



# **Vedanta Group Acquisition of Controlling Stake in Cairn India**

**16 August 2010**

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## Key Transaction Terms

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- Acquiring 51% to 60% of Cairn India for a total consideration of \$8.5bn to \$9.6bn<sup>1</sup>
  - Vedanta to acquire a 31% to 40% interest
  - Sesa Goa to acquire a 20% interest
- Implied equity value of Cairn India of \$16.6bn
  - Premium of 21.8% to the undisturbed share price of INR332.60<sup>2</sup>
- Subject to shareholder and regulatory approvals
- Immediately EPS accretive for shareholders
- Funded through debt and cash resources
- Expected to close by Q1 2011

<sup>1</sup> Assuming exchange rate of INR46.765 per US\$ as of August 13, 2010 and total shares outstanding of 1,919.9mm and based on an offer tender price of INR355 per share and a non-compete fee of INR50 per share

<sup>2</sup> Premium is calculated using offer price including non-compete fee of INR50 over closing price as of August 11, 2010, the last trading day prior to rumours regarding a potential transaction with Vedanta

## Unique Opportunity to Create Value

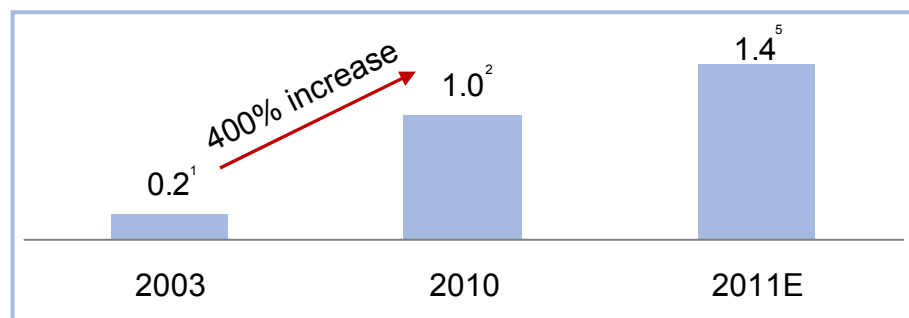
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- A unique investment to create an Indian natural resources champion
- Leverages Vedanta's core skills
  - Complementary development and operating philosophy
  - Focus on delivery and cost
  - Unique position in Rajasthan
- Cairn India is a world class asset
  - Large, diverse resource base (>6.5bn boe) with substantial upside
  - Potential to produce 240,000+ bopd: approximately 25% of India's production
  - Low cost producer with strong cash flow generation
- Enhances and diversifies Vedanta's strong growth pipeline
- Immediately earnings accretive

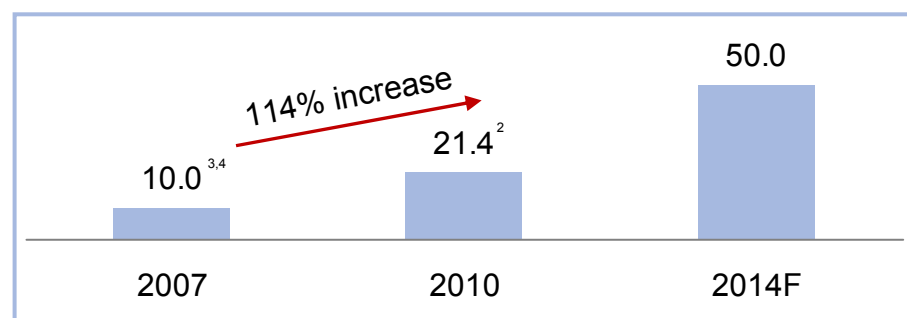
# Track Record of Value Creation



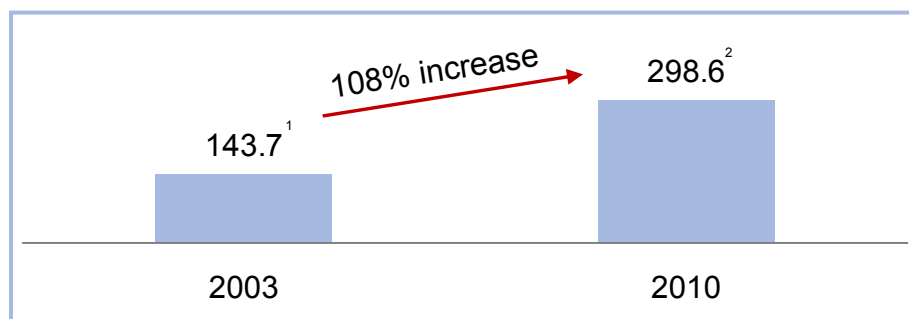
## Capacity (mmtpa)



