

# Merger of Vedanta Limited and Cairn India Limited to Create Shareholder Value

14 June 2015

Conference call and webcast details on the last page

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# Transaction overview and rationale



- Board approved merger of Vedanta Limited and Cairn India Limited
- Cairn India Limited minority shareholders will receive for each equity share held:
  - One equity share in Vedanta Limited
  - One 7.5% Redeemable Preference Share in Vedanta Limited with a face value of Rs. 10
- Implied premium of 7.3% to previous closing price
- Pro-forma ownership in Vedanta Limited:
  - Vedanta Limited shareholders 79.8%; Cairn India Limited shareholders 20.2%
  - Vedanta plc pro-forma ownership of 50.1% in Vedanta Limited
- Effected by way of a Scheme of Arrangement
- Conditional on shareholder approval at each of Vedanta plc, Vedanta Limited and Cairn India Limited, as well as regulatory approvals
- Transaction governance in line with India and UK regulations and best practices
- Expected to close first quarter CY 2016

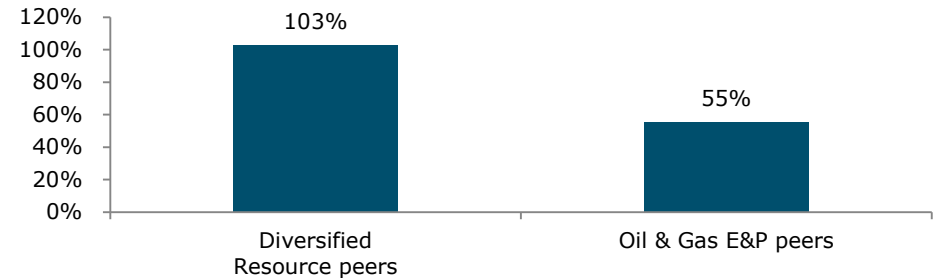
- Diversified portfolio de-risks earnings volatility and drives stable cash flows through cycle
- Improved ability to allocate capital to highest return projects
- Greater financial flexibility to sustain strong dividend distribution
- Cost savings and potential re-rating to benefit all shareholders
- Stronger balance sheet lowers overall cost of capital
- Consistent with stated corporate strategy to simplify the Group structure

**Long term sustainable value enhancement for all shareholders**

- Attractive terms for Cairn India shareholders
- Earnings de-risked through diversification
- Stable cash flows supporting investment and dividends through the cycle
- Exposure to well invested Tier-1 metals and mining assets
  - Structurally low cost, longer life assets
  - Latent capacity ramping up, unlocking value
  - Best in class zinc platform
- Increased size
  - Economies of scale
  - Improved free float and enhanced trading liquidity
- Increased share in the previously announced cost saving initiatives of \$1.3bn at Vedanta Limited
- Retains brand and proven management team

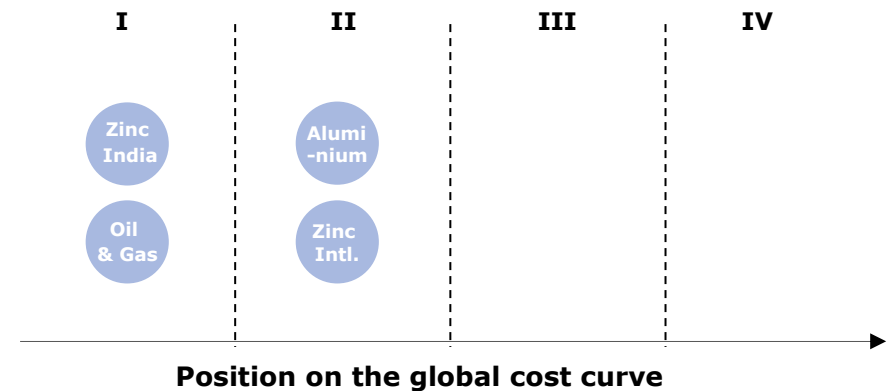
## The diversified commodity model has generated superior shareholder returns

2005 – 2015 Total Shareholder Return (INR)



Source: Datastream as at 05 June 2015, shown on an INR basis  
 Diversified Resource peers include Anglo American, BHP Billiton, Freeport McMoran, Glencore, Rio Tinto, Teck Resources, Vedanta Resources plc  
 Oil & Gas E&P peers include mid-cap exploration and production companies with focus on production from emerging markets; includes DNO ASA, Genel Energy, Gulf Keystone Petroleum, Kosmos Energy, Maurel et Prom, Nostrum, Soco International and Tullow Oil

## Vedanta's assets are among the lowest cost globally, providing resilience to market volatility



**Stronger platform and stable cash flows driving superior returns**

## World class Assets

- MBA, Ravva, Cambay - Low cost, high margin, resilient to price volatility
- Rajasthan – Core to the enlarged Group

## Growth

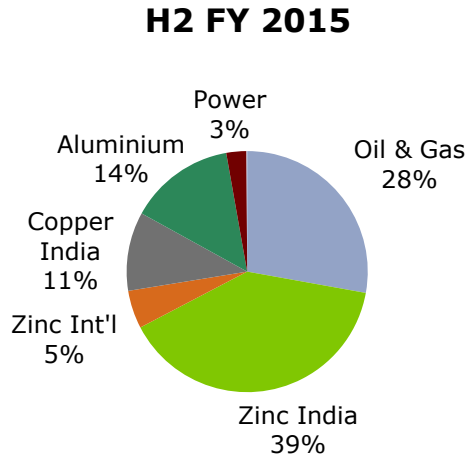
- FY16 Focus: Good progress on Gas, Mangala & Aishwariya Barmer Hill (Phase 1) & Bhagyam EOR
- FY17+ Focus unchanged: Suite of future projects- Aishwariya EOR, Satellite fields, Barmer Hill beyond Phase 1
- Increased financial strength to invest in developing full potential of Rajasthan fields and pursuing other oil and gas opportunities

## Cairn Brand retained

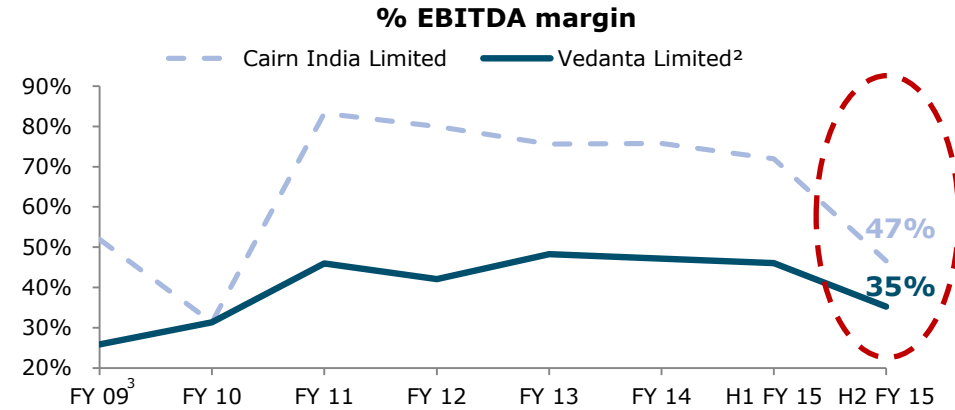
- Geology, technology, people, strong partnerships and financial discipline
- Continued leadership in India's oil production growth



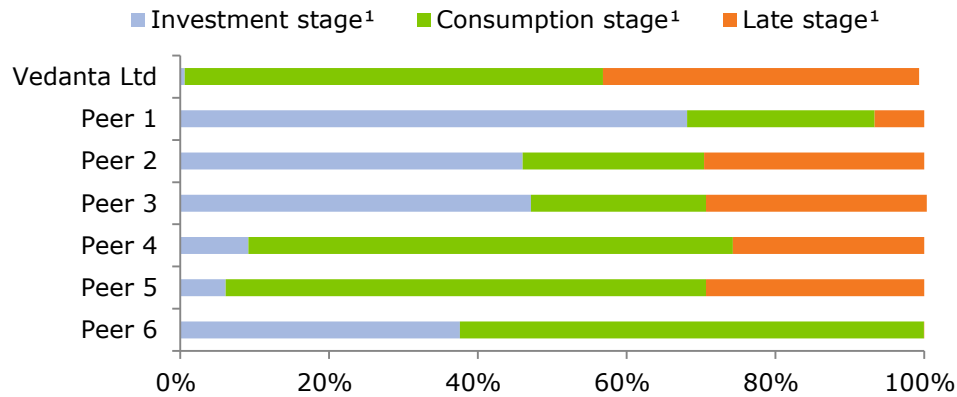
## Diversified earnings (EBITDA contribution by commodity)



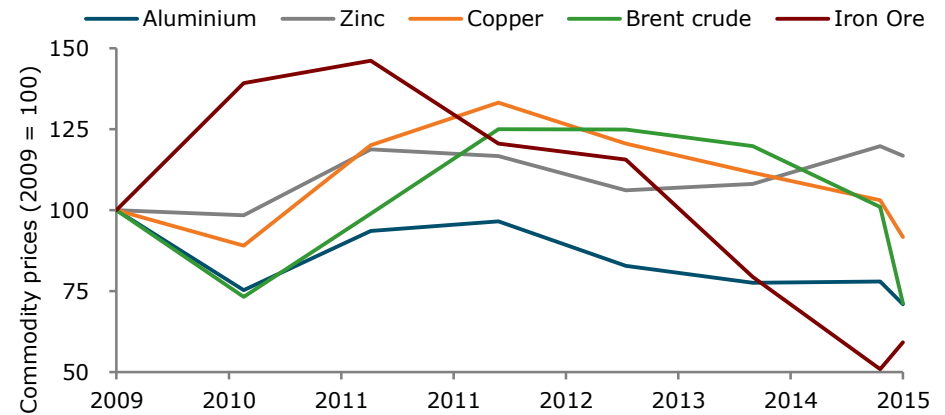
## Stable EBITDA margin



## Exposure to an attractive commodity mix



## Balanced exposure to a basket of commodities



Source: Company presentations and filings, FactSet, Bloomberg

<sup>1</sup> Investment stage includes: Iron Ore, Coal; Consumption stage includes: Copper, Nickel, Aluminium and Zinc; Late stage includes: Platinum, Diamonds, O&G and Power

