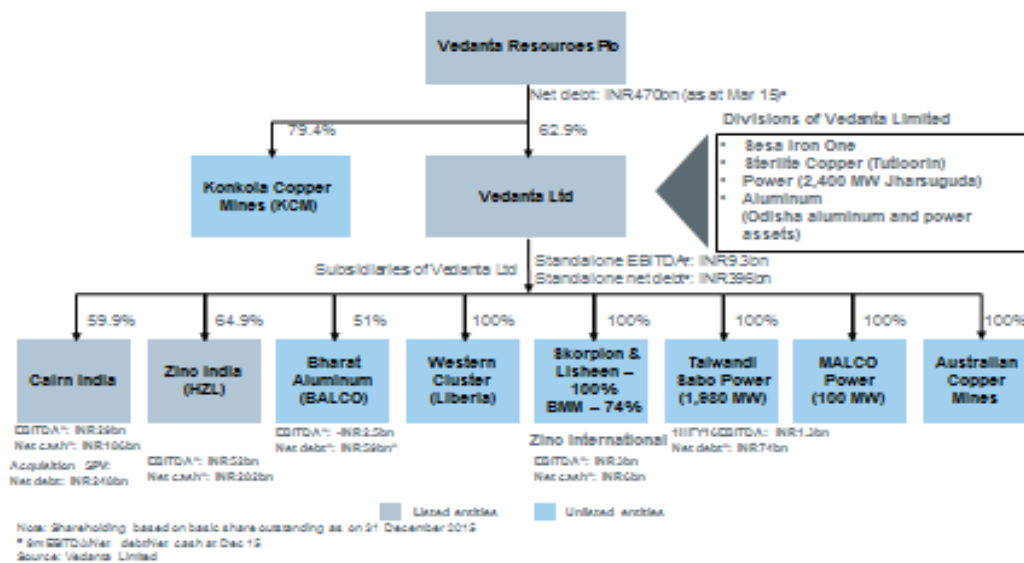


## Vedanta Limited

Vedanta Resources plc is a diversified natural resources company. The core operations cover exploration, extraction and refining. The company's main businesses focus on zinc, lead, silver, aluminium, copper, iron ore, oil & gas and commercial power, while its operations span across India, South Africa, Namibia, the Republic of Ireland, Australia, Liberia and Sri Lanka. Vedanta Resources Plc holds 62.9% stakes in Vedanta Limited Ltd. The remaining stake is held by retail and institutional shareholders (Government of India, GOI). Vedanta Limited in turn holds 59.9% in Cairn India (the balance held by retail shareholders), 64.9% in Hindustan Zinc Limited (the balance held by GOI and retail shareholders), 51% in BALCO (balance held by GOI) with 100% stakes in Talwandi Sabo and other small assets.

Fitch Group

### Group Structure



Standalone financials of Vedanta Limited (all figures in INR mn)

<b>Standalone</b>			
	INR m		
	FY15	FY14	FY13
Revenue	325,024	285,365	23,476
EBITDA	46,286	23,119	3,419
EBITDA %	14%	8%	15%
Interest income	2,468	3,499	36
Interest cost	36,559	35,650	4,692
FFO	14,534	3,659	5,652
CFO	8,314	3,827	5,940
EBITDA Int Cover	1.3	0.6	0.7
Adj. EBITDA Interest Cover (inc of dividends)	1.7	1.0	1.4
EBITDA Net Interest Cover	1.8	1.1	1.4
Net Leverage	8.1	16.0	13.8
LT Debt	381,297	394,558	48,827
Cash & cash equiv. (ex of restricted)	8,404	24,584	1,526
Restricted cash			
<b>Net debt</b>	<b>372,893</b>	<b>369,974</b>	<b>47,301</b>
Capex	14,165	12,590	3,407

#### Net Debt Summary (\$mn)

Company	30 Sept 2014			31 March 2015			30 Sept 2015		
	Debt	Cash & LI	Net Debt	Debt	Cash & LI	Net Debt	Debt	Cash & LI	Net Debt
Vedanta plc <sup>1</sup>	7,532	59	7,473	7,707	34	7,673	8,053	17	8,036
KCM	813	0	813	802	65	738	728	38	690
Vedanta Ltd. Standalone	5,407	519	4,889	4,574	139	4,435	4,422	334	4,088
Zinc International	-	189	(189)	-	137	(137)	-	158	(158)
Zinc India	-	4,478	(4,478)	-	4,937	(4,937)	-	5,306	(5,306)
Cairn India	-	2,732	(2,732)	-	2,857	(2,857)	-	2,976	(2,976)
BALCO	739	5	734	767	0	766	769	12	757
Talwandi Sabo	940	2	939	1,037	24	1,013	1,032	30	1,002
TSMHL <sup>2</sup>	1,680	166	1,514	1,679	9	1,670	1,382	30	1,352
Others <sup>3</sup>	123	23	100	102	8	94	65	16	49
<b>Vedanta Ltd. Consolidated</b>	<b>8,889</b>	<b>8,112</b>	<b>777</b>	<b>8,159</b>	<b>8,111</b>	<b>48</b>	<b>7,670</b>	<b>8,862</b>	<b>(1,192)</b>
<b>Total (in \$mn)</b>	<b>17,234</b>	<b>8,171</b>	<b>9,055<sup>4</sup></b>	<b>16,668</b>	<b>8,210</b>	<b>8,460<sup>5</sup></b>	<b>16,451</b>	<b>8,917</b>	<b>7,536<sup>5</sup></b>