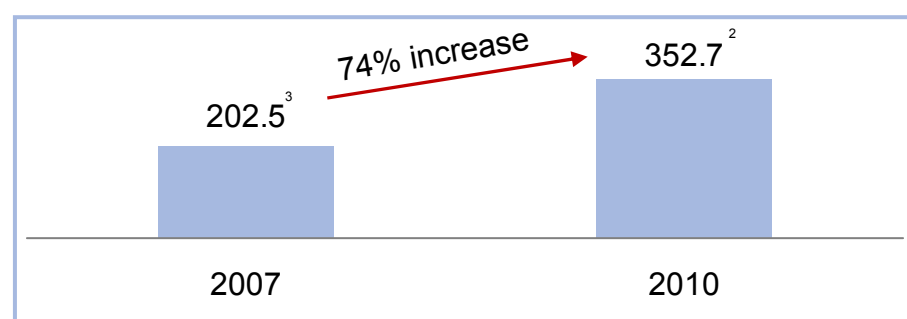
## Production (mmtpa)



## Reserves and resources (mmt)



## Reserves and resources (mmt)



<sup>1</sup> Vedanta IPO prospectus

<sup>2</sup> Vedanta Annual Report 2010

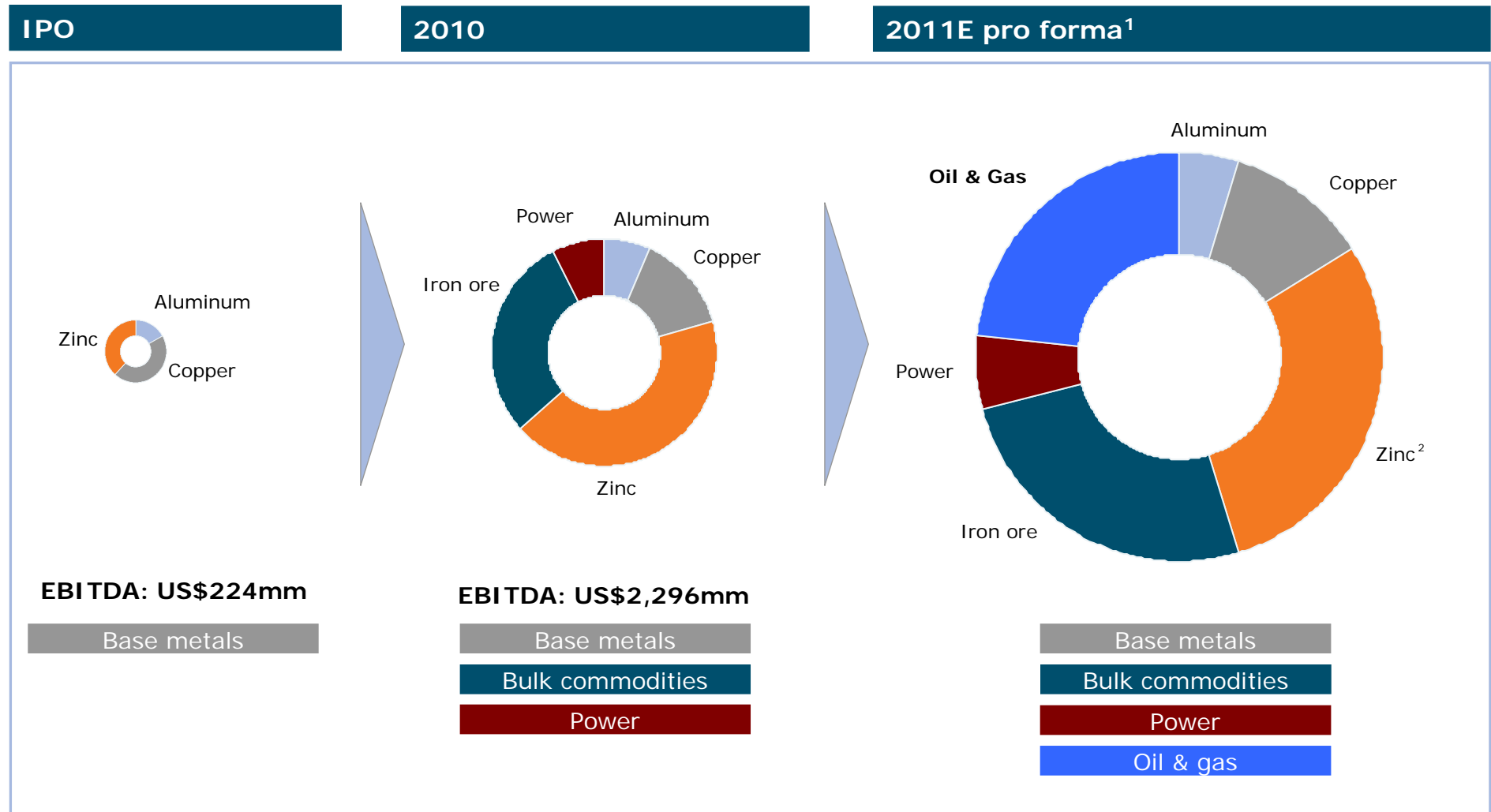
<sup>3</sup> Vedanta Annual Report 2008

<sup>4</sup> Represents production from May 2007 to Mar 2008 (11 months)

