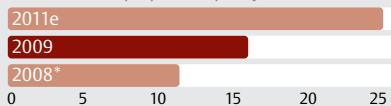


Iron Ore



Iron ore mtpa

Production and proposed capacity



* Information for post acquisition period of 11 months through 31 March 2008

Description

Vedanta is the largest Iron ore producer-exporter in Asia, with mining and processing facilities at various locations in India.

239.8 million tonnes of Reserves and Resources of ore.

Key locations

India

Goa

Orissa

Karnataka

Iron ore

The performance of our Iron Ore business in FY 2009 is set out in the table below.

(in US\$ millions, except as stated)	FY 2009	FY 2008 ¹
Production volumes (kt)		
Saleable ore	15,986	11,469
Pig iron	217	248
Sales volumes (kt)		
Iron ore	15,103	11,287
Pig iron	224	244
Revenue	1,070.4	888.9
EBITDA	557.1	585.6
EBITDA Margin	52.1%	65.9%
Operating Profit	348.0	420.0

¹ Information is presented for the post acquisition period of 11 months through 31 March 2008 and is not directly comparable with the current period.

Sesa Goa has set itself an ambitious growth vision and has taken several initiatives towards implementing this plan through an accelerated debottlenecking programme, performance improvement measures and capability building with active support from our other Group companies.

Production Performance

Saleable iron ore produced in FY 2009 was 15.99 million tonnes, a record for Sesa Goa and an increase of 28.5% over full year production of 12.44 million tonnes in FY 2008, primarily attributable to a comprehensive improvement programme to increase the operational efficiencies.

Production of pig iron was 217,000 tonnes in FY 2009, lower by 19.9% compared with full year production in FY 2008. The fall in production was primarily on account of low offtake and consequently only one line was in operation in Q3 FY 2009.

Sales

The iron ore market achieved record highs in the early part of the year. There was a steep fall in demand in Q3 FY 2009 due to the subdued performance of the global steel industry, with no evidence of a sustained recovery.

Iron ore shipments during the full year FY 2009 were 15.10 million tonnes, consistent with the significantly higher production. Due to the impact of the seasonal monsoon in the Goa region, shipments of approximately 10.46 million tonnes were made in the second half of FY 2009, consistent with typical shipment patterns. During FY 2009, a majority of the production was sold in the spot market due to increased volumes in the year and lower offtake by long-term contract buyers.

We sell in global markets with exports to China, Japan, Pakistan and other Asian and European countries. Exports account for nearly 95% of total sales, with the remainder being sold in the domestic market primarily from Orissa. China accounts for nearly 80% of our total exports. The global market for iron ore is expected to remain in surplus in

Case study

the short- to medium-term, primarily due to steel mills being operated at reduced capacity. As a result of these market conditions, spot prices of iron ore are expected to remain soft in the short- to medium-term term while long-term benchmark price is expected to reduce significantly.

We sold 224,000 tonnes of pig iron in FY 2009, consistent with our production, primarily in the domestic market.

Financial Performance

Revenues in FY 2009 were US\$1,070.4 million with EBITDA of US\$557.1 million. Met coke and pig iron businesses contributed EBITDA of US\$67.1 million in FY 2009. Revenues were higher due to record sales volumes. EBITDA was lower on account of higher costs, lower realisation and hedging losses which more than offset the benefits of higher volumes.

Exploration

In line with the Group's focus on augmenting its resource base, 28,000 metres drilling was carried out at Sesa Goa. We had significant success and increased gross reserves and resources by 57.8 million tonnes, prior to a depletion of 15.8 million tonnes and reduction of 4.7 million tonnes on account of non-renewal of third party mining leases in FY 2009. Total reserves and resources at 31 March 2009 were 239.8 million tonnes.



Maximising transportation of ore

As a part of Business Excellence initiatives and capability building for higher and higher volumes, Sesa Team looked at maximizing transportation of ore from its Goa mines within the constraint of limited capacity of public roads.

It was realized that the existing routes of transportation need to be supplemented by new routes. Considering the time frame and difficulties for establishing a new route very quickly to achieve the higher volume of transportation, the Sesa team came out with an idea as to crossing of a small river on one side of one mine so as to utilize the road on other side of the river which was not having any iron ore traffic. In view of the time frame and the statutory approvals required for a normal bridge with pillars and spans, the team found out that a Bailey bridge which are fabricated at a different place and just erected wherever required,

very commonly used by the army, would be the right solution. Accordingly a supplier of such bridge was located and the bridge was erected within a short time frame of six months.

As a second initiative, where there was local restriction for night transport for a portion of one end of the route, the team decided to maximize the transport during day time by creating a transfer point in between from where the transportation for the balance route would be done for 24 hours a day.

The above two initiatives enhanced the capability of transportation from a particular mine by 3.0 million tons per annum.

During the year Sesa team took various such initiatives in Goa and Karnataka while aspiring to reach the stretched business goals and could achieve 22% increase in sales volume.

OVERVIEW

BUSINESS REVIEW

FINANCIAL REVIEW

SUSTAINABILITY

BOARD + EXECUTIVE COMMITTEE

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS