally is one metre to three metres thick and lies within a laterite sequence overlying thick tertiary basalts of the Deccan Traps in west-central India. 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 and is also visible as boulders strewn across fields topping the edge of the plateau.

  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 six 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%, an in-situ density of 2.3 to 2.4 tonnes per cubic metre and a low porosity (less than 2%). 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 (available alumina is approximately 41%) and silica levels of less than 4%.

  All mining and transportation at Mainpat is undertaken by contractors. One thin topsoil layer is removed by 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 trucks. Broken ore is hand-sorted, leaving waste material behind. Ore productivity is around two tonnes per person per day in the dry season, dropping to around 1.50 tonnes per person per day in the wet season. Excavator loading is employed in areas where bauxite deposit is more consistent.

  The ore pile is loaded by hand into non-tipping 16 to 25 tonne trucks. Loaded trucks undertake a one-way trip of approximately 210 kilometres via public roads to the offloading point at BALCO's Korba plant. The journey takes around six to seven hours depending upon truck condition 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. BALCO has commissioned an extensive road building and improvement programme to reduce the time it takes for an average one-way haul travel time. At BALCO's processing site, the trucks are unloaded manually as well as through a truck tippler, 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.

Mainpat's production in fiscal 2008 totalled approximately 628,925 tonnes at 45.2% aluminium oxide and was therefore less than the bauxite extraction limit for the mine fixed by the IBM. The production in fiscal 2007 was greater 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 — Regulatory, Environmental, and Health and Safety Risks — Our operations are subject to extensive governmental and environmental regulations which have in the past and could in the future cause us to incur significant costs or liabilities or interrupt or close our operations, any of which events may adversely affect our results of operations".

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 reserves at Mainpat as of 31 March 2008 to be 4.0 million tonnes and, based on current and anticipated production rates, expects that the mine will continue to operate for approximately six years from 1 April 2008.

Production at the Bodai-Daldali mine in fiscal 2008 totalled approximately 520,109 tonnes of bauxite at 49.5% aluminium oxide. At the Bodai-Daldali mine, manual sorting and sizing of ore is carried out due to the bauxite occurring as boulders. Power is supplied by on-site diesel generators and ground water provides the water requirements for the mine.

BALCO estimates the reserves at Bodai-Daldali to be 5.5 million tonnes as of 31 March 2008. Management estimates that the remaining life of the Bodai-Daldali mine is six years from 1 April 2008.

A cut-off grade of 44% aluminium oxide was used to define the reserves at BALCO's mines, which cut-off grade was primarily defined by geological limits. 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. Moreover, BALCO's operations are vertically integrated and all bauxite mined at the Mainpat and Bodai-Daldali mines is only suitable for use at BALCO's Korba alumina refinery. Consequently, the economic feasibility of the reserves depends on the economic feasibility of the company. Based on current costs and historical prices, BALCO's operations are forecast to remain profitable and therefore the deposits at the Mainpat and Bodai-Daldali mines fulfil the requirements for being classified as reserves.

The reserves as of 31 March 2008 at BALCO's mines at Mainpat and Bodai-Daldali have been determined by verifying that the integrated operation is economic at an aluminium price of $2,157 per tonne, which is the average metal price for the three fiscal years ended 31 March 2007.

A drill 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 62.0%, respectively, while the factors applied at the Bodai-Daldali mine are 5.0% and

65.0%, 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 2008, the smelting and refining recovery rate from the mines for the production of alumina was 75.5%. In fiscal 2008, all mining and transportation of the bauxite was done by contractors and the total cost for this was $23.84 per tonne of bauxite.

In fiscal 2008, the stripping ratio at the Mainpat mine was 1.0:4.0 with 4.0 tonnes of waste overburden being removed to mine one tonne of ore, while the stripping ratio at the Bodai-Daldali mine was 1.0:2.4 with 2.4 tonnes of waste overburden being removed to mine one tonne of ore. The strip ratio for the remaining reserves at Mainpat is 4.8 tonnes of waste per tonne of ore while at the Bodai-Daldali mine, it is 4.3 tonnes of waste per tonne of ore.

- *Shevaroy.* The Shevaroy bauxite mine is located eight kilometres north — northeast of Yercaud town in the State of Tamil Nadu, India, which is 30 kilometres from Salem by road, and approximately 85 kilometres east of the Mettur Dam complex.

  The open-pit mine is worked by private mining contractors and produced approximately 130,048 tonnes of bauxite in fiscal 2008 with an average grade of 41.3% aluminium oxide (the average grades represent the average for both the Shevaroy and Koli Hills mines as the bauxite from the mines is combined before it is processed). MALCO estimates the balance reserves as of 31 March 2008 to be 0.1 million tonnes. The life of mine at Shevaroy is estimated by management to be approximately two years from 1 April 2008. 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 the renewal is in process.

- *Koli Hills.* The Koli Hills bauxite mine is located 100 kilometres south of Salem in the State of Tamil Nadu, India, by road and approximately 150 kilometres southeast of the Mettur Dam complex.

  The open-pit mine is worked by private mining contractors and produced approximately 212,997 tonnes of bauxite in fiscal 2008 with an average grade of 41.3% aluminium oxide (the average grades represent the average for both the Shevaroy and Koli Hills mines as the bauxite from the mines is combined before it is processed). MALCO estimates the balance reserves as of 31 March 2008 to be 0.3 million tonnes. The life of mine at Koli Hills is estimated by management to be approximately four years from 1 April 2008. 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 the renewal is in process.

Principal raw materials

The principal inputs for our aluminium operations are bauxite, alumina, power, carbon, caustic soda and certain other raw materials. In the past, we have been able to secure an adequate supply of the principal inputs for our aluminium business.

Bauxite

Bauxite is the primary raw material used in the production of alumina. BALCO and MALCO source the bauxite required for their alumina refineries from their own mines.

Alumina

Alumina is the primary raw material used in the production of aluminium. In addition to sourcing alumina from its own refinery, BALCO currently sources in excess of 61.5% of its alumina from third-party suppliers in both India and the international markets, with the remainder provided by Vedanta Aluminium's Lanjigarh refinery. The alumina sourced externally is metallurgical grade calcined alumina with a minimum alumina content of 98.60% on a dry basis. In fiscal 2006, 2007 and 2008, BALCO purchased approximately

209,676 tonnes, 384,150 tonnes and 309,460 tonnes of alumina at an average price of $527, $378 and $398 per tonne, respectively, on a cost, insurance and freight basis at the port of Vizag, 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, where it is provided by two coal-based captive power plants of 270 MW and 540 MW, respectively. Our captive power plants have historically been dependant upon coal allocations from Coal India. If such allocations are not available, BALCO imports coal from third parties. However, BALCO recently received a coal block allocation of 211.0 million tonnes for use in its captive power plants. Power for BALCO's mines is provided by on-site diesel generators. Power at MALCO's Mettur Dam facility is provided by a 75 MW captive power plant supplied by Shanghai Electric Co., China, on a turnkey basis.

Water

Water is also an important input for our captive power plants. BALCO sources its water requirements at Korba from a nearby canal, with the water transported by pipelines. BALCO is currently in a dispute with 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. MALCO sources its water requirements from the Stanley reservoir.

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 our 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 MALCO 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. Non-coking coal for MALCO's operations is imported mostly from Indonesia.

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. BALCO and MALCO source their caustic soda requirements from various domestic manufacturers.

Other raw materials

BALCO and MALCO 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 BALCO and MALCO do 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 approximately 170 and 260 kilometres, respectively, from the mines to the Korba facility. Alumina purchased from third-party suppliers is obtained from a combination of domestic sources and imports, and is transported to the Korba facility by road from domestic third-party suppliers or ports. BALCO's aluminium products are transported from the Korba facility to domestic customers through a combination of road and rail, and shipped for export.

Bauxite from the Yercaud and Koli Hills mines is transported by truck to Mettur Dam. The Mettur Dam complex has road and rail connections for the transport of supplies and products. Finished goods are transported from the factory and depots to the end customer by truck.

Sales and marketing

Our aluminium business' ten largest customers accounted for 23.0%, 32.7% and 33.8% of its revenue in fiscal 2006, 2007 and 2008, respectively. No customer accounted for greater than 10% of BALCO's revenue in the last three fiscal years.

BALCO's 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, BALCO sells its products primarily in the Indian market, with limited focus on exports. However, with the commissioning of the new aluminium smelter, a significant part of the additional production may be sold in the export market. BALCO's key customers 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 determines 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 sells 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 export sales of aluminium are currently on a spot basis at a price based on the LME price plus a premium.

MALCO's alumina and aluminium products are marketed through its sales and marketing offices. MALCO has the advantage of being the only integrated operating aluminium producer in southern India and is therefore closer to its customers than its competitors. Most of MALCO's alumina and aluminium products are sold in the domestic market.

BALCO's key customers include electrical conductor manufacturers, state road transport corporations, railways, defence organisations and electrical equipment, and machinery manufacturers. MALCO focuses on supplying companies engaged in the production of electrical conductors and cables which in turn supply these end products to the SEBs, power grid corporations and other players engaged in the power sector.

Projects and developments

Lanjigarh alumina refinery

Vedanta Aluminium has entered into an agreement with Orissa Mining Corporation Ltd ("OMC"), regarding the establishment of the alumina refinery, an aluminium smelter and associated captive power plant in the Lanjigarh district, which is located approximately 450 kilometres from BALCO's Korba facility. Vedanta Aluminium estimates that the total cost of the project will be approximately $800.0 million. Subject to OMC obtaining a mining lease for the Lanjigarh mines, OMC and Vedanta Aluminium have agreed to set up a joint venture company to operate the mines. 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". In March 2007, Vedanta Aluminium began the progressive commissioning of a 1.0 mtpa greenfield alumina refinery project and an associated 75 MW captive power plant, expandable to 1.4 mtpa and 90 MW, respectively, subject to governmental approval, at Lanjigarh in the State of Orissa. The refinery has started production from a single stream operation and produced 267,000 tonnes of alumina in fiscal 2008. Phase 1 and phase 2 of the refinery are undergoing stability trials and are expected to fully stabilise by the end of fiscal 2009.

We had planned to supply the bauxite for the Lanjigarh alumina refinery from the bauxite mines in the Niyamgiri Hills, which are under development. However, development of the mines and commencement of operations at the alumina refinery are subject to litigation before the High Court of Orissa and the Supreme Court of India.

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". There is no assurance that we will be able to procure bauxite for the Lanjigarh alumina refinery from Niyamgiri Hills or another source. We currently source bauxite primarily from mines owned by BALCO.

Jharsuguda aluminium smelter

Vedanta Aluminium is investing an estimated $2,100.0 million in the Jharsuguda project, which involves the setting up of a greenfield 500,000 tpa aluminium smelter, together with an associated thermal coal-based 1,215 MW captive power plant, in Jharsuguda, in the State of Orissa in India. As of the date of this Offering Circular, we have only received environmental approvals for 250,000 tpa and 675 MW.

The Jharsuguda project will be implemented in two phases of 250,000 tpa each with orders for critical equipment for the smelter and captive power plant having been placed with vendors. Commissioning of the first phase commenced in May 2008, a year ahead of schedule, and we expect the second phase to begin commissioning by the end of 2010. The associated thermal coal-based captive power plant will comprise of nine units of 135 MW each, five of which will be commissioned as part of the first phase. The commissioning of the captive power plant units is scheduled to meet the power requirements of the new Jharsuguda smelter and all other power requirements of the facility.

Vedanta Aluminium's planned investment in Jharsuguda includes the costs of building the smelter, the associated power facilities and all necessary infrastructure including railway networks, water pipelines and a township for employees, and it has received formal approval to set up a special economic zone in a portion of the area and is in the process of applying for government notification for the same. Once notified, a special economic zone is a designated duty-free enclave approved by the Government of India which is treated as foreign territory for 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 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 (the "Income Tax Act").

This project is expected to be financed by the proceeds of this offering and internal sources.

Chhattisgarh aluminium smelter

On 8 August 2007, BALCO entered into a memorandum of understanding with the State Government of Chhattisgarh for a potential investment to build an aluminium smelter with a capacity of 650,000 tpa at Chhattisgarh, subject to obtaining all relevant regulatory approvals, detailed feasibility studies and the approval of the respective board of directors of BALCO and its controlling companies.

Market share and competition

BALCO is one of the four primary producers of aluminium in India and, together with MALCO, had a 31.0% primary market share by volume in India in fiscal 2008, among such primary producers, according to AAI. Our main competitors (and their respective primary market shares by volume in India in fiscal 2008) are Hindalco (42.0%) and NALCO (27.0%), a Government of India enterprise.

Aluminium ingots, wire rods and rolled products are commodity products and we 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.

Iron Ore Business

Introduction

Our iron ore business is owned and operated by SGL, India's largest producer-exporter of iron ore in the private sector by volume in fiscal 2007 according to the Federation of Indian Mineral Industries. We acquired SGL in April 2007. SGL engages in the exploration, mining and processing of iron ore. SGL accounted for approximately 10.5% of total Indian iron ore exports and 1.4% of the world trade in iron ore in fiscal 2007, according to the Goa Mineral Ore Exporters Association. In fiscal 2008, SGL produced approximately 12.4 million tonnes of iron ore fines and lumps, 11.5 million of which were produced after our acquisition of SGL in April 2007.

SGL's mining operations are carried out in the Indian states of Goa, Karnataka and Orissa. Ore from SGL's mine at Karnataka is exported through the ports at Goa and Mangalore while ore from Orissa is exported through the ports of Haldia and Paradeep. In 1994, 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, through its 88.3%-owned subsidiary, SIL, operates a pig iron plant with an installed capacity of 250,000 tpa. SIL manufactures pig iron through the blast furnace route. SGL owns metallurgical coke production technology and has entered into technology licensing agreements with different licencees for marketing its technology for setting up non-recovery coke oven plants across the globe.

SGL intends to further leverage its position in the iron ore sector with the following strengths of the company:

- Proved and probable reserves at the mines that SGL owns or has right to consist of an estimated 180.4 million tonnes of iron ore at an average iron ore grade of 61.1% as of 31 March 2008 and low cost operations.
- 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 Indian Steel Alliance, iron ore reserves in India of approximately 25.3 billion tonnes, according to the IBM 2005.
- Strong growth potential with additional prospecting and mining licences and low cost de-bottlenecking operations.
- Robust balance sheet with no debts.
- Vertically integrated pig iron and metallurgical coke operations with patented in-house technology.

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 23% in Goa and Karnataka/Orissa, respectively. While the Goan ore contains iron content deposits ranging between 58% and 62% iron, the mines in Karnataka and Orissa are of higher grade deposits, ranging between 59% and 65% iron. SGL sells lump ore with less than 64% of iron content from its mines in Karnataka and Orissa to both the export markets as well as to domestic pig iron/steel producers, the demand from whom has been consistently growing.

Pig iron

SIL produces basic, foundry and nodular grade pig iron in various grades for steel mills and foundries.

Metallurgical coke

SGL also produces metallurgical coke, a majority of which is consumed internally.

Production

The table below sets out SGL's total production for the year ended 31 March 2008[1]:

Mine/Mine Type[1]	Product	Year Ended 31 March 2008 (million tonnes)
Goa (Open-pit)	Iron ore	8.5
A. Narrain (Open-Pit)	Iron ore	1.9
Thakurani (Open-Pit)	Iron ore	2.0
Total Iron Ore	Iron ore	12.4[2]
Amona Plant	Metallurgical coke	0.3
	Pig Iron	0.3

(1) See "Presentation of information — Reserves and Production" for an explanation of the basis of preparation of production amounts.

(2) We acquired SGL on 23 April 2007 so our attributable production post-acquisition was 11.5 million tonnes.

Reserve base

The table below sets out proved and probable iron ore reserves as of 31 March 2008 at mines that SGL owns or has rights to[1]:

	Proved Reserves		Probable Reserves		Total Proved and Probable Reserves	
	Quantity (million tonnes)	Fe Grade (%)	Quantity (million tonnes)	Fe Grade (%)	Quantity (million tonnes)	Fe Grade (%)
Goa						
Codli Group	32.8	60.6%	6.9	54.2%	39.6	59.5%
Sonshi Group	11.6	61.8	9.8	55.8	21.3	59.1
Other	8.8	59.3	13.2	56.9	22.0	57.9
A. Narrain	23.9	59.9	2.3	59.1	26.1	59.8
Thakurani	45.2	64.3	26.1	63.7	71.3	64.1
Total	**122.2**	**61.8%**	**58.2**	**59.5%**	**180.4**	**61.1%**

(1) See "Presentation of Information — Basis of Presentation of Reserves".

Description of operations

Production facilities

The following table sets forth the total capacities as of 31 March 2008 at SIL's Amona facility:

	Capacity (tpa)	
	Metallurgical Coke	Pig Iron
Amona Plant	280,000	250,000

- *Amona Plant.* SIL commenced operations at its Amona plant at 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 to 60 mm for blast furnaces and 6 to 25 mm for the ferrous alloy industry. Approximately 60% of total production of metallurgical coke production is consumed by SIL for its pig iron production and the remainder is sold to customers 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 coke 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 this coal. Electric power for SGL and SIL is supplied by Goa Energy

Pvt Ltd ("GEPL") under an agreement among Sesa Kembla Coke Company Limited, Videocon International Limited, GEPL, SIL and SGL. GEPL is an independent power producer generating power from the waste gases of SGL's metallurgical coke plant and the blast furnace gas from SIL.

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 during the Portuguese regime by the government from 1955 onwards and in 1987 these concessions were converted to mining leases. SGL now operates a total of 14 mining leases in Goa representing an area of 955.4 hectares as well as four third-party leases on contract, representing an area of 185.4 hectares. The lease period for SGL's 14 mining leases in Goa have expired and are in the process of being renewed and are currently being operated under deemed consent. SGL has applied for renewal of these mining leases within the statutory period, and the renewal is in process.

SGL carries out exploration in grid patterns of 100 by 100 metres at the initial stage of exploration, followed by grid patterns of 50 by 50 metres and 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.

Codli Mine. The Codli mine is situated in South Goa, approximately 600 kilometres south of Mumbai and 50 kilometres east of Panaji, the capital of Goa. It is an open-pit operation and the mining lease is in the name of SGL. The nearest railway stations, Sanvordem and Margao are approximately 13 kilometres and 40 kilometres, respectively, from the mine. There is an airport 55 kilometres from the mine at Dabolim. The river loading points at Sanvordem and Capxem are approximately 12 kilometres and 14 kilometres, respectively, from the Codli mine while the port is approximately 40 nautical miles from the river loading point.

The Codli mine covers an area of approximately 401.2 hectares and is operated under the terms and conditions stipulated in five contiguous leases, three of which are owned by SGL and the remaining two of which are third-party leases. 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 during the Portuguese regime by the government, and SGL acquired these mining leases in 1958. Exploration at the Codli mine began in 1966 and the mine first commenced production in 1973. Production at the mine reached 3 mtpa by 1995. The mine has been granted environmental clearance for a production of 4.0 mtpa from the Ministry of Environment and Forest of the Government of India ("MoEF"). The total reserves as of 31 March 2008 in the Codli mine were approximately 39.6 million tonnes.

At the Codli mine the high 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 kilometres by 1.6 kilometres and is located between 77 metres above sea level and 50 metres below sea level. The formations show a general Northwest-Southeast trend with shallow to moderate dips towards Northeast with local reversals. The footwall is comprised of 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 mine is a multi-pit, multi-lease fully mechanised mining unit. 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 mine has 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 excavators, dumpers, and tipper trucks. Hauling within the mine is done by rigid 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. Throughput capacity of the four Codli processing plants is 6.8 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 gear capable of picking up ore from barges and loading into ocean-going vessels at the maximum rate of 40,000 tonnes per day.

The four processing plants are between eight and 15 years old. One plant is provided with a dry circuit to process high grade ore, while low grade ores are processed in the remaining three wet plants. The plants undergo regular maintenance and annual repairs are conducted during monsoon season.

SGL has an extensive exploration and evaluation programme at the Codli mine which has involved drilling a total of 52,704 metres in 889 holes. The Codli deposit is extensively sampled in vertical drill hole grids between eight metres and 127 metres in length. The resource estimation at the Codli mine is done using the conventional cross-sectional half influence method.

Power at the mine is supplied through a Government Grid Supply network with a maximum contracted demand of 4,000 kVA. There are gensets 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 2008, the Codli mine produced 4.0 million tonnes of iron ore at a grade of 59.8% iron. Based on reserves as of 31 March 2008 and the current annual rate of extraction and production, the estimated mine life of the Codli mine is approximately ten years from 1 April 2008.

The economic cut-off grade at the Codli mine 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 total reserves in the Codli mine as of 31 March 2008 were approximately 39.6 million tonnes.

The reserves at the Codli mine in the proved reserve category are defined by drill holes spaced at 50 metres intervals, the probable reserves are generally defined by drill holes spaced at a further 50 metres interval from the proved reserves and possible reserves are generally defined by drill holes spaced at a further 50 to 75 metres 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 is operating the Gauthona Dusrifal mine, the lease of which is in the name of M/s Timblo Private Limited, as an ore raising contractor since 1989. This mining concession was granted to M/s Timblo Private Limited in 1958, 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 contingous to the Codli mine. The mine has environmental clearance from the MoEF for 0.7 mtpa. Despite the remaining ore resources being very low the mine area is useful for other purposes such as roads, stockpiles and water reservoirs. As of 1 April 2007, 4,692 metres have been drilled in 87 boreholes on the southern part of the leased area. The mining method of the Gauthona Dusrifal Mine is the same as that of the Condli mine described above. Current ore production of the Gauthona Dusrifal Mine is approximately 0.2 to 0.3 mtpa.

SGL is operating the Bondra Advona mine, the lease of which is in the name of Pandurang Timblo Industries, as an ore raising contractor since 1992. This mining concession was granted in 1953 and the mine was operated by the owner until 1992. Since 1992, pursuant to an agreement between SGL and Pandurang Timblo Industries, SGL controls 55.8 hectares out of the total leasehold area of 96.3 hectares. This mine has environmental clearance from the MoEF for 0.6 mtpa of which SGL shares

0.4 mtpa. As of 31 March 2008, 7,407 metres have been drilled in 127 boreholes on the southern part of the leased area. The mining method of the Bondra Advona mine is the same as that of the Condli mine described above.

Sonshi Mine. The Sonshi mine is situated in the North Goa District, approximately 34 kilometres from Panaji and approximately 40 kilometres north of the Codli mine. It comprises an open-pit mine. The area is well connected by metalled roads and the nearest railway station is at Tivim, approximately 25 kilometres from the Sonshi mine. The river loading point, Amona, is nine kilometres from the site and the port is approximately 35 nautical miles from the river loading point. The airport is approximately 50 kilometres from the Sonshi mine.

The leasehold area of the Sonshi mine is 62 hectares and is operated under the terms and conditions stipulated in a single lease. SGL is operating this mine as an ore raising contractor since 1958. 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 lease area, SGL has entered into common boundary working agreements with adjourning lessees to facilitate mining operations.

The original mining concession was granted in 1955 under Portuguese rule to Cosme Costa & Sons. SGL has not acquired the lease, but operates the Sonshi mine as an ore raising contractor. Production at the mine commenced in 1958. The Sonshi mine has been granted environmental clearance for a production of 2.0 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 to 60 degrees northeast. The principal deposit of the Sonshi mine comprise 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 to 25 metres. The intervening parting between the ore bodies is comprised of 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 kilometres away. Processing operations for the Sonshi mine are similar to those of the Codli mine 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 onsite. The extracted ore is transported by a fleet of contractor owned 10 tonne trucks to the processing plants at Amona (approximately ten kilometres away) and at Cudne (approximately six kilometres away). A fleet of 87 contractor owned 10 tonne trucks feed the Amona processing plant from the Sonshi mine. The combined throughput capacity of the processing plants is 4.2 mtpa. The plants undergo regular maintenance and annual repairs are carried out during monsoon season.

The Sonshi mine has been extensively sampled in vertical drill hole grids covering 1.8 kilometres of strike length and a total of 24,781 metres being drilled in 429 holes. The Sonshi mine had reserves of approximately 21.3 million tonnes as of 31 March 2008.

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 2008, the Sonshi mine produced 2.0 million tonnes of ore at a grade of 60.5% iron. Based on reserves as of 31 March 2008 and at current production level, the estimated mine life of the Sonshi mine is approximately 10 years from 1 April 2008.

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. An 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 Mareto 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 2008, 2,574 metres have been drilled in 33 boreholes have been drilled on the leased area. The mining method of the Mareto Sodo mine is the same as that of the Sonshi mine described above.

Other leases/mines. In addition to the Codli mine and right to the third-party mining lease at the Sonshi mine, SGL has 14 additional mining leases, of which five 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 with environmental clearances of 0.2 mtpa and the Botvadeacho Dongor mine with environmental clearances of 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 contract. 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 total reserves in these other mines as of 31 March 2008 were approximately 22.0 million tonnes.

The gross value of fixed assets including capital works in progress was $1,321.0 million as of 31 March 2008 for the Goa mines.

- *Karnataka.* SGL's main operations in Karnataka are at the A. Narrain mine, which is located approximately 200 kilometres 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 kilometres and 17 kilometres, respectively, from the A. Narrain mine. The nearest port at Mangalore is approximately 430 kilometres from the mine and the nearest airport is located at Bangalore, approximately 230 kilometres 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 lease area. SGL has operated the mine since 1994, and the MoEF granted requisite permission for enhanced productions to SGL to 2.5 million tons in 2007. SGL's lease is due to expire on 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 lease 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 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 kilometres. The footwall is comprised of 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.

Presently, the south block of the A. Narrain mine is operated with fully mechanised mining operations while operation at the North block is yet to commence. The open-pits have a bench height of seven metres, haulage roads of 12 to 15 metres width and an overall pit slope under 30 degrees. In 2005, exploration was undertaken at the North block by core drilling and down the hole ("DTH") drilling. Such exploration confirmed that this block has low grade RoM as compared to the south block. For optimal utilisation of the resources, SGL plans to operate the south block and the north block concurrently from 2008. The A. Narrain mine is equipped with dry process facilities for processing all ore.

The lateritic overburden is removed either by blasting or ripping/dozing, loaded onto and transported by 10-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 movement to Goa or to Mangalore Port for shipment and export. Ore produced in Karnataka ranges from 59% to 65% iron content and comprises of 77% fines and 23% lumps. A portion of the ore is transported by road to the Amona plant for processing.

The processing plant has a capacity of 650 tonnes per hour.

Exploration at the A. Narrain mine has involved drilling a total of 16,692 metres in 288 boreholes since the mine was taken over by SGL. The A. Narrain deposit is extensively sampled in vertical drill hole grids between 15 metres and 130 metres in length, with most of the holes covering 50 to 75 metres depth. Currently A. Narrain mine has reserves of approximately 26.1 million tonnes.

Power at the mine is supplied by a 725 kVA generator with a maximum contracted demand of 1,000 kVA. All power supplied to the mines and plants is through a generator.

The gross value of fixed assets including capital works-in-progress was $552.3 million as of 31 March 2008.

In fiscal 2008, the A. Narrain produced 1.9 million tonnes of ore at a grade of 63% iron. Based on reserves as of 31 March 2008 and at current production levels, the estimated mine life of the A. Narrain mine is approximately thirteen years from 1 April 2008.

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. SGL operates on a 50% iron operational cut-off grade in practice, as compared to the statutory cut-off grade of 55% iron. An ore containing less than 55% iron is saleable after processing.

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 Orissa state, approximately 400 kilometres from Kolkata airport. It comprises two open-pit areas, the Thakurani and DM pits. The mine and processing plants are operated by contractors under the supervision of SGL. The lease area is located approximately six kilometres east of Barbil and is easily accessible by metalloid road. The leasehold area is located in the Thakurani reserve forest over an extent of 228.0 hectares, of which 146.7 hectares have been diverted from forest areas. The Thakurani mine has been operated by SGL as an ore raising contractor since 1999.

The Thakurani mine started its mining operations in 1953 when a mining lease was initially granted in favour of Md Serajudin, for a period of 30 years. On expiry of the lease in 1983, it was further renewed for 20 years and was subsequently transferred to M/s. Kaypee Enterprises in 1986 by executing a deed of transfer. In 1999, SGL entered into an agreement with the leaseholder to operate the mine for a period of 10 years. The mine has been granted environmental clearance for a production of 2.0 mtpa from the MoEF. The leaseholder submitted a timely renewal application and no rejection has been notified. The mine is currently being operated under deemed consent.

Basement rocks in the Orissa State belong to the Eastern Ghats Group, a series of Archean granulite rocks. The geology of the Thakurani mine consists of laterites, ferruginous laterites, float iron ore, conglomerates, laminated iron ore, blue dust, banded hematite jasper/banded hematite quartzite and shale. The general strike of formation dips westerly at about 16 to 50 degrees. These rocks are unconformably overlain by the Iron Ore Group. Typically, only the laterite cap needs to be blasted.

Ore from Orissa ranges from 62% to 65% iron content and is comprised of approximately 80% fines and 20% lumps.

The Thakurani mine is operated by the opencast method, with the bench height being limited to six metres and the benches aligned parallel to strike. The sequence of operation at the mine is site clearing, drilling, blasting, shovelling and trucking. Hydraulic excavators load the blasted material on to 10-tonne rear dump trucks, which transport the material to the crushing and screening plant. A RoM stockpile near the crusher plant provides for continuous and uninterrupted operation of the plant and the mine.

The mining operations include two processing plants, a mobile plant located at the mine and the Thakurani plant located approximately 2.5 kilometres from the mine site. The processing plant consists of a crushing and screening plant with a capacity of 400 tonnes per hour and a mobile screening plant of 250 tonnes per hour. The crushing plant was renovated by SGL is 2002 and the mobile screening plant was purchased by SGL in 2006.

Exploration at the Thakurani mine has involved drilling a total of 10,997 metres in 214 holes as of 31 March 2008. The drilled holes range between five metres and 120 metres in length and average at 45 to 60 metres. The reserves in the proved reserve category at the Orissa mines are estimated based on drilled boreholes spaced at 25 metres along predefined section lines and occasionally off of the section lines, while the probable reserves are estimated based on drilled boreholes spaced at 50 metres. As of 31 March 2008, the Thakurani mine had reserves of approximately 71.3 million tonnes.

Power at the mine is supplied by a Government Grid Supply and a 380 kVA generator. Water from dust suppression and drinking comes from open wells and bore wells.

The gross value of fixed assets including capital works-in-progress was $605.9 million as of 31 March 2008.

In fiscal 2008, the Thakurani mine produced 2.0 million tonnes of ore at a grade of 63.5% iron. Based on reserves as of 31 March 2008 and at current production level, the estimated mine life of the Thakurani is approximately 35 years from 1 April 2008.

The economic cut-off grade at the Thakurani mine is determined by the requirement to meet various sales contracts and the need to maintain stockpiles to meet the contract specifications. SGL operates on a 50% iron operational cut-off grade in practice, as compared to the statutory cut-off grade of 55% iron. An ore containing less than 55% iron is saleable after processing.

Principal raw materials

Iron ore operations

There are no direct raw materials used in our 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 our operations is supplied by the government grid and supplemented by SGL's and hired diesel generator sets.

Pig iron operations

The principal raw materials for manufacture of pig iron are iron ore, metallurgical coke, limestone, and dolomite.

HG iron ore is largely sourced from SGL's mines in Karnataka. The iron ore is transported from SGL's mines in Karnataka by trucks and railway rakes. Low grade iron ore is sourced from mines in Goa and transported to SIL by truck. Approximately 70% of SGL's requirements are met by SGL's own mines and the rest is purchased from local third-party suppliers. SIL's metallurgical coke requirements are met by the metallurgical coke division of SGL. Limestone and dolomite are supplied from SGL's mines in Karnataka and transported to SIL 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 has entered into long-term contracts for the supply of coal with BHP Billiton Marketing AG, Wesfarmers Curragh Pty Limited and Tahmoor Coal Pty Ltd.

Power

Electricity for SGL's and SIL's manufacturing operations is supplied from GEPL under an agreement among GEPL, SIL and SGL. GEPL is an independent power producer generating power from the waste gases of SGL's metallurgical coke plant and the blast furnace gas from SIL.

Distribution, logistics and transport

SGL's mining operations are advantageously located throughout India and are complemented by an efficient transportation network. In order to cut costs on its long-route exports to Europe, SGL charters large bulk carriers which are partly loaded at sea by SGL's own transfer vessel. SGL ships 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 be shipped out from the Chennai port and the ports at Haldia and Paradeep, respectively, allowing customer requirements to be met throughout the year.

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 16 barges with a total floating capacity of 20,000 dwt and a panamax sized vessel that is based at the port of Mormugao in Goa and has the ability to load vessels as large as 300,000 dwt.

Sales and marketing

The geographical distribution of the exports of SGL in fiscal 2008 was China 55% followed by Pakistan 8%, Japan 7%, Europe 7%, South Korea 5% and domestic sales 18%. SGL sold 82.0% of its iron ore production in the export market in fiscal 2008. The ten largest customers of our iron ore business accounted for 56.6% of our iron ore business revenue in fiscal 2008. About 55% of the exports of SGL 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. According to CRU Strategies, the world's three biggest global mining companies, Vale, Rio

Tinto and BHP Billiton, account for approximately 71% of the global seaborne trade in iron ore. Every year these three companies negotiate with major steel manufacturers and set a benchmark increase upon which the rest of the world bases its pricing.

SIL and SGL share a marketing office at Panaji in Goa with indenting agents to sell their pig iron and metallurgical coke products. We manage our sales in China and Turkey through local agents. The remaining sales and chartering needs of SGL and SIL are managed centrally from the office at Goa.

Pig iron

Currently, the majority of the pig iron produced is sold within India to foundries and steel mills.

The sale of pig iron is generally done on spot basis with prices valid for a month. Contracts with some steel mills are on a quarterly or bi-monthly basis, where the quantity, grade and price are fixed. 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 within India to foundries, pig iron producers, ferrous alloys producers and cement plants. Approximately 60% of SGL's total metallurgical coke production is sold to SIL for its production of pig iron. The balance is sold in the domestic Indian market.

The sales price to SIL is based on the transfer pricing policy which takes into account the imported and domestic prices of metallurgical coke in India on a month to month basis. 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.

Market share and competition

SGL is India's largest producer-exporter of iron ore in the private sector. SGL had a 10.5% primary market share by volume in India in fiscal 2007. SGL's primary competitors in the public and private sector in India include NMDC, KIOCL, Rungta, MSPL and Essel.

Future Commercial Power Generation Business

Introduction

Although electricity generation capacity has increased substantially in recent years, the demand for power in India to support its growing economy has in recent years and still substantially exceeds available generation supply. Per capita consumption of power in India, despite significant increases in recent years, continues to lag behind power consumption in other leading developed and emerging economies by a large margin. India has large coal resources of over 264.5 billion tonnes, according to Geological Survey of India 2008, and the coal industry is in a process of government deregulation that is expected to increase the availability of coal for power generation, among other uses. To sustain the recent economic growth in India, the Ministry of Power in India has set a target to provide an installed capacity of 212,000 MW by 2012 by adding approximately 86,000 MW of generation capacity. As part of the planned target of approximately 86,000 MW of additional capacity by 2012, the Government of India has proposed setting up nine UMPPs. Each of these projects is expected to be commissioned during the period 2008 to 2012 and three have already been awarded as of the date of this Offering Circular.

We believe that these factors make the commercial power generation business an attractive growth opportunity for us to diversify our business and that, by leveraging our project execution and operating skills and experience in building and managing power plants and by applying our mining experience to the mining of coal blocks that we have been and will continue to seek to have allotted to us by the Government of India, we may compete successfully in this business.

Our experience with captive power plants

We have been building and managing captive power plants in India since 1997. As of 31 March 2008, the total power generation capacity of our ten captive power plants and wind power plants was 1,383 MW, including four thermal coal-based captive power plants with a total power generation capacity of 849 MW that we built within the last four years.

The following table sets forth information relating to our existing power plants:

Year Commissioned	Capacity (MW)	Location	Fuel Used
1988(1)	270	Korba	Thermal coal
1997	24	Tuticorin	Liquid fuel
1999	75	Mettur	Thermal coal
2003	29	Debari	Liquid fuel
2003	6	Zawar	Liquid fuel
2005	23	Tuticorin	Liquid fuel
2005	154	Chanderiya	Thermal coal
2006	540	Korba	Thermal coal
2007	75(3)	Lanjigarh	Thermal coal
2008	80	Chanderiya	Thermal coal
2007-08(2)	107	Gujarat and Karnataka	Wind
Total	**1,383**		

(1) Commissioned by BALCO prior to our acquisition of BALCO in 2001.

(2) Our wind power plants are not used for captive use.

(3) Expandable up to 90 MW, subject to Government approvals.

We also have thermal coal-based captive power plants of 1,215 MW, 160 MW, and 80 MW under construction at Jharsuguda, Rajpura Dariba, Lanjigarh and Zawar, respectively, subject to the receipt of government approvals.

We have been successful in building captive power plants at reasonable cost through our partnerships with a number of established suppliers. Our 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.

Our plans for commercial power generation

Sterlite Energy — Orissa

In August 2006, Sterlite's shareholders approved entry into the power generation business in India. Sterlite Energy is investing approximately $1,900.0 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. The project is expected to be progressively commissioned from December 2009. This project is expected to be financed by the net proceeds of this offering, internal sources and/or proceeds from future equity fundraising. A second phase to expand capacity by 2,000 MW has been proposed, but has not yet been approved by our board of directors. Sterlite Energy is building this power facility in the State of Orissa, which has abundant coal resources estimated at 65.3 billion tonnes as of 1 April 2008, according to the Geological Survey of India 2008.

According to the Energy Information Administration, a statistical agency of the United States Department of Energy, India has the fourth largest coal reserves in the world, as of 2007. According to the Geological survey of India, the State of Orissa has approximately 24.7% of India's coal resources of 264.5 billion tonnes as of 1 April 2008. The facility would require approximately 13.2 mtpa of coal. Sterlite Energy applied to the Ministry of Coal of the Government of India for allocation of coal blocks for its captive use. In January 2008, the Ministry of Coal of the Government of India allocated coal blocks in the Rampia & Dip side of Rampia in the State of Orissa for the captive mining of coal to six companies, including Sterlite Energy, and Sterlite

Energy has been allocated a proportionate share of 112 million tonnes. These six companies have entered into an agreement to jointly promote a new company called 'Rampia Coal Mine and Energy Pvt. Ltd' which we expect to develop the coal mines over a period of three to five years. Additionally, in March 2008, a letter of assurance was issued to Sterlite Energy for the supply of coal through a coal linkage for the Jharsuguda project from Mahanadi Coalfields Limited to meet the coal requirements of one of the units of 600 MW of the 2,400 MW power facility.

Further, Sterlite Energy entered into a memorandum of understanding dated 26 September 2006 with the State Government of Orissa under which the state government has agreed to assist us in our acquisition of approximately 3,000 acres of land for the power facility, the obtaining of environmental clearances, the allocation of coal blocks, long-term coal linkages, water allocations and the sourcing of power during the construction period. The process of making arrangements for a water reservoir, railway marshalling yard, coal stockpile, ash pond and other required facilities is currently underway. Pursuant to the memorandum of understanding, on 28 September 2006, Sterlite Energy entered into a power purchase agreement with the Grid Corporation of Orissa Limited ("GridCo"), a nominee of the State Government of Orissa, which provides for supply of approximately 500 MW of power from SEL to GridCo each year for five-year periods. The power purchase agreement also provides that all power generated by the power plant prior to commercial operations and, thereafter, the power generated from the facility in excess of a plant load factor of 80% will be made available to GridCo at a variable price plus a variable incentive to be determined by the CERC of India or Orissa Electricity Regulatory Commission. The power generated from the facility would be sold to entities including SEBs and power trading companies. In order to sell the power to more than one state, Sterlite Energy would be required to create an evacuation system through a 400 KV power transmission line and a substation approximately 200 kilometres from the facility.

BALCO — Chhattisgarh

On 7 October 2006, BALCO entered into a memorandum of understanding with the Government of Chhattisgarh, India and the CSEB to build a thermal coal-based 1,200 MW power facility, along with an integrated coal mine, in the State of Chhattisgarh. The memorandum of understanding is valid up to 31 August 2008. BALCO has applied to the Government of Chhattisgarh, India for an amendment to the memorandum of understanding extending its validity and permitting its assignment to associates, affiliates and parent companies of BALCO. The application is pending. In August 2007, BALCO entered into four engineering, procurement and construction contracts with SEPCO Electric Power Construction Corporation in relation to this project. However, the work and obligations under these contracts are contingent upon receiving board approval for the project. In 2007, BALCO applied to the Ministry of Coal for the allocation of a long-term coal linkage for this 1,200 MW power project.

This project is expected to be financed by internal sources.

HZL — Wind power plants

HZL's board of directors has approved the establishment of wind power plants with a combined capacity of up to 300 MW at an estimated cost of Rs. 16,000 million ($399.8 million). It has entered into contracts aggregating $150.1 million for the construction of wind power plants with a combined power generation capacity of 123.2 MW in the States of Gujarat and Karnataka in India. Wind power plants totalling 107.2 MW were progressively commissioned in fiscal 2008 and another 16 MW wind power plant is expected to be commissioned by mid-2008, increasing our total capacity to 123.2 MW.

The electricity from these wind power plants is proposed to be sold to SEBs. This project is anticipated to be funded through internal resources and benefits from the various tax incentives available under the Income Tax Act.

This project is expected to be financed by internal sources.

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.

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 Government of India or any state government. A recent initiative of the Ministry of Power of the Government of India offers private developers an opportunity to establish a number of UMPP's. 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. Three of such UMPPs have been awarded.

Risks in commercial power business

There will be risks involved in entering into the commercial power generation business. See "Risk Factors — Risks Relating to the Group — We intend to develop a commercial power generation business, a line of business in which we have limited experience, from which we may never recover our investment or realise a profit and which may result in our management's focus being diverted from our core copper, zinc, aluminium and iron ore businesses" and "Risk Factors — Risks Relating to the Group — If any power facilities we build and operate as part of our future commercial power generation business do not meet operating performance requirements and agreed norms as may be set out in our agreements, or otherwise do not operate as planned, we may incur increased costs and penalties and our revenues may be adversely affected" for more details.

