

LAZARD

U65990MH1984PTC034572

22nd July 2016

The Board of Directors
Vedanta Limited
20 Sesa Ghor
EDC Complex
Patto
Panjim
Goa 403001
India

Dear Members of the Board,

1. Vedanta Limited, a listed Indian limited company (the *Company*), announced on 14th June 2015 a proposal to amalgamate and merge Cairn India Limited, an Indian limited company (*Cairn India*), into the Company by entering into a scheme of arrangement under sections 391-394 of the Indian Companies Act, 1956 (read in conjunction with sections 100-103 of the Companies Act, 1956 and section 52 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 1956 and Companies Act, 2013) (the *Transaction*).

Under the original terms of the Transaction, the Company proposed that each holder of Cairn India shares (other than the Company and its subsidiaries) would receive for each share of Cairn India (*Cairn India Share*): (i) one equity share in the Company (the *Company Shares*) and (ii) one redeemable preference share in the Company, with a par value of Rs. 10, a dividend of 7.5% per annum payable annually at the end of each financial year and a maturity of 18 months, upon which redemption would be in cash (the *Company Preference Shares*) ((i) and (ii) together, the *Original Exchange Ratio*).

We understand that the Company proposes to pursue the Transaction after revising the Original Exchange Ratio, pursuant to which, among other things, the Company would issue, and each holder of Cairn India Shares (other than the Company and its subsidiaries) would receive for each Cairn India Share (a) one Company Share and (b) 4 Company Preference Shares ((a) and (b) together, the *Revised Exchange Ratio*).

The terms and conditions of the Transaction are more fully set out in the draft scheme document that was provided to us on 21st July 2016 (the *Draft Scheme Document*) the

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final version of which will be filed by the aforementioned companies with the appropriate courts in India.

2. For the aforesaid purpose, the Company and Cairn India have appointed Price Waterhouse & Co LLP and Walker Chandiook & Co. LLP (jointly the *Valuers*) to prepare a joint valuation report (the *Valuation Report*) in relation to the Revised Exchange Ratio.
3. You have requested our opinion as of the date hereof as to the fairness, from a financial point of view, to the Company of the Revised Exchange Ratio provided for in the Transaction.
4. In connection with this opinion, we have:
 - (i) reviewed the Draft Scheme Document;
 - (ii) reviewed certain publicly available historical and forecast financial and operational information with respect to Vedanta Resources Plc, the ultimate parent entity of the Company, the Company and Cairn India available in their respective annual and interim reports, production updates, company presentations and selected analyst research reports;
 - (iii) reviewed certain historical business and financial information relating to the Company and Cairn India, as provided by the Company;
 - (iv) reviewed various internal financial forecasts and other data provided to us by the Company throughout July 2016 relating to the business of the Company and Cairn India, including, but not limited to, operating models and life of mine valuation models in relation to the Company and Cairn India;
 - (v) held discussions with members of the respective senior management teams of the Company and Cairn India with respect to their views regarding the business and prospects of the Company and Cairn India and the assumptions made in constructing the forecasts;
 - (vi) held discussions with the Valuers, in relation to the approach taken to valuation and the details of the various methodologies utilised by them in preparing the Valuation Report and recommendation;
 - (vii) primarily considered forward curve and spot commodity pricing scenarios based on the information available to us at the date hereof, in addition to making reference to consensus analysts' estimates for commodity pricing;
 - (viii) reviewed certain publicly available financial information with respect to certain other companies in lines of business we believe to be generally relevant in the context of the businesses of the Company and Cairn India, respectively;
 - (ix) reviewed historical stock prices and trading volumes of the Company Shares and Cairn India Shares; and
 - (x) performed such other financial analyses and considered such other information and factors as we deemed appropriate.