<sup>5</sup> Includes 0.3mmtpa for Anglo Zinc

**Acquisitions + efficiencies + exploration + expansion = value creation**

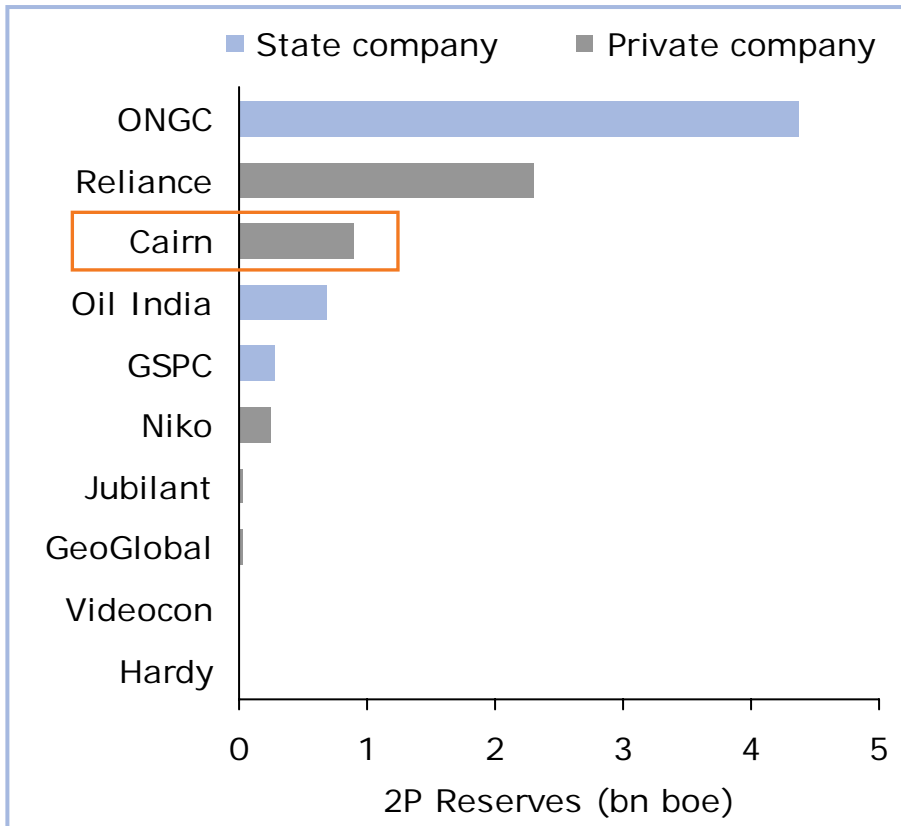
# Leveraging Core Skills to Create Value



<sup>1</sup> Approximate split based on analyst consensus  
<sup>2</sup> Excludes contribution from Anglo Zinc