Other Activities

Our other activities include:

IFL

The Group has a 38.8% interest in IFL which is involved in the manufacture of aluminium foils and flexible packaging products. IFL has two manufacturing facilities, only one of which is currently operating. The active facility is in eastern India at Kamarhati and includes continuous casters, a cold rolling mill, foil mills and conversion facilities. IFL has been a "sick industrial company" for purposes of the Sick Industrial Companies (Special Provisions) Act 1985 ("SICA Act") since May 2006. A "sick industrial company" is a company registered for more than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth. IFL is an associate of the Group, and the Group's investment in IFL is accounted for under the equity method of accounting. Owing to continued losses incurred by IFL, for fiscal 2007 and 2008, all of the Group's investments in IFL, including loans considered as investments, have been fully impaired.

In fiscal 2008, the Group entered into an agreement with a third party for the disposal of its interest in IFL. The terms of the agreement comprise the sale of the Group's equity stake in IFL and a requirement for the Group to settle its debt due to banks and financial institutions and other specified liabilities. The transaction is expected to be completed in fiscal 2009, after obtaining necessary statutory approvals, at which point IFL will cease to be an associate of the Group.

Options to Increase Interests in HZL, BALCO and KCM

BALCO Call Option

On 2 March 2001, Sterlite acquired a 51.0% interest in BALCO from the Government of India for a cash consideration of Rs. 5,533 million ($138.2 million). On the same day, Sterlite entered into a shareholders' agreement with the Government of India 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 Government of India and is entitled to appoint the managing director. There are various other matters reserved for approval by both the Government of India 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 Government of India 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 a 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 first right of 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 Government of India by way of a public offer, the tag along right will not apply. However, a transfer of shares representing not more than 5.0% of the equity share capital of BALCO by the Government of India to the employees of BALCO is not subject to such right of first refusal by Sterlite.

The Government of India also granted to Sterlite an option to acquire the remaining shares in BALCO held by the Government of India 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 (Rs. 49.01 per share) ($1.22 per share) together with interest at a rate of 14% per annum compounded half yearly from 2 March 2001 through the exercise date, less all dividends received by the Government of India since 2 March 2001 through 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 Government of India at that time. Thereafter, the Government of India 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 Government of India contended that the clauses of the shareholders' agreement relating to Sterlite's option violated the provisions of Section 111A of the Indian Companies Act by restricting the right of the Government of India to transfer its shares and that as a result the shareholders' agreement was null and void. The Government of India had also expressed an intention to exercise its right to sell 5.0% of BALCO to BALCO employees.

Sterlite has instituted a petition before the High Court at Delhi seeking that the High Court direct the Government of India to deposit with it at least 44.0% of the equity shares in BALCO and that the High Court further grant an injunction to restrain the Government of India 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 Government of India retains the right to sell its shares representing 5.0% of BALCO to BALCO employees.

Subsequently, the Government of India 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 mediation proceedings failing which arbitration would proceed. As directed by the court, mediation proceedings have begun and both the Government of India and Sterlite have appointed their independent mediators. We expect the mediation proceedings to be completed in the near future. In the event that mediation fails, Sterlite can seek arbitration. The Government of India retains the right and has expressed an intention to sell 5.0% of BALCO to BALCO employees.

On 11 September 2007, the Government of India filed a reply to the Sterlite's petition filed on 9 July 2007. On 1 October 2007, Sterlite sought two weeks within which to file a Rejoinder Affidavit to the Government of India's reply. The High Court adjourned the matter until 18 December 2007. Sterlite's petition is listed to be heard on 16 September 2008.

See “Risk Factors — Litigation — The Government of India has disputed Sterlite’s exercise of the call option to purchase its remaining 49.0% ownership interest in BALCO”.

HZL Call Options

On 11 April 2002, Sterlite acquired a 26.0% interest in HZL from the Government of India through its subsidiary, SOVL. At the time of the acquisition, Sterlite owned 80.0% of SOVL and STL owned the remaining 20.0%. In February 2003, STL transferred its 20.0% interest in SOVL to Sterlite and SOVL became Sterlite’s wholly-owned subsidiary. SOVL subsequently acquired a further 20.0% interest in HZL through an open market offer. The total cash consideration paid by SOVL for the acquisition of the 46.0% interest in HZL was Rs. 7,776 million ($194.3 million).

Upon SOVL’s acquisition of the 26.0% interest in HZL, the Government of India 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 26.0% of the share capital of HZL, SOVL is entitled to appoint one more director to the board of HZL than the Government of India and is entitled to appoint the managing director. In addition, as long as the shareholders’ agreement remains in force, the Government of India 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 Government of India 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 provision of guarantees or security to other companies under the same management as HZL.

Under the shareholders’ agreement, the Government of India also granted SOVL two call options to acquire all the shares in HZL held by the Government of India 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 Rs. 3,239 million ($80.9 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 5.0% of the equity share capital of HZL, by the Government of India to the employees of HZL is not subject to such right of first refusal by SOVL. The Government of India has transferred shares representing 1.5% of HZL’s share capital to the employees of HZL. The shareholders’ agreement also provides that if the Government of India 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 Government of India’s remaining 29.5% shareholding in HZL, subject to the right of the Government of India 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 thereafter so long as the Government of India 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 Government of India, SOVL shall be under an obligation to complete the purchase of the shares, if any, then held by the Government of India, 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 13 June 2008 of Rs. 590.6 ($14.76) 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 Government of India’s 124,795,059 shares of HZL would be Rs. 73,697.7 million ($1,871.5 million). If the

Government of India sells its remaining ownership interest in HZL through a public offer, Sterlite may look into alternative means of increasing our ownership interest in HZL.

The validity of the divestment of the shares of HZL by the Government of India to Sterlite is currently pending adjudication before the Supreme Court of India. A public interest litigation was filed by a private citizen before the High Court of Rajasthan, Jodhpur, on 5 November 2003, against HZL, SOVL, the Government of India and others challenging the Government of India's divestment of shares of HZL to Sterlite on the same grounds as a September 2003 decision of the Supreme Court of India relating to the proposed divestment of the shares of the Government of India in the Hindustan Petroleum Corporation Limited ("HPC") and Bharat Petroleum Corporation Limited ("BPC"). Such decision held that the Government of India could not exercise its executive power to divest these shares as the assets of HPC and BPC were vested in these companies pursuant to Indian Acts of Parliament, which only permitted ownership of the assets by government-owned companies, and also held that these divestments could not be undertaken without repealing or appropriately amending the provisions of the Indian Acts of Parliament.

The lawsuit regarding HZL asserts that the same reasoning as applied in the decision regarding HPC and BPC should apply in the case of HZL since the assets of the Metal Corporation of India were vested in HZL pursuant to the Metal Corporation of India (Acquisition of Undertaking) Act, 1966, which required the ownership of the assets only to be vested in government-owned companies. HZL continues to own and operate the assets and has subsequently substantially expanded its smelting facilities and mining operations. However, at the time SOVL acquired its 26.0% interest in HZL and a further 20.0% through an open market offer, this act had not been amended to permit the ownership of the assets of the Metal Corporation of India by non government-owned companies. This matter is being challenged before the Supreme Court of India.

The Supreme Court of India has directed that all pending challenges to divestment of government-owned companies be heard together by a larger bench of the Supreme Court of India. These matters, along with the HZL case, are currently pending before the Chief Justice of India and the next date of hearing is yet to be fixed. See "Risk Factors — Litigation — The validity of the Government of India's divestment of 64.9% of HZL to Sterlite is currently pending adjudication and Sterlite's option to purchase the Government of India's remaining shares in HZL may be challenged".

In addition, from time to time, it has been reported in the Indian media that the Government of India 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 shares of HZL. If the Government of India makes such an assertion, we intend to contest it and believe we have meritorious defences.

KCM Call Options

Vedanta Call Option Deed

A call option deed among ZCIH, KCM and Vedanta was entered into on 5 November 2004, pursuant to which ZCIH granted to Vedanta a call option requiring ZCIH to transfer to Vedanta, VRHL or another Vedanta Affiliate (as defined therein), by way of a sale, all the shares in the issued share capital of KCM held by ZCIH or its Affiliates (as defined therein) on a specified date at a price to be agreed by ZCIH and Vedanta (or, in the absence of agreement, as determined by an independent investment bank). Vedanta delivered a call option exercise notice to ZCIH on 12 August 2005 and the parties appointed an independent investment bank to determine the option exercise price as of 12 August 2005. On 9 April 2008, Vedanta completed the exercise of this call option and purchased 312,244,138 ordinary shares and 48,000,000 deferred shares of KCM for cash consideration of $213.2 million.

ZCIH/ZCCM Call Option Deed

A call option deed among ZCIH, ZCCM, KCM, VRHL and Vedanta was entered into on 5 November 2004 pursuant to which VRHL granted to ZCIH and to ZCCM an option that would have required VRHL to sell to ZCIH and to ZCCM (in proportion to their respective shareholdings in KCM) the shares of KCM held by VRHL and its affiliates on a specified date at a price to be agreed by ZCIH, ZCCM and Vedanta (or, in the absence of an agreement, to be determined by an independent investment bank). This ZCIH/ZCCM call option deed terminated when Vedanta completed the exercise of the Vedanta call option deed on 9 April 2008.

Other Opportunities

In line with our strategy, we actively consider on an ongoing basis a range of potential opportunities in India and internationally to acquire underperforming assets where management believes it can generate superior returns. There can be no certainty as to whether we will acquire any of the assets in which we have expressed an interest.

We will also consider opportunities to diversify our portfolio of base metals, where management believes this will be beneficial.

Employees

As of 31 March 2008, we had approximately 28,376 employees as follows:

Company	Location	Primary Company Function	Total Employees
Copper			
Sterlite	India	Copper smelting and refining	1,186
CMT	Australia	Copper mining	89
KCM	Zambia	Copper smelting and refining	11,322
Zinc			
HZL	India	Zinc and lead production	6,359
Aluminium			
BALCO	India	Aluminium production	5,192
MALCO	India	Aluminium production	691
Vedanta Aluminium	India	Aluminium production	1,364
Iron Ore			
SGL	India	Iron ore production	2,142
Power			
Sterlite Energy	India	Commercial power generation	31
Total			**28,376**

Additionally, we employ contract labour which accounts for 40% to 50% of our total workforce at any given time.

The majority of our workforce is unionised. Employees of HZL, BALCO, MALCO and SGL are members of registered trade unions such as Hindustan Zinc Workers Federation for HZL, Bharat Aluminium Mazdoor Sangh for BALCO, The Malco Workers Union, Aluminum Thozhilalar Sangam, Malco General Thozhilalar Sangam and Malco Anna Thozhilalar Sangam for MALCO and Sesa Goa Workers Union, Sesa Goa Limited Employees Union (R) Chitradurga and United Bargemens Association for SGL, and are affiliated with national trade unions such as the Indian National Trade Union Congress. Employees of KCM are members of the Mineworkers Union of Zambia and the National Union of Miners and Allies Workers. We believe that relations with our employees and unions are good, though we have in the past and may in the future experience strikes and industrial actions or disputes. See "Risk Factors — Operating Risks — Our 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 our revenue, results of operations and financial condition.

We have a strong ongoing institutional commitment to the health and safety of our employees and achieving sustainable development in harmony with the communities and environments in which we operate. Proactively complying with and exceeding the requirements of regulatory guidelines, utilising environment friendly technologies in our expansions and modernisations and implementing programmes to support communities around our facilities are core to our business strategy. Most of our mines, refineries and smelters in India and Zambia have received both International Standards Organisation ("ISO") 14001 and Occupational Health and Safety Assessment Series ("OHSAS") 18001 certifications, which are internationally recognised environmental and occupational health and safety management systems certifications. We renewed our Tuticorin ISO 14001 certification in October 2007. SGL and SIL are both certified with ISO 9001, ISO 14001 and OHSAS 18001 certifications. We are committed to providing a healthy and safe working environment, to promoting empowerment, commitment and accountability of our employees and to being an equal opportunity employer. We actively initiate and participate in a variety of programmes to contribute to the health, education and livelihood of the people in the local communities in which we operate, including through support of schools, educational programmes and centres, women empowerment programmes, hospitals and health centres. We constantly seek out and invest in new technologies and operational improvements to minimise the impact of our operations on the environment, including through energy conservation measures, reductions in sulphur dioxide gas and other air emissions, water conservation and recycling measures, reductions in wastewater discharges and proper waste management. We also invest in programmes to promote reforestation and better agricultural practices.

Insurance

We maintain property insurance which protects against certain losses relating to our assets arising from fire, earthquakes or terrorism and freight insurance which protects against losses relating to the transport of our equipment, product inventory and concentrates. However, our insurance does not cover other potential risks associated with our operations. In particular, we do not have insurance for certain types of environmental hazards, such as pollution or other hazards arising from our disposal of waste products. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on our financial condition or results of operations. Moreover, no assurance can be given that we will be able to maintain existing levels of insurance in the future at the same rates. Our operating entities in India can only seek insurance from domestic insurance companies. See "Risk Factors — Operating Risks — Our insurance coverage may prove inadequate to satisfy future claims against us".

Intellectual Property

We, through SGL, own one patent in India that relates to a system for producing metallurgical coke. We, through Sterlite, own an additional patent in India that relates to a system for enhancing the quality of cathodes. We also have a number of patents in the process of being granted in India related to mining, refining and smelting processes. We own a number of trademarks that are used to identify our businesses and products. We have also acquired certain intellectual property rights under licenses from others for use in our businesses.

Our patents, licences and trademarks constitute valuable assets. However, we do not regard any signle patent, licence or trademark as being material to our sales and operations viewed as a whole.

Litigation

Except as described below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which we are aware) which we believe could reasonably be expected to have a material adverse effect on our results of operations or financial position.

Sterlite has commenced proceedings against the Government of India which has disputed our exercise of the call option to purchase its remaining 49.0% ownership interest in BALCO.

Certain proceedings are ongoing before the High Court of Delhi with respect to Sterlite's exercise of its call option to acquire the remaining shares of BALCO held by the Government of India. See "— Options to Increase Interests in HZL, BALCO and KCM — BALCO Call Option".

A public interest litigation proceeding has been filed to challenge the validity of the divestment of HZL's shares by the Government of India and is currently pending adjudication by the Supreme Court of India.

A public interest litigation has been filed before the High Court of Rajasthan in Jodhpur against the Government of India, HZL, SOVL and others, challenging the Government of India's divestment of 64.9% of HZL to Sterlite. See "— Options to Increase Interests in HZL, BALCO and KCM — HZL Call Options".

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.

Certain proceedings are ongoing relating to alleged violations by Sterlite of regulations prohibiting fraudulent and unfair trading practices. See "Risk Factors — Litigation — Appeal proceedings in the High Court of Bombay have been brought by SEBI to overrule a decision by the Securities Appellate Tribunal ("SAT") that Sterlite has not violated regulations prohibiting fraudulent and unfair trading practices".

Sterlite 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.

Sterlite is a defendant in a number of writ petitions filed before the High Court of Madras by the National Trust for Clean Environment and certain private citizens in relation to the operations of its smelter at Tuticorin in the State of Tamil Nadu, India. These writ petitions allege that sulphur dioxide emissions from its 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 are seeking an order from the High Court of Madras for discontinuation of Sterlite's current operations at Tuticorin and revocation of the environmental permits granted to it by the Tamil Nadu Pollution Control Board ("TNPCB") and the MoEF in relation to our Tuticorin smelter plant.

Further, following an inspection of the Tuticorin unit on 12 September 2005, the TNPCB issued three show cause notices alleging violations of air, water and hazardous waste pollution standards at the Tuticorin plant. These notices alleged that Sterlite has failed to meet the conditions set out in the environmental consents granted for its operations, including the failure to implement purifying and monitoring systems, limit the size of certain disposal facilities and maintain sufficient storage and waste disposal facilities. The show cause notices require Sterlite to show cause as to why an order of closure of the Tuticorin plant should not be passed against it and why penal action under the relevant environmental legislations should not be taken. Sterlite has responded to the notices by contesting these allegations on the grounds that all the necessary conditions of the consent letters had been complied with. The TNPCB has to date not responded.

If the TNPCB rejects Sterlite's responses, the TNPCB may initiate penal action against it, which could lead to imposition of fines, initiation of criminal proceedings against those directly in charge of and responsible for the conduct of Sterlite's business, stoppage of water, electricity or other services to Tuticorin or order closure of the plant. Further, if the orders of the TNPCB are not complied with, the TNPCB is authorised to initiate eviction processes.

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 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, (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 petition is yet to be admitted.

Certain non-governmental organisations and individuals filed interlocutory applications in 2004 alleging violations of forest conservation laws by Vedanta Aluminium's refinery project at Lanjigarh and the related mining operations in the Niyamgiri Hills. These interlocutory applications were filed in an environment-related public interest litigation brought before the Supreme Court of India. A Central Empowered Committee, set up by the Supreme Court of India, issued a report dated 21 September 2005 which expressed the view that the MoEF should not have permitted the alumina refinery project to commence construction before undertaking an in-depth study about the ecological effects of the proposed bauxite mine on the ecology surrounding the Niyamgiri Hills and that the project would result in the displacement of indigenous tribes. The Central Empowered Committee further stated that Vedanta Aluminium was in violation of certain environmental clearances granted by the MoEF to Vedanta Aluminium for the construction of the alumina refinery and recommended that the Supreme Court of India revoke such clearances and prohibit further work on the project. The Supreme Court of India directed that an in-depth report be prepared on the matter by the MoEF.

The Supreme Court, after obtaining a detailed a report on the impact of flora, fauna and tribal habitation due to bauxite mining from the MoEF and the State of Orissa, passed an order in November 2007, rejecting Vedanta Aluminium's application to commence operations. The order of the Supreme Court provided that if the State of Orissa, OMC and Sterlite jointly agree to the rehabilitation package proposed by the court, and Sterlite notifies the court that it is agreeable to the package, the court may consider granting clearance to the project. All parties have filed affidavits confirming their commitment to the rehabilitation package. The petition is listed to be heard on 18 July 2008.

While the development of the mines has been the subject of these disputes, Vedanta Aluminium has continued construction of its alumina refinery, commissioning of which began in March 2007. Vedanta Aluminium has not yet received mining approvals for the mines in the Niyamgiri Hills. The alumina refinery is located adjacent to the mines as it was contemplated that it would source bauxite from the mines. The environmental clearance granted by the MoEF in respect of the alumina refinery specifies that Vedanta Aluminium must obtain approval for the sourcing of bauxite from the linked mines in the Niyamgiri Hills before commencing commercial operations at the alumina refinery. As the alumina refinery is nearing completion and bauxite remains unavailable from the mines due to the ongoing legal proceedings, Vedanta Aluminium has sought and obtained the approval of the MoEF to source up to one million tonnes of bauxite from third parties for trial runs and other purposes. However, an adverse outcome of the legal proceedings before the High Court of Orissa and the Supreme Court of India or the failure to obtain regulatory approvals may delay or prevent Vedanta Aluminium from obtaining additional bauxite for its alumina refinery, operating the mines in a timely manner, or at all, or commencing commercial operations at the refinery and source bauxite from third parties in a timely manner, or at all. Any of these events may have a material adverse effect on Vedanta Aluminium's business, results of operations, financial condition and prospects and, in turn, on us as a result of our equity ownership interest in Vedanta Aluminium.

Sterlite and Vedanta Aluminium have entered into three separate leases with 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. 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.

In addition, the agreement between Vedanta Aluminium and OMC provides that in the event Vedanta Aluminium fails to commence mining operations by June 2006, due to the gross negligence or causes attributable directly to Vedanta Aluminium, OMC may provide a notice of termination to Vedanta Aluminium.

Unless both Vedanta Aluminium and OMC otherwise agree during the 60-day notice period, OMC may terminate the agreement at any time after the 60-day notice period has elapsed. The litigation involving Vedanta Aluminium pending before the Supreme Court of India in relation to the mining operations in Niyamgiri Hills has affected Vedanta Aluminium's ability to obtain the relevant approvals to commence mining operations according to the schedule provided for under the agreement with OMC. As of the date of this Offering Circular, OMC has not issued a notice of termination to Vedanta Aluminium.

BALCO is involved in various litigations in relation to the alleged encroachment of land on which the Korba facility is situated and the State Government of Chhattisgarh has issued notices to BALCO alleging that BALCO had encroached on state-owned land.

BALCO has occupied certain land on which the Korba facility is situated since its establishment, which is the subject matter of a dispute for alleged encroachment by BALCO on government-owned land, among others.

BALCO petitioned the High Court of Chhattisgarh in 1996 to direct the State Government of Chhattisgarh to execute a lease deed in respect of this land in BALCO's favour. The High Court of Chhattisgarh passed an interim order in 2004 directing that the State Government of Chhattisgarh take no action against BALCO. The petition has been adjourned until the disposal of the writ petition filed by Sarthak before the Supreme Court.

In 2005, in response to several show cause notices issued against BALCO alleging encroachment of government land, BALCO filed an amendment petition with the High Court of Chhattisgarh seeking to quash these show cause notices. The High Court of Chhattisgarh directed that the status quo be maintained and that BALCO should not engage in any deforestation activities on the land until the next hearing date. By clarificatory order dated 2 July 2007, the High Court of Chhattisgarh directed that BALCO may continue construction and engage in deforestation activities after receipt of the requisite environmental approvals. The petition has been adjourned until the disposal of the writ petition filed by Sarthak before the Supreme Court.

BALCO has no formal lease deed in relation to this land. If this matter is decided in favour of the State Government of Chhattisgarh, we may be evicted from the land on which our Korba facility is situated, which would have a material adverse effect on our aluminium business.

A public interest petition has also been filed by an organization known as "Sarthak" before the Supreme Court of India 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. The Supreme Court of India directed the petition to be listed before the Forest Bench of the Supreme Court of India. The CEC submitted a report on the petition to the Supreme Court of India on 17 October 2007, recommending that BALCO be directed to seek ex-post facto approval under the Forest Act for the allotment and non forestry use of the land in possession. The matter is listed to be heard on 29 July 2008.

BALCO is involved in an arbitration in relation to a power purchase agreement with the Chhattisgarh State Electricity Board and has initiated arbitration proceedings against Chhattisgarh State Electricity Board.

BALCO had entered into a power purchase agreement dated 25 May 2006 with the CSEB for the sale of electricity by BALCO to CSEB. CSEB had on 14 November 2006 issued a letter stating that it had overpaid BALCO a sum of Rs. 529 million ($13.2 million) due to the quantum of load factor pursuant to which payment had been made having been incorrectly calculated, and that the definition that should have been applied is as provided in the Chhattisgarh Electricity Supply Code. BALCO in its reply dated November 25, 2006 had contested such position and stated that as no fixed quantum of electricity was to be supplied, the definition as laid down in the Chhattisgarh Electricity Supply Code should not be applicable, and further that such definition would be applicable only in those instances where the supply of electricity is between the consumer and the distribution licensee. Subsequently, on 2 August 2007, BALCO filed an arbitration petition against the CSEB reiterating its position and further stating that the power purchase agreement was entered into between the parties on the basis of the stipulations of the Chhattisgarh State Electricity Regulatory Commission. The matter is currently pending.

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 has also demanded an aggregate of $1.2 million by way of alleged arrears in royalty payments at such mines on the grounds that the royalty payments had been incorrectly computed 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 the months of October and November 2006 obtained a stay in respect of these demands. The next hearing date is 13 August 2008.

Additionally, 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 regards 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 cadium and silver and was thus in violation of the terms of the lease for the Rampura Agucha mine. The Ministry of Mines has claimed Rs. 2,435.88 million ($60.9 million) as the price to be recovered from HZL for the extraction of cadium and silver. HZL asserted in its writ petition that the lease was granted for lead, zinc and associated minerals and that cadium 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 cadium and silver, which has been duly accepted by the Ministry of Mines without objection. The High Court issued an order in October 2006 granting a stay and restrained the Ministry of Mines from undertaking any coercive 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 canceling the lease. The matter is currently pending.

Tamil Nadu Electricity Board ("TNEB") alleges that MALCO failed to pay the applicable electricity tariffs from 1995 to 1999.

TNEB/SEB has raised demand of approximately Rs. 3.1 billion ($77.6 million) against MALCO for failure to pay the applicable tariffs for electricity supplied to its operations in the period from 21 February 1995 to 20 February 1999 as the Government of India vide an order, dated 11 December 1997, restricting the concessional tariff previously made available to MALCO under the Board of Industrial and Financial Reconstruction scheme for four years from the date of the government order dated 28 April 1992. MALCO filed a petition before the Single Bench of the High Court of Madras, dated December 1997, against this demand stating that the four-year period specified in the order should commence from 21 February 1995, the date on which its operations recommenced and not from the date of the government order. MALCO's petition to the Single Bench of the High Court of Madras, dated December 1997, was favourably disposed in its favour in December 1999 along with a refund order. TNEB has filed an appeal against the order before a Division Bench of the High Court of Madras, which granted an interim stay against the refund order made by its Single Bench. No date has been set for a hearing.

TNEB alleges that MALCO failed to pay the applicable electricity consumption tax on self-generated power.

MALCO filed a writ petition before the Madras High Court against the claim made by TNEB 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 requested an exemption from the levy of electricity consumption tax to the State Government of Tamil Nadu although it may not meet the criteria necessary for exemption under the Electricity Generation and Consumption Act, 1961. In the second proceedings, 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 associated undertakings. 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 Madras High Court vide orders dated 24 August 2001 and 15 September 2003. The matter is currently pending and the next hearing date has not been fixed.

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 Income Tax Department. The Tax Department is expected to appeal against the decision of the Income Tax Appellate Tribunal, details of which have not yet been made available to the Group.

Alleged violation of takeover code and the listing agreement by Mitsui in connection with our acquisition of SGL.

Mr. Harinarayan Bajaj filed a writ petition before the High Court of Bombay in 1998, challenging the acquisition by Earlyguard Limited (UK incorporated wholly owned subsidiary of Mitsui & Company Limited, Japan) of Finco which held 51% of the share capital in SGL in 1996. Mr. Bajaj has alleged violation of the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 and 1997 (introduced thereafter) and the provisions of the listing agreement with the BSE and the NSE in relation to the acquisition of the shares of Finco by Earlyguard Limited. In April 2007, the High Court at Bombay declined to grant the interim injunction sought by the petitioner restraining Mitsui from directly or indirectly transferring or otherwise disposing of its interest in SGL, and subsequently the High Court, dismissed the petition. Mr. Bajaj filed a petition before the Supreme Court of India against the said order of the High Court. Prior to the order of the High Court, the petitioner's contentions were also dismissed by the SEBI and the SEBI Appellate Tribunal in 1997 on the ground that indirect acquisitions did not fall under the purview of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 and/or the listing agreements entered into with the stock exchanges. The next hearing date for the petition before the Supreme Court has not yet been determined. Although the past orders passed by the courts have been in favour of SGL, we cannot assure you that the Supreme Court shall continue to take a view in its favour and if the order passed by the Supreme Court is not in favour of SGL, Vedanta's interest in SGL may be challenged or there may also be a penalty imposed.

Criminal proceedings against SGL, SIL and their directors.

Ms. Krishna Bajaj filed a complaint against the then directors of SIL 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 complaint is pending for enquiry before framing any charge.

Ms. Krishna Bajaj filed another complaint against SIL, SGL and their directors in 2003 alleging that SGL offered in 2003 to buy the shares of SIL from the minority shareholders of SIL and thereby committed offence with a common intention and that for such reasons SIL, SGL and their then directors should be also liable for not listing the shares. There were also allegations of other irregularities under the Companies Act. The Chief Judicial Magistrate at Mumbai, in connection with Ms. Krishna Bajaj's complaint of 2003, issued order for process in October 2006 against SIL, SGL and its directors, against which a criminal writ petition was filed by SGL, SIL and their then directors before the High Court of Bombay, which stayed further proceeding, pursuant to an order in August 2007. However, the High Court has stated that order shall not prevent any other competent authority from initiating any complaint under the provisions of the Companies Act.

SGL is currently in a proceeding involving the infringement of a patent.

Sun Coke Company ("Sun Coke") filed a suit for patent infringement before the Civil Judge, Goa, against Sesa Kembla Coke Company Limited ("SKCCL"), a company which was subsequently merged with SGL. The infringement suit has been filed for a patented invention of "an improved draft control system in combination with a non-recovery coke oven battery and a method for producing coke from coal using the said system" granted to Sun Coke for 14 years effective from 10 September 1991. Sun Coke has alleged that SKCCL had been using the patented invention, without their prior knowledge and consent. Sun Coke has sought an injunction against SKCCL's use of the patented invention and also for payment of licence fee of $9.4 million. However, the infringement suit was dismissed in March 2005 for want of jurisdiction and held District Court to be the competent jurisdiction. Subsequently, Sun Coke filed an infringement suit before the Additional District Judge, Goa. SKCCL in its response stated that Sun Coke's invention was not patentable under the Patents Act, 1970. SKCCL was granted a patent in November 2005. In October 2006, Sun Coke filed a notice of opposition before the Controller of Patents and Designs against the patent granted to SKCCL. The Additional District Judge on January 2007 stayed the proceedings of the civil suit on the ground that the grant of the patent to the SKCCL had rendered the original proceedings infructuous and that the correct forum for deciding the validity of the patent is the appellate board. In light of the above order, the 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 matter is currently pending.

There are certain proceedings under the 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 the said lease was located in an ecologically fragile zone that the required clearance under applicable environmental legislations had not been obtained. The petitioner brought to the courts attention, the decision of the Indian Board of Wildlife on 1 January, 2002, requiring all lands falling within 10 km of the boundaries of national parks and sanctuaries to be notified as eco-fragile. During the course of proceedings, the High Court of Bombay in December 2004 ordered SGL and other mining companies to be impleaded in the writ petition and in the civil application. SGL has filed its reply stating that as no reliefs have been sought against it no relief ought to be granted. SGL has further stated that they are in compliance with all the applicable environmental legislations and that further that they are not carrying on any mining activity in any prohibited area. Further, in a separate writ petition filed by the Goa Foundation before the Supreme Court of India impleading SGL, the Supreme Court of India passed an order directing the Government of India to issue orders of closure against the units that are continuing to operate in violation of environmental laws. The Government of India 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 of India 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.

Certain non-governmental associations filed a writ petition in November 2002 before the High Court of Chennai against the Tamilnadu Pollution Control Board ("TNPCB"), Chennai Port Trust and Minerals and Metals Trading Corporation Limited seeking a direction to the TNPCB to frame an appropriate scheme to eliminate the chronic air pollution caused due to the handling of iron ore and coal at the Chennai Port and further to compensate the residents affected by the pollution. Pursuant to the same, TNPCB issued a notice in January 2003 to SGL alleging violations of air pollution standards in relation to export of dusty powdered iron ore from the Chennai Port Trust. SGL has responded to the notice contesting the allegations on the ground that from the time the iron ore is unloaded and until the cargo is loaded on boarded the ship, the entire operation is carried out by the Chennai Port Trust. Subsequently, in April 2003, the High Court of Chennai made SGL one of the parties to the writ petition and in April 2004 the High Court granted the TNPCB the right to inspect the premises.

Further, a complaint has been filed before the Deputy Collector and Sub-Divisional Magistrate, Bicholim, Goa dated March 2006 by Khemlo Sakharam Sawant against SGL. The complaint has been filed under the Criminal Procedure Code alleging that the pig iron plant and the coke plant at Bicholim Taluka is causing health problems to the villagers and is further destroying the agricultural produce. The Deputy Collector and Sub-Divisional Magistrate issued a show cause notice dated August 2006 to SGL pursuant to the compliance.

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 January 2006) stating that SGL had violated the terms of lease entered into between SGL and Comunidade of Amona in relation to land, wherein the pig iron plant of SIL 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 shifted to other locations. The next hearing regarding the civil appeals is scheduled for August 2008.

Indian Regulatory Matters

Mining Laws

The Mines and Minerals (Development and Regulations) Act, 1957, as amended (the "MMDR Act"), the Mineral Concession Rules, 1960, as amended (the "MC Rules") and the Mineral Conservation and Development Rules, 1988, as amended, of India (the "MCD Rules") govern mining rights and the operations of mines in India. The MMDR Act was enacted to provide for the development and regulation of mines and minerals under the control of India and it lays down the substantive law pertaining to the grant, renewal and termination of reconnaissance, mining and prospecting licences. The MCD Rules outline the procedures for obtaining a prospecting licence or a mining lease, the terms and conditions of such licenses and the model form in which they are to be issued. The MCD Rules lay down guidelines for ensuring mining is carried out in a scientific and environmentally friendly manner.

The Government of India announced the National Mineral Policy on 13 March 2008 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 which takes care of bio-diversity issues and provides for measures for restoration of the ecological balance. At the same time, the Government of India also made various amendments to various applicable mining laws, regulations and rules on procedure to be followed to reflect the principles underlying the National Mineral Policy, 2008.

Grant of a mining lease

Only the government of the applicable state may grant a mining lease. The mining lease agreement governs the terms on which the lessee may use the land for the purpose of mining operations. If the land on which the mines are located belongs to private parties, the lessee must acquire the surface rights relating to the land from such private parties. If a private party refuses to grant the required surface rights to the lessee, the lessee is entitled to inform the state government and deposit with the state government compensation for the acquisition of the surface rights. If the state government deems that such amount is fair and reasonable, the state government has the power to order a private party to permit the lessee to enter the land and carry out such operations as may be necessary for the purpose of mining. For determining what constitutes a fair amount of compensation payable to the private party, state governments are guided by the principles of the Land Acquisition Act, 1894, as amended, of India (the "Land Acquisition Act"), which generally governs the acquisition of land by governments from private individuals in India. In case of land owned by the Government of India, the surface right to operate in the lease area is granted by the government upon application as per the norms of the government of the state in which such land is located.

If the mining operations in respect of any mining lease results in the displacement of any persons, the consent of such affected persons, and their resettlement and rehabilitation as well as payment of benefits in accordance with the guidelines of the applicable state government, including payment for the acquired land owned by those displaced persons, needs to be settled or obtained before the commencement of the mining project. In respect of minerals listed in the First Schedule of the MMDR Act, prior approval of the Government of India is required to be obtained by the state government for entering into the mining lease. The approval of the Government of India is granted on the basis of the recommendations of the state governments, although the Government of India has the discretion to overlook the recommendation of the state governments. On receiving the clearance of the Government of India, the state government grants the final mining lease and prospecting licence. The lease can be executed only after obtaining the mine plan approval from the IBM, which is valid for a period of five years. A mining lease for a mineral or prescribed group of associated minerals cannot exceed a total area of 10 square kilometres. Further, in a state (province), one person cannot acquire mining leases covering a total area of more than ten square kilometres. However, the Government of India may, if necessary in the interest of development of any mineral, relax this requirement.

The maximum term of a mining lease is 30 years. A mining lease may be renewed for further periods of 20 years or less at the option of the lessee. Renewals are subject to the lessee not being in default of any applicable laws, including environmental laws. The MMDR Act provides that if a lessee uses the minerals for its own industry, then such lessee is generally entitled to a renewal of its mining lease for a period of 20 years, unless it applies for a lesser period. The lessee is required to apply to the relevant state government for the renewal of the mining lease at least one year prior to the expiry of the mining lease. Any delay in applying for a renewal of the mining lease may be waived by the applicable state government provided that the application for renewal is made prior to expiry of the mining lease. In the event that the state government does not make any orders relating to an application for renewal prior to the expiration of the mining lease, the mining lease is deemed to be 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 the protection and conservation of the environment from the adverse effects of mining. The MCD Rules require every lessee to take all possible precautions for the protection of the environment and control of pollution while conducting mining operations in any area. The required environmental protection measures include, among others, 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 the local habitation. Pursuant to the Supreme Court judgment in M.C. Mehta v. Republic of India, environmental impact assessment clearance from the MoEF is also required at the time of renewal of a mining lease if the area under the lease is in excess of 0.05 square kilometres and the mining lease is in respect of a major mineral. However, such environmental impact assessment clearance is not required to be obtained in the event the MoEF has approved the mining project, or the IBM has approved the mining plan with respect to the mining project. In the event of non-compliance with the terms of the lease, mining operations at the leased area may be suspended by the relevant state government per the MMDR Act. Further, consents to operate issued by the relevant State Pollution Control Board under the Air (Prevention and Control of Pollution) Act, 1981 ("Air Act"), Water (Prevention and Control of Pollution) Act, 1974 (Water

Act) and Hazardous Wastes (Management and Handling) Rules, 1989 ("Hazardous Wastes Rules") may also be revoked pending compliance and ameliorative action by the concerned mining action.

The new National Mining Policy, 2008 further emphasizes that no mining lease would be granted to any party without a proper mining plan, including on environmental plan approved and enforced by statutory authorities. The environment management plan should adequately provide for controlling the environmental damage and restoration of mined areas and for planting trees according to the prescribed norms.

Labour conditions

Working conditions of mine labourers are regulated by the Mines Act, 1952, as amended, of India from time to time, which sets forth standards of work, including 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.

Working conditions of workers in smelters and refineries are regulated by the Factories Act, 1948 and the Workmen's Compensation Act, 1923 ("WCA"), which sets forth similar standards for workers in industrial units other than mines.

Royalties

Royalties on the minerals extracted or a dead rent component, whichever is higher, are payable to the relevant state government 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 in accordance with a prescribed formula. The Government of India has been granted 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.

Environment Laws

Our business is subject to environmental laws and regulations. The applicability of these laws and regulations varies from operation to operation and is also dependent on the jurisdiction in which we operate. Compliance with relevant environmental laws is the responsibility of the occupier or operator of the facilities.

Our operations require various environmental and other permits covering, among other things, water use and discharges, stream diversions, solid waste disposal and air and other emissions. Major environmental laws applicable to our operations include:

The Environment (Protection) Act, 1986 ("EPA")

The EPA is an umbrella legislation in respect of the various environmental protection laws in India. The EPA vests the Government of India with the power to take any measure 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 $2,499 or imprisonment of up to five years, or both.

The Environment Impact Assessment Notification No. 1533(E), 2006 ("EIA Notification")

The EIA Notification issued under the EPA and the Environment (Protection) Rules, 1986 provides that the prior approval of the MoEF is required in the event any new project in certain specified areas is proposed to be undertaken. To obtain an environmental clearance, we must first obtain a no-objection certificate from the applicable State Pollution Control Board. This is granted after a notified public hearing, submission and approval of an environment 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.

Forest (Conservation) Act, 1980

The Forest (Conservation) Act, 1980 ("Forest Act") requires consent from the relevant authorities prior to clearing forests by felling trees. The final clearance in respect of both forests and the environment is given by the Government of India, through the MoEF. However, all applications have to be made through the respective state governments who will recommend the application to the Government of India. The penalties for non-compliance can include closure of the mine or prohibition of mining activity, stoppage of the supply of energy, water or other services and monetary penalties on and imprisonment of the persons in charge of the conduct of the business of the company carrying on mining activities.

Hazardous Wastes Rules

The Hazardous Wastes Rules aim to regulate the proper collection, reception, treatment, storage and disposal of hazardous wastes by imposing an obligation on every occupier and operator of a facility generating hazardous wastes to dispose such wastes without adverse effect on the environment, including through the proper collection, treatment, storage and disposal of such wastes. Every occupier and operator of a facility generating hazardous wastes must obtain an 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 wastes and any fine that may be levied by the respective State Pollution Control Boards.

Water Act

The Water Act aims to prevent and control water pollution as well as restore water quality by establishing and empowering State Pollution Control Boards. Under the Water Act, any individual, industry or institution discharging industrial or domestic waste water must obtain the consent of the relevant State Pollution Control Board, which is empowered to establish standards and conditions that are required to be complied with. If the required standards and conditions are not complied with, the relevant State Pollution Control Board may serve a notice on the concerned person, cause the local magistrates to pass an injunction to restrain the activities of such person and impose fines.

Water (Prevention and Control of Pollution) Cess Act, 1977 ("Water Cess Act")

Under the Water Cess Act, a lessee engaged in mining is required to pay a surcharge calculated based on the amount of water consumed and the purpose for which the water is used. A rebate of up to 25% on the surcharge payable is available to those industries which install any plant for the treatment of sewage or trade effluent, provided that they consume water within the quantity prescribed for that category of industries and also comply with the effluent standards prescribed under the Water Act or the EPA. Penalties for non compliance include imprisonment of any person in contravention of the provisions of the Water Cess Act for a period up to six months or a fine of $25, or both.

Air Act

Pursuant to the provisions of the Air Act, any individual, industry or institution responsible for emitting smoke or gases by way of use of fuel or chemical reactions must obtain the consent of the relevant State Pollution Control Board prior to commencing any mining or manufacturing activity. The State Pollution Control Board is required to grant consent within a period of four months of receipt of an application, but may impose conditions relating to pollution control equipment to be installed at the facilities and the quantity of emissions permitted. The penalties for the failure to comply with the provisions of the Air Act include imprisonment of up to seven years and the payment of a fine as may be deemed appropriate.

Employment and Labour Laws

We are subject to various labour, health and safety laws which govern the terms of employment of the labourers at our mining and manufacturing facilities, their working conditions, the benefits available to them and the general relationship between our management and such labourers. These include:

The Industrial Disputes Act, 1947 ("IDA")

The IDA seeks to pre-empt industrial tensions in an establishment and, provide the mechanics of dispute resolution, collective bargaining and the investigation and settlement of industrial disputes between trade unions and companies. While the IDA provides for the 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.

Contract Labour (Regulation and Abolition) Act, 1970 ("CLRA")

The CLRA has been enacted to regulate the employment of contract labour. 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 on 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 labourers except in accordance with the licence issued.

To ensure the welfare and health of contract labour, the CLRA imposes certain obligations on the contractor in relation to establishment of canteens, rest rooms, drinking water, washing facilities, first aid and other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period.

Employee State Insurance Act, 1948 ("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 factory or establishment to which the ESIA applies is required to be registered in the manner prescribed under the ESIA. Every employee, including casual and temporary employees, whether employed directly or through a contractor, who is in receipt of wages up to $162.4 per month, is entitled to be insured under the ESIA. The ESIA contemplates the payment of a contribution by the principal employer and each employee to the Employee State Insurance Corporation of India.

Payment of Wages Act, 1936 ("PWA")

The PWA regulates the payment of wages to certain classes of employed persons and makes every employer responsible for the 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.

Minimum Wages Act, 1948 ("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 of the provisions of this legislation may result in imprisonment up to six months or a fine up to $12.5 or both. Further, state governments are empowered to stipulate higher penalty, in monetary terms, for contravention of the provisions of this legislation, if it deems fit to do so.

WCA

The WCA makes every employer liable to pay compensation if injury, disability or death is caused to a workman (including those employed through a contractor) due to an accident arising out of or in the course of his employment. If the employer fails to pay the compensation due under the WCA within one month from the date it falls due, the commissioner may direct the employer to pay the compensation amount along with interest and impose a penalty for non-payment.

Payment of Gratuity Act, 1972 ("PGA")

Under the PGA, an employee who has been in continuous service for a period of five years is eligible for gratuity upon retirement or resignation. The entitlement to gratuity in the event of superannuation or death or disablement due to accident or disease, will not be contingent on an employee having completed five years of continuous service. The maximum amount of gratuity payable must not exceed $8,745.6.

An employee in a factory is said to be in "continuous service" for a certain period notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault to of the employee. The employee is also deemed to be in continuous service if the employee has worked (in an establishment that works for at least six days in a week or is employed below the ground in a mine) for at least 190 days in a period of 12 months or 95 days in a period of six months immediately preceding the date of reckoning.

Payment of Bonus Act, 1965 ("PBA")

The PBA provides for the 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. Under the PBA, every employer is bound to pay to every employee, in respect of the relevant accounting year, a minimum bonus equal to 8.3% of the salary or wage earned by the employee during the accounting year or $2.50, whichever is higher, whether or not the employer has any allocable surplus in the accounting year. If the allocable surplus, as defined in the PBA, available to an employer in any accounting year exceeds the aggregate amount of minimum bonus payable to the employees, the employer is bound to pay bonuses at a higher rate which is in proportion to the salary or wage earned by the employee and the allocable surplus during the accounting year, subject to a maximum of 20% of such salary or wage. Contravention of the provisions of the PBA by a company will be punishable by imprisonment for up to six months or a fine of up to $25, 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.

Employees' Provident Funds and Miscellaneous Provisions Act, 1952 ("EPFA")

The EPFA creates provident funds for the benefit of employees in factories and other establishments. Contributions are required to be made by employers and employees to a provident fund and pension fund established and maintained by the Government of India. The employer is responsible for deducting employees' contributions from the wages of employees and remitting the employees' as well as its own contributions to the relevant fund. The EPFA empowers the Government of India to frame various funds such as the Employees Provident Fund Scheme, the Employees Deposit-linked Insurance Scheme and the Employees Family Pension Scheme.

Other Laws

Land Acquisition Act

Under the provisions of the Land Acquisition Act, the Central Government of India or appropriate state government is empowered to acquire any land from private persons for 'public purpose' subject to payment of compensation to the persons from whom the land is so acquired. The Land Acquisition Act further prescribes the manner in which such acquisition may be made by the Central Government of India or the appropriate state government. Additionally, any person having an interest in such land has the right to object to such proposed acquisition.

Factories Act, 1948

The Factories Act, 1948, as amended (the "Factories Act"), defines a 'factory' to be any premises on which on any day in the previous 12 months, 10 or more workers are or were working and in which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or where at least 20 workers are or were working on any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the 'occupier' of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions. If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment or with a fine.

MANAGEMENT

The following table sets forth certain information regarding our Directors, executive officers and senior management as of 31 March 2008:

Name	Age	Position
Directors		
Anil Agarwal[(1)(2)]	54	Executive Chairman
Navin Agarwal[(3)]	47	Deputy Executive Chairman
Kuldip Kumar Kaura[(2)(4)(5)]	61	Chief Executive Officer
Naresh Chandra[(6)(7)(8)(9)]	73	Non-executive Director and Senior Independent Director
Aman Mehta[(9)(10)(11)]	61	Non-executive Director
Shailendra Kumar Tamotia[(8)(9)(12)]	69	Non-executive Director
Euan R. Macdonald[(7)(8)(9)(11)]	68	Non-executive Director
Executive Officers		
Tarun Jain[(2)]	48	Director of Finance, Sterlite
Dindayal Jalan[(2)]	51	Chief Financial Officer
Dilip Golani[(2)]	42	President and Head of Management Assurance, Vedanta
A. Thirunavukkarasu[(2)]	47	Head Corporate Human Resources
Other Significant Employees		
Copper Business		
Rajagopal Kishore Kumar[(2)]	45	Chief Executive Officer, Copper Division, Sterlite
Chandra Prakash Baid[(2)(5)]	54	Director Operations, KCM
Zinc Business		
Mahendra Singh Mehta[(2)(4)(5)]	52	Chief Executive Officer, HZL and Whole Time Director, HZL[(13)]
Aluminium Business		
Mansoor Siddiqi[(2)]	54	Chief Executive Officer, Aluminium Sector and Whole Time Director, VAL[(13)]
Pramod Suri[(2)(5)]	50	Chief Executive Officer, Aluminium Sector Operations and Whole Time Director, BALCO[(13)]
Iron Ore Business		
Prasun Kumar Mukherjee[(2)]	52	Managing Director, SGL
Power Business		
C.V. Krishnan[(2)]	58	Managing Director, Commercial Power Business

(1) Chairman of the Nominations Committee.

(2) Member of the Executive Committee.

(3) Chairman of the Executive Committee.

(4) Mr. Kaura will retire on 30 September 2008 and be replaced by Mr. Mahendra Singh Mehta, currently chief executive officer of our zinc business.

(5) Member of the Health, Safety and Environmental Committee.

(6) Chairman of the Remuneration Committee.

(7) Member of the Audit Committee.

(8) Member of the Nominations Committee.

(9) Independent director.

(10) Chairman of the Audit Committee.

(11) Member of the Remuneration Committee.

(12) Chairman of the Health, Safety and Environmental Committee.

(13) 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, Mansoor Siddiqi and Pramod Suri, Messrs. Navin Agarwal and Kuldip Kaura are also each 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, Kuldip Kumar Kaura, Naresh Chandra, Euan McDonald, Aman Mehta and Dr. Shailendra Kumar Tamotia. The business address of our non-executive directors and senior management is 16 Berkeley Street, Mayfair, London WIJ 8D2.

Executive Directors

Anil Agarwal is our Executive Chairman and was appointed to our Board in November 2003. Mr. Agarwal, who founded the Group in 1976, is also the chairman of Sterlite and is a director of BALCO, HZL, STL, SOVL, Vedanta Aluminium, CMT, TCM, VRHL, Finco and Sterlite Paper Limited. Mr. Agarwal was previously 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 over 30 years of experience as an industrialist and has been instrumental in our growth and development since our inception. He is the son of Mr. Dwarka Prasad Agarwal and the brother of Mr. Navin Agarwal.

Navin Agarwal is our Deputy Executive Chairman and was appointed to our Board in November 2004. Mr. Agarwal is also the executive vice-chairman and a director of Sterlite, the chairman of KCM and MALCO and a director of each of BALCO, HZL, Vedanta Aluminium, MALCO, STL, Sterlite Paper Limited, Sterlite Iron & Steel Company Limited, Sterlite Infrastructure Private Limited, Sterlite Infrastructure Holdings Private Limited, Sterlite Energy, Sterlite Telecom Limited, Sterlite Telelink Limited, Finco and Sterlite Shipping Ventures Private Limited. He joined Sterlite at its inception and the Board of Vedanta in November 2004. As executive vice-chairman of Sterlite, Mr. Agarwal is responsible for executing our business strategy and managing the overall performance and growth of Sterlite. The Deputy Executive Chairman is the head of the Group's Executive Committee. In this role, the Deputy Executive Chairman oversees the planning, execution and completion of the pipeline of growth projects. In the Executive Committee, the Deputy Executive Chairman brings together business unit and financial heads to ensure best practice is shared and continuous improvement measures are being implemented. Mr. Agarwal is principally employed by Sterlite and devotes most of his time to matters relating to Sterlite, though under the shared services agreement described in "Related Party Transactions", he does from time to time spend a small percentage of his time on matters relating to Vedanta and its subsidiaries. Mr. Agarwal has over 20 years of experience in general management and commercial matters. Mr. Agarwal has completed the Owner/President Management Program at Harvard University and has a Bachelor of Commerce from Sydenham College, Mumbai, India. Mr. Agarwal is the son of Mr. Dwarka Prasad Agarwal and the brother of Mr. Anil Agarwal.

Kuldip Kumar Kaura is our Chief Executive Officer and was appointed to our Board in March 2005. In addition, Mr. Kaura is Sterlite's managing director and chief executive officer, the vice-chairman and chief executive officer of KCM, and a director of HZL, Vedanta Aluminium, CMT, TCM and Vedanta. Mr. Kaura is principally employed by Sterlite and devotes most of his time to matters relating to it, though under the shared services agreement described in "Related Party Transactions", he does from time to time spend a small percentage of his time on matters relating to Vedanta and its subsidiaries. Mr. Kaura was the managing director of HZL from April 2002 to March 2004 and the chief operating officer of Vedanta from December 2003 to March 2005. Prior to that, Mr. Kaura served at ABB India as the managing director and country manager from 1998 to 2002. Mr. Kaura has a Bachelor of Engineering from the Birla Institute of Technology & Science in Pilani, India.

Non-executive Directors

Naresh Chandra is a Non-executive Director and our Senior Independent Director. Mr. Chandra joined our 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 of America 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, 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 Honourable President of India in 2007. Mr. Chandra holds a Master's degree in Mathematics from Allahabad University.

Aman Mehta is a Non-executive Director. Mr. Mehta, a senior banker, joined our Board in November 2004 following his retirement from The Hongkong 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, Indian Council for Research on International Economic Relations, PCCW Limited, Tata Consultancy Services Limited, Wockhardt Limited, Max Healthcare Institute Limited and Godrej Consumer Products Ltd, Cairn India Ltd, MGF Emaar Ltd and ING Group NY. 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 Delhi and is a member of a number of corporate and institutional boards in India as well as overseas.

Shailendra Kumar Tamotia is a Non-executive Director. Dr. Tamotia, an aluminium specialist, joined our Board in November 2004. He started his career in 1962 with an initial appointment at Bhilai Steel Plant in Chhattisgarh, India. Dr Tamotia held numerous positions at NALCO from 1984 until 1996, including as chairman and managing director in 1993. He was also president and chief executive officer of Indian Aluminium Company Ltd from 2000 until 2004. Dr. Tamotia is a director of IPICOL, Bhubaneswar, Jay Balaji Industries, Kolkata and Hindustan Dorroliver, Mumbai. Dr. Tamotia has a Bachelor of Engineering (Honours) degree in Civil Engineering and a Master's degree in Engineering, Soil Mechanics and Foundation Engineering from the University of Jabalpur.

Euan R. Macdonald is a Non-executive Director. He joined our 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, in New York.

Executive officers

Tarun Jain is the Director of Finance and a whole time director of Sterlite. Mr. Jain joined Sterlite in 1984 and has over 20 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 director of BALCO, HZL, Vedanta Aluminium, SOVL, Twin Star, MALCO, Westglobe and Sterlite Shipping Ventures Private Limited.

Dindayal Jalan is our Chief Financial Officer and is also the chief financial officer 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 our Chief Financial Officer in October 2005 and was also appointed as the chief financial officer of Sterlite in March 2003. Between these two positions, Mr. Jalan is principally employed by Sterlite and devotes most of his time to matters relating to Sterlite, though under the shared services agreement described in "Related Party Transactions — Related Transactions", he does from time to time spend a small percentage of his time on matters relating to Vedanta and its other subsidiaries. Mr. Jalan has over 27 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 President of Sterlite's management assurance department and the group head of management assurance. 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 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.

A Thirunavukkarasu is the Head Corporate Human Resources for the Group. Mr. Thirunavukkarasu is responsible for strategic and operational aspects of human resources. Mr. Thirunavukkarasu joined the Group in April 2004. Prior to his current assignment, he was the head of human resources for Sterlite's copper business until June 2007. Mr. Thirunavukkarasu has held various human resources positions with several companies like Hindustan Levers Limited, Well Knit Apparels and Dico Stone. His last assignment prior to joining Sterlite was with TVS Electronics Limited. Mr. Thirunavukkarasu obtained his Masters in Social Work from Loyola College, Chennai.

Other Significant Employees

Copper business

Rajagopal Kishore Kumar is the chief executive officer of Sterlite's copper division and has been responsible for the overall management of Sterlite's copper business since December 2006. Mr. Kumar joined our 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 our Company, Mr. Kumar was employed by Hindustan Lever Limited for 12 years, where his last position was as regional commercial manager. Mr. Kumar has a Bachelor of Commerce degree from Kolkata University and is a member of the Institute of Chartered Accountants of India.

Chandra Prakash Baid is the director of operations for KCM. Mr. Baid is responsible for the operations at KCM. Mr. Baid joined KCM in December 2006. Prior to this, Mr. Baid was the president and a whole time director of BALCO since September 2003. Prior to that, he was the President of MALCO from January 2001. Prior to joining MALCO, Mr. Baid served as an executive director at Southern Iron & Steel Company Limited, a vice president of Atul Products Limited, senior manager at Hindustan Lever Limited and senior manager at Engineers India Limited. Mr. Baid has a Bachelor's degree in Mechanical Engineering from the Birla Institute of Technology and Sciences and a post-graduate Diploma in Project Management from the Project Management Association, New Delhi.

Zinc business

Mahendra Singh Mehta is the chief executive officer and a whole time director of HZL and has been responsible for our zinc business since August 2005. Mr. Mehta joined our Company in 2000 and was appointed the senior vice president of our Indian copper business between October 2001 and November 2002. From November 2002, he was responsible for the marketing of base metals (copper, aluminium, lead and zinc), copper concentrate procurement, zinc concentrate export and tolling and coal procurement as the commercial-director-base metals before joining HZL as its whole time director. Prior to joining our Company, Mr. Mehta held various positions in the marketing, finance and commercial departments of various companies in the steel industry, including Lloyds Steel Limited where he was in charge of marketing steel products, working capital finance and the cold rolled coils and galvanised steel projects. Mr. Mehta has a Bachelor of Engineering from the MBM Engineering College, University of Jodhpur and a Master's degree in Business Management from the Indian Institute of Management, Ahmedabad.

Aluminium business

Mansoor Siddiqi is the chief executive officer for the aluminium sector for the Group and is also a director of Vedanta Aluminium. Prior to this, Mr. Siddiqi held the position of director of projects for the Group and was in charge of expansion projects in the aluminium business. He joined the Group in 1991. Prior to joining the Group, Mr. Siddiqi worked at Hindustan Copper Limited. Mr. Siddiqi has 28 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, and a diploma in management from the All India Management Association, Delhi.

Pramod Suri is the head of operations for the aluminium sector and whole time director of BALCO. He is responsible for the operations of our aluminium business and holds the additional responsibility for the Vedanta Aluminium Complex at Jharsugda. Prior to this, Mr. Suri was the president for BALCO Operations. Mr. Suri joined the Group in 2004 as Head of the 245,000 tpa Korba smelter for BALCO. Prior to joining our company, 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 Masters of Chemistry degree from the Indian Institute of Technology, Delhi.

Iron ore business

Prasun Kumar Mukherjee is the managing director of SGL and has been responsible for the iron ore business of SGL since April 2006. 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 April 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

C.V. Krishnan is the managing director of our commercial power generation business and has been responsible for the overall management and development of our commercial power generation business since October 2006. Prior to that, Mr. Krishnan was the chief executive officer and managing director of KCM. Mr. Krishnan was responsible for KCM's copper business in Zambia from February 2005 to October 2006. From October 2003 to January 2005, Mr. Krishnan was chief executive officer for Shankar Netralaya Medical Research Foundation, Chennai, a NGO and non-profit trust hospital. Prior to that, he was Sterlite's chief executive officer (metals) from October 2001 to October 2003. Mr. Krishnan was also a director of Sterlite and HZL from October 2001 to February 2005. Mr. Krishnan has been a director of KCM since February 2005. Prior to joining Sterlite in May 1999, he was the chief executive officer and managing director of Essar Power Limited. Mr. Krishnan has over 30 years of work experience and has held senior positions in Larsen & Toubro Limited, A.F. Ferguson & Co., Shriram Fertilisers & Chemicals Limited and E.I.D Parry Limited. Mr. Krishnan has a Bachelor of Technology degree from the Indian Institute of Technology, Chennai, and a Masters of Business Administration degree from the Indian Institute of Management, Ahmedabad.

Corporate Governance

Vedanta's shares have been listed on the LSE since December 2003. Most of our assets and management are located in India. Four of our subsidiary companies, namely Sterlite, MALCO, 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 NYSE and is thus subject to compliance with NYSE listing requirements. In addition, BALCO and HZL, along with our recently privatised Zambian business, KCM, have government appointees on their boards of directors to represent wider shareholder interests.

Our Executive Chairman, Mr. Anil Agarwal, is our original promoter and founder having built the Group from its inception in 1976. Volcan, a company Mr. Agarwal may be deemed to have beneficial ownership of, remains Vedanta's controlling shareholder with a 53.5% interest as of 23 May 2008. The relationship between Volcan, Mr. Agarwal and our Group is governed by a relationship agreement ("the Relationship Agreement") which was entered into at the time of Vedanta's Listing to ensure the Company is able to operate independently of the controlling shareholder. See "Related Party Transactions — Related Transactions — Relationship Agreement — Vedanta, Volcan, Onclave and Mr. Anil Agarwal".

Since Vedanta's Listing, the Board has moved towards compliance with the requirements of "The Combined Code on Corporate Governance" issued by the Financial Reporting Council (the "Code") in July 2003. The Board believes that in the interest of all shareholders, the application of corporate governance must reflect the nature and location of our businesses, the ownership of Vedanta and its subsidiaries, our development needs and assurance that our talents are utilised to their fullest potential.

We do not provide for any benefits to our 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 2008, except as follows:

- First, our 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.2.2 and A.3.1).

  As the founder of Vedanta, Mr. Anil Agarwal has built the 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 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 our 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 our success.

- Second, pursuant to the Relationship Agreement and as disclosed at the time of Listing, Volcan will be consulted on all appointments to the Board. The Nominations Committee of our 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 our Company's portfolio of businesses profitably while assessing and managing the associated risks. The boards of directors of the 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 our 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.

The Board has adopted a schedule of matters reserved for its consideration to ensure that the Board is in a position to assess strategy, monitor performance and maintain effective controls while delegating operational management to the Executive Committee and the Group's businesses. Such matters reserved to the Board include, but are not limited to, approving our overall strategy and annual budgets, major capital expenditures, major acquisitions and disposals.

There are five Board Committees: Executive, Nominations, Remuneration, Audit and Health, Safety and Environment. Each committee has its own clearly defined terms of reference, which can be obtained from the Company's Secretary and each committee reports directly to the Board.

Board Balance and Independence

The Board comprises the following members as of 31 March 2008:

Mr. Anil Agarwal	Executive Chairman
Mr. Navin Agarwal	Deputy Executive Chairman
Mr. Kuldip Kumar Kaura	Chief Executive Officer
Mr. Naresh Chandra	Non-executive Director and Senior Independent Director
Mr. Aman Mehta	Non-executive Director
Dr. Shailendra Kumar Tamotia	Non-executive Director
Mr. Euan R. Macdonald	Non-executive Director

All four non-executive Directors served throughout fiscal 2008 and up to the date of this Offering Circular. There have been no new appointments to the Board during the year.

The Board considers all of the non-executive Directors to be independent as defined by Code Provision A.3.1. 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). 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 us prior to their appointment to our 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 our Chairman and Chief Executive Officer have failed to resolve, or for which contact is inappropriate.

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 setting out the key responsibilities of the Executive Chairman and Chief Executive Officer. A clear separation is maintained between the responsibilities of the Executive Chairman and the Chief Executive Officer, as detailed below:

Executive Chairman	Chief Executive Officer
• Setting a vision for Vedanta, formulating its strategy and creating a growth pipeline of profitable business opportunities	• Developing the executive team
• Providing leadership to the Board and ensuring its effectiveness	• Supporting the Executive Chairman in the delivery and implementation of strategy
• Ensuring that there is effective communication with shareholders	• Optimising our assets and management and the allocation of resources
• Facilitating the effective contribution of non-executive Directors	• Supporting the Executive Chairman in effective communication with various shareholders
• Overseeing corporate governance arrangements in compliance with the Code	• Creating and maintaining a sound control environment

Executive Committee

The Executive Committee, comprising the Executive Directors and the senior management within the Group who head our 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 our values and standards, determine our strategic objectives and monitor operational performance.

The Executive Committee supports the Board in fulfilling this role and is essentially responsible for our 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.

The Executive Committee had 12 meetings in fiscal 2008.

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. Mr. Anil Agarwal is Chairman of the Nominations Committee. The other members are Messrs. Naresh Chandra, Euan R. Macdonald and Dr. Shailendra Kumar Tamotia.

The Code issued in June 2006 requires that all directors be re-elected at intervals of no more than three years and that non-executive directors should be appointed for specific terms. Accordingly:

1. In November 2007, Mr. Aman Mehta's and Dr. Shailendra Kumar Tamotia's contracts expired and were renewed for a further period of two years. Mr. Euan R. Macdonald's three year contract was renewed in March 2008. All three are therefore required to stand for re-election in terms of the Company's Articles of Association ("Articles");

2. Mr. Naresh Chandra, who is engaged on a contract renewable every 12 months, was re-appointed in June 2007 and will again stand for re-election this year.

Vedanta's 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. The Directors to retire by rotation shall be those who have been longest in office since appointment or re-appointment. Messrs. Navin Agarwal and Kuldip Kumar Kaura must offer themselves for re-election, having been elected at the 2005 annual general meeting following their appointment to the Board on 4 May 2005.

The Nominations Committee held three meetings in fiscal 2008.

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 Group.

The Remuneration Committee had three meetings in fiscal 2008.

Audit Committee

The primary role of the Audit Committee is to oversee the integrity of our financial reporting system, our approach to risk and internal controls, the effectiveness of our internal audit activity, our relationship with its external auditors and compliance with relevant statutory and other required financial reporting standards, including corporate governance disclosures. The Audit Committee reviews our whistleblowing policy and risk matrix, our annual report and interim statement, fraud or misappropriation cases, and reviews our external audit engagement, scope and strategy.

In addition to the requirements of the Code issued in June 2006 certain of Vedanta's subsidiaries, by virtue of their listings on 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 our Audit Committee which also monitors the discussions and findings of the audit committees of Vedanta's subsidiaries.

Mr. Aman Mehta is the Chairman of our Audit Committee. The other members are Messrs. Naresh Chandra and Euan R. Macdonald.

The Audit Committee had four meetings in fiscal 2008.

Health, Safety and Environment Committee

Dr. Shailendra Kumar Tamotia, one of our non-executive Directors, is the Chairman of our Health, Safety and Environment Committee. The other members are Messrs. Kuldip Kumar Kaura, Mahendra Singh Mehta, Pramod Suri, Ramesh Nair (vice president of Sterlite), Chandra Prakash Baid, CSR Mehta (Coordinator of the Health, Safety and Environment Committee) and Ms. Ruby Thapar (Coordinator of CSR).

The principal duties and responsibilities of the Health, Safety and Environment Committee are:

- To set annual targets for performance improvement on safety, water management, energy conservation and periodic monitoring of performance;
- To identify and develop options for utilisation of wastes like fly ash, slag, gypsum and red mud;
- To approve CSR plans and review implementation status;
- To identify and develop clean development mechanism ("CDM") projects as part of climate change initiatives and opportunity to generate additional revenues; and
- Link safety performance to the annual performance review for all executives.

The Health, Safety and Environment Committee had three meetings in fiscal 2008.

Directors' and Executive Officers' Compensation

The aggregate compensation Vedanta paid to its executive directors and executive officers for fiscal 2008 was \$15.8 million, which includes \$12.9 million paid towards short term benefits comprising salary, bonuses and allowances, \$0.5 million paid towards post employment benefits and \$2.4 million in non-cash payments relating to the LTIP. The total compensation paid to Vedanta's most highly compensated executive during fiscal 2008 was \$5.8 million, of which \$2.7 million comprised salary, bonus and benefits in kind and \$3.1 million comprised non-cash payments relating to the LTIP.

The aggregate compensation Vedanta paid its non-executive directors in fiscal 2008 was Rs. 26.81 million (\$0.67 million).

The following table sets forth the pre-tax remuneration for the year ended 31 March 2008 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 amounts have been converted into US dollars for the convenience of the reader at the exchange rate of £1.9855 = \$1.00, the noon buying rate in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on 31 March, 2008. The noon buying rate on 13 June, 2008 was £1.9496 = \$1.00.

	UK Salary	Fees	Pensions	Annual Performance Bonus	Benefits in Kind	Total
			($ thousands)			
Executive Directors						
A.K. Agarwal[(1)]	\$1,489.1	\$ —	\$ —	\$ 893.5	\$250.2	\$2,632.8
N. Agarwal[(2)]	119.0	782.3	125.1	601.6	81.4	1,709.4
K.K. Kaura[(3)]	119.0	508.3	45.7	331.6	69.5	1,074.1
Non-Executive Directors						
M. Chandra	189.0	—	—	—	—	189.0
A. Mehta	169.0	—	—	—	—	169.0
S.K. Tamotia	163.0	—	—	—	—	163.0
E.R. Macdonald	143.0	—	—	—	—	143.0
Total	**\$2,391.1**	**\$1,290.6**	**\$170.8**	**\$1,826.7**	**\$401.1**	**\$6,080.3**

(1) Mr. Anil Agarwal's benefits in kind include provision of a car and fuel in the UK 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. Kaura's benefits in kind include use of leased accommodation in India and use of car and driver.

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 who is not within six months of such employee's normal retirement date.

The LTIP is consistent with our 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. During fiscal 2008, the Remuneration Committee also granted a one off short-term incentive under the LTIP with the same terms and conditions other than a vesting period of one year. Under this scheme, the Executive Directors were not granted an option. No LTIP grants were made in fiscal 2008.

The performance target which currently applies to vesting of awards is our 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 2007, options to acquire 565,530 Vedanta Ordinary Shares were granted under the Vedanta short-term incentive under the LTIP to directors and management of Vedanta and its subsidiaries. All of the options were granted on 1 February 2007 and had an exercise price of $0.10 per ordinary share. After the approval of remuneration committee 300,000 shares were exercised, out of which 137,100 shares were issued 31 March 2008. In November 2007, the Remuneration Committee resolved to award LTIP options to our employees in respect of 1,691,349 ordinary shares, commensurate with the objective of ensuring that remuneration packages remain competitive, in view of the increasingly competitive labour market in India, where most of the Group's employees are based.

As of 31 March 2008, options were outstanding under the LTIP to acquire an aggregate of 3,832,149 Ordinary Shares of Vedanta.

Vedanta Share Option Plan

The Group adopted Vedanta's Share Option Plan (the "Plan") in 2004. The 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 our Directors and executive officers during fiscal 2008:

Option Granted	Exercise Price	Options Outstanding 1 April 2007	Movements During the Year: Grants	Movements During the Year: Exercised	Options Outstanding 31 March 2008	Exercise Period (Earliest/latest Exercise Dates)	Date Award Exercised
A.K. Agarwal							
26 February 2004	$0.10	120,000	—	120,000	—	26 February 2007 to 26 August 2007	13 August 2007
1 February 2006	0.10	42,500	—	—	42,500	1 February 2009 to 1 August 2009	—
14 November 2007	0.10	—	37,000	—	37,000	15 November 2010 to 14 May 2011	—
N. Agarwal							
1 February 2006	0.10	33,400	—	—	33,400	1 February 2009 to 1 August 2009	—
14 November 2007	0.10	—	24,500	—	24,500	15 November 2010 to 14 May 2011	—
K.K. Kaura							
1 February 2006	0.10	25,000	—	—	25,000	1 February 2009 to 1 August 2009	—
14 November 2007	0.10	—	16,500	—	16,500	15 November 2010 to 14 May 2011	—

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 our Ordinary Shares as of 23 May 2008 held by:

- each person who is known to us to have more than 5% beneficial share ownership;
- each of our Directors and executive officers having more than 1% beneficial share ownership; and
- all of our Directors and executive officers as a group.

Each of our Ordinary Shares is entitled to one vote on all matters that require a vote of shareholders, and none of our 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 23 May 2008 are based upon our 288,178,887 Ordinary Shares (including 100,367 Ordinary Shares held through global depository receipts, with no voting rights) outstanding as of that date.

Shareholders' Name	Ordinary Shares	Percentage
5% shareholders		
Volcan Investments Limited and affiliates[1]	154,157,911	53.5%
Loyalist Plaza,		
Don Mackay Boulevard		
P O Box AB-20377		
Marsh Harbour, Abaco		
Bahamas		
Wellington Management Company, LLP	20,255,829	7.0%
Directors and Executive Officers		
Anil Agarwal[1][2]	154,213,351	53.5%
Navin Agarwal	200,000	*
Kuldip Kumar Kaura	50,000	*
Naresh Chandra	—	*
Aman Mehta	—	*
Shailendra Kumar Tamotia	—	*
Euan R. Macdonald	—	*
Tarun Jain	75,000	*
Dindayal Jalan	26,858	*
Dilip Golani	14,980	*
A. Thirunavukkarasu	1,955	*
All our directors and executive officers as a group (11 persons)	154,582,144	53.6%

* Represents beneficial ownership of less than 1%.

(1) Volcan owns 154,157,911 Ordinary Shares, or approximately 53.5% of the issued ordinary 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 55,440 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 our consolidated financial statements appearing elsewhere in this Offering Circular.

Related Parties

Volcan and the Agarwal Family

Volcan owns 53.5% 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.

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 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 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 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 Group; and (ii) before acquiring such property or asset, first made the opportunity to acquire such property or asset available to the 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 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 (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 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 ours.

In fiscal 2006, 2007 and 2008, we received $20,895, $21,940 and $29,646 from STL, respectively, under the shared services agreement. In fiscal 2006 and 2007, we received $16,700 and $6,966 from Sterlite Gold, respectively, under the shared services agreement. We did not receive any amount from Sterlite Gold in fiscal 2008.

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 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 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 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 ours.

Representative Office Agreement — Vedanta and Sterlite

Vedanta entered into a representative office agreement with Sterlite on 29 March 2005 under which it agreed to provide technical and commercial materials to Sterlite to enable Sterlite to promote its business or raise funds overseas, and to be Sterlite's non-exclusive overseas representative, for which Sterlite has agreed to pay an amount of $2.0 million (Rs. 80.5 million) per year to Vedanta. This agreement is effective until 31 March 2009.

Consultancy Agreement — Vedanta and Sterlite

Vedanta entered into a consultancy agreement with Sterlite on 29 March 2005 under which it agreed to provide strategic planning and consultancy services to Sterlite and Sterlite's subsidiaries in various areas of business such that Sterlite is able to finalise and implement its plans for growth and is able to raise the necessary finances. The terms of this agreement were negotiated by Sterlite and Vedanta and we believe them to be fair and reasonable, though this agreement was not negotiated on an arm's length basis. Under this agreement Vedanta has agreed to make certain of its employees available to Sterlite and Sterlite has agreed to pay a service fee to Vedanta on the basis of, among other things, the amount of time spent in providing the services and associated costs, with a mark-up of 40%. The anticipated fee used for reference in the agreement, which is based on a relevant proportion of the expected annual budgeted costs for fiscal 2005 plus the mark-up of 40%, is $3.0 million (Rs. 120.1 million) per year. This agreement is effective from 1 April 2004 until 1 March 2009.

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 — 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 2008, it issued guarantees of $150 million.

Sale of Aluminium Conductor Business — STL and Sterlite

On 30 August 2006, Sterlite entered into an agreement to sell its aluminum 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 Rs. 1,485 million ($37.1 million). 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.

Loan to Relative of a Director — Sterlite and Mrs. Rajni Jain

In fiscal 2003, Sterlite made a loan of Rs. 15 million ($0.4 million) to Mrs. Rajni Jain, the wife of Mr. Tarun Jain. This loan was repaid in March 2006. The largest amount outstanding under the loan during its term was Rs. 15 million ($0.4 million). The loan was an interest-free housing loan. Such housing loans are made available to members of Sterlite's senior management on terms consistent with local market practice.

Acquisition of Sterlite Energy — Twin Star Infrastructure Limited, Mr. Anil Agarwal, Mr. Dwarka Prasad Agarwal and Sterlite

Sterlite acquired 100% of the outstanding shares of Sterlite Energy on 3 October 2006 from Twin Star Infrastructure Limited, Mr. Anil Agarwal and Mr. Dwarka Prasad Agarwal for a total consideration of Rs. 4.9 million ($0.1 million), an amount equal to the par value of all of the outstanding shares of Sterlite Energy. The terms of the acquisition were negotiated on an arm's length basis and were reviewed and approved by Sterlite's board of directors, with the interested directors, Mr. Anil Agarwal and Mr. Dwarka Prasad Agarwal, abstaining from the vote.

MATERIAL CONTRACTS

The following is a summary of each of our 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".

KCM Acquisition Agreements

Subscription Agreement

Under a subscription agreement dated 19 August 2004 between GRZ, ZCIH, ZCCM, KCM and Vedanta, Vedanta agreed to subscribe for and KCM agreed to issue to Vedanta 560,325,511 new ordinary shares in KCM at a subscription price of $25.0 million (Rs. 1,000.5 million), representing 51.0% of the enlarged issued share capital of KCM. Vedanta also agreed to pay ZCIH $23.2 million consisting of an initial payment of $2.3 million (Rs. 92.0 million) on completion of the acquisition, with the remaining $20.9 million payable in equal instalments over four years beginning on 31 December 2005. As of 31 March 2008, one instalment in the amount of $5.2 million was outstanding. The subscription was approved by the shareholders of Zambia Copper Investments Ltd. on 26 October 2004, and the acquisition was completed on 5 November 2004.

Shareholders' Agreement

A shareholders' agreement among GRZ, Zambia Copper Investments Ltd., 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. 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 $220.0 million (Rs. 8,804.4 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 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 below) 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.

Vedanta Call Option Deed

See "Business — Options to Increase Interests in HZL, BALCO and KCM — KCM Call Options".

ZCIH/ZCCM Call Option Deed

See "Business — Options to Increase Interests in HZL, BALCO and KCM — KCM Call Options".

Amended and Restated Development Agreement

An amended and restated 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. This 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 agreement also incorporates the Approved Programme of Mining and Metal Treatment Operations and the mining licences granted to KCM for a period of 25 years from 31 March 2000. In addition to providing legislative and taxation certainty to KCM for the agreed stability period ending 31 December 2009, subject to extension depending on increased life of mine associated with an Extension Project such as the KDMP, this agreement also provides certain incentives and concessions which benefit KCM. This agreement also sets out the terms and conditions on which GRZ will grant its approval to any Extension Project proposed by 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. 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 of directors 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 under the Management Agreement.

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 us and our affiliates. With respect to transactions between us and our affiliates, Directors and executive officers that involve conflicts of interests, we have 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 our equity shares, to any related party, except that such approval would not be required for sales of our equity shares to our controlling shareholder or its affiliates in an amount not to exceed 5% of the number of our 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 our equity shares.

Under the listing agreements that our 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 generally accepted accounting principles in India ("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 our annual financial statements.

We also have used and will continue to use independent appraisers in appropriate circumstances to help determine the terms of related party transactions. We have had and will continue to have an Audit Committee comprised entirely of independent directors which is responsible for reviewing any related-party transaction by us or any of our subsidiaries or affiliates.

DESCRIPTION OF MATERIAL INDEBTEDNESS

Set forth below is a summary of the terms and conditions of certain of our debt instruments that we consider 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 our financial statements for additional information about our indebtedness.

As of 31 March 2008, we had $2,974.1 million of debt outstanding including term loans and working capital facilities. In addition, we have $1,426.5 million of undrawn credit facilities. Set forth below is information regarding our debt outstanding on and after 31 March 2008.

Offering of $500.0 million 6.625% bonds issued by Vedanta on 21 December 2004 with Barclays Capital, Deutsche Bank AG, London Branch and ABN AMRO as managers

On 21 December 2004, Vedanta issued $500.0 million 6.625% bonds offered by Barclays Capital, Deutsche Bank AG, London Branch and ABN AMRO as managers to qualified institutional buyers within the United States in reliance on Rule 144A and outside of the United States in reliance on Regulation S.

The issue price was 99.739%. The bonds bear interest from 21 December 2004 at the rate of 6.625% per annum. The bonds will mature on 22 February 2010.

Under the terms and conditions of the bonds, Vedanta is subject to certain covenants restricting it and its subsidiaries from creating or permitting to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon its undertaking, assets or revenues to secure any indebtedness or debt, or any guarantee or indemnity in respect of any indebtedness or debt (other than such as may subsist in respect of the Sterlite $67.0 million floating rate notes due 2007 issued on 5 June 1997), unless the bonds are secured equally and rateably therewith or otherwise benefit identically or not materially less beneficial to the bondholders.

Offering of $100.0 million 6.625% bonds issued by Vedanta on 27 January 2005 with Barclays Capital, Deutsche Bank AG, London Branch and ABN Amro as managers

On 27 January 2005, Vedanta issued $100.0 million 6.625% bonds offered by Barclays Capital, Deutsche Bank AG, London Branch and ABN AMRO as managers to qualified institutional buyers within the United States in reliance on Rule 144A and outside of the United States in reliance on Regulation S.

The issue price was 99.463%. The bonds bear interest from 21 December 2004 (including 35 days' accrued interest) at the rate of 6.625% per annum. The bonds will mature on 22 February 2010.

Under the terms and conditions of the bonds, Vedanta is subject to certain covenants restricting it and its subsidiaries from creating or permitting to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon its undertaking, assets or revenues to secure any indebtedness or debt, or any guarantee or indemnity in respect of any indebtedness or debt (other than such as may subsist in respect of the Sterlite $67.0 million floating rate notes due 2007 issued on 5 June 1997), unless the bonds are secured equally and rateably therewith or otherwise benefit identically or not materially less beneficial to the bondholders.

The $100.0 million 6.625% bonds were consolidated on or about 27 January 2005 with the $500.0 million 6.625% bonds and, upon consolidation, the bonds form a single series with an aggregate principal amount of $600.0 million.

$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 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 millions 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, 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.

$92.3 million Term Facility Agreement dated 22 March 2006 between Sterlite as borrower and Calyon, Standard Chartered Bank and ICICI Bank Limited as mandated lead arrangers

On 22 March 2006, Sterlite entered into a $92.3 million term facility agreement with ICICI Bank Limited, Singapore Branch, Calyon and Standard Chartered Bank as the mandated lead arrangers, Standard Chartered Bank as agent and Calyon, Standard Chartered Bank, ICICI Bank Limited, Singapore Branch, ICICI Bank Limited, Bahrain Branch, ICICI Bank Limited, Hong Kong Branch, as lenders, pursuant to which the lenders agreed to lend Sterlite an aggregate amount equivalent to $92.3 million under:

- a $68.0 million Japanese Yen ("JPY") term loan facility for the purpose of repaying all amounts outstanding under a $67.6 million facility agreement dated 3 June 2004, which was repaid in full on 5 June 2007; and

- a $24.3 million JPY term loan facility repayable in full on 24 September 2008 for the purpose of repaying all amounts outstanding under a $25.0 million facility agreement dated 1 September 2003.

The rate of interest payable is JPY LIBOR plus 0.44% per annum and any applicable mandatory costs, which are in addition to the interest rate to compensate the lenders for the cost of compliance with the requirements of the FSA or any replacement authority and the requirements of the European Central Bank, to be calculated based on an agreed upon formula. The interest period for this loan is one, two, three or six months or such other period as Sterlite and lenders may agree. Sterlite is currently paying interest on a six-month basis under this loan.

The amount due under this facility as of 31 March 2008 was $24.3 million. The $68.0 million JPY term loan facility was repaid in full on its due date of 5 June 2007.

Under this facility, Sterlite is subject to financial covenants as to interest coverage (the ratio of earnings before interest, taxes, depreciation and amortisation, or EBITDA, to gross interest expense), leverage (the ratio of total liabilities to tangible net worth), debt service (the ratio of EBITDA to debt service), tangible net worth, which may at no time be less than Rs. 35,790 million ($894.3 million), and gearing (the ratio of total secured debt to tangible net worth). As of 31 March 2008, we were in compliance with all of these covenants.

JPY 3,570 million and $19.65 million Term Loan Facilities Agreement dated 19 September 2005 between Sterlite as borrower, ICICI Bank Limited and Sumitomo Mitsui Banking Corporation and DBS Bank Ltd as lead arrangers

On 19 September 2005, Sterlite entered into a term loan facilities agreement with DBS Bank Ltd, ICICI Bank Limited, Singapore Branch, and Sumitomo Mitsui Banking Corporation as mandated lead arrangers, DBS Bank Ltd as agent, Sumitomo Mitsui Banking Corporation, Singapore Branch, DBS Bank Ltd, ICICI Bank Limited, Singapore Branch, ICICI Bank Limited, Offshore Banking Unit, Manama, Bahrain, and ICICI Bank Limited, Offshore Banking Unit, SEEPZ, Mumbai, as lenders, pursuant to which the lenders agreed to lend Sterlite JPY 3,570 million term loan facility and $19.65 million term loan facility for the purpose of refinancing the principal amount outstanding under a term loan facilities agreement dated 7 August 2002. The loan is repayable in five equal semi-annual instalments with one instalment falling due on each of 19 August 2006, 19 February 2007, 19 August 2007, 19 February 2008 and 19 August 2008. The rate of interest payable on the Japanese Yen facility is JPY LIBOR plus 42 basis points and the rate of interest payable on the US dollar facility is LIBOR plus 42 basis points. The interest period for this loan is as selected by Sterlite. Sterlite is currently paying interest on a six-month basis under this loan.

The amount due under these facilities as of 31 March 2008 was $7.2 million and $3.9 million.

Under these facilities, Sterlite is subject to financial covenants as to tangible net worth, which may at no time be less than Rs. 30,000 million ($749.6 million), leverage (the ratio of total liabilities to tangible net worth), gearing (the ratio of total secured borrowings to tangible net worth), interest coverage (the ratio of EBITDA to net interest expense) and the ratio of EBITDA to the sum of the current portion of long-term debt and net interest expense. As of 31 March 2008, we were in compliance with all of these covenants.

Rs. 10,000 million Rupee Term Facility Agreement dated 16 September 2003 between BALCO as borrower and ABN AMRO Bank N.V., Corporation Bank, Housing Development Finance Corporation Limited, Oriental Bank of Commerce, State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra, Syndicate Bank, The Federal Bank Limited, The Jammu & Kashmir Bank Limited, The Karnataka Bank Limited, The Karun Vysya Bank limited, The Laxmi Vilas Bank Limited, UCO Bank and Vijaya Bank as lenders

On 16 September 2003, BALCO entered into a Rs. 10,000 million ($250.2 million) term loan facility agreement with ABN AMRO Securities (India) Private Limited as arranger, IL & FS Trust Company Limited as agent and a syndicate of 18 banks as lenders pursuant to which the lenders agreed to lend BALCO an aggregate of Rs. 10,000 million ($250.2 million) under a Rupee term loan facility repayable in 12 quarterly instalments beginning January 2007. Interest under the loan is payable monthly at a rate of 7.75%.

The amount due under this facility as of 31 March 2008 was Rs. 3,737 million ($93.5 million).

Under this facility, BALCO is subject to financial covenants as to ratio of total debt to tangible net worth, interest coverage (the ratio of EBITDA to gross interest), asset coverage (the ratio of the aggregate of the assets consisting of net block, investments as increased by capital work-in-progress to loans secured by such assets from time to time), debt service coverage (the ratio of EBITDA less tax to interest and current portion of long-term debt) tangible net worth, which shall not at any time be less than Rs. 10,000 million ($250.2 million) and gearing ratio (the ratio of total debt to tangible net worth). As of 31 March 2008, BALCO was in compliance with all of these covenants.

Rs. 7,000 million Rupee Term Facility Agreement dated 18 August 2004 between BALCO as borrower and Union Bank of India, Export Import Bank of India, UCO Bank, State Bank of Travancore, State Bank of Hyderabad, State Bank of Saurashtra, State Bank of Patiala and State Bank of Indore as lenders

On 18 August 2004, BALCO entered into a Rs. 7,000 million ($147.7 million) term facility agreement with ABN AMRO Securities (India) Private Limited as arranger, Union Bank of India and Export Import Bank of India as joint lead managers, IL & FS Trust Company Limited as agent and a syndicate of eight banks as lenders pursuant to which the lenders agreed to lend BALCO an aggregate of Rs. 7,000 million ($147.7 million) under a Rupee term loan facility repayable in eight quarterly instalments beginning May 2009. Initially the interest under the loan was payable monthly at a rate of 6.64%. In February 2008, the interest rate on the loan was reset to 8.43%.

The amount due under this facility as of 31 March 2008 was Rs. 3,861 million ($96.6 million).

Under this facility, BALCO is subject to financial covenants as to ratio of total debt to tangible net worth, interest coverage (the ratio of EBITDA), asset coverage (the ratio of the aggregate of the assets consisting of net block, investments as increased by capital work-in-progress to loans secured by such assets from time to time), debt service coverage (the ratio of EBITDA less tax to interest and current portion of long-term debt) tangible net worth, which shall not at any time be less than Rs. 10,000 million ($250.2 million) and gearing ratio (the ratio of total debt to tangible net worth). As of 31 March 2008, BALCO was in compliance with all of these covenants.

$725.0 million Convertible Bond Offering dated 21 February 2006 of 4.60% convertible bonds issued by Vedanta Finance (Jersey) Limited with Barclays Capital as lead managers

On 21 February 2006, VFJL issued $725.0 million 4.60% guaranteed convertible bonds due 2026. The bonds were offered by Barclays Capital as lead managers, outside of the United States in accordance with Regulation S under the Securities Act.

The issue price of the bonds was 100% of the principal amount. Interest on the bonds is payable semi annually in arrear on 21 February and 21 August each year, at a rate of 4.6% per annum. The bonds will mature on 21 February 2026.

Under the terms and conditions of the bonds, VFJL and Vedanta are subject to certain covenants restricting them and their Material Subsidiaries (as defined in the trust deed dated 21 February 2006 between VFJL, the Bank of New York and us) 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 21 February 2006 between VFJL, the Bank of New York and us), or any guarantee or indemnity in respect of any Relevant Debt, unless the bonds are secured equally and rateably therewith or otherwise benefit identically or not materially less beneficial to the bondholders.

The bonds are first convertible into exchangeable redeemable preference shares to be issued by VFJL, which will then be exchanged for ordinary shares of the Company represented by depository receipts, which do not carry any voting rights. The bondholders have the right to convert at any time from 3 May until the earlier of the date falling six days prior to 21 February 2026 or, if the bonds shall have been called for redemption by VFJL before 21 February 2026, the day which is six days before the date fixed for redemption. to 15 February 2026. The loan notes are convertible at £14.54 per share of $0.10 each and at an average rate of $1.00 = £1.7845.

If the notes have not been converted, they will be redeemed at the option of the Company on or at any time after 14 March 2009 and on and prior to 15 February 2026, subject to the conditions as part of the issue, or be redeemed at the option of the bondholders on 21 February 2013, 21 February 2018 and 21 February 2022.

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 issued in respect of the Bonds. References in the following to the "Issuer" are to Vedanta Resources plc.

The issue of the $500,000,000 8.75% Bonds due 2014 (the "2014 Bonds") and $750,000,000 9.50% Bonds due 2018 (the "2018 Bonds" and, together with 2014 Bonds, the "Bonds", which expression shall, unless the context requires, include any series of 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 13 June 2008. The Bonds are constituted by a Trust Deed (the "Trust Deed") to be dated on or about 2 July 2008 between the Issuer and Deutsche Trustee Company 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 2 July 2008 (the "Paying Agency Agreement") among the Issuer, the Trustee, Deutsche Bank Trust Company Americas, as principal paying and transfer agent and registrar, and the other paying and transfer agents appointed under it. The principal paying and 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 Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom) 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 $100,000 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. as operator of the Euroclear System ("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.

(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 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 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 or Rule 144 (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 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;

(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;

"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 (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 $100,000,000 or its equivalent in other currencies (as reasonably determined by the Trustee).

(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 2009) 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 2008), *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 summarized 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 100.0% 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.

"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 the United States Treasury security having a maturity comparable to the remaining term of the Bonds to be redeemed that would be utilized, 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 Ltd, 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 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 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 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 ratings of any internationally recognized 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.

"Material Subsidiary" has the meaning specified in Condition 8.

"Moody's" means Moody's Investors Service, 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 principal amount of $100,000 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 $100,000 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 Holders 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 organization.

"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 recognized 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 recognized 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 2014 Bonds will bear interest from the Closing Date at the rate of 8.75% per annum and the 2018 Bonds will bear interest from the Closing Date at the rate of 9.50% per annum, in each case, payable semi-annually in arrears on (i) with respect to the 2014 Bonds, 15 January and 15 July of each year, commencing 15 January 2009, and (ii) with respect to the 2018 Bonds, 18 January and 18 July of each year, commencing 18 January 2009 (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 15 January 2009 with respect to the 2014 Bonds, will be made in respect of the period from the Closing Date to 14 January 2009 and (ii) the first payment of interest, to be made on 18 January 2009 with respect to the 2018 Bonds, will be made in respect of the period from the Closing Date to 17 January 2009. 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 2014 Bonds will be redeemed at their principal amount on 15 January 2014 and the 2018 Bonds will be redeemed at their principal amount on 18 July 2018. 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' notice to the Bondholders of Bonds of that series (which notice shall be irrevocable), at a redemption price equal to 100.0% of the principal amount of the Bonds of that series plus the Applicable Premium applicable to the Bonds of that series as of, 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' 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, recapitalization 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 (i) by transfer to the registered account of the Bondholder or (ii) by United States dollar cheque drawn on a bank in New York City mailed to the registered address of the Bondholder if it does not have a registered account. 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 (i) by transfer to the registered account of the Bondholder or (ii) by United States dollar cheque drawn on a bank in New York mailed to the registered address of the Bondholder if it does not have a registered account.

(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 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 $50,000,000 or its equivalent in other currencies (as reasonably determined by the Trustee); 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 (in the opinion of the Trustee) of the property, assets or revenues of the Issuer or all or a substantial part (in the opinion of the Trustee) 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, in the opinion of the Trustee, 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 (in the opinion of the Trustee) 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 (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts or stops, suspends or threatens to stop or suspend payment of all or a substantial part (in the opinion of the Trustee) 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 (in the opinion of the Trustee) 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 (in the opinion of the Trustee) 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, reorganization, 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 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 (in the opinion of the Trustee) of its business or operations, or the Issuer or any of its Material Subsidiaries sells or disposes of all or a substantial part (in the opinion of the Trustee) 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, reorganization, 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 (in the opinion of the Trustee) 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 mentioned 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, if the Trustee so requires, 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 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 to its satisfaction. No Bondholder may proceed directly against the Issuer unless 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 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. 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 London (which is expected to be the *Financial Times*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. 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 and the Bonds are governed by and shall be construed in accordance with English law.

(b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Bonds or the Trust Deed ("Proceedings") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

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. 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 US 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, 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, 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 and Joint Lead Managers. 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 Joint Lead Managers 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 Joint Lead Managers 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

United Kingdom Taxation

The following is a general description of certain UK tax considerations relating to the Bonds based on current law and H.M. Revenue & Customs published practice in the UK as at the date of this Offering Circular. 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 and Bondholders who are connected with the Company for relevant tax purposes). Prospective Bondholders should seek their own professional advice as to their tax position.

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. Accordingly, 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), SGX-ST.

Provided, therefore, that the Bonds 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 H.M. 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 within the charge to corporation tax and to which the interest is attributable, or are partnerships consisting of such persons (unless, in each such case, H.M. 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.

Interest on the Bonds will constitute UK source income for UK tax purposes and may be subject to UK income tax or 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.

Bondholders who are individuals may wish to note that H.M. Revenue & Customs has certain powers to obtain information (including the name and address of the beneficial owner of the interest) from any person in the UK who either pays interest to, or receives interest for the benefit of, an individual. Information so obtained may, in certain circumstances, be exchanged by H.M. Revenue & Customs with the tax authorities of other jurisdictions.

EU Directive on the taxation of savings income in the form of interest payments. Under European Council Directive/2003/48/EC regarding the taxation of savings income in the form of interest payments, the tax authorities of Member States are required to provide each other with 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, except that Austria, Belgium and Luxembourg are instead imposing a withholding system for a transitional period (unless, during such period, they elect otherwise). The transitional period will end a specified period after agreement on exchange of information is reached between the EU and certain non-EU states.

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 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. Bondholders that are investment trusts, venture capital trusts, authorised unit trusts or open-ended investment companies will generally be subject to the same taxation treatment in respect of the Bonds as other Bondholders that are within the charge to UK corporation tax in respect of the Bonds, other than with respect to profits, gains and losses that are “capital profits, gains or losses” for the purposes of the relevant provisions.

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, persons that actually or constructively own 10% or more of the Company's equity, 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 ADVISOR.

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 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.

In certain circumstances 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. If the US Internal Revenue Service (the "IRS") successfully challenged this position, and the Bonds were treated as contingent payment debt instruments, US holders could be required to accrue interest income at a rate higher than the stated interest rate on the Bonds, and to treat as ordinary income, rather than capital gain, any gain recognised on a sale, exchange or redemption of a Bond. US holders are urged to consult their tax advisors regarding the potential application to the Bonds of the contingent payment debt instrument rules and the consequences thereof.

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 will be included in such US holder's 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 advisors regarding the creditability or deductibility of any withholding taxes. Any additional amounts would generally constitute foreign source income.

Sale, Exchange, Redemption or Other Disposition of Bonds

Generally, upon the sale, exchange, redemption or other disposition of a Bond, a US holder will recognize 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 realised 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 a corporation or other 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.

PLAN OF DISTRIBUTION

Each of the Joint Bookrunners and Joint Lead Managers has, pursuant to a Subscription Agreement dated 25 June 2008, 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.

Joint Bookrunners and Joint Lead Managers	Principal Amount $500,000,000 8.75% Bonds Due 2014	%	Principal Amount $750,000,000 9.50% Bonds Due 2018	%
J.P. Morgan Securities Ltd.	$125,000,000	25.00%	$187,500,000	25.00%
Morgan Stanley & Co. International plc	125,000,000	25.00%	187,500,000	25.00%
Barclays Bank PLC	83,400,000	16.68%	125,000,000	16.67%
Citigroup Global Markets Limited	83,300,000	16.66%	125,000,000	16.67%
Deutsche Bank AG, London Branch	83,300,000	16.66%	125,000,000	16.67%
	$500,000,000	**100.00%**	**$750,000,000**	**100.00%**

The Subscription Agreement provides that the Joint Bookrunners and Joint Lead Managers will purchase all the Bonds if they purchase any of the Bonds. The Subscription Agreement entitles the Joint Bookrunners and Joint Lead Managers 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 and Joint Lead Managers against certain liabilities.

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 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.

In connection with this offering, the Stabilising Managers (or persons acting on behalf of any Stabilising Manager) may effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Managers (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 securities 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 Managers (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

The Joint Bookrunners and Joint Lead Managers 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 Joint Lead Managers 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 and Joint Lead Managers 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.

It is expected that delivery of beneficial interests in the Bonds will be made through the facilities of DTC on or about 2 July 2008, which will be the fifth 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 and Joint Lead Managers 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, US 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 US Securities and Exchange 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 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

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 Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, 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 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 document 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.

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.

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 and Amarchand & Mangaldas and Suresh A. Schroff & Co. as to Indian law. Certain legal matters will be passed upon for the Joint Bookrunners and Joint Lead Managers by Shearman & Sterling LLP with respect to English law and US federal securities law.

EXPERTS AND INDEPENDENT AUDITORS

Vedanta Resources plc's consolidated balance sheets as of 31 March 2007 and 2008 and consolidated financial statements for each of the two fiscal years ended 31 March 2007 and 2008 included in this Offering Circular have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports appearing herein.

The information included in this Offering Circular regarding the ore reserves is based on estimates determined by us and;

(i) reviewed and confirmed as being reported in compliance with the Joint Ore Reserves Committee ("JORC") Code by SRK Consulting (Australasia) Pty Ltd for the mining assets of BALCO, as of 31 March 2007, and SRK Consulting (UK) Limited for the mining assets of HZL, as of 31 March 2008;

(ii) reviewed and confirmed as being reported in compliance with the JORC Code by Scott Wilson RPA for the mining assets of SGL, as of 31 March 2008, and for the mining assets of MALCO, as of 31 March 2003; 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 African Mining Consultants Ltd for the mining assets of KCM, as of 31 March 2008, who additionally confirmed that it did not find any material differences between the SAMREC Code and the JORC Code.

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.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

"2004 Notes"	Vedanta's $500,000,000 and $100,000,000 6.625% Bonds due 2010 issued on 21 December 2004 and 27 January 2005, respectively
"2004 Trust Deed"	the trust deed governing the terms of our 2004 Notes
"AAI"	Aluminium Association of India
"Act"	Income Tax Act 2007 of the UK
"ADSs"	American Depositary Shares
"Agarwal family"	Messrs. Anil Agarwal, Dwarka Prasad Agarwal and Agnivesh Agarwal, any of their parents, spouses, children, siblings and their children of the 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
"APDRP"	The Accelerated Power Development and Reform Programme, an initiative implemented by the Finance Ministry of the Government of India
"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
"Australia"	Commonwealth of Australia
"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
"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
"BSE"	the Bombay Stock Exchange Limited
"CAGR"	Compound annual growth rate
"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
"CGU"	Cash generating unit
"CHALCO"	Aluminum Corporation of China Limited
"CIS"	Commonwealth of Independent States
"Clearstream"	Clearstream Banking, *société anonyme*
"Closing Date"	on or about 2 July 2008
"CLRA"	Contract Labour (Regulation and Abolition) Act, 1970 of India
"CMT"	Copper Mines of Tasmania Pty Ltd, a company incorporated in Tasmania, Australia
"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
"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 Refactory Ore
"CSEB"	Chhattisgarh State Electricity Board of India
"Development Agreement"	the development agreement dated 5 November 2004 between KCM and the Government of Zambia
"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
"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 Kuldip Kumar Kaura
"Factories Act"	Factories Act, 1948, as amended, of India
"FEMA"	Foreign Exchange Management Act, 1999 of India
"Finco"	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
"GDP"	gross domestic product
"GEPL"	Goa Energy Pvt Ltd, an independent power producer
"Global Certificate"	the Restricted Global Certificate and the Unrestricted Global Certificates
"GridCo"	Grid Corporation of Orissa Limited, a nominee of the State Government of Orissa
"Group"	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings
"GRZ"	the Government of Zambia
"Highway Reward"	an underground copper mine in Queensland, Australia (now closed) in which TCM had a 70% interest
"Hindalco"	Hindalco Industries Limited

"HPC"	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 Accounting 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
"Internal Revenue Code"	US Internal Revenue Code of 1986, as amended
"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
"Joint Bookrunners and Joint Lead Managers"	J.P. Morgan Securities Ltd., Morgan Stanley & Co. International plc, Barclays Bank PLC, Citigroup Global Markets Limited and Deutsche Bank AG, London Branch
"JPY"	Japanese Yen
"KCM"	Konkola Copper Mines plc, a company incorporated in Zambia
"KDMP"	Konkola Deep Mining Project
"Land Acquisition Act"	Land Acquisition Act, 1894, as amended, of India
"LIBOR"	London Interbank Offering Rate
"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 listing rules of the UK Listing Authority, made under Section 74 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.
"MALCO"	Madras Aluminium Company Ltd, a company incorporated in India
"Material Subsidiaries"	has the meaning as ascribed in the 2004 Trust Deed
"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 Government of India
"Monte Cello"	Monte Cello BV, a company incorporated in The Netherlands
"Moody's"	Moody's Investors Service, Inc.
"MWA"	Minimum Wages Act, 1948 of India
"NALCO"	National Aluminium Company Limited
"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, Aman Mehta and Dr. Shailendra Kumar Tamotia
"Noon Buying Rate"	the noon buying rate is 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.
"OIDC"	Orissa Infrastructure Development Corporation

"OMC"	Orissa Mining Corporation Ltd.
"Onclave"	Onclave PTC Limited, the trustee of the Trust
"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 2 July 2008 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
"Plan"	Vedanta's Share Option Plan adopted in 2004
"Principal Agent"	Deutsche Bank Trust Company Americas
"PWA"	Payment of Wages Act, 1936 of India
"PWD"	Public Works Department of India
"QIB"	qualified institutional buyer within the meaning of Rule 144A
"RBI"	Reserve Bank of India
"Registrar"	Deutsche Bank Trust Company Americas
"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
"SAT"	Securities Appellate Tribunal of India
"Scott Wilson RPA"	Scott Wilson Roscoe Postle Associates Inc., an independent consulting firm
"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
"SEWT"	SIL Employee Welfare Trust

"SFA"	Securities and Futures Act, Chapter 289 of Singapore
"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
"SKCCL"	Sesa Kembla Coke Company Limited
"SOVL"	Sterlite Opportunities and Ventures Limited, a company incorporated in India
"SRK"	independent consulting firms of SRK Consulting (South Africa) Pty Ltd, SRK Consulting (UK) Ltd and Steffen Robertson and Kirsten (Australasia) Pty Ltd, collectively
"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 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
"Sun Coke"	Sun Coke Company
"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 2 July 2008 between the Company and the Trustee
"Trustee"	Deutsche Trustee Company Limited
"Twin Star"	Twin Star Holdings Limited, a company incorporated in Mauritius
"UC RUSAL"	United Company RUSAL Ltd.
"UK GAAP"	generally accepted accounting principles as used in the UK

"UK Listing Authority"	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 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
"VFJL"	Vedana Finance (Jersey) Limited
"Volcan"	Volcan Investments Limited, a company incorporated in the Bahamas
"VRCL"	Vedanta Resources Cyprus Limited, a company incorporated in Cyprus
"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
"Westglobe"	Westglobe Limited
"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:

"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
"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
"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. 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.
"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%
"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.
"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.
"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
"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
"exploration"	prospecting, sampling, mapping, drilling and other work Involved in searching for ore
"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.
"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.
"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
"in situ"	in the natural or original position; applied to a rock, soil, or fossil when occurring in the situation in which it was originally formed or deposited
"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
"IsaProcess™"	an electrolytic refining process developed by MIM Holdings Ltd.'s Process Technologies
"IsaSmelt™"	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
"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
"mineral resource"	a tonnage or volume of rock or mineralisation of intrinsic economic interest
"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
"mm"	millimetres
"mt"	metric tonnes
"mtpa"	millions of metric tonnes per annum

"MW"	megawatt, a unit of electrical energy equal to 1,000 watts
"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
"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
"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
"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
"zinc concentrate"	product of flotation process with a zinc content typically ranging between 45% and 60%

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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 2007 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 39. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of Vedanta Resources plc for the year ended 31 March 2007.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes specific information presented in the Business Review, Finance Review, Sustainable Development Report and Corporate Governance Report that is cross referred from the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2007 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors

London
15 May 2007

VEDANTA RESOURCES PLC

CONSOLIDATED INCOME STATEMENT

	Note	Year Ended 31 March 2007	Year Ended 31 March 2006
		$ million	$ million
Continuing operations			
Revenue	3	6,502.2	3,701.8
Cost of sales		(3,840.4)	(2,591.4)
Gross profit		**2,661.8**	**1,110.4**
Other operating income		102.1	41.5
Distribution costs		(106.7)	(81.1)
Administrative expenses		(149.6)	(127.0)
Administrative expenses — special items	4	(1.7)	—
Operating profit	**3**	**2,505.9**	**943.8**
Investment revenue	5	127.5	51.6
Finance costs	6	(147.7)	(59.3)
Share of loss of associate	15	(1.3)	(1.4)
Profit before taxation		**2,484.4**	**934.7**
Tax expense	10	(672.7)	(280.4)
Profit for the year		**1,811.7**	**654.3**
Attributable to:			
Equity holders of the parent		934.2	373.5
Minority interests		877.5	280.8
		1,811.7	**654.3**
Basic earnings per ordinary share (US cents)	11	325.6	130.2
Diluted earnings per ordinary share (US cents)	11	305.4	128.2

VEDANTA RESOURCES PLC

CONSOLIDATED BALANCE SHEET

	Note	As at 31 March 2007	As at 31 March 2006
		$ million	$ million
ASSETS			
Non-current assets			
Goodwill	13	12.1	12.1
Property, plant and equipment	14	3,838.0	2,763.0
Interest in associate	15	—	1.8
Financial asset investments	16	34.6	27.1
Other non-current assets	17	27.3	27.3
Other financial assets (derivatives)	26	72.1	63.2
Deferred tax assets	28	28.3	71.9
		4,012.4	**2,966.4**
Current assets			
Inventories	18	879.7	535.0
Trade and other receivables	19	942.9	593.0
Other current financial assets (derivatives)	26	51.5	49.0
Liquid investments	20	600.4	244.4
Cash and cash equivalents	21	1,584.8	1,847.3
		4,059.3	**3,268.7**
Total assets		**8,071.7**	**6,235.1**
LIABILITIES			
Current liabilities			
Short-term borrowings	22	(249.1)	(239.8)
Trade and other payables	24a	(1,172.4)	(942.5)
Other current financial liabilities (derivatives)	26	(101.4)	(114.7)
Provisions	27	—	(12.2)
Current tax liabilities		(63.0)	(34.7)
		(1,585.9)	**(1,343.9)**
Net current assets		**2,473.4**	**1,924.8**
Non-current liabilities			
Medium- and long-term borrowings	22	(879.3)	(1,236.0)
Convertible bonds	25	(598.4)	(600.4)
Trade and other payables	24b	(11.6)	(15.6)
Other financial liabilities (derivatives)	26	(94.8)	(93.4)
Deferred tax liabilities	28	(425.3)	(286.9)
Retirement benefits	30	(35.3)	(38.2)
Provisions	27	(230.3)	(222.5)
Non-equity minority interests	22	(59.4)	(59.4)
		(2,334.4)	**(2,552.4)**
Total liabilities		**(3,920.3)**	**(3,896.3)**
Net assets		**4,151.4**	**2,338.8**
EQUITY			
Share capital	31	28.8	28.7
Share premium account		18.7	18.6
Share-based payment reserves		7.3	4.1
Convertible bond reserve		119.5	123.3
Hedging reserves		(29.7)	(29.1)
Other reserves		661.0	213.1
Retained earnings		1,521.3	1,058.4
Equity attributable to equity holders of the parent		**2,326.9**	**1,417.1**
Minority interests		1,824.5	921.7
Total equity		**4,151.4**	**2,338.8**

Approved by the Board on 15 May 2007

ANIL AGARWAL
Chairman

VEDANTA RESOURCES PLC

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year Ended 31 March 2007 $ million	Year Ended 31 March 2006 $ million
Operating activities			
Profit before taxation		2,484.4	934.7
Adjustments for:			
Depreciation		195.4	157.7
Investment revenue		(127.5)	(51.6)
Finance cost		147.7	59.3
Profit on disposal of property, plant and equipment		(21.0)	—
Share-based payment charge		5.6	1.6
Loss on disposal of non-core business		2.3	—
Share of loss of associate		1.3	1.4
Other non-cash items		(12.0)	6.9
Operating cash flows before movements in working capital		**2,676.2**	**1,110.0**
Increase in inventories		(361.8)	(190.1)
Increase in receivables		(410.4)	(236.8)
Increase in payables		222.5	231.6
Cash generated from operations		**2,126.5**	**914.7**
Dividends received		10.7	7.0
Interest income received		138.6	58.5
Interest paid		(193.4)	(112.1)
Income taxes paid		(475.6)	(186.5)
Dividends paid		(84.3)	(49.4)
Net cash from operating activities		**1,522.5**	**632.2**
Investing activities			
Acquisition of subsidiary	32a	(54.3)	—
Cash acquired with subsidiary	32a	0.8	—
Proceeds on disposal of non-core business	32b	32.3	—
Cash disposed off with non-core business	32b	(0.2)	—
Purchases of property, plant and equipment		(1,154.5)	(656.2)
Proceeds on disposal of property, plant and equipment		28.9	0.7
Dividends paid to minority interests of subsidiaries		(41.8)	(8.9)
(Purchase)/disposal of liquid investments		(345.1)	12.8
Investment in associate		—	0.1
Purchase of financial asset investments		(0.2)	—
Deconsolidation of cash held by SEWT		—	(19.5)
Net cash used in investing activities		**(1,534.1)**	**(671.0)**
Financing activities			
Issue of ordinary shares		0.2	—
Proceeds from issue of convertible bonds		—	719.7
Increase in short-term borrowings		25.0	28.4
Decrease in long-term borrowings		(324.8)	(20.9)
Net cash (used in)/from financing activities		**(299.6)**	**727.2**
Net (decrease)/increase in cash and cash equivalents		(311.2)	688.4
Exchange difference		48.7	(26.7)
Cash and cash equivalents at beginning of year		1,847.3	1,185.6
Cash and cash equivalents at end of year	21	**1,584.8**	**1,847.3**

VEDANTA RESOURCES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Company									
	Share Capital	**Share Premium**	**Share-Based Payment Reserves**	**Convertible Bond Reserve**	**Hedging Reserves**	**Other Reserves***	**Retained Earnings**	**Total**	**Minority Interests**	**Total Equity**
					$ million					
At 31 March 2005	**28.7**	**18.6**	**2.5**	—	—	**43.9**	**1,016.8**	**1,110.5**	**636.2**	**1,746.7**
Adjustment for adoption of IAS 39	—	—	—	—	(3.2)	0.9	(9.8)	(12.1)	(2.1)	(14.2)
At 1 April 2005	**28.7**	**18.6**	**2.5**	**—**	**(3.2)**	**44.8**	**1,007.0**	**1,098.4**	**634.1**	**1,732.5**
Profit for the year	—	—	—	—	—	—	373.5	373.5	280.8	654.3
Issue of convertible bond	—	—	—	123.3	—	—	—	123.3	—	123.3
De-consolidation of SEWT	—	—	—	—	—	—	(88.2)	(88.2)	29.5	(58.7)
Movement on increase in minority interests	—	—	—	—	—	—	(0.4)	(0.4)	24.6	24.2
Exchange differences on translation of foreign operations	—	—	—	—	0.2	(16.1)	—	(15.9)	(14.1)	(30.0)
Transfers**	—	—	—	—	—	184.7	(184.7)	—	—	—
IPO related credit	—	—	—	—	—	—	0.6	0.6	—	0.6
Movement in fair value of cash flow hedges and financial investments	—	—	—	—	(26.1)	(0.3)	—	(26.4)	(24.3)	(50.7)
Dividends paid	—	—	—	—	—	—	(49.4)	(49.4)	(8.9)	(58.3)
Recognition of share-based payment	—	—	1.6	—	—	—	—	1.6	—	1.6
At 31 March 2006	**28.7**	**18.6**	**4.1**	**123.3**	**(29.1)**	**213.1**	**1,058.4**	**1,417.1**	**921.7**	**2,338.8**

	Attributable to Equity Holders of the Company									
	Share Capital	**Share Premium**	**Share-Based Payment Reserves**	**Convertible Bond Reserve**	**Hedging Reserves**	**Other Reserves***	**Retained Earnings**	**Total**	**Minority Interests**	**Total Equity**
					$ million					
At 1 April 2006	**28.7**	**18.6**	**4.1**	**123.3**	**(29.1)**	**213.1**	**1,058.4**	**1,417.1**	**921.7**	**2,338.8**
Profit for the period	—	—	—	—	—	—	934.2	934.2	877.5	1,811.7
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	10.2	10.2
Gain on acquisition of subsidiary	—	—	—	—	—	—	0.3	0.3	—	0.3
Conversion of convertible bond	—	0.1	—	—	—	—	—	0.1	—	0.1
Convertible bond transfer	—	—	—	(3.8)	—	—	3.8	—	—	—
Exchange differences on translation of foreign operations	—	—	—	—	—	51.6	—	51.6	53.9	105.5
Transfers**	—	—	—	—	—	393.5	(393.5)	—	—	—
Movement in fair value of cash flow hedges and financial investments	—	—	—	—	(0.6)	2.8	—	2.2	3.0	5.2
Dividends paid	—	—	—	—	—	—	(84.3)	(84.3)	(41.8)	(126.1)
Recognition of share-based payment	—	—	5.6	—	—	—	—	5.6	—	5.6
Exercise of LTIP awards	0.1	—	(2.4)	—	—	—	2.4	0.1	—	0.1
At 31 March 2007	**28.8**	**18.7**	**7.3**	**119.5**	**(29.7)**	**661.0**	**1,521.3**	**2,326.9**	**1,824.5**	**4,151.4**

* *Other reserves comprise:*

	Currency Translation Reserve	Merger Reserve	Investment Revaluation Reserve	General Reserves	Total
At 1 April 2005	**13.2**	**4.4**	**0.9**	**26.3**	**44.8**
Exchange differences on translation of foreign operations	(16.1)	—	—	—	(16.1)
Revaluation of available-for-sale investments	—	—	(0.3)	—	(0.3)
Transfer from retained earnings**	—	—	—	184.7	184.7
At 31 March 2006	**(2.9)**	**4.4**	**0.6**	**211.0**	**213.1**
Exchange differences on translation of foreign operations	51.6	—	—	—	51.6
Revaluation of available-for-sale investments	—	—	2.8	—	2.8
Transfer from retained earnings**	—	—	—	393.5	393.5
At 31 March 2007	**48.7**	**4.4**	**3.4**	**586.4**	**661.0**

** 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.

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 1985 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.

For Vedanta, there are no differences between IFRS as adopted for use in the European Union and full IFRS as adopted for use by the International Accounting Standards Board.

Basis of Preparation

The consolidated financial statements have been prepared on 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:

IFRS 7	Financial Instruments: Disclosures; and the related amendment to IAS1 on capital disclosures
IFRS 8	Operating segments
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IAS 23	Borrowing costs (revised March 2007)

Parent Company Financial Statements

The financial statements of the parent company, Vedanta Resources plc, have been prepared in accordance with UK GAAP and with UK accounting presentation. The Company Balance Sheet is presented in note 40.

2a. 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 into line any dissimilar accounting policies that may exist.

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.

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 usually when all significant risks and rewards of ownership of the asset sold are transferred to the customer and the commodity has been delivered to the shipping agent. 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.

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 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.

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.

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.

Goodwill relating to associates is included within the carrying value of the associate. The unamortised balance is reviewed for impairment on an annual basis.

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.

Internally generated goodwill is not recognised.

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.

Investments in Associates

In the consolidated financial information, investments in associates are accounted for using the equity method. An associate is an entity over which the Group is in a position to exercise significant influence and normally owns between 20% and 50% of the voting equity but is neither a subsidiary nor a joint venture. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above and is included in the carrying value of investments in associate.

The consolidated income statement includes the Group's share of associate's results. The investment is initially recorded at the cost to the Group in the consolidated balance sheet and then, in subsequent periods, the carrying value of investment is adjusted to reflect the Group's share of the associate's profits or losses and for impairment of goodwill and any other changes to the associate's net assets.

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. Capitalisation of pre-production expenditure ceases when 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.

Stripping costs/secondary development expenditure incurred during the production stage of operations of an ore body is charged to the income statement immediately.

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.

In circumstances where a 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. 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. Upon completion, the cost of construction is transferred to the appropriate category of property, plant and equipment assets. 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.

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.

Non-Current Assets Held for Sale

Non-current assets and disposal groups 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 the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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(s) is accounted for as a change in accounting estimate.

For mining properties and leases, investments in associates, 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 realisable value, 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 tangible fixed assets 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 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 are the contributions payable in the year.

Share-Based Payments

Certain employees (including 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 are 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, changes to lives of operations, 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 material, 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 subsidiaries, the functional currency is the local currency of the country in which it operates, except KCM, wherein the functional currency is US dollars, since most of its transactions are denominated in US dollars. In the financial statements of individual Group companies, transactions in currencies other than the local functional currency are translated into local currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies are translated into local currency at exchange rates prevailing on the balance sheet date.

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 the consolidated statement of changes in equity. All other exchange differences are included in the income statement.

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

Quoted 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 into 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

Investments maturing after more than 90 days are classified as liquid investments and are fair valued through income statement.

Trade Receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

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 and which are subject to insignificant risk of changes in the principal amount.

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

The convertible bonds are accounted for as a compound instrument. The equity component and the liability component are separated out on the date of the issue. The equity component has been recognised in a separate reserve and will not be subsequently remeasured. The liability component is held at amortised cost. The interest expensed on the liability component is calculated by applying the effective interest rate (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.

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 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 for a short term out of money borrowed specifically to finance a project, the income generated from such short term investments is also capitalised and reduced from 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. 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.

2b. 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 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.

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 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 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 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.

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 segment reporting is business segments. The business segments consist of non-ferrous metals i.e. aluminium, copper and zinc, with residual components being reported as 'Other' (mainly Alumina, Gold and Energy). Business segment data includes an allocation of corporate costs to each sector 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.

a) Business Segments

The following tables present revenue and profit information and certain asset and liability information regarding the Group's business segments for the years ended 31 March 2007 and 2006.

Year Ended 31 March 2007	Continuing Operations Aluminium	Copper	Zinc	Other	Elimination	Total operations
	$ million					
Revenue						
Sales to external customers	993.4	3,569.3	1,888.1	51.4	—	6,502.2
Inter-segment sales	28.1	—	—	—	(28.1)	—
Segment revenue	1,021.5	3,569.3	1,888.1	51.4	(28.1)	6,502.2
Result						
Segment result before special items	358.8	745.1	1,405.1	0.2	—	2,509.2
Special items	(0.4)	1.5	(2.3)	(0.5)	—	(1.7)
Segment result after special items						**2,507.5**
Unallocated corporate expenses						(1.6)
Operating profit						**2,505.9**
Net finance costs						(20.2)
Share of loss of associate						(1.3)
Profit before taxation						**2,484.4**
Tax expense						(672.7)
Profit for the year from continuing operations						**1,811.7**
Assets and liabilities						
Segment assets	1,878.8	2,629.9	2,170.4	1,001.9	—	7,681.0
Unallocated assets						390.7
Total assets						**8,071.7**
Segment liabilities	(629.8)	(1,559.1)	(255.9)	(185.2)	—	(2,630.0)
Unallocated liabilities						(1,290.3)
Total liabilities						**(3,920.3)**
Other segment information						
Additions to property, plant and equipment	261.8	316.3	245.8	305.0	—	1,128.9
Depreciation	(56.6)	(88.9)	(48.9)	(1.0)	—	**(195.4)**

Year Ended 31 March 2006	Continuing operations					
	Aluminium	Copper	Zinc	Other	Elimination	Total Operations
	$ million					
Revenue						
Sales to external customers	453.0	2,241.3	875.5	132.0	—	3,701.8
Inter-segment sales	40.1	—	—	—	(40.1)	—
Segment revenue	493.1	2,241.3	875.5	132.0	(40.1)	3,701.8
Result						
Segment result	102.8	340.3	489.5	12.9	—	945.5
Unallocated corporate expenses						(1.7)
Operating profit						**943.8**
Net finance costs						(7.7)
Share of loss of associate						(1.4)
Profit before taxation						**934.7**
Tax expense						(280.4)
Profit for the year from continuing operations						**654.3**
Assets and liabilities						
Segment assets	1,217.3	2,001.4	1,223.3	808.3	—	5,250.3
Interest in associate						1.8
Unallocated assets						983.0
Total assets						**6,235.1**
Segment liabilities	(748.9)	(1,405.8)	(319.5)	(611.1)	—	(3,085.3)
Unallocated liabilities						(811.0)
Total liabilities						**(3,896.3)**
Other segment information						
Additions to property, plant and equipment	540.5	96.6	49.0	—	—	686.1
Depreciation	(32.5)	(80.6)	(43.5)	(1.1)	—	**(157.7)**

b) EBITDA[(1)] by Segment

	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million
Aluminium	415.4	135.3
Copper	833.9	425.3
India/Australia	365.6	219.0
Zambia	468.3	206.3
Zinc	1,453.9	532.9
Other	(0.2)	8.0
EBITDA	**2,703.0**	**1,101.5**
Depreciation	(195.4)	(157.7)
Operating special items	(1.7)	—
Group operating profit	**2,505.9**	**943.8**

(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 2007	Year Ended 31 March 2006
	$ million	$ million
Far East	2,056.5	963.8
India	2,670.9	1,762.3
Africa	253.3	136.6
Europe	760.5	353.5
Middle East	647.0	429.5
Other	114.0	56.1
Total	**6,502.2**	**3,701.8**

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 Segment Assets		Additions to Property, Plant and Equipment	
	As at 31 March 2007	As at 31 March 2006	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million	$ million	$ million
Australia	229.2	163.1	10.0	3.8
India	6,071.5	3,869.2	844.9	618.6
Zambia	1,090.7	768.4	269.1	63.7
Other	680.3	1,434.4	4.9	—
Total	**8,071.7**	**6,235.1**	**1,128.9**	**686.1**

4. Special Items

	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million
Provision for guarantees given on behalf of associate (note 15)	(17.3)	—
Restructuring and redundancies	(2.6)	—
Loss on sale of property, plant and equipment	(0.8)	—
Impairment of investment in associate (note 15)	(0.5)	—
Profit on disposal of non-core assets*	21.8	—
Loss on disposal of non-core business (note 32c)	(2.3)	—
Total	**(1.7)**	—

* Sale of unused property in Mumbai.

5. Investment Revenue

	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million
Interest and other financial income	136.4	67.6
Dividend income from other financial investments	10.7	7.0
Foreign exchange gain on cash and liquid investments	1.1	1.1
Expected return on defined benefit arrangements (note 30)	1.2	1.1
Capitalisation of foreign exchange differences and interest income (note 14)	(21.9)	(25.2)
Total	**127.5**	**51.6**

6. Finance Costs

	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million
Interest on bank loans and overdrafts	113.8	75.6
Interest on convertible bonds (note 25)	36.7	4.0
Interest on other loans	49.2	44.5
Unwinding of discount on provisions (note 27)	7.3	5.6
Unwinding of discount on KCM deferred consideration	0.7	2.1
Interest on defined benefit arrangements (note 30)	3.3	4.7
Capitalisation of borrowing costs (note 14)	(63.3)	(77.2)
Total	**147.7**	**59.3**

7. Profit for the Year has Been Stated After Charging/(Crediting):

	Year Ended 31 March 2007 $ million	Year Ended 31 March 2006 $ million
Included in cost of sales:		
Depreciation on property, plant and equipment	195.4	157.7
Costs of inventories recognised as an expense	2,403.9	1,451.0
Auditors' remuneration for audit services (note 8)	1.1	1.0
Research and development	0.5	0.3
Staff costs (note 9)	247.4	194.6
Net foreign exchange gains	(10.1)	(4.5)

8. Auditors' Remuneration

The table below shows the fees payable globally to the Group's auditors, Deloitte & Touche, 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 2007:

	Year Ended 31 March 2007 $ million	Year Ended 31 March 2006 $ million
Fees payable to the Company's auditors for the audit of Vedanta Resources plc annual accounts	0.5	0.5
The audit of the Company's subsidiaries pursuant to legislation	0.6	0.5
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	0.3	0.7
Tax services	0.1	—
Corporate finance services	1.0	0.4
Other services	—	0.1
Total non-audit fees	**1.4**	**1.2**
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 fees payable to other auditors of the Group's subsidiaries	**0.1**	**0.2**

9. Employee Numbers and Costs

Average number of persons employed by the Group in the year

Class of Business	Year Ended 31 March 2007 Number	Year Ended 31 March 2006 Number
Aluminium	6,011	5,836
Copper	11,094	10,654
India/Australia	1,189	1,047
Zambia	9,905	9,607
Zinc	6,190	6,076
Other	1,384	137
Total	**24,679**	**22,703**

	Year Ended 31 March 2007 $ million	Year Ended 31 March 2006 $ million
Costs incurred during the year in respect of Employees and Directors		
Salaries and wages	230.2	180.0
Defined contribution pension scheme costs (note 30)	10.8	10.6
Defined benefit pension scheme costs (note 30)	0.8	2.4
Share-based payments charge	5.6	1.6
Total	**247.4**	**194.6**

10. Tax

	Year Ended 31 March 2007 $ million	Year Ended 31 March 2006 $ million
Current tax:		
UK corporation tax	—	—
Foreign tax		
India	484.4	177.8
Zambia	2.1	1.1
Australia	29.7	5.4
Other	(2.0)	1.7
	514.2	**186.0**
Deferred tax:		
Current year movement in deferred tax (note 28)	156.3	94.4
Attributable to decrease in the rate of Indian corporation tax	2.2	—
	158.5	**94.4**
Total tax expense	**672.7**	**280.4**
Effective tax rate	27.1%	30.0%

Deferred tax reported in equity is a credit of $3.5m (2006: $13.5m).

