

# **Creating a Global Diversified Natural Resources Major**

## **Sesa Sterlite Merger and Vedanta Group Consolidation**

February 2012

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# Agenda

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## *Transaction Overview and Rationale*

## **Sesa Sterlite – India's Natural Resources Major**

## **Transaction Summary and Approvals**

## **Summary**

## **Appendix**

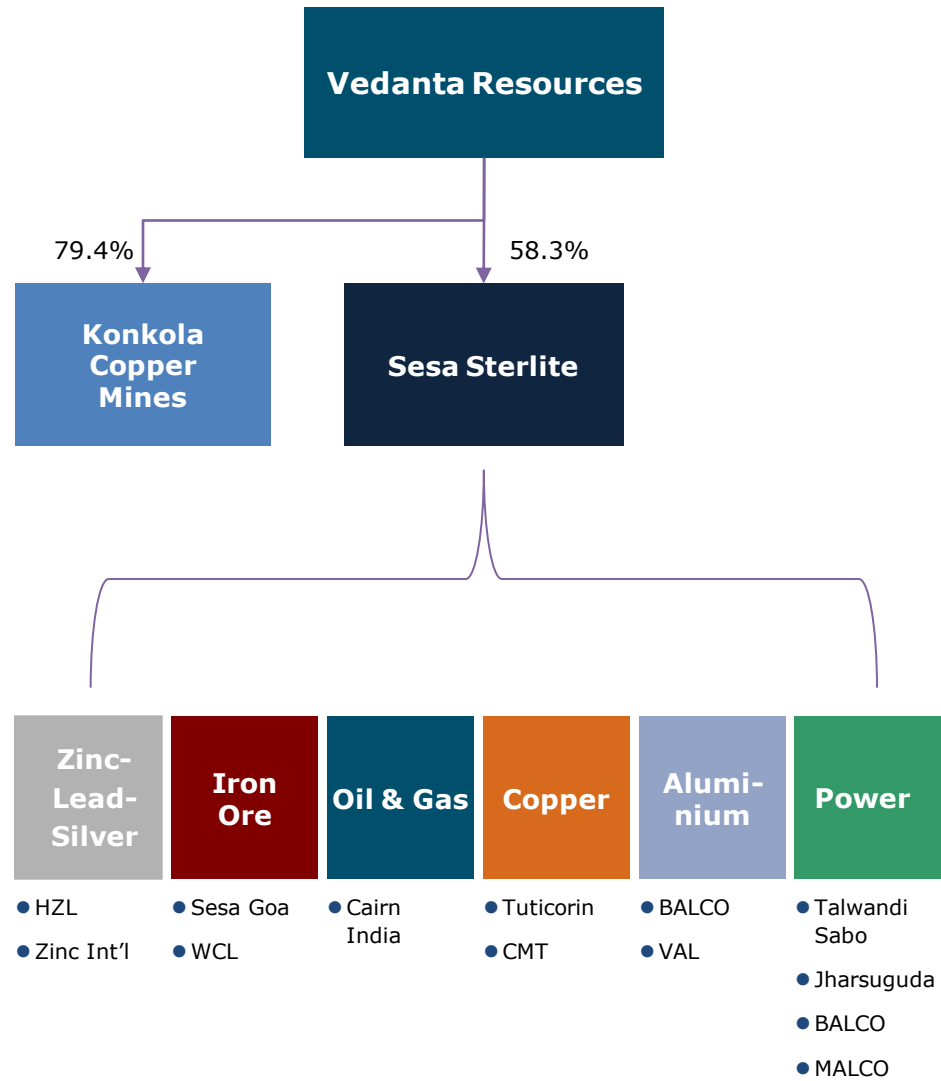
# Transaction Highlights

- Creation of Sesa Sterlite: expected to be 7<sup>th</sup> largest global diversified natural resources major<sup>1</sup>
- Consolidation and simplification of Group structure
- Significant synergies expected: up to c.INR 1,000 Crore (\$200m) p.a.
- Earnings accretive for Sesa Goa, Sterlite and Vedanta
- Subject to shareholder, regulatory and other approvals
- Expected to close during CY 2012

1) Ranked by EBITDA in the twelve months ended December 2011 from public filings

# New Group Structure

- Merger of Sesa Goa, Sterlite, VAL and MALCO to form Sesa Sterlite
- Consolidation and simplification of Group structure
- Group's 58.9% ownership in Cairn India to be held by Sesa Sterlite
- KCM remains directly held by Vedanta

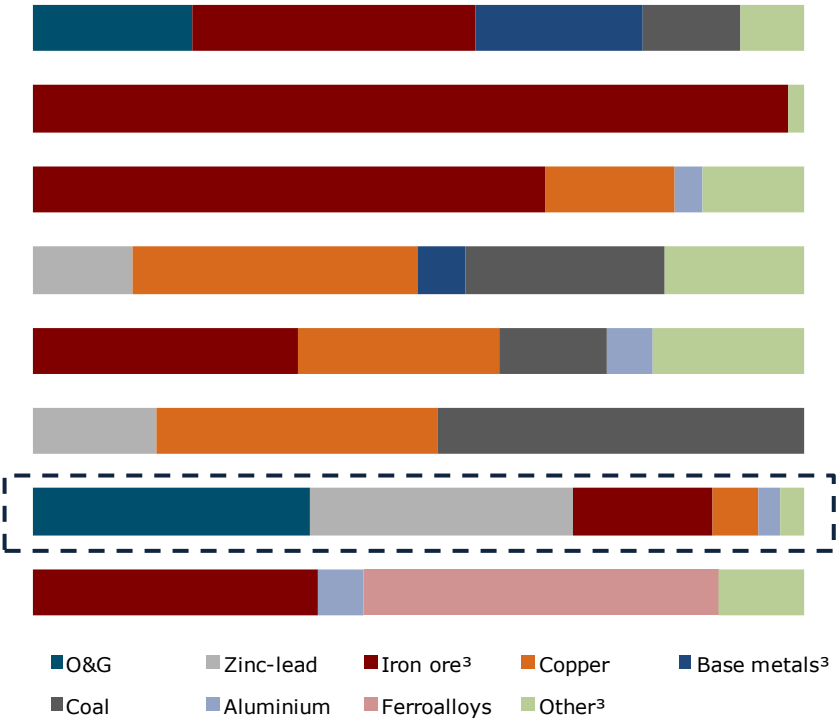


Note: Shareholding based on basic shares outstanding

# A Global Diversified Natural Resources Major

## Top 8 Global Diversified Natural Resources Companies

	Market cap (\$bn)	EBITDA (CY11 - \$bn)	Earnings (CY11 - \$bn)	P/E (CY11)
BHP Billiton	193.9	38.5	23.1	8.4x
Vale	133.8	33.8	22.9	5.8x
Rio Tinto	113.3	28.5	15.5	7.3x
Glencore Xstrata <sup>1</sup>	85.0	16.2	8.0	10.6x
Anglo American	56.2	13.3	6.2	9.1x
Teck	23.8	5.5	2.7	8.8x
<b>Sesa Sterlite<sup>2</sup></b>		<b>5.3</b>	<b>2.4</b>	
ENRC	14.6	3.6	2.2	6.8x
<b>Median P/E</b>				<b>8.4x</b>



## Greater Scale and Diversification

Source: Company filings and broker reports. Market data as of 22 February 2012  
 Note: Commodity split based on pro forma EBITDA for Sesa Sterlite and EBIT for major diversified mining companies, apart from Glencore Xstrata which is CY2011 extracted without material adjustment from the Xstrata unaudited preliminary results for the year ended 31 December 2011 and Glencore's unaudited profit estimates for certain financial information in respect of the year ended 31 December 2011  
 1) Assumes proposed merger completes  
 2) Pro forma EBITDA and earnings in the twelve months ended December 2011  
 3) Iron ore includes all ferrous metals for Vale; base metals includes copper and zinc-lead for BHP Billiton, other includes energy/power

# Simplifying Group Structure

## Corporate

- Consistent with strategy to consolidate and simplify the Group structure
- Eliminates cross holdings

## Financial

- Improves capital structure
- Improves allocation and cost of capital
- Enhances fungibility of cash
- Enhances visibility of earnings and cash flows
- Broader access to capital

**Simpler and More Efficient Structure**



# Delivering Synergies

## Operational

- Procurement
- Economies of scale
- Leveraging technical expertise

## Capital

- Lower cost of capital
- More efficient movement of Group cash
- Flexibility to allocate capital

## Corporate

- Elimination of reporting entities
- Elimination of joint functions
- Tax efficiency



**Up to  
c.INR 1,000 Cr /  
\$200m p.a.**

**Expected to be Earnings Accretive for Sesa Goa, Sterlite and Vedanta**

# Agenda

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*Sesa Sterlite – India's Natural Resources Major*

## Transaction Summary and Approvals

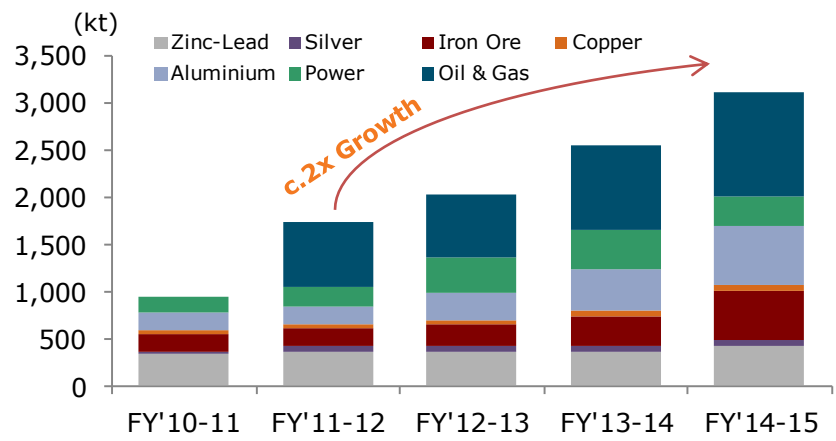
### Summary

### Appendix

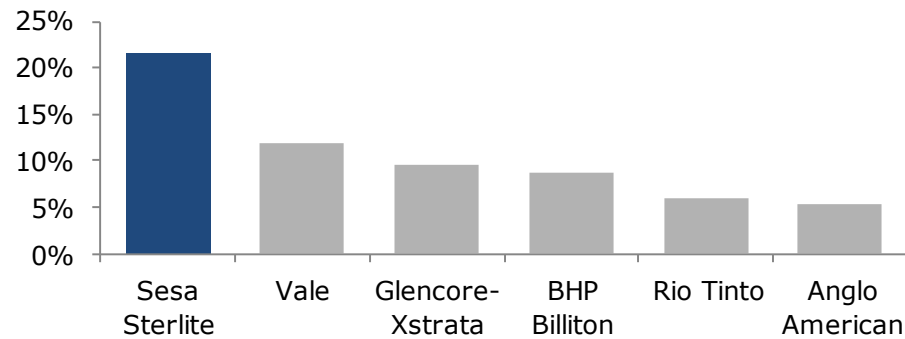
# Industry Leading Growth

- World-class asset portfolio with low cost structure and proximity to high-growth markets
- Diversified earnings and cash flows
- Industry leading production growth
- Growth maintains low-cost structure and is balanced across commodities
- Track record of successfully integrating and growing acquired assets

**Year-end Capacity (in Copper Equivalent)<sup>1</sup>**



**Industry Leading Growth (Copper Equivalent FY'11-12 to FY'14-15 CAGR)<sup>2</sup>**



**Growth Capital Largely Invested – c.2x Capacity Growth Expected in the Next 3 Years**

1) All metal and power capacities rebased to copper equivalent (defined as production x commodity price / copper price) using commodity prices as at 14 February 2012. Copper custom smelting capacities rebased at TC/RC for H1 FY2012  
 2) Sesa Sterlite based on year-end capacity growth, peers based on equity research production estimates. Converted into copper equivalent at spot prices

# Wide Geographic Footprint

## India

**Oil and Gas**

- Rajasthan
- Cambay
- Ravva
- East Coast
- West Coast
- Sri Lanka

**Zinc-lead-silver**

- Debari smelter
- Chanderiya smelters
- Rampura-Agucha mine
- Rajpura mine / smelter
- Zawar mine
- Sindesar Khurd mine
- Vizag zinc smelter

**Aluminium**

- Lanjigarh alumina refinery
- Jharsuguda smelter
- Korba smelter and power plant
- BALCO coal block

**Power**

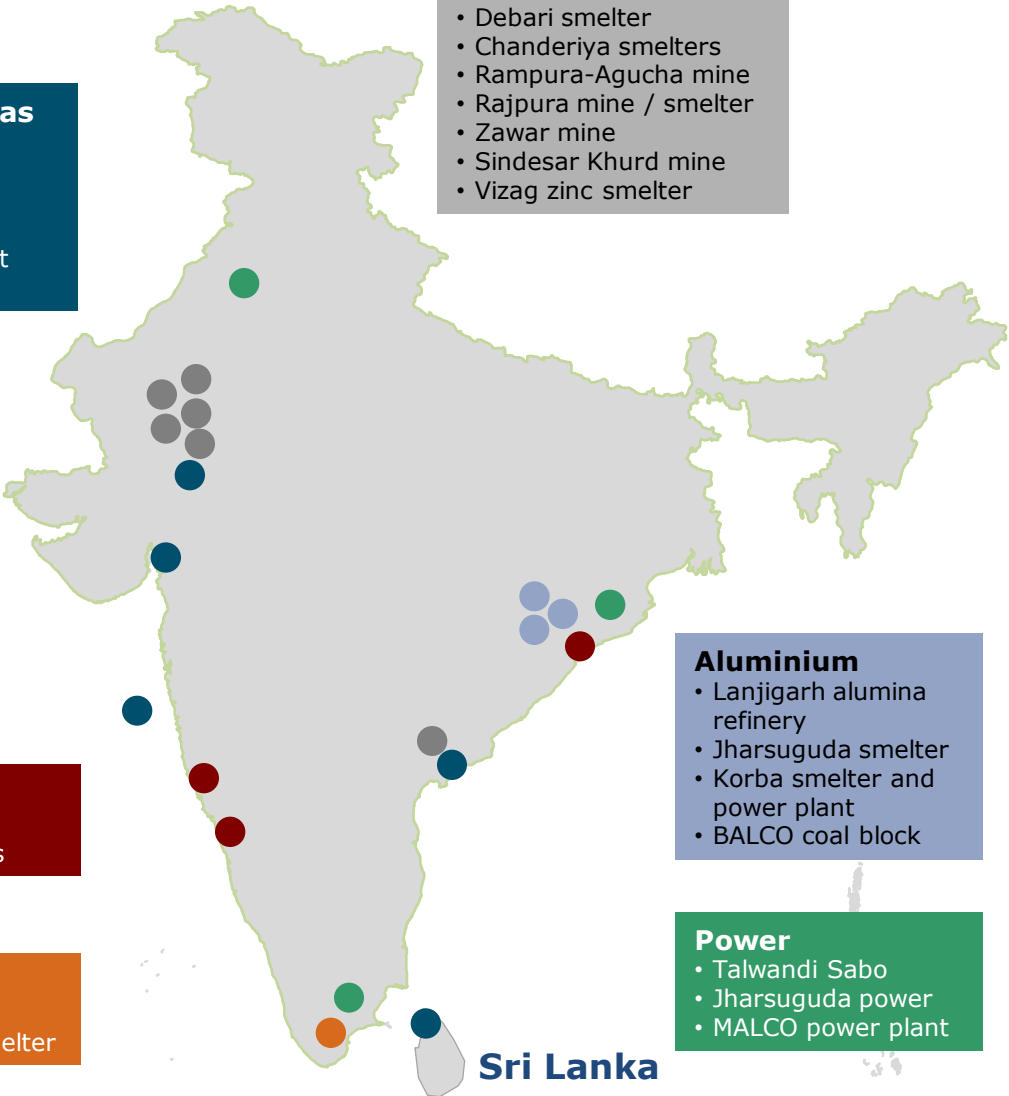
- Talwandi Sabo
- Jharsuguda power
- MALCO power plant

**Iron ore**

- Sesa Goa operations

**Copper**

- Tuticorin copper smelter



**Sri Lanka**

## South Africa



**Zinc-lead-silver**

- Black Mountain
- Gamsberg

## Namibia



**Zinc-lead-silver**

- Skorpion

## Ireland



**Zinc-lead-silver**

- Lisheen

## Liberia



**Iron ore**

- Western Cluster

## Australia



**Copper**

- CMT

# World-Class Asset Portfolio

Zinc-Lead-Silver	Iron ore	Oil and Gas	Copper	Aluminium	Power
<p><b>India &amp; International</b></p> <ul style="list-style-type: none"> <li>✓ Largest integrated zinc-lead producer globally growing from 1mt to 1.5mt</li> <li>✓ On track to become a world-leading silver producer - capacity of 16Moz by FY 2012</li> <li>✓ Gamsberg - one of the largest undeveloped zinc deposits: 186 mt at 6.9% grade</li> <li>✓ 20+ years mine life at 400ktpa</li> </ul>	<p><b>India &amp; Liberia</b></p> <ul style="list-style-type: none"> <li>✓ Largest iron ore producer-exporter in India</li> <li>✓ 36mtpa capacity expansion: Goa 27mt, Karnataka 9mt</li> <li>✓ West-Africa - an emerging iron ore hub</li> <li>✓ Targeting first shipment in FY 2014</li> </ul>	<p><b>Cairn India</b></p> <ul style="list-style-type: none"> <li>✓ One of the largest private-sector crude oil producers in India</li> <li>✓ Operates ~20% of India's domestic crude oil production</li> <li>✓ Near-term growth to 260+ kboepd driven by Rajasthan</li> <li>✓ Large reserve base provides further upside</li> </ul>	<p><b>Copper India</b></p> <ul style="list-style-type: none"> <li>✓ One of the most cost-efficient custom smelters globally</li> <li>✓ 400ktpa expansion pending approval along with additional 160 MW captive power</li> </ul>	<p><b>VAL &amp; BALCO</b></p> <ul style="list-style-type: none"> <li>✓ Strategically located large-scale assets</li> <li>✓ Total aluminium: 0.75 mtpa to 2.3 mtpa</li> <li>✓ VAL alumina: 1 mtpa to 5 mtpa</li> <li>✓ 211 mt captive coal block at BALCO</li> </ul>	<p><b>India</b></p> <ul style="list-style-type: none"> <li>✓ One of the largest producers in India</li> <li>✓ 3.8 GW to 8.6 GW (3.9 GW commercial)</li> </ul>

**Well Invested Asset Base**

# Sesa Sterlite – Delivering for India

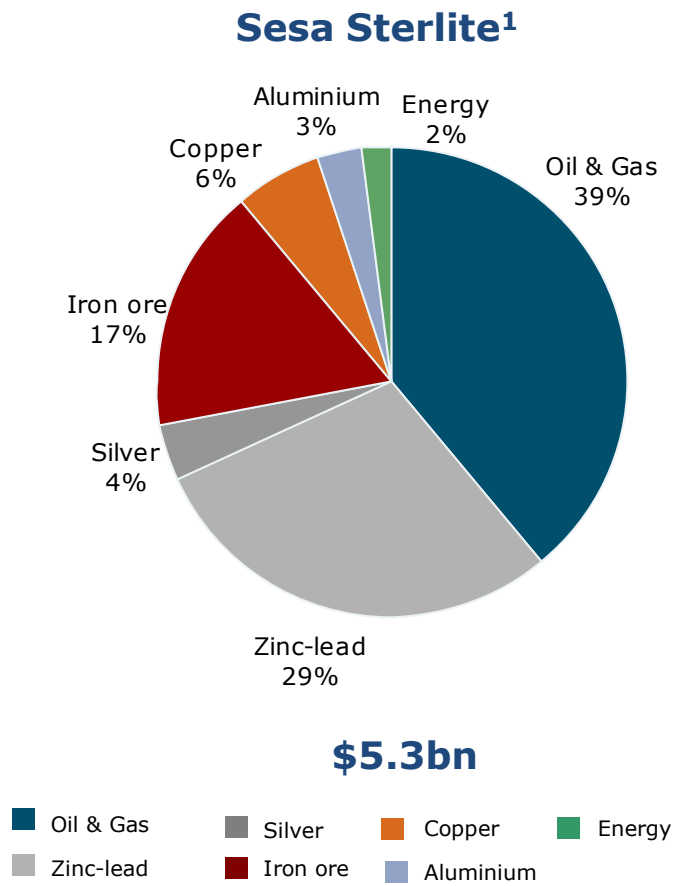
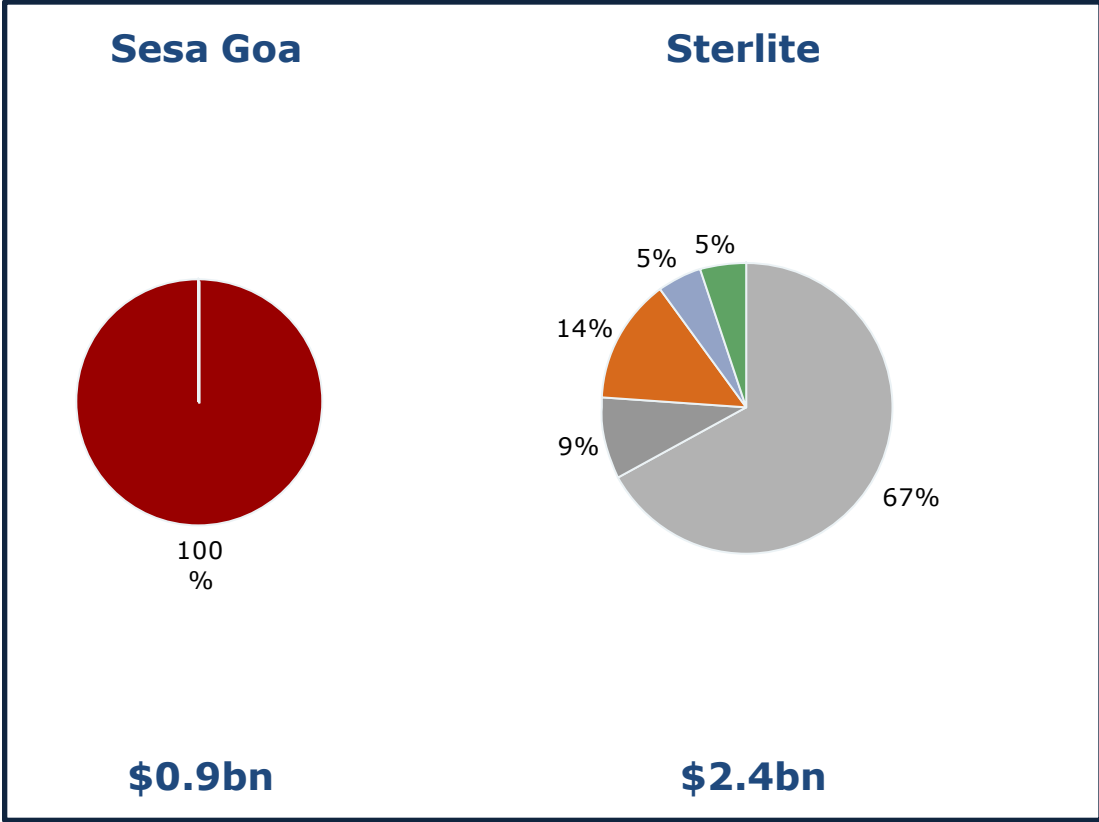
- Contributing to India's energy security
  - c.20% of India's domestic crude oil production
- Fuelling India's growth story by providing access to metals domestically
  - c.80% of India's market share by sales volume for zinc
  - c.40% of India's aluminium, copper and lead consumption
- One of the largest private sector contributors to the exchequer
  - Tax contribution to exchequer of c.INR 11,500 Crore (\$2.5bn)<sup>1</sup> in FY 2011 – 1.5% of country's total collection
    - Contributed 1.7% to country's total income tax collection
  - Raised c.INR 62,500 Crore (\$12.5bn) capital overseas for investment in India
- Environmental and social responsibility
  - Green energy: 273 MW wind power capacity (INR 1,500 Crore invested)
  - Educational, healthcare and community programmes covering 2.7m people across 548 villages<sup>2</sup>

## Sesa Sterlite – India's Natural Resources Major

1) Includes Cairn India  
2) Does not include Cairn India

# Scale and Diversification

## EBITDA Pro Forma CY2011



**Greater scale and diversification reduces volatility of earnings**

Source: Company filings  
 1) Includes Cairn India, VAL and MALCO contributions. Pro forma EBITDA in the twelve months ended December 2011

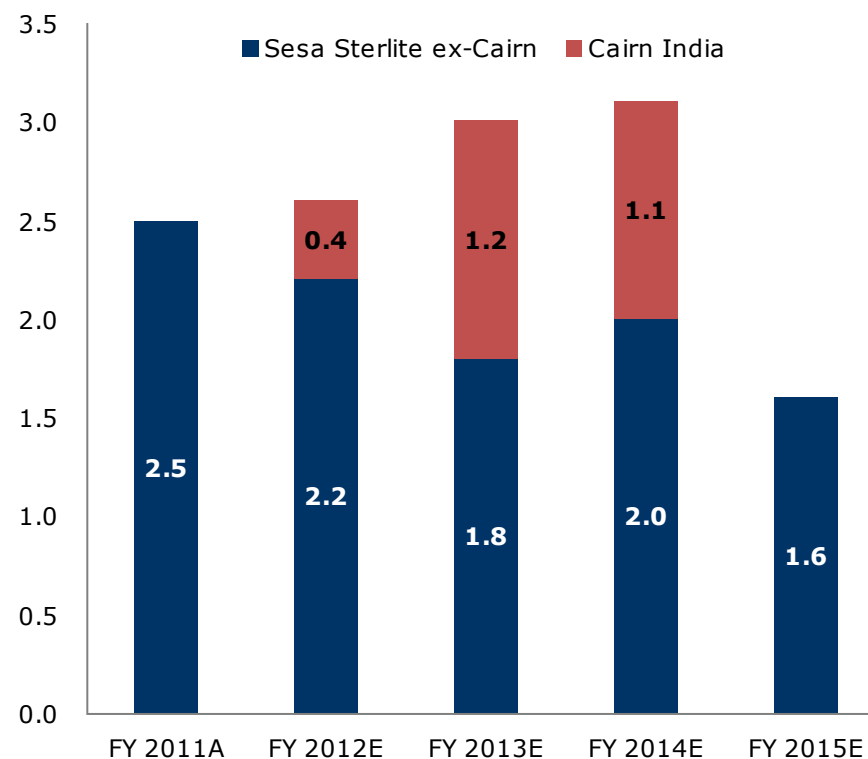
# Pro Forma Financials

LTM December 2011

Sesa Sterlite<sup>1</sup>

Capex Profile - \$bn<sup>4</sup>

	INR Crore	\$m
<b>Revenues</b>	66,431	14,234
<b>EBITDA</b>	24,953	5,346
<b>Attributable Net Income</b>	10,971	2,351
<b>Gross Debt</b>	66,717	13,547
<b>Net Debt<sup>2</sup></b>	36,936	7,500
<b>Outstanding Shares</b>	2,965m	
<b>Net Debt / EBITDA (x)</b>	1.5x	
<b>Interest Coverage<sup>3</sup> (x)</b>	25.6x	



**Strong cash flows to support growth and capital returns**

- 1) Pro forma financials in the twelve months ended December 2011. VAL, MALCO and Cairn India fully consolidated into Sesa Sterlite. Pro forma for 12 months of Cairn India financials
- 2) Sterlite FCCB conversion price/entitlement ratio to be adjusted based on share swap ratio
- 3) EBITDA / Net Interest
- 4) Refers to organic growth capex. Cairn India has not announced capex for FY2015



# Management Team



**Anil Agarwal**  
*Chairman*



**Navin Agarwal**  
*Deputy Chairman*



**M. S. Mehta**  
*Group CEO*



**P. K. Mukherjee**  
*CEO, Sesa Goa  
Iron Ore*



**S.K. Roongta**  
*CEO, Aluminium  
and Power*



**P. Ramanath**  
*CEO, Sterlite Copper*



**Tarun Jain**  
*Group Director -  
Finance*



**D. Jalan**  
*Group CFO*



**Dilip Golani**  
*Director - Management  
Assurance*



**Kishore Kumar**  
*CEO, Zinc International*



**Rahul Dhir**  
*CEO, Cairn India  
Oil & Gas*



**Akhilesh Joshi**  
*CEO, Hindustan Zinc  
Zinc-India*

- Sesa Sterlite Board will have a majority of independent directors

# Agenda

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## Transaction Overview and Rationale

## Sesa Sterlite – India's Natural Resources Major

## *Transaction Summary and Approvals*

## Summary

## Appendix

# Transaction Summary

- 1 Consolidation of Sesa Goa, Sterlite, VAL and MALCO to form Sesa Sterlite
  - Sesa Goa to issue 3 shares for every 5 shares in Sterlite<sup>1</sup>
  - Sesa Goa issues 72m shares to Vedanta for its 70.5% interest in VAL (2.4% of Sesa Sterlite)
  - Sesa Goa issues 79m shares to the shareholders of MALCO (2.7% of Sesa Sterlite) reflecting MALCO's 3.6% ownership in Sterlite and its power assets
- 2 The transfer of Vedanta's 38.8% in Cairn India (at cost of \$1) and associated \$5.9bn debt to Sesa Goa

Note: For a more detailed description of the transaction dynamics see appendix slides 31-36  
1) ADS holders of Sterlite will receive ADSs in Sesa Sterlite

# Transaction Economics

## Methodology

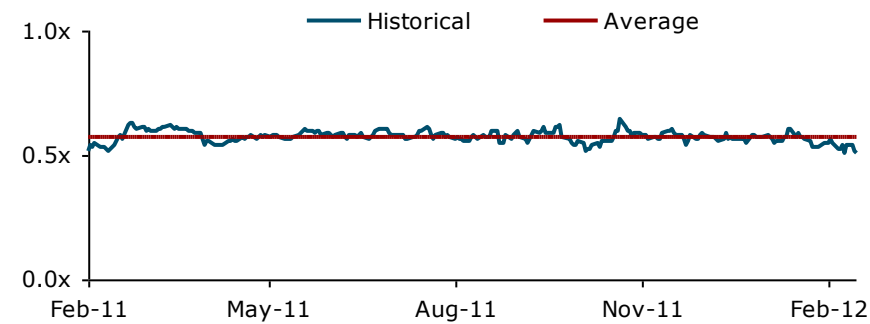
- Independent valuations
  - Grant Thornton India LLP and KPMG India Private Limited
  - Methodology based on discounted cash flows, market value and asset value
- Fairness opinion
  - Sesa Goa Board from Citigroup Global Markets India Private Limited
  - Sterlite Board from DSP Merrill Lynch Ltd

## Valuation Summary

- Sesa Goa / Sterlite exchange ratio of 0.60x
- VAL equity value (100%) of INR 2,332 Crore (\$473m)
- MALCO equity value of INR 1,790 Crore (\$363m)

## Historical Sesa Goa – Sterlite Exchange Ratio

(# of Sesa Goa shares issued to Sterlite)



# Earnings Accretive for Sesa Goa

## Scale

Expected to be 7<sup>th</sup> largest diversified natural resources major globally

## Diversification

Reduces volatility of earnings while giving Sesa Goa exposure to world class assets and growth across different commodities

## Synergies

Share in up to c.INR 1,000 Crore p.a. of expected synergies

## Financial Strength

Strong balance sheet and lower cost of capital to deliver superior growth and returns

## Accretive

Expected to be an earnings accretive transaction

## Pro Forma Asset Ownership

Entity	Sesa Goa Shareholders	
	Pre	Post
Sesa Goa	100.0%	29.3%
Western Cluster (Liberia)	51.0%	14.9%
Cairn India	20.1%	17.3%
HZL	-	19.0%
Skorpion & Lisheen	-	29.3%
Black Mountain	-	21.7%
Sterlite Copper	-	29.3%
Australia Copper	-	29.3%
VAL	-	29.3%
BALCO	-	14.9%
MALCO	-	29.3%
SEL	-	29.3%

# Earnings Accretive for Sterlite

## Scale

Expected to be 7<sup>th</sup> largest diversified natural resources major globally

## Diversification

Diversifies Sterlite, gaining exposure to world class iron ore and oil and gas assets

## Synergies

Share in up to c.INR 1,000 Crore (\$200m) p.a. of expected synergies

## Financial Strength

Strong balance sheet and lower cost of capital to deliver superior growth and returns

## Accretive

Expected to be an earnings accretive transaction

## Pro Forma Asset Ownership

Entity	Sterlite Shareholders	
	Pre	Post
HZL	64.9%	44.2%
Skorpion & Lisheen	100.0%	68.0%
Black Mountain	74.0%	50.3%
Sterlite Copper	100.0%	68.0%
Australia Copper	100.0%	68.0%
VAL	29.5%	68.0%
BALCO	51.0%	34.7%
SEL	100.0%	68.0%
MALCO	-	68.0%
Sesa Goa	-	68.0%
Western Cluster (Liberia)	-	34.7%
Cairn India	-	40.1%

# Earnings Accretive for Vedanta

## Group Structure

Simplifies and consolidates group structure

## Funding Efficiency

Better alignment of assets and liabilities and lower cost of capital as debt service is reduced

## Synergies

Share in up to c.INR 1,000 Crore (\$200m) p.a. of expected synergies

## Accretive

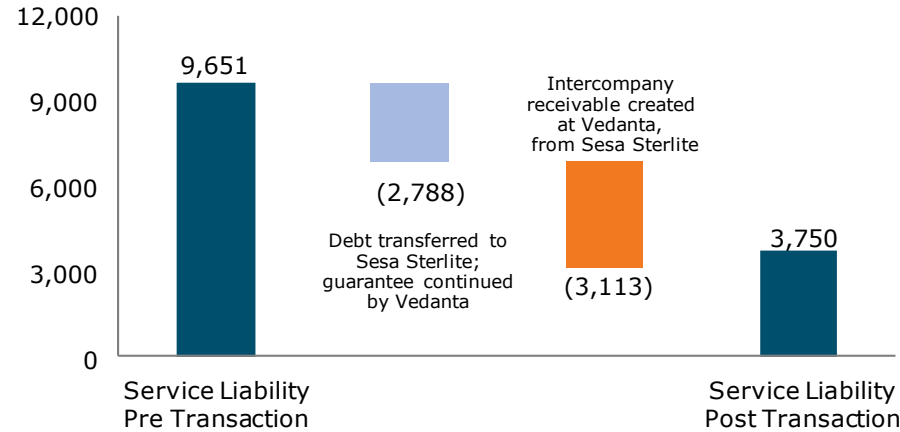
Expected to be an earnings accretive transaction

## Pro Forma Asset Ownership

Entity	Vedanta economic interest	
	Pre	Post
HZL	37.7%	37.8%
Skorpion & Lisheen	58.0%	58.3%
Black Mountain	42.9%	43.1%
Sesa Goa	55.1%	58.3%
Western Cluster (Liberia)	28.1%	29.7%
Cairn India	49.9%	34.3%
Sterlite Copper	58.0%	58.3%
Australia Copper	58.0%	58.3%
KCM	79.4%	79.4%
VAL	87.6%	58.3%
BALCO	29.6%	29.7%
SEL	58.0%	58.3%
MALCO	94.8%	58.3%

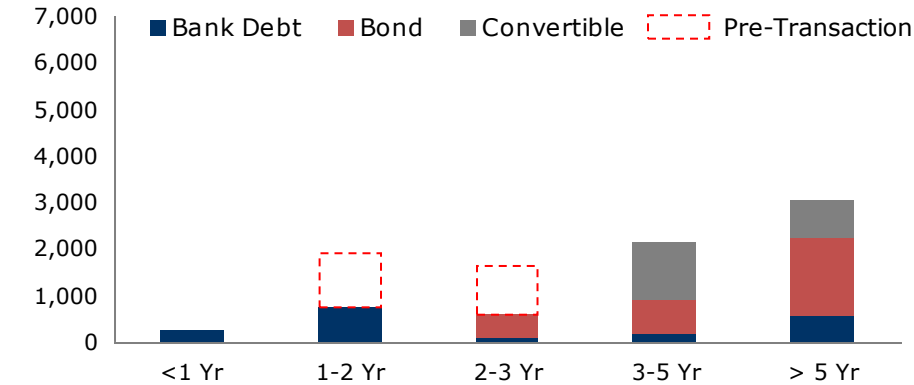
# Reduced Debt at Vedanta PLC

## Debt Service Liability (\$mm)<sup>1</sup>



- Debt service liability reduces by 61% to \$3.8bn
- Debt service cost at Vedanta reduces by c.\$300mm to c.\$180mm in FY 2013
- Significant extension of debt maturity profile

## Debt Repayment Schedule – Post Transaction (\$mm)<sup>2</sup>



1) Maturity Profile as of 31 December 2011

2) Convertibles of \$883mm due in FY2017 (with a put option in April 2013) and convertibles of \$1,250mm due in FY2017 (with a put option in July 2014) are included under FY 2017+



# Transaction Approvals

1

## Indian regulatory

- BSE and NSE
- Competition Commission of India
- High Courts in India and Supreme Court of Mauritius for interconditional scheme of arrangement
- Sesa Goa, Sterlite, VAL, MALCO and SEL shareholder approvals
  - Requires >75% by value and >50% by number of those present and voting
- The transfer of Vedanta's interest in VAL to Sesa Goa will require approval from the Foreign Investment Promotion Board in India

2

## UK regulatory

- Vedanta shareholders as class 1 transaction under the UK Listing Rules

**Expected Completion in CY 2012**

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*Summary*

**Appendix**

# Summary

- Creation of Sesa Sterlite: expected to be 7<sup>th</sup> largest global diversified natural resources major<sup>1</sup>
- Industry leading growth profile and world class assets
- Simplifies group structure
- Proven management team
- Earnings accretive for Sesa Goa, Sterlite and Vedanta

1) Ranked by EBITDA in the twelve months ended December 2011 from public filings

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**Sesa Sterlite – India’s Natural Resources Major**