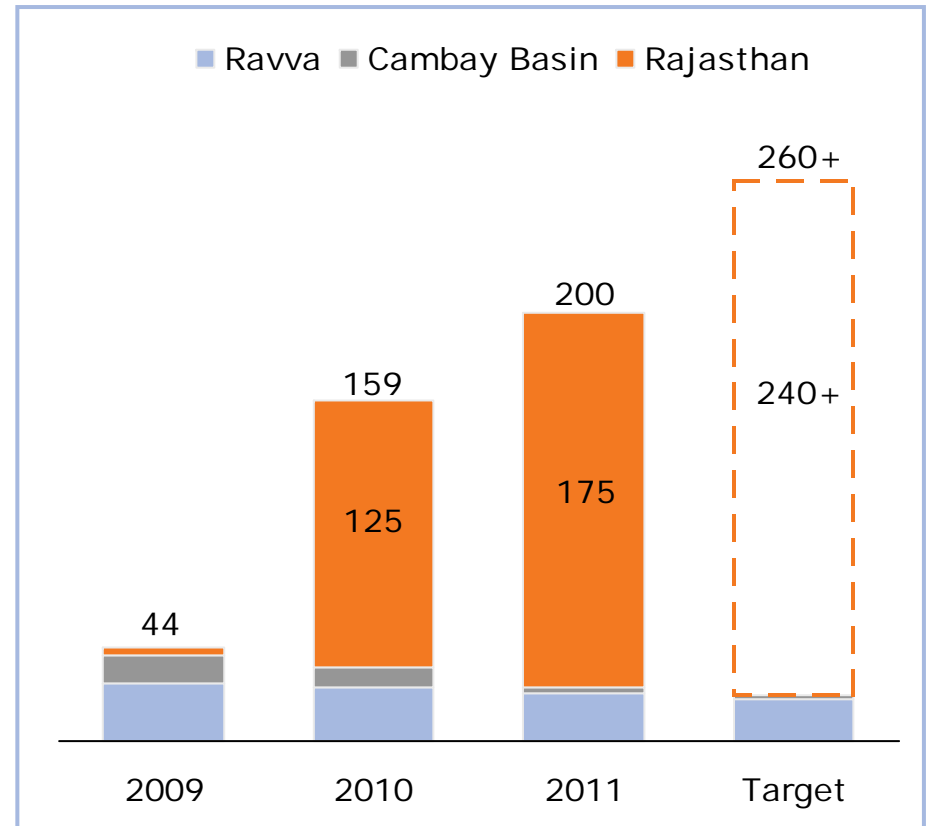
# Cairn India: Scale and Growth

**Top 10 Players (2P Indian Reserves, bn boe)**



Source: Wood Mackenzie  
Note: Cairn comprises 2P & 2C

**Cairn India Production Profile ('000 boepd, Gross)**



Source: Wood Mackenzie, Company data

**An Indian oil major**

# Cairn India Highlights

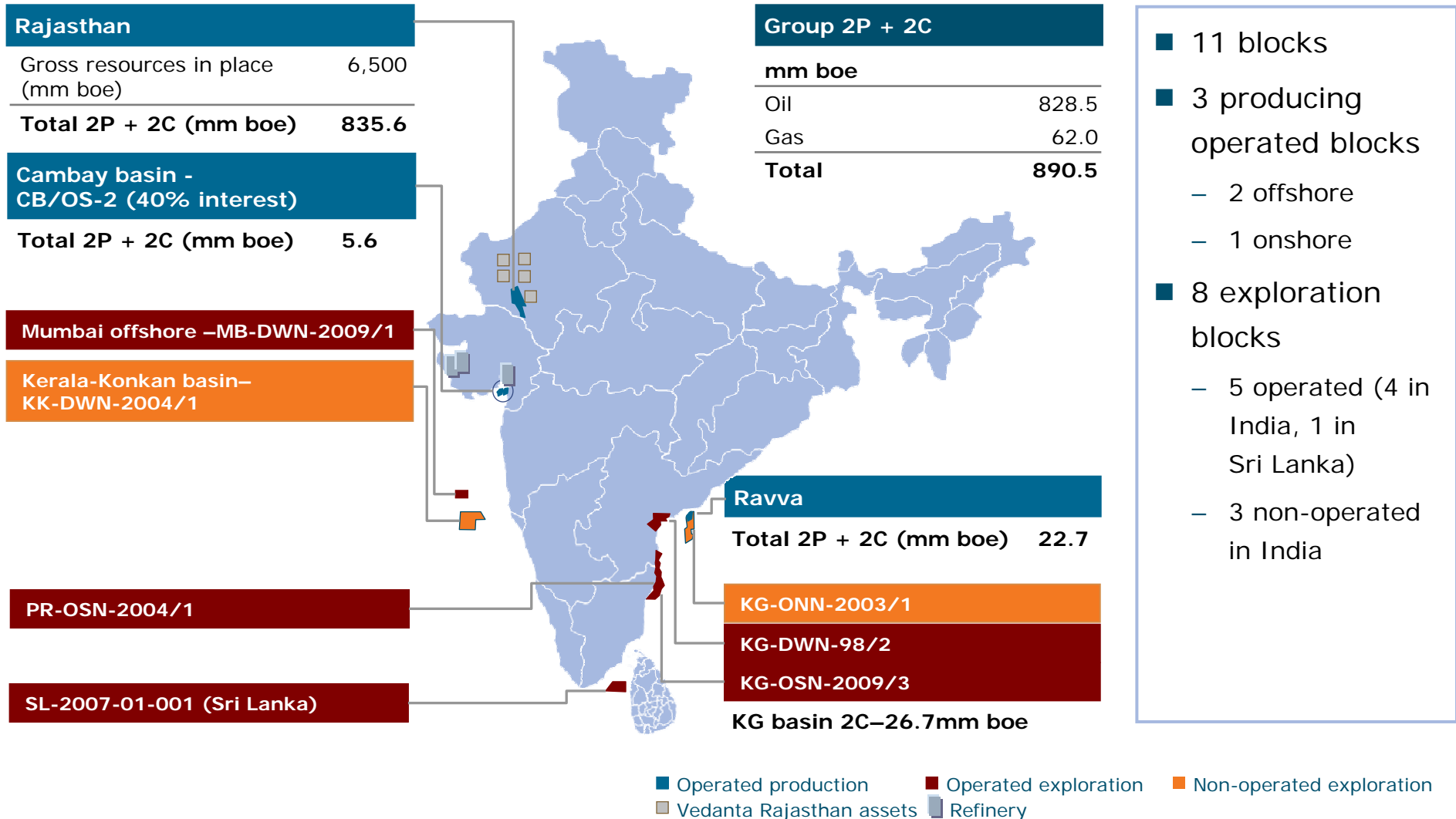
- Large resource base with significant growth potential
  - 2P reserves and 2C resources of 890mm boe<sup>1</sup>
  - Estimated gross initial in place volumes of 6.5bn boe<sup>2</sup>
  - Significant near-term upside: potential for 300mm boe 2P reserves via EOR; 20 additional discoveries and over 35 prospects
- Key producing asset substantially de-risked
  - 125,000 bopd production in H2 2010, plan to reach at least 240,000 bopd
- Low cost producing assets
  - Low cost F&D platform (\$5/bbl), low opex (\$5/bbl)
- Deep skill sets in oil & gas
- High quality management team
- Unique position in Rajasthan
- Excellent HSE track record

<sup>1</sup> Group

<sup>2</sup> Rajasthan only



# Cairn India's Asset Base



Note: All reserves and resources are Cairn India working interest

## The Platform for Broader Growth

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- Doubling production in Rajasthan in the short term
- Rajasthan provides a cash flow engine to drive future growth
  - Commitment to reinvestment
  - Establish a portfolio of material and sustainable core areas
- Portfolio of exploration opportunities
  - India is under-explored
  - 35+ prospects identified in Cairn's existing acreage
- Full cycle E&P skill set
- Vedanta investment positions Cairn India for greater growth

## Transaction Details

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- Vedanta Group to acquire between 51% - 60% of Cairn India via the following steps
  - Vedanta Resources Plc to acquire 51% from Cairn Energy
  - Sesa Goa to tender for 20% via an open offer
  - Vedanta's purchase to be reduced by the shares acquired under the tender offer to a minimum of 40%
  - If Sesa Goa's open offer is not fully taken up, it will purchase shares from Vedanta Plc to reach 20%
- Result: Vedanta Resources Plc holding 31 – 40% and Sesa Goa holding 20%
- Put and call options written to enable either Vedanta or Cairn Energy to ensure a minimum of 50% of Cairn India is acquired from Cairn Energy

## Transaction Financing

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- Transaction consideration of US\$8.5bn to US\$9.6bn
- Payable on completion (expected by Q1 2011)

### **Funding**

- Vedanta Resources: bank debt facilities of up to US\$6.5bn,  $\geq 2$  year tenure
- Sesa Goa: c. US\$3bn, primarily from cash resources

## Funding Summary and Credit Metrics

US\$mm	Net Debt	EBITDA	Net Debt/ EBITDA	Net gearing
Vedanta FY 2010	947	2,296	0.4x	8%
Pro forma FY 2010 <sup>1</sup>	11,030	2,459	4.5x	37%
Pro forma FY 2011E <sup>1, 2</sup>	-	-	<2x	<25%
Pro forma FY 2012E <sup>1, 2</sup>	-	-	<1x	<20%

- Combination of strong balance sheets and cash flows supports credit
- Significant headroom within debt covenants
- Financial flexibility retained
- Existing capex programme remains unaffected

<sup>1</sup> Pro forma for Vedanta Group and Cairn India

<sup>2</sup> Company estimates

## Summary: Unique Opportunity to Create Value

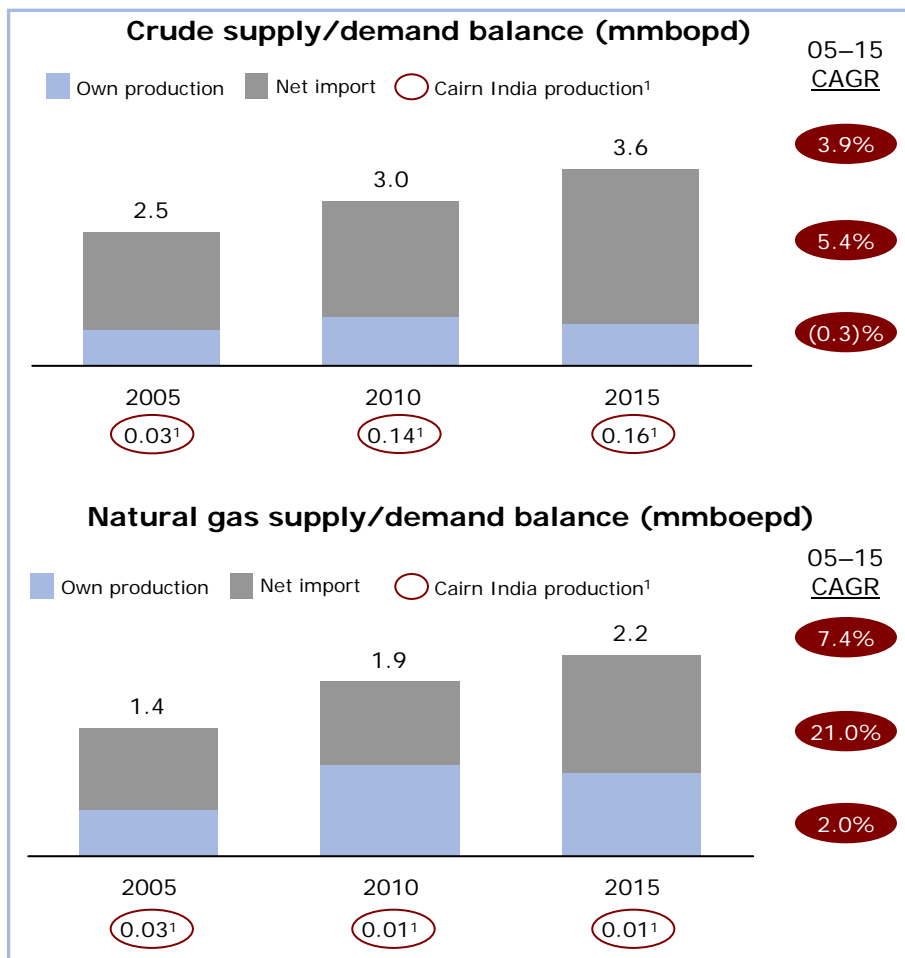


- Creating an Indian natural resources champion: comprehensive footprint across India's resources sector
- World class asset and management team
- Leverages Vedanta's core skills
- Common operating philosophy: focus on delivery and costs
- Enhances and diversifies Vedanta's strong growth profile
- Financial flexibility retained and no impact on existing expansion programmes
- Immediately EPS accretive for shareholders

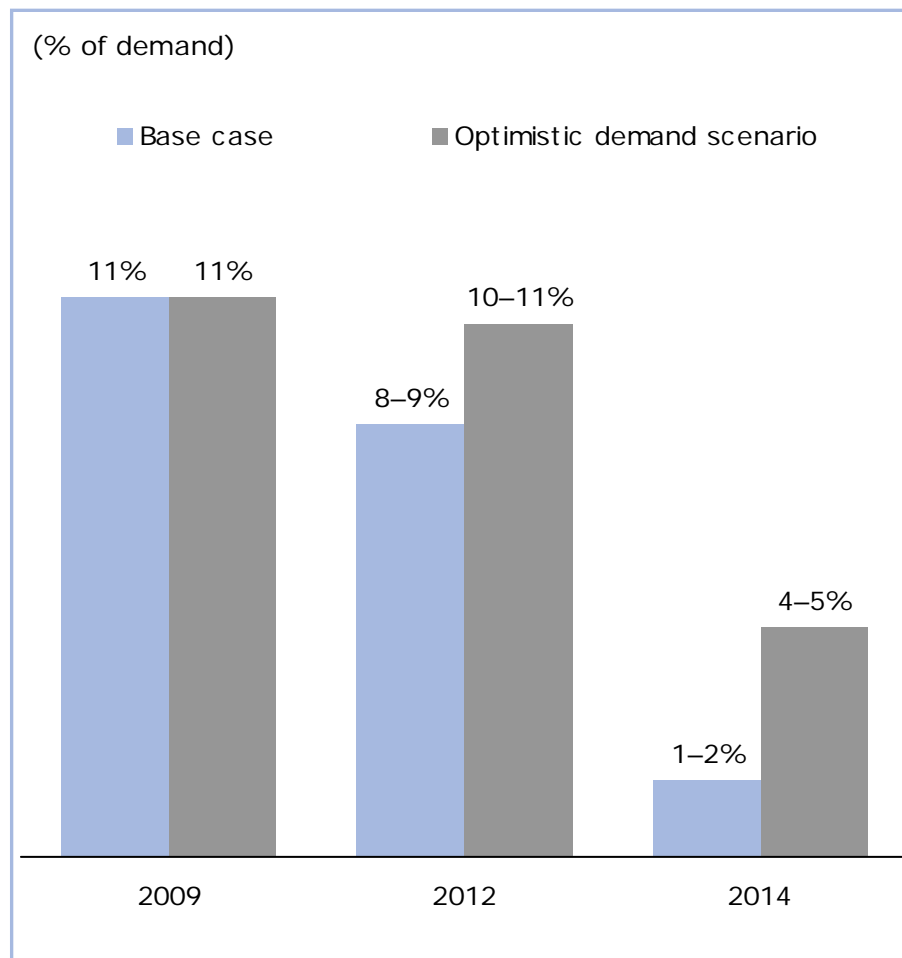
# Appendix

# India Energy Sector

## Oil & gas supply demand mismatch



## Projected electricity supply deficit



Source: Wood Mackenzie; FACTS; Energyfiles; McKinsey analysis  
<sup>1</sup> Gross numbers; Forecasts based on Degolyer and MacNaughton estimates