In arriving at our opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us and we have relied upon the respective assurances of the management teams of the Company and Cairn India that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the financial forecasts utilized in our analyses, we have been advised by the Company, and we have assumed, that they have been approved by senior management of the Company and Cairn India and have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of the Company and Cairn India as to the future financial performance of the respective companies in compliance with all applicable accounting and legal requirements. We have assumed, without independent verification, that there are no undisclosed, material liabilities of or relating to the Company or Cairn India or any other relevant entity. We have assumed that the intercompany receivable at Cairn India, payable by the Company, is treated as cash when assessing the valuation of Cairn India to the Company. We express no opinion on the Company's or Cairn India's mining or exploration licenses or in relation to any potential mine life extensions or future licensing. We have assumed that Cairn India should be able to extend the Rajasthan Production Sharing Contract to which it is a party to 2030 on its existing terms. In our analysis, we have adjusted on a probability weighted basis certain of the Company's projected expansion plans, but we express no view on Company's or Cairn India's expansion plans or development projects. We have assumed a holding company discount would be applied to the divisions of the Company not wholly owned by it. We assume no responsibility for, and express no view as to, any of the aforementioned forecasts or the assumptions on which they are based. We have not conducted or been provided with any independent valuation or appraisal of any of the assets or liabilities (contingent or otherwise) of the Company or Cairn India nor have we conducted any due diligence or made any physical inspection of the properties or assets of the Company or Cairn India. We have not evaluated the solvency or fair value of the Company or Cairn India either under the laws of India or other laws relating to bankruptcy, insolvency or similar matters.

5. We have been informed by the Company that it has not factored any potential synergy benefits into its management forecasts and that such forecasts have been prepared on a standalone basis.
6. With respect to the Valuation Report, we have assumed that it has been reasonably prepared on the basis of the best currently available estimates and judgments of the Valuers. We have not independently verified or validated, nor do we express any opinion on, the financial, market, technical or operating forecasts and other information or data provided to or otherwise reviewed by or discussed with us, or the views of the respective managements of the Company and Cairn India as to the future business, operations and prospects of the Company or Cairn India or any underlying assumptions with respect thereto.
7. Our opinion is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion, and we

assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof. We do not express any opinion as to the actual value of the Company Shares when issued pursuant to the Transaction or the price at which the Company Shares, the Company's depository receipts or Cairn India Shares may trade at any time subsequent to the announcement of the Transaction. In addition, we express no view on future commodity pricing and for the purposes of rendering this opinion, as the Company is aware, we have relied without independent investigation primarily on forward curve and spot pricing for oil and other commodity prices as of the date hereof, rather than consensus analyst projections.

8. We also have assumed, with your consent, that the Transaction will be consummated in accordance with the terms described in the Draft Scheme Document and in compliance with all applicable laws and other requirements, without waiver, modification or amendment of any material term, condition or agreement meaningful to our analyses or opinion and that, in the course of obtaining the necessary regulatory, shareholders, creditor or third party approvals or consents and releases for the Transaction, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, will be imposed that would have an adverse effect on the Company, Cairn India or the Transaction (including the contemplated benefits thereof). We have also assumed, with the consent of Company, that obtaining the necessary governmental, regulatory, judicial or other third party approvals, consents, releases and waivers for the Transaction, including any delay or divestiture requirements or amendments or modifications, will not have an adverse effect on the Company, Cairn India or the Transaction. We have assumed, at the direction of the Company, that the final scheme document will not differ in any material respect from the Draft Scheme Document reviewed by us.
9. We have been informed by the Company that the Transaction will be treated as a tax-free reorganization for Indian income tax purposes. We have assumed, as discussed with the Company, that the potential withholding tax liability at Cairn India associated with the reorganisation in 2006-07 of the Cairn Energy Plc group, the ultimate parent entity of Cairn India at the time of the transaction (the *Cairn Parent*), and the related attachment by Indian authorities of certain Cairn India shares held by the Cairn Parent, will have no material impact on the fairness, from a financial point of view, to the Company of the Revised Exchange Ratio. We do not express any opinion as to any tax or other consequences that might result from the Transaction, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the Company has obtained such advice as it deemed necessary from qualified professionals. We have undertaken no independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities to which the Company or Cairn India is or may be a party or is or may be subject or of any governmental investigation of any ongoing or possible unasserted claims or other contingent liabilities to which the Company, Cairn India or any of their respective affiliates is or may be a party or is or may be subject.
10. We express no view or opinion as to any terms or other aspects of the Transaction (other than the Revised Exchange Ratio to the extent expressly specified herein) including, without limitation, the form or structure of the Transaction or the terms of the Company