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 assessment years which run from 1 April to 31 March. For each assessment year, a company's profits will be subject to either regular income tax or Minimum Alternative Tax ('MAT'), whichever is the greater.
- Regular income tax is charged on book profits (prepared under Indian GAAP) adjusted in accordance with the provisions of the Indian Income Tax Act. Typically the required adjustments generate significant timing differences in respect of the depreciation of fixed assets, relief for provisions and accruals, and the use of tax losses brought forward and pension costs. Regular income tax is charged at 30% (plus a surcharge and education excess) taking the effective tax rate to 33.66%. The corporate tax rate for 2007-08 has been announced at 33.99%.
- MAT is charged on book profits but typically with a limited number of adjustments. MAT is charged at 10% (plus a surcharge). Effective rate of MAT is 11.22%. However, MAT paid during a year can be set off against normal tax within a period of seven years succeeding the assessment year in which the MAT credit arose.
- Investments in projects where alternative energy is generated are subject to accelerated depreciation whereby 80% of the investment is depreciated in the first year itself.
- There are various tax exemptions or tax holidays available to companies in India. The most important to the Group are:
  - the industrial undertakings' exemption. 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 plant's profits for five years, and 30% for the next five years, and
  - the power plants' exemption. Profits on newly constructed power plants can benefit from a tax holiday. A typical holiday would exempt 100% of profits in 10 consecutive years within the first 15 years of the power plants' operation. The start of the 10-year period can be chosen by a company;
  - Industrial undertakings located in certain designated areas would also be exempt from paying taxes for 10 consecutive assessment years beginning with the year of operation.
- Tax is payable in the financial year to which it relates; and
- Tax returns submitted by companies are regularly subjected to a comprehensive review and challenge by the tax authorities. There are appeals procedures available to both the tax authorities and taxpayers and it is not uncommon for significant or complex matters in dispute to remain outstanding for several years before they are finally resolved in the High Court or the Supreme Court.

Overview of the Zambian Tax Regime

- Copper and cobalt mining companies pay company tax at 25%.
- The period for carrying forward of tax losses for KCM is 20 years.
- Companies are charged tax on profits of accounting years; and

- Income tax is charged on book profits (prepared under IFRS) adjusted in accordance with the provisions of the Income Tax Act 1996 as amended.

A reconciliation of income tax expense applicable to accounting profit before income 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 2007 is as follows:

	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million
Accounting profit before tax	2,484.4	934.7
At Indian statutory income tax rate of 33.66% (2006: 33.66)%	836.3	314.6
Accelerated capital allowances	(0.9)	(6.0)
Utilisation of tax losses	(0.3)	0.6
Disallowable expenses	8.8	7.1
Non-taxable income	(17.0)	(5.0)
Impact of tax rate differences	(37.5)	(14.3)
Tax holiday and similar exemptions	(126.9)	(17.8)
Dividend distribution tax on overseas subsidiaries	12.3	2.7
Minimum Alternative Tax	4.8	1.7
Adjustments in respect of previous years	(6.9)	(3.2)
At effective income tax rate of 27.1% (2006: 30%)	**672.7**	**280.4**

11. 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 shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million
Net profit attributable to equity holders of the parent	934.2	373.5

	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million
Weighted average number of ordinary shares for basic earnings per share	286.9	286.8
Effect of dilution:		
Convertible bonds	27.9	3.1
Share options	3.1	3.6
Adjusted weighted average number of ordinary shares for diluted earnings per share	317.9	293.5

a) Earnings per Share Based on Profit for the Year

	Year Ended 31 March 2007	Year Ended 31 March 2006
Basic earnings per share on the profit for the year		
Profit for the year attributable to equity holders of the parent ($ million)	934.2	373.5
Weighted average number of shares of the Company in issue (million)	286.9	286.8
Earnings per share on profit for the year (US cents per share)	**325.6**	**130.2**

	Year Ended 31 March 2007	Year Ended 31 March 2006
Diluted earnings per share on the profit for the year		
Profit for the year attributable to equity holders of the parent ($ million)	934.2	373.5
Adjustment in respect of convertible bonds of Vedanta ($ million)	36.7	2.7
Profit for the year after dilutive adjustment ($ million)	**970.9**	**376.2**
Adjusted weighted average number of shares of the Company in issue (million)	317.9	293.5
Diluted earnings per share on profit for the year (US cents per share)	**305.4**	**128.2**

During the year ended 31 March 2007, 791,011 options issued under the Long-Term Incentive Plan (LTIP) were converted to equity shares pursuant to vesting and exercise of the options. Also during the year ended 31 March 2007, 7,746 were shares issued on conversion of the convertible bond. The issue of these shares has been included in determining the 2007 weighted average number of shares.

Profit for the year 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 year of this conversion would be the interest payable on the convertible bond.

The conversion options of the convertible bonds and the outstanding awards under the 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 these financial statements.

b) 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 and their resultant tax and minority interest effects, as shown in the table below:

	Year Ended 31 March 2007 $ million	Year Ended 31 March 2006 $ million
Profit for the year attributable to equity holders of the parent	934.2	373.5
Administrative expenses — special items (note 4)	1.7	—
Tax effect of special items	3.7	—
Minority interest effect of special items	(1.5)	—
Underlying Profit for the year	**938.1**	**373.5**

Basic Earnings per Share on Underlying Profit for the Year	Year Ended 31 March 2007	Year Ended 31 March 2006
Underlying Profit for the year ($ million)	938.1	373.5
Weighted average number of shares of the Company in issue (million)	286.9	286.8
Earnings per share on Underlying Profit for the year (US cents per share)	**327.0**	**130.2**

Diluted Earnings per Share on Underlying Profit for the Year	Year Ended 31 March 2007	Year Ended 31 March 2006
Underlying Profit for the year ($ million)	938.1	373.5
Adjustment in respect of convertible bonds of Vedanta ($ million)	36.7	2.7
Underlying Profit for the year after dilutive adjustment ($ million)	**974.8**	**376.2**
Adjusted weighted average number of shares of the Company in issue (million)	317.9	293.5
Diluted earnings per share on Underlying Profit for the year (US cents per share)	**306.6**	**128.2**

12. Dividends

	Year Ended 31 March 2007 $ million	Year Ended 31 March 2006 $ million
Amounts recognised as distributions to equity holders:		
Equity dividends on ordinary shares:		
Final dividend for 2005 - 06: 14.3 US cents per share (2004 - 05: 11.55 US cents per share)	41.1	33.1
Interim dividend paid during the year: 15 US cents per share (2005 - 06: 5.7 US cents per share)	43.2	16.3
	84.3	**49.4**
Proposed for approval at AGM		
Equity dividends on ordinary shares:		
Final dividend for 2006 - 07: 20 US cents per share (2005 - 06: 14.3 US cents per share)	**57.5**	**41.1**

13. Goodwill

	Year Ended 31 March 2007 $ million	Year Ended 31 March 2006 $ million
At 1 April		
Cost (gross carrying amount)	16.9	16.9
Accumulated impairment losses	(4.7)	(4.7)
Foreign exchange differences	(0.1)	(0.1)
Net carrying amount at 31 March	**12.1**	**12.1**

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Company has undertaken the impairment review for the outstanding goodwill of $12.1 million as at 31 March 2007. 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.

14. Property, Plant and Equipment

	Mining Property and Leases	Leasehold Land and Buildings	Freehold Land and Buildings	Plant and Equipment	Assets Under Construction	Other	Total
	$ million	$ million	$ million	$ million	$ million	$ million	$ million
Cost							
At 1 April 2005	**428.6**	**9.2**	**151.9**	**1,667.8**	**824.5**	**49.3**	**3,131.3**
Additions	0.1	0.6	1.1	0.1	682.4	1.8	686.1
Transfers	25.6	—	121.5	683.3	(830.5)	0.1	—
Disposals	(0.2)	—	(0.1)	(5.1)	—	—	(5.4)
Foreign exchange differences	(11.4)	(0.2)	(3.2)	(35.9)	(13.9)	(1.0)	(65.6)
At 1 April 2006	**442.7**	**9.6**	**271.2**	**2,310.2**	**662.5**	**50.2**	**3,746.4**
Additions	4.8	4.1	(0.5)	39.1	1,079.8	1.5	1,128.9
Transfers	10.0	—	22.8	320.8	(356.5)	2.9	—
Additions due to acquisition (note 32a)	77.7	—	0.9	4.5	—	—	83.1
Disposals	—	—	(8.8)	(16.8)	(6.4)	(2.3)	(34.3)
Foreign exchange differences	17.8	0.4	6.2	65.4	34.7	1.4	125.8
At 31 March 2007	**553.0**	**14.1**	**291.8**	**2,723.2**	**1,414.1**	**53.7**	**5,049.9**
Accumulated depreciation							
At 1 April 2005	**88.4**	**5.1**	**36.3**	**659.2**	**17.8**	**35.9**	**842.7**
Charge for the year	11.3	0.5	7.8	148.4	—	1.1	169.1
Disposals	—	—	—	(5.1)	—	—	(5.1)
Foreign exchange differences	(5.3)	(0.1)	(0.7)	(16.6)	—	(0.6)	(23.3)
At 1 April 2006	**94.4**	**5.5**	**43.4**	**785.9**	**17.8**	**36.4**	**983.4**
Charge for the year	35.9	0.5	20.7	139.5	—	1.8	198.5
Disposals	—	—	(1.4)	(4.9)	—	(1.5)	(7.8)
Transfers	32.0	—	—	(32.0)	—	—	—
Foreign exchange differences	9.7	0.2	1.4	25.6	—	0.9	37.8
At 31 March 2007	**172.1**	**6.2**	**64.2**	**914.0**	**17.8**	**37.6**	**1,211.9**
Net book value							
At 1 April 2005	**340.2**	**4.1**	**115.6**	**1,008.6**	**806.7**	**13.4**	**2,288.6**
At 1 April 2006	**348.3**	**4.1**	**227.8**	**1,524.3**	**644.7**	**13.8**	**2,763.0**
At 31 March 2007	**380.9**	**7.9**	**227.6**	**1,809.2**	**1,396.3**	**16.1**	**3,838.0**

At 31 March 2007, land having carrying value of $8.4 million (31 March 2006: $8.1 million) was not depreciated. During the year ended 31 March 2007 depreciation amounting to $3.1 million (2006: $11.4 million) directly relating to the trial run of expansion projects was being capitalised.

At 31 March 2007, cumulative capitalised interest and foreign exchange gains or losses included within the table above was $137.3 million (31 March 2006: $95.9 million).

Other tangible fixed assets include office equipment and fixtures, and light vehicles.

15. Interest in Associate

The Group has a 38.8% interest in Indian Foils Limited ('IFL'), which is involved in the manufacture of aluminium foils and flexible packaging products. IFL's operations are located in West Bengal. IFL is listed on the National, Calcutta and Bombay Stock Exchanges.

Analysis of Movements in Investment in Associate	Year Ended 31 March 2007 $ million	Year Ended 31 March 2006 $ million
At 1 April	**1.8**	**3.3**
Share of loss for the year until the date of nil investment	(1.3)	(1.4)
Operating loss	(0.5)	0.1
Interest payable	(0.8)	(1.5)
Loans repaid	—	(0.1)
Impairment	(0.5)	—
At 31 March	**—**	**1.8**
Market value	**1.9**	**2.9**

	Year Ended 31 March 2007 $ million	Year Ended 31 March 2006 $ million
Group's share of associate's balance sheet:		
Current assets	5.5	4.5
Non-current assets	13.1	14.2
Current liabilities	(13.4)	(10.6)
Non-current liabilities	(13.7)	(17.4)
Net liabilities	(8.5)	(9.3)
Group's share of associate's revenue and loss:		
Revenue	8.8	12.7
Loss	(0.8)	(1.4)

IFL's debt includes a loan of $29.1 million with ICICI Bank. There is an option for ICICI Bank to convert this debt to equity shares, at par value, at any time up to the maturity of the loan in 2011. If this option were exercised, MALCO's holding in IFL would reduce from 38.8% to 7.1%. As this option has not been exercised, the Group's interest in IFL has been accounted for using 38.8%.

During the year ended 31 March 2005, Sterlite advanced loans to IFL amounting to $6.2 million for working capital purposes. The loans were advanced during the period 2 April 2004 to 7 February 2005 and were repayable within two years. The Group has impaired its investment in these loans. The loans bear interest at 7% per annum and interest accrued during the year ended 31 March 2007 amounted to $0.6 million (2006: $0.6 million). The loans were classified as part of the investment in the associate.

During the year ended 31 March 2004, IFL issued preference shares to the value of $6.2 million (Sterlite: $5.4 million; MALCO: $0.8 million) for non-cash consideration in full settlement of its liabilities to these companies at that time.

During the year ended 31 March 2007, Sterlite sold its investment in preference shares of IFL to a third party for a nominal consideration.

The outstanding investments in IFL as at 31 March 2006 of $1.8 million were adjusted by MALCO's share of losses of $1.3 million up to 31 March 2007. The balance of $0.5 million was considered to be impaired and hence was written off in the Group's consolidated financial statements as at 31 March 2007.

The Group has given corporate guarantees to certain banks and financial institutions in relation to IFL totalling $41.8 million (2006: $40.8 million) against which a provision of $17.3 million has been recognised in the financial statements for year ended 31 March 2007 (2006: $nil), being the value of the liabilities guaranteed less the realisable value of IFL's assets.

Further, the Group advanced loans to IFL amounting to $1.3 million during March 2007. The loans are repayable within a period of 3 months and hence have not been considered as investments in associate but have been disclosed as receivables from associate in the consolidated financial statements.

16. Financial Asset Investments

Financial asset investments are required to be classified and accounted for as either as available-for-sale, fair value through profit or loss, held for trading or held to maturity.

Available-for-Sale Investments	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million
At 1 April	**27.1**	**26.1**
Additions	0.2	—
Acquisition (note 32a)	4.7	—
Movements in fair value	2.8	1.0
At 31 March	**34.6**	**27.1**

Analysis of Financial Asset Investments	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million
Quoted	11.8	5.0
Unquoted	22.8	22.1

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

	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million
Deposits receivable after one year	27.3	27.3
Total	**27.3**	**27.3**

18. Inventories

	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million
Raw materials and consumables	490.3	284.3
Work-in-progress	237.1	214.2
Finished goods	152.3	36.5
Total	**879.7**	**535.0**

Inventories with a carrying amount of $522.6 million (2006: $295.2 million) have been pledged as security against certain bank borrowings of the Group.

19. Trade and Other Receivables

	As at 31 March 2007	As at 31 March 2006
	$ million	$ million
Trade receivables	436.5	403.5
Amounts due from associate	8.8	0.6
Amounts due from related parties (note 35b)	11.0	10.8
Other receivables	475.8	175.0
Prepayments	10.8	3.1
Total	**942.9**	**593.0**

The credit period given to customers ranges from zero to 90 days.

20. Liquid Investments

	As at 31 March 2007	As at 31 March 2006
	$ million	$ million
Bank deposits	600.4	75.4
Other investments	—	169.0
Total	**600.4**	**244.4**

21. Cash and Cash Equivalents

	As at 31 March 2007	As at 31 March 2006
	$ million	$ million
Cash at bank and in hand	54.7	68.3
Short-term deposits and short-term investments	1,530.1	1,779.0
Total	**1,584.8**	**1,847.3**

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.

At 31 March 2007, cash and cash equivalents include $1.0 million (2006: $2.0 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 monies and a $46.0 million (2006: $36.0 million) restricted cash reserve in

KCM. Further, HZL has pledged specific financial assets of $22.9 million (2006: $22.4 million) to secure certain banking facilities.

22. Borrowings

	As at 31 March 2007	As at 31 March 2006
	$ million	$ million
Bank loans	491.2	700.7
Bonds	581.2	567.6
Other loans	56.0	207.5
Total	**1,128.4**	**1,475.8**
Borrowings are repayable as:		
On demand within one year (shown as current liabilities)	249.1	239.8
In the second year	76.2	257.9
In two to five years	769.7	949.6
After five years	33.4	28.5
Total borrowings	**1,128.4**	**1,475.8**
Less: payable within one year	(249.1)	(239.8)
Medium- and long-term borrowings	**879.3**	**1,236.0**

At 31 March 2007, the Group had available $1,011.4 million (fund and non-fund based) (2006: $443.7 million — fund based) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The Group's exposure to interest rate and currency is as follows:

	Total	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	Non-Interest Bearing Financial Liabilities	Fixed Rate Financial Liabilities: Weighted Average Interest Rate (%)	Fixed Rate Financial Liabilities: Weighted Average Period for which the Rate is Fixed (years)	Non-Interest Bearing Financial Liabilities: Weighted Average Period Until Maturity (years)
	$ million	$ million	$ million	$ million			
At 31 March 2007							
INR	324.3	—	304.3	20.0	7.1	2.3	8.9
USD	1,292.0	693.6	598.4	—	6.1	5.9	—
JPY	110.5	110.5	—	—	—	—	—
	1,726.8	**804.1**	**902.7**	**20.0**			
Less: convertible bonds*	(598.4)	—	(598.4)	—	6.1	5.9	—
Borrowings	**1,128.4**	**804.1**	**304.3**	**20.0**			
At 31 March 2006							
INR	449.2	4.7	429.3	15.2	6.3	2.7	9.3
USD	1,596.6	979.9	616.4	0.3	6.1	6.9	—
JPY	30.4	30.4	—	—	—	—	—
	2,076.2	**1,015.0**	**1,045.7**	**15.5**			
Less: convertible bonds*	(600.4)	—	(600.4)	—	6.1	6.9	—
Borrowings	**1,475.8**	**1,015.0**	**445.3**	**15.5**			

* The earliest date of redemption for bondholders is 21 February 2013.

The principal loans held by Group companies at 31 March 2007 were as follows:

Hindustan Zinc Limited

Foreign Currency Syndicated Loan

In September 2003, HZL secured a $125 million syndicated loan. The interest rate on the loan was approximately LIBOR plus 61 basis points. The loan was initially repayable in November 2006 ($30.0 million), November 2008 ($65.0 million) and November 2010 ($30.0 million). However the loan was fully repaid in November 2006.

Bharat Aluminium Company Limited

Term Loans

BALCO has secured two syndicated Indian rupee term loan facilities in 2007 totalling $390.0 million at an average interest rate of 7.2% per annum. These facilities are secured by a first charge on movable and immovable properties and present and future tangible or intangible non-current assets of BALCO. The first loan of $229.4 million is repayable in 12 quarterly instalments which commenced in January 2007, of which $92.7 million was paid by 31 March 2007; the second loan of $135.4 million is repayable in eight quarterly instalments, due to commence in May 2009. As at 31 March 2007 the total outstanding loan amount was $272.1 million.

Project Buyers' Credit

As at 31 March 2007, BALCO had extended credit terms relating to purchases of property, plant and equipment for its projects. The extended credit amounted to $33.8 million, which is repayable in October 2007. These loans bear interest at LIBOR plus 50 basis points. These are long-term secured by all the fixed assets of BALCO, immovable or movable, present and future, on a pari passu basis with other term lenders and with priority to other creditors.

Sterlite Industries (I) Limited

Non-convertible Debentures

Sterlite had $22.9 million of Indian rupee non-convertible debentures in issue with various institutions at 31 March 2007. The debentures are repayable from April 2010 to April 2013 with interest rates varying from 7.9% to 8.0%. These debentures are secured upon Sterlite's immovable property at Lonavala, Tuticorin, Gujarat and Chinchpada.

Floating Rate Loan Notes

At 31 March 2007, Sterlite had floating rate loan notes ('FRNs') in issue of $13.4 million (2006: $79.9 million). Interest on this facility is payable at LIBOR plus 130 basis points. The FRNs mature for repayment in June 2007.

Foreign Currency Loans

Sterlite has a US dollar denominated term loan facility of which $92.3 million was outstanding as at 31 March 2007. This facility comprises Tranche A of $68.0 million repayable in June 2007 and Tranche B of $24.3 million repayable in September 2008. In April 2006, both Tranche A and Tranche B were converted into JPY loans amounting to JPY 8,012.6 million and JPY 2,862.5 million respectively. Interest on this facility is based on JPY LIBOR plus 44 basis points. The debt is unsecured.

Sterlite also has term loan facilities of JPY 2,142 million ($18.2 million) and $11.8 million outstanding as at 31 March 2007. The loans are to be repaid between August 2006 and August 2008 in five tranches. The first and second tranches for repayment amounted to JPY 714 million and $3.9 million and were repaid in August 2006 and February 2007 respectively. Interest on the JPY facility is based on JPY LIBOR plus 42 basis points and interest on the US dollar denominated facility is based on LIBOR plus 42 basis points. These debts are unsecured.

Preference Shares

In March 2004, Sterlite had issued 1% cumulative redeemable preference shares for $39.2 million due for redemption in March 2007. These were fully redeemed during 2007.

Konkola Copper Mines

Long-Term Loans

KCM had loans amounting to $21.2 million as at 31 March 2006 payable to ARH Limited S.A ('ARH'), a subsidiary of Anglo American plc ('AA plc'). The loans were advanced on 17 September 2002 when KCM and AA plc entered into the Exit Deed in which AA plc divested its interest in KCM. The loan was fully repaid during 2007.

Subordinated Term Facility

The Government of the Republic of Zambia had extended a loan to KCM for $8.5 million of which $5.9 million was outstanding on 31 March 2007. The facility is secured under a second charge over all the KCM rights, title and interest, present and future, to, and in respect of, proceeds arising under the insurance claim. Interest is payable at LIBOR. The facility is repayable in five equal consecutive annual instalments commencing on 17 September 2005, the third anniversary of the date of the Exit Deed.

Vedanta Resources Plc

Long-Term Bonds

In December 2004 and January 2005, Vedanta issued a total of $600.0 million, 6.625% bonds due February 2010 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 rated BB by Standard and Poor's and Ba1 by Moody's. The proceeds from the bond have been substantially remitted to India for the funding of the Group's projects. The bonds are carried at their fair value of $581.2 million.

In February 2006, Vedanta issued 4.6% $725 million guaranteed convertible bonds, the details of which are set out in note 25.

Non-Equity Minority Interests

Non-equity minority interests are represented by the deferred shares in KCM held by ZCI of $47.5 million and ZCM of $11.9 million. 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 on the face value 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.

23. Movement in Net (Debt)/Cash[1]

		Debt Due Within One Year		Debt Due After One Year			
	Cash and Cash Equivalents	Debt Carrying Value	Debt Related Derivatives[2]	Debt Carrying Value	Debt Related Derivatives[2]	Liquid Investments	Total Net (Debt)/Cash
				US$ million			
At 1 April 2005	**1,186.6**	**(213.0)**	**(15.1)**	**(1,287.7)**	**(17.5)**	**262.0**	**(84.7)**
Cash flow	688.4	(28.4)	.	(698.8)	—	(12.8)	(51.6)
Other non-cash changes	(1.0)	(2.0)	17.9	135.2	(12.7)	—	137.4
Foreign exchange differences	(26.7)	3.6	—	14.9	—	(4.8)	(13.0)
At 1 April 2006	**1,847.3**	**(239.8)**	**2.8**	**(1,836.4)**	**(30.2)**	**244.4**	**(11.9)**
Cash flow	(311.2)	(25.0)	—	324.8	—	345.1	333.7
Disposal of non-core business	—	23.1	—	—	—	—	23.1
Other non-cash changes	—	9.1	(9.9)	68.3	11.6	3.5	82.6
Foreign exchange differences	48.7	(16.5)	—	(34.4)	—	7.4	5.2
At 31 March 2007	**1,584.8**	**(249.1)**	**(7.1)**	**(1,477.7)**	**(18.6)**	**600.4**	**432.7**

(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 commodity related derivative financial assets and liabilities.

24. Trade and Other Payables

a) Current Trade Payables

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Trade payables	372.6	319.1
Bills of exchange payable	485.2	310.5
Accruals and deferred income	61.7	151.6
Deferred consideration for KCM acquisition	5.2	5.2
Other trade payables	247.7	156.1
Total	**1,172.4**	**942.5**

b) Non-current trade payables

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Deferred consideration for acquisition of KCM	5.0	9.5
Other trade payables	6.6	6.1
Total	**11.6**	**15.6**

Trade payables are non-interest bearing and are normally settled on 60-90 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.

25. Convertible Bonds

Vedanta Finance (Jersey) Limited ('VFJL') issued 4.6% $725 million guaranteed convertible bonds on 21 February 2006. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VFJL, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc represented by depository receipts, which do not carry voting rights. The bondholders have the option to convert at any time from 17 April 2006 to 15 February 2026. The loan notes are convertible at £14.54 per share of $0.10 each and at an average rate of USD:GBP of 1.7845.

If the notes have not been converted, they will be redeemed at the option of the Company on or at any time after 14 March 2009 and on and prior to 15 February 2026, subject to the conditions as part of the issue, or be redeemed at the option of the bondholders on 21 February 2013, 21 February 2018 and 21 February 2022.

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 2007	Year Ended 31 March 2006
	$ million	$ million
Nominal value of convertible bonds issued	—	725.0
Less: issue costs	—	(5.3)
Net issue proceeds	—	**719.7**
Equity component at issue	—	(123.3)
Opening liability	**600.4**	**596.4**
Additional issue costs incurred	(1.7)	—
Interest and amortisation of issue costs (note 6)	36.7	4.0
Coupon interest	(33.4)	—
Conversion of bonds	(0.1)	—
Other	(3.5)	—
31 March	**598.4**	**600.4**

The interest charged for the year is calculated by applying an effective interest rate of 6.18%.

During the year ended 31 March 2007, $0.1 million of convertible bonds were converted into 7,746 equity shares, reducing the liability component of the convertible bonds by $0.1 million and generating share premium of $0.1 million.

During the year ended 31 March 2007, $3.8 million was transferred from the convertible bond reserve to retained earnings, representing the realisation of distributable reserves following accretion of the convertible bond liability. This amount constitutes the accretion since inception, being the interest and amortisation of issue costs, less coupon interest including ‘other’ in the table above.

26. Derivative Financial Instruments

The fair values of all derivatives are separately recorded on the balance sheet within other financial assets (derivatives) and other financial liabilities (derivatives), current and non-current. Derivatives that are designated as hedges are classified as current or non-current depending on the maturity of the derivative.

Derivatives, Financial Instruments and Risk Management

The Group uses derivative instruments as part of its management of exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The use of derivatives can give rise to credit and market risk. The Group controls credit risk by only entering into contracts with first class banks. The use of derivative instruments is subject to limits, authorities and regular monitoring by appropriate levels of management. The limits, authorities and monitoring systems are periodically reviewed by management and the Board. The market risk on derivatives is mitigated by changes in the valuation of the underlying assets, liabilities or transactions, as derivatives are used only for risk management purposes.

Foreign Exchange Risk

The Group uses forward exchange contracts, currency swaps, options and other derivatives to hedge the effects of movements in exchange rates on foreign currency denominated assets and liabilities. The sources of foreign exchange risk are outstanding amounts payable for imported raw materials, capital goods and other supplies as well as financing transactions, loans and current asset investments denominated in foreign currencies. The Group is also exposed to foreign exchange risk on its exports. Most of these transactions are denominated in US dollars. The Group determines on a regular basis what portion of the foreign exchange risk on financing transactions, loans and current asset investments are to be hedged through forward exchange contracts and other instruments. There are systems in place for the review of open (i.e. unhedged) exposure limits and stop-loss levels by management. The foreign currency exposure of the Group's borrowings is set out in note 22.

Interest Rate Risk

As at 31 March 2007, the short-term debt of the Group constituted a small proportion of the total debt. Most of the short-term debt is contracted on floating rates of interest. The long-term debt of the Group is principally denominated in US dollars and Indian rupees. The dollar debt is split between fixed and floating rates (linked to six month US dollar LIBOR) and the Indian rupee debt is principally at fixed interest rates. The Group has a policy of selectively using interest rate swaps, option contracts 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. The interest rate exposure of the Group's borrowings is set out in note 22.

Counterparty and Concentration of Credit Risk

The Group is exposed to credit risk in respect of receivables, liquid investments and derivative financial instruments. There is no concentration of credit risk among the receivables of the Group given the large number of customers and the business diversity. Credit risk on receivables is very limited as almost all credit sales are against letters of credit of first-class banks. In respect of current asset investments, counterparty limits are in place to limit the amount of credit exposure to any one counterparty. For derivative and financial instruments, the credit risk is limited as the Group only deals with first class banks. These exposures are further reduced by having standard ISDA Master Agreements including set-off provisions with each counterparty.

Commodity Price Risk

The Group generally has a policy of realising average market prices on sale of commodities. However, the Group uses derivatives for commodity hedging on a selective basis. As much as possible, the Group tries to mitigate price risk through favourable contractual terms. Moreover, hedging is used primarily as a risk management tool and, in some cases, to secure future cash flows in case of high volatility by entering into forward contracts or similar instruments.

Aluminium

The requirement of primary raw material, alumina is partly met from our own sources and the rest is purchased primarily on negotiated price terms. Sales prices are linked to the London Metal Exchange ('LME') prices.

Copper

Copper operations in India are exposed to differences in the LME prices between the quotational periods of the purchase of copper concentrate and sale of the finished copper products. The Group hedges this variability of LME prices and tries to make the LME price a pass-through cost between its purchases of copper concentrate and sales of finished products, both of which are linked to the LME price. The Company also benefits from the differences between the amounts paid for quantities of copper contents received and recovered in the manufacturing process, also known as 'free copper'.

The Group hedges on a selective basis its free copper and its revenue from variable margins on purchase of copper concentrates by entering into future contracts. The main purpose of hedging is to fix the prices at a desired level.

For the mining assets in Australia and Zambia, part of the production has been hedged to secure cash flows on a selective basis.

Zinc and Lead

Raw material is mined in India with sales prices linked to the LME prices. Currently part of exports out of India are hedged through forward contracts or other instruments.

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 2007 (excluding normal purchase and sale contracts), recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

	As at 31 March 2007		As at 31 March 2006	
	Liability	Asset	Liability	Asset
	$ million		$ million	
Current				
Cash flow hedge				
— Commodity contracts	(70.9)	—	(75.0)	2.3
— Forward foreign currency contracts	(16.7)	0.9	(0.4)	0.1
— Interest rate swap (floating to fixed)	—	0.2	—	0.9
Fair value hedge				
— Commodity contracts	—	4.2	(4.4)	9.7
— Forward foreign currency contracts	(2.2)	0.8	(0.8)	0.1
— Interest rate swap	—	—	—	—
— Other	—	—	—	2.0
Non-qualifying hedges				
— Commodity contracts	(2.2)	43.2	(22.4)	28.7
— Forward foreign currency contracts	(9.4)	2.1	(10.4)	2.3
— Interest rate swap	—	0.1	—	2.9
— Other	—	—	(1.3)	—
Total	**(101.4)**	**51.5**	**(114.7)**	**49.0**
Non-current				
Cash flow hedge				
— Commodity contracts	—	—	—	—
— Forward foreign currency contracts	(2.0)	—	—	—
— Interest rate swap	—	—	—	—
Fair value hedge				
— Interest rate swap	(18.6)	—	(30.2)	—
— Other	(74.1)	72.1	(63.2)	63.2
Total	**(94.8)**	**72.1**	**(93.4)**	**63.2**
Grand total	**(196.2)**	**123.6**	**(208.1)**	**112.2**

Cash Flow Hedges

The majority of cash flow hedges taken by the Group during the year comprise strategic forward sales of copper by KCM and by HZL to secure against the volatile movement in LME copper and zinc prices respectively. (The outstanding hedge positions as at 31 March 2007 were Copper — 57,600 mt and HZL — 25,000 mt).

Non-Qualifying Hedges

The majority of these derivatives comprise copper sale and purchase contracts at Sterlite which are economic hedges but which do not fulfil the requirements of IAS 39.

Fair Value Hedges

The fair value hedges relate to the interest rate swaps (fixed to floating) taken out by the Group to hedge the interest rate risk on the $600 million bonds due in 2010 and US dollar: Japanese Yen cross-currency swaps with a maturity of 2010. Equal and opposite swaps are held in two Group companies, such that no exposure to the Group arises.

Hedging Reserves Reconciliation

	Hedging Reserves	Minority Interests*	Total
	$ million	$ million	$ million
At 1 April 2005	**(3.2)**	**(1.1)**	**(4.3)**
Amount recognised directly in equity	(46.7)	(42.5)	(89.2)
Amount charged to income statement	20.6	18.2	38.8
Exchange difference	0.2	—	0.2
At 1 April 2006	**(29.1)**	**(25.4)**	**(54.5)**
Amount recognised directly in equity	(24.6)	(18.9)	(43.5)
Amount charged to income statement	24.2	21.3	45.5
Exchange difference	(0.2)	(0.4)	(0.6)
At 31 March 2007	**(29.7)**	**(23.4)**	**(53.1)**

* Cash flow hedges attributable to minority interests.

27. Provisions

	Restoration, Rehabilitation and Environmental $ million	Other $ million	Total $ million
At 1 April 2005	**61.2**	**184.4**	**245.6**
Credited to income statement	(4.2)	(10.2)	(14.4)
Unwinding of discount	0.2	5.4	5.6
Amounts applied	—	(3.4)	(3.4)
Exchange difference	(0.4)	(0.3)	(0.7)
Other movements	0.3	1.7	2.0
At 1 April 2006	**57.1**	**177.6**	**234.7**
(Credited)/charged to income statement	(15.2)	16.3	1.1
Unwinding of discount	1.9	5.4	7.3
Addition due to acquisition (note 32a)	1.8	—	1.8
Cash paid	0.0	(15.1)	(15.1)
Exchange differences	0.3	0.2	0.5
At 31 March 2007	**45.9**	**184.4**	**230.3**
Current 2007	—	—	—
Non-current 2007	45.9	184.4	230.3
	45.9	**184.4**	**230.3**
Current 2006	0.1	12.1	12.2
Non-current 2006	57.0	165.5	222.5
	57.1	**177.6**	**234.7**

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 and Armenian law and the terms of the Group's mining and other licences and contractual arrangements.

Other

Other provisions 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, primarily in India and also a provision in respect of a price participation agreement which requires KCM to pay ZCCM an agreed annual sum when copper prices exceed specified levels and other triggers, amounting to $131.6 million (2006: $141.6 million).

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. No benefit has been recognised for tax losses of VRHL and the Company on the grounds that their successful application against future profits is not probable in the foreseeable future.

The amounts of deferred taxation and timing differences, provided and not provided, in the accounts are as follows:

Provided — Liabilities/(Assets)	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Accelerated capital allowances	395.9	300.0
Unutilised tax losses	(58.9)	(134.1)
Other timing differences	60.0	49.1
Total	**397.0**	**215.0**
Recognised as:		
Deferred tax liability provided	425.3	286.9
Deferred tax asset recognised	(28.3)	(71.9)
Total	**397.0**	**215.0**

Not Provided — Liabilities/(Assets)	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Unutilised tax losses	(8.0)	(5.1)

Deferred Tax Asset	Year Ended 31 March 2007 $ million	Year Ended 31 March 2006 $ million
At 1 April	**71.9**	**90.0**
Charged to income statement	(48.5)	(39.8)
Credited directly to equity	1.9	16.9
Other movements	—	5.6
Foreign exchange differences	3.0	(0.8)
At 31 March	**28.3**	**71.9**

The Group has $235.5 million of unutilised tax losses at KCM (2006: $424.5 million) which expire in 2019.

Deferred Tax Liability	Year Ended 31 March 2007 $ million	Year Ended 31 March 2006 $ million
At 1 April	**286.9**	**228.3**
Addition due to acquisition (note 32a)	14.3	0.0
Charged to income statement	110.0	54.6
(Credited)/charged directly to equity	(1.6)	3.4
Other movements	4.0	5.6
Foreign exchange differences	11.7	(5.0)
At 31 March	**425.3**	**286.9**

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.

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 Kuldip Kaura, salary means the aggregate of their salary payable by Vedanta and their Cost to Company 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 balance of basic salary and share-based remuneration 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 the 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 and 1 February 2007. The exercise price of the awards is 10 US cents per share and the performance period is one year for the 2007 awards and three years for earlier awards, with no re-testing being allowed. The exercise period is six months from the date of vesting. Further details on the LTIP are found in the Remuneration Report on pages 39 to 64.

Year of Grant	Exercise Date	Exercise Price US Cents per Share	Options Outstanding 1 April 2006	Options Granted During the Year	Options Lapsed During the Year	Options Exercised During the Year	Options Outstanding at 31 March 2007
2004	26 February 2007 to 26 August 2007	10	1,187,000	—	82,056	776,500	328,444
2004	11 June 2007 to 11 December 2007	10	10,000	—	—	—	10,000
2004	23 November 2007 to 23 May 2008	10	37,500	—	8,264	9,236	20,000
2006	1 February 2009 to 1 August 2009	10	2,450,100	—	273,175	5,275	2,171,650
2007	February 2008 to 1 August 2008	10	—	565,530	—	—	565,530
			3,684,600	565,530	363,495	791,011	**3,095,624**

As at 31 March 2007 all the outstanding options granted on 26 February 2004 were exercisable. The weighted average share price for the share options exercised during the year was £13.

All share-based awards of the Group are equity-settled as defined by IFRS 2. 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 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 which 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 February 2007
Date of grant	1 February 2007
Number of instruments	565,530
Exercise price	$0.1
Share price at the date of grant	£11.89
Contractual life	1.5 years
Expected volatility	51.0% pa
Expected option life	1.1 years
Expected dividends	1.3% pa
Risk free interest rate	5.6% pa
Expected annual forfeitures	13.5% pa
Fair value per option granted	£5.788

30. Retirement Benefits

The Group operates pension schemes for the majority of its employees in India, Australia and Zambia.

a) *Defined Contribution Schemes*

India

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 contribution 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. Each relevant company holds a policy with the Life Insurance Corporation of India ('LIC'), to which each company contributes a fixed amount relating to superannuation, and the pension annuity is met by the LIC as required, taking into consideration the number of years of service of the executive, and 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 1998 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 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.

Australia

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.

Zambia

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 to 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 served a minimum of five years with their employing company. Using actuarial valuations these schemes are funded by the Group through cash contributions in case of some subsidiaries and in case of others a provision is maintained in the books. 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 and as such, is not funded. Its Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2007 using the projected unit 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 2009 are covered by the LIC and their remaining contributions have been made and have been accounted for on a defined contribution basis. The scheme is accounted for as a defined benefit scheme for all employees scheduled to retire after 31 March 2009, who are not covered by the LIC. Provision is made in the books based on the latest actuarial valuation which was performed as at 31 March 2007 using the projected unit actuarial method. At that date the fund was in deficit.

HZL

HZL contributes to the LIC based on 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 2007 using the projected unit actuarial method. At that date the fund was in deficit.

VAL

VAL does not contribute to the LIC and as such, is not funded. Liabilities with regard to the Gratuity Plan 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 2007 using the projected unit actuarial method. At that date the fund was in deficit.

Sterlite

Sterlite does not contribute to the LIC and as such, is not funded. Liabilities with regard to the Gratuity Plan 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 2007 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 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.

These schemes are accounted for as a defined benefit scheme and the main assumptions used in the actuarial valuation were a discount rate of 14% per annum and an annual salary increase of 8%.

As at 31 March 2007, membership of pension schemes across MALCO, BALCO, HZL, VAL, Sterlite and KCM stood at 24,589 employees (31 March 2006: 23,426). 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

	Year Ended 31 March 2007	Year Ended 31 March 2006	Year Ended 31 March 2005
	$ million	$ million	$ million
Defined contribution pension schemes	10.8	10.6	5.0
Defined benefit pension schemes	0.8	2.4	8.2
Total	**11.6**	**13.0**	**13.2**

Contributions of $1.3 million and $0.1 million in respect of defined benefit schemes were outstanding and prepaid respectively as at 31 March 2007 (2006: nil and nil respectively).

The next year contribution to the pension scheme is expected to be approximately $2.4 million.

d) Principal Actuarial Assumptions

Principal actuarial assumptions used to calculate the Gratuity schemes' liabilities

	MALCO		BALCO		Sterlite		HZL		KCM		VAL	
	March 2007	March 2006	March 2007	March 2006	March 2007	March 2006	March 2007	March 2006	March 2007	March 2006	March 2007	March 2006
Discount rate	8.0%	8.0%	8.0%	7.5%	7.5%	7.5%	7.5%	7.5%	14.0%	17.0%	8.0%	7.5%
Salary increases	6.0%	4.0%	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%	8.0%	20.0%	5.0%	5.0%
Funding rate of return	—	—	8.0%	—	8.0%	—	8.4%	8.0%	—	—	—	—
Number of employees	699	754	5,236	4,553	1,441	1,476	6,275	6,020	10,454	10,454	484	169

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 March 2007							31 March 2006						
	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total
	$ million													
Fair value of pension scheme assets	—	1.0	0.1	15.9	—	—	**17.0**	—	—	—	14.0	—	—	**14.0**
Present value of pension scheme liabilities	(1.3)	(12.5)	(0.1)	(17.3)	(21.0)	(0.1)	**(52.3)**	(1.1)	(9.4)	—	(15.1)	(26.5)	(0.1)	**(52.2)**
Deficit in pension scheme recognised in balance sheet	(1.3)	(11.5)	—	(1.4)	(21.0)	(0.1)	**(35.3)**	(1.1)	(9.4)	—	(1.1)	(26.5)	(0.1)	**(38.2)**
Deferred tax	0.4	3.9	—	0.5	5.3	0.0	**10.1**	0.4	3.2	—	0.4	6.6	—	**10.6**
Net pension liability	**(0.9)**	**(7.6)**	—	**(0.9)**	**(15.7)**	**(0.1)**	**(25.2)**	**(0.7)**	**(6.2)**	—	**(0.7)**	**(19.9)**	**(0.1)**	**(27.6)**

f) Amounts Recognised in Income Statement in Respect of Defined Pension Schemes:

	31 March 2007							31 March 2006						
	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total
	$ million													
Current service cost	0.1	0.5	0.2	0.8	—	—	**1.6**	—	0.4	—	0.8	6.1	0.1	**7.4**
Actuarial (gains)/losses	0.1	0.7	1.0	0.7	(5.4)	—	**(2.9)**	—	(1.2)	—	0.2	(7.6)	—	**(8.6)**
Expected return on scheme assets	—	—	—	(1.2)	—	—	**(1.2)**	—	—	—	(1.1)	—	—	**(1.1)**
Interest cost of scheme liabilities	0.1	0.8	0.1	1.1	1.2	—	**3.3**	0.1	0.7	—	1.0	2.9	—	**4.7**
Total charge to income statement	**0.3**	**2.0**	**1.3**	**1.4**	**(4.2)**	**—**	**0.8**	**0.1**	**(0.1)**	**—**	**0.9**	**1.4**	**0.1**	**2.4**

g) Movements in the Present Value of Defined Benefit Obligation

The movement during the year ended 31 March 2007 of the present value of the defined benefit obligation was as follows:

	31 March 2007							31 March 2006						
	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total
	$ million													
At 1 April	**(1.1)**	**(9.4)**	—	**(15.1)**	**(26.5)**	**(0.1)**	**(52.2)**	(0.9)	(9.7)	—	(12.3)	(27.7)	—	**(50.6)**
At acquisition	—	—	—	—	—	—	**—**	—	—		—	—	—	**—**
Current service cost	(0.1)	(0.5)	(0.2)	(0.8)	—	—	**(1.6)**	—	(0.4)	—	(0.8)	(6.1)	(0.1)	**(7.4)**
Reclassification to/(from) other provisions	—	—	—	—	—	—	**—**	(0.2)	0.8	—	(0.6)	—	—	**—**
Gratuity benefits paid	0.3	0.3	—	0.8	1.2	—	**2.6**	0.1	0.1	—	0.3	2.6	—	**3.1**
Interest cost of scheme liabilities	(0.1)	(0.8)	(0.1)	(1.1)	(1.2)	—	**(3.3)**	(0.1)	(0.7)	—	(1.0)	(2.9)	—	**(4.7)**
Actuarial gains/(loss)	(0.1)	(0.7)	(1.0)	(0.7)	5.4	—	**2.9**	—	1.2	—	(0.2)	7.6	—	**8.6**
Exchange difference	(0.2)	(1.4)	1.2	(0.4)	0.1	—	**(0.7)**	—	(0.7)	—	(0.5)	—	—	**(1.2)**
At 31 March	**(1.3)**	**(12.5)**	**(0.1)**	**(17.3)**	**(21.0)**	**(0.1)**	**(52.3)**	**(1.1)**	**(9.4)**	**—**	**(15.1)**	**(26.5)**	**(0.1)**	**(52.2)**

h) Movements in the Fair Value of Scheme Assets

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
At 1 April	**14.0**	**12.0**
Contributions received	2.9	3.0
Benefits paid	(2.6)	(3.1)
Expected return on plan asset	1.2	1.1
Foreign exchange differences	1.5	1.0
At 31 March	**17.0**	**14.0**

i) Three Year History

The transition date for conversion to IFRS for Vedanta was 1 April 2005 and therefore the following historical data has been presented from that date.

Defined Benefit Pension Plan

Provided — Liabilities/(Assets)	As at 31 March 2007 $ million	As at 31 March 2006 $ million	As at 31 March 2005 $ million
Experience gains/(losses) arising on scheme liabilities	2.9	8.6	(2.4)
Difference between expected and actual return on plan assets	(0.1)	—	—
Fair value of pension scheme assets	17.0	14.0	12.0
Present value of pension scheme liability	(52.3)	(52.2)	(50.6)
Deficits in the schemes	**(35.3)**	**(38.2)**	**(38.6)**

31. Issued Share Capital and Reserves

	At 31 March 2007		At 31 March 2006	
	Number	$ million	Number	$ million
Authorised				
Ordinary shares of 10 US cents each	400,000,000	40.0	400,000,000	40.0
Deferred shares of £1 each	50,000	0.1	50,000	0.1
Total	**400,050,000**	**40.1**	**400,050,000**	**40.1**
Ordinary shares issued and fully paid				
Ordinary shares of 10 US cents each	287,515,622	28.8	286,781,195	28.7
Deferred shares of £1 each	50,000	—	50,000	—
Total	**287,565,622**	**28.8**	**286,831,195**	**28.7**

During the year ended 31 March 2007, the Company issued 726,681 shares to the employees pursuant to the LTIP scheme (2006: 5,195 shares). During the year ended 31 March 2007, the Company issued 7,746 shares on conversion of the convertible bond (2006: nil).

The holders of deferred shares do not have the right to receive notice of any general meeting of the Company or 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.

32. Business Combinations

a) Sterlite Gold

The Group acquired the following companies during the year ended 31 March 2007:

Names of Company Acquired	Principal Activity	Date of Acquisition	Proportion of Shares Acquired	Cost of Acquisition ($ million)
Welter Trading Limited	Investment holding company	22 May 2006	100.0%	—
Twin Star International Limited	Investment holding company	23 August 2006	100.0%	33.7*

* $2.9 million of acquisition expenses were additionally incurred in the acquisition of Twin Star International Limited and its subsidiaries.

Vedanta acquired 100% of Welter Trading Limited, a company incorporated in Cyprus, on 22 May 2006. On 23 August 2006, Welter Trading Limited acquired 100% of Twin Star International Limited ('TSI'), a company incorporated in Mauritius and 100% owned by Volcan Investments ('Volcan'). Volcan holds 54% of the equity of Vedanta.

TSI held 55.09% of Sterlite Gold Limited ('Sterlite Gold'), a company incorporated in Canada and listed on the Toronto Stock Exchange. By virtue of Welter Trading Limited acquiring 100% of TSI, Sterlite Gold became a subsidiary of Vedanta with an effective date of 23 August 2006, being the date at which control passed to Vedanta. As a result, the financial information of TSI and Sterlite Gold has been consolidated from 23 August 2006.

From 23 August 2006 to 31 March 2007, the Group acquired a further 28.6% interest in the equity of Sterlite Gold for $17.7 million through an open offer to minority shareholders. The Group's total holding in Sterlite Gold as at 31 March 2007 was 83.7%.

From the date of acquisition, Sterlite Gold held 100% interests in the following companies:

- First Dynasty Mines (USA) LLC
- First Dynasty Mines Armenia Limited
- AGRC Services Limited
- First Dynasty Mines Holding Company Limited
- Myanmar First Dynasty Mines Limited (since liquidated)
- Ararat Gold Recovery Company LLC ('AGRC')

AGRC is a company involved in gold mining activities and is incorporated in Armenia. All other companies listed above are non-operating.

The consolidated net assets of TSI acquired at the first acquisition are detailed in the table below. There was no material change in the fair value of assets and liabilities acquired at the following acquisitions.

	Book Value $ million	Fair Value Adjustments $ million	Fair Value $ million
Assets			
Non-current assets			
Property, plant and equipment	11.4	71.7	83.1
Financial asset investments	4.7	—	4.7
	16.1	**71.7**	**87.8**
Current assets			
Inventories	2.7	—	2.7
Trade and other receivables	2.7	—	2.7
Cash and cash equivalents	0.8	—	0.8
	6.2	**—**	**6.2**
Liabilities			
Current liabilities			
Trade and other payables	(2.9)	—	(2.9)
	(2.9)	**—**	**(2.9)**
Non-current liabilities			
Borrowings from Vedanta Resources plc	(10.2)	—	(10.2)
Deferred tax liabilities	—	(14.3)	(14.3)
Provisions	(1.8)	—	(1.8)
	(12.0)	**(14.3)**	**(26.3)**
Net assets	**7.4**	**57.4**	**64.8**
Less: minority interests recognised on first acquisition			(29.1)
Add: reduction in minority interests on following acquisitions			18.9
			54.6
Satisfied by:			
Cash consideration on first acquisition			33.7
Cash consideration on following acquisitions			17.7
Acquisition expenses			2.9
			54.3
Gain on following acquisitions recognised in retained earnings			0.3
			54.6

Since the date of acquisition, Sterlite Gold has contributed $2.9 million to the revenue and $(4.1) million to the net profit of the Group for the year ended 31 March 2007. If TSI Group had been acquired at the beginning of the period, the revenues of the Group would have been $6,506.7 million and the profit attributed to equity holders of the parent of the Group would have been $1,811.5 million.

b) Acquisition of Sterlite Energy

During the year ended 31 March 2007, Sterlite acquired 100% of the equity of Sterlite Energy, a related party previously controlled by Volcan. The cost of acquisition was $0.1 million.

c) Disposal of Non-Core Business

The Board of Sterlite passed a resolution on 21 August 2006 to divest its non-core aluminium conductor business, a reporting unit classified in the Group's 'Other' segment. The Group sold the business to SOTL, a company owned and controlled by Volcan, a related party, for $32.3 million. The loss on this sale was $2.3 million. The carrying value of the assets and liabilities disposed of were as follows:

	$ million
Property, plant and equipment	18.6
Current assets	83.4
Total assets	102.0
Debt	23.1
Current liabilities	44.3
Total liabilities	67.4
Net assets disposed	34.6
Less: consideration received	(32.3)
Loss on disposal (note 4)	2.3

33. Operating Leases

The Group does not have any material operating lease commitments as at 31 March 2007 (2006: none).

34. Commitments, Guarantees and Contingencies

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.

The principal capital commitments of the Group were as follows:

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Contracted but not provided	3,150.0	1,233.4

Commitments at 31 March 2007 primarily related to the expansion projects at HZL $178.9 million (2006: $92.2 million), BALCO $10.2 million (2006: $20.2 million), KCM $355.0 million (2006: $108.7 million), VAL $1,316.4 million (2006: $951.4 million), SEL $1,139.3 million and Sterlite Gold $11.9 million.

In addition, 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:

Guarantees

As at 31 March 2007, $198.9 million of guarantees are advanced by bank in normal course of business (2006: $109.0 million). The Group has also entered into guarantees advanced to the customs authorities in India of $107.6 million (2006: $52.9 million) relating to payment of import duties on purchases of fixed assets.

Export Obligations

The Indian entities of the Group have export obligations of $1,328.4 million (2006: $1,635.7 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 $191.0 million (2006: $196.7 million), reduced in proportion to actual exports.

Guarantees to Banks — IFL

The Group has given corporate guarantees to certain banks and financial institutions in relation to IFL, an associate of the Group. The value of these guarantees was $41.8 million at 31 March 2007 (2006: $40.8 million) against an outstanding balance of $38.7 million (2006: $37.3 million). The Group's interest in IFL is summarised in note 15.

Guarantees to Suppliers

The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was $90.0 million at 31 March 2007.

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 million) in any financial year to ensure that the amount of ETB liabilities are covered by a cash reserve when the Konkola Ore Body life comes to an end. ETB liabilities mean, at any time, KCM's liabilities in relation to the environment and any terminal benefits payable to its employees. As at 31 March 2007, ETB liabilities, and the amounts provided were $65.1 million (2006: $80.7 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 ZCCM (see note 36) and Vedanta's divestment of its interest in KCM (the earliest date of which is 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 material 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')

Under the terms of a financial aid package, MALCO was entitled to benefit from reduced tariff electricity for the period from 1995 to 1999. In 1997 MALCO became profitable and in 1999 the TNEB made a claim against MALCO for the difference in value between full price and reduced tariff electricity for the period from 1997 to 1999. The value of this claim was $71.7 million. The case was heard before the Madras High Court in November 1999 and it found in MALCO's favour. TNEB has appealed the decision and this appeal is under hearing.

TNEB is also claiming $23.4 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.

MALCO Claims with TECHMO Car SpA ('TECHMO')

In February 1999, MALCO entered into an agreement with TECHMO to modernise the smelter pot rooms at Mettur Dam. In February 2003, this contract was terminated by TECHMO following disputes over the project. In March 2003, MALCO issued a claim against TECHMO to recover expenditure incurred on the project, citing non-performance by TECHMO. The value of this claim was $6.3 million. The District Court had ordered TECHMO to provide the full amount of the claim to MALCO as security, which was subsequently reversed by the Madras High Court. MALCO has since filed a petition with the Supreme Court of India, which as an interim measure has directed both parties to arbitration and for each party to furnish security of $1.0 million.

Separately, in June 2003, TECHMO moved for arbitration, claiming a total of $3.0 million being the unpaid portion of the contract. In September 2005, the final tranche of the hearing took place in which both parties submitted written submissions.

On the grounds of non-renewal of the bank guarantee by Techmo Car SpA, MALCO invoked the bank guarantee of $1.0 Million in March 2007.

BALCO: Claim of Chhattisgarh State Electricity Board ('CSEB')

During the year ended 31 March 2007, CSEB claimed that they had overpaid for power supplied by BALCO. BALCO are contesting the claim on the basis that it is conflicting with the power purchase agreement between the two entities. An arbitrator has been appointed and arbitration is yet to commence.

Demands against HZL by 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 $76.6 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 estimates that the likelihood of this claim becoming an obligation of the company is remote 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 it has obtained a stay in respect of these demands.

Sterlite Gold

The mining plan of Sterlite Gold's subsidiary, Ararat Gold Recovery Company LLC ('AGRC'), has not been approved by the Armenian government and as a result, AGRC's mining operations have been temporarily suspended. AGRC is working with government authorities in an effort to secure approval for its mining plan so that operations can be resumed. AGRC has previously received approval for each of its annual mining plans during the term of its Implementation Agreement with the Armenian government.

The Armenian governmental authorities began an investigation of AGRC on 9 January 2007, covering all years between 2000 and 2006. The scope of the investigation includes AGRC's compliance with licensing and tax regulations. The government alleges that AGRC submitted incorrect data in production reports relating to royalty payments and is in violation of licensing laws. AGRC has recently received from the Armenian authorities a preliminary notice of penalties and fines in the amount of approximately $46.5 million that the Armenian government intends to levy on AGRC. The notice is preliminary in nature and the company understands that the notice is to undergo further analysis and expert review at the relevant Armenian governmental agencies in the coming weeks before it is served in final form upon AGRC.

Sterlite Gold and AGRC are vigorously contesting any allegations or claims that may be made against them arising out of the investigation. The carrying value of the net assets of Sterlite Gold held in the Group's balance sheet at 31 March 2007 was $58.2 million.

Ministry of Environment and Forest ('MOEF') Claim — VAL

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. The Ministry of Environment and Forests has received reports from expert organisations and has submitted its recommendations to the Supreme Court. Further instructions from Supreme Court on this matter are awaited.

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 $155.1 million (2006: $117.0 million), of which $48.9 million (2006: $44.2 million) is included as a provision in the balance sheet as at 31 March 2007. In the view of the Directors, there are no significant unprovided liabilities arising from these claims.

35. Related Party Transactions

a) The information below sets out transactions and balances between the Group and various related parties for the year ended 31 March 2007. These related parties include Sterlite Optical Technologies Limited ('SOTL'), which is related by virtue of having the same controlling party as the Group, namely Volcan. As India Foils Limited ('IFL') is an associate of the Group, it is also regarded as a related party.

The Group acquired TSI and Sterlite Gold from Volcan on 22 August 2006. As a result, with an effective date of 23 August 2006, TSI and Sterlite Gold became subsidiaries of the Group and ceased to be related parties. The Group also acquired Sterlite Energy from Twin Star Infrastructure Limited, a related party controlled by the members of the Agarwal family.

b) The tables below set out transactions with related parties that occurred in the normal course of trading:

SOTL

	31 March 2007 $ million	31 March 2006 $ million
Sales to SOTL	59.0	3.0
Sale of aluminium conductor division	32.3	—
Reimbursement of expenses	0.2	—
Purchases from SOTL	1.1	—
Amounts receivable at year end	**11.0**	**5.6**

Sterlite Gold (until 22 August 2006)

	31 March 2007 $ million	31 March 2006 $ million
Provision of commercial services and others	—	0.1

Twin Star International (TSI) (up to 22 August 2006)

During the year ended 31 March 2007, the Group advanced a loan of $20.9 million (2006: $5.0 million) to TSI. The loan carries an interest rate of LIBOR plus 100 basis points and the interest accrued was $0.9 million (2006: $32,688).

Twin Star Overseas Limited

As part of the acquisition of TSI and its subsidiaries, the Group acquired a balance of $0.2 million payable to Twin Star Overseas Limited. This amount was repaid during the year ended 31 March 2007. Twin Star Overseas Limited is a related party as it is controlled by members of the Agarwal family.

Twin Star Investments Limited

As part of the acquisition of TSI and its subsidiaries, the Group acquired a balance of $0.7 million payable to Twin Star Investments Limited. Twin Star Investments Limited is a related party as it is controlled by members of the Agarwal family.

The balance outstanding at 31 March 2007 was $0.7 million.

Transactions with Sterlite Gold and SOTL

Pursuant to the terms of the Shared Services Agreement dated 5 December 2003 entered into by the Company, Sterlite, SOTL and Sterlite Gold, the Company and Sterlite provided various commercial services in relation to SOTL's and Sterlite Gold's businesses on an arm's length basis and at normal commercial terms. For the year ended 31 March 2007, the commercial services provided to SOTL and Sterlite Gold were performed by certain senior employees of the Group on terms set out in the Shared Services Agreement. The services provided to SOTL and Sterlite Gold during 2007 amounted to $21,940 and $6,966 respectively (2006: $20,895 and $16,700).

Sterlite Energy Limited/Twin Star Infrastructure Limited

During the year ended 31 March 2007, the Group acquired Sterlite Energy 100% stake from Twin Star Infrastructure for $0.1 million. On the date of acquisition there were a number of outstanding balances due from some related parties, amounting to $0.3 million. These were repaid by 31 March 2007.

Sterlite Energy had issued cumulative convertible preference shares to Twin Star Infrastructure Limited prior to its acquisition by the Group and an amount of $6.5 million was outstanding as at 31 March 2007. During the year ended 31 March 2007, Sterlite Energy paid dividends on the cumulative convertible preference shares of $3,544 to Twin Star Infrastructure Limited. During the year ended 31 March 2006, the Group advanced $0.4 million.

Sterlite Foundation

During the year, $0.7 million was paid to Sterlite Foundation (2006: $0.6 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 Agarwal family.

The Anil Agarwal Foundation (formerly Vedanta Foundation)

During the year, $0.1 million (2006: $0.1 million) was received from the Anil Agarwal Foundation towards reimbursement of 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.

Political and Public Awareness Trust

During the year ended 31 March 2007, the Group did not contribute to the Political and Public Awareness Trust (2006: $0.1 million). This trust makes contributions to political parties and related causes. The trust is a related party as it is controlled by members of the Agarwal family.

IFL

	31 March 2007 $ million	31 March 2006 $ million
Sales to IFL	43.9	34.1
Net interest received	—	0.5
Guarantees	41.8	40.8
Trade receivables and advances	8.8	0.6
Loans receivable at year end	6.2	6.2

During the year ended 31 March 2007, the Group advanced $1.2 million to IFL as short-term advances. The Group has given corporate guarantees to certain banks and financial institutions in relation to IFL, an associate of the Group, against which a provision of $17.3 million has been recognised in the financial statements (2006: $nil) (see note 15).

Volcan

	31 March 2007	31 March 2006
	$ million	$ million
Reimbursement of bank charges	(0.4)	(0.5)
Amounts receivable at year end	—	0.1

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 2007 was $0.4 million (2006: $0.5 million).

In addition, a limited number of employees are seconded from Sterlite to IFL, SOTL and Sterlite Gold and similarly from IFL, SOTL and Sterlite Gold to Sterlite. The company which benefits from the seconded employee bears their employment costs.

c) 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 2007	Year Ended 31 March 2006
	$ million	$ million
Short-term employee benefits	5.3	4.6
Post employment benefits	0.3	0.1
Share-based payments	0.7	0.3
Termination benefits	—	0.6
Total	**6.3**	**5.6**

36. Share Transactions

Call Options — KCM

The Group purchased a 51% holding in KCM on 5 November 2004, from ZCI and ZCCM holding 28.4% and 20.6% interests, respectively. There are several call options over the KCM shares held by the Group, ZCI and ZCCM as follows:

The Group has call options over ZCI's and ZCCM's holdings in KCM exercisable in certain circumstances. The option exercise period commences on the earlier of the date of approval by the Government of Zambia of any application by KCM to develop the Konkola Ore Body Extension Project, and the date immediately succeeding the last day of four consecutive quarters during which ore is extracted at a rate of 3 million tpa or more, provided that prior to such date, ZCI and ZCCM have not exercised their primary call options referred to below. In either case, the option exercise period terminates 24 months after the date on which the call option becomes exercisable or the date of any material amendment, cessation or abandonment of the Konkola Ore Body Extension Project other than in accordance with the provisions of the KCM shareholders' agreement.

ZCI and ZCCM each have a primary call option over the Group's interest in KCM in proportion to their own shareholdings in KCM, exercisable in certain circumstances. The option exercise periods are 24 month periods commencing on either:

- 31 December 2009, provided that prior to such date: KCM does not proceed with the development of the Konkola Ore Body Extension Project, the Group has not exercised its call option over the ZCI shares and sufficient evidence has not been provided to ZCCM and ZCI that the rate of ore extraction during the five year period from 1 January 2013 to 31 December 2017 is expected to be more than 175,000 tpa (the 'Production Condition'); or

- 31 December 2014, provided that prior to 31 December 2009 sufficient evidence has been provided that the Production Condition will be met, and that otherwise the same conditions above apply.

ZCI and ZCCM each have a secondary call option that vests either: where one party confirms to the other, and the Group, that it does not wish to exercise its primary option; or where the primary option is not exercised before the expiry of the relevant 24 month exercise period (the 'End Date'). The secondary call option is exercisable up to 15 days after the End Date and allows ZCI and ZCCM to acquire the shares held by the Group in KCM that are subject to the primary call option.

The exercise price for all options is at a value to be agreed by the Group and ZCI or ZCCM as applicable or failing agreement, at fair market value determined by an independent valuer.

During 2006, a notice was sent by the Group to ZCI to exercise the option to acquire its 28.4% stake in KCM. At the date of this report a valuer has yet to be appointed.

Call Option — HZL

With effect from 11 April 2007, SOVL has the right to purchase all of the Government of India's remaining shares in HZL at fair market value. As at 31 March 2007, the Government's holding in HZL was 29.5% (2006: 29.5%). The option has no expiry date.

Call Option — BALCO

Sterlite purchased a 51% holding in BALCO from the Government of India on 2 March 2001. Under the terms of this purchase agreement for BALCO, Sterlite has a call option that allows it to purchase any remaining Government holding in BALCO at any point from 2 March 2004. Sterlite exercised this option on 19 March 2004. However, the Government of India has contested the purchase price and validity of the option. The Group 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. However, the Court directed on 7 August 2006 that the parties attempt to settle the dispute by way of amicable negotiation and conciliation. Negotiations are currently in progress between Sterlite and the Government.

Convertible Debt — IFL

IFL has a loan of $28.5 million (2006: $23.3 million) with ICICI Bank. ICICI has an option to convert this debt to equity shares at par value at any time up to maturity of the loan in 2011. If this option is exercised, MALCO's holding in IFL will reduce from 38.8% to 7.1%.

Foreign Currency Convertible Bonds — Sterlite

In October 2003, Sterlite issued 50,000 1% $1,000 redeemable convertible bonds which are redeemable by Sterlite at a premium of $180 per bond on 27 October 2008. Of these bonds, 500 bonds were converted into Sterlite's ordinary shares during the year ended 31 March 2004, 25,800 bonds were converted into Sterlite's ordinary shares during the year ended 31 March 2005 and the balance of 23,700 bonds were converted into Sterlite's ordinary shares during the year ended 31 March 2006. These conversions had the overall effect of reducing the Group's Economic Interest in Sterlite from 81.3% to 75.9%.

Convertible Bond — Vedanta

In February 2006, VFJL issued 725,000 4.6% $1,000 redeemable convertible bonds which are convertible into equity shares of Vedanta Resources plc, details of which are provided in note 25.

37. Principal Subsidiaries

The consolidated financial statements comprise the financial statements of the following principal subsidiaries:

	The Company's Economic Percentage Holding					Immediate Percentage Holding	
Subsidiaries	Principal activities	31 March 2007	31 March 2006	Country of Incorporation	Immediate Holding Company	31 March 2007	31 March 2006
Bharat Aluminium Company Limited ('BALCO')	Aluminium mining and smelting	38.7%	38.7%	India	Sterlite	51.0%	51.0%
Copper Mines Of Tasmania Pty Limited ('CMT')	Copper mining	75.9%	75.9%	Australia	MCBV	100.0%	100.0%
Hindustan Zinc Limited ('HZL')	Zinc mining and smelting	49.3%	49.3%	India	SOVL	64.9%	64.9%
The Madras Aluminium Company Limited ('MALCO')	Aluminium mining and smelting	80.0%	80.0%	India	Twin Star	80.0%	80.0%
Monte Cello BV ('MCBV')	Holding company	75.9%	75.9%	Netherlands	Sterlite	100.0%	100.0%
Monte Cello Corporation NV (MCNV')	Holding company	100.0%	100.0%	Netherlands Antilles	Twin Star	100.0%	100.0%
Konkola Copper Mines PLC ('KCM')	Copper mining and smelting	51.0%	51.0%	Zambia	VRHL	51.0%	51.0%
Sterlite Energy Limited ('SEL)'	Energy generation	75.9%	—	India	Sterlite	100.0%	100.0%
Sterlite Industries (India) Limited ('Sterlite')	Copper smelting	75.9%	75.9%	India	Twin Star	72.3%	72.3%
Sterlite Opportunities and Venture Limited ('SOVL')	Holding company	75.9%	75.9%	India	Sterlite	100.0%	100.0%
Sterlite Paper Limited ('SPL')	Non-trading	75.9%	75.9%	India	Sterlite	100.0%	100.0%
Thalanga Copper Mines Pty Limited ('TCM')	Copper mining	75.9%	75.9%	Australia	MCBV	100.0%	100.0%
Twin Star Holding Limited ('Twin Star')	Holding company	100.0%	100.0%	Mauritius	VRHL	100.0%	100.0%
Vedanta Alumina Limited ('VAL')	Alumina mining, aluminum refining and smelting	92.9%	92.9%	India	Twin Star	70.5%	70.5%
Vedanta Resources Holding Limited ('VRHL')	Holding company	100.0%	100.0%	Great Britain	VR plc	100.0%	100.0%
Vedanta Resources Finance Limited ('VRFL')	Financing company	100.0%	100.0%	Great Britain	VRHL	100.0%	100.0%
Vedanta Resources Cyprus Limited ('VRCL')	Financing company	100.0%	100.0%	Cyprus	VRFL	100.0%	100.0%

	The Company's Economic Percentage Holding					Immediate Percentage Holding	
Subsidiaries	Principal activities	31 March 2007	31 March 2006	Country of Incorporation	Immediate Holding Company	31 March 2007	31 March 2006
Vedanta Finance (Jersey) Limited ('VFJL')	Financing company	100.0%	100.0%	Jersey (CI)	VR plc	100.0%	100.0%
Welter Trading Limited	Financing company	100.0%	—	Cyprus	VRHL	100.0%	—
Twin Star International Limited	Financing company	100.0%	—	Mauritius	Welter	100.0%	—
Sterlite Gold Limited ('Sterlite Gold')	Holding company	83.7%	—	Canada	TSI	83.7%	—
Ararat Gold Recovery LLC ('AGRC')	Gold mining and processing	83.7%	—	Armenia	Sterlite Gold	100.0%	—

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, also the Group is able to govern its subsidiaries' financial and operating policies so as to benefit from its activities.

38. Post Balance Sheet Events

Vedanta Resources plc acquired a 51% controlling stake in Sesa Goa Limited ('Sesa Goa') on 23 April 2007 through the acquisition of 100% of Finsider International UK ('Finsider') for a purchase price of $981.1 million. Sesa Goa is India's largest private sector iron ore producer-exporter. Sesa Goa has an 88.3% stake in its subsidiary, Sesa Industries Limited ('SIL'), which operates a pig iron plant. Vedanta has formed two 100% owned special purpose vehicles, one in Cyprus (Richter Holding Limited) and the other in Mauritius (Westglobe Limited) which together hold 100% of the equity in Finsider. As Sesa Goa is a public listed company in India, Vedanta, under the Indian law, will make an open offer to shareholders to acquire an additional 20% of equity of Sesa Goa. The total cash consideration for 71% of Sesa Goa would be $1,380 million including estimated acquisition costs of $10.0 million. The acquisition will be financed through a mix of newly committed bank debt facilities of $1,100.0 million and existing cash resources.

Sesa Goa prepares its financial statements under Indian Generally Accepted Accounting Principles and does not prepare its financial statements under IFRS. Further disclosure requirements under IFRS 3 'Business Combinations', which will be included in the Group's 2008 interim report, have not been provided in these financial statements because: (a) Sesa Goa is a multi-location entity and the time elapsed between the date of acquiring the 51% stake and the date of the issue of these financial statements has been too short to prepare a detailed acquisition balance sheet together with fair value adjustments, if any, under IFRS; and (b) Sesa Goa does not currently prepare its financial statements under IFRS.

Under Indian GAAP, Sesa Goa's retained earnings for the year ended 31 March 2007 (unaudited) were $142.7 million (2006 audited: $129.0 million) and shareholders' equity at 31 March 2007 (unaudited) was $386.6 million (2006 audited: $248.4 million)

39. Ultimate Controlling Party

At 31 March 2007, 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, does not produce Group accounts.

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 2008 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 39. These Group Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of Vedanta Resources plc for the year ended 31 March 2008.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Group Financial Statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group Financial Statements give a true and fair view, whether the Group Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group Financial Statements. The information given in the Directors' Report includes that specific information presented in the Business Review and Finance Review that is cross referred from the Business and Finance Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group Financial Statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group Financial Statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group Financial Statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group Financial Statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group Financial Statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

London
14 May 2008

VEDANTA RESOURCES PLC

CONSOLIDATED INCOME STATEMENT

	Note	Year Ended 31 March 2008	Year Ended 31 March 2007
		$ million	$ million
Continuing operations			
Revenue	3	8,203.7	6,502.2
Cost of sales		(5,317.8)	(3,840.4)
Gross profit		**2,885.9**	**2,661.8**
Other operating income		86.8	102.1
Distribution costs		(170.1)	(106.7)
Administrative expenses		(221.3)	(149.6)
Special items	4	11.1	(1.7)
Operating profit	3	**2,592.4**	**2,505.9**
Investment revenue	5	321.4	127.5
Finance costs	6	(150.6)	(147.7)
Share of loss of associate	15	—	(1.3)
Profit before taxation		**2,763.2**	**2,484.4**
Tax expense	10	(757.7)	(672.7)
Profit for the year		**2,005.5**	**1,811.7**
Attributable to:			
Equity holders of the parent		879.0	934.2
Minority interests		1,126.5	877.5
		2,005.5	**1,811.7**
Basic earnings per ordinary share (US Cents)	11	305.4	325.6
Diluted earnings per ordinary share (US Cents)	11	286.7	305.4

VEDANTA RESOURCES PLC

CONSOLIDATED BALANCE SHEET

	Note	As at 31 March 2008	As at 31 March 2007
		$ million	$ million
ASSETS			
Non-current assets			
Goodwill	13	13.3	12.1
Property, plant and equipment	14	8,354.5	3,838.0
Financial asset investments	16	30.0	34.6
Other non-current assets	17	29.8	27.3
Other financial assets (derivatives)	26	95.0	72.1
Deferred tax assets	28	15.1	28.3
		8,537.7	**4,012.4**
Current assets			
Inventories	18	1,298.8	879.7
Trade and other receivables	19	1,048.0	942.9
Other current financial assets (derivatives)	26	44.9	51.5
Liquid investments	20	4,648.5	600.4
Cash and cash equivalents	21	458.2	1,584.8
		7,498.4	**4,059.3**
TOTAL ASSETS		**16,036.1**	**8,071.7**
LIABILITIES			
Current liabilities			
Short term borrowings	22	(1,417.2)	(249.1)
Trade and other payables	24a	(2,018.4)	(1,172.4)
Other current financial liabilities (derivatives)	26	(23.3)	(101.4)
Provisions	27	(27.3)	—
Current tax liabilities		(33.5)	(63.0)
		(3,519.7)	**(1,585.9)**
Net current assets		**3,978.7**	**2,473.4**
Non-current liabilities			
Medium and long term borrowings	22	(956.0)	(879.3)
Convertible bonds	25	(600.9)	(598.4)
Trade and other payables	24b	(0.2)	(11.6)
Other financial liabilities (derivatives)	26	(83.7)	(94.8)
Deferred tax liabilities	28	(1,380.8)	(425.3)
Retirement benefits	30	(42.5)	(35.3)
Provisions	27	(185.2)	(230.3)
Non equity minority interests	22	(59.4)	(59.4)
		(3,308.7)	**(2,334.4)**
TOTAL LIABILIIES		**(6,828.4)**	**(3,920.3)**
NET ASSETS		**9,207.7**	**4,151.4**
EQUITY			
Share capital	31	28.8	28.8
Share premium account		20.0	18.7
Share based payment reserves		15.6	7.3
Convertible bond reserve		115.7	119.5
Hedging reserves		(9.1)	(29.7)
Other reserves		1,932.6	661.0
Retained earnings		1,743.5	1,521.3
Equity attributable to equity holders of the parent		**3,847.1**	**2,326.9**
Minority interests		5,360.6	1,824.5
TOTAL EQUITY		**9,207.7**	**4,151.4**

Approved by the Board on 14 May 2008
Anil Agarwal
Chairman

VEDANTA RESOURCES PLC

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year Ended 31 March 2008	Year Ended 31 March 2007
		$ million	$ million
Operating activities			
Profit before taxation		2,763.2	2,484.4
Adjustments for:			—
Depreciation		429.1	195.4
Investment revenues		(321.4)	(127.5)
Finance costs		150.6	147.7
Profit on disposal of property, plant and equipment		(0.3)	(21.0)
Profit on disposal of subsidiary	32b	(29.8)	—
Share based payment charge		12.8	5.6
Loss on disposal of non core business		—	2.3
Share of loss of associate		—	1.3
Other non-cash items		(2.0)	(12.0)
Operating cash flows before movements in working capital		**3,002.2**	**2,676.2**
Increase in inventories		(276.0)	(361.8)
Increase in receivables		(64.7)	(410.4)
Increase in payables		287.4	222.5
Cash generated from operations		**2,948.9**	**2,126.5**
Dividends received		144.5	10.7
Interest income received		112.7	138.6
Interest paid		(213.7)	(193.4)
Income taxes paid		(655.2)	(475.6)
Dividends paid		(104.3)	(84.3)
Net cash from operating activities		**2,232.9**	**1,522.5**
Cash flows from investing activities			
Acquisition of subsidiary	32a	(990.4)	(54.3)
Cash acquired with subsidiary	32a	4.5	0.8
Net proceeds on disposal of subsidiary	32b	83.4	—
Cash disposed of with subsidiary	32b	(0.3)	—
Proceeds on disposal of non core business		—	32.3
Cash disposed of with non core business		—	(0.2)
Purchases of property, plant and equipment		(1,744.8)	(1,154.5)
Proceeds on disposal of property, plant and equipment		2.7	28.9
Dividends paid to minority interests of subsidiaries		(53.5)	(41.8)
Increase in liquid investments	23	(3,617.2)	(345.1)
Purchase of financial asset investments		(0.1)	(0.2)
Net cash used in investing activities		**(6,315.7)**	**(1,534.1)**
Cash flows from financing activities			
Issue of ordinary shares		0.1	0.2
Increase in short term borrowings	23	1,100.4	25.0
Decrease in long-term borrowings	23	(150.1)	(324.8)
Proceeds from issue of shares to minority interests of subsidiaries		1,969.4	—
Net cash from/(used in) financing activities		**2,919.8**	**(299.6)**
Net (decrease)/increase in cash and cash equivalents	23	(1,163.0)	(311.2)
Effect of foreign exchange rate changes	23	36.4	48.7
Cash and cash equivalents at beginning of year		1,584.8	1,847.3
Cash and cash equivalents at end of year	21	**458.2**	**1,584.8**

VEDANTA RESOURCES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Company									
	Share Capital	Share Premium	Share Based Payment Reserves	Convertible Bond Reserve	Hedging Reserves	Other Reserves*	Retained Earnings	Total	Minority Interests	Total Equity
	$ million									
At 1 April 2006	**28.7**	**18.6**	**4.1**	**123.3**	**(29.1)**	**213.1**	**1,058.4**	**1,417.1**	**921.7**	2,338.8
Profit for the period							934.2	934.2	877.5	1,811.7
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	10.2	10.2
Gain on acquisition of subsidiary	—	—	—	—	—	—	0.3	0.3	—	0.3
Conversion of convertible bond	—	0.1	—	—	—	—	—	0.1		0.1
Convertible bond transfer	—	—	—	(3.8)	—	—	3.8	—	—	—
Exchange differences on translation of foreign operations	—	—	—	—	—	51.6	—	51.6	53.9	105.5
Transfers **	—	—	—	—	—	393.5	(393.5)	—		—
Movement in fair value of cash flow hedges and financial investments	—	—	—	—	(0.6)	2.8	—	2.2	3.0	5.2
Dividends paid	—	—	—	—	—	—	(84.3)	(84.3)	(41.8)	(126.1)
Recognition of share based payment	—	—	5.6		—	—	—	5.6	—	5.6
Exercise of LTIP awards	0.1	—	(2.4)	—	—	—	2.4	0.1	—	0.1
At 31 March 2007	**28.8**	**18.7**	**7.3**	**119.5**	**(29.7)**	**661.0**	**1,521.3**	**2,326.9**	**1,824.5**	4,151.4
At 1 April 2007	**28.8**	**18.7**	**7.3**	**119.5**	**(29.7)**	**661.0**	**1,521.3**	**2,326.9**	**1,824.5**	**4,151.4**
Profit for the period	—	—	—	—	—	—	879.0	879.0	1,126.5	2,005.5
Acquisition of a subsidiary (note 32)	—	—	—	—	—	—	—	—	963.0	963.0
Disposal of a subsidiary (note 32)	—	—	—	—	—	—	—	—	(9.7)	(9.7)
Conversion of convertible bond	—	1.3	—	(0.2)	—	—	—	1.1	—	1.1
Convertible bond transfers	—	—	—	(3.6)	—	—	3.6	—	—	—
KCM call option (note 36)	—	—	—	—	—	(213.2)		(213.2)	—	(213.2)
Sterlite ADR offering ***	—	—	—	—	—	—	698.5	698.5	1,270.9	1,969.4
Exchange differences on translation of foreign operations	—	—	—	—	1.1	228.9	—	230.1	222.8	452.8
Transfers **	—	—	—	—	—	1,259.1	(1,259.1)	—	—	—
Movement in fair value of cash flow hedges (note 26)	—	—	—	—	19.5	—	—	19.5	17.2	36.7
Movement in fair value of financial investments (note 16)	—	—	—	—		(3.2)	—	(3.2)	(1.1)	(4.3)
Dividends paid	—	—	—	—	—	—	(104.3)	(104.3)	(53.5)	(157.8)
Exercise of LTIP/STIP awards	—	—	(4.5)	—	—	—	4.5	—	—	—
Recognition of share based payment (note 29)	—	—	12.8	—	—	—	—	12.8	—	12.8
At 31 March 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**

* Other reserves comprise:

	Currency Translation Reserve	Merger Reserve	Investment Revaluation Reserve	General Reserves	Other	Total
At 1 April 2006	**(2.9)**	**4.4**	**0.6**	**211.0**	**—**	**213.1**
Exchange differences on translation of foreign operations	51.6	—	—	—	—	51.6
Revaluation of available-for-sale investments	—	—	2.8	—	—	2.8
Transfer from retained earnings **	—	—	—	393.5	—	393.5
At 31 March 2007	**48.7**	**4.4**	**3.4**	**604.5**	**—**	**661.0**
Exchange differences on translation of foreign operations	228.9	—	—	—		228.9
Revaluation of available-for-sale investments	—	—	(3.2)	—		(3.2)
KCM call option	—	—	—	—	(213.2)	(213.2)
Transfer from retained earnings **	—	—	—	1,259.1	—	1,259.1
At 31 March 2008	**277.6**	**4.4**	**0.2**	**1,863.6**	**(213.2)**	**1,932.6**

** 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 2007, Sterlite listed on the New York Stock Exchange and raised $2,016.0 million (before expenses). The offering resulted in a reduction of Vedanta's shareholding in Sterlite from 75.98% to 59.87%. 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 statements 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 $1,969.4 million is recognised directly in equity and attributed to equity holders of Vedanta.