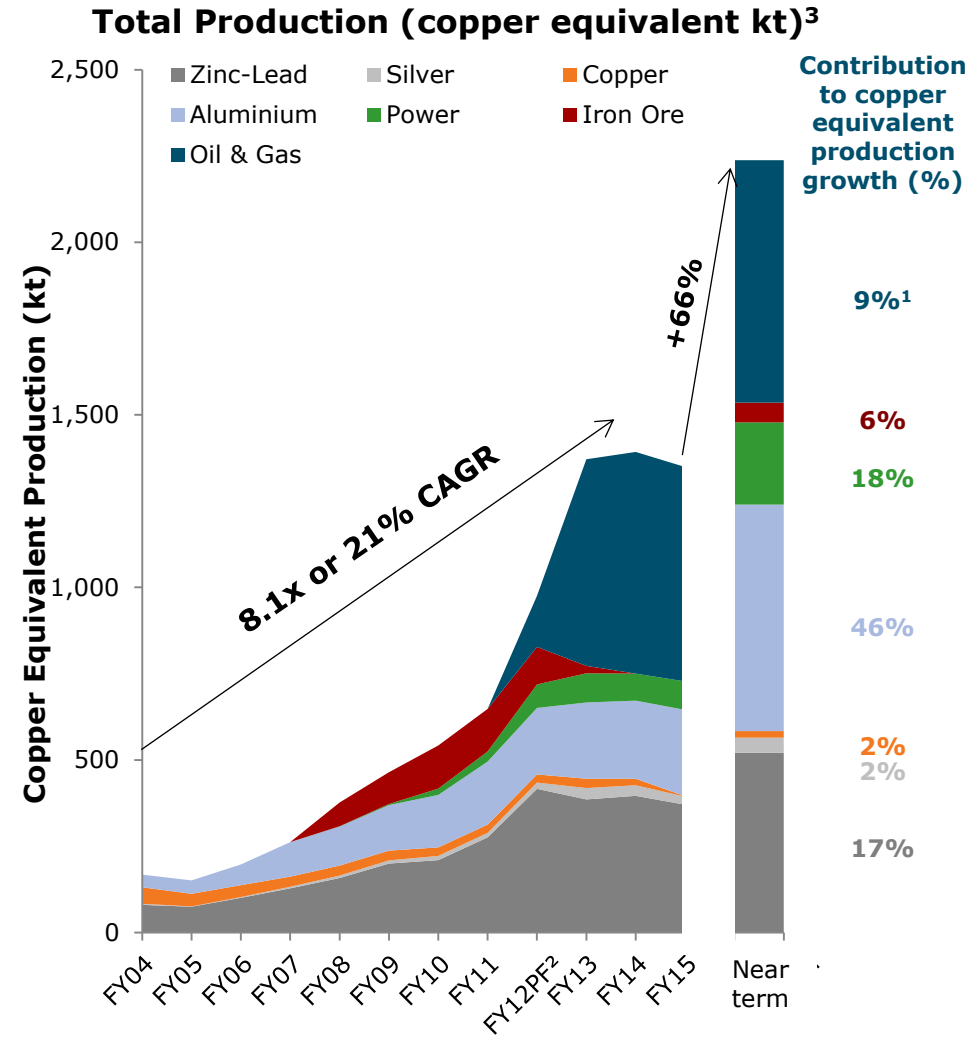
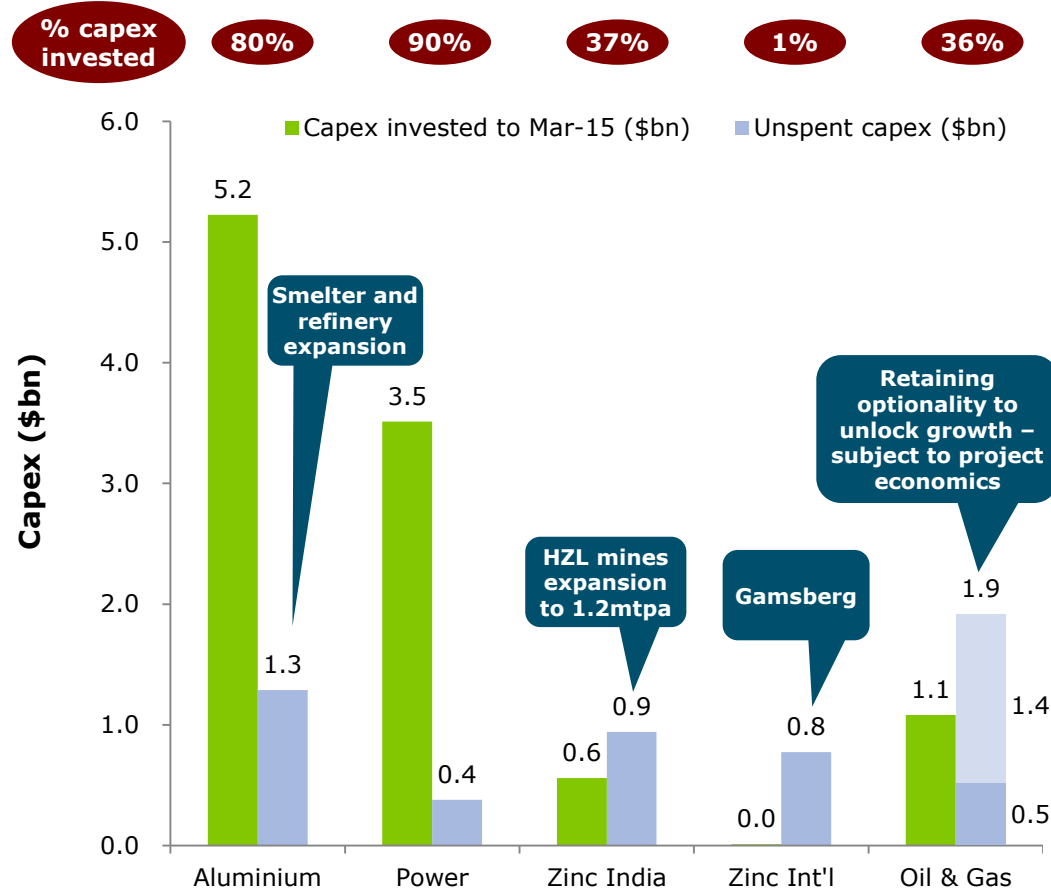
<sup>2</sup> Peers include Anglo American, BHP Billiton, Glencore, Rio Tinto (split as per EBITDA contribution), Freeport McMoran and Teck Resources (split on revenue contribution) as at latest reported financial year end

<sup>3</sup> Excludes custom smelting. For Vedanta Limited: reported numbers considered for FY13 to current; Vedanta plc ex KCM used as proxy for FY12 and before

<sup>3</sup> March '09 was a 15 months period from 1st Jan 08 as a result of change in reporting year from Calendar Year to Financial Year

# Well invested assets providing strong near-term growth

## Vedanta: set to deliver near term growth as latent capacity ramps up



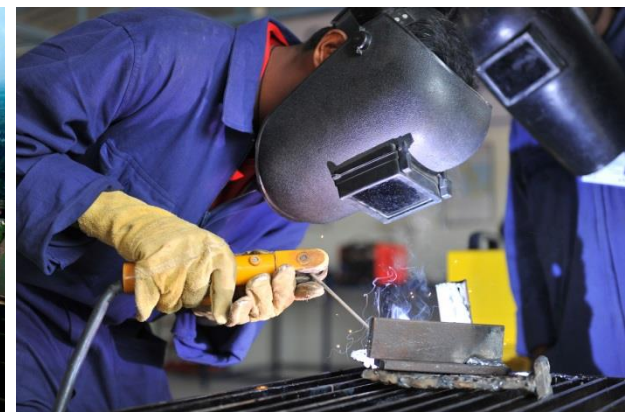
<sup>1</sup> Based on currently announced \$500mn of capex at Cairn India

<sup>2</sup> PF refers to pro-forma for Cairn India acquisition

<sup>3</sup> All commodities and power capacities rebased to copper equivalent capacity (defined as production x commodity price / copper price) using average commodity prices for FY2015. Power rebased using FY2015 realisations, copper custom smelting capacities rebased at TC/RC for FY2015, iron ore volumes refers to sales with prices rebased at average 56/58% FOB prices for FY2015



# Transaction economics and process

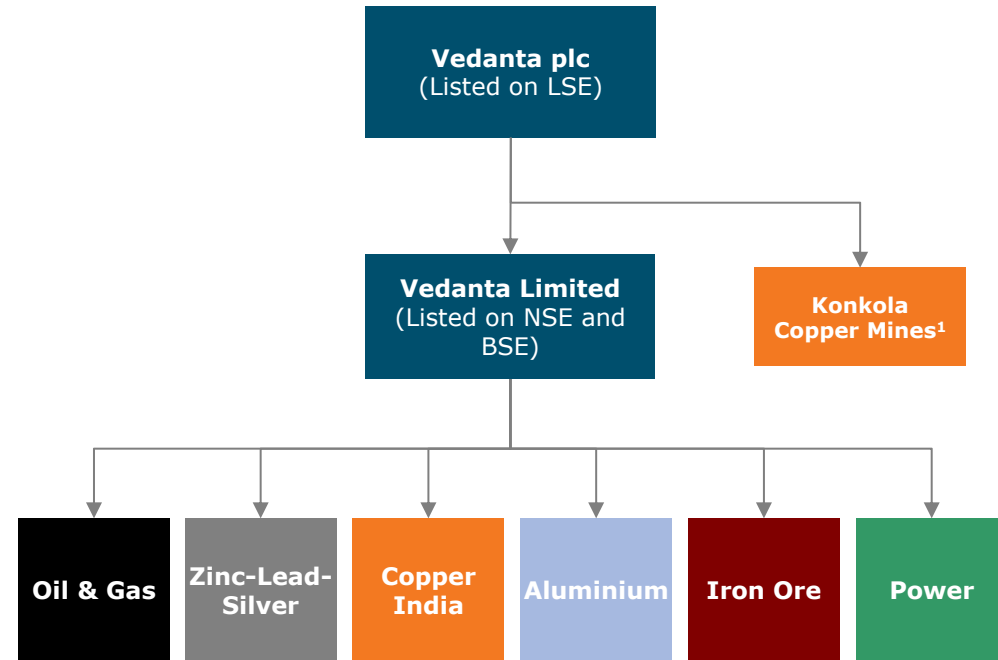


- Cairn India Limited public shareholders will receive for each equity share held:
  - One equity share in Vedanta Limited
  - One Redeemable Preference Share (RPS) in Vedanta Limited with a face value of Rs. 10
    - Dividend: 7.5% p.a.
    - Tenure: 18 months
    - Listing: NSE
    - Redeemable at par
- Vedanta Limited will arrange for a third party facility enabling a cash exit for RPS holders at par
  - Facility will be arranged within 30 days post issuance
- Tax neutral transaction for Vedanta Limited, Cairn India Limited and their shareholders under Indian Law
- No shares will be issued to Vedanta Limited or its subsidiaries for their shareholding in Cairn India

### **Attractive transaction terms for Cairn India shareholders**

## Simplified group structure

- Vedanta Limited and Vedanta plc to retain existing listings on respective exchanges
  - Vedanta plc: Premium LSE
  - Vedanta Limited: BSE, NSE, NYSE (ADRs)
- Pro-forma Vedanta plc ownership in Vedanta Limited of 50.1%
- Majority of operating subsidiaries wholly owned with exception of:
  - HZL – 64.9%
  - BALCO – 51.0%
- Strategy of further simplification of the group structure



<sup>1</sup> Vedanta plc holds 79.4% of Konkola Copper Mines

- Unanimously approved by the non-conflicted, independent Board members of Vedanta Limited, Cairn India and Vedanta plc
  - Independent sub-committee of non-conflicted Directors at both Cairn India Limited and Vedanta Limited to oversee the transaction
- Exchange ratio determined by a joint independent valuation done by Price Waterhouse & Co LLP and Walker Chandiook & Co LLP
- Advice received from and fairness opinions provided by independent banks
  - Vedanta Limited Board from Lazard
  - Cairn India Limited Board from DSP Merrill Lynch Limited and JM Financial Institutional Securities Limited
- J.P. Morgan Cazenove and Morgan Stanley acting as Joint Financial Advisers to Vedanta plc

**Transaction governance in line with India and UK regulations and best practices**

## India

- Stock exchange (NSE and BSE) and SEBI approval
- High Court and other regulatory approvals in India for Scheme of Arrangement
- Vedanta Limited and Cairn India Limited Shareholder approvals
  - Listing requirements: majority of minority (Vedanta plc and Vedanta Limited **cannot** vote)
  - Court scheme: 75% of present and voting (Vedanta plc and Vedanta Limited **can** vote)
- MoPNG approval
- Foreign Investment Promotion Board approval

## UK

- Class 1 transaction under the UK Listing Rules
- Vedanta plc shareholder approval: simple majority

**Completion expected Q1 CY 2016**



# Summary





## Cairn India shareholders

- Attractive transaction terms
- Exposure to Vedanta Limited's world class metals and mining assets – low cost, long life and well invested delivering strong growth
- De-risked earnings and stable cash flows through the cycle
- Improved optionality to allocate capital and increased participation in cost savings
- Increased free float and trading liquidity

## Vedanta Ltd & Vedanta plc shareholders

- Further simplification of Group structure in line with stated Group strategy
- Reinforces Vedanta Limited's position as India's leading, global diversified natural resources champion
- Enhanced alignment of operational and financing cash flows
- Financial flexibility
- Potential re-rating

**Long term sustainable value enhancement for ALL shareholders**

- The only diversified Indian natural resources company of scale
- Uniquely positioned to develop India's world-class endowment of natural resources
- Critical to the supply of raw materials to sustain India's economic growth
- Commitment to maintaining social license to operate
- World class portfolio of Tier-1, long life, low cost assets – well invested for growth
- Stable cash flows through the cycle supporting long term shareholder returns
- Potential re-rating – improved returns, increased free float and greater liquidity