Preference Shares. We were not requested to, and we did not, participate in the negotiation of the terms of the Transaction. Our opinion is limited to the fairness, from a financial point of view, to the Company of the Revised Exchange Ratio provided for in the Transaction, our analysis primarily relates to the relative values of the Company and Cairn India and we express no opinion or view with respect to the financial implications of the Transaction for any stakeholders, including creditors of the Company. Our opinion does not address any terms (other than the Revised Exchange Ratio to the extent expressly specified herein) or other aspects or implications of the Transaction, including, without limitation, the form or structure of the Transaction or otherwise. We express no view as to, and our opinion does not address, the underlying business decision of the Company to effect the Transaction, the impact of the Transaction on the Company or any of its affiliates, including, without limitation, possible implications on ownership structure, listing format or capital structure, the relative merits of the Transaction as compared to any alternative business strategies that might exist for the Company or any other transaction in which the Company might engage, and the Company remains solely responsible for the commercial assumptions on the basis of which it agrees to proceed with the Transaction. Our opinion is necessarily based only upon information as referred to in this letter. As you are aware, the credit, financial and stock markets have experienced volatility and oil and certain other commodities' prices have fallen significantly, and we express no opinion or view as to any potential effects of such volatility or price falls on the Company, Cairn India or the Transaction.

11. We and our affiliate Lazard & Co., Limited are acting as financial adviser solely to the Company in connection with the Transaction and will receive a fee for providing this opinion. In addition, the Company has agreed to reimburse our expenses and to indemnify us against certain liabilities arising out of our engagement. We and other members of the Lazard Group (defined as Lazard Ltd and its direct and indirect subsidiaries) in the past have provided, and in the future may provide, certain investment banking services to the Company or its affiliates, for which we have received and may receive compensation. In addition, in the ordinary course, certain members of the Lazard Group and some employees within the Lazard Group may trade securities of the Company and Cairn India for their own accounts and for the accounts of their clients, may at any time hold a long or short position in such securities, and may also trade and hold securities on behalf of the Company, Cairn India and certain of their respective affiliates. The issuance of this opinion was approved by an opinion committee within the Lazard Group.

12. Our engagement and the opinion expressed herein are solely for the benefit of the Board of Directors of the Company (in its capacity as such) and our opinion is rendered to the Board of Directors of the Company in connection with its evaluation of the Transaction and is not rendered to or for the benefit of, and shall not confer any rights or remedies upon, any person other than the Board of Directors of the Company. Delivery of our opinion does not create any fiduciary, equitable or contractual duties on us (including, without limitation, any duty of trust or confidence). Our opinion is not intended to, and does not, constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the Transaction or any matter relating thereto. This opinion may not be disclosed or otherwise referred to, nor may our opinion be used or relied upon by any third party for any purpose whatsoever, except: (i) with our prior written consent in each instance; (ii) as required by law or regulation to be disclosed by

the Company to the concerned Indian Courts of law or any other person in relation to the aforementioned scheme of arrangement, in the Company's shareholders' circular related to the Transaction or pursuant to the listing agreements between the Company and the stock exchanges and the circulars issued by the Securities and Exchange Board of India; and (iii) that this opinion may be disclosed as an exhibit to a current report on Form 6-K furnished to the U.S. Securities and Exchange Commission by the Company. This opinion has been issued for the sole purpose listed in clause (ii) of the immediately preceding sentence and shall not be valid for any other purpose.

13. Based on and subject to the foregoing, including the various assumptions and limitations referred to herein, we are of the opinion that, as of the date hereof, the Revised Exchange Ratio provided for in the Transaction is fair, from a financial point of view, to the Company.

Very truly yours,



LAZARD INDIA PRIVATE LIMITED