**Transaction Summary and Approvals**

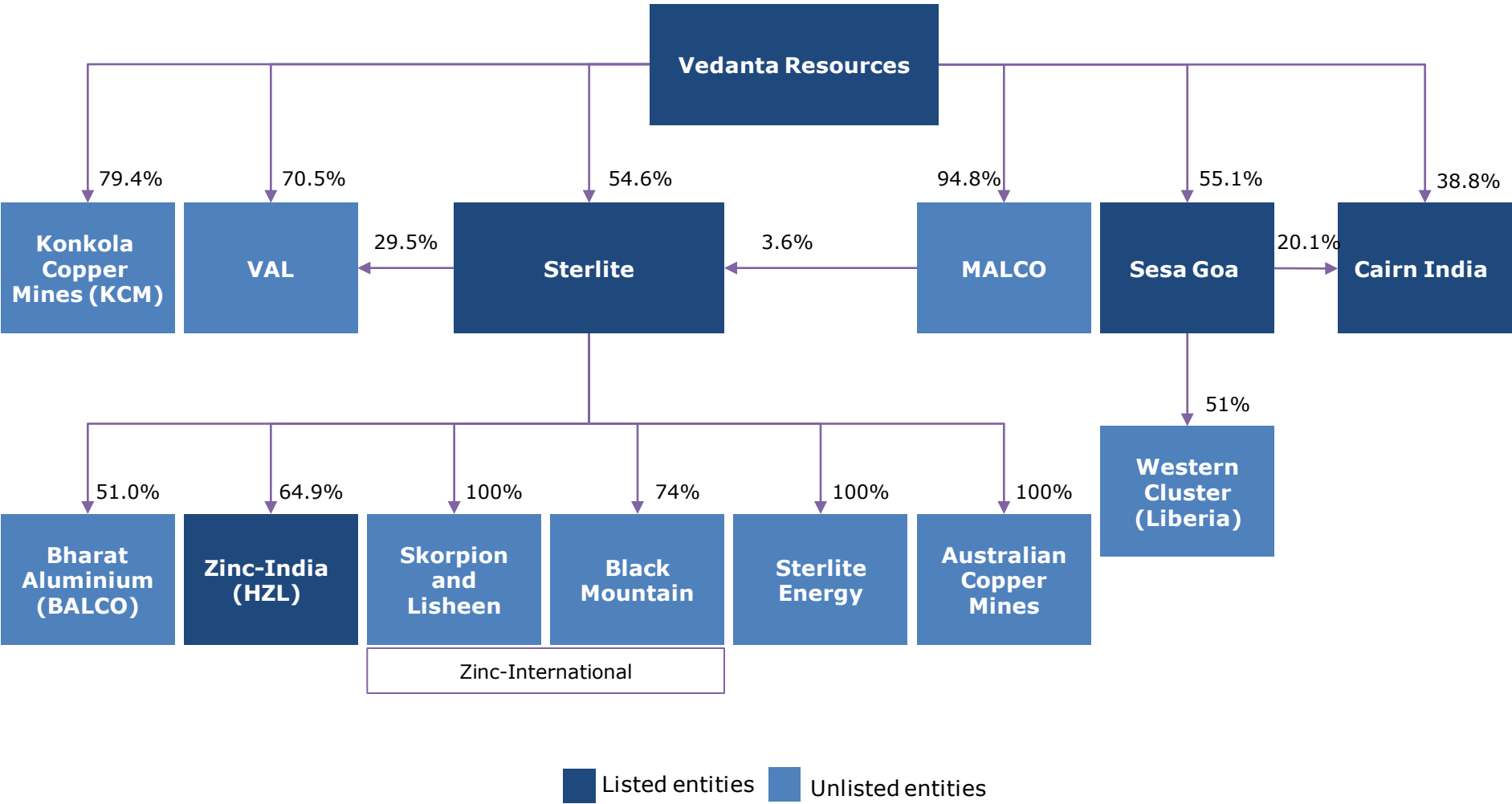
**Summary**

***Appendix***

# Transaction Timetable

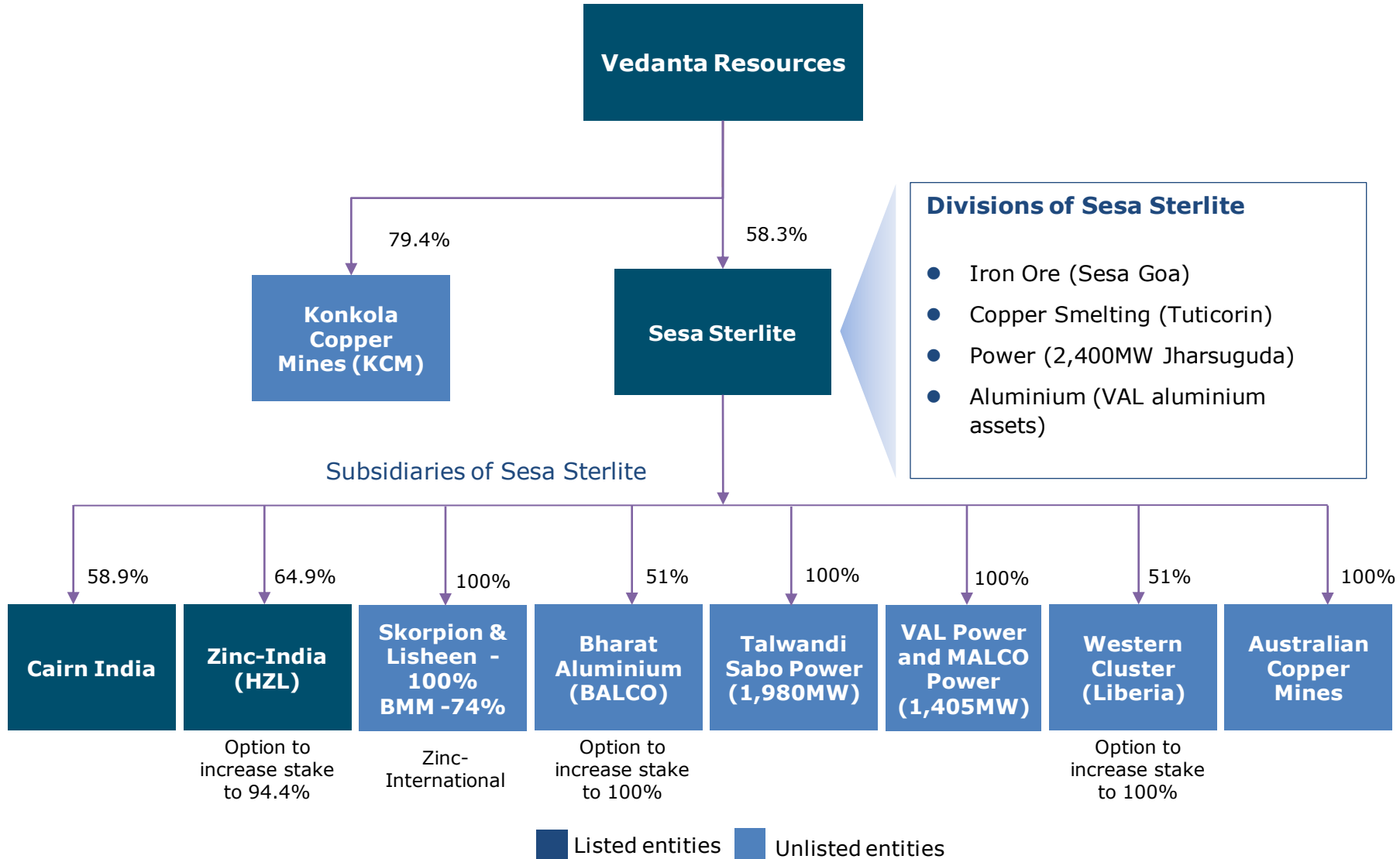
<b>Event</b>	<b>Expected date</b>
BSE and NSE approval sought	March 2012
Competition Commission approval sought	March 2012
Foreign Investment Promotion Board approval sought	March 2012
BSE and NSE approval	April 2012
Vedanta posting of UK circular	April 2012
Competition Commission approval	April 2012
Application to High Court in India and Supreme Court of Mauritius	April 2012
Vedanta EGM	May 2012
Scheme documents posted to shareholders	May 2012
Sesa / Sterlite / MALCO EGM	June 2012
Foreign Investment Promotion Board approval	June 2012
High Court of India and Supreme Court of Mauritius approval	September 2012
Other required approvals	CY 2012
Transaction completion	CY 2012