Source: EPS, A.T. Kearney analysis



## Attractive Strategic Investment for Sesa Goa

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- World class asset with significant growth potential
- Participation in a controlling interest by Vedanta Group
- Will benefit from the value created as part of the Vedanta group
- Superior investment returns on surplus cash
- Immediate EPS enhancement
- Expansion programme to 50mmtpa unaffected by this transaction

**Unique opportunity to partner with Vedanta in a world class oil asset**

## Cairn India Core Assets

<b>Asset</b>	<b>2P + 2C (mm boe)</b>	<b>% stake</b>	<b>Partners</b>	<b>Operator</b>	<b>Onshore/ Offshore</b>	<b>Production (‘000 boepd)<sup>1</sup></b>
Rajasthan	836	70.0%	ONGC (30%)	Cairn	Onshore	>70.0
Ravva	23	22.5%	ONGC (40%), Videocon (25%), Ravva Oil (12.5%)	Cairn	Offshore	8.3
Gauri, Lakshmi (Cambay)	6	40.0%	ONGC (50%), Tata Petrodyne (10%)	Cairn	Offshore	5.4
KG-DWN- 98/2	27	10.0%	ONGC (90%)	ONGC	Offshore	N/A

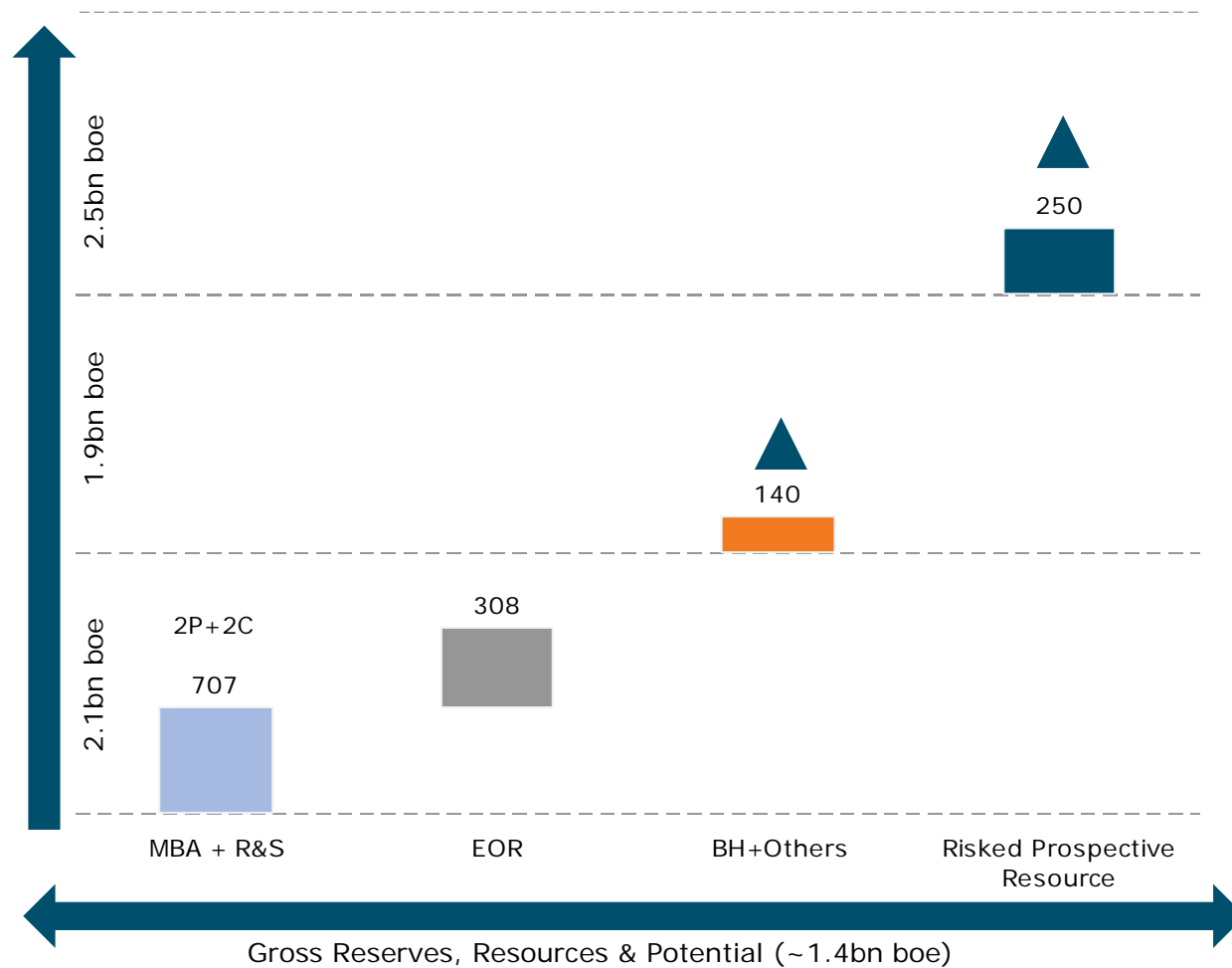
Source: Cairn India

<sup>1</sup> Actual FY2010 attributable production except for Rajasthan which is based on Cairn India investor presentation as at August 2010 (processing > 100,000 bopd)

# Rajasthan Reserve and Resource Potential

## Rajasthan

- Gross Initial in Place Volumes (~6.5bn boe)
- Potential for an additional 7bn boe based on global analogues
- 7 major untested plays identified
- Potential for unconventional (shale gas)



Source: Cairn India

# Cairn India Exploration Portfolio Outside Rajasthan

East India basins	KG-ONN-2003/1 (Cairn India-49%; operator)	<ul style="list-style-type: none"> <li>Five well exploration programme commenced in Q1 2010</li> </ul>
	KG-DWN-98/2 (Cairn India-10%; operator-ONGC)	<ul style="list-style-type: none"> <li>Northern area in appraisal phase</li> <li>Second and third appraisal wells drilling</li> </ul>
	KG-OSN-2009/3	<ul style="list-style-type: none"> <li>Block awarded in NELP VIII licensing round</li> </ul>
	PR-OSN-2004/1 (Cairn India-35%; operator)	<ul style="list-style-type: none"> <li>811km<sup>2</sup> 3D seismic completed in Q1 2010</li> <li>3 wells to be drilled in 2011</li> </ul>