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 1985 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.

The Group has adopted IFRS 7 "Financial Instruments: Disclosures" (and the related amendment to IAS 1 "Presentation of Financial Statements") which is effective from annual reporting periods beginning on or after 1 January 2007. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

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:

- *IFRS 8* — Operating segments
- *IFRS 3 (Revised 2008)* — Business Combinations
- *IFRS 2 (Revised 2008)* — Share-based paymentIAS 27 (Revised 2008) — Consolidated and separate financial statements
- *IAS 1 (Revised 2007)* — Presentation of financial statements
- *IFRIC 11* — Group and Treasury share transactions
- *IFRIC 13* — Customer Loyalty Programmes
- *IFRIC 14* — The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction

The management is evaluating the impact, if any, the adoption of above standards and interpretations will have on its financial reporting and disclosures.

Parent company financial statements

The financial statements of the parent company, Vedanta Resources plc, have been prepared in accordance with UK GAAP and with UK accounting presentation. The Company balance sheet is presented in note 40.

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 results of Sesa Goa have been included in the consolidated financial statements from the date of acquisition in April 2007 and the results of Sterlite Gold have been excluded from the date of its disposal in September 2007.

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.

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 usually when all significant risks and rewards of ownership of the asset sold are transferred to the customer and the commodity has been delivered to the shipping agent. 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 and same is adjusted in 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 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 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.

Goodwill relating to associates is included within the carrying value of the associate. The unamortised balance is reviewed for impairment on an annual basis.

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.

Internally generated goodwill is not recognised.

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.

Investments in associates

In the consolidated financial information, investments in associates are accounted for using the equity method. An associate is an entity over which the Group is in a position to exercise significant influence over operating and financial policies and normally owns between 20% and 50% of the voting equity but is neither a subsidiary nor a joint venture. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above and is included in the carrying value of investments in associate.

The investment is initially recorded at the cost to the Group in the consolidated balance sheet and then, in subsequent periods, the carrying value of the investment is adjusted to reflect the Group's share of the associate's profits or losses and for impairment of goodwill and any other changes to the associate's net assets. The consolidated income statement includes the Group's share of associate's results, except where the associate is generating losses and the Group's investment in the associate has been written down to zero.

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.

Stripping costs/ secondary development expenditure incurred during the production stage of operations of an ore body is charged to the income statement immediately.

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.

In circumstances where a 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. 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.

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.

Non-current assets held for sale

Non-current assets and disposal groups 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 the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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(s) is accounted for as a change in accounting estimate.

For mining properties and leases, investments in associates, 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 realisable value, 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 tangible fixed assets 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 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, changes to lives of operations, 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 material, 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 wherein 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.

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 the consolidated statement of changes 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 into 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 of 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

The Vedanta convertible bond is accounted for as a compound instrument. The equity component and the liability component was separated out on the date of the issue. The equity component has been recognised in a separate reserve and is not being subsequently remeasured. The liability component is held at amortised cost. The interest expensed 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.

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 and reduced from 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. 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 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 capitalized 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 privatization in April 2000 and pursuant to the KCM acquisition agreement.

Provisions and liabilities:

Provisions and liabilities are recognized 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 crystallizing 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 business segments. The business segments consist of aluminium, copper, zinc and iron ore, with residual components being reported as "Other" (mainly energy and gold). Business segment data includes an allocation of certain directly attributable 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. Our alumina operations in VAL were disclosed as part of other in financial year 2007. As the alumina produced from the operation would be captively consumed in our aluminium business, VAL now has been regrouped under aluminium segment.

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding the Group's business segments for the years ended 31 March 2008 and 2007.

	Continuing Operations						
Year Ended 31 March 2008	**Aluminium**	**Copper**	**Zinc**	**Iron Ore**	**Other**	**Elimination**	**Total Operations**
	$ million						
REVENUE							
Sales to external customers	1,140.2	4,221.9	1,941.4	888.9	11.3	—	8,203.7
Inter-segment sales	2.5	—	—	—	—	(2.5)	—
Segment revenue	1,142.7	4,221.9	1,941.4	888.9	11.3	(2.5)	8,203.7
RESULT							
Segment result before special items	307.0	535.5	1,333.0	420.0	(4.3)	—	2,591.2
Special items	—	—	—	—	11.1	—	11.1
Segment result after special items	307.0	535.5	1,333.0	420.0	6.8		2,602.3
Unallocated corporate expenses							(9.9)
OPERATING PROFIT							**2,592.4**
Net finance costs							170.8
Share of associate's loss							—
PROFIT BEFORE TAXATION							**2,763.2**
Tax expense							(757.7)
PROFIT FOR THE YEAR							**2,005.5**
ASSETS AND LIABILITIES							
Segment assets	3,773.9	4,981.8	3,305.5	3,140.3	552.6	—	15,754.1
Unallocated assets							282.0
TOTAL ASSETS							**16,036.1**
Segment liabilities	(1,944.0)	(1,920.7)	(338.8)	(1,849.8)	(138.8)	—	(6,192.1)
Unallocated liabilities							(636.3)
TOTAL LIABILITIES							**(6,828.4)**
Other segment information							
Additions to property, plant and equipment	1,086.8	533.3	376.0	29.1	229.4	—	2,254.6
Depreciation	(73.8)	(131.7)	(47.1)	(165.6)	(10.9)	—	(429.1)

Year Ended 31 March 2007	Continuing Operations Aluminium	Copper	Zinc	Iron Ore	Other	Elimination	Total Operations
	$ million						
REVENUE							
Sales to external customers	993.4	3,569.3	1,888.1	—	51.4	—	6,502.2
Inter-segment sales	28.1	—	—	—	—	(28.1)	—
Segment revenue	1,021.5	3,569.3	1,888.1	—	51.4	(28.1)	6,502.2
RESULT							
Segment result before special items	358.8	745.1	1,405.1	—	0.2	—	2,509.2
Special items	(0.4)	1.5	(2.3)	—	(0.5)		(1.7)
Segment result after special items	358.4	746.6	1,402.8	—	(0.3)	—	2,507.5
Unallocated corporate expenses							(1.6)
OPERATING PROFIT							**2,505.9**
Net finance costs							(20.2)
Share of associate's loss							(1.3)
PROFIT BEFORE TAXATION							**2,484.4**
Tax expense							(672.7)
PROFIT FOR THE YEAR							**1,811.7**
ASSETS AND LIABILITIES							
Segment assets	2,646.7	2,629.9	2,170.4	—	234.0	—	7,681.0
Unallocated assets							390.7
TOTAL ASSETS							**8,071.7**
Segment liabilities	(1,656.5)	(1,559.1)	(255.9)	—	(58.5)	—	(3,530.0)
Unallocated liabilities							(390.3)
TOTAL LIABILITIES							**(3,920.3)**
OTHER SEGMENT INFORMATION							
Additions to property, plant and equipment	261.8	316.3	245.8	—	305.0	—	1,128.9
Depreciation	(56.6)	(88.9)	(48.9)	—	(1.0)	—	(195.4)

(b) EBITDA[(1)] by segment

	Year Ended 31 March 2008 $ million	Year Ended 31 March 2007 $ million
Aluminium	380.7	415.4
Copper	667.3	833.9
— India/Australia	327.2	365.6
— Zambia	340.1	468.3
Zinc	1,380.1	1,453.9
Iron Ore	585.6	
Other	(3.3)	(0.2)
EBITDA	**3,010.4**	**2,703.0**
Depreciation	(429.1)	(195.4)
Special items	11.1	(1.7)
Group operating profit	**2,592.4**	**2,505.9**

(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 2008 $ million	Year Ended 31 March 2007 $ million
Far East	2,702.1	2,056.5
India	3,796.2	2,670.9
Africa	127.6	253.3
Europe	239.5	760.5
Middle East	1,188.5	647.0
Other	149.8	114.0
Total	**8,203.7**	**6,502.2**

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 Segment Assets		Additions to Property, Plant and Equipment	
	As at 31 March 2008 $ million	As at 31 March 2007 $ million	Year Ended 31 March 2008 $ million	Year Ended 31 March 2007 $ million
Australia	224.5	229.2	2.2	10.0
India	14,019.0	6,071.5	1,743.8	844.9
Zambia	1,484.6	1,090.7	507.6	269.1
Other	308.0	680.3	1.0	4.9
Total	**16,036.1**	**8,071.7**	**2,254.6**	**1,128.9**

4. Special items

	Year Ended 31 March 2008 $ million	Year Ended 31 March 2007 $ million
Profit on disposal of subsidiary (note 32b)	29.8	—
Losses in respect of obligation to associate (note 15)	(18.7)	(17.3)
Restructuring and redundancies	—	(2.6)
Loss on sale of property, plant and equipment	—	(0.8)
Impairment of investment in associate	—	(0.5)
Profit on disposal of non core assets*	—	21.8
Loss on disposal of non core business	—	(2.3)
	11.1	**(1.7)**

* *Sale of unused property in Mumbai.*

5. Investment revenue

	Year Ended 31 March 2008 $ million	Year Ended 31 March 2007 $ million
Interest income on loans and receivable	26.7	20.8
Interest income on cash and bank balances	50.5	39.4
Change in fair value of financial assets held for trading	75.8	24.5
Profit on disposal of financial assets held for trading	52.5	51.7
Dividend income on financial assets held for trading	144.5	9.1
Dividend income on available for sale investment	—	1.6
Expected return on defined benefit arrangements (note 30)	2.2	1.2
Foreign exchange (loss)/gain on cash and liquid investments	(18.5)	1.1
Capitalisation of foreign exchange differences and interest income (Note 14)	(12.3)	(21.9)
	321.4	**127.5**

6. Finance costs

	Year Ended 31 March 2008 $ million	Year Ended 31 March 2007 $ million
Interest on bank loans and overdrafts	122.2	108.6
Interest on convertible bonds (Note 25)	36.9	36.7
Interest on other loans	8.1	0.7
Total Interest cost	**167.2**	**146.0**
Unwinding of discount on provisions (Note 27)	5.6	7.3
Unwinding of discount on KCM deferred consideration	0.2	0.7
Interest on defined benefit arrangements (Note 30)	6.0	3.3
Interest on financial liability measured at fair value	47.8	48.5
Change in fair value of financial liabilities measured at fair value	21.6	12.1
Gain arising on qualifying hedges	(29.0)	(6.9)
Loss on non-qualifying hedges	1.7	—
Capitalisation of borrowing costs (Note 14)	(70.5)	(63.3)
	150.6	**147.7**

7. Profit for the year has been stated after charging / (crediting):

	Year Ended 31 March 2008 $ million	Year Ended 31 March 2007 $ million
Depreciation on property, plant and equipment	429.1	195.4
Costs of inventories recognised as an expense	3,211.2	2,403.9
Auditors' remuneration for audit services (Note.8)	1.5	1.2
Research and development	0.5	0.5
Staff costs (Note.9)	344.7	247.4
Net foreign exchange gains	(28.7)	(10.1)

8. Auditors' remuneration

The table below shows the fees payable globally to the Group's auditors, Deloitte & Touche, 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 2008:

	Year Ended 31 March 2008	Year Ended 31 March 2007
	$ million	$ million
Fees payable to the company's auditors for the audit of Vedanta Resources plc annual accounts	0.6	0.5
The audit of the company's subsidiaries pursuant to legislation	0.7	0.6
Total audit fees	**1.3**	**1.1**
Fees payable to the company's auditors and their associates for other services to the group		
Other services pursuant to legislation*	1.2	0.3
Tax services	0.1	0.1
Corporate finance services	0.6	1.0
Total non-audit fees	**1.9**	**1.4**
Audit fees payable to other auditors of the Group's subsidiaries	0.2	0.1
Non audit fees payable to other auditors of the Group's subsidiaries	—	—
Total fees payable to other auditors of the Group's subsidiaries	**0.2**	**0.1**

* *Other services pursuant to legislation principally comprise further assurance services.*

9. Employee numbers and costs

Average number of persons employed by the Group in the year

Class of Business	Year Ended 31 March 2008 Number	Year Ended 31 March 2007 Number
Aluminium	6,945	6,390
Copper	11,996	11,094
— India/Australia	1,157	1,189
— Zambia	10,839	9,905
Zinc	6,377	6,190
Iron Ore	1,862	—
Other	84	1,005
	27,264	**24,679**

Costs Incurred During the Year in Respect of Employees and Directors	Year Ended 31 March 2008 $ million	Year Ended 31 March 2007 $ million
Salaries and wages	307.2	230.2
Defined contribution pension scheme costs (Note 30)	16.0	10.8
Defined benefit pension scheme costs (Note 30)	8.7	0.8
Share based payments charge	12.8	5.6
	344.7	**247.4**

10. Tax

	Year Ended 31 March 2008 $ million	Year Ended 31 March 2007 $ million
Current tax:		
UK Corporation tax	—	—
Foreign tax		
— India	603.3	484.4
— Zambia	1.0	2.1
— Australia	19.4	29.7
— Other	—	(2.0)
	623.7	**514.2**
Deferred tax: (Note 28)		
Current year movement in deferred tax	108.7	156.3
Attributable to increase in the rate of Zambian corporation tax	25.3	—
Attributable to increase in the rate of Indian corporation tax	—	2.2
	134.0	**158.5**
Total tax expense	**757.7**	**672.7**
Effective tax rate	27.4%	27.1%

* *Deferred tax recycled from equity to income statement is a charge of $23.0m (2007: credit of $3.5m).*

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 stand alone basis. There is no concept of tax consolidation or Group relief in India.
- Companies are charged tax on profits of assessment years which run from 1 April to 31 March. For each assessment year, a company's profits will be subject to either regular income tax or Minimum Alternative Tax ("MAT"), whichever is the greater.
- Regular income tax is charged on book profits (prepared under Indian GAAP) adjusted in accordance with the provisions of the Indian Income Tax Act. 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. Regular income tax is charged at

30% (plus a surcharge & cess) taking the effective tax rate to 33.99%. The corporate tax rate for 2008-09 has been retained at 33.99%.

- MAT is charged on the book profits but typically with a limited number of adjustments. MAT is charged at 10% (plus a surcharge and cess). The effective rate of MAT is 11.33%. However, MAT paid during a year can be set off against normal tax payable in the subsequent years but within a period of seven years succeeding the assessment year in which the MAT credit arose.

- Investments in projects where alternative energy is generated are subject to accelerated depreciation whereby 80% of the investment is depreciated in the first year.

- There are various tax exemptions or tax holidays available to companies in India subject to fulfilment of prescribed conditions. The most important one applicable to the Group are:

  - the industrial undertakings' exemption. 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 plant's profits for five years, and 30% for the next five years;

  - the power plants' exemption. 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;

  - Industrial undertakings located in certain designated areas would be exempt from paying taxes for ten consecutive assessment years beginning with the year of operation; and

  - Profit of industrial undertaking exporting all of its production would also be exempt upto March 2010.

- Tax is payable in the financial year to which it relates.

- Tax returns submitted by companies are regularly subjected to a comprehensive review and challenge by the tax authorities. There are appeals procedures prescribed. Both the tax authorities and taxpayers can prefer appeals to the appellate forums 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:

- Copper and cobalt mining companies pay income tax at 25%.

- The period for carry forward of tax losses for KCM is 20 years.

- Companies are charged tax on profits of accounting years.

- Income tax is charged on book profits (prepared under IFRS) adjusted in accordance with the provisions of the Income Tax Act 1996 as amended.

Zambian income tax laws have been amended with effect from 1 April, 2008 and the salient features of the new tax laws are:

- The tax rate for mining companies has been increased to 30% for profits generated from 1 April, 2008

- Capital expenditure deduction which is currently made at 100% in the year of incurrence, is being reduced to 25% per annum, with the following transitional position:
  - 75% of the expenditure incurred in 2008 — 2009 will be allowed as a deduction in that year and the balance will be deducted in full in 2009 — 2010;
  - 50% of the expenditure incurred in 2009 — 2010 will be allowed as a deduction in that year and the balance will be deducted in two equal annual instalments in 2010 and 2011.
- New tax has been introduced in the form of either windfall tax or variable profit tax:
  - Windfall tax becomes payable when copper is sold at prices above $5,512 per MT. The tax is charged at rates ranging from 25% to 75% of differential between the realised price and specific price thresholds ranging upward from $5,512 per MT. Windfall tax is not a deductible expense in the computation of income tax.
  - Variable profit tax becomes payable 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 period available to carry forward losses has been reduced from 20 years to 10 years.

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 2008 is as follows:

	Year Ended 31 March 2008	Year Ended 31 March 2007
	$ million	$ million
Accounting profit before tax	**2,763.2**	**2,484.4**
At Indian statutory income tax rate of 33.99% (2007: 33.66)%	939.2	836.3
Accelerated capital allowances	—	(0.9)
Creation of tax losses	17.9	(0.3)
Disallowable expenses	20.0	8.8
Non-taxable income	(93.1)	(17.0)
Impact of tax rate differences	3.9	(37.5)
Tax holiday and similar exemptions	(160.6)	(126.9)
Dividend distribution tax on overseas subsidiaries	10.1	12.3
Minimum Alternative Tax	26.3	4.8
Adjustments in respect of previous years	(6.0)	(6.9)
At effective income tax rate of 27.4% (2007: 27.1%)	**757.7**	**672.7**

11. 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 shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Year Ended 31 March 2008	Year Ended 31 March 2007
	$ million	$ million
Net profit attributable to equity holders of the parent	879.0	934.2

	Year Ended 31 March 2008	Year Ended 31 March 2007
Weighted average number of ordinary shares for basic earnings per share	287.8	286.9
Effect of dilution:		
Convertible bonds	27.9	27.9
Share options	3.8	3.1
Adjusted weighted average number of ordinary shares for diluted earnings per share	**319.5**	**317.9**

(a) Earnings per share based on profit for the year

Basic Earnings per Share on the Profit for the Year	Year Ended 31 March 2008	Year Ended 31 March 2007
Profit for the year attributable to equity holders of the parent ($ million)	879.0	934.2
Weighted average number of shares of the Company in issue (million)	287.8	286.9
Earnings per share on profit for the year (US cents per share)	**305.4**	**325.6**

Diluted Earnings per Share on the Profit for the Year	Year Ended 31 March 2008	Year Ended 31 March 2007
Profit for the year attributable to equity holders of the parent ($ million)	879.0	934.2
Adjustment in respect of convertible bonds of Vedanta ($ million)	36.9	36.7
Profit for the year after dilutive adjustment ($ million)	**915.9**	**970.9**
Adjusted weighted average number of shares of the Company in issue (million)	319.5	317.9
Diluted earnings per share on profit for the year (US cents per share)	**286.7**	**305.4**

During the year ended 31 March 2008, 564,894 options issued under the Long Term Incentive Plan were converted to equity shares pursuant to vesting and exercise of the options (2007: 791,011 options). Also during the year ended 31 March 2008, 50,169 shares were issued on conversion of the convertible bond (2007: 7,746 shares). The issue of these shares has been included in determining the 2008 weighted average number of shares.

Profit for the year 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 year of this conversion would be the reduction in interest payable on the convertible bond.

The conversion options of the convertible bonds and the outstanding awards under the 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 these financial statements.

(b) 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 and their resultant tax and minority interest effects, as shown in the table below:

	Note	Year Ended 31 March 2008	Year Ended 31 March 2007
		$ million	$ million
Profit for the year attributable to equity holders of the parent		879.0	934.2
Special items	4	(11.1)	1.7
Tax effect of special items		—	3.7
Minority interest effect of special items		6.9	(1.5)
Underlying Profit for the year		**874.8**	**938.1**

Basic Earnings per Share on Underlying Profit for the Year	Year Ended 31 March 2008	Year Ended 31 March 2007
Underlying profit for the year ($ million)	874.8	938.1
Weighted average number of shares of the Company in issue (million)	287.8	286.9
Earnings per share on Underlying Profit for the year (US cents per share)	**303.9**	**327.0**

Diluted Earnings per Share on Underlying Profit for the Year	Year Ended 31 March 2008	Year Ended 31 March 2007
Underlying profit for the year ($ million)	874.8	938.1
Adjustment in respect of convertible bonds of Vedanta ($ million)	36.9	36.7
Underlying profit for the year after dilutive adjustment ($ million)	**911.7**	**974.8**
Adjusted weighted average number of shares of the Company (million)	319.5	317.9
Diluted earnings per share on Underlying Profit for the year (US cents per share)	**285.4**	**306.6**

12. Dividends

	Year Ended 31 March 2008 $ million	Year Ended 31 March 2007 $ million
Amounts recognised as distributions to equity holders:		
Equity dividends on ordinary shares:		
Final dividend for 2006-07 : 20 US cents per share (2005-06 : 14.3 US cents per share)	57.5	41.1
Interim dividend paid during the year : 16.5 US cents per share (2006-07 : 15 US cents per share)	46.8	43.2
	104.3	**84.3**
Proposed for approval at AGM		
Equity dividends on ordinary shares:		
Final dividend for 2007-08: 25 US cents per share (2006-07: 20 US cents per share)	72.0	57.5

13. Goodwill

	Year Ended 31 March 2008 $ million	Year Ended 31 March 2007 $ million
At 1 April		
Cost (gross carrying amount)	16.9	16.9
Accumulated impairment losses	(4.7)	(4.7)
Foreign exchange differences	1.1	(0.1)
Net carrying amount at 31 March	13.3	12.1

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The company has undertaken the impairment review for the outstanding goodwill of US$13.3 million as at 31 March 2008. 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.

14. Property, plant and equipment

	Mining Property and Leases	Leasehold Land and Buildings	Freehold Land and Buildings	Plant and Equipment	Assets Under Construction	Other	Total
			$ million				
Cost							
At 1 April 2006	442.7	9.6	271.2	2,310.2	662.5	50.2	3,746.4
Additions	4.8	4.1	(0.5)	39.1	1,079.8	1.5	1,128.8
Transfers	10.0	—	22.8	320.8	(356.5)	2.9	—
Additions due to acquisition	77.7	—	0.9	4.5	—	—	83.1
Disposals	—	—	(8.8)	(16.8)	(6.4)	(2.3)	(34.3)
Foreign exchange differences	17.8	0.4	6.2	65.4	34.7	1.4	125.9
At 1 April 2007	**553.0**	**14.1**	**291.8**	**2,723.2**	**1,414.1**	**53.7**	**5,049.9**
Additions	—	4.2	30.3	164.6	2,055.4	0.1	2,254.6
Transfers	6.0	3.7	9.5	467.9	(492.2)	5.1	—
Reclassification to accumulated depreciation	23.4	(0.2)	0.5	(72.3)	—	—	(48.6)
Additions due to acquisition (note 32a)	2,247.1	—	25.7	130.3	5.3	—	2,408.4
Deduction due to disposal (note 32b)	(82.9)	—	(0.9)	(4.2)	(4.6)	—	(92.6)
Disposals	—	—	—	(5.9)	—	(0.9)	(6.8)
Foreign exchange differences	115.8	1.6	24.6	228.0	112.8	4.6	487.4
At 31 March 2008	**2,862.4**	**23.4**	**381.5**	**3,631.6**	**3,090.8**	**62.6**	**10,052.3**
Accumulated depreciation							
At 1 April 2006	94.4	5.5	43.4	785.9	17.8	36.4	983.4
Charge for the year	35.9	0.5	20.7	139.5	—	1.8	198.4
Disposals	—	—	(1.4)	(4.9)	—	(1.5)	(7.8)
Transfers	32.0	—	—	(32.0)	—	—	—
Foreign exchange differences	9.8	0.2	1.4	25.6	—	0.9	37.9
At 1 April 2007	**172.1**	**6.2**	**64.2**	**914.0**	**17.8**	**37.6**	**1,211.9**
Charge for the year	175.4	0.8	18.8	236.0	—	2.1	433.1
Eliminated on disposal (note 32b)	(0.1)	—	—	(0.8)	—	—	(0.9)
Disposals	—	—	—	(3.4)	—	(0.9)	(4.3)
Reclassification to cost	23.4	(0.2)	0.5	(72.3)	—	—	(48.6)
Foreign exchange differences	17.9	0.5	5.0	80.0	—	3.2	106.6
At 31 March 2008	**388.7**	**7.3**	**88.5**	**1,153.5**	**17.8**	**42.0**	**1,697.8**
Net book value At 1 April 2006	**348.3**	**4.1**	**227.8**	**1,524.3**	**644.7**	**13.8**	**2,763.0**
At 1 April 2007	**380.9**	**7.9**	**227.6**	**1,809.2**	**1,396.3**	**16.1**	**3,838.0**
At 31 March 2008	**2,473.7**	**16.1**	**293.0**	**2,478.1**	**3,073.0**	**20.6**	**8,354.5**

At 31 March 2008, land having a carrying value of $18.6 million (31 March 2007: $8.4 million) was not depreciated. During the year ended 31 March 2008 depreciation of $4.0 million (2007: $3.1 million) directly relating to the trial run of expansion projects was capitalised.

At 31 March 2008, cumulative capitalised interest and foreign exchange gains or losses included within the table above was $195.5 million (31 March 2007: $137.3 million).

Other tangible fixed assets include office equipment and fixtures, and light vehicles.

15. Interest in associate

The Group has a 38.8% interest in India Foils Limited ('IFL') which is involved in the manufacture of aluminium foils and flexible packaging products. IFL's operations are located in West Bengal. IFL is listed on the Calcutta Stock Exchange. IFL is an associate and the Group's investment in IFL is accounted for under the equity method. Owing to continued losses incurred by IFL, at both 31 March 2007 and 31 March 2008, all of the Group's investments in IFl, including loans considered as investments, had been fully impaired.

Analysis of movements in investment in associate

	Year Ended 31 March 2008 $ million	Year Ended 31 March 2007 $ million
At 1 April	—	**1.8**
Share of loss for the year until the date of nil investment	—	(1.3)
Operating loss	—	(0.5)
Interest payable	—	(0.8)
Loans repaid	—	—
Impairment	—	(0.5)
At 31 March	—	—
Market value	**4.0**	**1.9**

	Year Ended 31 March 2008 $ million	Year Ended 31 March 2007 $ million
Group's share of associate's balance sheet:		
Current assets	5.8	5.5
Non-current assets	12.9	13.1
Current liabilities	(7.6)	(13.4)
Non-current liabilities	(24.0)	(13.7)
Net liabilities	(12.9)	(8.5)
Group's share of associate's revenue and loss:		
Revenue	—	8.8
Loss	—	(0.8)

The Group has given corporate guarantees to certain banks and financial institutions which have provided funding to IFL totalling $45.5 million. As at 31 March 2007, a provision of $17.3 million was recognised, being the value of the liabilities guaranteed less the estimated realisable value of IFL's assets. Furthermore, a short term loan of $1.2 million advanced by the Group to IFL was outstanding as at 31 March 2007.

During the year ended 31 March 2008, the Group entered into an agreement with a third party for the disposal of its interest in IFL. The terms of the agreement comprise the sale of the Group's equity stake in IFL and a requirement for the Group to settle the debt due to banks and financial institutions and other specified liabilities. The transaction is expected to be completed in the next financial year after obtaining necessary statutory approvals, at which point IFL will cease to be an associate of the Group. To reflect the agreement, during the year the Group revised its liability to $36.0 million to represent the expected net cash outflow at completion. An additional provison of $18.7 million has been recognised during the year of which $11.1 million was later repaid resulting in a provision of $27.3 million as at 31 March 2008 (net of exchange difference). The total provision includes a provision against a short term loan of $2.4 million, comprising $1.2 million advanced in 2007 and $1.2 million advanced in 2008.

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 2008	Year Ended 31 March 2007
	$ million	$ million
At 1 April	**34.6**	**27.1**
Additions	0.1	0.2
Acquisition	—	4.7
Movements in fair value	(4.3)	2.8
Other movement	(3.3)	—
Exchange difference	2.9	—
At 31 March	**30.0**	**34.6**

Analysis of Financial Asset Investments	Year Ended 31 March 2008	Year Ended 31 March 2007
	$ million	$ million
Quoted	4.8	11.8
Unquoted	25.2	22.8

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

	Year Ended 31 March 2008	Year Ended 31 March 2007
	$ million	$ million
Deposits receivable after one year	29.8	27.3
	29.8	**27.3**

18. Inventories

	As at 31 March 2008	As at 31 March 2007
	$ million	$ million
Raw materials and consumables	659.2	490.3
Work-in-progress	465.6	237.1
Finished goods	138.0	152.3
	1,298.8	**879.7**

Inventories with a carrying amount of $737.0 million (2007: $522.6 million) have been pledged as security against certain bank borrowings of the Group.

19. Trade and other receivables

	As at 31 March 2008	As at 31 March 2007
	$ million	$ million
Trade receivables	485.0	436.5
Amounts due from associate (note 35)	9.2	8.8
Amounts due from related parties (note 35)	9.6	11.0
Other receivables	521.1	475.8
Prepayments	23.1	10.8
	1,048.0	**942.9**

The credit period given to customers ranges from zero to 90 days.

20. Liquid investments

	As at 31 March 2008	As at 31 March 2007
	$ million	$ million
Bank deposits	837.6	600.4
Other investments	3,810.9	—
	4,648.5	**600.4**

Other investments include mutual fund investments and are fair valued through income statement.

HZL has pledged specific financial assets of $40.9 million (2007: $22.9 million) to secure certain banking facilities.

21. Cash and cash equivalents

	As at 31 March 2008	As at 31 March 2007
	$ million	$ million
Cash at bank and in hand	443.3	54.7
Short-term deposits and short term investments	14.9	1,530.1
	458.2	**1,584.8**

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 a $46.0 million (2007: $46.0 million) restricted cash reserve in KCM.

Cash and cash equivalents include $1.7 million (2007: $1.0 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 2008	As at 31 March 2007
	$ million	$ million
Bank loans	1,710.0	491.2
Bonds	615.9	581.2
Other loans	47.3	56.0
Total	**2,373.2**	**1,128.4**
Borrowings are repayable as:		
On demand within one year (shown as current liabilities)	1,417.2	249.1
In the second year	104.6	76.2
In two to five years	826.2	769.7
After five years	25.2	33.4
Total borrowings	**2,373.2**	**1,128.4**
Less: payable within one year	(1,417.2)	(249.1)
Medium and long term borrowings	**956.0**	**879.3**

At 31 March 2008, the Group had available US$1,426.5 million (2007: $1,011.4 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 2008 were as follows:

BALCO

Term Loans

BALCO secured two syndicated Indian rupee term loan facilities totalling $425.3 million, of which $397.9 million has been drawn down at an average interest rate of 7.2% per annum. The interest rate has now been reset to 8.1%. These facilities are secured by a first charge on movable and immovable properties and present and future tangible or intangible non-current assets of BALCO. The first loan of $250.2 million is repayable in 12 quarterly instalments commencing in January 2007, of which $156.7 million was paid by 31 March 2008; the second loan of $147.7 million is repayable in eight quarterly instalments, due to commence in May 2009. However $51.1 million of repayments in respect of the second loan have been prepaid. As at 31 March 2008 the total outstanding loan amount was $190.1 million.

Project Buyers' Credit

As at 31 March 2008, VAL had extended credit terms relating to purchases of property, plant and equipment for its projects. The extended credit amounted to $204.8 million, which is repayable in May 2009. These loans bear interest at LIBOR plus 102 basis points. These are secured by all 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

Non-convertible Debentures

Sterlite had $25.0 million of Indian rupee non-convertible debentures in issue with various institutions at 31 March 2008. The debentures are repayable from April 2010 to April 2013 with interest rates at 9.25%. These debentures are secured upon Sterlite's immovable property at Lonavala, Tuticorin, Gujarat and Chinchpada.

Floating Rate Loan Notes

At 31 March 2007, Sterlite had floating rate loan notes ("FRN"s) in issue of $13.4 million which has been repaid in June 2007. Interest on this facility was payable at LIBOR plus 130 basis points.

Foreign Currency Loans

Sterlite had a US dollar denominated term loan facility of $92.3 million comprising Tranche A of $68.0 million, which was repaid in June 2007 and Tranche B of $24.3 million repayable in September 2008. In April 2006, both Tranche A and Tranche B were converted into JPY loans amounting to JPY 8,012.6 million and JPY 2,862.5 million respectively. Interest on this facility is based on JPY LIBOR plus 44 basis points. The debt is unsecured. As on 31 March, 2008 $24.3 million was outstanding under this facility.

Sterlite entered into term loan facilities of JPY 3,570 million ($36.0 million) and $19.7 million. This loan is to be repaid between August 2006 and August 2008 in five tranches. The first 4 tranches amounting to JPY 2,856 million ($28.8 million) and $15.8 million have been repaid between August 2006 to February 2008. Interest on the JPY facility is based on JPY LIBOR plus 42 basis points and interest on the US dollar denominated facility is based on LIBOR plus 42 basis points. As at 31 March 2008, JPY 714 million ($7.2 million) and $3.9 million were outstanding. These debts are unsecured.

KCM

Subordinated Term Facility

The Government of the Republic of Zambia had extended a loan to KCM for $8.5 million of which $4.1 million was outstanding on 31 March 2008. The facility is secured under a second charge over all the KCM rights, title and interest, present and future, to, and in respect of, proceeds arising under a KCM insurance claim. Interest is payable at LIBOR. The facility is repayable in five equal consecutive annual instalments commencing on 17 September 2005, the third anniversary of the date of the Exit Deed.

Vedanta Resources plc

Long-term Bonds

In December 2004 and January 2005, Vedanta issued a total of $600.0 million, 6.625% bonds due February 2010 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 rated BB by Standard and Poor's and Ba1 by Moody's. The proceeds from the bond have been substantially remitted to India for the funding of the Group's projects.

In February 2006, Vedanta issued 4.6% $725 million guaranteed convertible bonds, the details of which are set out in note 25.

Syndicated Bridge Term Loan

In April 2007, Richter entered into a Syndicated Bridge Term Loan Facility of $1,100 million for a period of one year. The interest cost is at LIBOR + 47.5 basis points. At 31 March 2008, $1,000 million was drawn down from the above facility. The facility has been guaranteed by Vedanta and is subject to the pledge of the Group's shares in Sesa Goa Limited through its holding in Richter and Westglobe Limited. The loan was refinanced in April 2008 by Vedanta.

Non-equity minority interests

Non equity minority interests are represented by the deferred shares in KCM held by ZCI of $47.5 million and ZCM of $11.9 million. 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.

23. Movement in Net Debt[1]

		Debt Due Within One Year		Debt Due after One Year			
	Cash and Cash Equivalents	Debt Carrying Value	Debt Related Derivatives[2]	Debt Carrying Value	Debt Related Derivatives[2]	Liquid Investments US$ Million	Total Net Debt
				US$ million			
At 1 April 2006	**1,847.3**	**(239.8)**	**2.8**	**(1,836.4)**	**(30.2)**	**244.4**	**(11.9)**
Cash flow	(311.2)	(25.0)	—	324.8	—	345.1	333.7
Disposal of non core business	—	23.1	—	—	—	—	23.1
Other non-cash changes	—	9.1	(9.9)	68.3	11.6	3.5	82.6
Foreign exchange differences	48.7	(16.5)	—	(34.4)	—	7.4	5.2
At 1 April 2007	**1,584.8**	**(249.1)**	**(7.1)**	**(1,477.7)**	**(18.6)**	**600.4**	**432.7**
Cash flow	(1,167.2)	(1,100.4)	—	150.1	—	3,617.2	1,499.7
Cash acquired with subsidiary (note 32a)	4.5	(2.0)	—	—		230.2	232.7
Cash disposed of with subsidiary (note 32b)	(0.3)	—	—	—	—	—	(0.3)
Other non-cash changes	—	(35.8)	5.9	(202.7)	29.9	75.8	(126.9)
Foreign exchange differences	36.4	(29.9)	—	(26.6)	—	124.9	104.8
At 31 March 2008	**458.2**	**(1,417.2)**	**(1.2)**	**(1,556.9)**	**11.3**	**4,648.5**	**2,142.7**

(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 commodity related derivative financial assets and liabilities.

24. Trade and other payables

(a) Current trade payables

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Trade payables	511.6	372.6
Bills of exchange payable	681.8	485.2
Accruals and deferred income	143.0	61.7
Deferred consideration for KCM acquisition	5.2	5.2
Amount due for the acquisition of minority interest in KCM (note 36)	213.2	—
Other trade payables	463.6	247.7
	2,018.4	**1,172.4**

(b) Non-current trade payables

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Deferred consideration for acquisition of KCM	—	5.0
Other trade payables	0.2	6.6
	0.2	**11.6**

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.

25. Convertible bonds

Vedanta Finance (Jersey) Limited ("VFJL") issued $725 million of 4.6% guaranteed convertible bonds on 21 February 2006. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VFJL, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc represented by depository receipts, which do not carry voting rights. The bondholders have the option to convert at any time from 17 April 2006 to 15 February 2026. The loan notes are convertible at £14.54 per share of US$0.10 each and at GBP to USD rate of 1.7845.

If the notes have not been converted, they will be redeemed at the option of the Company on or at any time after 14 March 2009 and on or prior to 15 February 2026, subject to the conditions as part of the issue, or be redeemed at the option of the bondholders on 21 February 2013, 21 February 2018 and 21 February 2022.

The net proceeds of the convertible issue have been split between the liability and equity components. The equity component represents the embedded option to convert the liability into equity of the Company. The liability component is held at amortised cost:

	Year Ended 31 March 2008	Year Ended 31 March 2007
	$ million	$ million
Opening liability	**598.4**	**600.4**
Additional issue costs incurred	—	(1.7)
Interest and amortisation of issue costs (note 6)	36.9	36.7
Coupon interest paid	(33.3)	(33.4)
Conversion of bonds	(1.1)	(0.1)
Other	—	(3.5)
31 March	**600.9**	**598.4**

The interest charged for the year is calculated by applying an effective interest rate of 6.16% (2007: 6.18%).

During the year ended 31 March 2008, $1.3 million of convertible bonds were converted into 50,169 equity shares, reducing the liability component of the convertible bonds by $1.1 million, generating share capital and share premium of $1.3 million and releasing $0.2 million from convertible bond reserve.

During the year ended 31 March 2008, $3.6 million was transferred from the convertible bond reserve to retained earnings, representing the realisation of distributable reserves following accretion of the convertible bond liability. This amount constitutes the accretion during the year, being the interest and amortisation of issue costs, less coupon interest as outlined in the table above.

The fair value of the convertible bonds as on 31 March 2008 is $667.2 million (2007: $615.1 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 08 $ million	As at 31 March 07 $ million
Financial assets		
At fair value through profit or loss		
— Held for trading	4,648.5	600.4
— Other financial assets (derivatives)	139.9	123.6
Cash and cash equivalents	**458.2**	**1,584.8**
Loan and receivables		
— Trade and other receivables	1,048.0	942.9
— Other non current assets	29.8	27.3
Available for sale investments		
— Financial asset investments held at fair value	4.8	11.8
— Financial asset investments held at cost	25.2	22.8
Total	**6,354.4**	**3,313.6**
Financial liabilities		
At fair value through profit or loss		
— Other financial liabilities (derivatives)	(107.0)	(196.2)
Designated into fair value hedge		
— Borrowings	(615.9)	(581.2)
Financial liabilities at amortised cost		
— Trade and other payables	(2,018.6)	(1,184.0)
— Borrowings	(2,358.2)	(1,145.6)
Total	**(5,099.7)**	**(3,107.0)**

The fair value of borrowings is $2,915.8 million (2007: $1,603.9 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.

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 rate risks") 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.

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, 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 contents 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

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 while 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 spot prices in the global markets.

Provisionally priced financial instruments

On 31 March 2008, the value of net financial asset linked to commodities (excluding derivatives) accounted for on provisional prices was $9.0 million (2007: $201.0 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 financial year beginning 1 April 2008.

Set out below is the impact of 10% increase in LME prices on profit for the year and total equity as a result of change in value of the Group's commodity financial instruments:

Commodity Price Sensitivity	Closing LME as on 31 March 2008	Effect on Profit of a 10% Increase in the LME 31 March 2008	Effect on Total Equity of a 10% Increase in the LME 31 March 2008
	$	($ million)	($ million)
Copper	8,520	(2.0)	(2.0)
Zinc	2,303	0.5	0.5
Lead	2,793	4.3	4.3

Commodity Price Sensitivity	Closing LME as on 31 March 2007	Effect on Profit of a 10% Increase in the LME 31 March 2007	Effect on Total Equity of a 10% Increase in the LME 31 March 2007
	$	($ million)	($ million)
Copper	6,940	7.9	36.0
Aluminium	2,792	0.7	0.7
Zinc	3,280	9.8	15.2

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 10% increase in closing copper LME for provisionally priced copper concentrate purchase at Sterlite custom smelting operations is $57.2 million (2007: $56.5 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. 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 $1,426.5 million, together with cash and liquid investments of $5,106.7 million as at 31 March 2008, 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 enjoys good ratings from reputed international rating agencies including Standard & Poors and Moody's. The Group's current ratings from Standard & Poors and Moody's are BB and Baa3 respectively. These ratings support the necessary financial leverage and access to debt or equity markets at competitive terms. The Group generally maintains a healthy debt-equity ratio and retain 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, excluding interest:

As at 31 March 2008 Payment Due by Period	< 1 Year	1-2 Years	2-5 Years (In $ million)	> 5 Years	Total
Trade and other payables	2,018.4	0.2	—	—	2,018.6
Bank and other borrowings	1,417.2	104.6	810.2	36.9	2,368.9
Convertible bonds	—	—	—	723.5	723.5
Derivative liabilities	23.3	—	83.7	—	107.0
Total	**3,458.9**	**104.8**	**893.9**	**760.4**	**5,218.0**

As at 31 March 2007 Payment Due by Period	< 1 Year	1-2 Years	2-5 Years (In $ million)	> 5 Years	Total
Trade and other payables	1,172.4	11.6	—	—	1,184.0
Bank and other borrowings	249.1	76.2	788.5	33.4	1,147.2
Convertible bonds	—	—	—	724.8	724.8
Derivative liabilities	101.4	—	94.8	—	196.2
Total	**1,522.9**	**87.7**	**883.3**	**758.2**	**3,252.2**

At 31 March 2008, the Group had access to funding facilities of $4,400.6 million of which $1,426.5 million was not yet drawn, as set out below.