# Current Group Structure



Note: Shareholding based on basic shares outstanding

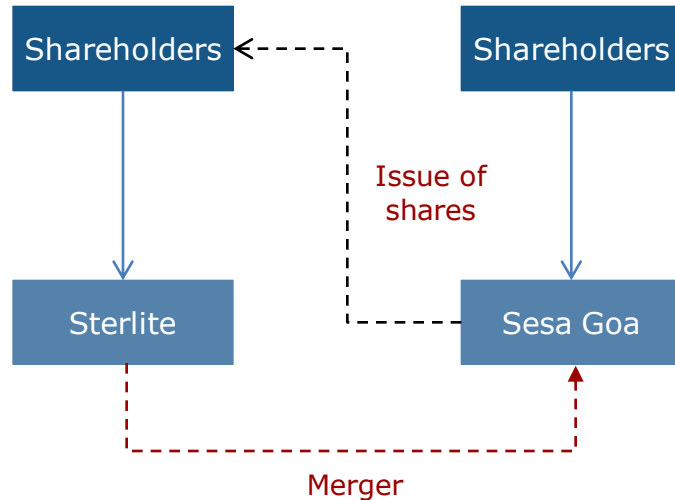
# New Group Structure



Note: Shareholding based on basic shares outstanding

# Summary Transaction Mechanics – Step 1 (a)

## Sterlite Consolidation

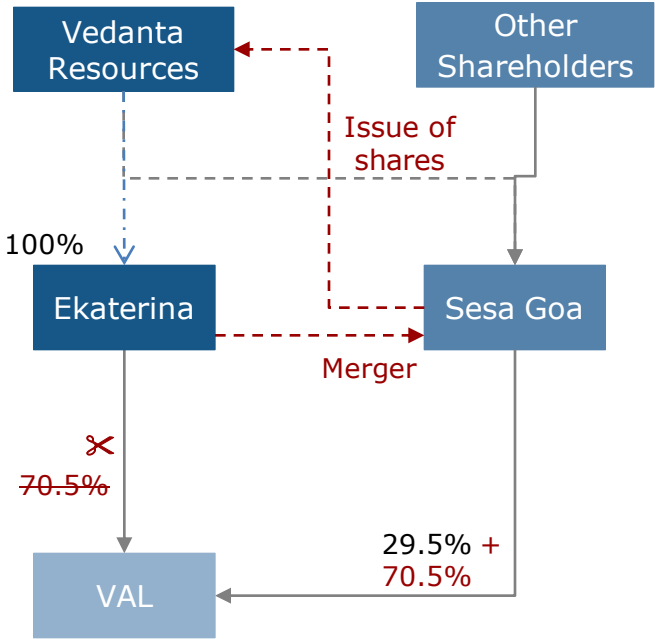


- Sterlite to merge into Sesa Goa
  - In consideration, Sesa Goa to issue shares to the shareholders of Sterlite based on the share swap ratio
  - Sesa Goa would be required to issue ADSs to the existing ADS holders of Sterlite
  - FCCB conversion price/entitlement ratio to be adjusted based on the share swap ratio



# Summary Transaction Mechanics – Step 1 (b)

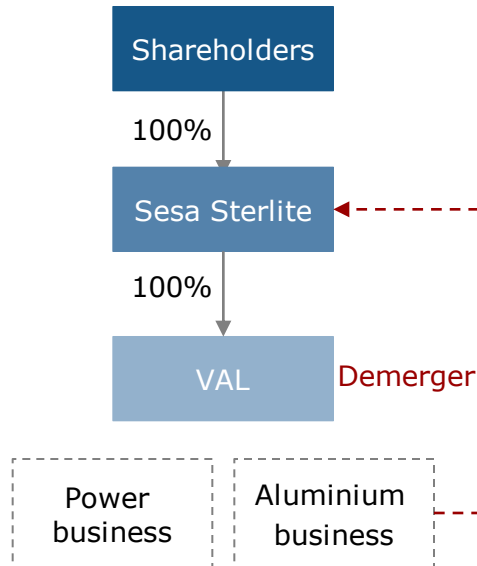
## VAL Consolidation



- Vedanta’s stake in VAL will be consolidated in Sesa Sterlite through merger of Ekaterina Limited (“Ekaterina”), a 100% subsidiary of Vedanta in Mauritius, with Sesa Goa
- In consideration, Sesa Goa will issue shares to the shareholders of Ekaterina based on the share swap ratio

# Summary Transaction Mechanics – Step 1 (c)

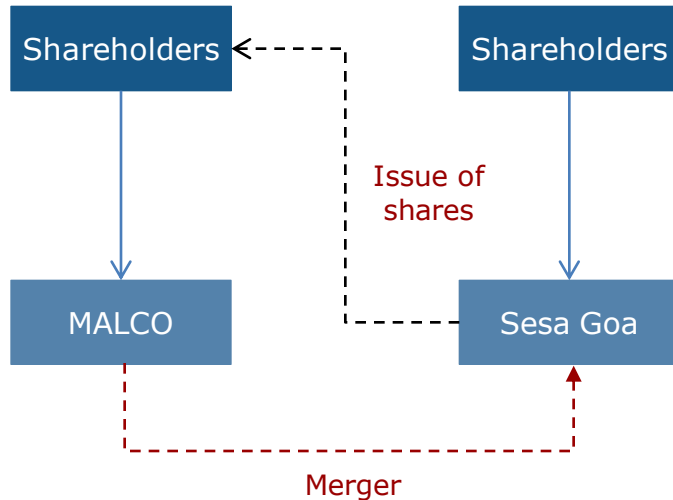
## VAL Consolidation



- VAL to demerge its 'aluminium business' undertaking into Sesa Sterlite
  - Demerger shall be effective after VAL becomes a subsidiary of Sesa Sterlite pursuant to the merger of Sterlite and Ekaterina
  - No shares issued on demerger – VAL being wholly-owned subsidiary of Sesa Goa (post Step 1(a) and 1(b))

# Summary Transaction Mechanics – Step 1 (d)

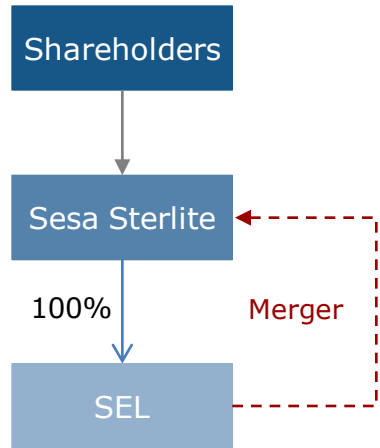
## MALCO Consolidation



- MALCO to merge into Sesa Goa
  - In consideration, Sesa Goa to issue shares to the shareholders of MALCO based on the share swap ratio
  - Shares held by MALCO in Sterlite will get extinguished on merger
  - Power plant of MALCO will be transferred to VAL as part of the same Scheme

# Summary Transaction Mechanics – Step 1 (e)

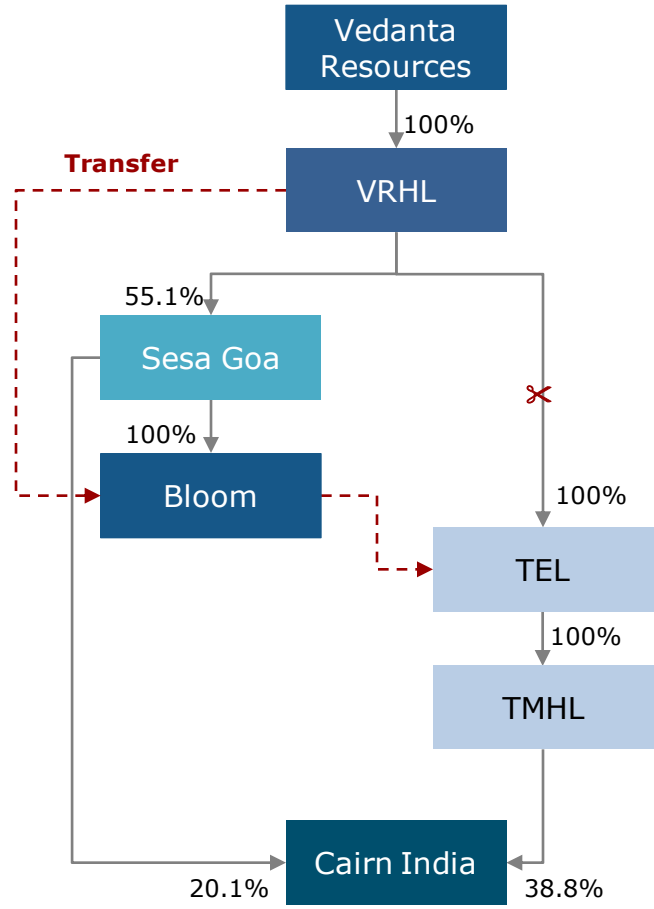
## SEL Consolidation



- SEL to merge into Sesa Goa
  - In consideration, no shares to be issued as SEL will be a wholly owned subsidiary of Sesa Goa (post step 1(a))