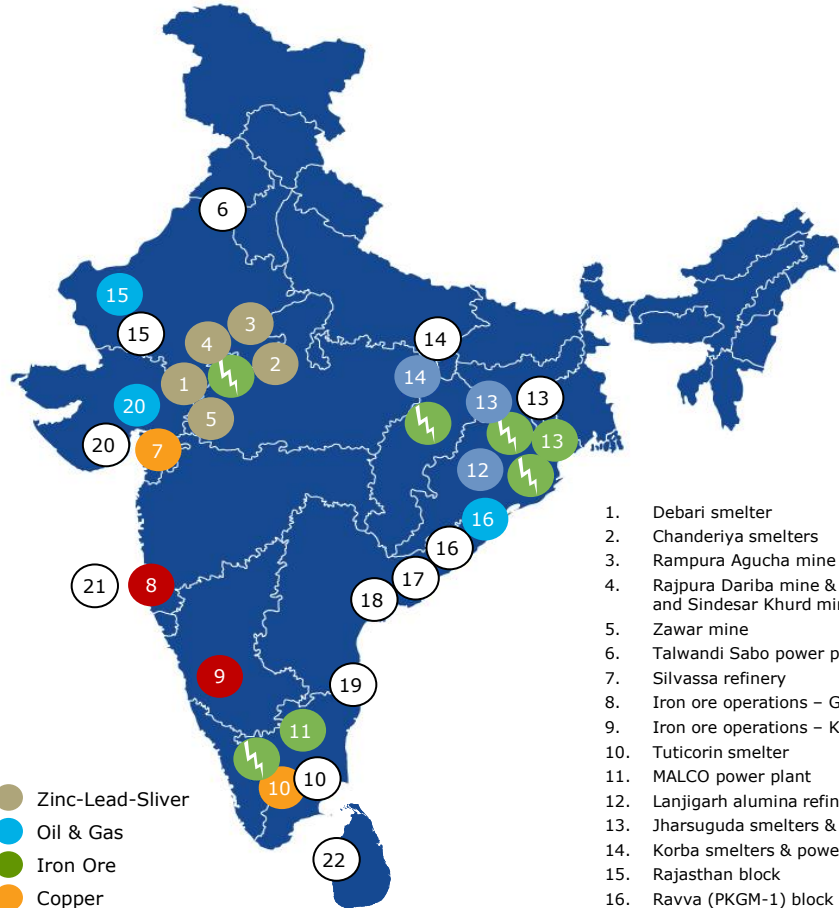
**Commitment to invest for growth and support strong dividends**



# Appendix



<b>Key Events</b>	<b>Expected date</b>
BSE, NSE and SEBI approvals sought	Q2 2015
BSE, NSE and SEBI approvals	Q3 2015
Vedanta plc posting of UK Circular	Q3 2015
Application to High Court in India	Q3 2015
Vedanta plc EGM	Q3 2015
Vedanta Limited and Cairn India shareholder meetings	Q4 2015
Foreign Investment Promotion Board approval	Q4 2015
High Court of India approval	Q1 2016
MoPNG approval	Q1 2016
Transaction completion	Q1 2016



- Zinc-Lead-Silver
- Oil & Gas
- Iron Ore
- Copper
- Aluminium
- Power
- Projects under development/commissioning
- ⚡ Captive thermal power plant

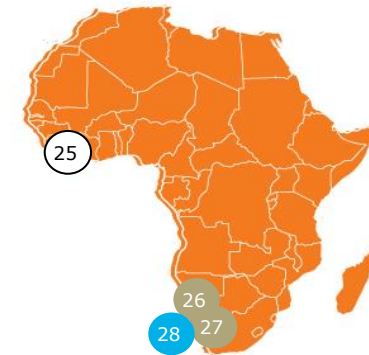
1. Debari smelter
2. Chanderiya smelters
3. Rampura Agucha mine
4. Rajpura Dariba mine & smelters and Sindesar Khurd mine
5. Zawar mine
6. Talwandi Sabo power project
7. Silvassa refinery
8. Iron ore operations - Goa
9. Iron ore operations - Karnataka
10. Tuticorin smelter
11. MALCO power plant
12. Lanjigarh alumina refinery
13. Jharsuguda smelters & power plants
14. Korba smelters & power plants
15. Rajasthan block
16. Ravva (PKGM-1) block
17. KG-ONN-2003/1 block
18. KG-OSN-2009/3 block
19. PR-OSN-2004/1 block
20. Cambay (CB/052) block
21. MB-DWN-2009/1 block
22. SL 2007-01-001 block



23. Lisheen mine, Ireland

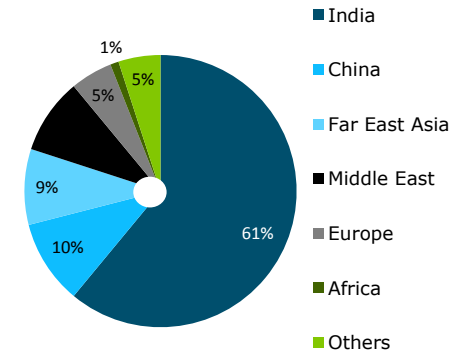


24. Mt Lyell mine, Australia



- 25. Iron Ore project, Liberia
- 26. Skorpion mine, Namibia
- 27. Black Mountain mine, South Africa
- 28. South Africa Block 1