Funding Facilities	Total Facility ($ million)	Drawn ($ million)	Undrawn ($ million)
Less than 1 year	2,730.5	1,417.2	1,313.3
1-2 years	109.3	104.6	4.7
2-5 years and above	1,560.8	1,452.3	108.5
Total	**4,400.6**	**2,974.1**	**1,426.5**

At 31 March 2007, the Group had access to funding facilities of $2,738.2 million of which $1,011.4 million was not yet drawn, as set out below.

Funding Facilities	Total Facility ($ million)	Drawn ($ million)	Undrawn ($ million)
Less than 1 year	1,260.5	249.1	1,011.4
1-2 years	76.2	76.2	—
2-5 years and above	1,401.5	1,401.5	—
Total	**2,738.2**	**1,726.8**	**1,011.4**

(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 favorable 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 2008		At 31 March 2007	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
	$ million	$ million	$ million	$ million
USD	987.1	3,888.0	1,058.4	2,102.9
INR	5,259.3	998.9	2,214.7	788.3
Kwacha	66.6	104.5	39.4	66.3
JPY	4.6	35.9	—	110.5
AUD	34.8	14.9	0.5	22.3
EURO	1.2	56.7	0.1	15.7
Others	0.8	0.8	0.5	1.0
Total	**6,354.4**	**5,099.7**	**3,313.6**	**3,107.0**

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 non functional currency 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:

At 31 March 2008	Closing Exchange Rate	Effect of 10% Strengthening of US Dollar on net Earnings	Effect of 10% Strengthening of US Dollar on Total Equity
		$ million	$ million
INR	39.970	(40.9)	0.5
Australian dollar	1.089	17.4	17.4
Kwacha	3,765	(3.4)	(2.4)

At 31 March 2007	Closing Exchange Rate	Effect of 10% Strengthening of US Dollar on Net Earnings	Effect of 10% Strengthening of US Dollar on Total Equity
		$ million	$ million
INR	43.5900	(34.0)	31.2
Australian dollar	1.2480	10.6	10.6
Kwacha	4,421	(1.7)	29.2

The sensitivities are based on financial assets and liabilities held at 31 March 2008 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 2008, the Group's net cash of $2,142.7 million (2007: $432.7 million) comprises of cash, cash equivalents and liquid investments of $5,106.7 million (2007: $2,185.2 million) offset by debt of $2,964.0 billion (2007:$1,752.5 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 2008, 29% (2007: 52%) 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. In certain circumstances, interest rate swaps are taken to minimise the impact of rising floating rates. 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 managable 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 movments; however the counterparty invests in the agreed securites with known maturity tenure and return and hence have manageable risk.

The exposure of the Group's financial assets to interest rate risk is as follows:

	At 31 March 2008				At 31 March 2007			
	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
	$ million							
Financial assets	4,677.9	635.7	30.0	871.0	1,258.9	1,271.7	30.1	629.3
Derivative assets	—	—	—	139.8	—	—	—	123.6
Total financial assets	**4,677.9**	**635.7**	**30.0**	**1,010.8**	**1,258.9**	**1,271.7**	**30.1**	**752.9**

The exposure of the Group's financial liabilities to interest rate risk is as follows:

	At 31 March 2008			At 31 March 2007		
	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
	$ million					
Financial liabilities	2,723.4	924.9	1,344.4	1,289.3	902.7	718.8
Derivative liabilities	—	—	107.0	—	—	196.2
Total financial liabilities	**2,723.4**	**924.9**	**1,451.4**	**1,289.3**	**902.7**	**915.0**

The weighted average interest rate on the fixed rate financial liabilities is 6.5% (2007:6.1%) and the weighted average period for which the rate is fixed is 3.9 years (2007: 5.9 years).

Considering the net cash position as at 31 March 2008 and the investment in bank deposits and debt mutual funds, any increase in interest rates would result in a net gain and any decrease in interest rates would result in a net loss. 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 borrowing on profit and equity and represents management's assessment of the possible change in interest rates.

Decrease in Interest Rates At 31 March 2008	Effect on Net Earnings			Effect on Total Equity		
	Us Dollar Interest Rate	Japanese Yen Interest Rate	Total	US Dollar Interest Rate	Japanese Yen Interest Rate	Total
0.5%	7.0	0.1	7.1	9.5	0.1	9.6
1.0%	14.0	0.2	14.2	18.9	0.2	19.1
2.0%	28.0	0.5	28.5	37.8	0.5	38.3

Decrease in Interest Rates At 31 March 2007	Effect on Net Earnings			Effect on Total Equity		
	US Dollar Interest Rate	Japanese Yen Interest Rate	Total	US Dollar Interest Rate	Japanese Yen Interest Rate	Total
0.5%	2.1	0.4	2.5	3.9	0.4	4.3
1.0%	4.2	0.7	4.9	7.7	0.7	8.4
.0%	8.4	1.4	9.8	15.4	1.4	16.8

(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 high 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 2008 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 2008 is $6,324.4 million (2007: $3,279.0 million).

Of the year end trade and other receivable balance the following were past due but not impaired as at 31 March

	2008	2007
	$ million	$ million
Less than 1 month	64.6	38.9
Between 1 - 3 months	26.7	33.0
Between 3 - 12 months	37.1	49.7
Greater than 12 months	1.3	1.2
Total	**129.7**	**122.8**

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. 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 2008 (excluding own use purchase and sale contracts), recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

	At 31 March 2008		At 31 March 2007	
	Liability $ million	Asset $ million	Liability $ million	Asset $ million
Current				
Cash flow hedges				
— Commodity contracts	(0.5)	—	(70.9)	—
— Forward foreign currency contracts	(14.7)	3.4	(16.7)	0.9
— Interest rate swap (floating to fixed)	—	—	—	0.2
Fair value hedges				
— Commodity contracts	(0.8)	—	—	4.2
— Forward foreign currency contracts	(7.2)	5.3	(2.2)	0.8
Non Qualifying hedges				
— Commodity contracts	—	35.7	(2.2)	43.2
— Forward foreign currency contracts	(0.1)	0.5	(9.4)	2.1
— Interest rate swap	—	—	—	0.1
Total	**(23.3)**	**44.9**	**(101.4)**	**51.5**
Non-current				
Cash flow hedges				
— Forward foreign currency contracts	—	—	(2.0)	—
Fair value hedges				
— Forward foreign currency contracts	(83.7)	79.7	(74.2)	72.1
— Interest rate swap	—	15.3	(18.6)	—
Total	**(83.7)**	**95.0**	**(94.8)**	**72.1**
Grand Total	**(107.0)**	**139.9**	**(196.2)**	**123.6**

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 interest rate swaps (fixed to floating) taken out by the Group to hedge the fair value risk on the $600 million bonds due in 2010

The Group has also entered into US dollar and Japanese Yen cross-currency swaps with a maturity of 2010. Equal and opposite swaps are held in two Group companies, such that no significant net exposure to the Group arises.

Hedging reserves reconciliation

	Hedging Reserves	Minority Interests*	Total
	$ million	$ million	$ million
At 1 April 2006	**(29.1)**	**(25.4)**	**(54.5)**
Amount recognised directly in equity	(24.6)	(18.9)	(43.5)
Amount charged to income statement	24.2	21.3	45.5
Exchange difference	(0.2)	(0.4)	(0.6)
At 1 April 2007	**(29.7)**	**(23.4)**	**(53.1)**
Amount recognised directly in equity	27.0	19.6	46.6
Amount charged to income statement	(7.5)	(2.4)	(9.9)
Exchange difference	1.1	(2.0)	(0.9)
At 31 March 2008	**(9.1)**	**(8.2)**	**(17.3)**

* *Cash flow hedges attributable to minority interests.*

27. Provisions

	Restoration, Rehabilitation and Environmental	Other	Total
	$ million	$ million	$ million
At 1 April 2006	**57.1**	**177.6**	**234.7**
(Credited)/charged to income statement	(15.2)	16.3	1.1
Unwinding of discount	1.9	5.4	7.3
Addition due to acquisition	1.8	—	1.8
Cash paid	—	(15.1)	(15.1)
Exchange differences	0.3	0.2	0.5
At 1 April 2007	**45.9**	**184.4**	**230.3**
(Credited)/charged to income statement	(1.1)	(2.9)	(4.0)
Unwinding of discount	0.4	5.2	5.6
Addition due to acquisition (note 32a)	2.0	—	2.0
Reclassification	0.6	(0.6)	—
Cash paid	—	(32.4)	(32.4)
Disposals	(1.4)	—	(1.4)
Exchange differences	0.2	12.2	12.4
At 31 March 2008	**46.6**	**165.9**	**212.5**
Current 2008	—	27.3	27.3
Non-current 2008	46.6	138.6	185.2
	46.6	**165.9**	**212.5**
Current 2007	—	—	—
Non-current 2007	45.9	184.4	230.3
	45.9	**184.4**	**230.3**

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 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 which requires KCM to pay ZCCM an agreed annual sum when copper prices exceed specified levels and other triggers, amounting to $95.9 million (2007: $131.6 million). The timing of the outflow of this provision is dependent on future copper prices and hence cannot be reasonably acertiained. Other also include a provision for the Group's obligation relating to IFL amounting to $27.3 million (2007: $17.3) (see note 15).

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. No benefit has been recognised for tax losses of VRHL and the Company on the grounds that their successful application against future profits is not probable in the foreseeable future.

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 2008 $ million	As at 31 March 2007 $ million
Accelerated capital allowances	1,441.4	395.9
Unutilised tax losses	(134.0)	(58.9)
Other temporory differences	58.3	60.0
	1,365.7	**397.0**
Recognised as:		
Deferred tax liability provided	1,380.8	425.3
Deferred tax asset recognised	(15.1)	(28.3)
	1,365.7	**397.0**

Unrecognised deferred tax assets

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Unutilised tax losses	**(21.7)**	**(8.0)**

Deferred tax asset

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
At 1 April	28.3	71.9
Charged to income statement	(7.9)	(48.5)
(Charged)/credited directly to equity	(5.7)	1.9
Foreign exchange differences	0.4	3.0
At 31 March	**15.1**	**28.3**

The Group has $424.4 million of unutilised tax losses at KCM (2007: $235.5 million) which expire in 2018.

Deferred tax liability

	As at 31 March 2008	As at 31 March 2007
	$ million	$ million
At 1 April	425.3	286.9
Addition due to acquisition (note 32)	799.0	14.3
Deduction due to disposal (note 32)	(14.3)	—
Charged to income statement	126.1	110.0
Charged/(credited) directly to equity	17.3	(1.6)
Other movements	—	4.0
Foreign exchange differences	27.4	11.7
At 31 March	**1,380.8**	**425.3**

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.

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 Kuldip Kaura, 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 and 14 November 2007. 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 are found in the Remuneration Report on pages to .

Year of Grant	Exercise Date	Exercise Price US Cents per Share	Options Outstanding 1 April 2007	Options Granted During the Year	Options Lapsed During the Year	Options Exercised During the Year	Options Outstanding at 31 March, 2008
2004	26 February 2007 to 26 August 2007	10	328,444	—	—	328,444	—
2004	11 June 2007 to 11 December 2007	10	10,000	—	—	10,000	—
2004	23 November 2007 to 23 May 2008	10	20,000	—	—	20,000	—
2006	1 February 2009 to 1 August 2009	10	2,171,650	—	210,550	1,350	1,959,750
2007	1 February 2008 to 1 August 2008	10	565,530	—	84,480	300,000	181,050
2007	14 November 2010 to 14 May 2011	10	—	1,691,349	—	—	1,691,349
			3,095,624	**1,691,349**	**295,030**	**659,794**	**3,832,149**

As at 31 March 2008 all the outstanding options granted on 26 February 2004, 11 June 2004 and 23 November 2004 were exercised and all the outstanding options granted on 1 February 2007 were exercisable. The weighted average share price for the share options exercised during the year was £18.60.

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 November 2007	
Date of grant	14 November 2007
Number of instruments	1,691,349
Exercise price	\$0.10
Share price at the date of grant	£19.69
Contractual life	3 years
Expected volatility	43.0% pa
Expected option life	3.5 years
Expected dividends	1.0% pa
Risk free interest rate	4.7% pa
Expected annual forfeitures	13.5% pa
Fair value per option granted	£9.207

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.

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. Each relevant company holds a policy with the Life Insurance Corporation of India ("LIC"), to which each company contributes 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 1998 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 acturial valuation, a provision is recognised for the projected obligation over and above the funds held in scheme. In case where there is no funding againsts 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 2008 using the projected unit 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 2009 are covered by the LIC and remaining contributions to the LIC have been made 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 2009 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 2008 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 2008 using the projected unit actuarial method. At that date the fund was in deficit.

VAL

VAL 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 2008 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 2008 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 2008 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.

These schemes are accounted for as defined benefit schemes and the main assumptions used in the actuarial valuation were a discount rate of 14% per annum and an annual salary increase of 8%.

As at 31 March 2008, membership of pension schemes across MALCO, BALCO, HZL, VAL, Sterlite, Sesa and KCM stood at 27,853 employees (31 March 2007: 24,589). 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 $1.8 million and $nil million in respect of defined benefit schemes were outstanding and prepaid respectively as at 31 March 2008 (2007: 1.3 million and $0.1 million respectively)

Contributions to pension schemes in the year ending 31 March 2009 is expected to be around $4.9 million.

	Year Ended 31 March 2008	Year Ended 31 March 2007	Year Ended 31 March 2006
	$ million	$ million	$ million
Defined contribution pension schemes	16.0	10.8	10.6
Defined benefit pension schemes	8.7	0.8	2.4
	24.7	**11.6**	**13.0**

(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-08	Mar-07	Mar-08	Mar-07	Mar-08	Mar-07	Mar-08	Mar-07	Mar-08	Mar-07	Mar-08	Mar-07	Mar-08
Discount rate	8.0%	8.0%	7.8%	8%	7.5%	7.5%	7.5%	7.5%	14.0%	14.0%	8.0%	8.0%	8%
Salary increases	6.0%	6.0%	5% for office staff, 3% non-office	5% for office staff, 3% non-office	5.0%	5.0%	5.0%	5.0%	8.0%	8.0%	5.0%	5.0%	5-7%
Funding rate of return	—	—	8.0%	8.0%	7.5%	8%	9.1%	8.4%	—	—	9.0%	—	9%-9.35%
Number of employees	703	699	5,179	5,236	1,636	1,441	6,194	6,275	11,242	10,454	1,144	484	1,755

* ***acquired during the year 2007-08***

(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-08								31-Mar-07						
	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total
								$ million							
Fair value of pension scheme assets	—	0.7	1.1	20.0	—	0.1	4.9	26.8	—	1.0	0.1	15.9	—	—	17.0
Present value of pension scheme liabilities	(1.4)	(14.0)	(2.0)	(21.9)	(24.6)	(0.1)	(5.3)	(69.3)	(1.3)	(12.5)	(0.1)	(17.3)	(21.0)	(0.1)	(52.3)
Deficit in pension scheme recognised in balance sheet	(1.4)	(13.3)	(0.9)	(1.9)	(24.6)	—	(0.4)	(42.5)	(1.3)	(11.5)	—	(1.4)	(21.0)	(0.1)	(35.3)
Deferred tax	0.5	4.5	0.3	0.6	8.4	—	0.1	14.4	0.4	3.9	—	0.5	5.3	0.0	10.1
Net pension liability	(0.9)	(8.8)	(0.6)	(1.3)	(16.2)	—	(0.3)	(28.1)	(0.9)	(7.6)	—	(0.9)	(15.7)	(0.1)	(25.2)

(f) Amounts recognised in income statement in respect of defined benefit pension schemes:

Particulars	31-Mar-08 MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	31-Mar-07 MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total
Current service cost	0.1	0.6	0.2	1.1	3.9	0.1	0.3	6.3	0.1	0.5	0.2	0.8	—	—	1.6
Actuarial (gains)/losses	—	(1.5)	0.6	1.0	(1.5)	—	—	(1.4)	0.1	0.7	1.0	0.7	(5.4)	—	(2.9)
Expected return on scheme assets	—	(0.1)	(0.1)	(1.6)	—	—	(0.4)	(2.2)	—	—	—	(1.2)	—	—	(1.2)
Interest cost of scheme liabilities	0.1	1.1	0.1	1.4	2.9	—	0.4	6.0	0.1	0.8	0.1	1.1	1.2	—	3.3
Total charge to income statement	**0.2**	**0.1**	**0.8**	**1.9**	**5.3**	**0.1**	**0.3**	**8.7**	**0.3**	**2.0**	**1.3**	**1.4**	**(4.2)**	**—**	**0.8**

(g) Movements in the present value of defined benefit obligations

The movement during the year ended 31 March 2008 of the present value of the defined benefit obligation was as follows:

Particulars	31-Mar-08 MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	31-Mar-07 MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total
At 1 April	**(1.3)**	**(12.5)**	**(0.1)**	**(17.3)**	**(21.0)**	**(0.1)**	**—**	**(52.3)**	**(1.1)**	**(9.4)**	**—**	**(15.1)**	**(26.5)**	**(0.1)**	**(52.2)**
At acquisition							(4.5)	(4.5)	—	—	—	—	—	—	—
Current service cost	(0.1)	(0.6)	(0.2)	(1.1)	(3.9)	(0.1)	(0.3)	(6.3)	(0.1)	(0.5)	(0.2)	(0.8)	—	—	(1.6)
Gratuity benefits paid	0.2	0.6	0.4	0.3	1.7	—	0.3	3.5	0.3	0.3	—	0.8	1.2	—	2.6
Interest cost of scheme liabilities	(0.1)	(1.1)	(0.1)	(1.4)	(2.9)	—	(0.4)	(6.0)	(0.1)	(0.8)	(0.1)	(1.1)	(1.2)	—	(3.3)
Actuarial gains/(loss)	—	1.5	(0.6)	(1.0)	1.5	—	—	1.4	(0.1)	(0.7)	(1.0)	(0.7)	5.4	—	2.9
Exchange difference	(0.1)	(1.9)	(1.4)	(1.4)		0.1	(0.4)	(5.1)	(0.2)	(1.4)	1.2	(0.4)	0.1	—	(0.7)
At 31 March	**(1.4)**	**(14.0)**	**(2.0)**	**(21.9)**	**(24.6)**	**(0.1)**	**(5.3)**	**(69.3)**	**(1.3)**	**(12.5)**	**(0.1)**	**(17.3)**	**(21.0)**	**(0.1)**	**(52.3)**

(h) Movements in the fair value of scheme assets

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
At 1 April	17.0	14.0
At acquisition	3.8	
Contributions received	4.6	2.9
Benefits paid	(3.6)	(2.6)
Expected return on plan asset	2.2	1.2
Foreign exchange differences	2.8	1.5
At 31 March	**26.8**	**17.0**

(i) Four year history

The transition date for conversion to IFRS for Vedanta was 1 April 2005 and therefore the following historical data has been presented from that date.

Defined benefit pension plan

	As at 31 Mar 08 $ million	As at 31 Mar 07 $ million	As at 31 Mar 06 $ million	As at 31 Mar 05 $ million
Experience gains/(losses) arising on scheme liabilities	1.4	2.9	8.6	(2.4)
Difference between expected & actual return on plan assets	—	(0.1)	—	—
Fair value of pension scheme assets	26.8	17.0	14.0	12.0
Present value of pension scheme liabilities	(69.3)	(52.3)	(52.2)	(50.6)
Deficits in the schemes	**(42.5)**	**(35.3)**	**(38.2)**	**(38.6)**

31. Share capital

	At 31 March 2008		At 31 March 2007	
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	288,130,685	28.8	287,515,622	28.8
Deferred shares of £1 each	50,000	—	50,000	—
	288,180,685	28.8	287,565,622	28.8

During the year ended 31 March 2008, the Company issued 564,894 shares to the employees pursuant to the LTIP scheme (2007: 726,681 shares). During the year ended 31 March 2008, the Company issued 50,169 shares represented by Global Depositary Receipt on conversion of the convertible bond (2007: 7,746). 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.

32. Business Combinations

(a) Acquisition of subsidiary

On 23 April 2007, Vedanta acquired 100% of Finsider International Company Limited ('Finsider'), an investment holding company incorporated in United Kingdom, from Mitsui & Company, Japan for a consideration of US$981.0 million (excluding acquisition expenses of $9.4 million). Finsider held 51.0% of Sesa Goa Limited ("Sesa Goa"), a public limited company incorporated in India and listed on the Bombay Stock Exchange and the National Stock Exchange of India, which in turn held 88.3% of Sesa Industries Limited ("Sesa Industries"). Thus, by virtue of Vedanta acquiring Finsider, Sesa Goa and Sesa Industries became subsidiaries of Vedanta with an effective date of 23 April 2007, being the date at which control passed to Vedanta. As a result, the financial information of Finsider, Sesa Goa and Sesa Industries has been consolidated from 23 April 2007.

Sesa Goa is a company mainly involved in iron ore mining, processing and the manufacture of metallurgical coke. Sesa Industries is involved in pig iron operations.

The consolidated net assets of Finsider acquired are detailed in the table below:

	Book Value	Fair Value Adjustments	Fair Value
		$ million	
Assets			
Non-current assets			
Property, plant and equipment	119.0	2,289.4	2,408.4
Other non-current assets	0.2	—	0.2
	119.2	**2,289.4**	**2,408.6**
Current assets			
Inventories	80.1	9.1	89.2
Trade and other receivables	79.3	—	79.3
Liquid investments	230.2	—	230.2
Other current financial asset (derivatives)	2.0	—	2.0
Cash and cash equivalents	4.5	—	4.5
	396.1	**9.1**	**405.2**
Liabilities			
Current liabilities			
Short term borrowings	(2.0)	—	(2.0)
Trade and other payables	(45.6)	—	(45.6)
Current tax liabilities	(8.2)	—	(8.2)
	(55.8)	**—**	**(55.8)**
Non-current liabilities			
Deferred tax liabilities	(17.7)	(781.3)	(799.0)
Provisions	(2.0)	—	(2.0)
	(19.7)	**(781.3)**	**(801.0)**
Net assets	**439.8**	**1,517.2**	**1,957.0**
Less : Minority interests recognised on first acquisition			(966.6)
			990.4
Satisfied by :			
Cash consideration paid			981.0
Acquisition expenses			9.4
			990.4

The Company has completed a fair value assessment of the assets acquired. There have been no events or indications which would require a change to the fair value of the assets and liabilities acquired compared to the amount provisionally assessed as at date of acquisition.

The Group acquired a further 71,451 shares, equating to a 0.182% interest in Sesa Goa on 24 September 2007 following an open offer for a consideration of $3.6 million in cash. The total holding in Sesa Goa following this transaction was 51.2%. The impact on minority interests as a result of the offer was a decrease of $3.6 million. The total increase in minority interests resulting from the acquisition of Sesa Goa was $963.0 million.

Since the date of acquisition, the Finsider group has contributed $888.9 million to the revenue and $294.1 million to the net profit of the Group for the year ended 31 March 2008. If Finsider had been acquired at the beginning of the period, the revenue of the Group would have been $60.2 million higher and the net profit of the Group would have been $15.0 million higher.

(b) Disposal of Subsidiary

In September 2007, Vedanta, through one of its subsidiaries, sold all of the issued and outstanding shares it held in Twin Star International (84.2%) which was the owner of 223,417,031 common shares of Sterlite Gold Limited for a consideration of $85.9 million. Further, Vedanta received $25.0 million towards settlement of outstanding debt which Sterlite Gold and its subsidiaries owed to Vedanta and its group companies.

Sterlite Gold, through its wholly owned subsidiary in Armenia, Ararat Gold Recovery Company LLC 'AGRC', was engaged in gold mining activities in Armenia. Sterlite Gold also held 100% interests in the following companies on the date of its disposal:

- First Dynasty Mines (USA) LLC
- First Dynasty Mines Armenia Limited
- AGRC Services Limited
- First Dynasty Mines Holding Company Limited

All the companies listed above were non-operating.

From January 2007, the gold mining operations in Armenia were suspended pending resolution of some of the key clauses of the implementation agreement entered into with the Government of the Republic of Armenia. Due to delays in finding a resolution, Vedanta continued to explore other alternatives and in August 2007 entered into an agreement with a third party for the sale of the business together with all assets and liabilities. The agreement involved the sale of Vedanta's full shareholding in Sterlite Gold at a price of $0.3845 per Sterlite Gold share equating to the total of $85.9 million and the settlement by the purchaser of Sterlite Gold's $25.0 million payables to the Vedanta Group.

The gain on disposal of the Sterlite Gold operations of $29.8 million has been recognised in the income statement under the caption Special items (see note 4).

Sterlite Gold's operations constituted an insignificant proportion of Vedanta's revenues and were presented in the "Other" segment in accordance with IAS 14 Segment Reporting.

The impact on minority interests resulting from the disposal of Twin Star International, Sterlite Gold and its subsidaries was a decrease of $9.7 million.

The net assets of Twin Star International consolidated at the date of disposal, 27 September 2007 and 31 March 2007 were as follows:

	As at 27 September 2007	As at 31 March 2007
	$ million	
Assets		
Non-current assets		
Property, plant and equipment	91.7	94.1
Financial asset investments	—	3.3
	91.7	**97.4**
Current assets		
Inventories	2.3	3.2
Trade and other receivables	4.4	4.4
Cash and cash equivalents	0.3	1.6
	98.7	**106.6**
Liabilities		
Current liabilities		
Borrowings from Vedanta Group	(25.6)	(5.9)
Trade and other payables	(4.3)	(3.9)
Current tax liabilities	(1.4)	(1.4)
	(31.3)	**(11.2)**
Non-current liabilities		
Long term borrowings	—	(41.6)
Deferred tax liabilities	(14.3)	(14.3)
	(45.6)	**(67.1)**
Net assets	**53.1**	**39.5**
Reduction in minority interest	9.7	
Cash consideration	**85.9**	
Net assets disposed	(53.1)	
Disposal expenses	(3.0)	
Profit on disposal	**29.8**	

$25.0 million of borrowings due to the Vedanta Group were repaid, as part of the sale and purchase agreement.

33. Operating leases

The Group does not have any material operating lease commitments as at 31 March 2008 (2007: none).

34. 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 2008	As at 31 March 2007
	$ million	$ million
Capital commitments contracted but not provided	3,314.0	3,150.0

Commitments at 31 March 2008 primarily related to the expansion projects at HZL $204.0 million (2007: $178.9 million), KCM $246.6 million (2007:$355.0 million), VAL $980.4 million (2007: $1,316.4 million), SEL $1,124.1 million (2007: $1,139.3 million) and BALCO $684.0 million (2007: $10.2 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:

Guarantees

As at 31 March 2008, $139.4 million of guarantees were advanced to banks in the normal course of business (2007: $191.2 million). The Group has also entered into guarantees advanced to the customs authorities in India of $154.6 million relating to the export of iron ore and payment of import duties on purchases of raw material (2007: $7.7 million).

Export obligations

The Indian entities of the Group have export obligations of $2,473.9 million (2007: $1,328.4 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 $355.6 million (2007: $191.0 million), reduced in proportion to actual exports. This liability is backed by bond executed in favour of customs department amounting to $325.7 million (2007: $107.6 million).

Guarantees to suppliers

The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was $150.0 million at 31 March 2008 (2007: $90.0 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 2008, ETB liabilities provided for were $61.7 million (2007: $65.1 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 (see note 36) 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')

Under the terms of a financial aid package, MALCO was entitled to benefit from reduced tariff electricity for the period from 1995 to 1999. In 1997, MALCO became profitable and in 1999 the TNEB made a claim against MALCO for the difference in value between full price and reduced tariff electricity for the period from 1997 to 1999. The value of this claim was $79.4 million. The case was heard before the Madras High Court in November 1999 and it found in MALCO's favour. TNEB has appealed the decision and this appeal is under hearing.

TNEB is also claiming $25.5 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.

MALCO claims with TECHMO Car SpA ('TECHMO')

In February 1999, MALCO entered into an agreement with TECHMO to modernise the smelter pot rooms at Mettur Dam. In February 2003, this contract was terminated by TECHMO following disputes over the project. In March 2003, MALCO issued a claim against TECHMO to recover expenditure incurred on the project, citing non-performance by TECHMO. The value of this claim was $6.3 million. The District Court had ordered TECHMO to provide the full amount of the claim to MALCO as security, which was subsequently reversed by the Madras High Court. MALCO filed a petition with the Supreme Court of India, which as an interim measure directed both parties to arbitration and for each party to furnish security of $1.0 million.

Separately, in June 2003, TECHMO moved for arbitration, claiming a total of $3.0 million being the unpaid portion of the contract. In September 2005, the final part of the hearing took place in which both parties made written submissions.

The case has now been settled out-of court. Under the settlement agreement, TECHMO has paid $2.6 million to MALCO. The parties have withdrawn the cases filed against each other and the matter is now closed.

BALCO: claim of Chhattisgarh State Electricity Board "(CSEB)"

During the year ended 31 March 2008, CSEB claimed that they had over paid for power supplied by BALCO. BALCO is contesting the claim on the basis that it is conflicting with the power purchase agreement between the two entities. Both the parties have submitted claims before the arbitrator and the hearing in the matter is awaited.

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 $83.5 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 remote 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 in has obtained a stay in respect of these demands.

Sterlite Gold

Following the disposal of Sterlite Gold on 27 September 2007 there are no claims pending against the Group from the Armenian Government (31 March 2007: $46.5 million)

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. The Ministry of Environment and Forests has received reports from expert organisations and has submitted the recommendations of Forest Advisory Committee to the Supreme Court. On 23 November 2007, the Supreme Court noted that it is not against the project in principle but needed certain safeguards for the development. Sterlite has filed an affidavit seeking clearance of the mining project. The Central Empowered Committee has filed its report and further directions from the Supreme Court is expected in the next hearing on the matter on 18th July 2008

A petition was filed by an independent complainant with National Environment Appellate Authority challenging the grant of environmental clearance to the Jharsuguda project. The appeal was dismissed on 29 January 2008. The Petitioner has filed a Writ Petition in the High court the hearing will take place on 24 July 2008.

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 $240.8 million (2007: $155.1 million), of which $32.9 million (2007: $48.9 million) is included as a provision in the balance sheet as at 31 March 2008. In the view of the Directors, there are no significant unprovided liabilities arising from these claims.

35. 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 2008. These related parties include Sterlite Technologies Limited ('STL'), which is related by virtue of having the same controlling party as the Group, namely Volcan. At the Balance Sheet date, India Foils Limited ('IFL') an associate of the Group, is also regarded as a related party. However by virtue of the proposed sale of MALCO's entire stake in IFL to a third party, IFL will cease to be a related party from the date of completion of the sale transaction.

Sterlite Technologies Limited ("STL")

	31 March 2008	31 March 2007
	$ million	$ million
Sales to STL	81.2	59.0
Sale of aluminium conductor division	—	32.3
Reimbursement of expenses	0.1	0.2
Purchases	0.3	1.1
Amounts receivable at year end	20.7	11.0

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 2008, 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 that year amounted to $29,646 (2007: $21,940).

Twinstar Investments Limited

Twin Star Investments Limited is a related party as it is controlled by members of Agrawal family. The balance outstanding at 31 March 2008 was $nil (2007: $0.7 million).

Twin Star International (TSI)

During the year ended 31 March 2007, the Group advanced $20.9 million of loans to TSI. No such loans were advanced in 2008 and TSI was sold of as part of Sterlite Gold disposal, as detailed in note 32b.

Twin Star Infrastructure Limited

Sterlite Energy had issued cumulative convertible preference shares to Twin Star Infrastructure Limited prior to its acquisition by the Group and an amount of $7.0 million was outstanding as at 31 March 2008 (2007: $6.5 million). During the year ended 31 March 2008, Sterlite Energy paid dividends on the cumulative convertible preference shares of $4,019 (2007: $3,544) to Twin Star Infrastructure Limited.

Sterlite Foundation

During the year, $0.8 million was paid to the Sterlite Foundation (2007: $0.7 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.

Sesa Goa Community Foundation Limited

Following the acquisition of Sesa Goa, the Sesa Goa Community Foundation Limited 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 2008, $0.2 million was paid to the Sesa Goa Community Foundation Limited.

The Anil Agarwal Foundation (formerly Vedanta Foundation)

During the year, $0.2 million (2007: $0.1 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.

IFL

	Year Ended 31 March 2008	Year Ended 31 March 2007
	$ million	$ million
Sales to IFL	35.2	43.9
Guarantees	45.5	41.8
Trade receivables and advances	9.2	8.8
Loans receivable at year end	11.0	6.2

During the year ended 31 March 2008, the Group advanced $1.2 million to IFL as short-term advances (2007: $1.2 million). The group has given corporate guarantees to certain banks and financial institutions in relation to IFL, an associate of the Group. The Group has recognised a provision of $27.3 million in the financials statements representing its obligations to IFL (2007: $17.3 million), including the loans receivable outlined as above. The trade receivable are operating in nature and are considered recoverable. Further information is provided in note 15.

VOLCAN

	31 March 2008	31 March 2007
	$ million	$ million
Reimbursement of bank charges	(0.3)	(0.4)

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 2008 was $0.3 million (2007: $0.4 million).

In addition, a limited number of employees are seconded from Sterlite to IFL and STL and similarly from IFL and STL to Sterlite. The company which benefits from the seconded employees bear their employment costs.

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 2008	Year Ended 31 March 2007
	$ million	$ million
Short-term employee benefits	12.9	5.3
Post employment benefits	0.5	0.3
Share based payments	2.4	0.7
	15.8	**6.3**

36. Share transactions

Call Options — KCM

The Group purchased a 51% holding in KCM on 5 November 2004, from ZCI and ZCCM, which hold 28.4% and 20.6% interests, respectively. There are several call options over the KCM shares held by the Group, ZCI and ZCCM as set out below.

As part of the acquisition of KCM, the Group acquired call options over ZCI's and ZCCM's holdings in KCM exercisable in certain circumstances. The option exercise period commences on the earlier of the date of approval by the Government of Zambia of any application by KCM to develop the Konkola Ore Body Extension Project, and the date immediately succeeding the last day of four consecutive quarters during which ore is extracted at a rate of 3 million tpa or more, provided that prior to such date, ZCI and ZCCM had not exercised their primary call options referred to below. In either case, the option exercise period terminates 24 months after the date on which the call option becomes exercisable or the date of any material amendment, cessation or abandonment of the Konkola Ore Body Extension Project other than in accordance with the provisions of the KCM shareholders' agreement.

Also as part of acquisition agreement, ZCI and ZCCM were each assigned a primary call option over the Group's interest in KCM in proportion to their own shareholdings in KCM, exercisable in certain circumstances. The option exercise periods are 24 month periods commencing on either:

- 31 December 2009, provided that prior to such date: KCM does not proceed with the development of the Konkola Ore Body Extension Project, the Group has not exercised its call option over the ZCI shares and sufficient evidence has not been provided to ZCCM and ZCI that the rate of ore extraction during the five year period from 1 January 2013 to 31 December 2017 is expected to be more than 175,000 tpa (the 'Production Condition'); or

- 31 December 2014, provided that prior to 31 December 2009 sufficient evidence has been provided that the Production Condition will be met, and that otherwise the same conditions above apply.

ZCI and ZCCM were also assigned a secondary call option that vests either: where one party confirms to the other, and the Group, that it does not wish to exercise its primary option; or where the primary option is not exercised before the expiry of the relevant 24 month exercise period (the 'End Date'). The secondary call option is exercisable up to 15 days after the End Date and allows ZCI and ZCCM to acquire the shares held by the Group in KCM that are subject to the primary call option.

The exercise price for all options is at a value to be agreed by the Group and ZCI or ZCCM as applicable or failing agreement, at fair market value determined by an independent valuer.

During 2006, a notice was sent by the Group to ZCI to exercise the option to acquire its 28.4% stake in KCM. On 18 January 2008, Vedanta and ZCI agreed upon an option exercise price, as determined by an independent valuer. On 9 April 2008, Vedanta completed the acquisition, paying consideration in cash of US$213.2 million and taking the Group's holding in KCM to 79.4%.

At 31 March 2008, the Group recognised a current liability in trade and other payables for $213.2 million, representing the amount contractually due to ZCI for the acquisition of its shares. The Group has recognised an equivalent decrease to equity, representing the anticipated reduction in minority interests in respect of the incomplete transaction.

Call Option — HZL

With effect from 11 April 2007, SOVL has the right to purchase all of the Government of India's remaining shares in HZL at fair market value. As at 31 March 2008, the Government's holding in HZL was

29.5% (2007: 29.5%). The option has no expiry date. The Group has not yet exercised the option. The Group continues to engage in talks with the Government of India to agree on a process to complete the transaction.

Call Option — BALCO

Sterlite purchased a 51% holding in BALCO from the Government of India on 2 March 2001. Under the terms of this purchase agreement for BALCO, Sterlite has a call option that allows it to purchase any remaining Government holding in BALCO at any point from 2 March 2004. Sterlite exercised this option on 19 March 2004. However, the Government of India has contested the purchase price and validity of the option. The Group 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. However, the Court directed on 7 August 2006 that the parties attempt to settle the dispute by way of amicable negotiation and conciliation. As directed by the court, mediation proceedings were conducted and the Group believes that the mediation process has been completed. The Group is now awaiting further communication from the Government of India on this matter.

37. Principal Subsidiaries

The consolidated financial statements comprise the financial statements of the following principal subsidiaries:

Subsidiaries	Principal Activates	The Company's Economic Percentage Holding		Country of Incorporation	Immediate Holding Company	Immediate Percentage Holding	
		31-Mar-08	31-Mar-07			31-Mar-08	31-Mar-07
Bharat Aluminium Company Limited ('BALCO')	Aluminium mining and smelting	30.5%	38.7%	India	Sterlite	51.0%	51.0%
Copper Mines Of Tasmania Pty Limited ('CMT')	Copper mining	59.9%	75.9%	Australia	MCBV	100.0%	100.0%
Fujariah Gold	Gold mining and processing	59.9%	—	UAE	CMT	100.0%	—
Hindustan Zinc Limited ('HZL')	Zinc and mining and smelting	38.9%	49.3%	India	SOVL	64.9%	64.9%
The Madras Aluminium Company Limited ('MALCO')	Aluminium mining and smelting	80.0%	80.0%	India	Twin Star	80.0%	80.0%
Monte Cello BV ('MCBV')	Holding company	59.9%	75.9%	Netherlands	Sterlite	100.0%	100.0%
Monte Cello Corporation NV (MCNV')	Holding company	100.0%	100.0%	Netherlands	Twin Star	100.0%	100.0%
Konkola Copper Mines PLC ('KCM')	Copper mining and smelting	51.0%	51.0%	Zambia	VRHL	51.0%	51.0%
Sterlite Energy Limited ('SEL')	Energy generation	59.9%	—	India	Sterlite	100.0%	100.0%
Sesa Goa Limited ('Sesa Goa')	Iron Ore	51.2%	—	India	Finsider	51.2%	—
Sesa Industries Limited	Iron Ore	45.2%	—	India	Sesa Goa	88.3%	
Sterlite Industries (India) Limited ('Sterlite')	Copper smelting	59.9%	75.9%	India	Twin Star	57.0%	72.3%
Sterlite Opportunities and Venture Limited (SOVL')	Holding company	59.9%	75.9%	India	Sterlite	100.0%	100.0%
Sterlite Paper Limited ('SPL')	Non-trading	59.9%	75.9%	India	Sterlite	100.0%	100.0%
Thalanga Copper Mines Pty Limited ('TCM')	Copper mining	59.9%	75.9%	Australia	MCBV	100.0%	100.0%
Twin Star Holding Limited ('Twin Star')	Holding company	100.0%	100.0%	Mauritius	VRHL	—	100.0%
Vedanta Aluminium Limited ('VAL')	Alumina mining, aluminum refining and smelting	88.2%	92.9%	India	Twin Star	70.5%	70.5%
Richter Holding Limited ('Richter'), Cyprus	Financing company	100.0%	—	Cyprus	VRCL	100%	—
Westglobe Limited	Financing company	100.0%	—	Mauritius	Richter	100%	—
Finsider International Company Limited	Financing company	100.0%	—	Great Britain	Richter	60.0%	—
Vedanta Resources Holding Limited ('VRHL')	Holding company	100.0%	100.0%	Great Britain	VR plc	100.0%	100.0%
Vedanta Resources Finance Limited ('VRFL')	Financing company	100.0%	100.0%	Great Britain	VRHL	100.0%	100.0%
Vedanta Resources Cyprus Limited ('VRCL')	Financing company	100.0%	100.0%	Cyprus	VRFL	100.0%	100.0%
Vedanta Finance (Jersey) Limited ('VFJL')	Financing company	100.0%	100.0%	Jersey(CI)	VR plc	100.0%	100.0%
Welter Trading Limited	Financing company	100.0%	100.0%	Cyprus	VRHL	100.0%	100.0%
Twin Star International Limited (TSI)	Financing company	—	100.0%	Mauritius	Welter	100.0%	100.0%
Sterlite Gold Limited ('Sterlite Gold')	Holding company	—	83.7%	Canada	TSI	—	83.7%
Ararat Gold Recovery LLC ('AGRC')	Gold mining and processing	—	83.7%	Armenia	Sterlite Gold	—	100.0%

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.

38. Post Balance Sheet events

On 9 April 2008, the Group completed the exercise of its option over ZCI's share in KCM for a consideration of $213.2 million. The transaction resulted in an acquisition of a further 28.4% interest in KCM's equity taking the Group's total holding to 79.4%. The balance of 20.6% is held by ZCCM (see note 36).

At completion, the Group will recognise a decrease to minority interests of approximately $233.1 million and a net gain through equity of approximately $19.9, after transaction costs. From 9 April 2008, the Group will consolidate 79.4% of the profits of KCM. At 31 March 2008, the fair value of the option has been recognised as a liability with a corresponding reduction in equity.

39. Ultimate controlling party

At 31 March 2008, 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, does not produce Group accounts.

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