West India basins	KK-DWN-2004/1 (Cairn India-40%; operator-ONGC)	<ul style="list-style-type: none"> <li>300km<sup>2</sup> 3D seismic planned for 2010</li> </ul>
	MB-DWN-2009/1	<ul style="list-style-type: none"> <li>Block awarded in NELP VIII licensing round</li> </ul>
Sri Lanka	SL-2007-01-001 (Sri Lanka) (Cairn India 100%; operator)	<ul style="list-style-type: none"> <li>1,750km<sup>2</sup> 3D seismic completed</li> <li>3 leads confirmed in 2 plays, drilling planned in Q2 2011</li> </ul>

Source: Cairn India

# Cairn India Today

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	<b>FY2010</b>	<b>1Q 2011</b>
Production (boepd)	24,957	44,812
Realised price (\$/bbl)	60.90	67.10
EBITDA (\$mm)	163	135
Net profit (\$mm)	222	62
Capex <sup>1</sup> (\$mm)	934	177
Planned capex 2010–2011 (\$mm)		1,400
LTI Frequency Rate <sup>2</sup>	0.26	N/A

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<sup>1</sup> Rajasthan development capex only

<sup>2</sup> Data is for CY2009, source: Cairn Energy

# Corporate Social Responsibility

- Vedanta and Cairn India share a similar vision on sustainability
- Both the companies have rigorous and extensive focus on
  - Health
  - Environment
  - Communities
  - Safety

## Vedanta

- Midday meal scheme serves 180,000 students daily
- Extensive computer education programme in government schools
- Currently operates/supports anganwadis (child care centres)
- 72% reduction in LTIFR over last 5 years

## Cairn India

- Special literacy initiatives, teacher training and theatre in school
- Comprehensive child and maternal health programmes
- Mobile health vans covering 64 villages
- Rigorous focus on safety reflected in achieving LTIFR below industry average

# Glossary

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- 2P - Proven plus Probable reserves
- 2C - Contingent resources
- 2D/3D - Two Dimensional/Three Dimensional
- boe - Barrel(s) of Oil Equivalent
- boepd - Barrels of Oil Equivalent per Day
- bopd - Barrels of Oil per Day
- E&P - Exploration & Production
- EOR - Enhanced Oil Recovery
- F&D - Finding & Development
- FDP - Field Development Plan
- mubo - Million Barrels of Oil Equivalent
- mmt - Million Metric Tonne
- PSC - Production Sharing Contract
- tpa - Tonnes per Annum