

Independent Auditor's Report

To the Members of Vedanta Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Vedanta Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement(s), whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the

accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profits including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 49 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants
ICAI Firm Registration Number: 301003E/
E300005

per **Raj Agrawal**

Partner

Place: Gurugram
Date: May 03, 2018

Membership Number: 82028

Annexure 1 referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date

Re: Vedanta Limited (‘the Company’)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in fixed assets are held in the name of the Company except for the title deeds of immovable properties in oil and gas blocks, jointly owned with other joint venture partners, which are held in the name of the licensee of the block. The written down value of such immovable properties in the accompanying financial statement aggregates to 96.47 Crore.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) (a) The Company has granted loans to companies covered in the register maintained under section 189 of the Act. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loans are not prejudicial to the Company’s interest.
- (b) The Company has granted loans that are either re-payable on demand or have a schedule for repayment of interest and principal, to companies covered in the register maintained under section 189 of the Act. We are informed that (a) repayment of loan was received as and when the demands were raised, during the year; and (b) loans which had a schedule for repayment were not due during the current year; and thus, there has been no default on the part of the parties to whom the monies have been lent. The payment of interest has been regular in all cases.
- (c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, customs duty, excise duty and value added tax on account of any dispute, are as follows:

Name of the Statute	Nature of the dues	Amount		Forum where the dispute is pending
		(in Crore) *	Period to which amount relates	
Income tax Act, 1961	Income tax	637.5	AY 2006-07 and AY 2008-09 to AY 2013-14	Commissioner of Income Tax (Appeals)
		1,126.55	A.Y. 2007-08 to 2011-12	High Court
		833.73	AY 2002-03, 2004-10, and 2012-13	Income Tax Appellate Tribunal
	19,385.73	AY 2006-07	Income Tax Appellate Tribunal	
	Income Tax	30.35	AY 1999-00, 2008-09 and 2009-10	Not applicable as application filed for rectification
Finance Act, 1994	Service tax demand	24.31	2006-07, 2007-08, 2016-17 and 2017-18	High Court
		2.69	2009-17	Commissioner (Appeals)
		200.28	2002-16	Custom, Excise and Service tax appellate tribunal
		0.51	2007-16	Commissioner of Excise

Name of the Statute	Nature of the dues	Amount		Forum where the dispute is pending
		(in Crore) *	Period to which amount relates	
Central Excise Act, 1944	Excise duty	300.63	1997-13 and 2014-15	Custom, Excise and Service tax appellate tribunal
		8.15	1997-2016	Commissioner of central excise
		4.53	2000-06	High Court
		0.43	2009-15	Commissioner Appeals
		0.21	2002-03 and 2007-08	Custom, Excise and Service tax appellate tribunal
Custom Act, 1962	Oil Cess and NCCD Demand Education cess and secondary higher education cess on oil cess demand Custom duty	53.45	2013-2015	Custom, Excise and Service tax appellate tribunal
		63.38	2004-05 to 2013-14	Custom, Excise and Service tax appellate tribunal
		6.97	2007-14	Commissioner appeals
		0.18	1996-97 and 2005-10	Supreme Court
		26.49	2005-06 to 2006-07	High Court
Central Sales Tax, 1956	Sales tax	19.72	2004-05 to 2019-10 and 2012-13 to 2016-17	Commissioner
		21.26	1998-99 to 2014-15 and 2016-17	High Court
		11.08	2004-06	Additional Commissioner Sales Tax
Odisha Value Added Tax 2004	Value added tax	1.40	2008-12	Value Added Tax Tribunal
Andhra Pradesh VAT Act, 2005	Value added tax	5.64	2014-15	Additional commissioner of commercial taxes
Tamil Nadu VAT Act, 2006	Value added tax	0.08	2012-15	Deputy Commissioner Appeals
		10.98	2008-09 to 2010-11	High Court
		47.40	2007-08	Commissioner

* Net of amounts paid under protest/ adjusted against refunds.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to bank or government or dues to debenture holders. The Company did not have any outstanding dues to financial institutions.

(ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of debt instruments in the nature of debentures and term loans for the purposes for which they were raised. The Company has not raised moneys by way of initial public offer or further public offer.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) of the Order are not applicable to the Company and hence not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with them as referred to in section 192 of the Act.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/
E300005

per **Raj Agrawal**

Partner

Place: Gurugram

Date: May 03, 2018

Membership Number: 82028

Annexure 2 referred to in para 2(f) under the heading “Report on Other Legal and Regulatory Requirements” to the independent Auditor’s Report of even date on the Standalone Ind AS Financial Statements of Vedanta Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Vedanta Limited (“the Company”) as of March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established under the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (“COSO 2013 criteria”), which considers the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting in COSO 2013 criteria, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants
ICAI Firm Registration Number: 301003E/
E300005

per **Raj Agrawal**

Partner

Membership Number: 82028

Place: Gurugram
Date: May 03, 2018