**Revenues by Geography**  
FY2015



Positioning	R&R Life <sup>1</sup>	FY2015 Production	Capacity <sup>2</sup>
<b>Oil &amp; Gas (Cairn India)</b> Top 20 global independent E&P; Platts 2013: Fastest growing energy company globally	15	212kboepd	225 <sup>3</sup> + kboepd
<b>Zinc India (HZL)</b> 2 <sup>nd</sup> largest integrated zinc producer globally	25+	887kt	1.2mtpa
<b>Silver (HZL)</b> One of the largest silver producers globally	25+	10.5moz	16mozpa
<b>Zinc International</b> One of the largest undeveloped zinc deposits	20+	312kt	400ktpa
<b>Iron Ore<sup>4</sup></b> Operations in Goa and Karnataka; Large deposit in Liberia	20+	0.6mt <sup>5</sup>	16.8mtpa
<b>Aluminium</b> Strategically located large-scale assets with integrated power		877kt	2.3mtpa

## Large, long-life, low-cost, scalable assets

<sup>1</sup> Based on FY2015 production and R&R as at 31 March 2015, Iron Ore is based on existing capacity, Zinc International includes Gamsberg deposit in R&R

<sup>2</sup> Includes announced expansions, Iron Ore shown at existing capacity of 14.5Mt at Goa and 2.3 Mt provisional capacity in Karnataka

<sup>3</sup> Existing capacity of currently producing assets

<sup>4</sup> Numbers excluding Liberia

<sup>5</sup> Iron Ore operations affected by mining restrictions in Goa and Karnataka

## Vedanta Limited consolidated (Rs. crore)

## Vedanta Limited consolidated pro-forma (Rs. crore)

EBITDA	22,226	22,226
Operating profit	15,074	15,817
Profit after tax	10,183	10,927
Minority interest	5,127	2,489
Attributable to equity holders	5,060	8,442
EPS	Rs. 17.1	Rs. 22.7
Gross Debt	77,752	77,752
Cash	46,212	46,212
Net Debt	31,540	31,540
Interest expense	5,659	5,659
Outstanding shares (mm)	2,965	3,717

### Credit Metrics (x)

Net Debt / EBITDA	1.4x	1.4x
EBITDA / Net Interest	6.8x	6.8x

Note: Numbers above as per IGAAP excluding special items of Rs. 22,129 crores reported in FY2015, of which Rs. 19,180 crore is impairment of Cairn goodwill. Post merger, the amortisation on goodwill gets reduced by approximately Rs. 740 crores

**There will be two conference calls :**

- **Sunday, 14 June 2015: 5:30 PM IST (1PM UK time, 8AM NY time) – also available by webcast**
- **Monday, 15 June 2015: 5:30 PM IST (1PM UK time, 8AM NY time)**

**The dial-in numbers for both the calls are the same and are given below:**

Event		Telephone Number
Conference calls on 14 <sup>th</sup> and 15 <sup>th</sup> June 2015	<b>India – 5:30 PM (IST)</b>	Mumbai main access +91 22 3938 1088 Mumbai standby access +91 22 6746 8388
	<b>Singapore – 8:00 PM (Singapore Time)</b>	Toll free number 800 101 2045
	<b>Hong Kong – 8:00 PM (Hong Kong Time)</b>	Toll free number 800 964 448
	<b>UK – 1:00 PM (UK Time)</b>	Toll free number 0 808 101 1573
	<b>US – 8:00 AM (Eastern Time)</b>	Toll free number 1 866 746 2133
For online registration (14 June 2015)	<a href="http://services.choruscall.in/diamondpass/registration?confirmationNumber=8744943">http://services.choruscall.in/diamondpass/registration?confirmationNumber=8744943</a>	
For online registration (15 June 2015)	<a href="http://services.choruscall.in/diamondpass/registration?confirmationNumber=5459624">http://services.choruscall.in/diamondpass/registration?confirmationNumber=5459624</a>	
Replay of Conference Calls (till 21 June 2015)		Mumbai +91 22 3065 2322 +91 22 6181 3322 Passcode: 82752# (14 June ) Passcode: 54171# (15 June )

Link for webcast on 14 June 2015: <http://services.choruscall.eu/links/vedanta150614.html>

The release and presentation would be available on our websites [www.vedantalimited.com](http://www.vedantalimited.com), [www.cairnindia.com](http://www.cairnindia.com) and [www.vedantaresources.com](http://www.vedantaresources.com)