**Notes:**

Debt numbers at Book Values. Since the table above shows only external debt, it does not include the following:

- \$2.6bn inter-company receivable at Vedanta plc from TSMHL. There was an accrued interest of \$81mn on the inter-company receivable, as of 30 Sep 2015.
  - \$1.25bn two-year intercompany facility from Cairn India Limited to a wholly owned overseas subsidiary of Vedanta Ltd. at arm's length terms and conditions with an annual interest rate of LIBOR+300bps.
  - \$319mn receivable at plc from KCM.
1. Includes Investment Companies.
  2. Twin Star Mauritius Holdings Limited (SPV holding the 34.4% stake in Cairn India as on 30 Sep 2015).
  3. Others include: CMT, Fujairah Gold, MEL, VGCB, Sesa Resources Ltd, other Iron Ore companies, and Vedanta Ltd. Investment companies.
  4. Includes \$8mn debt related derivative asset.
  5. Includes \$2mn debt related derivative liability.

Consolidated Financials of Vedanta Limited

Version 5.2	Historical			
	Fiscal Year Ended			
	Mar-12	Mar-13	Mar-14	Mar-15
<b>Summary Income Statement</b>				
Gross Revenues (+)	89,780	27,489	661,524	737,095
Revenue Growth (%)	-11.4%	-69.4%	2306.5%	11.4%
Operating EBITDA (before income from associ	34,750	4,655	196,246	220,446
Operating EBITDA Margin (%)	38.7%	16.9%	29.7%	29.9%
Operating EBITDAR	34,750	4,655	196,246	220,446
Operating EBITDAR Margin (%)	38.7%	16.9%	29.7%	29.9%
Operating EBIT	33,688.90	2,679.90	127,422.40	148,853.90
Operating EBIT Margin (%)	37.5%	9.7%	19.3%	20.2%
Gross Interest Expense	4,333	4,747	50,944	56,588
Pretax Income	31,292	-1,740	94,925	-99,251
Net Income	26,955	22,803	62,985	-156,458
<b>Summary Balance Sheet</b>				
Cash & Equivalents	6,017	1,506	433,943	429,682
Working Capital	5,378	7,724	91,742	67,350
Accounts Receivable	5,494	1,424	46,537	36,051
Inventory	8,752	9,610	90,338	87,250
Accounts Payable	8,868	3,309	45,134	55,952
Total Debt with Equity Credit	37,691	48,911	812,117	784,195
Short-Term Debt	349	593	88,495	64,386
Long-Term Senior Secured Debt	26,251	36,526	488,220	553,686
Long-Term Senior Unsecured Debt	11,091	11,792	235,402	166,124
Long-Term Subordinated Debt	0	0	0	0
Other Debt	0	0	0	0
Equity Credit	0	0	0	0
Total Adjusted Debt with Equity Credit	37,691	48,911	812,117	784,195
<b>Summary Cash Flow Statement</b>				
Operating EBITDA	34,750	4,655	196,246	220,446
Cash Interest	-2,366	-2,582	-46,752	-62,898
Cash Tax	-10,821	-3,567	-43,741	-33,796
Non-controlling Interest	1,105	2,187	2,505	1
Other Items Before FFO	-347	103	13,742	16,747
Funds Flow from Operations	22,596	832	135,554	156,086
Change in Working Capital	-1,432	-968	-10,239	-25,345
Cash Flow from Operations	21,164	-136	125,315	130,741
Total Non-Operating/Non-Recurring Cash Flc	0	0	0	0
Capital Expenditures	-7,386	-6,263	-72,836	-106,561
Common Dividends	-5,585	-2,013	-22,144	-31,063
Free Cash Flow	8,193	-8,412	30,335	-6,883
Free Cash Flow Margin (%)	9.1%	-30.6%	4.6%	-0.9%
Net Acquisitions & Divestitures	21	45	519	819
Other Cash Flow Items	-46,615	793	-53,740	48,541
Cash Flow from Investing	-53,980	-5,425	-126,057	-57,201
Net Debt Proceeds	0	0	0	-46,739
Net Equity Proceeds	0	0	0	0
Cash Flow from Financing	0	0	0	-46,739
Total Change in Cash	-38,401	-7,574	-22,885	-4,261
			19%	18%
<b>Coverage Ratios</b>				
FFO Interest Coverage	10.4	1.3	3.6	3.2
FFO Fixed Charge Coverage	10.4	1.3	3.6	3.2
Operating EBITDAR/Gross Interest Expense +	8.0	1.0	3.9	3.9
Operating EBITDAR/Net Interest Expense + R	16.6	1.8	5.9	4.7
Operating EBITDA/Gross Interest Expense	14.7	1.8	4.2	3.5
<b>Leverage Ratios</b>				
Total Adjusted Debt/Operating EBITDAR	1.1	10.5	4.1	3.6
Total Adjusted Net Debt/Operating EBITDAR	0.9	10.2	1.9	1.6
Total Debt with Equity Credit/Operating EBITD	1.1	10.5	4.1	3.6
FFO Adjusted Leverage	1.5	14.5	4.8	3.9
FFO Adjusted Net Leverage	1.3	14.0	2.2	1.7

Based on your assessment, how would you evaluate:

- i) Credit profile of Vedanta Limited
- ii) How will you evaluate entities like Cairn India and Talwandi Sabo ?
- iii) List down your key considerations while evaluating these entities.