# Summary Transaction Mechanics – Step 2

## Transfer of Cairn India stake



- Currently, Vedanta holds a 38.8% stake in Cairn India through two subsidiaries, Twinstar Energy Limited (“TEL”) and Twinstar Mauritius Holdings Ltd. (“TMHL”)
- TMHL had acquired a stake in Cairn India by borrowed funds from Vedanta and banks
- Bloom Fountain Limited (“Bloom”), a wholly-owned subsidiary of Sesa Goa, shall acquire shares in TEL

# Overview Valuation and Ownership

Entity	Equity value (value/share) <sup>1</sup>		Net debt		Current NOSH	Shares in NewCo	Ownership pre-transaction		Ownership Sesa Sterlite	
	\$mm	INR Crore	\$mm	INR Crore			Vedanta	Minorities	Vedanta	Minorities
Sesa Goa	4,013	19,759	867	4,272	869	869	55.1%	44.9%	16.2%	13.2%
	\$4.62	INR227								
Sterlite	9,310	45,850	(1,864)	(9,183)	3,361	2,017	54.6%	45.4%	37.2%	30.9%
	\$2.77	INR136								
MALCO	363	1,790	(38)	(187)	-	79	94.8%	5.2%	2.5%	0.1%
VAL	333 <sup>2</sup>	1,644 <sup>2</sup>	3,999	19,695	-	72	70.5%	29.5%	2.4%	-
<i>Cancellation Sterlite shares held by MALCO</i>	(332)	(1,634)	-	-	-	(72)	-	100.0%	-	(2.5%)
<i>Net cash Cairn India</i>	-	-	(1,311)	(6,458)	-	-	-	-	-	-
<i>Cairn India acquisition debt</i>	-	-	5,847	28,797	-	-	-	-	-	-
<b>New Sesa Sterlite</b>	<b>13,687</b>	<b>67,409</b>	<b>7,500</b>	<b>36,936</b>	<b>-</b>	<b>2,965</b>	<b>-</b>	<b>-</b>	<b>58.3%</b>	<b>41.7%</b>

Note: Shareholding based on basic shares outstanding

1) Equity value based on Sesa Goa closing share price on 24 February 2012

2) Value of Vedanta's 70.5% stake in VAL

# Detailed Pro Forma Financials

LTM December 2011 (INR Crore)	Sesa Goa	Sterlite	Cairn India	VAL	MALCO	Synergies & Other Adjustments	Sesa Sterlite <sup>1</sup>
<b>Key Financials</b>							
Revenue	9,090	40,204	11,864	5,653	325	(705)	66,431
EBITDA	4,201	10,618	9,586	497	51	-	24,953
Attributable Net Income Post Minorities	2,995	5,476	8,209	(2,346)	68	(3,431)	10,971
Gross Debt	4,413	12,363	1,252	19,892	0	28,797	66,717
Cash & Current Investments	141	21,546	7,710	197	187	-	29,781
Net Debt <sup>2</sup>	4,272	(9,183)	(6,458)	19,695	(187)	28,797	36,936
Net Interest Expense	(201)	(1,824)	(639)	2,031	(25)	1,634	976
<b>Key Credit Ratios</b>							
Net Debt / EBITDA	1.0x	(0.9x)	(0.7x)	39.6x	(3.7x)	-	1.5x
Net Debt / Equity (%)	30.6%	(20.3%)	(14.0%)	NM	(26.6%)	-	50.2%
Interest Coverage (x) <sup>3</sup>	(20.9x)	(5.8x)	(15.0x)	0.2x	(2.0x)	-	25.6x

Note: Pro forma financials in the twelve months ended December 2011. Market data as of 24 February 2012

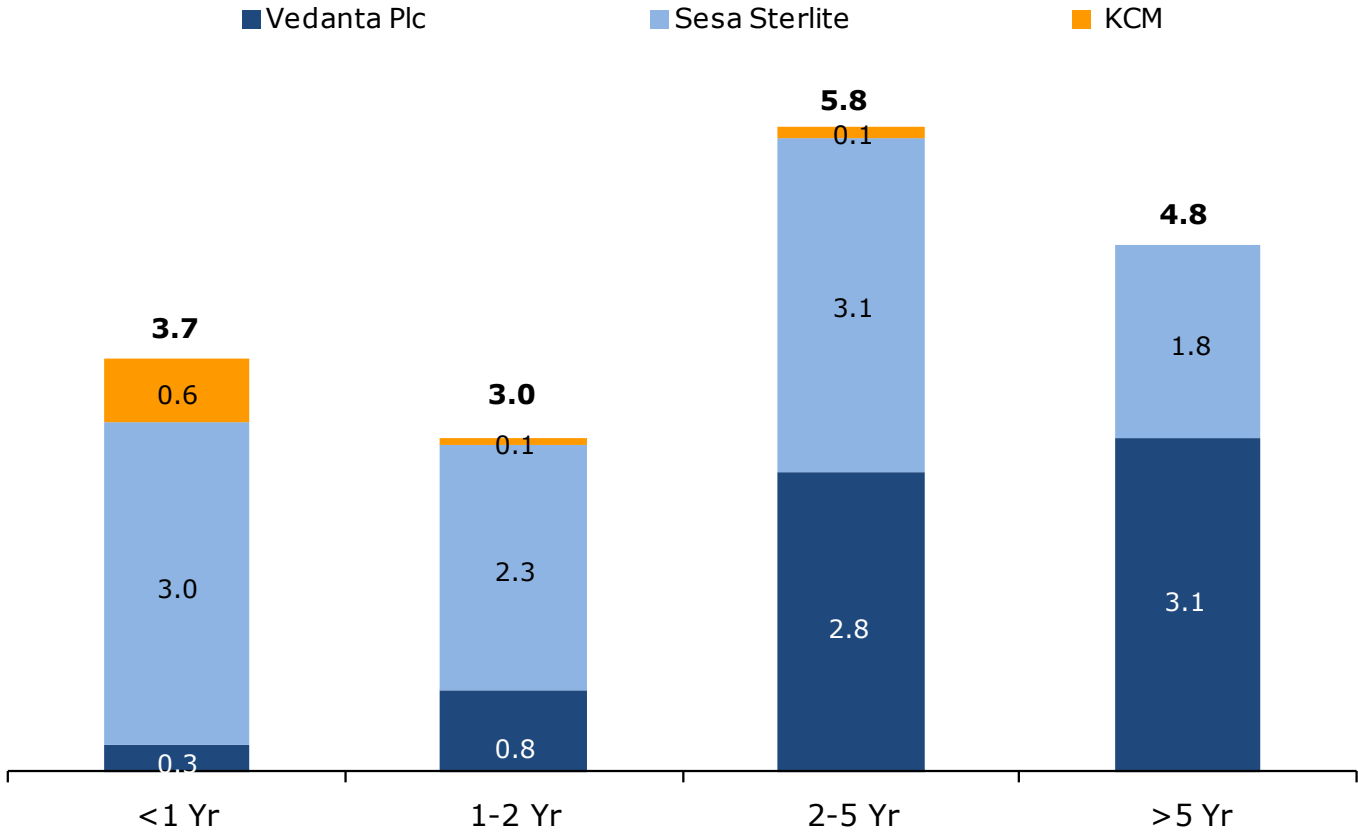
1) VAL, MALCO and Cairn India fully consolidated into Sesa Sterlite

2) Sterlite FCCB conversion price/entitlement ratio to be adjusted based on share swap ratio

3) EBITDA / Net Interest

# Vedanta Group Debt Maturity Profile

Pro forma debt maturity profile post transaction (\$bn)



1) Maturity profile as of 31 December 2011  
 2) Numbers are shown at face value on debt. Numbers on IFRS basis  
 3) Convertibles of \$883mm due in FY2017 (with a put option in April 2013) and convertibles of \$1,250mm due in FY2017 (with a put option in July 2014) is included under >5 Yr