

REPORT OF THE AUDIT COMMITTEE OF VEDANTA LIMITED ('VEDANTA' OR 'THE COMPANY') FOR AMALGAMATION OF CAIRN INDIA LIMITED ('CAIRN') WITH VEDANTA LIMITED

Present

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| 1. Lalita D. Gupte | Chairperson |
| 2. Ravi Kant | Member |

By Invitation:

1. Mr.Thomas Albanese, WTD & CEO
2. Mr.DD Jalan, WTD & CFO
3. Mr. Mukesh Bhavnani, Group Legal Counsel
4. Ms. Pooja Somani, GM – M&A

Other External Invitees:

1. Mr.Haigreve Khaitan, Managing Partner, Khaitan & Co.
2. Mr.Hiten Kotak, Partner, Price Waterhouse Coppers LLP (PwC)
3. Ms. Darshna Kadakiya, representing Walker Chandiook & Co. LLP, Independent Valuers
4. Mr. Neeraj Garg, Price Waterhouse Coppers & Co. LLP (PwC), Independent Valuers
5. Mr.Spiro Youakim, Managing Director, Lazard & Co., London
6. Mr. Premnath Iyer, Lazard India Pvt. Ltd.
7. Mr. Deepak Sharma, Lazard India Pvt. Ltd.

IN ATTENDANCE:

Mr.Rajiv Choubey, Company Secretary & AVP Legal

1. Background

- 1.1 A meeting of the Audit Committee of Vedanta Limited ('Vedanta' or 'the Company') was held on 14th June, 2015 to consider and recommend to the Board of Directors the proposed Scheme of Arrangement between Cairn India Limited ('Cairn') and Vedanta and their respective shareholders under Sections 391-394 read with Sections 100-103 of the Companies Act, 1956 and Section 52 of the Companies Act, 2013 and any other applicable provisions of the Companies Act, 1956 and / or Companies Act, 2013 ('the Scheme').
- 1.2 Cairn India Limited is a subsidiary of Vedanta. Cairn is primarily engaged in the business of oil and gas exploration, development and production. Vedanta directly / indirectly holds 59.88% of the equity share capital of Cairn. The equity shares of Cairn are listed on BSE and NSE.
- 1.3 The Scheme provides for amalgamation of Cairn with Vedanta with an Appointed Date as 1st April, 2015.
- 1.4 This report of the Audit Committee is made in accordance with the requirements of SEBI Circular No. CIR/CFD/DIL/2013 dated February 4, 2013 read with SEBI Circular No. CIR/CFD/ DIL/8/2013 dated May 21, 2013 ('SEBI Circulars').



1.5 This report is made after considering the following:

- a) Draft Scheme of Arrangement;
- b) Joint Share Exchange Ratio Report dated June 14, 2015 issued by Price Waterhouse & Co LLP and Walker Chandiook & Co LLP, Independent Chartered Accountants;
- c) Fairness Opinion dated 14th June, 2015 issued by Lazard India Private Limited an Independent Category I Merchant Banker providing the fairness opinion on the share exchange ratio recommended in the Share Exchange Ratio Report ('Fairness opinion');

2. Proposed Scheme

2.1. The Audit Committee discussed and noted the rationale of the Scheme, which, *inter-alia*, are as follows:

- Consolidation and simplification of the group structure;
- Enhanced diversification as a global natural resources player;
- Stability and Enhancement in earnings and cash flow;
- Operational effectiveness and cost optimization
- Stronger Balance Sheet resulting in:
 - Improved allocation of capital;
 - Broader access to capital markets;
 - Lower cost of capital;

2.2. The Audit Committee discussed and noted the following benefits of the Scheme to the shareholders of the Company:

- Simplification of Group structure in line with stated Group strategy;
- Reinforces Vedanta Limited's position as India's leading, globally diversified natural resources player;
- Increased business diversification for Vedanta shareholders will result in de-risking earnings;
- Enhanced alignment of operational and financing cash flows and financial flexibility;
- Larger entity will result in increased economies of scale

2.3 The Audit Committee reviewed the Share Exchange Ratio Report and noted the share exchange ratio recommended in the said report as follows:

Every equity shareholder of Cairn would receive:

- 1 (One) equity shares of the face value of Re. 1/- (Rupee One) each credited as fully paid up of Vedanta for every fully paid up equity share of the face value of Rs.10/- (Rupees Ten) each, of Cairn held by them; and
- 1 (One) 7.5 % Redeemable Preference Share of the face value of Rs.10/- (Rupees Ten) each credited as fully paid up of Vedanta for every fully paid up equity share of the face value of Rs.10/- (Rupees Ten) each, of Cairn held by them.

2.4 Further, the Fairness Opinion confirmed that the share exchange ratio in the Share Exchange Ratio Report is fair to the Company and its shareholders.



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3. Recommendation of the Audit Committee

The Audit Committee recommends the draft Scheme, inter-alia taking into consideration the Share Exchange Ratio Report and the Fairness Opinion Report, for favorable consideration by the Board of Directors of the Company.

By Order of the Audit Committee

For and on behalf of
VEDANTA LIMITED



Lalita D. Gupte

Ms. Lalita Dileep Gupte
Chairperson of the Audit Committee

DATE: 14 June, 2015

PLACE: Mumbai