

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

Present

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| 1. Mr. Ravi Kant | Chairman |
| 2. Mr. Naresh Chandra | Member |

BY INVITATION:

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| 1. Mr. Thomas Albanese | Whole-Time Director & Chief Executive Officer |
| 2. Mr. Tarun Jain | Whole-Time Director |
| 3. Mr. DD Jalan | Whole-Time Director & Chief Financial Officer |
| 4. Mr. GR Arun Kumar | Deputy Chief Financial Officer |
| 5. Ms. Pooja Somani | General Manager – Mergers & Acquisitions |
| 6. Mr. Mehul Shah | Partner, Khaitan & Co. |
| 7. Mr. Hiten K. Kotak | Partner, Price Waterhouse & Co LLP |
| 8. Mr. Neeraj Garg | Partner, PwC |
| 9. Mr. Rajan Wadhawan | Partner, PwC |
| 10. Ms. Ashwini Modi | Manager, Walker Chandiook & Co LLP |
| 11. Mr. Premnath Iyer | Partner, Lazard India Private Limited |
| 12. Mr. Deepak Sharma | Director, Lazard India Private Limited |

IN ATTENDANCE:

Ms. Bhumika Sood Deputy Company Secretary

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Member Attending through Audio Call (with express permission of the Chairman)

Ms. Lalita D. Gupte, Independent Director, participated in the discussion via audio call.

1. Background

- 1.1 A meeting of the Audit Committee of Vedanta Limited (“Vedanta” or “the Company”) was held on June 14, 2015 to consider and recommend to the Board of Directors a scheme of arrangement between Cairn India Limited (“Cairn”) and Vedanta and their respective shareholders and creditors (“Scheme”). The Audit Committee, at such meeting on June 14, 2015, based on the Exchange Ratio Report prepared by Price Waterhouse & Co LLP and Walker Chandiook & Co LLP, Independent Chartered Accountants and Fairness Opinion issued by Lazard India Private Limited, an Independent Category I Merchant Banker, had recommended the Scheme for its approval to the Board of Directors of the Company.
- 1.2 The Board of Directors at its meeting held on June 14, 2015 had considered the recommendations of the Audit Committee and approved the Scheme.

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- 1.3 The changing climate of the Indian markets and the variation in prices of commodities warranted a re-assessment of the share exchange ratio and hence Price Waterhouse & Co LLP and Walker Chandiook & Co LLP, Independent Chartered Accountants were requested to provide a revised joint share exchange ratio report ("**Joint Exchange Ratio Report**") and Lazard India Private Limited, an Independent Category I Merchant Banker were requested to provide a revised fairness opinion ("**Fairness Opinion**") on such Joint Exchange Ratio Report.
- 1.4 Pursuant to this, a meeting of the Audit Committee of Vedanta was held on July 22, 2016 to consider and recommend to the Board of Directors a revised scheme of arrangement with the revised share exchange ratio, based on the revised Joint Exchange Ratio Report and the revised Fairness Opinion. The Audit Committee was further required to consider other changes proposed to the Scheme that include: (i) change of the Appointed Date (as defined in the Scheme) from April 1 2015 to April 1, 2016; and (ii) Substituting the accounting treatment to account in terms of InDAS 103 (Business Combinations). A copy of the draft revised Scheme was tabled before the Audit Committee for their approval and recommendation before the Board.
- 1.5 This report of the Audit Committee is made in accordance with the requirements of SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 ("**SEBI Circular**").
- 1.6 This report is made after considering the following revised documents:
- Draft scheme of arrangement,;
 - Joint Exchange Ratio Report dated July 22, 2016 issued by Price Waterhouse & Co LLP and Walker Chandiook & Co LLP, Independent Chartered Accountants;
 - Fairness Opinion dated July 22, 2016 issued by Lazard India Private Limited, an Independent Category I Merchant Banker providing the fairness opinion on the revised share exchange ratio recommended in the Joint Exchange Ratio Report.

2. Proposed Revisions to the Share Exchange Ratio

- 2.1. The Audit Committee discussed and noted the rationale of the revisions to the share exchange ratio considering a significant and rapid change in the economic and financial markets and the commodity prices.
- 2.2. The Audit Committee reviewed the Joint Exchange Ratio Report and noted that the said report recommended the following:
- In consideration of merger of Cairn into Vedanta, every equity shareholder of Cairn would receive 1 (One) Equity Share of Vedanta Limited (of INR 1/- each fully paid up), and 4 (Four) Preference Share of Vedanta Limited (of INR 10/- each fully paid up) for 1 (One) equity share of Cairn India Limited (of INR 10/- each fully paid up)
- No shares would be issued to the Company or its subsidiary for their shareholding in Cairn India.
- 2.3. Further, the Fairness Opinion confirmed that the revised share exchange ratio in the Joint Exchange Ratio Report is fair to the Company and its shareholders.
- 2.4. The Audit Committee further considered other changes proposed to the Scheme that include: (i) change of the Appointed Date (as defined in the Scheme) from 1 April 2015 to 1 April 2016; and

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(ii) substitution of the accounting treatment to account in terms of INDAS 103 (Business Combinations).

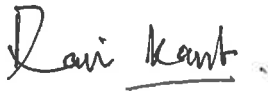
3. Recommendation of the Audit Committee

The Audit Committee recommends the draft revised Scheme, taking into consideration the Joint Exchange Ratio Report and the Fairness Opinion and the changes to the Appointed Date and the substitution of the accounting treatment, for favorable consideration by the Board of Directors of the Company.

By Order of the Audit Committee

For and on behalf of

VEDANTA LIMITED



Ravi Kant
Chairperson of the Audit Committee for the Meeting
DATE: July 22, 2016
PLACE: Mumbai