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Private and Confidential

22 July 2016

To,

The Board of Directors

Vedanta Limited
20, Sesa Ghor
EDC Complex
Patto, Panjim
Goa 403001

The Board of Directors

Cairn India Limited
101, 1st Floor, C-Wing, Corporate Square
Andheri-Kurla Road
Andheri (E)
Mumbai 400 059

Sub: Recommendation of updated Share Exchange Ratio for the proposed merger of Cairn India Limited with Vedanta Limited

Dear Sir / Madam,

We refer to our ongoing discussions and respective engagement letters, whereby Vedanta Limited and Cairn India Limited (together referred to as the 'Specified Companies'/ 'Companies'/ 'Clients'/ 'you') have requested Price Waterhouse & Co LLP ('PW&Co') and Walker Chandiok & Co LLP ('WCC'), respectively, to recommend an updated Share Exchange Ratio (as defined hereinafter) for the proposed merger of Cairn India Limited ('Cairn India') with Vedanta Limited ('Vedanta India').

PW&Co and WCC are together referred to as 'Valuers' or 'we' or 'us' and individually referred to as 'Valuer' in this updated joint Share Exchange Ratio Report ('Share Exchange Ratio Report' or 'Report').

SCOPE AND PURPOSE OF THIS UPDATED REPORT

Vedanta India, formerly known as Sesa Sterlite Limited, is a subsidiary of Vedanta Resources Plc ('Vedanta UK'). Vedanta India is a leading natural resources company with substantial interests in Zinc, Lead, Silver, Copper, Iron ore, Aluminium, Power and Oil & Gas. Cairn India, Hindustan Zinc Limited, BALCO Limited, Talwandi Sabo Power Limited and MALCO Energy Limited are amongst the subsidiaries of Vedanta India. Equity shares of Vedanta India are listed on BSE Limited ('BSE') and National Stock Exchange of India Limited ('NSE'). American Depository Shares ('ADS') of Vedanta India are listed on the New York Stock Exchange. Equity shares of Hindustan Zinc Limited are listed on BSE and NSE.

Cairn India, a subsidiary of Vedanta India, is one of the largest independent oil and gas exploration and production companies in India. Cairn India contributed to around one-fourth of India's domestic crude oil production in FY16. Equity shares of Cairn India are listed on BSE and NSE.

The Board of Directors of Vedanta India and Cairn India has approved a scheme of Arrangement under section 391-394 of the Companies Act, 1956 ('Scheme') for the merger of Cairn India into Vedanta India ('the Transaction'), as on 14 June 2015. In connection with the aforementioned, the Valuers issued a joint share exchange ratio report dated 14 June 2015.

Post issuance of the above referred joint share exchange ratio report, significant developments have taken place in the operating domains of the Specified Companies which *inter-alia* include significant movement in the commodity prices and various cost savings measures initiated by the Specified Companies. Accordingly, the Management has now requested the Valuers to provide an updated joint share exchange ratio report ('Share Exchange Ratio Report' or 'Report'), based on the updated information to be made available by the Management. We understand that there would be no change in

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the Scheme except the number of preference shares to be issued to the shareholders of Cairn India, as follows:

Pursuant to the Scheme, as a consideration for the merger, Vedanta India would now issue to the shareholders of Cairn India:

a) 4 (four) redeemable preference share of face value INR 10 each of Vedanta India ('Preference Share') for 1 (one) equity share of face value INR 10/- each of Cairn India, and
b) Such number of equity shares as determined based on the updated Share Exchange Ratio.

   Share Exchange Ratio ('Share Exchange Ratio') is defined as the ratio in which the equity shareholders of Cairn India shall be entitled to receive equity shares in Vedanta India in lieu of their holding in Cairn India, after considering (a) above.

We understand that the Appointed Date for the proposed merger is 1 April 2016.

For the aforesaid purpose, the Companies have appointed the Valuers to submit a Report recommending a Share Exchange Ratio to be placed before the Audit Committees/ Board of Directors of the Companies.

The scope of our services is to conduct a relative (and not absolute) valuation of the equity shares of the Companies and report on the Share Exchange Ratio for the Transaction in accordance with generally accepted professional standards.

The Valuers have been appointed severally and not jointly and have worked independently in their analysis. Both the Valuers have received information and clarifications from the Companies. Valuers have independently arrived at different values per share of the two Companies. However, to arrive at a consensus on the Updated Share Exchange Ratio for the proposed merger, appropriate averaging and rounding off in the values arrived at by the Valuers have been done.

We have been provided with historical financial information for the Companies upto 31 March 2016. We have considered the same in our analysis and made adjustments for further facts made known (past or future) to us till the date of our Report. The current valuation does not factor impact of any event which is unusual or not in normal course of business. We have relied on the above while arriving at the Share Exchange Ratio for the Transaction.

This Report is our deliverable for the above engagement.

This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information about the Companies received from the Management and/or gathered from public domain:
- Stand alone and consolidated audited financial statements of the Companies for the 3 years ended 31 March 2016;
- Projected financials/ cash flows of the Companies (including their key operating subsidiaries) which represent respective management's best estimates of the projected performance of the Companies and their key operating subsidiaries (together referred to as the 'Financial Projections');
- Market prices of equity shares of Vedanta India, Cairn India and Hindustan Zinc Limited;
- Scheme of Arrangement ('Scheme');
- Updated key terms of the Preference Shares;
- Discussions with the Management in connection with the business operations of the Companies and their key operating subsidiaries, past trends, future plans and prospects, etc;
- Details of ESOPs outstanding, if any, in the Companies;
- Other information and documents for the purpose of this engagement.

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The Companies have been provided with the opportunity to review the draft report (excluding the recommended Share Exchange Ratio) as part of our standard practice to make sure that factual inaccuracies / omissions are avoided in our final report.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This Report, its contents and the results herein are specific to and based on (i) the purpose of valuation agreed as per the terms of our engagement, (ii) the date of this Report, (iii) the financial statements of the Companies as at 31 March 2016, and (iv) Financial Projections and other information provided by the Management. The Management has represented that the business activities of Vedanta India and Cairn India, including their subsidiaries and associates, as applicable, have been carried out in the normal and ordinary course between 31 March 2016 and the Report date and that no material adverse change has occured in their respective operations and financial position between 31 March 2016 and the Report date.

An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

The ultimate analysis will have to be tempered by the exercise of judicious discretion by the Valuers and judgment taking into account the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information furnished by the Companies (or its representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this Report.

The determination of share exchange ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single share exchange ratio. While we have provided our recommendation of the Share Exchange Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion. The final responsibility for decision of the Share Exchange Ratio at which the proposed merger shall take place will be with the Board of Directors who should take into account other factors such as their own assessment of the proposed Transaction and input of other advisors.

In the course of the analysis, we were provided with both written and verbal information, including market, financial and operating data.

We must emphasize that the Financial Projections are prepared by the management of the respective companies and provided to us for the purpose of our analysis. The fact that we have considered the Financial Projections in this exercise should not be construed or taken as our being associated with or a party to such projections. Realisations of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis, therefore, will not, and cannot be directed to provide any assurance about the achievability of the Financial Projections. Since

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the Financial Projections relate to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material.

In accordance with the terms of our respective engagements, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this Report and (ii) the accuracy of information made available to us by the Companies. In accordance with our Engagement Letter(s) and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. We have not independently investigated or otherwise verified the data provided by the Companies. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Management of the Companies that they have not omitted any relevant and material factors about the Companies/ its key operating subsidiaries and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Companies. The Management of the Companies has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/ results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the Report. Nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the report. Also, we assume no responsibility for technical information (if any) furnished by the Companies.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/ unaudited balance sheet of the Companies. Our conclusion assumes that the assets and liabilities of the Companies, reflected in their respective latest balance sheets remain intact as of the Report date.

We are not advisors with respect to legal tax and regulatory matters for the Transaction. No investigation of the Companies' claim to title of assets has been made for the purpose of this Report and the Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

This Report does not look into the business/ commercial reasons behind the Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

The fee for the engagement is not contingent upon the outcome of the transaction.

We owe responsibility to only the Boards of Directors of the respective company that has appointed us under the terms of our respective engagement letters and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents. In no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

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We do not accept any liability to any third party in relation to the issue of the Report and our Report is conditional upon an express indemnity from the Companies in our favour holding us harmless from and against any cost, damage, expense and other consequences in connection with the provision of this Report. It is clarified that this Report is not a fairness opinion under any of the stock exchange/ listing regulations. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

This Report is subject to the laws of India. PW&Co and WCC have not prepared the Report for inclusion in a registration statement under the US Securities Act of 1933 and would not be referred to as an 'expert' in any regulatory filings under the US Securities Act of 1933 or under any of the securities laws/ regulations of any other state or jurisdiction in the United States/ United Kingdom.

Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme, without our prior written consent. In addition, this Report does not in any manner address the prices at which equity shares of the Companies will trade following announcement of the Transaction and we express no opinion or recommendation as to how the shareholders of either Company should vote at any shareholders' meeting(s) to be held in connection with the Transaction.

This Report supersedes our previous joint share exchange ratio report dated 14 June 2015.

BACKGROUND OF COMPANIES

Vedanta India

Vedanta Resources Plc ('Vedanta UK') is globally diversified natural resources company and through its subsidiaries have business interests in Zinc, Lead, Silver, Copper, Iron ore, Aluminium, Power and Oil & Gas. Equity shares of Vedanta UK are listed on London Stock Exchange.

Vedanta India, formerly known as Sesa Sterlite Limited, is a subsidiary of Vedanta UK. Vedanta India is a leading natural resources company which operates in the Zinc, Lead, Silver, Copper, Iron ore, Aluminium, Power and Oil & Gas sectors. Cairn India, Hindustan Zinc Limited, BALCO Limited, Talwandi Sabo Power Limited and MALCO Energy Limited are amongst the subsidiaries of Vedanta India. Equity shares of Vedanta India are listed on BSE and NSE. ADS of Vedanta India are listed on the New York Stock Exchange. Equity shares of Hindustan Zinc Limited are listed on BSE and NSE.

The issued and subscribed equity share capital of Vedanta India as at 31 March 2016 is INR 2,965 million consisting of 2,965,004,871 equity shares of face value of INR 1 each. The shareholding pattern of Vedanta India as at 31 March 2016 is as follows:

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Shareholding Pattern as on 31 March 2016	No of equity shares @	% Share Holding
Promoter and Promoter Group		
- Equity shares	1,764,676,160	59.5%
- Equity shares held by the custodian against which depository receipts have been issued	99,292,708	3.4%
Sub-total : Promoter and Promoter Group	**1,864,025,368**	**62.9%**
Non Promoters		
- Equity shares #	972,144,091	32.8%
- Equity shares held by the custodian against which depository receipts have been issued	128,891,912	4.3%
Sub-total : Non-promoters	**1,100,979,503**	**37.1%**
Total (including shares held by the custodian against which depository receipts have been issued)	**2,965,004,871**	**100.0%**

@ Face value INR 1 each
 # Including 310,632 equity shares held by the erstwhile shareholders of Sterlite Industries (India) Limited which have been kept in abeyance
Source: BSE filing (As at 31 March 2016)

Cairn India

Cairn India, a subsidiary of Vedanta India, is one of the largest independent oil and gas exploration and production companies in India. Vedanta India, directly and indirectly, through its subsidiaries holds ~59.9% equity stake in Cairn India as at 31 March 2016. Cairn India contributed about one-fourth of India's domestic crude oil production. Equity shares of Cairn India are listed on BSE and NSE.

The issued and subscribed equity share capital of Cairn India as at 31 March 2016 is INR 18,748.6 million consisting of 1,874,862,481 equity shares of face value of INR 10 each. The shareholding pattern of Cairn India as at 31 March 2016 is as follows:

Shareholding Pattern as on 31 March 2016	No of equity shares @	% Share Holding
Promoter and Promoter Group	1,122,713,999	59.9%
Non Promoters	752,148,482	40.1%
Grand Total	**1,874,862,481**	**100.0%**

@ Face value INR 10 each
Source: BSE filing (As at 31 March 2016)

In addition, as at date, Cairn India has 9,440,746 outstanding employee stock options and 4,898,100 outstanding phantom options.

The Management has informed us that there would not be any capital variation in the Companies till the Transaction becomes effective other than on account of the existing employee stock option plans ('ESOP').

APPROACH - BASIS OF SHARE EXCHANGE RATIO

The proposed Scheme contemplates the merger of Cairn India into Vedanta India pursuant to the Scheme. Arriving at the Share Exchange Ratio for the proposed merger of Cairn India into Vedanta India would require determining the value of the equity shares of Cairn India and Vedanta India, independently but on a relative basis, and without considering the current Transaction.

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Vedanta India holds investment in equity shares of other companies. Cairn India, Hindustan Zinc Limited, BALCO Limited, Talwandi Sabo Power Limited and MALCO Energy Limited are amongst the subsidiaries of Vendata India. Considering the aforementioned, equity value of Vedanta India has been arrived at on a 'sum of parts' basis, considering value its own business operations and value of its investments held in other companies. Similarly, Cairn India has opearting fields at different stages, accordingly equity value of Cairn India has been arrived on a 'sum of the parts' basis considering the key operating fields.

As discussed below, there are several commonly used and accepted methods for determining the value of the equity shares of a company / business, which have been considered in the present case, to the extent relevant and applicable:

1. Market Price method;
2. Comparable Companies' Quoted Multiple ('CCM')/ Comparable Transaction Multiple ('CTM') method;
3. Discounted Cash Flows method; and
4. Net Asset Value method

Market Price (MP) Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

In the present case, the equity shares of the Companies are listed on BSE and NSE and there are regular transactions in their equity shares with adequate volumes. For determining the value of the Companies under the market price methodology, the share price observed on NSE for the respective Companies over a reasonable period have been considered as the traded turnover of shares of the Companies on NSE is higher than that on BSE.

Comparable Companies' Quoted Multiple ('CCM')/ Comparable Transaction Multiple ('CTM') method

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Vedanta India is a leading natural resources company with substantial interests in Zinc, Lead, Silver, Copper, Iron ore, Aluminium, Power and Oil & Gas. Cairn India is one of the largest independent oil and gas exploration and production companies in India. Natural resource companies can vary in terms of quantity, quality and geographical location of reserves and resources, product portfolio, operating and capital cost structure, terms and tenor of production sharing agreements, etc. Accordingly, for our analysis we have not considered CCM method.

We have not used CTM method as in addition to the aforementioned factors transaction multiples may also include acquirer specified considerations, synergy benefits, control premium and minority adjustments.

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Discounted Cash Flows (DCF) Method

Under the DCF method the projected free cash flows to to the firm/ the equity shareholders are discounted at the weighted average cost of capital/ cost of equity. The sum of the discounted value of such free cash flows is the value of the firm / equity.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's capital.

Appropriate discount rate to be applied to cash flows i.e. the cost of equity:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the capital providers/ equity capital providers (namely shareholders). The opportunity cost equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of DCF valuation, the free cash flow forecast is based on Financial Projections as provided by the Management. While carrying out this engagement, we have relied extensively on historical information made available to us by the management of the Companies and the respective Financial Projections for future related information. We did not carry out any validation procedures or due diligence with respect to the information provided/ extracted or carry out any verification of the assets or comment on the achievability of the assumptions underlying the Financial Projections, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.

To arrive at the total value available to the equity shareholders of Vedanta India and Cairn India, value arrived above under DCF method is adjusted, as appropriate, for value of investments of Vedanta India, cash and cash equivalent, borrowings, surplus assets, tax benefit, adjustment for ESOPs, deferred tax liabilities, contingent liabilities and other matters. The total value is then divided by diluted equity shares (considering ESOPs, as appropriate) to arrive at the value per equity share.

Net Asset Value (NAV) Methodology

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominate earnings capability. A scheme of arrangement would normally be proceeded with, on the assumption that the companies merge as going concerns and an actual realization of the operating assets is not contemplated. In such a going concern scenario, the relative earning power is of greater importance to the basis of merger, with the values arrived at on the net asset basis being of limited relevance. However, NAV Methodology has been considered since both entities have significant capital employed on physical assets in their balance sheet.

We have computed the Net Asset Value of equity shares of the Companies as per balance sheet as at 31 March 2016. Adjustments, as appropriate, have been made for contingent liabilities, value of investments of Vedanta India and other matters. The total value is then divided by diluted equity shares (considering ESOPs, as appropriate) to arrive at the value per equity share.

BASIS OF SHARE EXCHANGE RATIO

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions,

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Walker Chandiok & Co LLP Chartered Accountants Mumbai the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Key terms of Preference Shares are as under:

- Face Value: INR 10 each
- Preference share coupon: 7.5% per annum
- Redemption: 18 months

The basis of Share Exchange Ratio of the Cairn India into Vedanta India would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies, for the purposes of recommending a Share Exchange Ratio of equity share it is necessary to arrive at a single value for each company's equity share. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of the Companies but at their relative values to facilitate the determination of a Share Exchange Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

Share Exchange Ratio has been arrived at on the basis of a relative equity valuation of the Companies based on the various methodologies explained herein earlier, issue of Preference Shares of Vedanta India to the equity shareholders of Cairn India and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations.

Valuers, as considered appropriate, have independently applied methodologies discussed above and arrived at their assessment of value per share of the Companies. To arrive at the consensus on the Share Exchange Ratio for the proposed merger suitable averaging and rounding off in the values arrived at by the Valuers have been done.

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In view of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the following exchange ratio for the merger of Cairn India Limited into Vedanta Limited:

- 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

- every 1 (one) equity share of Cairn India Limited of INR 10/- each fully paid up.

Respectfully submitted,

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Rajan Wadhawan
Partner
Membership No: 090172
Date: 22 July 2016

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Chartered Accountants
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Khushroo B. Panthaky
Partner
Membership No: F42423
Date: 22 July 2016